

ANNUAL REPORT OF THE AUDIT & MEMBER STANDARDS COMMITTEE



Cabinet Member for Finance, Procurement and Revenues & Benefits

Date: 20 April 2022
Agenda Item:
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Key Decision? No
Local Ward Members Full Council

**Audit and
Member
Standards
Committee**

1. Executive Summary

- 1.1 This report presents the proposed Annual Report of the Audit & Member Standards Committee 2021/22 and seeks the Audit & Member Standards Committee's endorsement prior to its submission to all Councillors.

2. Recommendations

- 2.1 That the proposed Annual report of the Audit & Member Standards Committee 2021/22 (**Appendix 1**) be endorsed and that the Chair of the Audit & Member Standards Committee circulate the report to all Councillors.

3. Background

- 3.1 Audit Committees are an important source of assurance about an organisation's arrangements for corporate governance, managing risk, maintaining an effective control environment and reporting on financial and other performance.
- 3.2 CIPFA recommend that Audit Committees produce an annual report to promote the role and purpose of the Committee, account for the Committee's performance, evaluate whether the Committee is continuing to meet its terms of reference and document how the Committee adds value. The Audit & Member Standards Committee's annual report fulfilling these requirements is set out at **Appendix 1**.
- 3.3 The annual report sets out:
- An introduction from the Chair of the Committee.
 - A reminder of the Committee's terms of reference.
 - Member and Officer attendance at the Committee during the year.
 - A summary of training undertaken by Committee members.
 - A summary of the sources of assurance that the Committee received during 2021/22, notably, internal and external audit / inspection, financial management, risk management and corporate governance.

Alternative
Options

The Council is not obliged by law to appoint an Audit & Member Standards Committee. However, this has been done in line with good governance practice and CIPFA guidance.

Consultation	The Audit & Member Standards Committee's consultation and endorsement has been sought.			
Financial Implications	None.			
Approved by Section 151 Officer	Approved.			
Legal Implications	None identified.			
Approved by Monitoring Officer	Yes			
Contribution to the Delivery of the Strategic Plan	Operation of an effective Audit & Member Standards Committee contributes to all aspects of delivery of the Council's Strategic Plan.			
Equality, Diversity and Human Rights Implications	None arising.			
Crime & Safety Issues	None arising.			
Environmental Impact	None arising.			
GDPR/Privacy Impact Assessment	This has been a key area as part of the committee's work programme and challenge during the year.			
	Risk Description & Risk Owner	Original Score (RYG)	How We Manage It	Current Score (RYG)
A	The Audit & Member Standards Committee is ineffective and does not fulfil the requirements of its terms of reference.	Likelihood: Green Impact: Red Severity: Red	Annual reviews of committee effectiveness, work programmes.	Likelihood: Green Impact: Green Severity: Green
B	The value of the Committee's work is not known to the wider Council / organisation / the public.	Likelihood: Green Impact: Yellow Severity: Yellow	Promotion of work of the Committee via the annual report process.	Likelihood: Green Impact: Green Severity: Green
Background documents	Audit & Member Standards Committee agendas, minutes and report.			
Relevant web links	https://democracy.lichfielddc.gov.uk/mgCommitteeDetails.aspx?ID=134			

Annual Report of the Audit & Member Standards Committee 2021/22**1. Introduction from the Chair of the Audit Committee**

The start of the financial year commenced with continued major uncertainty in many aspects of the Authority's operations, due to Covid-19 issues and the Council has continued to provide support to the local area through the management Covid Grants. The Committee has received assurance around the Council's response to Covid-19.

In relation to the committee's work, this has seen a transition to 'hybrid' working with officers working largely from home and utilising the new office spaces within Frog Lane. Committee meetings have been undertaken through a hybrid approach. 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.

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.

During the year the Council has undergone a Corporate Peer Challenge review and this has increased the levels of assurance obtained by the Council and Committee. This provided an opinion and conclusion on the governance arrangements within the Council and strong financial leadership. In addition the Peer Challenge identified that corporate risk is given a high profile in the Council.

Risk Management within the Council has been challenged by the Committee in relation to the levels of risks above the risk appetite of the Council and the concerns around Cyber Security. During the year regular quarterly updates were provided to Committee and responses gained from the Chief Executive and Leader of the Council. These responses provided assurance to the Committee.

As we ended the 2021/22 financial year, the District Council continued with Grant Thornton UK as its External Auditor.

During the year there have been continued arrangements put in place for the Internal Audit Shared Service arrangement with Tamworth Borough Council. This arrangement was renewed on 1st October 2021 and will complete September 2023.

The Committee has appreciated the support and assurance the audit personnel have given from these arrangements.

I am therefore thankful for all members and officers who have contributed to the work of the committee over the last 12 months. There will be continuing financial challenges facing us, as well as continuing our work to ensure the Council's overall governance framework remains fit for purpose.

Councillor Christopher Spruce,

Chair of the Audit & Member Standards Committee 2021/22 - April 2022

1. Terms of Reference

The terms of reference, which the Committee operated to during 2021/22, 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>

2. Member and Officer Attendance

The Audit & Member Standards Committee met 5 times during the 2021/22 municipal year.

