

AUDIT AND ASSURANCE COMMITTEE	Paper No.
Meeting date: 30 June 2022	
From: Director of Finance (s151 Officer)	

ANNUAL REVIEW OF AUDIT COMMITTEE EFFECTIVENESS 2021/22

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.*
- 1.5 *CIPFA is currently updating its guidance publication Audit committees: Practical guidance for local authorities and police. The new edition will be published in June 2022.*

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 2021/22, 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 2021. Both have continued in their respective roles throughout 2021/22.
- 4.2 The Committee met five times during 2021/22: Meetings were held on 14 June 2021, 14 September 2021, 27 September 2021, 7 December 2021 and 24 March 2022.
- 4.3 On 14 June 2021, 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 for 2020/21. In addition, the Committee received the Quarter 4 update on the Corporate Risk Register for 2020/21 and the draft Corporate Risk Refresh for 2021/22.
- 4.4 At its meeting on 14 June 2021, the Committee also received a report from the Monitoring Officer on the draft Annual Governance Statement (AGS) for 2020/21. The Monitoring Officer advised that no significant governance issues had been identified. Therefore, there was no need for an action plan from the 2020/21 Annual Governance Statement or regular progress updates to the Committee in 2021/22. She commented that the review had demonstrated that while the Council experienced significant disruption to its day to day operations as a result of the coronavirus pandemic, the governance arrangements that the Council had in place prior to the pandemic provided a strong foundation for the governance of the Council's response to the pandemic. Reference was made to the significant impact the coronavirus pandemic had, and would continue to have for some time, on the operations of the Council. The conclusion was that there had been no significant impact on the governance arrangements as a result of the pandemic and the local code of governance was still an accurate reflection of how governance had operated in 2020/21.
- 4.5 CIPFA's Financial Management (FM) Code sets out the principles by which authorities should be guided in managing their finances and the specific standards that they should seek to achieve. The 2020/21 AGS stated the Council could demonstrate substantial compliance with the CIPFA FM Code and any further actions would ensure the Council maintains its strong financial management arrangements moving forward.

- 4.6 The meeting on 14 September 2021 considered the refreshed 2021/22 Corporate Risk Register (Quarter 1 of 2021/22). The Senior Information Risk Owner (SIRO) also presented the annual report on Information Governance.
- 4.7 The Committee has responsibility for approving the annual Statement of Accounts. Annual training is sought from officers to assist in this significant responsibility with additional training provided on accounting estimates. The Committee also seeks assurances from the external auditor that the accounts present a true and fair view of the Council's financial position. The Committee approved the Audited Accounts for 2020/21 for Cumbria County Council, Cumbria Local Government Pension Scheme and the Port of Workington Harbour at its meeting on 27 September 2021. The Committee also received and approved the final Annual Government Statement alongside the Accounts, and agreed letters of representation, action plans arising from external audit work and authorised the Director of Finance (S151 Officer) to sign the accounts. It is important to recognise that Cumbria County Council was one of only 9% of local government bodies that received their 2020/21 account's opinion from their external auditor by the 30 September 2021 deadline. The Committee thanked all those involved in the audit process in achieving an unqualified external audit opinion on the 2020/21 accounts even with the added complexities of both the Covid grant funding and the current auditing process.
- 4.8 At its meeting on 7 December 2021, the Committee approved in principle the Council's annual Treasury Management Strategy for 2022/23 prior to formal approval by Full Council. The Committee also approved the Council opting-in to the PSAA Sector Led Body national scheme for the next procurement of external auditors.
- 4.9 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 Committee has requested Assistant Directors and Senior Managers to give the Committee 'Deep dive' presentations on selected topics from the corporate risk register throughout the year 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 Managing the fragility of the Social Care sector, Children's safeguarding and the Impact of Local Government Reorganisation on the sustained provision of Council Services.
- 4.10 The Committee has continued to receive regular progress reports on the work of Internal Audit. The Committee has welcomed and supported the approach adopted by Internal Audit during 2021/22 in terms of moving reviews around if issues arose with starting planned reviews and using staff flexibly. Also the sensitivity the Internal Audit team has used when respecting the pressures on others while still ensuring sufficient audit coverage to enable the Group Audit Manager to deliver the annual opinion.

