

# Audit and Governance Committee Annual Report

2019-2020



Gloucester  
**City Council**

**ARA**  
Audit Risk Assurance

Gloucester City Council  Stroud District Council  Gloucestershire County Council

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## Statement from the Chair of the Audit and Governance Committee

Effective corporate governance is a fundamental feature of any successful public sector organisation. The trend for strengthening governance arrangements has resulted in the joint Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authorities Chief Executives (SOLACE) good practice publication / guidance '*Delivering Good Governance in Local Government – 2016 Edition*'.

Being well managed and well governed are important attributes in helping the Council to improve performance and to reduce the risk of failing to achieve our objectives and providing good services to our community.

Audit Committees are widely recognised as a core component of effective governance, their key role is to independently oversee and assess the internal control environment, comprising governance, risk management and control and advise the Council on the adequacy and effectiveness of these arrangements.

In response to the above, the Council has established an Audit and Governance Committee in line with CIPFA's guidance '*Audit Committees – Practical Guidance for Local Authorities and Police – 2018 Edition*'. The committee has reviewed its effectiveness against the revised CIPFA guidance 2018 during 2019/2020. An action plan was developed and is currently being implemented. The Committee's priorities are to maintain and improve our governance procedures and we are a major source of providing assurance on the Council's arrangements for managing risk, maintaining an effective control environment and reporting on internal and external audit functions and financial and non-financial performance. As Chair, I also consider training a key priority for members in order for us to undertake our roles effectively.

The Committee undertakes a substantial range of activities and works closely with the Monitoring Officer, Chief Financial Officer (Section 151 Officer) and both internal and external auditors, in achieving our aims and objectives. We have developed and implemented a work plan for the year to enable key tasks to be considered, undertaken and delivered and to summarise, through our work plan we have:

- provided independent assurance on the adequacy of the governance, risk management framework and associated control environment;
- provided independent assurance on the Council's financial and non financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment, and
- overseen the statutory financial reporting process.

In conclusion, the Committee has continued to make a positive contribution to the Council's overall governance and control arrangements, including risk management and is satisfied that the Council has maintained an adequate and effective internal control framework through the period covered by this report.

**Councillor Dawn Melvin**

## Chair of the Audit and Governance Committee

# Background

Gloucester City Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this overall responsibility, the Council is responsible for putting in place the proper arrangements for the governance of its affairs.

A sound corporate governance framework involves accountability to service users, stakeholders and the wider community, within which the Council takes decisions and leads and controls its functions to achieve stated objectives and priorities. It thereby provides an opportunity to demonstrate the positive elements of the Council's business and to promote public confidence. Audit Committees are widely recognised as a core component of effective governance.

The Audit and Governance Committee is responsible for overseeing the Council's corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement. The Committee's specific powers and duties are set out in Council's Constitution.

The Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance to local authorities to help ensure that Audit Committees are operating effectively<sup>1</sup>. The guidance recommends that audit committees should report annually on how they have discharged their responsibilities. The key benefits to the Council of operating an effective Audit and Governance Committee are:

- Maintaining public confidence in the objectivity and fairness of financial and other reporting;
- Reinforcing the importance and independence of internal and external audit and any other similar review process;
- Providing a focus on financial reporting both during the year and at year end, leading to increased confidence in the objectivity and fairness of the financial governance arrangements operating within the Council;
- Assisting the co-ordination of sources of assurance and, in so doing, making management more accountable;
- Providing additional assurance through a process of independent and objective review, via the Internal Audit function;
- Raising awareness within the Council of the need for governance, including ethical governance, internal control and the implementation of audit recommendations; and
- Providing assurance on the adequacy of the Council's risk management arrangements, including the risk of fraud and irregularity.

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<sup>1</sup> CIPFA – Practical Guidance for Local Authorities and Police, 2018

## Membership and Meetings

The Committee has enjoyed the benefit of a reasonably settled membership over the last three years. Cllr Dawn Melvin has replaced Cllr Andrew Gravells as the Chair and Cllr Laura Brooker has replaced Cllr Dawn Melvin as Vice-Chair. There have been five new members, Cllr Ashley Bowkett, Cllr Neil Hampson, Cllr Janet C. Lugg, Cllr Gordon Taylor and Cllr Kathy Williams. This has helped to build and retain the expertise within the Committee, which has led to the Committee being able to demonstrate that they are operating within a best practice framework.

