

Part 1: Open to the Public – Item No.  
**or**  
Part 2: Closed to the Public – Item No.

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## REPORT OF THE CHAIR OF THE AUDIT AND ACCOUNTS COMMITTEE

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TO CABINET

ON TUESDAY 13 OCTOBER 2020

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**TITLE:** Annual Report of the Chair of the Audit & Accounts Committee 2019/20

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### RECOMMENDATIONS:

It is recommended that the City Mayor and Members of Cabinet consider the Annual Report of the Chair of the Audit & Accounts Committee for the year 2019/20 attached at Appendix 1.

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### EXECUTIVE SUMMARY:

In line with best practice, the Terms of Reference for this Committee state that an Annual Report of the work of the Committee should be submitted to Cabinet. The attached report relates to the year 2019/20.

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### BACKGROUND DOCUMENTS:

Public Sector Internal Audit standards  
Audit Committees – Practical Guidance for Local Authorities (2018) - CIPFA

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**KEY DECISION:** NO

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### DETAILS:

See attached report.

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**KEY COUNCIL POLICIES:** N/A

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EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS: N/A

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ASSESSMENT OF RISK: There are no specific risks linked to the publication of this report.

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LEGAL IMPLICATIONS Supplied by: N/A

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FINANCIAL IMPLICATIONS Supplied by: N/A

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PROCUREMENT IMPLICATIONS Supplied by: N/A

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HR IMPLICATIONS Supplied by: N/A

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CLIMATE CHANGE IMPLICATIONS Supplied by: N/A

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OTHER DIRECTORATES CONSULTED: N/A

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WARDS TO WHICH REPORT RELATES: N/A

# Salford City Council

## ANNUAL REPORT OF THE CHAIR OF THE AUDIT & ACCOUNTS COMMITTEE 2019/20

## Foreword

I am pleased to provide this foreword to the Audit & Accounts Committee's eleventh annual report to Cabinet, which details the achievements of the Committee in 2019/20. This is my third annual report since rejoining the committee, clearly some items by necessity remain the same as we continue to act in a safeguarding capacity on the one hand in terms of the risks which the Council may face and on the other, ensuring our finances are in order and compliant. We continue to update and work within our Terms of Reference (see appendix A)

As always both myself and the committee have received significant support and guidance from officers, in particular I would thank our Chief Finance Officer Joanne Hardman and her team and Miranda Caruthers-Watt our City Solicitor and legal adviser whom I am sorry to lose but wish her well in her retirement. Can I also thank the many officers who visit us during the year providing us with detailed reports on their work and for putting up with our many questions. We are fortunate to have as our Head of Audit Jean Gleave and her team who have continued to keep us well informed and advised throughout the year, thank you.

No committee could function adequately without a good inquisitive team and I would like to thank all members of the committee for their support I must also give thanks to our two co-opted members Vittoria Bugana and Bruce Cowan who provide valuable insight from outside of the Council. We are sorry to lose Bruce and wish him well for the future. Finally, my thanks to our clerk Liz Wright for making sure we receive all papers in a timely way and for recording our proceedings.

The Audit & Accounts Committee covers all aspects of the council's activities as defined in the council's constitution with members continuing to have special regard to matters of governance. Some of the areas covered are detailed below:

- Receiving and considering the content of reports from Internal Audit
- Receiving and considering reports from the council's External Auditor
- Ensuring that management teams take appropriate actions to implement the recommendations contained in these reports
- Scrutiny of specific Service Groups to ensure that audit requirements and recommendations are being met
- Receiving reports on risk management and governance issues
- Having responsibility for ensuring that the Annual Statement of Accounts and the Annual Governance Statement present a fair and accurate position of the council
- Having regard for the Annual Audit Letter provided by the council's External Auditor.

The reports that have been scrutinised over the last twelve months include:

- Council's Fraud Detection Activity
- Reports from Internal Audit and External Audit
- Strategic risk register
- Financial matters including arrears

Under normal circumstances the committee would take part in a self-assessment exercise in line with CIPFA good practice guidance. Unfortunately due to COVID 19 this has not taken place during the year but it is planned for our next meeting in the

new year. We will continue to highlight the role and purpose of the audit committee across the authority and establish what further training requirements need to be introduced.

We will continue to value our relationship with our internal and external auditors, and we will also continue to ensure that all recommendations in relation to audit reviews are implemented in a timely manner.