Membership of the Audit & Member Standards Committee during the 2021/22 municipal year and their attendance is detailed below:

Audit & Member Standards Committee Member	Date of Committee Meeting				
	22/07/21	22/09/21	11/11/21	03/02/22	20/04/22
Councillor Christopher Spruce	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor Wai-Lee Ho	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		TBC
Councillor Joanne Grange		<input checked="" type="checkbox"/>			TBC
Councillor Steven Norman	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor Dave Robertson	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor Janice Silvester-Hall		<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	TBC
Councillor Alan White	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor Michael Wilcox	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC

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), Chief Operating Officer and the Audit Manager (Shared Service). The External Auditors also attend and the Cabinet Member for Finance, Procurement, Revenues & Benefits usually observes.

3. Training & Effectiveness

No specific Audit Committee training has taken place since November 2019, but this will be addressed this coming year following collation of information received in relation to a review of the Committee's effectiveness which will shape the future training and development of the Committee in 2022/23.

Due to the hard work and commitment of the Committee members during the year this has led to the committee being able to effectively carry out its role. This was further supported by the annual review of the Committee's effectiveness as reported in February 2022.

4. Sources of Assurance during 2021/22

In fulfilling its terms of reference, the business conducted by the Audit & Member Standards Committee during 2021/22 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 2021/22 from these themes as follows:-

Internal Audit

In respect of the 2020/21 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 2020/21 Accounts. Due to the ongoing pandemic the Council is yet to receive Grant Thornton's finalised Annual Audit Report.

Financial Management

The Committee scrutinised the 2020/21 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 Financial Procedure Rules and Contract procedure rules.

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 continues to develop following the progress made in respect of Covid-19 and together with Cyber Security has dominated the Council's risk management arrangements this year and will continue into 2022/23. 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 Audit & Member Standards Committee also gained assurance around risk management and challenged management in relation to the approach taken in respect of cyber security.

The Council's current 8 strategic risks are as below, together with their position on the matrix.

		SR1, SR7	
	SR5, SR6	SR2, SR3, SR4, SR8	

Likelihood

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:** Being a Better Council, The Council is not able to deliver the key priorities of the strategic plan. This risk is being reviewed at Leadership Team on 19 January 2022 and an update to the scoring will be provided.

Corporate Governance

The Annual Governance Statement (AGS) and review of effectiveness for the 2020/21 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 and Financial Procedure Rules;
- 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).

5. 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 2021/22 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 2022/23 with the Committee's refreshed work programme.

Appendix A

Summary of Audit & Member Standards Committee Work Plan by Assurance Theme 2021/22

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
22/07/21	Annual Treasury Management Report			<input checked="" type="checkbox"/>		
	CIPFA Resilience Index			<input checked="" type="checkbox"/>		
	Internal Audit Quarterly Progress Report	<input checked="" type="checkbox"/>				
	Quality Assurance & Improvement Programme/PSIAS	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
	RIPA reports, policy and monitoring					<input checked="" type="checkbox"/>
	Model Code of Conduct					<input checked="" type="checkbox"/>
22/09/21	Statement of Accounts			<input checked="" type="checkbox"/>		
	Local Audit Update		<input checked="" type="checkbox"/>			
	Overview of Council's Constitution in respect of Financial Procedure Rules			<input checked="" type="checkbox"/>		
	Overview of Council's Constitution in respect of Contract Procedure Rules			<input checked="" type="checkbox"/>		
	Audit findings report 20/21		<input checked="" type="checkbox"/>			
11/11/20	Local Audit Update		<input checked="" type="checkbox"/>			
	Mid-year Treasury Management Report			<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"/>				
03/02/22	Treasury Management Statement and Prudential Indicators			<input checked="" type="checkbox"/>		
	Internal Audit Progress Report	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
	Review of Audit Committee Effectiveness					<input checked="" type="checkbox"/>
	Audit Committee LDC Progress Report and update year ended 31 March 2022		<input checked="" type="checkbox"/>			

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
20/04/2022	Accounting Policies and Estimation Uncertainty			<input checked="" type="checkbox"/>		
	Annual Governance Statement			<input checked="" type="checkbox"/>		
	Chair of Audit Committee Annual Report					<input checked="" type="checkbox"/>
	Annual report for Internal Audit 2021/22 (including year end progress report)	<input checked="" type="checkbox"/>				
	Internal Audit Plan, Charter & Protocol 22/23	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
	Annual Report on Exceptions & Exemptions to Procedure Rules 2020/21					<input checked="" type="checkbox"/>
	Annual Report of Monitoring Officer - complaints					<input checked="" type="checkbox"/>
	Annual Letter for LDC from Local Government Ombudsman					<input checked="" type="checkbox"/>
	Annual Audit Letter		<input checked="" type="checkbox"/>			
	External Auditors Audit Plan 21/22		<input checked="" type="checkbox"/>			
	Informing the Audit Risk Assessment – LDC		<input checked="" type="checkbox"/>			