There are ten Members of the Audit and Governance Committee namely:

- Councillor Dawn Melvin (Chair)
- Councillor Laura Brooker (Vice-Chair)
- Councillor Ashley Bowkett
- Councillor David Norman MBE
- Councillor Neil Hampson
- Councillor Janet C. Lugg
- Councillor Gordon Taylor
- Councillor Declan Wilson
- Councillor Kathy Williams
- Councillor Hannah Norman (ex-Officio)

During the 2019/20 Civic Year, the Audit and Governance Committee has met on five occasions, in accordance with its Programme of Work:

- 22<sup>nd</sup> July 2019
- 16<sup>th</sup> September 2019
- 18<sup>th</sup> November 2019
- 20<sup>th</sup> January 2020
- 9<sup>th</sup> March 2020

The Committee is also supported by Council Officers, principally the Monitoring Officer, Chief Financial Officer (S151 Officer), Head of Audit Risk Assurance (Chief Internal Auditor) and the Council's External Auditors (Deloitte).

## Work Programme

During this period, the Committee has assessed the adequacy and effectiveness of the Council's risk management arrangements, control environment and associated counter fraud arrangements through regular reports from officers, the internal auditors (Audit Risk Assurance) and the external auditors (Deloitte).

The Committee has sought assurance that action has been taken, or is otherwise planned by management to address any risk related issues that have been identified by the Committee themselves and the auditors during this period.

The Committee has also sought to ensure that effective relationships continue to be maintained between the internal and external auditors and between the auditors and management. The specific work undertaken by the Committee during 2019/2020 is set out below.

### Internal Audit Activity

With effect from May 2016, the Internal Audit service is provided by Audit Risk Assurance under a shared service agreement. The Committee has continued to monitor the work of Internal Audit and has:

- considered the effectiveness of the Audit Risk Assurance Shared Service;
- contributed towards, received and approved the Internal Audit Plan for 2019/20. The plan ensures that internal audit resources are prioritised towards those systems, processes and areas which are considered to be deemed high risk, or which contribute most to the achievement of the Council's corporate objectives;
- participated in the 2020/2021 Internal Audit Risk Based Planning workshop to contribute towards the internal audit plan and audit resource allocation to support assurance needs;
- monitored the delivery of the annual Internal Audit Plan through regular update reports presented by the Head of Audit Risk Assurance;
- received, considered and monitored the results of internal audits performed and high risk activity identified, in respect of specific areas where a limited opinion on the control environment has been provided, e.g. Employee Code of Conduct, Travel and other Expenses and Shopmobility Fees and Charges, and monitored the progress made by management, during the period, to address identified control weaknesses;
- considered the Council's overall counter fraud arrangements and response in the light of national guidance Fighting Fraud and Corruption Locally – The Local Government Counter Fraud and Corruption Strategy 2016 – 2019 which is supported by CIPFA Counter Fraud Centre, with the principles reflected in the Council's Anti Fraud and Corruption Strategy 2017-2019;
- received updates on the outcomes of special investigations undertaken by Internal Audit, along with progress made in the investigation of queries arising as a result of the National Fraud Initiative (NFI) data matching exercise;
- considered and approved the report of the Head of Internal Audit and Risk Management on the service's purpose, authority, role and function; and
- considered the Internal Audit Annual Report of the Head of Audit Risk Assurance, which provided a satisfactory opinion on the effectiveness of the Council's internal control environment and summarised the internal audit activity upon which that opinion was based. The Committee can therefore take reasonable assurance that there is a generally sound system of internal control in place at the Council.

