



Worcester
CITY COUNCIL

WORCESTER CITY COUNCIL

ANNUAL REPORT OF THE

AUDIT AND

GOVERNANCE COMMITTEE

2019/20

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FOREWORD

Welcome to the Annual Report of Worcester City Council's Audit and Governance Committee for the Municipal Year 2019/20.

The purpose of the Annual Report is to provide Members with an understanding of the role of the Committee and to highlight the work that it has undertaken over the last twelve months.

The Chartered Institute of Public Finance and Accountancy – CIPFA - states that the purpose of an Audit Committee is "To provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes."

For the majority of the Municipal Year 2019/20 the business of the Committee took its usual course, with the Committee overseeing its routine monitoring of the Council's governance and control environment and combining this with scrutiny of items of particular interest identified by Committee Members. However, in March 2020 the work programme of the Committee and of the Council's external auditors was interrupted by the Covid-19 pandemic. This has particularly impacted on the timetable for the approval of the Council's Annual Accounts and Audit Certificate although I am pleased to report that all legal deadlines have been met in this respect and the external audit has now been successfully completed.

As with previous years, Committee Members have been diligent and focused on undertaking this role and again I would like to thank them all for the individual contributions that they have made over the last year. There has been a high level of engagement of Members in the work of the Committee and I am pleased to say that there have been no major areas of risk or concern for the Committee to highlight or report back to the Council.

The Committee has been supported by the s151 Officer Shane Flynn and the Monitoring Officer Sian Stroud as well as the Head of Finance Mark Baldwin and the Head of the Internal Audit Shared Service Andy Bromage.

I would also like to express my thanks to Ernst & Young, the Council's External Auditors, for their advice and support offered over the course of the year.

Finally, I would like to thank Cllr Pat Agar and Cllr Jenny Barnes for supporting me in the role of the Vice-Chair of the Committee during the year.

Councillor Alan Amos
Chairman
November 2020

1. Background

- 1.1 The purpose of the Committee is to provide independent assurance to our members of the adequacy of the risk management framework and the internal control environment. The Committee shall work in co-operation with the Council's statutory officers on corporate governance issues. The Audit & Governance Committee provides independent review of the Council's governance and is responsible for risk management and control frameworks and oversees the financial management and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.
- 1.2 All Councillors are eligible to be Members of the Committee. The size of the Committee shall be determined from time to time by the Council. The Committee may recommend to Council the appointment of one other person with particular skills that will be useful to the committee as a non-voting co-optee.

2. The Role of the Committee

- 2.1 The following matters are within the remit of the Committee:
- to consider all issues relating to audit matters, both internal and external;
 - to monitor and review the effectiveness of risk management systems, including systems of internal control;
 - to consider any reports from the Chief Internal Auditor relating to matters within the remit of the Committee;
 - to consider the preparation and monitoring of the internal audit plan;
 - to approve summary reports of each internal audit;
 - to agree the external audit plan;
 - to consider reports from the external auditor, including value for money, systems and final accounts audits;
 - to review and monitor the performance of internal audit;
 - to review and monitor the anti-fraud strategy and initiatives;
 - to review the Council's transparency arrangements;
 - to review and monitor corporate governance matters for example by approving the Annual Governance Statement prior to its being signed off by the Leader of the Council and the Managing Director and the Annual Statement of Accounts before its approval by the Council; and
 - to consider the external auditor's annual report on the Council's statement of accounts income and expenditure.

3. Meetings of the Committee

- 3.1 For the 2019/20 Municipal Year, the Committee membership was as follows:
- Councillors Alan Amos (Chair), Pat Agar (Vice-Chair), Nida Hassan, Stephen Hodgson, Andy Roberts, Jenny Barnes, Richard Udall and Neil Laurensen.
- 3.2 The Committee met four times in 2019, in July, September, October and December. Meetings were open to the public. The meeting scheduled for March 2020 was cancelled because of the Covid-19 pandemic. In April 2020 the Council moved to remote meetings conducted by videoconferencing and so the Committee was able to meet again, its next meeting (in July 2020) therefore falling into the subsequent Municipal Year.

3.3 Matters considered by the Committee in 2019/20 included:

- Annual Governance Statement
- Annual Statement of Accounts
- Internal Audit Work Plan and Progress Reports
- External Audit Reports
- Other governance issues within the remit of the Committee

3.4 More information on these topics is set out below.

4. Annual Governance Statement

4.1 The Annual Governance Statement (AGS) is a document which provides the Council and its stakeholders with information about the arrangements in place for good governance and the robustness of those arrangements, and an assurance about the degree of compliance and the need for improvement in governance arrangements.

4.2 The Committee approved a new format for the Annual Governance Statement, which set out the Council's governance arrangements against each of the CIPFA principles of good governance and provided specific evidence and examples of how each principle had been addressed.

4.3 The Committee was satisfied that the Annual Governance Statement combined with the Internal Audit report and the External Auditors report all combine to reflect the strong governance arrangements in place at the Council and the effective operation of those arrangements.