As this year came to an end the country was beginning to suffer from the worldwide Pandemic COVID19 with the whole country being locked down apart from essential key workers. Whilst none of us can look into a crystal ball and say what the effects will be not just over the coming year but possibly for years to come, we do know that the country is being plunged into an economic meltdown not of its own making. Billions of pounds are being spent to look after our people and councils are being called upon to dig deep into their personal resources and to play a part in directing government funds into where they are most needed. Salford I am sure will rise to this challenge, indeed we are already seeing this happen, and it will be one of the responsibilities of this committee to ensure that we are able to cope with the many risks we will be faced with, and that we are able to meet our financial commitments.

I said last year that we would be continuing with challenging times in the year ahead but none of us could foresee by the end of this year how challenging they would be. I said we would face particular challenges in ensuring that we ask the right questions about the risks which are inevitably present when costs need to be reduced and that efficiencies made are acceptable and kept to a minimum. This coming year our challenge will be so much greater as we deal with the effects of COVID 19 and as a committee, we will continue to play our part and be diligent in our efforts. Never has the work of this committee been so important in ensuring good governance and keeping the risks to our council and the community to a minimum.

I look forward once again to leading this committee with the help of all members through these trying times. Together we will succeed.

**Councillor Robin Garrido**  
**Chair of the Audit & Accounts Committee 2019/20**

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## **1. Introduction**

The Audit & Accounts Committee was formed in May 2008 by a merger of the existing Audit Committee and Accounts Committees. The year 2019/20 was the twelfth year of the Committee and five meetings were held in the year. The planned meeting for March 2020 was cancelled owing to the developing Covid-19 pandemic.

## **2. Committee Information**

### Roles and Responsibilities

The roles and responsibilities of the Audit & Accounts Committee have been drawn up to meet with best practice as laid out in the “CIPFA Audit Committees - Practical Guidance for Local Authorities” which was updated in 2018. The updated CIPFA guidance for Audit Committees, issued in May 2018, was considered during 2018/19.

The Terms of Reference of the Committee covers the following main areas:

- Governance Risk and Control
- Internal Audit
- External Audit
- Financial Reporting
- Accountability Arrangements

The Terms of Reference is reviewed and approved on an annual basis. The Audit & Accounts Committee reviewed and approved the Terms of Reference at its meeting in March 2019 and were due to review at the cancelled March 2020 meeting. The review will now be undertaken at the July 2020 meeting. A copy of the current Terms of Reference is provided at [Appendix A](#).

### Membership

For 2019/20, the Audit & Accounts Committee consisted of eight elected Members and also two independent Members. The Lead Member for Finance and Support Services is also an invitee to the committee. In line with best practice, the political representation on the committee reflects that of the council and the Chair is drawn from the official opposition party.

One of the independent Members has been a member of this committee throughout 2019/20. A recruitment exercise is currently underway to replace the 2<sup>nd</sup> independent member.

### Meetings and Attendance

The Audit & Accounts Committee has held five meetings during this municipal year. The timing of the meetings throughout the year is designed to coincide with the governance timetable of the year; during 2019/20 this included a meeting in July to approve the council’s Annual Governance Statement and to receive the draft Statement of Accounts, and in September to approve the final version of the Annual

Governance Statement and the Accounts and to receive the External Auditor's Audit Completion Report.

During 2019/20, in line with best practice, the committee was attended by: Mazars as the council's External Auditors; City Solicitor; Chief Finance Officer or the Head of Financial Management; the Head of Internal Audit; and the Internal Audit Manager. The Joint Head of Planning and Performance also attended to report updates on the strategic risk register; with other officers attending as required.

### **3. Committee Achievements**

The Committee has made considerable achievements during the last year. The work of the Audit and Accounts Committee has been undertaken as detailed in the Terms of Reference. The committee completed an annual self-assessment exercise at its meeting in March 2019 based upon updated Audit Committee guidance issued by CIPFA in 2018. Members completed the evaluation using the electronic voting technology, as in previous years. Positive responses were received from the Members and, as part of the action plan it was agreed to further highlight the role and purpose of the audit committee across the authority; assess further training requirements; assess knowledge and skills required by Members. On the whole, the self-assessment process is a valuable toolkit that provides anonymous feedback and enables Member training and development to be identified.

#### Audit and Risk Management

The Committee received update reports on the council's key strategic risks at the June 2019 and January 2020 meetings of the Committee. In addition, Members have requested further details of items that are considered a significant risk or contained within the council's Strategic Risk Register around Pupil Place Planning (secondary demand update), at the June 2019 meeting.