## Activity relating to Treasury Management

During the year, the Audit and Governance Committee:

- approved the half yearly Treasury Management activity reports and received, considered and recommended to full Council for approval the Treasury Management Strategy, the Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2020/21.  
These reports set the Council's prudential indicators for 2020/21 – 2021/22 and the treasury strategy for these periods. This is a key area for the Committee to monitor and they continue to consider and recommend to full Council for approval amendments to the investment strategy in response to constantly changing market conditions.

## External Audit Activity

Deloitte has been appointed as the Council's external auditors for the financial years 2018/19 and 2019/20. The Committee has monitored the work of the Council's external auditors and has:

- considered and approved the External Audit Plan 2019/20 which sets out external audit's work to be undertaken on the accounting statements and to provide a value for money opinion. It reported on risks they have identified which would receive attention during the audit, the results of interim work, which did not reveal any material weaknesses, and the dates for the completion of the audit;
- considered the External Audit Report 2018/2019 i.e. 'Report to those charged with Governance' in accordance with the requirements of International Standard on Auditing 260 (ISA) which summarises the key findings arising from their audit work in relation to the Council's financial statements and work to support the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money (VFM) conclusion). The audit concluded with an unmodified opinion on the financial statements and VFM conclusion;
- considered and approved the Statement of Accounts for 2018/19 of the Council and received Deloitte's audit opinion. The S151 Officer together with the Chair of the Committee signed a letter of representation on behalf of the Committee and Council to Deloitte, to enable the 'unmodified' opinion to be issued;
- considered and accepted the Annual Audit Letter 2018/19. This letter summarises the outcome from audit work at the Council during this period;
- consider the Internal Audit / External Audit joint working arrangements; and
- received and considered regular external audit progress reports.

## Risk Management Activity

During the year the Committee has:

- considered the refreshed Risk Management Policy and Strategy 2020-2023;

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- received regular risk management update reports (including the review of the strategic risk register), and being presented with the actions taken by the Council to identify and address strategic risks.

## Corporate Governance

In relation to corporate governance the Committee:

- led the review of the effectiveness of the Audit and Governance Committee and identified improvement actions i.e. the key proposed actions relating to the appointment of an independent member to the Committee and refresh of the Committee's terms of reference to reflect the revised CIPFA guidance; and
- considered and approved the Council's 2018/2019 Annual Governance Statement and Local Code of Corporate Governance. The Committee also reviewed the progress made by management to address the significant issues identified in the 2018/19 Annual Governance Statement Improvement Plan;

## Other

In addition, the Committee considered:

- the report from the Corporate Director regarding the update on the Amey Street Care contract; and
- the report in relation to the contribution of Members appointed to outside bodies and received an update on the progress of the outside bodies survey.

## Training

The following training was made available to Members of the Audit and Governance Committee in 2019/20 to support the Committee in discharging its responsibilities:

- 121 Officer briefings to Chair and Vice Chair and new members of the Audit and Governance Committee as required throughout 2019/2020;
- Risk Based Internal Audit Planning workshop 17<sup>th</sup> January 2020;
- CIPFA Effectiveness of the Audit Committee external training 16<sup>th</sup> / 17<sup>th</sup> March 2020; and
- Risk awareness sessions, working together with the Council's insurers Zurich, have been provided to all Members during 2019/20, including the Audit & Governance Committee.

## Future Work

During 2020/21, the Audit and Governance Committee will continue with the existing aim of being an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.

In particular, they will continue to support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations and continue to monitor any actions arising from the Annual Governance Statement action plan 2019/2020, to ensure the Council's governance arrangements are effective.

In addition, with risk management being a key contributor to good governance the Committee will be seeking independent assurance from internal audit that risk management continues to be embedded within the Council's key business processes.

## Conclusion

The Audit and Governance Committee has had a successful year in providing the Council with assurances on the strength of its governance and stewardship arrangements and in challenging those arrangements.

The Committee's work programme is a dynamic programme and will continue to be reviewed to ensure the Committee maximises its contribution to the governance and control framework at the same time managing agendas to ensure that all meetings are focused on the key issues.

Details of all reports as noted within this report can be found at <http://democracy.gloucester.gov.uk/ieListMeetings.aspx?CIId=487&Year=0>.