4.4 The Committee approved the AGS at its meeting in July 2020 for sign off by the Leader of the Council and the Head of Paid Service. The Statement was subsequently included in the Annual Statement of Accounts.

4.5 The Council's Local Code of Corporate Governance and related Corporate Governance Action Plan which had been fully refreshed and reviewed by the Committee the previous year, was reaffirmed by the Committee for the coming year.

5. Internal Audit

5.1 The Worcestershire Internal Audit Shared Service (WIASS) produces a risk based Annual Plan, which is considered by the Committee. WIASS delivers its programme for the year in conformance with the UK Public Sector Internal Audit Standards as published by the Institute of Internal Auditors.

5.2 The Committee receives reports at each meeting on progress made by WIASS towards meeting its objectives as set out in the Plan and the results of the work that they have undertaken. This includes details of internal audits that are conducted over the course of the year, the National Fraud Initiative and progress with follow-up audits. The Head of Service for the Worcestershire Internal Audit Shared Service attends each meeting to highlight the main points and answer questions from Members.

- 5.3 Overall the audits undertaken in 2019/20 have provided a satisfactory outcome. The Committee has been advised that areas where some risk mitigation requirements were required have been discussed with the relevant managers and action plans have been formulated and agreed to address the matters identified.
- 5.4 The Committee considered and agreed the Worcester City Council Draft Internal Audit Plan and the Internal Audit Shared Services key performance indicators for 2020/21 at its meeting in July 2020.

6. Annual Statement of Accounts

- 6.1 Due to the impact of the Covid-19 pandemic, the Government extended the deadline for Accounts submission to November. The Council was able to produce a draft set of accounts by the end of May in accordance with its usual work programme. The external auditors Ernst & Young then worked remotely, supported by the Council's team, to produce the annual Statement of Accounts including any Audit Findings for Worcester City Council, together with their proposed Letter of Representation.
- 6.2 The Auditors now have provided an unqualified audit opinion on the Statement of Accounts, and an unqualified Value for Money conclusion.

7. External Audit

- 7.1 The Council's external auditors were Ernst & Young.
- 7.2 The external auditors produce an Annual Audit Plan, which is considered and agreed by the Committee. The Plan sets out their proposed approach to planning and delivering their audit and the fees for the forthcoming year.
- 7.3 Ernst & Young are also engaged by the Council to produce an Annual Audit Letter, which summarises the key messages from the work of the Council's external auditors for the preceding year, including:
- Financial Statements;
 - Value for Money Conclusion;
 - Whole of Government Accounts submission;
 - Certification of Grant Claims and Returns;
 - Audit Fees and Audit Certificate.
- 7.4 The Committee received a report in July 2020 to note that the external auditors were advising the Council their work was delayed by the impact of Covid-19.
- 7.5 This work has now been successfully completed enabling the November Committee meeting to receive the external auditors' opinion on the Council's 2019/20 Financial Statements, the Value for Money arrangements and the Whole of Government Accounts submission. This enables the Audit Certificate to be issued and all legal deadlines to be met.

8. Other governance issues within the remit of the Committee

- 8.1 The Committee also considered a number of other governance issues during the 2019/20 Municipal Year where Committee Members were able to obtain assurance that the Council had robust procedures in place.

The arrangements for Guildhall Room Hire were considered so that the Committee could be assured that the charging principles and discretionary use were being applied fairly and consistently. A detailed report was considered on the previous set of contractual relationships put in place to decommission and demolish the former swimming pool at Sansome Walk. Arising from this report, the Committee requested further assurance on the Council's current arrangements for Corporate Project Management, in order to be satisfied that the lessons learned from the Sansome Walk project had been embedded into the Council's systematic ways of working.

- 8.2 The Chairman of the Committee participated in the Corporate Peer Challenge of the Council undertaken by the Local Government Association in October 2019. The Council's external auditors, statutory officers and internal auditors were also consulted as part of this assessment, alongside a wide range of Members, staff and external stakeholders. The CPC report says that the Council is, overall, a good council with no major or obvious areas of concern. They note that this is reflected in the authority's clean audit and value for money opinions, good financial management and strong reserves and contingencies. The full findings and recommendations were published on the Council's website and they are summarised in the Annual Governance Statement.

9. Conclusion

- 9.1 The Audit and Governance Committee is a key source of assurance about the Council's arrangements for managing risk and maintaining an effective control environment. The membership of Audit and Governance Committee has remained stable for some time and remains committed to and focussed on the objectives. It is supported through an appropriate level of senior officer advice and representation.
- 9.2 This report shows how the Audit and Governance Committee has successfully achieved its objectives over the last year and has thereby made a positive contribution to the Council's overall governance and control environment. The exceptional circumstances of 2020 have not prevented the Committee from discharging its responsibilities and the Council has still achieved an unqualified audit opinion. Having said that, the ongoing impact of the Covid-19 pandemic on the Council's financial position as well as its governance and control environment will be a key focus for the Committee in the year ahead.