

Item No. 16.	Classification: Open	Date: 10 February 2020	Meeting Name: Audit, Governance and Standards Committee
Report title:		Annual report on the work and performance of the audit, governance and standards committee in 2019-20	
Ward(s) or groups affected:		All	
From:		Strategic Director of Finance and Governance	

RECOMMENDATIONS

1. That the audit, governance and standards committee forward this report on its work and performance in 2019-20 to all councillors, subject to any amendments it wishes to make.

BACKGROUND INFORMATION

2. The purpose of this report is to review this committee's work and performance in 2019-20.
3. The audit, governance and standards committee's terms of reference include a requirement to report annually to all councillors on its work and performance during the year.
4. The aims of the report are to make councillors aware of the audit, governance and standards committee's work in relation to its audit, financial reporting, treasury management, governance and standards responsibilities, and to provide assurance on areas covered or to identify any concerns.
5. This report also considers the effectiveness of the audit, governance and standards committee which forms a part of the review of internal audit, and which will in turn be reported as part of the review of the system of internal control, as required under the Accounts and Audit Regulations 2015.

KEY ISSUES FOR CONSIDERATION

Role of the committee

6. The purpose of the audit, governance and standards committee is to provide:
 - Independent assurance of the adequacy of the council's governance arrangements, including its standards regime, the risk management framework and the associated control environment.
 - Independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.
 - Oversight of the financial reporting process.
 - Scrutiny of the treasury management strategy and policies.
 - Operation of a framework to promote and maintain high standards of conduct by councillors, co-opted members and church and parent governor representatives.

7. In line with the above, the committee's terms of reference are structured by reference to its key functions in terms of governance and standards, audit activity (internal and external), the accounts and treasury management. Since the new standards regime for councillors was introduced in 2012, the frequency and business for the standards committee had reduced, and there was no statutory requirement to have a standards committee. In May 2016 the standards committee was not re-established as a stand-alone committee, and its roles and functions were amalgamated with the audit and governance committee.
8. The audit, governance and standards committee agrees a work programme each year. A summary of the committee's business during 2019-20 in relation to its areas of responsibility is set out below.

Audit activity

Internal audit

9. The committee received and considered regular reports on the performance of internal audit and the outcome from its work during the year, as well as the head of anti-fraud and internal audit's annual report on the work of internal audit and anti-fraud 2018-19. Members had questions for both officers and the engagement manager for the auditors, BDO.
10. This meeting's agenda includes a report on the internal audit plan for 2020-21, and a progress report on the work of internal audit and anti-fraud.

External audit

11. The committee received regular progress reports from the external auditor (Grant Thornton) throughout the year; there is an update report on this meeting's agenda. It also considered Grant Thornton's audit plans for 2018-19 for both the council and the Southwark pension fund, and the audit findings reports and annual audit letter for 2018-19. Their summary of findings from the certification of claims and returns for 2018-19 is on this meeting's agenda.
12. The committee considered the external auditor's annual fees for 2019-20 for both the council and the Southwark pension fund in July 2019. Grant Thornton also reported to the committee on their review of the council's arrangements for securing financial resilience and on assurance work undertaken by them as to management processes and the committee's oversight of the risk of fraud, compliance with laws and regulation, and matters in relation to going concern, to inform their audit risk assessment. Their 2019-20 review is on this meeting's agenda, as are the audit plans for the council and the pension fund.

Accounts

13. The committee considered a draft of the 2018-19 statement of accounts at its June 2019 meeting and formally approved them in its July 2019 meeting.

Governance and standards activity

14. As with the statement of accounts, the committee reviewed the annual governance statement for 2018-19 at its June 2019 meeting and approved it at the meeting in July 2019.

15. The committee updated its approach to the consideration of governance matters for 2019-20. Rather than identifying a number of areas for consideration at future meetings, it invited strategic directors to present on their department's governance arrangements. It was expected that this would take two years to hear from each department.
16. The strategic director for place and wellbeing, Professor Kevin Fenton, was invited to the committee meeting of July 2019. The strategic director of housing and modernisation, Michael Scorer, was invited to the committee meeting of September 2019. The strategic director of children's and adults' services, David Quirke-Thornton, was invited to the committee meeting of February 2020.
17. The work on corporate risk and insurance for 2019-20 has been supported by the council's internal auditors and integrated into their regular update reports.
18. The committee's annual report on whistle blowing outcomes is to be considered by the committee at its February 2020 meeting.
19. The committee's work programme for 2020-21 is to be considered by the committee at its February 2020 meeting.
20. A report on the council's use of RIPA (Regulatory Investigatory Powers Act) and the OSC (Office of Surveillance Commissioners) inspection of Southwark is to be considered by the committee at its February 2020 meeting.
21. The establishment of the two standards sub-committees (civic awards and misconduct) were approved by the committee in July 2019. The committee continued its agreement from July 2018 that the number of co-opted community members on the civic awards sub-committee stand at four, and that the sub-committee be gender balanced; at least two of the Southwark members and two of the community representatives serving on the sub-committee should be women.
22. The appointment of the co-opted members of the civic awards sub-committee is listed for decision at this meeting.

