Paper for decision

1. Purpose

1.1 In accordance with the Scottish Government Audit and Assurance Committee Handbook ("the Handbook") the Audit & Risk Committee is required to provide the Board and Accountable Officer with a written annual report, timed to support the finalisation of the accounts and the governance statement, summarising its conclusions from the work it has done during the year. The report should cover the Committee’s activities and the reports presented to the Committee by the Authority’s internal and external auditors.

1.2 Last year it was agreed that the draft Audit and Risk Committee’s annual report would be presented to the Committee in June and the final version to the Board in September. However, given the delay in the annual accounts as a result of the COVID-19 pandemic, the annual accounts and significant reports that the Audit & Risk Committee members rely upon (e.g. final external audit report and audit opinion) were not available at the June Audit & Risk Committee. The draft report below is provided to support the completion of the annual accounts in September 2020.

2. Recommendation

Members are asked to approve the draft Annual Report to the Board, subject to any items raised at the September Committee, including the final external audit report.

3. Contribution to National Park Partnership Plan and Our 5-year Plan

The role of the Audit & Risk Committee supports the management of risk to delivery of the National Park Partnership Plan 2018-23 and Our 5-year Plan 2018-2023 and ensures that good governance is in place to allow for the continuous improvement in our systems and processes evidencing best value.

4. Report Content

In accordance with the Scottish Government Audit and Assurance Handbook this report is presented to the Board and Accountable Officer by the Chair, Ronnie Erskine, and Depute Chair, David McCowan, on behalf of the Audit & Risk Committee to cover the period of its operations from September 2019 to September 2020 summarising its conclusions from the work it has done during the year.
4.1 Overview

4.1.1 The period of this Annual Report covers consideration of final accounts for 2019/20, together with associated reports from Grant Thornton LLP, the Authority’s external auditors for the period.

4.1.2 The Committee has continued to have oversight of the work of the Authority’s internal auditors and consider reports issued by them.

4.1.3 The Committee met five times over the period covered by this report, including the meeting in September 2020.

4.1.4 In addition to management reports from the Authority’s Internal and External Auditors, the Committee considered the following issues during the course of the year:

4.1.5 Corporate Risk management – the Audit & Risk Committee provides scrutiny and oversight by monitoring and reviewing risk and providing robust assurance in these areas to the Board. The Audit & Risk Committee reviewed the Corporate Risk Register and progress in managing risk at each meeting and covered specific “deep dives” into individual risks, including COVID-19. The principles and scope of a new Risk Policy were also presented and reviewed.

4.1.6 Governance Statement – reviewed and approved the draft and final Governance Statement for 2019/20 prior to its inclusion in the annual accounts and prior to signature by the Accountable Officer.

4.1.7 Accounting Policies - reviewed and approved the draft accounting policies prior to inclusion in the annual accounts and prior to signature by the Accountable Officer.

4.1.8 Updates on progress in implementing previous audit recommendations – officers have presented regular progress updates on the implementation of audit recommendations. The internal auditors also undertake formal follow-up reviews of action taken on previous recommendations. Timely closure of recommendations remains a key priority.

4.1.9 Policy updates – the Committee has reviewed progress on the policy update schedule quarterly.
4.1.10 **Procurement of internal audit services** – the Committee were informed on the tender process and selection of the Authority’s internal auditors. Audit Glasgow, part of the Glasgow City Council, were awarded the contract for internal audit services from 1 April 2020.

4.1.11 **Consideration and agreement of forward internal audit activity plans** – a forward plan of internal audit activity for 2020/21 was approved by the Committee in June 2020.

4.1.12 **Assurance Framework** – in accordance with the requirements of the Scottish Government Audit and Assurance Committee Handbook the Stage 1 Assurance map was presented to the Committee for review and approved in September 2019.

4.1.13 **Annual Accounts timetable** – the Committee reviewed the sequencing and approval process for the annual accounts as it impacted the Audit and Risk Committee and Board.

4.1.14 **Audit & Risk Committee Self-Assessment Checklist** – in accordance with the requirements of the Scottish Government Audit and Assurance Committee Handbook, the Chair took forward an action to review the effectiveness of the Committee with the members through individual discussions and reported back on outcomes.

4.1.15 **Best Value** – [the Committee approved the Best Value Annual Report, which demonstrates compliance with the Best Value Guidance for Accountable Officers and the Best Value Policy].

### 4.2 Internal Audit

4.2.1 The Committee reviewed and agreed an annual internal audit work programme to be completed for 2020/21 by the incoming internal auditor, Audit Glasgow.

4.2.2 The Committee reviewed the Internal Auditor’s report for 2019/20 at the June 2020 Audit & Risk Committee.

4.2.3 As noted in this report, over the course of 19/20, West Dunbartonshire Council, the Authority’s internal auditors to 31 March 2020 presented five management reports to the Committee. Their findings and consequent
recommendations for action are graded according to the internal auditors’ assessment of the significance of the underlying weakness to the effective management of the organisation. Table One (below) presents a summary of the internal audit findings for 2019/20.

