

AUDIT AND GOVERNANCE COMMITTEE

24th March 2021

Present: Councillor Alan Amos in the Chair
Councillors Agar, Barnes (Vice-Chairman), Hassan, S. Hodgson, Laurenson, Roberts and Udall

Officers: Shane Flynn, Corporate Director – Finance and Resources
Sian Stroud, Deputy Director – Governance
Mark Baldwin, Head of Finance
Andy Bromage, Head of Internal Audit Shared Service

Also in Attendance: Hassan Rohimun and Natalie Ryan, Ernst & Young

22 Declarations of Interest

None.

23 Public Participation

None.

24 Minutes

RESOLVED: That the minutes of the meeting held on 23rd November 2020 be approved as a correct record and signed remotely by the Chairman.

25 External Audit - Annual Audit Letter 2019-20

The Committee considered a report on the External Audit – Annual Audit Letter for 2019-20, which was attached as Appendix 1 to the report.

The Annual Audit Letter (AAL) summarises the key messages from the work the external auditors (Ernst Young) have carried out for the City Council for the year ended 31st March 2019-20.

The Chairman drew the Committee's attention to paragraph 3.1 of the report whereby the external auditors have provided an unqualified opinion i.e. a 'clean bill of health' and gave thanks to officers.

The Head of Finance presented the report for which Members noted that the external audit fees for 2019-20 is likely to be considerably higher than the £59.862 planned, the final actual fee has yet to be agreed. Ernst and Young believe that the fee set by PSAA to be insufficient for the amount of work required, the Covid-19 pandemic had a significant impact on the year's audit.

Reference was made to Section 7 of the Annual Audit Letter and the Audit Fees. Members asked for clarity on the discrepancy in the fees for which there was an £18,000 gap. Hassan Rohimun referred Members to the bullet points on the page which explained the reasoning behind this, Members agreed that a breakdown would be useful.

RESOLVED: That the Committee note the details of the Annual Audit Letter (AAL) for 2019-20.

26 External Audit Update 2020-21

The Committee considered a report on the External Audit update for 2020-21 as set out in paragraph 1.1 of the report. The Redmond review of local authority financial reporting and external audit was attached as Appendix 1 to the report.

The Head of Finance in presenting the report informed Committee Members that the external auditors were not yet in a position to present the plan which outlines their proposed approach to planning and delivering their audit and the fees for the 2020-21 financial year. This to be provided for the next meeting of the Committee.

Hassan Rohimun reported that preparatory audit work had started and that the deadline had been moved to 1st August 2021, the plan to be presented at the next meeting. The publication for the audited accounts to now take place on 30th September 2021 instead of 31st July 2021.

The Committee's attention was drawn to the Redmond review at Appendix 1 attached to the report, which had been requested by Members at the last meeting.

Hassan Rohimun presented the document and highlighted the findings and recommendations from the review, which included the creation of a new body, the Office of Local Audit and Regulation (OLAR) to manage and oversee and regulate local audit and a review of the current fee structure for local audits. The response from MHCLG on the recommendations were also highlighted. Hassan Rohimun also commented on how this will affect the audit of the City Council.

Members questioned the level of fees the authority would have to pay in view of the move of the deadline for accounting.

RESOLVED: That the Committee notes the external auditor's update on the following matters:

- **Audit Plan for 2020-21;**
- **Value for Money audit requirements; and**
- **The Redmond Review of the local authority financial reporting and external audit.**

27 Draft Internal Audit Plan 2021-22

The Committee considered the draft Annual Internal Audit Operational Plan (Appendix 1) and the Internal Audit Shared Services set of key performance indicators for 2021-22 (Appendix 2).

The Head of the Internal Audit Shared Service presented the report and summarised key points within the plan at Appendix 1, which is a risk-based plan which takes into account the adequacy of the Council's risk management, performance management, challenges, other assurance processes as well as organisational objectives and priorities. Local knowledge, rolled forward review areas, large spend budget areas have also been considered especially with the challenges that 2020-21 presented with the COVID-19 pandemic. The plan has been formulated with the aim to ensure Worcester City Council meets its strategic purposes and delivers the City Plan.

Operational progress of the Internal Audit Plan for 2021-22 will be closely monitored by the Head of the Internal Audit Shared Service and will be reported to the Shared Service's Client Officer Group, and to the Audit and Governance Committee on a quarterly basis. The success or otherwise of the Internal Audit Shared Service will be determined by the performance against a set of performance indicators which have been agreed for the service. These have been agreed with the Council's section 151 officer and were included in Appendix 2 attached to the report. These to be reported to the Audit and Governance Committee at the frequency stipulated.

There were no questions from Committee Members on the report.

RESOLVED: That the Committee approve the draft Annual Internal Audit Plan and Key Performance Indicators.

28 Internal Audit Progress Report 2020-21

The Committee considered a report on the Internal Audit's progress towards meeting its objectives as set out in the audit plan for 2020-21.

The Head of Internal Audit Shared Service presented the report and summarised the main points. The Committee's attention was drawn to paragraph 3.7 of the report which identified the audits that had progressed to finalised or draft report stage since the last meeting. The finalised reports were detailed in Appendix 3 for Members information. Those audits progressing through planning or testing stage at the end of February were highlighted at paragraph 3.9.

Details of all of the appendices attached to the report were highlighted at paragraph 8.1-8.5 by the Head of Internal Audit Shared Service.

There were no questions from Committee Members on the report.

RESOLVED: That the Committee note the report.

29 Any Other Business

None.

Duration of the meeting: 7.00p.m. to 7.56p.m.

Chairman at the meeting on
15th July 2021