

Annual Report of the Audit & Member Standards Committee 2020/21

1. Introduction from the Chair of the Audit Committee

The start of the financial year commenced with major uncertainty in many aspects of the Authority's operations, due to Covid-19 issues. The normal income levels were particularly expected to be adversely affected, but unpredictable. The expenditure on Covid-19 related support was largely unbudgeted and uncertain in relation to any confirmed coverage by central government grants.

In relation to the committee's work, this has been entirely online with officers working largely from home. Best practice guidance on management of the online format of meetings is to keep the agenda light and without complex issues to be debated. This guidance is perverse for the Audit & Member Standards Committee, with its remit to examine the complicated organisational matters in detail, so this contradiction has been achieved well, under the circumstances.

The work of the Audit Committee meetings should be visible to members of the public and, as such, meetings have been held remotely via Zoom and broadcast live on YouTube streams. This availability appears to have been well received by a number of viewers. Anyone interested in seeing the committee in action should contact the Council in advance of meetings.

The Annual Report's main purpose is to allow the Council to demonstrate to residents, stakeholders and partners, the significance of the Audit & Member Standards Committee's role and the positive contribution it has made to the Council's overall governance arrangements.

The internal audit programme completion level has been high when compared to the agreed plan and the number of concerns identified throughout the programme have been few. Members have been able to interrogate further where there have been instances of less than adequate assurances.

As we ended the 2020/21 financial year, the District Council continued with Grant Thornton UK as its External Auditor but welcomed a new Lead Engagement team for the 2021/22 audit. There is also a new shared Head of Audit, under the internal audit shared service arrangement with Tamworth Borough Council.

The Committee has appreciated the support and assurance the audit personnel have given from these arrangements. Those audit providers who are moving on to other duties have been well received for their positive and proactive approaches to these functions and we look forward to the refresh that the new input will allow.

I am therefore thankful for all members and officers who have contributed to the work of the committee over the last 12 months but particularly in the more challenging circumstances created by Covid-19 influences.

As recovery continues from the pandemic, there will be an emerging programme of work planned. This will include seeking continuing assurance against the Council's response to Covid-19, the significant

financial challenges facing us, as well as continuing to ensure the Council's overall governance framework remains fit for purpose.

**Councillor Colin Greatorex,
Chair of the Audit & Member Standards Committee 2020/21
April 2021**

2. Terms of Reference

The terms of reference, which the Committee operated to during 2020/21, is detailed at Part 3 of the Council's constitution at the following link:

<https://democracy.lichfielddc.gov.uk/documents/s8011/Part%203%20Final%20v4.pdf>

3. Member and Officer Attendance

The Audit & Member Standards Committee met 6 times during the 2020/21 municipal year.

Membership of the Audit & Member Standards Committee during the 2020/21 municipal year and their attendance is detailed below:

| Audit & Member Standards Committee Member | Date of Committee Meeting | | | | | |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | 22/07/20 | 07/10/20 | 12/11/20 | 03/02/21 | 25/03/21 | 27/04/21 |
| Councillor Colin Greatorex | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Councillor Wai-Lee Ho | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Councillor Jamie Checkland | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Councillor Joanne Grange | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Councillor Alastair Little | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Councillor Steven Norman | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Councillor Dave Robertson | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Councillor Christopher Spruce | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |
| Councillor Alan White | <input checked="" type="checkbox"/> | | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> |

A number of the Audit & Member Standards Committee Members also sat on various other Committees. There were no reports received during the year that necessitated members absenting themselves.

Senior officers from the council also attend the Audit & Member Standards Committee meetings as appropriate, including the Head of Finance & Procurement (Section 151), Head of Governance & Performance (Monitoring Officer) and the Shared Head of Audit. The External Auditors also attend and the Cabinet Member for Finance, Procurement, Customer Services and Revenues & Benefits usually observes.

4. Training & Effectiveness

On 30 November 2020 virtual member training took place covering Communications, Safeguarding and Governance hosted by the Head of Governance & Performance (Monitoring Officer). No specific Audit Committee training has taken place since November 2019, but this will be addressed this coming year.

As part of the Committee's effectiveness review a skills audit will be completed which will shape the future training and development of the Committee in 2021/22.

