

AUDIT AND ASSURANCE COMMITTEE	Paper No.
Meeting date: 29 July 2020	
From: Director of Finance (s151 Officer)	

ANNUAL REVIEW OF AUDIT COMMITTEE EFFECTIVENESS 2019/20

1.0 EXECUTIVE SUMMARY

- 1.1 *This report provides a review of the work of the Audit and Assurance Committee against the core functions of an audit committee as defined within the CIPFA Position Statement on Audit Committees in Local Authorities and Police 2018.*
- 1.2 *The Council is required under the 2016 Delivering Good Governance Framework, to include within its Annual Governance Statement reference to and assessment of the effectiveness of key elements of the governance framework including the Audit Committee.*
- 1.3 *This assessment has been undertaken against CIPFA's 2018 publication Audit Committees: Practical guidance for Local Authorities and Police.*
- 1.4 *An analysis of how the Committee matches the core functions of an Audit Committee as set out in CIPFA Position Statement on Audit Committees in Local Authorities and Police 2018 is included in Appendix 1.*

2.0 POLICY POSITION, BUDGETARY AND EQUALITY IMPLICATIONS, AND LINKS TO COUNCIL PLAN

- 2.1 *The Audit and Assurance Committee performs a key role in reviewing the Council's overall systems of governance, risk management and internal control.*

3.0 RECOMMENDATION

- 3.1 *Members are asked to note the report and confirm the assessment of conformance with the core functions of an audit committee per the 2018 CIPFA Guidance as set out at Appendix 1.*

4.0 BACKGROUND

- 4.1 The Audit and Assurance Committee has pursued its work programme throughout 2019/20, building on its activities in recent years. The Chair of the Committee was appointed to the role in July 2017 and a new Vice Chair was appointed in April 2019. Both have continued in their respective roles throughout 2019/20.
- 4.2 The Committee met four times during 2019/20: Meetings were held on 26 June 2019, 26 July 2019, 17 September 2019 and 9 December 2019. The agenda and papers were published for the final meeting of 2019/20, scheduled for 17 March 2020, but it was cancelled as a result of the Covid 19 outbreak. Given that much of what was planned to have been considered at the March 2020 meeting will now be considered as the next available meeting, 29 July 2020, it is reasonable to consider this in the assessment of the effectiveness of the Audit and Assurance Committee shown in Appendix 1.
- 4.3 On 26 June 2019, the Committee received the annual internal audit report which concluded that there was reasonable assurance over the Council's arrangements for governance, risk management and internal control. The Committee also received an update on the Corporate Risk Register 2018/19 and a refreshed 2019/20 Corporate Risk Register. The Senior Information Risk Owner (SIRO) presented the annual report on Information Governance.
- 4.4 At its meeting on 26 July 2019, the Committee received a report from the Monitoring Officer on the Annual Governance Statement for 2018/19. The Monitoring Officer advised that no significant governance issues had been identified. Therefore, there was no need for an action plan from the 2018/19 Annual Governance Statement or regular progress updates to the Committee in 2019/20. She advised that a key issue over previous years had been the Amey Lessons Learned Action Plan but as good progress on this had been made the management of significant contracts was now considered business as usual.
- 4.5 The Committee has responsibility for approving the annual Statement of Accounts, and annual training is sought from officers to assist in this significant responsibility. The Committee also seeks assurances from the external auditor that the accounts present a true and fair view of the Council's financial position. At its meeting on 26 July 2019, the Committee also approved the Audited accounts for 2018/19 for Cumbria County Council; Cumbria Local Government pension scheme; and the Port of Workington Harbour. The Committee also agreed letters of representation, action plans arising from external audit work and authorised the S151 Officer to sign the accounts. The Committee congratulated the Director of Finance and her team on receiving an unqualified external audit opinion for a further year.
- 4.6 At its meeting on 9 December 2019, the Committee approved in principle the Council's annual Treasury Management Strategy for 2020/21 prior to formal approval by Full Council.

