

**REPORT TO:** Audit and Corporate Governance  
Committee

01 June 2023

**LEAD OFFICER:** Head of Shared Internal Audit / Head of Finance and Section  
151 officer

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## **Audit & Corporate Governance Committee – Annual Report 2022/2023**

### **Executive summary**

1. The attached report summarises the work of the Committee from the 2022/2023 Financial Year.

### **Key Decision**

2. This is not a key decision because this is being presented to the Audit and Corporate Governance Committee in accordance with its terms of reference.

### **Recommendations**

3. The Audit and Corporate Governance Committee is requested to agree the contents of the attached report for presentation to full Council.

### **Reasons for Recommendations**

4. It is good practice to summarise the work of the Committee, and report this to full Council. This is set out in the terms of reference.

### **Details**

#### **Background**

5. Audit & Corporate Governance committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.
6. 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.
7. Our committee has 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.
8. As a non-executive body, the influence of the committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

## **Evaluation and improvement**

9. The committee should consider how it can improve understanding of its work and raise its profile among other elected members. By improving understanding and engagement, the committee can potentially become more influential and effective.
10. The Chartered Institute of Public Finance and Accountancy (CIPFA) sets out a Position Statement for Audit Committees, and Practical Guidance for Local Authority Audit Committees.
11. We have considered the latest guidance when completing our annual report to evaluate impact and identify areas for improvement.

## **Reporting**

12. In a local authority the full council is the body charged with governance. The audit committee is delegated governance responsibilities but will be accountable to full council.
13. CIPFA guidance states the committee should prepare an annual report that provides assurance to all those charged with governance that it fulfils its purpose and can demonstrate its impact.
14. This report is a key output of the committee, and by publicly reporting to Council it supports the authority's accountability to wider stakeholders.

## **Considerations**

15. None.

## **Options**

16. None.

## **Implications**

17. In the writing of this report, there are no significant implications or risks to the Council.

## **Background Papers**

18. Background papers used in the preparation of this report:
  - Committee Terms of Reference

## **Appendices**

19. Appendices to this report include the update report.

## **Report Author:**

Officers and Members of the Audit & Corporate Governance Committee



# Audit and Corporate Governance Committee Annual Report 2022/2023








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# Committee overview

## Who we are

The Audit and Corporate Governance Committee was established in September 2012 to oversee the Governance, Risk Management and Assurance framework, the financial reporting and annual governance framework. Our membership from May 2023 is:

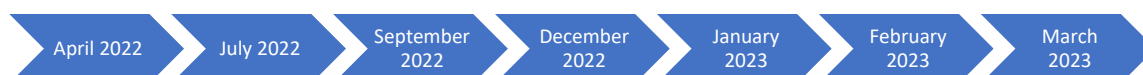
	<a href="#">Cllr Michael Atkins</a> (Chair)
	<a href="#">Cllr Peter Sandford</a> (Vice-Chair)
	<a href="#">Cllr Geoff Harvey</a>
	<a href="#">Cllr Mark Howell</a>
	<a href="#">Cllr Helene Leeming</a>
	<a href="#">Cllr Richard Stobart</a>
	<a href="#">Cllr Heather Williams</a>

## Officers which support the Committee:

- Head of Finance
- Head of Shared Internal Audit
- Corporate Fraud Manager
- Monitoring Officer
- Senior Democratic Services officer

## When we meet

We meet at least quarterly. Seven meetings were held during 2022/2023:



## What we do



We review and consider areas which support the Council's corporate governance arrangements:

