



STOCKPORT
METROPOLITAN BOROUGH COUNCIL

Audit Committee

Annual Report

Report of the Work of the Audit
Committee during 2019-20

Introduction

As the Chairman of the Audit Committee I am very pleased to present this annual report which sets out the role of the Audit Committee and summarises the work and achievements we have undertaken as a Committee, during the financial year 2019/20.

I hope that this Annual Report helps to demonstrate to Stockport residents and the Council's other stakeholders the vital role that is carried out by the Audit Committee and the contribution that it makes to the Council's overall governance arrangements. All meetings are webcast and are open to members of the public to observe.

I would also like to express my thanks to those officers and members who have supported the work of this Committee by presenting, discussing, challenging and debating solutions to the ongoing risk, control and governance environment of the Council. Training and ongoing workshops that have been delivered in the year by Internal Audit and Finance services have been considered excellent by the attendees and I confirm the desire to have continuing training sessions in the future. The committee has been well attended this year and there has been constructive questioning by members throughout. There have been no major areas of concern for the committee to note or report back on which is reassuring for the Council.

During the latter part of the financial year the Covid 19 pandemic forced considerable changes to how the council was governed and structured to deliver both ongoing and new services. This has presented significant challenges in governance, control and risk management processes. The Audit Committee will continue with its aim of supporting the organisation to deliver services to all of our community.

COUNCILLOR STUART CORRIS
Chair, Audit Committee

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Role of the Audit Committee

The Audit Committee operates in accordance with the “Audit Committees, Practical Guidance for Local Authorities” produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018. The Guidance defines the purpose of an Audit Committee as follows:

1. Audit Committees are a key component of an authority’s governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
2. The purpose of an Audit Committee is to provide those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

The role and responsibilities of the Audit Committee are set out in written terms of reference which are reviewed regularly by the Committee considering relevant legislation and recommended good practice. The terms of reference are published on the Council’s website, along with all agendas and supporting papers.

<http://democracy.stockport.gov.uk/mgCommitteeDetails.aspx?ID=147>

The Committee’s responsibilities include, but are not limited to, the following matters with a view to bringing any relevant issues to the attention of the Council:

- Oversight of the integrity of the Council’s financial statements
- Oversight of governance, risk management and internal control arrangements
- Oversight of the external auditors’ performance, objectivity, and independence
- Oversight of the performance of the internal audit function.

In order to help the Committee meet its oversight responsibilities, each year, management organise training sessions for the Committee on subject areas within their remit. In 2019-20, a detailed session on the Medium-Term Financial Plan was held.

Meetings and Membership

During 2019-20, the Audit Committee comprised of six members.

The Committee met three times during the 2019-20 year. The meeting in March 2020 was cancelled. Due to the ongoing coronavirus pandemic, the Committee may now meet virtually during 2020-21 with the first meeting in September 2020.

The Council have satisfied themselves that the current members of the Audit Committee are competent and have recent and relevant experience. Other attendees at Committee meetings were the Corporate Director, Corporate & Support Services, Strategic Head of Service – Finance (Deputy S151), Head of Internal Audit, Risk and Insurance, Director of STAR and external auditors. Throughout the year, the Committee members periodically met without others present and also held separate private sessions with the Corporate Director, Corporate & Support Services and the Head of Internal Audit, Risk and Insurance, allowing the Committee to discuss any issues in more detail directly.

How the Committee has discharged its responsibilities

Key Audit Committee activities	April 2019	July 2019	Nov 2019
Financial Reporting			
Considered accounting policies	•		
Approved 2018-19 Annual Statement of Accounts		•	
Considered management letter of representation		•	
Considered report on debt write offs			•
External Auditors			
Plan for year-end audit (Audit Strategy Memorandum)	•		
Review of External Audit findings in relation to statement of accounts (Audit Completion Report)		•	
Consider information from External Auditor in relation to enquiries of management and those charged with governance		•	
Review of External Audit progress reports and technical updates	•		•
Consider Annual Audit Letter			•
Internal Audit			
Review of 2018-19 Anti-Fraud, Bribery & Corruption Report		•	
Review of internal audit reports and monitor progress in-year	•	•	•
Review of Internal Audit performance indicators		•	
Approved 2020-21 Internal Audit plan and resources	•		
Review of PSIAS and Quality Improvement Programme	•		
Summary of School findings from 2018-19 school audits			•
Governance, Risk Management and Counter Fraud			
Review of 2018-19 Annual Audit Report		•	
Updates on corporate risks and effectiveness of internal control systems	•	•	•
Approved 2018-19 Annual Governance Statement (AGS)		•	

Key Audit Committee activities	April 2019	July 2019	Nov 2019
Updates on progress against the 2018-19 AGS Action Plan	•		
Other matters			
Considered the CIPFA Role of the Head of Internal audit – self assessment and action plan			•
Received an update from STAR Procurement			•
Reviewed CIFAS Fighting fraud and corruption locally – self assessment and action plan			•
Received information on the Councillors Guide to Procurement	•		

Financial Reporting

The Committee is responsible for monitoring the integrity of the financial statements and reviewing the financial reporting judgements contained therein. The financial statements are prepared by a finance team with the appropriate qualifications and expertise.