#### Internal Audit

The committee receives and approves the Internal Audit Strategy and Annual Plan for the year. The Annual Plan for 2019/20, which Members approved in June 2019, provides details of the "Assurance Themes" and the reviews that Internal Audit planned to undertake during 2019/20. Furthermore, the report breaks these themes into constituent audit areas, providing Members with a greater degree of detail.

During the year at each meeting, members monitored the progress against that year's Internal Audit plan by way of a progress report, and received the Head of Audit's Annual report for 2018/19 at the year end, in June 2019. At the October 2019 meeting, Members received the report on quality assurance and improvement of the Internal Audit Service which contained the updated action plan from the external assessment against the Public Sector Internal Audit Standards.

Between meetings, committee members were provided with summary copies of all the Internal Audit reports issued in the intervening period. Members are able to request a full copy of any report, or address any questions they may have, to the Internal Audit Manager.



At the committee meetings, the Internal Audit Manager presented the audit reports completed in the last period and also the progress made by service groups in implementing the recommendations of previous reports by way of Post Implementation Reviews.

To ensure that the challenge process is robust, the Terms of Reference of the Committee includes an escalation process to ensure any concerns Members have can be followed-up (see appendix A1).

Internal Audit also provided reports on special investigations that were ongoing or completed, this gives Members the opportunity to consider whether the council's Anti-Fraud, Bribery and Corruption Strategy is being effectively applied.

The collaborative partnership with the internal audit team at Warrington Borough Council continued during 2019/20 and the Head of Internal Audit at Salford splits her time between the two Authorities. The purpose of the collaborative working is to share resources and achieve savings for both councils.

### Accounts

In accordance with the Accounts and Audit (England) Regulations 2015, the Authority's accounts were presented to the Audit & Accounts Committee for approval at the July 2019 meeting. The Head of Financial Management introduced this report which provided comments on the external auditor's reports and stated that in general the council agreed with the findings of the external auditors and had amended the unaudited version of the 2018/19 statement of accounts accordingly.

### External Audit

Public Sector Audit Appointments Limited (PSAA) appointed Mazars LLP to audit the accounts of Salford City Council for five years from 2018/19. The appointment started on 1 April 2018. In relation to the work of the External Auditors, the committee received progress reports from Mazars at each meeting.

At the September 2019 meeting, after the external auditors, Mazars, had finished their review of the accounts, the committee received Mazar's Audit Completion Report for 2018/19. The committee voted to authorise the changes to the statement of accounts outlined in the Audit Completion Report; note the representations made by the Chief Finance Officer; and authorise the Committee Chair to sign the statement of responsibilities within the statement of accounts. At the January 2020 meeting the committee received Mazar's Annual Audit Letter.

### Training and Development Work

Following the committee self-assessment session at the March 2019 meeting, the following training was provided:

- January 2020: Protecting those at risk from financial fraud.

Also at the October 2019 the Head of Internal Audit presented the updated CIPFA guidance on the role of the Head of Internal Audit.

#### **4. Committee Priorities for 2020/21**

To build on the achievements of 2019/20 by:

- Continue to request officers to attend the committee to explain actions being taken to mitigate risks identified on the Corporate or Service group level Risk Registers
- Enhance the oversight of risk management by requesting that Service Groups periodically present their risk registers to the committee.

## **Appendix A**

# **AUDIT & ACCOUNTS COMMITTEE TERMS OF REFERENCE 2019/2020**

## **Membership**

Membership of the Audit and Accounts Committee will be eight members of the council, appointed in accordance with the principles of political balance, together with two independent non-voting co-opted members. The Chair of the Audit and Accounts Committee shall not be a member of the majority political group.

Members of the Audit and Accounts Committee will be appointed by the council. All Cabinet members and the elected City Mayor will not be eligible to sit on the Audit and Accounts Committee. *The Lead Member for Finance and Support Services or such other Lead Member as designated by the City Mayor from time to time will be authorised to attend meetings of the Committee but not vote.*

The Quorum shall be three members of the Audit and Accounts Committee.

## **Responsibilities**

The powers and responsibilities of the Audit and Accounts Committee fall in the areas described below:

### ***Purpose***

1. The audit committee is a key component of Salford City Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of the audit committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

### ***Governance, risk and control***

3. To review the council's corporate governance arrangements against the good governance framework including the ethical framework and consider annual governance reports and the local code of governance and to recommend their adoption when satisfied.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances.

Taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control, and to recommend its adoption when satisfied.

