

AUDIT COMMITTEE ANNUAL ACTIVITY REPORT 2021/22

This report details the work undertaken by the Audit Committee over the municipal year 2021/22. The purpose of this annual review of the work of the Committee is to help Members review the previous year's work and plan for the coming year.

The Committee met four times in September and November 2021 and in March 2022. Additional informal briefing sessions were held throughout the year and are summarised at section 7 of this report. The membership of the Committee was as follows:

Cllr Peter Marriott (Chairman)	Cllr Michaela Wicks
Cllr Jerome Davidson (Vice Chairman)	Cllr Richard Seaborne
Cllr Jan Flloyd-Douglass	Cllr George Wilson
Cllr John Gray	

A brief summary of the work undertaken by the Committee in 2021/22 outlined in the table below and further details are set out at sections 1 – 6 of this report.

September 2021	8 th November 2021	29 th November 2021	March 2022
Audit Committee Annual Activity Report	Annual Governance Statement- Consideration of Potential Governance Issues	Audit Findings Report	Review of the Strategic Risk Register
Review of the Audit Terms of reference	Risk Management	Accounts	CPR Update
Review the External Audit Plan 2020/21	Bury's Development Project	Annual Governance Statement	Update on the Financial Management Code
Annual Governance Statement- Consideration of potential Governance Issues	Review of Progress in the Implementation of Internal Audit Recommendations	Audit Tender	Accounting Policies
Annual Internal Audit report for 2020/21	Review of the progress in achieving the Audit Plan		Annual Governance Statement- Consideration of

			Potential Governance Issues
Review of Progress in the implementation of Internal Audit Recommendations	Fraud Investigation Summary		Audit Charter
Review of the progress in achieving the Audit Plan			Review of Progress in the Implementation of the Internal Audit Actions
Review the Annual Internal Audit Report			Review External Audit proposed External Audit Plan for 2019/20
Fraud Investigation Summary			Review of the Progress in achieving the Audit Plan
Internal Audit Charter			Proposed Internal Audit Plan 2022/23
Audit Committee Recurrent Annual Work Programme			

1. Standing Items

The Audit Committee has a recurrent work programme, with several items received at each meeting.

1.1 Progress in the implementation of Internal Audit Actions

At each meeting the Audit Committee is provided with an update on Senior Management's progress in implementing the actions raised by Internal Audit following a review in their services area. The Committee considers what action is required in respect of those actions that are overdue or appear likely to be implemented later than the target date.

Notable items considered during 2021/22 included:

- The implementation had taken place on many of the actions it was felt there was a reputational risk when a report shows a sea of red. It was suggested the RAG rating may need reviewing.

While considering this item, the Committee emphasised the importance of the Internal Auditors working with Heads of Service to agree realistic timescales for implementation dates. This would avoid the need to request for extensions to due dates later in the process.

1.2 Progress in achieving the Internal Audit Plan

The Audit Committee's terms of reference include provision for the Committee to comment on the progress made in the Audit Plan. At each meeting the Committee receives an update on the current position of the reviews within the plan.

1.3 Annual Governance Statement – Consideration of Emerging Governance Issues

Every year, the Audit Committee is required to formally review the Council's governance arrangements and approve the Annual Governance Statement. It was agreed, however, that this should be a live conversation throughout the year, not just at the July Audit Committee meeting. At its November meeting the Committee therefore agreed that there should be a standing item at each meeting where Members would be invited to discuss any governance issues that they felt were of significant merit.

At its September meeting the committee requested evidence that we were complying with the Habitats regulations.

.

1.4 Updates on Counter Fraud Work

At each meeting, the Committee is updated on the progress made by officers on the work being completed in investigating all types of fraud, primarily focusing on Housing Tenancy fraud.

In November it was felt that as cases were on the decrease it would be appropriate to reduce the reporting period to twice a year.

2. Accounts and Annual Governance Statement

It is within the Committee's Terms of Reference to approve the Statement of Accounts and Annual Governance Statement (AGS) each year.

In November the Committee considered the Statement of Accounts and the Annual Governance Statement.

The Audit Committee RESOLVED to:

- (i) Approve the Statement of Accounts for the financial year ended 31 March 2021;
- (ii) Approve the Letter of Representation for 2020/2021; and
- (iii) Confirm that the accounts had been prepared on a going concern basis

The Committee were advised of two possible approaches to agreeing the AGS:

- 1) To ask the officers to add the additional comment in reference to the collaboration and the planning committee change and delegate the sign off to the Strategic Director (s151 Officer) in consultation with the Chairman of the Audit Committee after discussion with Chief Executive and Leader; or
- 2) Note the Committee's concerns in the minutes and expect it to be mentioned in next years AGS and to be monitored under the standing governance item on the committee's agenda.

The Committee AGREED to option 1 and APPROVED the Annual Governance Statement for 2020/2021.

3. Internal Audit Reports

In addition to the standing items presented by the Internal Audit Service, the Committee received a number of additional reports during 2021/22.

3.1 Annual Internal Audit Report

The Annual Internal Audit Report is linked to the Internal Audit opinion set out in the Annual Governance Statement and details the audit actions made throughout the year, as well as highlighting those still to be actioned.

It was asked if future reports could demonstrate the time taken to implement actions/recommendations as it was felt we should review late deliveries and the reasons behind them.

3.2 Internal Audit Charter

The Internal Audit Charter is reviewed by the Committee on an annual basis.

