

Audit Committee Annual Report 2021/22

27 April 2022

Report of the Audit Committee Chairman

PURPOSE OF REPORT

To inform the Council of the current position on issues being dealt with by the Audit Committee.

This report is public.

1.0 Introduction

- 1.1 I am pleased to present my Annual Report to Council on the work of the Audit Committee since it was last reported to Council on the 23 June 2021
- 1.2 The Terms of Reference of the committee are set out in Part 3, Section 8 of the Council's Constitution. The scope of its activity is summed up in the statement of purpose:

The audit committee is a key component of Lancaster City Council's corporate governance. It provides an independent high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of an audit committee is to provide those charged with governance, independent assurance of the adequacy of the risk management framework and the internal control environment. It provides independent review of Lancaster City Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place"

2.0 Audit Committee Meetings

- 2.1 The Audit Committee has met 4 times during the financial year 2021/22. A link to the website for further details on the reports and minutes is included here:

[Browse meetings - Audit Committee - Lancaster City Council](#)

- 2.2 In summary, the following areas have been considered by the Committee:

9th June 2021

- Review of Internal Audit Effectiveness
- Internal Audit Annual Report 2020/21

- Counter Fraud Annual Report 2020/21
- Statement of Accounts Update
- Future Provision of Internal Audit
- HR Assurance Report

21st July 2021

- Annual Governance Statement 2020/21
- Update 2019/20 Statement of Accounts
- Internal Audit Resourcing
- HR Assurance Report - Update

24th November 2021

- Statement of Accounts Update
- Internal Audit Plan 2021-2022
- Arrangements for the Tendering of External Audit Services 2023/24 – 2027/28

23rd March 2022

- Audit Committee Terms of Reference 2022/23
- Internal Audit Charter
- Internal Audit Strategy and Risk Based Plan 2022/23
- Internal Audit Monitoring
- Review of Money Laundering Policies
- Annual Review of the Regulation of Investigatory Powers Act (RIPA)

3.0 Key Activities

- 3.1 The three main documents considered by the Audit Committee annually are the Annual Governance Statement (AGS) , the Statement of Accounts and the report to those charged with governance (ISA 260).
- 3.2 In preparation for the 2020/21 Statement of Accounts, the Councils AGS was reviewed by the Audit Committee at its meeting 21st July 2021 prior to signing by the Leader of the Council and Chief Executive and formal inclusion in the draft financial statements.
- 3.3 The requirements and timeline for the approval of the Statement of Accounts have changed. In accordance with the amended Regulations. The Councils draft 2020/21 Accounts were published on the Council's website and submitted for audit by 30th July 2021 and the timeline for the conclusion of the audit was 30th September 2021. These revised deadlines have impacted both Council and the external auditors and both the audits of the 2019/20 and 2020/21 Statement of Accounts are still on-going but are expected to be concluded shortly.
- 3.4 For several years Council has held an agreement with Wyre Borough Council for the provision of the role of Head of Internal Audit (HoIA). Unfortunately, the Council received notification that from 1st April 2021 this agreement would come to an end. Subsequent to this the Council's Principal Auditor has accepted a position at another local authority and as a result, the Council was without an Internal Audit function.
- 3.5 All Councils are required to have an Internal Audit function as it occupies a critical position in any organisation, helping it to achieve its objectives by evaluating the effectiveness of governance, risk management and internal control arrangements

and playing a key role in promoting good corporate governance. The Council engaged Mersey Internal Audit Agency (MIAA) in October 2021 to fulfil this statutory requirement and they presented their Internal Audit Plan 2021-2022 for consideration and approval by Audit Committee.

4.0 Conclusion

- 4.1 The organisation and operation of the Audit Committee is considered as part of the external auditor's annual value for money opinion. Although the audit of the 2019/20 and 2020/21 financial statements are yet to be concluded, no issues have been brought to the attention of the s151 Officer, or Committee Chair that would suggest an adverse opinion is expected, or deterioration in performance of the Audit Committee.
- 4.2 Issues in relation to the embedding of risk management process and practice within the Council, as identified by partial compliance in the Annual Audit Opinion June 2021, within the Internal Audit Annual Report 2020/21 and in the Annual Governance Statement 2020/21 are extant. More regular updates of progress to Audit Committee would provide for better oversight of the adequacy and effectiveness of risk management.
- 4.3 I would like to take this opportunity to thank each member of the Audit Committee and also, each and every elected member and council officer who has assisted in providing effective systems of corporate governance and internal control and have continued to make an important contribution to the standing and achievements of the Council.
- 4.4 Over the next 12 months, the Audit Committee will be focusing on addressing the areas identified in the Internal Audit Annual Report. I would particularly like to see increased emphasis and resourcing in respect of embedding Risk Management within Lancaster City Council, as an integral part of strategic and operational management, and to properly inform risk based Internal Audit planning.