



AUDIT COMMITTEE

ANNUAL REPORT 2023/24

1. Introduction

The annual report of the Audit Committee for 2023/24 illustrates the scale and scope of the Committee's work. It confirms its function is consistent with best practice as well as demonstrating the positive impact of its work. In this period there were five meetings of the Committee.

The Audit Committee, as a key part of the Council's corporate governance arrangements, oversees and assesses the Council's risk management, control and governance arrangements and advises the Council on their adequacy and effectiveness.

It also has responsibility for reviewing the statutory financial reporting process through approval of the Statement of Accounts and receiving key reports from the External Auditor.

The detailed roles of the Audit Committee are set out in its Terms of Reference, which have been updated in line with the CIPFA Position Statement 2022. These can be found at Appendix 1.

2. Committee Information

Membership and attendance during 2023/24

The Audit Committee comprises seven Councillors and one Independent Chair. There is currently an appointment process ongoing to appoint a second independent member, in line with good practice.

	25/04/23	11/07/23	19/09/23	21/11/23	30/01/24
Jane Nellist (Chair)	✓	✓	✓	✓	✓
Councillor Popley (Vice-Chair)		✓	✓	Virtual	
Councillor Cory-Lowsley		✓	✓	✓	✓
Councillor Hadji-Nikolaou	✓		✓	✓	✓
Councillor Infield		✓	✓	✓	✓
Councillor Knight		✓	✓	✓	
Councillor Lennie			✓	✓	✓
Councillor Maynard		✓	✓	✓	Virtual
Councillor Parsons (Vice-Chair)	✓				
Councillor Charles	✓				
Councillor Gray	✓				
Councillor Hamilton	✓				

Relationships

There continues to be a good working relationship between officers and Members of the Committee. In line with good practice, the S151 Officer (or deputy), the Director of Finance, Governance and Contracts and the Audit Manager (or deputy) attend all meetings.

Internal Audit functional responsibility rests with Simon Jackson (Director of Finance, Governance and Contracts) on behalf of the Chief Executive whilst the Audit Manager has a direct reporting line to all levels of the Council both at officer and member level.

Training

There is a recognition that training is key for members of the Audit Committee to enable them to effectively carry out what can be a demanding and technical role. In 2023/24 training included an annual Audit Committee Update (including Risk Management) in July, Financial Statements in November and Treasury Management in January.

3. Summary of work undertaken

A summary of work undertaken at meetings throughout the year is included at Appendix 2.

3.1 Internal Audit

The internal audit plan for the year was approved in April. This was prepared using a risk-based assessment of the Council's activities and consultation with the SLT and CLT. Specialist resources for technical IT audits were externally procured.

The work of internal audit was reviewed at each meeting. This review includes a summary of audit reports as well as performance against the plan and other measures. It is pleasing to note that most audits achieve a high level of assurance, reflecting that in most areas, risks are being effectively managed and the control environment is sound. Those audits which require a greater degree of improvement are classed as having limited or no assurance. For those reviews with limited or no assurance, responsible officers are required to attend the Audit Committee to provide more detailed information.

Another important part of the Committee's role is helping to ensure that audit recommendations are implemented. The Committee ensures that officers are acting on recommendations from both internal and external audit with updates being received on outstanding recommendations at each meeting. The Audit Committee have asked for additional information on older outstanding recommendations and responsible officers have attended to provide more detailed information. This approach will continue as required and appears to have had a positive effect on the effective implementation of audit recommendations.

An Annual Report by the Audit Manager is presented to the Audit Committee following the end of the financial year, which also helps to support the Annual Governance Statement. The 2022/23 Annual Internal Audit Report to the July meeting gave a reasonable (yellow) assurance on the overall control environment, which means there is a generally sound system of governance, risk management and controls in place.

3.2 External Audit

Mazars were the External Auditors for 2022/23, and this has now changed to Azets for 2023/24, both of whom were procured through the Public Sector Audit Appointments. The role of external audit is to ensure that the Council's financial statements give a true and fair view of the financial position and have been properly prepared. They also consider whether the system of internal control is effective and whether the Council has in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Audit Committee has a role to comment on the scope and depth of external audit work, through considering plans and reports to ensure the work gives value for money.