3.3 Internal Audit Plan

The Committee were advised that their terms of reference include provision for the Committee to approve the proposed Internal Audit Plan. The report presented the proposed Draft Internal Audit Plan for 2022-23 and the Committee was invited to comment and approve the Audit Plan.

The Committee were advised that there were a few areas relating to Housing and a review of Risk Management that the Committee had raised previously.

Officers were asked if an audit of homeworking was being planned and were advised that HR were doing reviews and this will be discussed with them

4. External Audit

During 2021/22, the Committee received a few reports from Grant Thornton, the council's external auditors.

4.1 External Audit Findings Report

On 29 November the Committee received a short overview outlining:

- the Financial Statements Audit
- the Value for Money arrangements – highlighting that this part of the audit had been decoupled from the other part of the report and would form a part of the Auditor's Annual Report in February 2022;
- that once the outstanding queries were cleared that the opinion on the accounts would be supplied;
- that risks had been identified in line with the Auditor's standard requirements; and,
- the report included an approach to grants due to Covid (page 10).

4.2 2021/22 External Audit Plan

The Committee were updated on the headlines and scope of the audit. They advised that the report set out:

- the approach taken and the most significant areas to focus on.

- how we are dealing with new standards
 - the changes in the value for money arrangements.
-

5. Corporate Governance Policies

The Audit Committee has a key role in reviewing Council policies relating to governance and may make recommendations to officers or the Council as appropriate.

5.1 Audit Tender –

The Committee received a report on 29 November 2021 on proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24. It was highlighted that the Council could arrange their own procurement and make the appointment themselves or in conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.

It was felt that the sector-wide procurement would produce better outcomes and there were no financial incentives to go alone therefore the national scheme was the committee's recommendation.

5.2 Anti Money Laundering Policy –

Patrick Tuite, Procurement Officer, outlined the review of the Anti-Money Laundering Policy and the changes made. It was highlighted that there had been minimal changes made, the most significant being the change from SOCA (Serious Organised Crime Agency) to the National Crime Agency (NCA).

5.3 Finance Regulations –

Peter Vickers, Head of Finance and Property Services, outlined the adjustments made following a review of the financial regulations. The main adjustments made were outlined in 4.3 of the report.

- a) Explicit that the Deputy S151 has authority to act as the S151 (2.2)
- b) Stricter control regarding funding agreements and changes to funding agreements being agreed by S151 officer. (2.17)
- c) Requirement for business case for capital bids (3.11)
- d) Stricter controls on contractual disputes being reported to S151 (4.1)
- e) Reference to IR35 rules in Contract Procurement Rules (4.12)

f) Control on how staff bank detail changes will only be accepted through the payroll system (5.8)

g) Clarification of External audit checking registers (16.1)

5.4 - Contract Procurement Rules

Patrick Tuite, Procurement Officer, outlined the review of the Contract Procurement Rules and the changes made. The Audit Committee recommended to the Council that the proposed amendments to the Contract Procurement Rules be approved and incorporated into the councils constitution.

5.5 Financial Management Code

In March 2022 the Committee received an update on the financial Management code and were reminded that CIPFA had introduced the code 18-months ago and the scope had been discussed with the committee last year. Section 4.4 of the report was highlighted outlining the scope of the document and it was emphasised that the code would be used to check against without the need for excessive resources. It was planned to run an informal briefing later in the year on sections C&D. The Audit Committee NOTED the progress on the Financial Management Code and endorsed the Action Plan set out.

6. Risk Management

At the November 2021 meeting the Committee were advised that there was little change to report on the Risk Register. Two risks had now been removed regarding Government regulations on public meetings and Dunsfold Planning submissions as they were now obsolete.

7. Briefing Sessions

The Committee received a number of briefing sessions during 2021/22 and these are summarised below.

7.1 Strategic Risk Register.

In March 2023 the Committee received an informal briefing on the Strategic Risk Register. The Committee commented on the following areas:

- Officers to look at the division in aspects run by the HRA. Housing Operations and Housing Delivery although interdependent are separate divisions.
- LPP2 was not mentioned in the document and developments that do not feature in it. Officers agreed to take away and examine.
- No mention of how we manage refugees, taking into account the current Ukrainian issues.
- Should risks involved in cost of living be included. Fuel increases, energy increases and inflation etc
- There was concern that some risks indicated as green could be more than a significant concern which could be ignored if marked green.
- Working from Home – where have these risks been considered?
- Have we assessed the risks of not completing appropriate assessments in accordance with legislation. Especially in light of the upcoming appeals and judicial reviews?

The Committee were advised that the document primarily sets up the corporate Risks rather than operational but the comments would be taken on board.

Officers responded to some of the comments highlighting:

- this was a living document and all risks would be monitored on a regular basis.
- Working from home has been fairly assessed. Annexe 2 Risk 31 covers this. Various scrutiny meetings have discussed working from home.
- Officers also outlined the processes agreed for dealing with the refugee crisis.

8. Other Items Raised

At the November 2021 meeting the Committee were advised that the governance procedures and risk structures relating to the Bury's Project came under the Audit Committees remit. They were advised that an options appraisal had been carried out setting out ten options. These had then been narrowed down to 3 and an in-depth appraisal of these three would be carried out. The process had followed the Council's procurement route and regulations and the Terms of Reference had been through Executive for approval.

Contact Officer:

Name: Kimberly Soane, Democratic
Services Officer

Tel: 01483 523258

Email: kimberly.soane@waverley.gov.uk