In respect of the year to 31st March 2020, the Committee reviewed the 2019-20 financial statements. In carrying out these reviews, the Committee

- Reviewed the appropriateness of the Council’s accounting policies and monitored changes to and compliance with accounting standards
- Discussed a report from the external auditors at that meeting identifying the significant accounting and judgemental issues that arose in the course of the audit
- Considered the letter from the external auditors concerning enquiries of management and those charged with governance

Councillors commended officers for preparing the Financial Statements to a high standard and for their presentation to the Council’s External Auditors on 30 May 2019, meaning that the Council had met the statutory financial closedown deadline for authorities.

External Auditors

The Audit Committee has responsibility for overseeing the Council's relationship with the external auditor including reviewing the quality and effectiveness of their performance, their external audit plan and process, their appointment and their audit fee proposals.

During the year the new auditors Mazars completed the audit during June & July and whilst they identified presentational and disclosure adjustments to the financial statements, and raised recommendations for management, these did not result in any changes to the draft financial statements. An unqualified audit opinion on the financial statements and value for money conclusion was given.

During 2019-20, Mazars have attended the Audit Committee meetings presenting progress reports and technical updates at each meeting.

Internal Audit

The Audit Committee reviewed and agreed the annual risk based internal audit plan, which the Committee believes is appropriate to the scope and nature of the Council.

The Committee reviewed progress reports from the Internal Audit, Risk Manager and Insurance at each meeting. These reports enable the Committee to monitor the progress of the internal audit plan, to discuss key findings and the plan to address them in addition to status updates of previous key findings.

The Audit Committee also discussed risk and control issues around high risk activities including supplier and partner risks and contingency around Brexit with professionals in Internal Audit, Finance and service areas.

The Committee considered the Internal Auditor's opinion on the adequacy and effectiveness of the control environment and reviewed the effectiveness of Internal Audit. The committee was satisfied that the internal audit function is working effectively, improves risk management throughout the Council and that the internal audit function is sufficiently resourced in addition to having the adequate level of experience and expertise.

Governance, Risk Management and Counter Fraud

The Audit Committee is responsible for monitoring the effectiveness of the Council's system of control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

The Audit Committee considered the effectiveness of the Council's risk management arrangements, the control environment, and associated anti-fraud and anti-corruption arrangements, through the review and approval of internal audit reports which focus on

the areas of greatest risk to the Council, and the external audit reports, as part of both the year-end audit, all of which highlight the key areas of control weakness in the Council. Key weaknesses identified by either Internal Audit or External Audit are reported in summary reports to the Audit Committee who sought assurance that action is being taken on risk related issues.

The Audit Committee monitored the effective development and operation of risk management strategies and policies, reviewing and challenging the content of the corporate risk register, associated arrangements and action plans.

The Committee oversaw the production of the Council's Annual Governance Statement (AGS) and continued to receive updates regarding progress on the AGS action plan, which is also reported to the Corporate Governance Group.

In addition, the Committee discussed the contents of the Annual Anti-Fraud, Bribery and Corruption Report and discussed early issues around governance arrangements in relation to restructuring of Adult Social Care and Children Social Care & Education.

Plans for 2020/21

During 2019/20 the Audit Committee has consolidated the progress that has been made in previous years, and going forward will look to develop further and become the recognised champion of good governance for the Council, helping to address many of the reported issues in what promises to be a very challenging and difficult environment. Our priorities for 2020/21 are to continue to meet our duties as specified in the Constitution by developing and building on our current status as well as responding to and implementing any requirements arising from the Public Sector Internal Auditing Standards and the Local Audit and Accountability Act 2014. For 2020/21 we will:

- Continue to develop the Stockport Council Audit Committee to review all governance issues identified particularly as the council develops new ways to deliver services following the Covid 19 pandemic.
- Develop the proactive nature of the Committee to facilitate actions by officers to ensure that risks are identified earlier in the process and remedial actions taken in a more timely fashion in response.
- Attend and contribute to risk workshops on specific projects that the committee feel they want further detail on.
- Continue to drive up standards and meet the demanding requirements of the external inspection and assessment regimes.
- Continue to review all governance arrangements to ensure the Council adopts the very latest best practice.
- Continue to support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations.
- Ensure continued compliance with Public Sector Internal Auditing Standards.
- Continue to help the Council to manage the risk of fraud and corruption.
- Continue to develop the Stockport Council Audit Committee to review risk and partnership issues and safeguard public sector interests.
- Oversee the development of audit plans to evaluate and test controls in operation over complex project areas in regeneration, Adult Social Care and Children Social Care.
- Equip existing and any new Members to fulfil our responsibilities by providing more detailed and effective training on all key areas of responsibility including financial arrangements and risk management, governance and audit planning.
- Review and where agreed, implement best practice guidance identified in CIPFA's Position Statement on Audit Committees in Local Authorities and Police.

COUNCILLOR STUART CORRIS
Chair, Audit Committee