- 4.11 The Committee has continued to take a particular interest in the outcomes of Internal Audit's follow up work. Of the 6 follow ups completed in 2021/22 three (50%) have resulted in improved assurance ratings and are now reasonable assurance whilst the other three (50%) have remained at partial assurance.
- 4.12 At its meeting on the 24 March 2022 the Committee considered the internal audit plan for 2022/23. The Committee also considered the Audit Charter. 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. In addition the Charter sets out the Committee's commitment to ensuring that Internal Audit has access to all information considered necessary to undertake its work. The only change to the Audit Charter from 2021/22 related to the removal of any references to the Cumbria Shared Internal Audit Service which ceased on 31 March 2022.
- 4.13 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 in previous years and during 2021/22. At its meeting on 24 March 2022 the Committee gave approval for the Council not to undertake the External Quality Assessment (EQA) of its Internal Audit arrangements, due in November 2022. This decision reflected the fact that with Local Government Reorganisation, Cumbria County Council would only exist for 5 months after the EQA and therefore any benefit from the EQA would be of limited value.
- 4.14 The Audit and Assurance Committee compares well against the CIPFA core purpose statements for audit committees. 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.
- 4.15 CIPFA is currently updating its guidance publication Audit committees: Practical guidance for local authorities and police. The new edition will be published in June 2022.

Director of Finance (s151 Officer)

June 2022

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.

IMPLICATIONS

Staffing: none
Financial: none
Property: none
Electoral Division(s): none

Executive Decision

	No*
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Key Decision

	No*
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If a Key Decision, is the proposal published in the current Forward Plan?

		N/A*
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Is the decision exempt from call-in on grounds of urgency?

	No*
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If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained?

		N/A*
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Has this matter been considered by Overview and Scrutiny?
If so, give details below.

	No*
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PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS

[including Local Committees]

No previous relevant decisions

CONSIDERATION BY OVERVIEW AND SCRUTINY

Not considered by Overview and Scrutiny

BACKGROUND PAPERS

No background papers

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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 2020/21 Annual Governance Statement. The Committee were also assured that whilst the Council experienced significant disruption to its day to day operations as a result of the coronavirus pandemic, the governance arrangements that the Council had in place prior to the pandemic provided a strong foundation for the governance of the Council’s response to the pandemic. Reference was made to the significant impact the coronavirus pandemic had, and would continue to have for some time, on the operations of the Council. The conclusion was that there had been no significant impact on the governance arrangements as a result of the pandemic and the local code of governance is still an accurate reflection of how governance has operated in 2020/21.</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.</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>On the 24 March 2022 the Audit & Assurance Committee approved the Audit Plan for 2022/23 and the internal audit charter, which sets out the arrangements in place to ensure the independence of internal audit is maintained.</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>

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>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). An annual private meeting / discussion between the Chair and the Group Audit Manager took place on 12 October 2021.</p>
<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.</p> <p>The Committee invites members of the Extended Leadership Team to give in depth (referred to as ‘deep dive’) presentations on selected aspects of 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 account’s preparation and audit processes.</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 Council’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>

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 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>
<p>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.</p>	✓			<p>Audit & Assurance Committee receives assurances that internal audit and external audit have effective dialogue in place to share information as appropriate. In response to the Redmond Review internal and external audit now meet formerly on a quarterly basis.</p>
<p>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>	✓			<p>Audit & Assurance Committee receives annual training on the Statement of Accounts, with additional training provided on accounting estimates, to assist them with their responsibility to review and approve the Council’s accounts. The Committee approved the Audited Accounts for 2020/21 for Cumbria County Council, Cumbria Local Government Pension Scheme and the Port of Workington Harbour on 27 September 2021 with the Council being one of only 9% of local government bodies that received their 2020/21 account’s opinion from their external auditor by the 30 September 2021 deadline.</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>