- 4.7 The Committee continued to monitor the effectiveness of the Council's arrangements for risk management. The corporate risk register has been a regular item on the Committee's agendas and assurances have been provided that risk management arrangements are both robust and effective. The corporate risk register to be presented to the 29 July 2020 meeting will provide the assurances for Q3 and Q4 of 2019/20. Assistant Directors and Senior Managers have given the Committee 'Deep dive' presentations on items from the corporate risk register allowing the Committee to gain a deeper understanding of those risks and the arrangements in place to manage them. Deep dive presentations were received during the year on Prevention of and placement sufficiency for children looked after, Adults Safeguarding and Learning Disability Partnership Arrangements. A further presentation was circulated for the scheduled meeting in March 2020 on Management of Significant Contracts with a focus on the Cumbria External Fostering Framework.
- 4.8 The Committee has continued to receive regular progress reports on the work of Internal Audit and has sought assurances that audit recommendations have been implemented on a timely basis. The Committee has taken a particular interest in the outcomes of Internal Audit's follow up work and should be encouraged that 14 out of 15 follow ups completed in 2019/20 resulted in improved assurance ratings with all of the 14 now receiving a reasonable assurance rating. It should also be noted that 6 of the 14 reviews improved their assurance level from 'limited' (the lowest assurance level) to 'reasonable' assurance. The other 1 follow up remained at its original assurance rating of partial assurance.
- 4.9 The Committee was scheduled to consider the internal audit plan 2020/21 and the Audit Charter 2020/21 at its meeting in March 2020 which was subsequently cancelled. The Charter is a key document required by the Public Sector Internal Audit Standards (PSIAS), which sets out the purpose, authority and responsibility of Internal Audit and ensures its independence. The Charter also sets out the Committee's commitment to ensuring that Internal Audit has access to all information considered necessary to undertake its work. It is noted that the Charter for 2020/21 is virtually the same as that approved for 2019/20 in March 2019. An updated audit plan and Audit Charter for 2020/21 will be considered by the Audit and Assurance Committee at its 29 July 2020 meeting.
- 4.10 The Public Sector Internal Audit Standards (PSIAS) require an External Quality Assessment (EQA) of Internal Audit to be undertaken every five years. The results of Cumbria's EQA was reported to the Committee on 20 March 2018 and reported a high level of conformance with the PSIAS but made some recommendations for further developing the audit service. The Committee has continued to be supportive of the work to implement these recommendations during 2019/20 including an Audit Plan focused around providing assurance on corporate risks, developing consultancy / advice type work to support the Council and changing the approach to follow up work where only high priority and a sample of medium priority recommendations are followed up by Internal Audit. Further developments to improve the

Cumbria Shared Internal Audit Service were reported to the Committee in September 2019 and included:

- revised reporting format focused under the priority of recommendations
- updating audit opinion definitions to makes reference to governance and risk management arrangements as well as internal controls
- revising the school audit working papers to improve efficiency of the schools audits and adapted our normal follow up approach to reflect the different circumstances in schools.

4.11 Against the CIPFA core purpose statements for audit committees, the Audit and Assurance Committee compares well. The Committee has continued to hold separate private meetings with external audit before each Committee meeting and the Chair, Vice Chair and I meet regularly with the Group Audit Manager and other officers to discuss agendas and papers.

Julie Crellin
Director of Finance (s151 Officer)
July 2020

APPENDICES

Appendix 1 How the Audit & Assurance Committee compares against the core functions of an Audit Committee as defined within the CIPFA Position Statement 2018.

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Appendix 1 – Assessment of Audit and Assurance Committee Effectiveness against the core functions of an audit committee (CIPFA Guidance 2018)

