

Sefton Council



**Audit and Governance  
Committee  
Annual Report 2020-2021**

**Councillor Dave Robinson  
Chair**

## **Introduction by the Chair of the Audit and Governance Committee**



**Councillor Dave Robinson**  
**Chair of the Audit and Governance**  
**Committee**  
**September 2021**

**It gives me great pleasure to introduce the 2020/21 Annual Report of the Audit and Governance Committee.**

The report informs the Council of the broad range of work undertaken by the Committee in fulfilling its Terms of Reference and in doing so provides assurances on the effectiveness of the Committee in meeting its obligations.

The Committee's Terms of Reference were developed in accordance with the CIPFA guidance and the detailed Committee Work Programme provides further assurances that the Terms of Reference are reviewed.

The impact of the Covid pandemic has meant that the Council has had to adapt to new ways of working and in doing so the Council worked at pace to provide Members with a remote Meeting solution and as such Members met remotely during the year 2020/21. I wish to place on record my appreciation to the Executive Director of Corporate Resources and Customer Services and his team for all their hard and work and continued support to members in ensuring the success of meeting remotely.

I look forward to working with Committee members and officers who support the Committee during 2021/22.

## **1.0 INTRODUCTION**

1.1 The purpose of the Audit and Governance Committee is to:

- provide independent assurance to the Council in respect of the effectiveness of the Council's governance arrangements, risk management framework and the associated control environment; and
- independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.

1.2 The key benefits of an effective audit Committee are:

- increasing awareness regarding the effectiveness and continued development of the Council's governance arrangements;
- providing additional assurances on the robustness of the Council's governance arrangements through a process of independent and objective review;
- reducing the risks of illegal or improper acts;
- increasing public confidence in the objectivity and fairness of financial and other reporting;
- contributing to performance improvements in assurance levels and awareness of the need for strong internal control including the implementation of audit recommendations;
- reinforcing the importance and independence on internal and external audit and similar review processes; and
- promotes high standards of ethical behaviour by developing, maintaining and monitoring performance and Codes of Conduct for Members of the Council (including co-opted members and other persons acting in a similar capacity).

## **2.0 YEAR 2020/21**

2.1 The Audit and Governance Committee has delegated responsibilities from Council. This report provides details of how the Committee has discharged those responsibilities and delivered against its terms of reference which can be found in the Council's Constitution.

2.2 Meetings of the Audit and Governance Committee were held on the following dates during 2020/21:

- 16 September 2020
- 16 December 2020
- 17 March 2021

The meetings scheduled to take place on 24 June 2020 and the special meeting for consideration of the 2019-2020 Statement of Accounts on 22 July 2020, had to be cancelled due to the Covid Pandemic.

More information on the Audit & Governance Committee Meetings, including agendas and minutes is available at the following link: [Sefton Council](#)

### **Internal Audit**

To support the Committee in monitoring progress of Internal Audit work within the year the following reports were presented

<b>Meeting</b>	<b>Reports</b>
16 September 2020	Annual Report and Opinion of the Chief Internal Auditor
16 September 2020	Internal Audit Charter and Annual Internal Audit Plan 2020/21
16 December 2021	Risk and Audit Performance Report – IA performance and revision to the Annual Internal Audit Plan 2020/21
17 March 2021	Risk and Audit Performance Report – IA performance
17 March 2021	Internal Audit Charter and Annual Internal Audit Plan 2021/22

### **Risk Management**

To support the Committee in the management of risk within the council during the year the following reports were presented

<b>Meeting</b>	<b>Reports</b>
16 September 2020	Risk and Audit Service Performance
16 September 2020	Corporate Risk Management – Risk performance
16 December 2020	Corporate Risk Management
16 December 2020	Risk and Audit Service Performance – Risk performance
17 March 2021	Corporate Risk Management
17 March 2021	Risk and Audit Service Performance – Risk performance

### **Accounts, Financial Statements & Treasury Management**

Financial management as a result of the COVID pandemic took on additional importance and complexity during the year, especially in respect of treasury management activities- to support the committee, the following reports were presented