5. To maintain an overview of the council's Constitution in respect of Contract Procurement Rules and Financial Regulations.
6. To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
7. To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
8. To monitor the effective development and operation of risk management in the council.
9. To monitor progress in addressing risk-related issues reported to the committee.
10. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
11. To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
12. To monitor the counter-fraud strategy, actions and resources.
13. To review the governance and assurance arrangements for significant partnerships or collaborations.

#### ***Internal audit***

14. To approve the internal audit charter.
15. To review proposals made in relation to the provision of internal audit services and to make recommendations.
16. To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
17. To approve significant interim changes to the risk-based internal audit plan and resource requirements.
18. To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
19. To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the head of internal audit. To approve and periodically review safeguards to limit such impairments.
20. To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:
  - a) Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work.
  - b) Regular reports on the results of the Quality Assurance and Improvement Programme.

- c) Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement.
21. To consider the head of internal audit's annual report:
    - a) The statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit.
    - b) The opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion as these will assist the committee in reviewing the Annual Governance Statement.
  22. To consider summaries of specific internal audit reports as requested.
  23. To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
  24. To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
  25. To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.
  26. To support the development of effective communication with the head of internal audit. To provide free and unfettered access to the audit committee chair for the head of internal audit, including the opportunity for a private meeting with committee.
  27. Where appropriate, to refer matters of concern to the Overview and Scrutiny Board or the relevant Scrutiny Panel.
  28. The Audit and Accounts committee has the power to call an officer to attend the committee to account to the committee the reason(s) for non-implementation of agreed internal audit recommendations.

***External audit***

29. To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments.
30. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
31. To consider specific reports as agreed with the external auditor.
32. To comment on the scope and depth of external audit work and to ensure it gives value for money.

33. To commission work from internal and external audit.
34. To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

### ***Financial reporting***

35. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit, that need to be brought to the attention of the council.
36. To review and approve the council's financial statements and Letter of Representation to the External Auditors
37. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

### ***Accountability arrangements***

38. To report to full council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.
39. To publish an annual report on the work of the committee to the Cabinet.

### **Delegation**

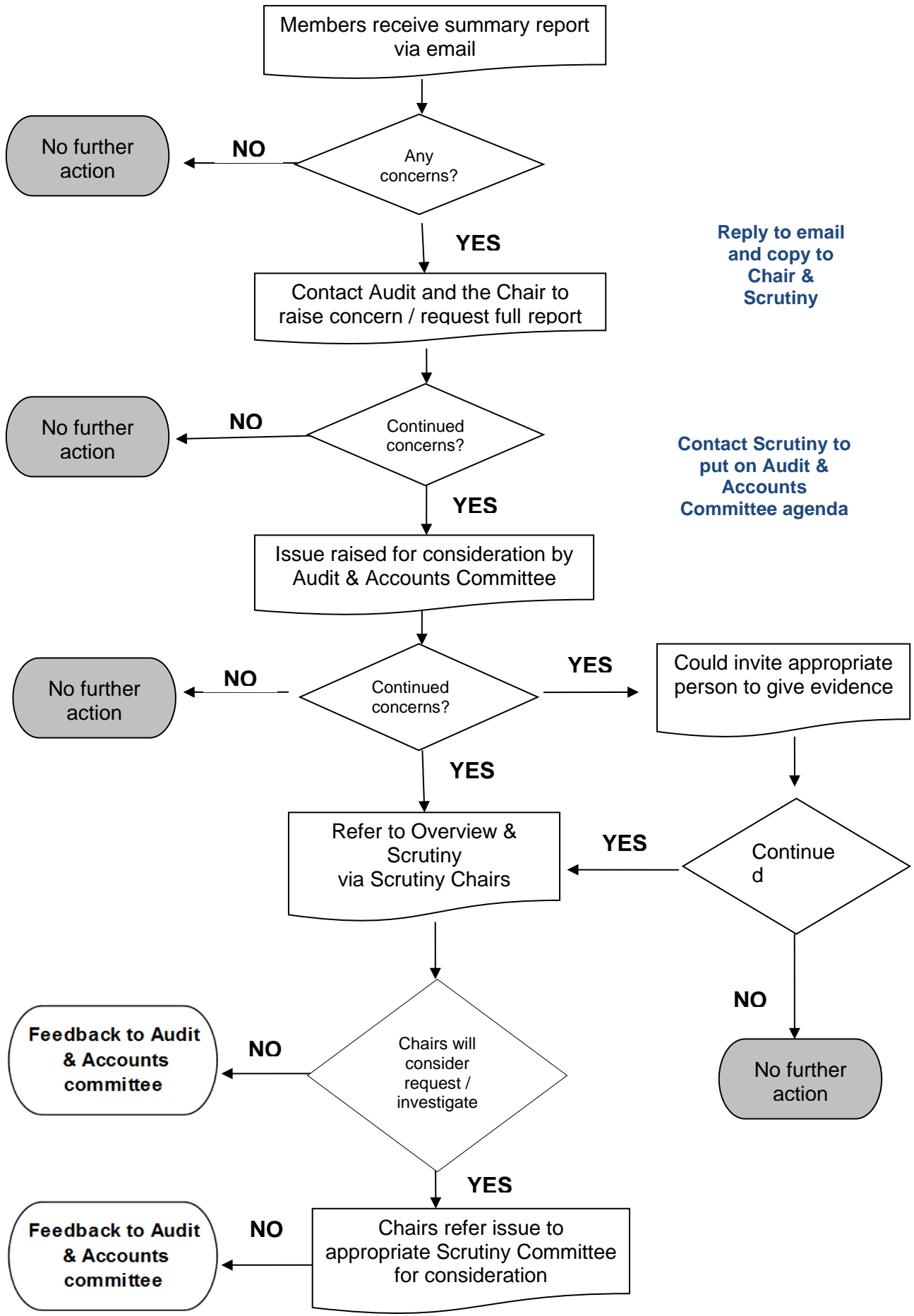
In exercising the above powers and responsibilities, the Audit and Accounts Committee shall have delegated power to make decisions and act on behalf of the council.

