

## Audit Committee Annual Report 2020/21

### 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 10 April 2019.

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 It should be noted that an Annual Report was not submitted to Council for the audit work completed in 2019/20. This report covers the audit work completed since the last Annual Report was discussed at Council on the 10 April 2019. Since this date, the Audit Committee has met nine times. A link to the website for further details on the reports and minutes is included here:

<https://committeeadmin.lancaster.gov.uk/ieListMeetings.aspx?CId=316&Year=0>

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

##### At the 12 June 2019 meeting

- Review of Internal Audit Effectiveness
- Internal Audit Annual Report 2018/19

- Annual Governance Statement 2018/19
- External Audit Annual Fee Letter
- Counter Fraud Annual Report 2018/19

At the 29 July 2019 meeting

- Approval of the Statement of Accounts 2018/19
- External Auditor's Annual Audit Findings for Lancaster City Council 2018-19

At the 30 October 2019 meeting

:

- Statement of Accounts 2018/2019
- External Audit ISA 260 Report

At the 27 November 2019 meeting

:

- Update of the Regulation of Investigatory Powers Act 2000 (RIPA) Policy
- Internal Audit Monitoring
- Review of the Council's Risk Management Policy
- Approval of the Council's Statement of Accounts 2018/2019 (update)
- Role of the External Auditor
- Periodic Private Discussion with External Auditor

At the 19 February 2020 meeting

:

- Audit Committee terms of reference
- Internal Audit Charter
- Internal Audit Strategy and Risk Based Plan 2020/21
- Review of the Council's Counter Fraud Policies
- Strategic Risk Management
- Consultation on scale of audit fees for 2020/21
- Statement of Accounts 2019/20
- Periodic Private Discussion with the Internal Audit and Assurance Manager

At the 22 July 2020 meeting

:

- Review of Internal Audit Effectiveness
- Internal Audit Annual Report 2019/20
- Counter Fraud Annual Report
- Annual Governance Statement 2019/20
- Proposed Accounting Policies and Critical Judgements used in the Preparation of the Statement of Accounts 2019/20

At the 27 August 2020 meeting

- Revised 2021/21 Internal Audit Plan
- Draft Statement of Accounts 2019/20

At the 25 November 2020 meeting

- Annual Review of the Regulation of Investigatory Powers Act 2020 (RIPA) Policy and Procedure

- Revision of Contract Procedure Rules
- Internal Audit Monitoring Report
- Updated Strategic Risk Register
- Statement of Accounts 2019/20 Progress Report
- External Audit Plan: Year ending 31 March 2020
- FRC Major Local Audits: Audit Quality Local Inspection
- Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting (Redman Review)
- Annual Review of Audit Committee Performance

At the 24 March 2021 meeting

- Annual Review of Audit Committee Terms of Reference
- Annual Review of Internal Audit Charter
- Internal Audit Strategy and Draft Audit Plan Priorities 2021-22
- Annual Review of the Council's Counter Fraud Policies
- Risk Management Report
- Proposed Accounting Policies to use used in the Preparation of the Statement of Accounts 202/21
- Statement from outgoing Chief Internal Auditor

2.3 The next Audit Committee meeting is arranged for 9 June 2021, where the following areas will be considered:

- 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

### **3.0 Key Activities**

3.1 The three main documents considered by the Audit Committee annually are the Annual Governance Statement, the Statement of Accounts and the report to those charged with governance (ISA 260). The audit of the 2018/19 Statement of Accounts was concluded 6 March 2020 with the external auditor issuing an unqualified opinion and value for money conclusion.

3.2 For 2019/20 the requirements and timeline for the approval of the Statement of Accounts have changed. In accordance with the amended Regulations, the draft Accounts were published on the Council's website and submitted for audit by 31 August 2020 rather than 31 May 2020 and the timeline for the conclusion of the audit was 30 November 2020 rather than 31 July 2020. These revised deadlines have impacted both Council and audit staff and we are expecting the audit to be concluded early June.

3.3 For the past 4 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 1<sup>st</sup> 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 is without an Internal Audit function.

3.4 All Council's 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 Director of Corporate Services is currently finalising proposals for the future provision and arrangements for securing an effective Internal Audit.

#### 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 financial statements is 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 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. Particular thanks were noted at the March 2021 Audit Committee to the outgoing Chief Internal Auditor for the consistent high quality of her contribution to Internal Audit and for keeping myself and Audit Committee well informed. I would also like to thank the outgoing Principal Auditor for her dedication and commitment to the Council.

4.3 Over the next 12 months, the Audit Committee will firstly be focusing on ensuring that the Council's Internal Audit function is fully resourced and back working effectively, which will allow us to focus on addressing the areas identified in the Internal Audit Annual Report. I would particularly like to maintain the momentum 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.

#### **CONCLUSION OF IMPACT ASSESSMENT**

**(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)**

Not applicable

#### **FINANCIAL IMPLICATIONS**

None directly arising from this report

#### **SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and has no further comments.

#### **LEGAL IMPLICATIONS**

None arising from the report.

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

#### **BACKGROUND PAPERS**

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