

<b>Item No.</b> 15.	<b>Classification:</b> Open	<b>Date:</b> 8 February 2021	<b>Meeting Name:</b> Audit, Governance and Standards Committee
<b>Report title:</b>		Annual report on the work and performance of the audit, governance and standards committee in 2020-21	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

## RECOMMENDATIONS

1. That the audit, governance and standards committee forward this report on its work and performance in 2020-21 to all councillors, subject to any amendments it wishes to make.
2. That the committee consider the template self-assessment form and respond to the statements.

## BACKGROUND INFORMATION

3. The purpose of this report is to review this committee's work and performance in 2020-21.
4. 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.
5. 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 are as covered or to identify any concerns.
6. 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

7. 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.
8. 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.
  9. The audit, governance and standards committee agrees a work programme each year. A summary of the committee's business during 2020-21 in relation to its areas of responsibility is set out below.

### **Audit activity**

#### **Internal audit**

10. 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 internal auditors' annual report on the work of internal audit and anti-fraud 2019-20. Members had questions for both officers and the engagement manager for the auditors, BDO.

#### **External audit**

11. The committee received regular progress reports from the external auditor (Grant Thornton) throughout the year. It also considered Grant Thornton's audit plans for 2021-22 for both the council and the Southwark pension fund, and the audit findings reports and annual audit letter for 2019-20.
12. The committee considered the external auditor's annual fees for 2020-21 for both the council and the Southwark pension fund. 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.
13. The external auditor has reported on their work for the financial year 2020-21 regularly.

### **Accounts**

14. The committee considered a draft of the 2019-20 statement of accounts at its June 2020 meeting. Government guidance following the Covid-19 pandemic gave local councils extra time to complete their accounts for 2019-20, and the final accounts were presented to the committee in October 2020.

### **Governance and standards activity**

15. The committee continued its approach to the consideration of governance matters for 2020-21. It completed the discussions with strategic directors on their

department's governance arrangements, and considered specific areas of interest.

16. In September 2021, Caroline Bruce, the strategic director of place and wellbeing, attended the committee. In November 2020, Duncan Whitfield, strategic director of finance and governance, updated the committee on local government finance across London and the country. In February 2021, the committee heard from Richard Selley, the director of customer experience, on the members' enquiries process.
17. The work on corporate risk and insurance for 2020-21 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 has been considered by the committee at its February 2020 meeting.
19. The committee's work programme for 2020-21 is considered regularly and updated as required.
20. A report on the council's use of RIPA (Regulatory Investigatory Powers Act) and the OSC (Office of Surveillance Commissioners) inspection of Southwark has been 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 2020. 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; in that two of the community representatives serving on the sub-committee should be women.
22. Due to the Covid-19 pandemic, the civic awards process for 2020-21 was delayed, and an update report recommending that the civic awards for this year be focussed on the outcomes of the pandemic and the community support offered to combat it was presented in February 2021.

### **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 in November 2020.

### **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 responses have been forwarded to the strategic director of finance and governance.

### **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. Training will be provided as required and officers will continue to arrange training as opportunities arise.

### **Development opportunities**

28. 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 and 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
  - e) Ongoing updates on the financial impact of the Covid-19 pandemic.
29. 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) The outcomes of the changes in work processes due to the Covid-19 pandemic
  - c) Future and ongoing training needs.

### **Conclusion**

30. 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.
31. 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.
32. The committee has kept its work programme under review in 2020-21 and made changes when appropriate.
33. 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.

34. 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**

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

### **Community impact statement**

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

### **Resource implications**

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

### **Conclusion**

38. There has been no consultation on this report.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance and Governance**

39. 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.
40. 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**

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

## **APPENDICES**

<b>Number</b>	<b>Title</b>
1	Self-assessment form

**AUDIT TRAIL**

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Virginia Wynn-Jones, Principal Constitutional Officer	
<b>Version</b>	Final	
<b>Dated</b>	27 January 2021	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments sought</b>	<b>Comments included</b>
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	Yes	Yes
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	27 January 2021	