Governance Risk and Control	Internal Audit	External Audit	Financial Reporting
<p>Local Code of Governance and the Annual Governance Statement</p> <p>Instruments of financial control and arrangements to secure value for money</p> <p>Risk management, and effectiveness of internal controls.</p> <p>Counter-fraud strategy, and fraud and corruption risks.</p> <p>Partnerships and collaborations.</p> <p>Regulation of Investigatory Powers Act 2000 (RIPA) powers</p>	<p>Internal Audit Charter and Code of Ethics</p> <p>Risk-Based Internal Audit Plan</p> <p>Reports from the Head of Internal Audit during the year, including updates on the work of Internal Audit, key findings, issues of concern and actions.</p> <p>Consider the Head of Internal Audit's opinion on the control environment and the results of the Quality Assurance and Improvement Programme.</p>	<p>Comment on the scope and depth of external audit work to ensure their independence and it gives value for money.</p> <p>Review any issues raised by Public Sector Audit Appointments</p> <p>Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.</p> <p>Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.</p>	<p>Review the annual Statement of Accounts,</p> <p>Consider whether appropriate accounting policies have been followed.</p> <p>Notify Council with regard to conclusion and submission of the Statement of Accounts.</p>

This helps us to report our findings to those charge with governance and we do this by publishing this annual report.

See [our website](#) for more information about the Committee.

## Update on External Audit Progress

The external audit process continues to be challenging most audit firms including our current auditors have struggled to recruit and retain suitably qualified staff and this in turn has made resourcing and carrying out audits to an agreed timetable more difficult.

We have made good progress during the last 12 months, the 2019/20 accounts were signed off at the February 2023 meeting and the audit was a smoother, quicker process than the previous two audits.

Additional resources have been deployed to improve the process and this has had a significant impact and their knowledge and experience is being proactively shared with the wider team.

Below is a timetable summarising our current position. The aim is to complete two audits per year for the next two years and whilst this is challenging it is achievable.

Year	Draft statements	Audit Plan	Audit Fieldwork	Audit Sign-off	Date signed off (forecast)
18/19	Complete	Complete	Complete	Complete	April 2022
19/20	Complete	Complete	Complete	Complete	February 2023
20/21	Complete	In progress	Not started	Not started	(September 2023)
21/22	In progress	Not started	Not started	Not started	(January 2024)
22/23	Not started	Not started	Not started	Not started	(September 2024)

## What we did during the year

The Chartered Institute of Public Finance has recently provided guidance on effective Audit Committees and how they can support the Council.

They produced a diagram to illustrate this:



We have started the process of reviewing the Committee functions to CIPFA guidance, to help ensure we operate effectively.

Using their guidance, we can evaluate our work and demonstrate how we contributed to development of effective governance arrangements in the year:

Areas where the audit committee can have impact by supporting improvement	Examples from the year
Promoting the principles of good governance and their application to decision making.	<p>We supported development of the Local Code of Governance which was updated twice in the year.</p> <p>The Committee reviewed and approved the Annual Governance Statement in advance of approving the Statement of Accounts.</p>
Contributing to the development of an effective control environment.	<p>We reviewed regular reports from Internal Audit which provided updates on assurance work completed. This included follow-up reports on previous reviews where there was limited assurance and / or significant recommendations.</p> <p>The Finance team completed an assessment to the CIPFA Financial Management Code. Internal Audit have already completed an independent assessment which provided positive assurance to the Committee.</p>
Supporting the establishment of arrangements for the governance of risk and for effective arrangements to manage risks.	<p>We received a report on the Council's risk management arrangements which included the November update to the strategic risk register. We reviewed the register and noted that the next update to this would be given at the July 2023 meeting.</p>
Advising on the adequacy of the assurance framework and considering whether assurance is deployed efficiently and effectively.	<p>We considered the assurance framework whilst reviewing the Annual Governance Statement. This included variety of assurance sources including internal controls, policy development, risk management, the Head of Internal Audit annual opinion, external inspections and the reports of the external auditors.</p>