<b>Meeting</b>	<b>Reports</b>
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16 September 2020	Draft Statement of Accounts 2019/20
16 September 2020	Treasury Management Position July 2020
16 September 2020	Treasury Management Outturn 2019/20
16 December 2020	Statement of Accounts 2019/20
16 December 2020	Treasury Management Mid-Year Report 2020/21
17 March 2021	Statement of Accounts 2019/20
17 March 2021	Financial Management Code
17 March 2021	Treasury Management Position to January 2021
17 March 2021	Write off of Irrecoverable Debts > £10,000

### **Information Governance/Constitution Updates**

Within the financial year significant work was undertaken on the Council's governance arrangements and issues in relation to the constitution. These issues were presented to the Audit and Governance committee in advance of progression to council for approval and are reflected below

<b>Meeting</b>	<b>Reports</b>
16 September 2020	Financial Procedure Rules
16 December 2020	Amended Data Protection and Confidentiality Policy
16 December 2020	ICT Security Policy
16 December 2020	Sefton Council Anti-Money Laundering Policy
17 March 2021	Audit and Governance Terms of Reference
17 March 2021	Members Code of Conduct
17 March 2021	Revisions to the Employee Code of Conduct
17 March 2021	Amendments to the Constitution – Highways and Counter Terrorism and Security Act
17 March 2021	Proposed changes to the Constitution in relation to Planning Committee

### **3.0. ASSURANCE ACTIVITY 2020/21**

- 3.1 In order for the Committee to draw conclusions about the effectiveness of the Council's internal control framework, governance and risk management it gained assurances from a number of sources.
- 3.2 The Accounts and Audit (England) Regulations 2015 require the Council to maintain an adequate and effective internal audit which is discharged by the Section 151 Officer. The Chief Internal Auditor works with Internal Audit to provide assurances for both Members and management on the effectiveness of the control framework.
- 3.3 The Committee received and considered reports in relation to the Annual Report and Opinion of the Chief Internal Auditor that provided a summary of the work of internal audit during 2019/20 and the Chief Internal Auditor's opinion on

the overall control environment operating within the Council during the year. This report is a key requirement of the Public Sector Internal Audit Standards. As part of the Chief Internal Auditors reporting the impact of the Covid pandemic for 2019/20; the transition to homeworking by officers – which had gone smoothly; the substantial change in the risk environment of the Council and a revised audit plan that had been drafted to identify the new risks were reported and considered.

- 3.4 The Committee also received regular updates in relation to the performance and key activities of the Risk and Audit Service to each Meeting and agreed revisions to the Internal Audit Plan for 2020/21.

#### **4.0 Risk Management**

- 4.1 Risk Management continues to be key component to service planning and regular monitoring of the corporate risk register is a vital role of the Committee. The Committee routinely received reports in that respect. Throughout 2020/21 risks had been re-scored in accordance with the revised assessment guidance included in the Corporate Risk Management handbook approved by the Committee in December 2019 and a revised Corporate Risk Management handbook was provided to all Members of the Committee. Members welcomed the newly adopted regime of receiving a short presentation from a risk owner on one of the risks listed in the Corporate Risk Register, this provides Committee Members with further insight of risks associated with particular service areas and allows for a further layer of scrutiny and challenge. During 2020/21 the Committee received presentations from the Service Manager, Special Educational Needs and Disability – SEND and the Service Manager ICT and Digital in relation Cyber Security.

- 4.2 The Committee also considered and regularly reviewed the performance and key activities of the Risk and Audit Service from December 2019 – March 2021 and where provided with Internal Audit Plans and contributions made by Health and Safety, Insurance, Assurance and Risk and Resilience teams.