**Table One: Summary of Internal Audit Findings**

<table>
<thead>
<tr>
<th>Internal Audit</th>
<th>Number of recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
</tr>
<tr>
<td>Grants and Contributions</td>
<td>-</td>
</tr>
<tr>
<td>Sickness</td>
<td>-</td>
</tr>
<tr>
<td>Boat Registration Process Review</td>
<td>-</td>
</tr>
<tr>
<td>Control Risk Self-Assessment</td>
<td>-</td>
</tr>
<tr>
<td>Independent Assurance Review – Environmental Monitoring Framework</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

Key – West Dunbartonshire Council definition of categorisation of recommendations:

**High:** “material observation requiring immediate action”.

**Medium:** “significant observation requiring reasonably urgent action”.

**Low:** “minor observation requiring action to improve the efficiency, effectiveness and economy of operations or which otherwise require to be brought to the attention of senior management”.

4.2.4 The Committee welcomes the fact that no high recommendations have been raised by internal audit and that medium and low recommendations have been identified to assist in on-going improvement of our processes and controls.

4.2.5 According to the priority definitions, only high priority recommendations need be brought to the attention of the Audit & Risk Committee. In practice, and in line with the Authority’s values of transparency, the Committee is aware of all recommendations made by the internal auditors, through consideration of full management reports following each audit review.
4.2.6 The Committee welcomes the value added by the audits provided by West Dunbartonshire Council, which have highlighted mainly low priority recommendations for improvement in systems and controls. This assists the Authority with the Best Value and continuous improvement agenda.

4.2.7 The Committee reviewed management responses to all recommendations made and continues to monitor progress made.

4.2.8 All scheduled internal audit work during the period was completed in a timely manner and the feedback received complimented the organisation on the level of cooperation and efficiency of the organisation in responding to data requests.

4.2.9 The Committee considered the Internal Auditors’ Annual Report for 2019/20. The internal auditor’s annual report for the year concluded that: “substantially effective arrangements are in place in relation to the systems of governance, risk management and internal control”.

4.2.10 The period covered by this report represents the fourth year of delivery of internal audit services by West Dunbartonshire Council. As noted above, Audit Glasgow have been awarded the tender for internal audit services from 1 April 2020.

4.3 External Audit

4.3.1 The Committee reviewed the External Audit plan for 2019/20 in December 2019.

4.3.2 [The Authority’s accounts for 2019/20 received an unqualified external auditor’s report and opinion from Grant Thornton LLP, our external auditor, with a matter of emphasis on property valuation, given the material uncertainty as a result of COVID-19.]

4.3.3 [The accounts and external auditor’s report for 2019/20 were reviewed and recommended for approval at the September Board and for signature thereafter, within the statutory timescales.]

4.3.4 The Annual Report and Accounts will be submitted to Scottish Government in [September 2020.]
4.3.5 [The Audit Committee has considered Grant Thornton LLP’s Annual Report on the 2019/20 audit. The report highlights the following actions:]

4.3.6 This was the fourth year of a five year appointment for the external auditors Grant Thornton LLP. However, following the COVID-19 pandemic the Auditor General for Scotland and the Audit Commission for Scotland intend to extend the current audit appointments by one year in the first instance. This is in line with provisions in the current contracts that allow for extensions of up to two years. The intended extension would be through to the audit of the 2021/22 year. The Auditor General and the Commission will confirm both the extension and the time period in Autumn 2020.

5. Report Conclusion

5.1 The Audit & Risk Committee considers that it has been successful in progressing the Board’s governance and internal control priorities during the period covered by this annual report.

5.2 [The Committee welcomes the success in finalising the annual accounts and completing the external audit process this year, especially in light of the challenges presented by the impact of COVID-19. The Committee recognised that the process had been effective and would like to take this opportunity to register its thanks to both the Authority Finance team and the Grant Thornton team, and encouraged early identification and agreement on changes that might affect future audits and accounts.]

5.3 [There has been positive engagement through the period with issues identified by the Authority’s internal and external auditors, and also by the Authority’s officers. The Committee has received full reports on issues raised; considered recommendations made; and approved responses and actions.]

5.4 [The internal auditors’ findings of substantially effective arrangements in relation to governance, risk management and internal; and the external auditors’ unqualified audit certificate, provide assurance to the Committee and Board that the Authority’s internal control and governance objectives are being met effectively by management.]
5.5 It is reassuring to see that there are no high priority recommendations and that the audits continue to identify a number and range of improvements to be made. While it is accepted that there will always be improvements that can be made to services and controls, and as such a number of recommendations for improvement from internal audit will be expected, the Committee welcomed the evidence of generally effective control systems evidenced by the reports.

5.6 The Committee will continue to address key, basic issues of internal control and the development of appropriate processes within the Authority.

5.7 The work of the Audit & Risk Committee was supplemented by the Delivery Group during 2019/20 who reported directly to the Board on the delivery of high priority projects, in particular in relation to the management of risk. The Audit & Risk Committee’s remit of considering accuracy of accounting treatments and strength of internal control systems; implementation of effective risk management systems; and, more widely, effective, efficient and economic use of the Authority’s resources in delivering our objectives has been achieved by thorough review of the reporting from internal and external audit, regular monitoring of actions arising from internal and external audit reports, review of the Corporate Risk Register, key policies, and a review of the Authority’s progress against the Best Value policy.

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David McCowan, Depute Chair Audit & Risk Committee