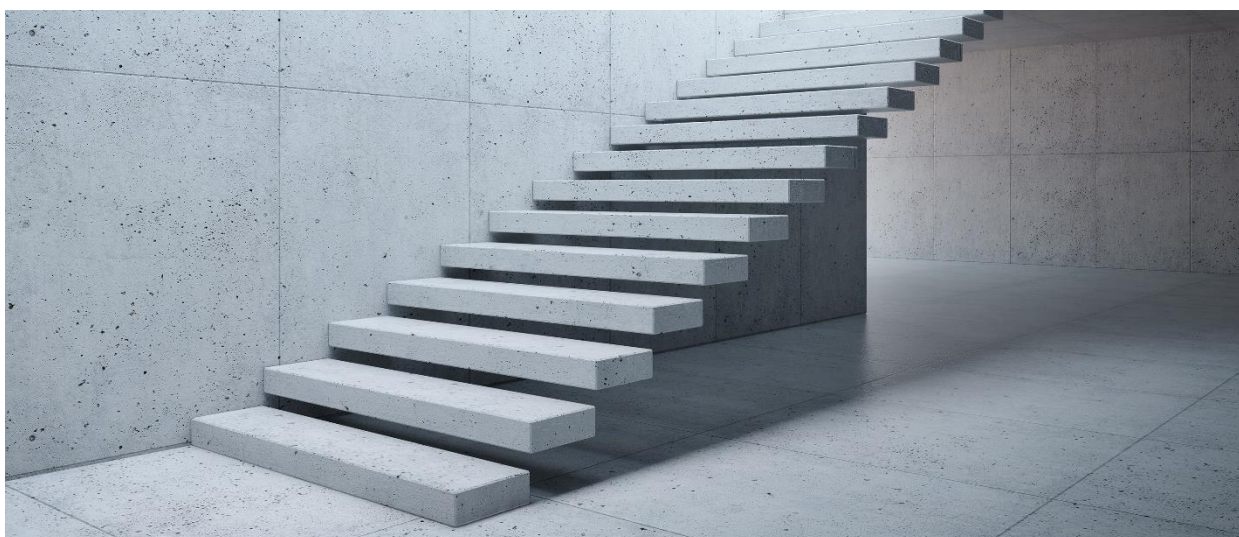


Areas where the audit committee can have impact by supporting improvement	Examples from the year
<p>Supporting effective external audit, with a focus on high quality and timely audit work.</p>	<p>We reviewed a report on the additional audit fees proposed for 2018/19 and it was reported that Public Sector Audit Appointments (PSAA) would be reviewing the level of fee and that the outcome of their review was binding on both the Council and the external auditors.</p> <p>We considered the draft statement of accounts for 2019/2020 and 2020/2021, noting the regular updates with the external audit of these accounts, the public inspection periods, and the completion of future years audits.</p> <p>We subsequently approved the final audited accounts for 2018/2019 and 2019/2020, as the external auditors provided an unqualified opinion which is a positive assurance.</p> <p>The external auditors also presented their planning document for 2019/2020, and this highlighted the changes in audit risk and focus since the previous audit, the proposed fees and value for money aspects.</p>
<p>Supporting the quality of the internal audit activity, in particular underpinning its organisational independence.</p>	<p>We reviewed internal audit reports which gives details on the planned audits and the audit strategy, compliance with professional codes, their charter and their code of ethics.</p> <p>We received regular updates on the progress of current internal audits and outcomes of the reviews.</p>

