

AUDIT AND GOVERNANCE COMMITTEE

DATE	18 th April 2024
REPORT OF	Independent Chair of the Audit Committee
SUBJECT	Annual Report of the Audit and Governance Committee 2023/24
STATUS	Open

CONTRIBUTION TO OUR AIMS

An effective audit committee contributes to the achievement of strategic objectives by seeking and receiving assurance on the systems of risk management, governance and internal control which underpin the delivery of these objectives.

EXECUTIVE SUMMARY

The Annual Report of the Audit and Governance Committee is designed to inform the full Council of the Committee's activities during the Council year (May 2023 to May 2024), and how it has discharged its responsibilities. The Audit and Governance Committee is now asked to formally approve this report prior to it being reported to Full Council.

RECOMMENDATIONS

1. That the Audit and Governance Committee reviews the self-assessment shown on Appendix 1
2. That the Audit and Governance Committee approves the annual report and requests that is presented to the Full Council
3. That the Audit and Governance Committee resolves to give delegated authority to the Chair and the Deputy Chair to make any additions or amendments to the report resulting from the outcome of the Committee held on 18th April 2022.

REASONS FOR DECISION

The production of an annual report by the audit committee is considered to be good practice by the Chartered Institute of Public Finance and Accountancy (CIPFA) , and has been the Council's practice for some years. It is important that the wider membership of the Council is kept informed of the work to ensure sound control and governance. The report to Council is an essential part of this process.

1. BACKGROUND AND ISSUES

The annual report of the Audit and Governance Committee is attached. It summarises the activities of the Committee, and demonstrates how it has discharged its duties. It also reports on the outcome of the Audit and Governance Committee's self- assessment against the latest good practice provided by CIPFA.

The main conclusions of the report are:

- the Audit and Governance Committee has effectively discharged its duties as an Audit Committee, and has played an important role in promoting good governance across the council and monitoring the effectiveness of its governance arrangements; and
- the work of the Audit and Governance Committee complies with good practice, although some areas for further development around enhancing the knowledge of Members and substitutes have been identified

2. RISKS AND OPPORTUNITIES

Strong and effective control environment arrangements are an essential element of a robust corporate governance framework. The Audit and Governance Committee has a leading role to play in ensuring that the Council's governance arrangements are effective and contribute to the mitigation of risks. As the Council's operating model continues to evolve, the Committee needs to ensure that its work and the control systems it oversees, remain effective. The annual Committee Work Programme explicitly recognises this development need.

3. OTHER OPTIONS CONSIDERED

No other options are applicable as the production of an annual report is considered to be good practice.

4. REPUTATION AND COMMUNICATIONS CONSIDERATIONS

There are no specific reputational issues related to this report. The production of an annual report for consideration by Full Council is a means by which the work of the Audit and Governance Committee can be widely communicated.

5. FINANCIAL CONSIDERATIONS

There are no specific financial considerations related to this report.

6. CLIMATE CHANGE AND ENVIRONMENTAL IMPLICATIONS

There are no climate change or environmental implications arising from this report.

7. FINANCIAL IMPLICATIONS

There are no financial implications arising as a direct result of this report.

8. LEGAL IMPLICATIONS

There are no direct legal implications arising from the report.

9. HUMAN RESOURCES IMPLICATIONS

There are no direct human resources implications arising from this report.

10. WARD IMPLICATIONS

This report is applicable to all wards.

11. BACKGROUND PAPERS

Audit Committees: Practical Guidance for Local Authorities and Police (2022)
(Chartered Institute of Public Finance and Accountancy)

12. CONTACT OFFICER(S)

Peter Hanmer (Head of Audit and Assurance)
Telephone: 01472 323799

Tim Render
Chair of the Audit and Governance Committee



AUDIT AND GOVERNANCE COMMITTEE

ANNUAL REPORT 2023/24

FOREWORD BY TIM RENDER, CHAIRMAN OF THE COMMITTEE

I am pleased to introduce the annual report of the Council's Audit and Governance Committee for 2022/23. The Annual Report illustrates the scale and scope of the Committee's work.

The over-riding role of the Committee is:

- a. to assess whether the council has an adequate system of internal control. to make sure it can meet its various financial and governance responsibilities, as well as deliver on its priorities.
- b. to check whether those systems of control are working effectively.

As a result of this work, we are again able to provide the Council, with assurance around the effectiveness of internal control, risk management and governance arrangements.

We have again undertaken specific monitoring of the Council's arrangements for managing risk. We reviewed arrangements for partnership working in line with our governance role, especially – in the case of adult social care - where the nature of the partnership is changing with changes to NHS structures.