#### **5.0 Treasury Management**

- 5.1 The Audit and Governance Committee has a responsibility to provide a level of scrutiny in relation to treasury management policies and practises and as such the Committee considered the treasury management outturn position for the period 2019/20 which provided a review including the implications of changes resulting from regulatory, economic and market factors affecting the Council's treasury management position along with the treasury management activities undertaken to 31 March 2020. The Committee also considered quarterly progress reports on the treasury management and performance against prudential indicators. As a result of the pandemic , the councils Treasury Management activities took on even greater importance especially around cash

flow management and the investment of significant grant sums that the council was distributing on behalf of central government- these were reported continually to Audit and Governance committee through the year and council in accordance with the agreed Strategy.

## **6.0 Statement of Accounts and External Auditors**

- 6.1 At its meeting held on 16 September 2020 the Committee considered the draft un-audited Statement of Accounts 2019/20 in advance of the final audited Draft Statement of Accounts to be presented for approval in December 2020.
- 6.2 The Committee also considered the report by Ernst and Young LLP, the Council's external auditors, setting out an overview of the 2019/20 audit strategy, including an assessment of key risks and a planned audit strategy in response to those risks, changes to the plan as a result of the Covid19 pandemic were highlighted. Members scrutinised the draft statement of accounts robustly by asking questions of both the Section 151 Officer and the Council's external auditor.
- 6.3 The Committee were provided with regular updates relating to the progress of the Statement of Accounts for 2019/20. The final audited Statement of Accounts 2019/20 was considered on 17 March 2020 and included the Annual Governance Statement for consideration and approval. In addition, the proposed 'Letter of Representation' letter from Sefton Metropolitan Borough Council to the External Auditors - Ernst & Young LLP (EY), was also considered.
- 6.4 The Statement of Accounts 2019/20 provided information about the Authority's finances in respect of the cost of the Authority's services and what the Authority's assets and liabilities were at the end of the year.
- 6.5 The Committee also were provided with details of the Comprehensive Income and Expenditure Statement; the Movement in Reserves Statement, the Balance Sheet; Cash Flow Statement; Notes to the Financial Statements – Expenditure and Funding Analysis; Other Notes to the Financial Statements; the Collection Fund; Group Accounts; the Annual Governance Statement and the Report of the Independent External Auditors (Ernst and Young (EY) LLP).
- 6.6 The EY audit had focused on the following areas with no significant issues having been found:
- Risk of fraud in revenue and expenditure recognition;
  - Misstatements due to fraud or error (management override of controls);
  - Risk of error in valuation of pension fund assets and liabilities in the Local Government Pension Scheme; and,
  - Valuation of land and buildings.

## **7.0 Committee Working Arrangements**

7.1 The Committee's Work Programme is a rolling and flexible schedule of work that should be undertaken by the Committee. The programme is designed to ensure that the Committee remains on track with its ambitious schedule of work. Due to the pandemic the Committee met three times during 2020/21 and the Annual Report illustrates the depth of scrutiny undertaken by the Committee.

7.2 The Committee considered items which are presented annually, such as:

- review of the Committees Terms of Reference of the Committee;
- the Annual Governance Statement;
- the Chief Auditors Opinion;
- the Statement of Accounts;
- review of the Corporate Risk Management Handbook;
- review of the Members Code of Conduct;
- review of the Financial Procedure Rules;
- Audit Plans; and

any such other items that fall within the Committees Terms of Reference.

7.3 At its Meeting held on 16 December 2020 the Committee, in accordance with the accountability principle under Article 5 of the General Data Protection Regulation and Data Protection Act 2018, the Council is required to put in place appropriate technical and organisational measures to meet the requirements of accountability; and adopting and implementing a data protection policy was one of those measures and as such the Committee reviewed and amended the Data Protection and Confidentiality Policy which was first created in January 2014. The Policy had subsequently been reviewed a number of times and would continue to be reviewed on an annual basis. The revisions agreed at its meeting held on 16 December 2021 included details of the enforcement action the Information Commissioner's Officer (ICO) might take against a data controller, including the fines which might be imposed, details of the criminal offences under the Data Protection Act 2018, payment of the Data Protection fee and additional information on the Council's Information Governance framework. It was noted that a small number of revisions would be made in January to reflect technical amendments resulting from the UK GDPR.