5. Sources of Assurance during 2020/21

In fulfilling its terms of reference, the business conducted by the Audit & Member Standards Committee during 2020/21 is detailed at **Appendix A** per the following themes: -

- Internal Audit
- External Audit / Inspection
- Financial Management
- Risk Management
- Corporate Governance

The Committee gained assurance in 2020/21 from these themes as follows:-

Internal Audit

In respect of the 2019/20 financial year, a positive Internal Audit Opinion was given from the Shared Head of Audit as follows:

On the basis of our audit work, our opinion on the council's framework of governance, risk management and internal control is adequate in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work. These matters have been discussed with management, to whom we have made recommendations. All of these have been, or are in the process of being addressed.

External Audit / Inspection

The main responsibility of the External Auditor is to report on the Council's Accounts and whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Grant Thornton reported on the 2019/20 Accounts. In Grant Thornton's Annual Audit Report, where they issued an unqualified opinion on both the 2019/20 Accounts and in terms of the value for money assessment, they concluded that:-

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Controller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020. We certify that we have completed the audit of the financial statements of the Lichfield District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

The Committee also received positive assurance on the Council's arrangements for the Regulation of Investigatory Powers Act from the Investigatory Powers Commissioners' Office.

Financial Management

The Committee scrutinised the 2019/20 Statement of Accounts and also received assurances on the Council's financial management arrangements (e.g. treasury management, prudential indicators) from the Head of Finance & Procurement (Section 151 Officer). The Committee also received regular Internal Audit Progress Reports, including a number giving assurance on financial management and controls during the period. The Committee also received assurance on compliance against the new Financial Management Code.

Risk Management

The Committee has received quarterly updates on the Council's Risk Management arrangements via review of the Strategic Risk Register. The risk environment has ultimately transformed in the wake of Covid-19 and has dominated the Council's risk management arrangements this year and will continue to do so into 2021/22. The Council has aligned its strategic risks to the new Strategic Plan as well as introducing the 3 lines of defence model to risk management activities and has developed its sub strategic risk processes.

The Council's 9 strategic risks as at April 2021 are shown below, together with their position on the matrix.

| | | | | |
|------------|--|-------------|-------------|-----|
| | | SR9 | SR1 | SR2 |
| likelihood | | | SR4 | |
| | | SR5, SR6 | SR3, SR8 | |
| | | SR7 | | |
| | | | | |
| | | Impact | | |

SR1: Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan.

SR2: Resilience of teams to effectively respond to a further serious disruption to services.

SR3: Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.

SR4: Failure to meet governance and / or statutory obligations e.g. breach of the law.

SR5: Failure to adequately respond to the wider socio-economic environment over which the Council may have little control, but which may impact on the growth and prosperity of the local area.

SR6: Failure to innovate and build on positives / opportunities / learning arising (including from the Covid-19 situation) to maximise outcomes for the Council, e.g. technological solutions.

SR7: Threat to the Council's ICT systems of a cyber-attack.

SR8: Failure to safely, securely and legislatively compliantly deliver the May 2021 elections due to having to run them during the pandemic conditions.

SR9: Council strategic leadership is compromised by the change in Chief Executive.

Corporate Governance

The Annual Governance Statement (AGS) and review of effectiveness for the 2019/20 financial year, concluded that the effectiveness of the system of internal control was fit for purpose overall.

The Committee also:

- undertook a review of its own effectiveness in line with CIPFA good practice and confirmed that it continued to meet its terms of reference. The Committee also reviewed its skills. Consideration was given to whether appointing an Independent Person was necessary but the Committee concluded that it had sufficient skills and experience in the existing membership to be able to conduct its business effectively.
- received assurances on updates on the Council's Contract Procedure Rules, GDPR/Data Protection, Rules of Confidentiality;

- received an update on the implications for the audit regime resulting from the Redmond Review; and
- received the annual report of the Monitoring Officer and Exceptions and Exemptions to Procedure Rules.

Regular updates on the adequacy of the Council's counter fraud arrangements were also taken including the approval of the suite of counter fraud and corruption policies (counter fraud and corruption policy statement, strategy and guidance notes; whistleblowing policy, anti-money laundering policy and prevention of tax evasion policy).

6. Conclusion

The Committee has been able to confirm that there were no areas of significant duplication or omission in the systems of governance in the authority that had come to the Committee's attention during 2020/21 that were not being adequately resolved.

Through members receiving this report, the role and purpose of the Committee has been promoted and it has demonstrated that the Committee has continued to perform, meet its terms of reference and added value. This work will continue in 2021/22 with the Committee's refreshed work programme.

