



Worcester
CITY COUNCIL

WORCESTER CITY COUNCIL

ANNUAL REPORT OF THE

AUDIT AND

GOVERNANCE COMMITTEE

2020/21

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FOREWORD

Welcome to the Annual Report of Worcester City Council's Audit and Governance Committee for the Municipal Year 2020/21.

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."

The production of this Annual Report was delayed beyond its usual timescale, pending the production of the Council's external audit findings. The Audit and Governance Committee notes that the Council has had a very unsatisfactory experience with the external audit process, in that the external audit programme has been delayed to a material extent. This has been fully reported to and discussed with the Committee and representations made to the external auditors. Nevertheless, at the time of production of this Annual Report (March 2022), the external audit findings of 2020-2021 are still not available.

The impact of the Covid-19 pandemic was cited as the principal reason for the delay in the external audit work programme. It should be noted that the pandemic did not delay or interrupt the work of the internal audit programme nor the work and meeting schedule of the Audit and Governance Committee.

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, apart from the significant delay of the external audit work programme.

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.

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

Councillor Alan Amos
Chairman
March 2022

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 and 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 2020/21 Municipal Year, the Committee membership was as follows:
- Councillors Alan Amos (Chair), Jenny Barnes (Vice-Chair), Pat Agar, Nida Hassan, Stephen Hodgson, Andy Roberts, Richard Udall and Neil Laurenson.
- 3.2 The Committee met twice in 2020, in July and November. Meetings were open to the public. The September meeting was cancelled due to the revised timetable for the audit published by Ernst and Young, meaning that external audit findings were not available for the Committee to scrutinise.
- 3.3 Matters considered by the Committee in 2020/21 included:

- Annual Governance Statement
- Annual Statement of Accounts
- Internal Audit Work Plan and Progress 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 prepared by the Council, but not yet subject to the external audit findings.
- 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.
- 4.6 In the year 2020-21, necessarily the focus of the AGS was on the impact of the Covid-19 pandemic on the Council's audit and governance processes. The Committee was pleased to note that Council business had largely continued uninterrupted, by moving to virtual meetings and working, alongside maintaining key statutory services to the public which must be delivered face to face or out in the city. The AGS also gave assurances as to the governance processes underpinning critical decisions about the Council's management of the pandemic response. Members of the Committee scrutinised this work and received assurances on the impact of staff, customers and the Council's financial position.

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 2020/21 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 the coming year 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 have then been unable to meet this deadline.

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 On 8 June 2021 the Chairman and Vice Chair of the Committee wrote to the external auditors expressing concern over the delay to the audit and raising a number of questions regarding how the delay will affect the Council. No response was received, although EY attended subsequent audit committees to explain the position and future plans.
- 7.6 The Committee also consider the External Audit fee and the remit of the work.

8. Other governance issues within the remit of the Committee

- 8.1 The Committee also considered a number of other governance issues during the 2020/21 Municipal Year where Committee Members were able to obtain assurance that the Council had robust procedures in place. This included an item about a dispute with a supplier over non-payment of income and a routine outturn report about the Council's corporate risk management approach.

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 fact that the work of the external auditor remains so far behind the Council's own audit and governance programme, is of concern to the Members of the Committee.