Core functions of an audit committee	Y	P	N	Examples
<p>Be satisfied that the authority’s assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority’s objectives</p>	✓			<p>Audit & Assurance Committee review and approve the draft Annual Governance Statement prior to sign off by the Leader and the Chief Executive.</p> <p>The Committee ensures that the significant governance issues identified within the AGS reflect their knowledge of the Council and that a robust action plan is in place to address any issues identified. No significant governance issues were identified in the 2018/19 Annual Governance Statement.</p> <p>The Committee also oversees risk management arrangements. The corporate risk register is reported quarterly to the Committee who challenge the content robustly to ensure that risks are properly reflected within the corporate risk register. The corporate risk register covering Q3 and Q4 will be considered at the 29 July 2020 meeting.</p>
<p>In relation to the authority’s internal audit functions:</p> <ul style="list-style-type: none"> • Oversee its independence, objectivity, performance and professionalism • Support the effectiveness of the internal audit process • Promote the effective use of internal audit within the assurance framework 	✓			<p>Audit & Assurance Committee approves the internal audit charter which sets out the arrangements in place to ensure the independence of internal audit is maintained. The charter for 2019/20 was approved on 14 March 2019 and the 2020/21 charter was planned to be approved at the March 2020 meeting but this was cancelled as a result of the COVID-19 lockdown. The 2020/21 charter will be considered at the 29 July 2020 meeting.</p> <p>The Committee received regular progress reports from the Group Audit Manager and seeks its own assurances on the quality and robustness of the work undertaken as well as on the adequacy of the management responses to internal audit recommendations.</p> <p>The Chair and Vice Chair have access to the Group Audit Manager and there are paper review meetings prior to each meeting between the Chair, Vice Chair and Group Audit Manager, Executive Director, Director of Finance (s151 Officer) and other Assistant Directors (as required).</p>

Appendix 1 – Assessment of Audit and Assurance Committee Effectiveness against the core functions of an audit committee (CIPFA Guidance 2018)

Core functions of an audit committee	Y	P	N	Examples
<p>Consider the effectiveness of the authority's risk management arrangements and the control environment, reviewing the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships and collaborations with other organisations.</p>	✓			<p>Audit & Assurance Committee receives quarterly updates on the corporate risk register and seeks assurances that risks are being effectively identified, assessed and controlled. The corporate risk register covering Q3 and Q4 will be considered at the 29 July 2020 meeting.</p> <p>The Committee invites members of the Extended Leadership Team to give in depth (referred to as 'deep dive') presentations on items from the corporate risk register as necessary. This enables the Committee to gain a deeper understanding of those risks and receive direct management assurances that corporate risks are being effectively managed.</p> <p>On behalf of the committee, the Chair and Vice Chair receive regular briefings on the accounts.</p>
<p>Monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to risks of fraud and corruption.</p>	✓			<p>Audit & Assurance Committee receive reports from both external and internal audit which provide assurances on the arrangements in place for ensuring value for money and for managing the authority's exposure to fraud and corruption.</p> <p>Previously the Committee has had the opportunity to review the content of ethical policies prior to their approval by Full Council. These policies have included those for Whistleblowing and Anti-Fraud, Bribery & Corruption and also the "Speak up" arrangements.</p>
<p>Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control.</p>	✓			<p>Audit & Assurance Committee receives regular reports from external audit as well as reports from other inspectorates as appropriate.</p> <p>The Committee also receives assurances through the regular Annual Governance Statement updates, where required, in relation to matters identified by external inspectorates.</p>

Appendix 1 – Assessment of Audit and Assurance Committee Effectiveness against the core functions of an audit committee (CIPFA Guidance 2018)

Core functions of an audit committee	Y	P	N	Examples
Support effective relationships between external audit and internal audit, inspection agencies and other relevant bodies and encourage the active promotion of the value of the audit process.	✓			Audit & Assurance Committee receives assurances that internal audit and external audit have effective dialogue in place to share information as appropriate.
Review the financial statements, external auditor’s opinion and reports to members, and monitor management action in response to the issues raised by external audit.	✓			<p>Audit & Assurance Committee receives annual training on the Statement of Accounts in order to assist them with their responsibility to review and approve the Council’s accounts.</p> <p>Committee Members also receive Treasury Management training so they can comment in an informed way on the Council’s Treasury Management Strategy. This training is rolled out to all Members as the strategy is approved by Full Council.</p> <p>The Committee receives the external auditor’s reports and opinion on the accounts and their value for money judgement and seeks assurances on these as appropriate.</p>