7.4 The Committee also agreed the ICT Acceptable Use Policy and recommended it to the Council for approval with a request to remove the ICT Starters, Movers and Leavers Policy given the managerial operational nature of the policy and it not being appropriate for the Constitution.

7.5 At its Meeting held on 17 March 2021 the Committee reviewed its Terms of Reference and in order to comply with best practice as recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) approved the proposal to adopt the model CIPFA Terms of Reference. The Committee also agreed to include additional responsibilities that the Council's Audit and



Governance Committee had, which were not included in the model Terms of Reference, including:

- To consider the Council's arrangements for health and safety and receive regular assurances and assessments on the effectiveness of these arrangements.
- To consider write-offs of debt above £10,000.
- To have responsibility for all standards issues relating to the Council's Members' Code of Conduct
- To recommend changes to the Council's Constitution

7.6 The Committee also approved the monitoring of the Counter Fraud/ bribery strategy, actions and resources and as such a revised and enhance Work Programme to incorporate the amended Terms of Reference would be considered.

7.7 The Committee considered, agreed and referred the model Members Code of Conduct to Council for approval and inclusion in the Constitution. The LGA described the model code as 'designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government' and guidance followed in April 2021. Training would be provided to all Members of the Council/Independent Persons and Co-opted Members.

7.8 The Committee also reviewed the Employee Code of Conduct and as such referred the report onto Council, the Council approved the revisions to the Employee Code of Conduct and that the Constitution be amended accordingly.

7.9 The Committee considered amendments to the Constitution in relation to the Highways and Counter Terrorism and Security Act and more specifically delegated powers to the Head of Highways and Public Protection granting authority to enter into s38 and s278 Highways Act 1980 agreements and to make and amend Traffic Regulation Orders with regards to Disabled Parking Places outside people's homes. To comply with the 2020 statutory guidance issued pursuant to the Counter Terrorism and Security Act 2015 the Committee agreed to include the responsibilities under the Counter Terrorism and Security Act 2015 within the portfolio the Cabinet Member for Communities and Housing.

7.10 The Committee considered the Financial Management Code which provided an assessment of the Council's current compliance with the Chartered Institute of Public Finance and accountancy (CIPFA) Financial Management Code and aimed at ensuring a high standard of management in local authorities.

The Committee also approved changes to the Constitution in relation the Planning Committee and the Council's planning powers and more specifically matters delegated to the Planning Committee to ensure that the more significant types of applications would be reported to Committee and those which were more routine would not be reported to Committee, thereby resulting in the more efficient management of Planning Services' workload and minor changes in

relation to the submission of petitions and the public speaking process were approved.

## **8.0 Outcomes / Achievements**

8.1 The work undertaken by the Committee has provided additional assurance of the robustness of the Council's arrangements regarding corporate governance, risk management and internal management of controls. The Committee has added value through the importance placed upon governance issues, risk management, anti-fraud and assurances that key risks are being mitigated.

## **9.0 Conclusion**

9.1 The Committee has the benefit of being well supported by Council officers including the Section 151 Officer, the Monitoring officer and the Chief Internal Auditor as well as the Council's external auditors.

9.2 During 2020/21 the Audit and Governance Committee has consolidated the progress that has been made in previous years in providing robust scrutiny and challenge of the Committees Terms of Reference and in doing so the Committee has continued to have a real and positive contribution to the governance arrangements of the Council. In order to build on the key achievements of 2020/21 and in looking forward to the Committee's work programme for 2021/22 the Committee will:

- Continue to review all elements of the governance arrangements associated with Audit and Governance Committee ensuring that best practise is adopted in a timely fashion;
- Continue to support the Council in managing the risk of fraud and corruption;
- Continue to support the work of audit;
- Continue to consider the effectiveness of the Council's risk management arrangements; and
- Continue to provide effective challenge and scrutiny of all areas of the Audit and Governance Terms of Reference giving the appropriate assurances to the Council;