

2021/22 Annual report of the Audit Committee

Purpose of report

For decision.

Summary

This report provides an overview of areas reviewed and work undertaken by the Audit Committee in 2021/22, in accordance with the Committee's terms of reference.

Recommendation

That the General Assembly notes the annual report.

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2021/22 Annual report of the Audit Committee

Introduction

1. The responsibilities of the LGA's Audit Committee are to:
 - 1.1. review the financial statements prepared for the LGA and its associated companies
 - 1.2. monitor the processes for managing risks, internal controls and corporate governance arrangements
 - 1.3. oversee the appointments of the external and internal auditors and commission and review their work
 - 1.4. consider issues of probity and conduct
 - 1.5. seek expert advice where necessary to provide independent internal or external assurance on key issues
2. The main focus of the Committee's work in 2021/22 has been to review the audited accounts of the LGA and its associated companies, to agree and review the findings and recommendations of the internal audit programme for the year.

Financial statements and external audit

3. PKF Littlejohn were re-procured as the LGA's external auditors following a mini competition using the Crown Commercial Service (CCS) framework.
4. In June 2022 the LGA's consolidated accounts for 2021/22 and the audited accounts for the two associated companies were reviewed prior to these being adopted by the LGA Board and the relevant company boards.
5. The LGA's consolidated financial statements also disclose the position of the LGA as a standalone entity and include the LGA's income and expenditure accounts and balance sheet.
6. The consolidated accounts show the LGA, and its related bodies made an operating surplus of £2.0m (2020/21 deficit of £3.3m), after interest and tax.
7. Overall income decreased by 7 per cent from £63.5m to £68.0m due to maintaining core government funding, a 2 per cent rise in subscription income, and increased success in securing increased income from other funding sources and investment/joint venture

incomes other than Geoplace.

8. The LGA's Geoplace LLP Joint Venture made another useful contribution to other income during 2021/22, making a dividend payment of £3.0m (£3.25m in 2020/21).
9. The investment properties have been revalued at the year end. Layden House has increased in value by £3.0m, with the redevelopment construction now complete, due to the condition of the Farringdon market, while 18 Smith Square has increased in value by £2.0m reflecting the Westminster rental market position.
10. The overall pension fund deficit reported in the accounts has decreased by £34.3m from £101.9m to £67.3m. The overall Statement of Comprehensive Income for the year shows separately the gains and losses that relate to changes in the actuarial assumptions used to calculate pension scheme assets and liabilities with the ongoing payroll contributions made to reduce historic deficits included within administrative expenses.
11. It is standard practice for issues identified in the course of the external audit to be raised by the auditors with management and for these to be reported to the board members as "Performance Improvement Observations" in what is commonly known as the "Auditor's Report". We received this report from the auditors at its meeting on 6 June 2022 and will monitor progress with the recommendations arising from the 2021/22 external audit.

Internal Audit

12. TIAA are the LGA's internal auditors following a procurement exercise in 2018.
13. The Audit Committee is responsible for agreeing the annual internal audit strategy and programme at the start of each financial year, taking account of the key risks identified in the LGA's Strategic Risk Register.
14. The internal audit strategy and audit programme for 2021/22 was agreed in June 2021. The audit programme was split into two blocks and included a follow up of actions taken by the LGA in response to the recommendations of previous audits. TIAA have completed five audits and full reports were presented to this Committee in November 2021 and June 2022. TIAA's Annual report was presented to the Committee meeting in June 2022.
15. In their annual opinion for the year 2021/22, TIAA's Head of Internal Audit states "TIAA is satisfied that, for the areas reviewed during the year, Local Government Association has reasonable and effective risk management, control and governance processes in place".

16. The 2021/22 audit opinions are summarised below:

Internal audit assignment	Internal audit opinion
Core financial controls	Reasonable assurance
Green credentials	Substantial Assurance
Counter fraud health check	N/A
Cyber security	Substantial Assurance
Member and Staff expenses	Reasonable assurance

17. Overall, the audit results have been positive. The counter fraud report does not have an audit opinion, however they concluded that *“The association has good procedures in place to combat fraud, bribery and corruption, although steps can be taken to strengthen these”*.

18. The Audit Committee has overseen the implementations of any recommendations via the follow up review and conducted by TIAA on an annual basis.

Risk management and internal control

19. The strategic risk register is circulated to Corporate Leadership Team (CLT) quarterly for updating and Strategic Management Team (SMT) to review and ensure the LGA’s strategic and operational risks are identified, and the associated scoring reflect the LGA’s current situation. The Audit Committee had reviewed the strategic risk register during the year, focusing on ensuring that key risks facing the organisation are being effectively managed.

20. The Audit Committee receives an annual report on any instance of fraud occurring and can confirm that there were no proven instances of fraud or corruption in 2021/22.

21. This Audit Committee can confirm that there have been no incidents of probity and conduct issues to be investigated and reported in 2021/22.