We followed a work programme agreed by the Committee in advance of the municipal year , and shared widely within the Council to ensure maximum impact and minimal overlap with other work. The key elements of the work programme are set out in Section 3 of the Annual Report. We continued to hold working group meetings in addition to formal meetings of the Committee which allows us review in key issues at an earlier stage and has given us time to carry out in-depth consideration of these areas.

Working groups last year focussed on major emerging issues facing the Council. These included how risk is identified and managed in Council departments ; how the new Operating Model is developing; and how the Council manages the specific and ever-changing risks presented by cyber crime.

I would like to take this opportunity to thank the Members of the Committee for their interest in and commitment to the Committee's work. As ever, we are dependent on the work of others, and I would like to thank the Executive Director Place and Resources, the Assistant Director of Finance, the Assistant Director Law and Governance, the Head of Audit and Assurance, Democratic Services staff and the representatives from our external auditors, for their continuing support during the last year.

1. INTRODUCTION

In May 2022 the Chartered Institute of Public Finance and Accountancy (CIPFA) issued its updated “Audit Committee Position Statement”, which sets out the purpose, model, core functions and membership of audit committees. Endorsed by the Department for Levelling up, Housing and Communities, the statement defines the role of an Audit Committee to:

“provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee’s role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective” and “have oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability. In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council”

The Audit Committee was set up in 2005. Its role is defined in its terms of reference, as laid out in the Council’s constitution, as shown on Appendix 1. The areas covered within them are consistent with those identified as good practice by the Charter Institute of Public Finance and Accountancy and Finance (CIPFA) in its document *“Audit Committees: Practical Guidance for Local Authorities and Police” (2018- updated in 2022)*. In May 2013, its role was expanded to include partnership governance and was renamed the “Audit and Governance Committee”.

This report informs the full Council of the Committee’s activities during the Council year (May 2023 to April 2024), and how it has discharged its responsibilities.

2. COMMITTEE INFORMATION

Audit and Governance Committee Membership

During the year, the Committee had nine members, plus Tim Render (the independent chair). The membership was as follows:

Chairman – Mr. Tim Render
Councillor M Boyd (Conservative) (Deputy Chairman)
Councillor B Parkinson (Conservative)
Councillor J Cairns (Conservative)
Councillor G Reynolds (Conservative)
Councillor P Silvester (Conservative)
Councillor D Hasthorpe (Conservative)
Councillor M Patrick (Labour)

Councillor T Mickleburgh (Labour)
Councillor S Holland (Independent)

During the 2023 the full council accepted the Committee's recommendation that in with guidance it should appoint a second co-opted independent member. As of 4 April 2024 this position was out to advert with a view to appoint before the Committee to be held in July.

Audit Committee Meetings and Attendance

During 2023/24 the Committee held five meetings. The schedule of Members attendances, excluding the Independent Chair is shown below. Including substitutes, Members achieved an attendance rate of 86% (31 out of a possible 36) in the three meetings held up to 2 February 2022, whilst substitutes were required in three instances.

Table 1: Attendance at Audit Committee Meetings

	13 July 2023	14 Sep 2023	12 Nov 2023	12 Feb 2024	18 April 2022
Number attended including subs	8	6	8	9	To be updated

In line with good practice the Section 151 Officer (or her Deputy), the Monitoring Officer, the Head of Audit and Assurance, and a senior representative from external audit has been in attendance. In addition, other senior officers have attended where appropriate, or where they have been invited by the Committee, including the Chief Executive.

In addition, two audit working group were to consider issues in greater detail:

- 17 October 2023: the meeting focused on risk management arrangements including an update from two Directors on how they identify, monitor and manage risks in their area of responsibility; and
- 29 January 2024 received presentations on the Council's environmental strategy, the new operating model, and cyber crime.

Training

The Council recognises the importance of providing Committee Members with the training to allow them to effectively carry out what can be a demanding and technical role. In 2023/24 training included:

- Risk Management (October 2023)
- The Statement of Accounts (November 2023)
- Treasury Management (February 2024)

3. HOW THE AUDIT COMMITTEE HAS DISCHARGED ITS RESPONSIBILITIES, AND ITS ACHIEVEMENTS

The Committee has discharged its responsibilities in 2022/23 is described below including its achievements in specific key areas:

Approve the Statement of accounts

Subject to receipt of the final audit certificate from the council's external auditors and any amendments arising, approved the audited annual statements of accounts on behalf of the Council (November 2023)

Reviewed the proposed accounting policies for the statements of accounts 2023/24 /23 (February 2024)

Annual Governance Statement/ Code of Governance

Approved the draft Annual Governance Statement 2022/23. (July 2023)

Subject to receipt of the final audit certificate from the council's external auditors approved the final Annual Governance Statement and recommended it be signed on the Council's behalf by the Leader and the Chief Executive (November 2023)