### **Note**

The committee may itself determine not to exercise its delegated powers and may instead make recommendations to council.

Appendix A1 - Audit & Accounts Committee Escalation Plan





Reply to email and copy to Chair & Scrutiny

Contact Scrutiny to put on Audit & Accounts Committee agenda



## Appendix B – Attendance 2019/20

### Key:

✓ = present; A = Apologies submitted; Blank = No apologies submitted.

Councillor	June	July	Sept	Oct	Jan	March
Councillor R Garrido (chair)	✓	✓	✓	✓	✓	cancelled
Councillor J Brooks		✓	✓	✓	✓	cancelled
Councillor P Coen	A	A				cancelled
Councillor P Connor	A	A	A	A		cancelled
Councillor D Jolley	A	✓	✓	✓	✓	cancelled
Councillor R Jones	A	✓	✓	✓	✓	cancelled
Councillor J King	✓					cancelled
Councillor M Pevitt	A	A	✓	A	✓	cancelled
Councillor John Walsh	✓	✓	✓	✓	✓	cancelled
Councillor B Hinds (invitee)	✓	✓	✓	✓	A	cancelled
Vittoria Bugana (co-opted member)	✓	✓	✓	✓	✓	cancelled
Bruce Cowen (co-opted member)	✓					cancelled



## Appendix C – Committee Activity

### Internal Audit and Risk Management

	Committee Dates				
Function/Issue	26.06.19	24.07.19	30.09.19	23.10.19	22.01.20
<b>Internal Audit</b>					
Internal Audit Progress Report	received	received	received	received	received
Audit Strategy and Plan	approved for 2019/20				
Internal Audit Charter 19/20				received	
Completed and Current Investigations Report	received	received	received	received	received
Internal Audit Quality Assurance and Improvement Plan				received	
<b>Risk Management</b>					
Strategic Risk Management Update Report	received				received
<b>External Audit</b>					
Progress Report	received	received	received	received	received
External Audit Fee letter 2019/20	received				
2018/19 Audit Completion Report		received			
2018/19 Annual Audit Letter					received
Letter of Representation 2018/19		received			

## Regulatory Framework and Internal Control Related Activity

Function/Issue	Committee Dates				
	26.06.19	24.07.19	30.09.19	23.10.19	22.01.20
Private meeting with Committee Members					Internal audit
Audit & Accounts Committee Terms of Reference (due March)					
Code of Corporate Governance(due March)					
Audit Committee Self-assessment Report(due March)	received				
Effectiveness of Internal Audit(due March)					
Annual Report of the Chair of the Audit & Accounts Committee	approved				
Annual Report of the Head of Audit	approved				
<b><u>Accounts Related Activity</u></b>					
Statement of Accounts 2018/19	Draft presented	Draft Presented	approved		
Annual Governance Statement	Draft presented		approved		
<b><u>Counter Fraud</u></b>					
Fraud Detection Activity Update	received				received