Areas where the audit committee can have impact by supporting improvement	Examples from the year
<p>Aiding the achievement of the authority’s goals and objectives by helping to ensure appropriate governance, risk, control and assurance arrangements.</p>	<p>As part of our ongoing training and awareness we received regular reports on Governance Risk and Control. These included topical updates to help us consider emerging risks Examples included:</p> <ul style="list-style-type: none"> <li>• “fighting fraud breaking the chain” report which highlighted the importance of tackling fraud and the steps that can be taken to ‘break the chain’.</li> <li>• the Public Sector Fraud Authority (PSFA) had been lunched by Central Government;</li> <li>• the Fraud Advisory Panel had issued a report that summarised the national fraud risk impact from the pandemic across the public sector.</li> </ul> <p>We approved a revised Whistleblowing policy, noting it was an opportunity to update the language in line with best practice amend for changes in working practices and improve communication to and engagement with stakeholders.</p>
<p>Supporting the development of robust arrangements for ensuring value for money.</p>	<p>We considered the annual treasury management report for the 2021/2022 financial year. This compared actual performance for the year against the strategy agreed as part of the budget for that year. The report showed the net borrowing position at the year-end to be £137.6m which was broadly unchanged on the previous year, an analysis of Council lending (£117.6m) and details of the loans that the council has outstanding (£255.1m) as at 31st March 2022. The report also confirmed that the council operated within the strategy during the financial year with no breaches to report. We also received an interim Treasury management report later in the year, and an update on the economic situation was provided by the council’s treasury advisors for the Committee’s information.</p>

Areas where the audit committee can have impact by supporting improvement	Examples from the year
<p>Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks.</p>	<p>We were briefed and discussed topical matters which helped us to support and promote counter fraud arrangements. This included the Key Amnesty project, a social housing fraud initiative designed to raise fraud awareness and encourage those occupying social housing when they should not be to surrender their keys.</p> <p>We noted that a potentially fraudulent right to buy application was withdrawn following an investigation and meant an asset of the Council was not lost to fraud.</p> <p>We noted in the quarterly Corporate Fraud update that there were 131 live cases, the highest for some time, and reflects the increasing trend in referrals which is not entirely surprising.</p>
<p>Promoting effective public reporting to the authority's stakeholders and local community and measures to improve transparency and accountability.</p>	<p>The Committee have produced this annual report summarising the work completed in the year.</p> <p>We received a report on the regulation of investigatory powers act 2000 (RIPA), and we approved the revised policy. No use of RIPA was made during the year.</p>

## Continuous improvement



## Learning and development

We undertook formal training during the year:

<p>November 2022 Treasury Management</p>	<p>This session was an introduction to Treasury Management and was facilitated by Link the Council's treasury advisors.</p> <p>The session explored factors to be taken into account when deciding whether to invest with or borrow from a particular counterparty. It looked at credit ratings and other factors. There was also some commentary on the general economic outlook including likely trends for interest rates based on information available.</p> <p>The session included Members of the Committee and the Lead Cabinet member for Resources and a number of officers. The session was well attended and felt to be very helpful.</p> <p>The purpose of the training was to assist members when it came to the scrutiny of the various treasury management papers as these are fairly technical in nature.</p>
<p>March 2023 Effective Audit Committees</p>	<p>The Committee had previously asked for training to be given on the EY audit toolkit however it was felt that the CIPFA toolkit would be more relevant, and this became available in the early part of this calendar year.</p> <p>This was a two-hour interactive session on 16 March 2023 facilitated by the Head of Internal Audit. The purpose of this was to measure the effectiveness of the Committee against a number of set criteria.</p> <p>There were one or two areas identified that probably require improvement. The session was well attended and extremely useful.</p>

## **Our focus for the following year**

As part of our review of the CIPFA toolkit we identified the opportunities to develop the effectiveness of the Committee which we capture in an action plan.

Our top tips for the next year:

- ✓ Make sure decisions are made in line with our corporate governance principles, be aware of our Code of Governance and the Constitution;
- ✓ Be alert to the possibility of fraud or mistake in handling public money; if you have any concerns please report these to the fraud team, internal audit, external audit, or use our whistleblowing policy;
- ✓ Familiarise yourself with how to access to help and guidance, and policies can be found.

## **Summary and conclusion**

Our review of the past 12 months highlights that we have undertaken a lot of positive work to maintain and develop our governance arrangements.

We would like to thank the Officers who have supported the Committee, members who have substituted at meetings as needed, and our external auditors.

It is important for all of us to maintain awareness of our responsibilities and how we can help the Council.