Approved revisions the Council's updated Code of Governance, and received an update on progress issues identified for further focus identified in the Annual Governance Statement (February 2024)

Approve the Internal Audit Plan / Head of Internal Audit Annual Report and Opinion

Considered the Head of Internal Audit Report and Opinion for 2022/23 (July 2023)

Considered a report from the Head of Audit and Assurance that provided an update on the delivery of the Internal Audit Plan. Members were referred to the

risks relating to the delivery of the audit plan and how these would be mitigated (November 2023)

Received an interim report from the Head of Audit and Assurance on the delivery of the annual audit plan 2022/23, including a summary of findings from audit reports. The Head of Audit and Assurance proposed some reductions in the size of the Audit Plan, and identified continued risks in relation to its delivery, (February 2024)

Considered the proposed audit plan for 2024/25 and sought assurance on its compilation (April 2024)

Considered a report from the Head of Audit and Assurance that provided an update on the delivery of the Internal Audit Plan (2023/24), and the outcome of the External Quality Assessment (EQA) of Internal Audit – which confirmed its compliance with Public Sector Internal Audit Standards (PSIAS) (April 2024)

In between formal meetings the Head of Internal Audit has periodic informal meetings were appropriate with both the Chair and Deputy Chair of the Committee to allow them to discuss emerging issues.

Promoting an anti-fraud culture

Received an interim report on anti-fraud activities taking place within the Council (November 2023)

Approved the Anti-Fraud and Corruption Strategy and Fraud Response Plan be approved. (November 2023)

Received the Annual Fraud Report 2023/23 (April 2024)

External Audit

Received an update on the completion of the audit of the 2021/22 accounts. Although an audit completion report was presented to committee in November 2022 there were two national issues which had delayed the completion of the audit (September 2023)

Revived a full copy of the Audit Strategy Memorandum in relation to how external audit would seek assurance in relation to the 2023/23 accounts (September 2023).

There is an opportunity at the end of each meeting for the Committee to have a private discussion (i.e., in the absence of the Executive) with External and Internal Audit at the request of the respective audit managers. No such request was made during the year.

Risk Management

Received the annual risk management report 2022/23 1/22 providing a summary of the developments relating to risk management (June 2023)

Reviewed the Strategic Risk Register (November 2023, April 2024)

Treasury Management

Reviewed the Treasury Management Annual Report 202/23 containing details of treasury management arrangements, activity, and performance. (July 2023)

Reviewed the Treasury Mid-Year Review 2032/24, detailing the treasury management arrangements, activity, and performance during the first six months of 2023/24. (November 2022)

Considered the Treasury Management Policy and Strategy Statement 2023-24. recommending their approval by Full Council (February 2024).

Partnership Governance

The committee received a presentation from the council's Chief Executive providing the committee with an update on the current position regarding the governance arrangements for integrated care (July 2023)

The committee considered a report from the Director of Adult Social Care providing an update on the Section 75 arrangements. It outlined the background to the establishment of the formal partnership agreement with Integrated Care Partnership. (February 2024)

An update of arrangements relating to the Regeneration Partnership with EQUANS (April 2024)

Annual work programme

As well as discharging its key formal responsibilities the Committee has developed an annual work programme to allow it to obtain a greater understanding of strategic interest. During 2023/24 it received reports and sought assurance in the following areas:

- The committee received a report from the Executive Director for Place and Resources assessing the Council's financial management processes against CIPFA's code of financial management (July 2023)
- The committee received a presentation from the Assistant Director of Finance. Mr Lonsdale set out in brief the financial planning process for this year including roles and responsibilities and the formal decision-making process through Scrutiny and Cabinet. He further detailed the timeline for approval of the 2023/24 budget and explained how services were engaged at an early stage around risk and opportunities. (November 2023)
- Considered the Annual Information Governance and Security report (2023/24) outlining key information governance activities undertaken and providing assurance on the Council's arrangements (April 2024)
- Considered the Annual Value for Money report (2023/24) summarising value for money activity during 2023/24 (April 2024)

4. AUDIT AND GOVERNANCE COMMITTEE SELF-ASSESSMENT

The Audit and Committee annually carries out a self-assessment of its performance against CIPFA guidance. In April 2023 the Audit Committee, carried out a self- assessment of the Audit Committee against CIPFA's "Audit Committee Position Statement (2022) and subsequent additional guidance issued by CIPFA "Audit Committees: Practical Guidance for Local Authorities and Police. issued from CIPFA (2022)". As a result of self-assessment, the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement.