Summary of Audit & Member Standards Committee Work Plan by Assurance Theme 2020/21

| Meeting Date | Report | Assurance Theme | | | | |
|--------------|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | | Internal Audit | External Audit / Inspection | Financial Management | Risk Management | Corporate Governance |
| 22/07/20 | Annual Treasury Management Report | | | <input checked="" type="checkbox"/> | | |
| | Annual Governance Statement | | | <input checked="" type="checkbox"/> | | |
| | External Audit – Audit Plan/Annual Audit fee letter/informing the risk assessment | | <input checked="" type="checkbox"/> | | | |
| | Annual Report of Internal Audit | <input checked="" type="checkbox"/> | | | | |
| | Risk Management Update | | | | <input checked="" type="checkbox"/> | |
| | Internal Audit Plan, Charter & Protocol 20/21 | <input checked="" type="checkbox"/> | | | | |
| | Quality Assurance & Improvement Programme/PSIAS | <input checked="" type="checkbox"/> | | | | |
| | RIPA reports policy & monitoring | | | | | <input checked="" type="checkbox"/> |
| 07/10/20 | Accounting Policies | | | <input checked="" type="checkbox"/> | | |
| | Statement of Accounts | | | <input checked="" type="checkbox"/> | | |
| | Audit findings report 19/20 | | <input checked="" type="checkbox"/> | | | |
| 12/11/20 | Mid-year Treasury Management Report | | | <input checked="" type="checkbox"/> | | |
| | CIPFA Financial Management Code | | | <input checked="" type="checkbox"/> | | |
| | Internal Audit Progress Report | <input checked="" type="checkbox"/> | | | | |
| | Risk Management Update | | | | <input checked="" type="checkbox"/> | |
| | Counter Fraud Update Report | <input checked="" type="checkbox"/> | | | | |
| | GDPR/Data Protection Policy | | | | | <input checked="" type="checkbox"/> |
| 03/02/21 | Treasury Management Statement and Prudential Indicators | | | <input checked="" type="checkbox"/> | | |
| | Audit & Member Standards Committee Practical Guidance | | | <input checked="" type="checkbox"/> | | |
| | Redmond Review Report | | | <input checked="" type="checkbox"/> | | |
| | Internal Audit Progress Report | <input checked="" type="checkbox"/> | | | | |
| | Risk Management Update | | | | <input checked="" type="checkbox"/> | |
| | The Annual Audit Letter for LDC | | <input checked="" type="checkbox"/> | | | |
| | Certification Work for LDC for year ended 31 March 2020 | | <input checked="" type="checkbox"/> | | | |
| | Audit Committee LDC Progress Report and update year ended 31 March 2021 | | <input checked="" type="checkbox"/> | | | |

| Meeting Date | Report | Assurance Theme | | | | |
|--------------|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| | | Internal Audit | External Audit / Inspection | Financial Management | Risk Management | Corporate Governance |
| 25/03/21 | Accounting Policies and Estimation Uncertainty | | | <input checked="" type="checkbox"/> | | |
| | Internal Audit Plan, Charter & Protocol 20/21 | <input checked="" type="checkbox"/> | | | | |
| | GDPR | <input checked="" type="checkbox"/> | | | | |
| | Annual Report on Exceptions & Exemptions to Procedure Rules 2019/20 | | | | | <input checked="" type="checkbox"/> |
| | External Auditors Audit Plan 20/21 | | <input checked="" type="checkbox"/> | | | |
| | Informing the Audit Risk Assessment – LDC | | <input checked="" type="checkbox"/> | | | |
| 27/04/21 | Annual Governance Statement | | | <input checked="" type="checkbox"/> | | |
| | Annual Report for Internal Audit incl year-end Internal Audit Progress Report | <input checked="" type="checkbox"/> | | | | |
| | Risk Management Update | | | | <input checked="" type="checkbox"/> | |
| | Chair of the Audit Committee's Annual Report to Council | | | | | <input checked="" type="checkbox"/> |
| | Review of the Effectiveness of the Audit & Member Standards Committee | | | | | <input checked="" type="checkbox"/> |
| | Independent External Investigation | | | | | <input checked="" type="checkbox"/> |
| | Audit Committee LDC Progress Report and Update year ended 31 March 2021 | | <input checked="" type="checkbox"/> | | | |
| | Annual Audit Fee Letter 20/21 | | <input checked="" type="checkbox"/> | | | |