The Committee has considered the 2022/23 External Auditor's report and it was reassuring to note that an unqualified opinion was issued. As part of the audit work undertaken Mazars considered the internal controls in place relevant to the preparation of the financial statements. The findings of this work resulted in two level 3 (low) priority recommendation being made in respect of disclosures of related party transactions and review of reconciliations. Delays in the report were due to outstanding work on the net pension liability from the Pension Fund Auditor.

The External Auditor also confirmed that it has not identified any significant weaknesses in the Council's arrangements for securing economy, efficiency, and effectiveness in its use of resources (value for money approach).

Given the ongoing financial pressures that are impacting upon the public sector, it is reassuring that the Council continues to take a prudent approach to the management of its

financial position and has continued to receive an unqualified opinion of assurance from the external audit.

3.3 Capital Strategy, Treasury Management and Investment Performance

The Committee's role is to assess the robustness of the Council's Treasury Management policy and strategy. Training is provided to the Committee by the Council's Treasury Management consultants to enable the Committee members to understand the detail contained within the reports. The Committee reviews the strategy and considers the adoption of Treasury Management indicators prior to Council approval. Throughout the year, Treasury and Investment performance are reviewed to ensure the governance and management procedures reflect best practice and comply with the CIPFA Code of Practice for Treasury Management.

3.4 Risk Management

The Committee has a role in overseeing risk management strategies and receives an annual report and reviews progress on a quarterly basis.

Risk management arrangements are working well, and risk management is used effectively to help manage strategic, operational and project risks. Good progress has been made to mitigate risk through effective action plans, which are regularly reviewed and updated.

3.5 CIPFA Position Statement

A working group was established, lead by the Audit Manager to review Compliance with the updated CIPFA Positions Statement on the impact and effectiveness of the Audit Committee and develop an action plan to address issues identified. Details of the action plan can be found at Appendix 3.

As part of the work, seven of the Audit Committee members undertook a self-assessment, which can be found at Appendix 4. A score of 176 out of 200 has been achieved, with some improvements identified, which are linked to the action plan detailed at Appendix 3.

Overall, there is a good level of compliance with CIPFA good practice. The completion of the action plan detailed in Appendix 3 will ensure that the Council ensures effective arrangements are in place for the overall governance framework.

3.6 Annual Governance Statement

The Annual Governance Statement is a statutory statement and provides an overview of key governance arrangements within the Council, including any significant control issues arising during the year and forms part of the statement of accounts. It is based on the core principles and requirements set out in Delivering Good Governance in Local Government Framework (CIPFA / Solace 2016).

The Audit Committee approves the Statement and agrees actions to ensure compliance with best practice and monitors all significant issues arising from the Statement. It was last reviewed in the November meeting and there is currently one outstanding issue on the action plan which relates to the iTrent system.

3.7 Statement of Accounts

The Committee reviews the authority's financial and assurance statements, including the Statement of Accounts and the Annual Governance Statement, ensuring the latter properly reflects the risk environment and any actions required to improve it and then to recommend its adoption.

Despite continuing pressures within the finance team, the financial statements were considered and approved by the Audit Committee in November.

3.8 IT Health Check

Cyber fraud threat is an ongoing risk to the Council and the annual IT Health Check provides assurance on the security of the Council's network. Members of the public are excluded from discussions on this area as it is deemed no in the public interest due to the detail contained within the report, which could be exploited to disrupt Council services or commit fraud.

3.9 RIPA

The committee continues to receive and consider reports on the Council's use of surveillance and acquisition of communication data powers under the Regulation of Investigatory Powers Act 2000 (RIPA). There had been no usage of these powers by the Council during 2023/24.

3.10 Anti-Fraud and Corruption Strategy and Whistleblowing Strategy

Received information on the operation of the Anti-Fraud and Corruption Strategy and Whistleblowing Policy during 2022/23. It was pleasing to note that there had been no instances reported in line with this during the year.

3.11 Environmental Audit

The outcomes of the annual Environmental Audit undertaken in April were reported to the Committee along with identified actions for mitigation required. The non-compliances had also been considered by the SLT and assurances were made that there were no major issues putting the Council at risk.

3.12 Allowances and Expenses Claimed by Councillors and Co-opted Members

The amounts claimed by members of the Council and co-opted members under the Council Member's Allowances Scheme were considered. Due to the tight controls operated around this by both Democratic Services and Payroll, it was agreed that the item be removed from the Committee's work programme going forward. If any issues were identified in future, they would be brought to the attention of the Committee by the Head of Governance.

4. Conclusion

The Committee provides effective challenge across the full range of Council services and provides independent assurance on the risk management and governance framework and associated internal control environment to the Council and the public.

