

APPENDIX 1:

**Accounts, Audit & Risk Committee
Annual Report**

**Report of the work of the Accounts, Audit &
Risk Committee during 2020-21**

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1. Accounts, Audit & Risk Committee Functions (terms of reference)

Chairman's Introduction

As the Chairman I am very pleased to present this annual report which sets out the role of the Accounts, Audit & Risk Committee and summarises the work we have undertaken during the financial year 2020/21.

The Committee is a key component of the council's governance framework, providing independent support to ensure good governance and strong public financial management.

The Committee continues to be well supported by Officers, providing a high standard of reports and presentations. I would like to thank the Finance Team, Risk & Performance Team, Internal Audit and External Audit for their input.

I should like to take this opportunity to give my personal thanks to all the officers, my Vice Chairman Cllr Hugo Brown and without exception, all fellow Committee members who have contributed and supported the work of the Committee in such a meaningful and positive way throughout the past year.

COUNCILLOR MIKE KERFORD-BYRNES
Chairman, Accounts, Audit & Risk Committee

Role of the Accounts, Audit & Risk Committee

The Accounts, Audit & Risk Committee operates in accordance with the “Audit Committees, Practical Guidance for Local Authorities” produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018. The Guidance defines the purpose of an Audit Committee as follows:

1. Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high -level resource to support good governance and strong public financial management.
2. The purpose of and Audit Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

The key functions of the Account’s Audit & Risk Committee are defined within its terms of reference; this is attached as Annex 1 to this report.

How the Committee has discharged its responsibilities during 2020/21

NB: May and June 2020 meetings were cancelled due to COVID-19.

Key AARC Activities	July 20	Sept 20	Nov 20	Jan 21	March 21
Financial Reporting					
Considered monthly performance, risk & finance monthly report					
2019/20 Annual Statement of Accounts up-date					
Review of Treasury Management Outturn 2019/20					
Treasury Management 2020/21 update					
Capital and Investment Strategy 2021/22					
Treasury Management Strategy 2021/22					
Housing Benefit Subsidy Audit / Housing Benefit Subsidy Risk Based Verification					
Briefing on outcomes of Redmond Review into LG audit					
Internal Audit					
Annual Report of the Chief Internal Auditor 2019-20					
Internal Audit Strategy and Plan 2020-21					
Review of Internal Audit Reports and monitor of in-year progress					
Review of Internal Audit Charter and Quality Assurance Programme					
External Audit					
External audit progress updates					
Review of those charged with governance – response to EY					
Annual Audit Opinion 2019/20					
Governance & Risk Management					
As above under financial reporting - Considered monthly performance, risk & finance monthly report					
Briefing on Cyber Security Arrangements					
Approval of Annual Governance Statement (AGS) for 2019/20					
AARC – terms of reference review					
AARC – draft annual report					
Counter-Fraud					
Approval of Counter-Fraud Strategy and plan for 2020-21					
Counter-Fraud Plan update					
Update on Counter-Fraud arrangements for 21/22					

Our work in 2020/21

The key activities of the Committee are captured in the table above. In summary:

Financial Reporting

The Committee reviewed and approved (subject to final external audit review) the annual statement of accounts on behalf of the Council and considered the external auditors report. The Committee reviewed the proposed accounting policies for the statement of accounts, including the enhancement of the accounting policy relating to the preparation of the accounts on a Going Concern basis in response to increased external audit focus on this area due to the financial impact of COVID-19.

The Committee Members attended a briefing on the Council's draft 2019/20 accounts in August 2020 to assist in their understanding of how the accounts are produced.

The Committee receives reports on Treasury Management throughout the year, exercising its stewardship role, including the Treasury Management Outturn Report for 2019/20 and quarterly Treasury Management monitoring reports for 2020/21. Additionally, the Committee considered the Capital and Investment Strategy and the Treasury Management Strategy 2021/22. The Committee have provided effective scrutiny of the treasury management strategy and policies. Receiving regular reports of activity, reviewing the treasury risk profile and adequacy of treasury risk management.

Internal Audit

The Committee approved the Internal Audit Strategy for 2020/21, including the annual audit plan, which provides members the opportunity to challenge and influence the plan where the Committee has identified areas of concern.

The Committee receives regular progress reports from the Chief Internal Auditor, including summaries of the outcomes from Internal Audit work.

The Committee has continued to review, and monitor material weaknesses identified from the internal audit reports with Senior Managers attending to provide assurance on how the issues were being addressed. This has supported the implementation of the actions plans to deliver the required improvements in key areas for the Council.

The completion of the Internal Audit Plan and the annual statement of the Chief Internal Auditor is produced for the Committee at the end of the financial year. Based on the evidence of the reports presented to the Committee, the team continues to provide an effective challenge and therefore assurance on the key risk activities.

The Committee approves the Internal Audit Charter on an annual basis, this was approved at the July 2020 meeting.

External Audit

The Council's external auditors, Ernst and Young, attended all the committee meetings during 2020/21, providing regular updates on their work plan and any matters arising.

The Committee is satisfied that the External Auditors are free to carry out their duties without restrictions. We are also assured that if identified they would bring any material issues to the attention of the Committee.

Governance & Risk Management

The Committee approved the Annual Governance Statement (AGS) for 2019/20 in November 2020 as part of the Council's accounts.

The Committee receives regular updates on risk management, considering the Performance, Risk and Finance Monitoring Report which includes review of the Leadership Risk Register.

Counter-Fraud

The Committee receives regular updates from the Counter Fraud Team on outcomes of investigations. The Committee plays a key role in monitoring the effectiveness of the Council's counter fraud arrangements. Working with the Finance Team & Internal Audit, the Counter Fraud team has had additional responsibilities during 2020 / 21 scrutinising applications relating to Government Grants designed to mitigate the financial impact of the Covid pandemic.

Overall, the Council has a strong system of internal control, so as expected, there is very little fraud identified; however nationally statistics show that fraud is on the increase, so it is important that the Council remains vigilant.

Annex 1 – Accounts, Audit & Risk Committee Terms of Reference

Currently being reviewed – this will then be inserted prior to finalisation of this report.