On 2 April 2024 the Chair and Deputy Chair reviewed the self- assessment as shown on Appendix 2, and this will be subject to discussion and confirmation by Members at is meeting on 18 April 2024. The updated self-assessment shows that the Committee largely complies with expected practice, but there remain potential areas for further development. In particular ensuring, where possible, that Members have some previous knowledge and experience of the areas covered by the Audit and Governance Committee's Terms of Reference, or that that as part of the induction of the Committee in the new Municipal Year Members will have the opportunity to self-assess themselves against training guidance provided by CIPFA and this will subsequently be built into a training programme.

Appendix 1

Audit and Governance Committee Terms of Reference and Powers

The purpose of the Audit and Governance Committee is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective and have oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are Page 69 Committee Membership Terms of Reference and Powers Delegation of Powers to Officers adequate arrangements in place for both internal challenge and public accountability. In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council.

1. To approve the Council's Annual Statement of Accounts, including the income and expenditure account, balance sheet and cash flow statement.
2. To consider and approve, on behalf of the council the external auditor's Annual Governance Report.
3. To approve the Internal Audit Charter, Internal Audit Plan and Performance Indicators
4. To review summary internal audit reports and any significant issues arising and recommend appropriate actions in response.
5. To consider the Head of Internal Audit's annual report and opinion and the level of assurance it can give over the Council's Corporate Governance Arrangements.
6. To consider reports dealing with the management and performance of internal audit.
7. To monitor and keep under review the Council's arrangements to secure value for money.
8. To monitor and keep under review the Council's Risk Management arrangements.
9. To monitor and keep under review the effectiveness of the Council's anti-fraud and corruption arrangements (including the consideration of an annual report summarising the Council's actions in relation to good conduct and anti-fraud and corruption).
10. To monitor and keep under review treasury management arrangements to ensure that the treasury management strategy and policies follow the CIPFA code of practice and are scrutinised in detail before being accepted by the Council.
11. To receive and approve treasury management practices and schedules.
12. To monitor and review the Council's assurance statements, including the Council's Code of Governance and the Annual Governance Statement, to ensure that they properly reflect the risk environment and any actions required to improve it, and to monitor management action in response to the action plan arising from it
13. To consider the reports of external audit and inspection agencies insofar as they affect the Council's Corporate Governance Arrangements.

14. To monitor management action in response to issues raised by external audit.
15. To comment on the scope and depth of external audit work and to ensure it gives value for money.
16. To commission work from internal and external audit.
17. To review any issue referred to it by the Chief Executive or a Director and any Council body.
18. To consider the Council's compliance with its own and other published standards and controls.
19. To refer items to the Audit Working Group for detailed consideration.
20. To produce an annual report for full council summarising its work during the year.
21. To provide at each meeting the opportunity to have a private meeting with only the external and internal auditors present.
22. To monitor and keep under review the Council's arrangements for partnership governance

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA’s Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Audit committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?				
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?				
3	Has the committee maintained its advisory role by not taking on any decision-making powers?				
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA’s 2022 Position Statement?				
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?				
7	Does the governing body hold the audit committee to account for its performance at least annually?				

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions	Does not comply					Partially complies and extent of improvement needed					Fully complies														
	Major improvement					Significant improvement					Moderate improvement					Minor improvement					No further improvement				
Weighting of answers	0					1					2					3					5				
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:																									
<ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 																									
<ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements 																									
<ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? 																									
Functions of the committee																									
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?																									
Governance arrangements																									
Risk management arrangements																									
Internal control arrangements, including:																									
<ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption 																									
Annual governance statement																									
Financial reporting																									
Assurance framework																									
Internal audit																									
External audit																									
10 Over the last year, has adequate consideration been given to all core areas?																									
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?																									
12 Has the committee met privately with the external auditors and head of internal audit in the last year?																									

Good practice questions	Does not comply					Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement				
Weighting of answers	0	1	2	3	5				

Membership and support

<p>13 Has the committee been established in accordance with the 2022 guidance as follows?</p> <ul style="list-style-type: none"> • Separation from executive • A size that is not unwieldy and avoids use of substitutes • Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 								
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?								
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?								
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?								
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?								
18 Is adequate secretariat and administrative support provided to the committee?								
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?								

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?								
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?								
22 Are meetings effective with a good level of discussion and engagement from all the members?								
23 Has the committee maintained a non-political approach to discussions throughout?								

Good practice questions	Does not comply				Fully complies
	Partially complies and extent of improvement needed				
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?					
26 Do audit committee recommendations have traction with those in leadership roles?					
27 Has the committee evaluated whether and how it is adding value to the organisation?					
28 Does the committee have an action plan to improve any areas of weakness?					
29 Has this assessment been undertaken collaboratively with the audit committee members?					
Subtotal score					
Total score					
Maximum possible score					200**

** 40 questions/sub-questions multiplied by five.