Treasury management

23. Members received a report on the revised treasury management policy statement, and considered the council's 2020-21 treasury management strategy statement by email in January 2020, as the general election caused the cancellation of the November 2019 committee meeting. All relevant feedback was sent directly to officers.

Effectiveness of the audit and governance committee

24. The Accounts and Audit Regulations require a review of internal audit to be carried out, including consideration of the effectiveness of this committee. An annual opinion is given by the head of anti-fraud and internal audit, and this will be carried out later in the year and the results brought to a future meeting of the committee.
25. To complement this, it is proposed that (as in previous years) this committee assesses itself using a checklist produced by CIPFA. A copy of this was circulated separately to members for their responses, and a draft checklist will be reported to the next meeting of the committee.

Training

26. During the year, information on relevant issues and developments have been provided through CIPFA Better Governance Forum's 'Audit Committee Update', which is published three times a year. These focus on key topics and include a round-up of legislation, reports and developments and are circulated to all members of the committee for their information.
27. Members of the committee were invited to attend the CIPFA training course "Introduction to the Knowledge and Skills of the Audit Committee". A small number of places are made available to the council annually, and further opportunities will be circulated as they occur.
28. Training will be provided as required and officers will continue to arrange training as opportunities arise.

Development opportunities

29. The year saw the following principal achievements:
 - a) Coverage of all elements of the committee's work programme, including the successful inclusion of standards work into the responsibilities of the committee
 - b) Continued assurance of corporate governance arrangements, through discussions with strategic directors.
 - c) Further assurance as to the operation of the council's whistle blowing policy
 - d) Ongoing constructive challenge from members in respect of reports received by them.
30. For the coming year, the following are areas where the committee has the opportunity to effect further development or to which it may wish to give consideration:
 - a) The continuing impact of welfare reform and further cuts in government funding from a governance perspective and, in particular, the identification of risks and ongoing risk management
 - b) Future and ongoing training needs.

Conclusion

31. The committee's work programme aims to ensure that the committee is able to carry out its functions effectively. To this end, the programme is structured to cover the key areas of audit activity (both internal and external), governance and standards activity, financial reporting and scrutiny of the treasury management strategy and policies.
32. The committee continued to ask questions on matters before it in a challenging yet constructive way. In some cases, this has resulted in further information being provided to the committee to provide the assurance sought; in others, it has resulted in increased focus on the implementation of action plans.
33. The committee has kept its work programme under review in 2019-20 and made changes when appropriate.
34. Through its work, the committee is able to confirm that:

- The council's system of risk management is adequate to identify risk and to allow the authority to understand the appropriate management of those risks;
- There are no areas of significant duplication or omission in the systems of governance in the authority that have come to the committee's attention and not been adequately resolved.

35. The work programme for the committee for 2020-21 is included elsewhere on this agenda for consideration and agreement, and this will be reviewed and amended on an ongoing basis as necessary to help to ensure that the committee can continue to provide assurance of the adequacy of the council's governance arrangements.

Policy implications

36. There are no policy implications in the proposals in this report.

Community impact statement

37. This report is not considered to contain any proposals that would have a significant impact on any particular community or group.

Resource implications

38. There are no direct resource implications in this report.

Conclusion

39. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance

40. The strategic director of finance and governance remains committed to the important role of the audit, governance and standards committee and notes that it continues to function in line with its terms of reference. The performance of the committee continues to be strengthened by the attendance of officers with key governance roles and it is expected that the committee will continue to obtain assurance of governance arrangements from this.

41. The committee has operated in accordance with its responsibilities in key finance and audit matters, including the statement of accounts, treasury policies, and internal audit work, which are key issues for the s.151 officer (Local Government Act 1972).

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
CIPFA Audit committees – Practical Guidance for Local Authorities and Police 2018 edition	Finance and Governance, Second Floor, Tooley Street	Jo Anson 020 7525 4308

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance	
Report Author	Virginia Wynn-Jones, Principal Constitutional Officer	
Version	Final	
Dated	30 January 2020	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	No	No
Date final report sent to Constitutional Team	30 January 2020	