The Committee has received a variety of reports from both Internal and External Audit during the year. It has scrutinised and challenged the findings of audit reports on risk and control issues, sought clarification and in some cases required detailed explanations and action plans to address significant issues.

By completing the work programme and providing challenge, the Audit Committee has:

- increased public confidence in the Council's governance arrangements
- reinforced the importance and independence of internal and external audit and other review processes that reported to the Audit Committee
- assisted in the co-ordination of assurance with internal audit and, in so doing, made management more accountable
- provided additional assurance through a process of independent and objective review; and raised awareness of the need for internal control and
- helped ensure the timely implementation of audit recommendations.

The Committee strives to ensure that best practice as per the CIPFA Position Statement is implemented in order to add value to the governance processes within the Council.

Last, but by no means least, I would like to express my appreciation and thanks to Rebecca and Nicky from Democratic Services, my Vice-Chairs, all those elected members who have served on the Committee, the Finance team, the Internal Audit team and all those officers that have provided reports, training, and guidance to the Committee.

Jane Nellist
Chair of Audit Committee

Audit Committee – Terms of Reference

FUNCTIONS

General

1. To refer matters of concern to the Council, Cabinet, or appropriate committee. The Chair or Vice-chair of the Committee may address the Cabinet, or a committee and the Vice-chair of the Committee may address the Council before the report is considered.

Audit activity

2. To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.

3. To consider summaries of specific internal audit reports as requested.

4. To consider reports dealing with the management and performance of the providers of internal audit services.

5. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

6. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

7. To consider specific reports as agreed with the external auditor.

8. To comment on the scope and depth of external audit work and to ensure it gives value for money.

9. To liaise with the appropriate person or body over the appointment of the council's external auditor.

10. To commission work from internal and external audit.

Regulatory framework

11. To maintain an overview of the council's constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.

12. To review any issue referred to it by the chief executive, a director or a head of service, or any council body.

13. To monitor the effective development and operation of risk management and corporate governance in the council.

14. To monitor council policies on 'Raising Concerns at Work' and the anti-corruption strategy and the council's complaints process.

15. To oversee the production of the authority's Governance Statement and to recommend its adoption.

16. To consider the council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

17. To consider the council's compliance with its own and other published standards and controls.

18. To consider the Council's treasury management control and investment control arrangements.

Accounts

19. To approve the Authority's statement of accounts, income and expenditure and balance sheet, or record of payments and receipts under the Accounts and Audit Regulations as amended.

20. To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

21. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Regulation of Investigatory Powers Act (RIPA)

22. To consider the use of RIPA and report to Cabinet any concerns that may indicate that this is not consistent with the Council's Policy for the use of RIPA or that the Policy may not be fit for purpose. The Chair or Vice-chair of the Committee may address the Cabinet before any report to Cabinet is considered.

12.3 Composition of Audit Committee

Committee	Size	Quorum	Substitutes
Audit Committee	<p>Two Independent Members (inc. Chair)</p> <p>Plus seven Councillor members. No members of the Cabinet can be members of the Committee</p> <p>The Vice-chair will be appointed by the Committee from among its members.</p> <p>Appointment of the Independent Chair of the Audit Committee (and the independent member) to be made by Full Council on recommendation from the S151 Officer.</p>	Four Councillor members	Permitted

*Minor change to be approved at Council on 22nd April 2024.

Members of the Audit Committee must attend the mandatory training, or its equivalent at the start of each Council term to maintain their eligibility.

Other Councillors are allowed to substitute for members of the Audit Committee who are absent using procedures set out in the Committee Procedures. In order to maintain eligibility to participate in meetings a Councillor must have attended mandatory training, or its equivalent, in the current Council term.

Appendix 2

Audit Committee Work Undertaken

Agenda Item	25/04/23	11/07/23	19/09/23	21/11/23	30/01/24
External Audit	✓		✓	✓	✓
RIPA	✓	✓	✓		✓
Risk Management	✓	✓	✓		✓
CIPFA Position Statement	✓	✓	✓		✓
Internal Audit	✓	✓	✓		✓
Audit Committee Work Programme	✓	✓	✓		✓
Allowances and Expenses		✓			
Anti-fraud and Corruption Strategy and Whistleblowing Strategy		✓			
Treasury Management		✓	✓	✓	✓
Environmental Audit		✓			
Investment Performance		✓			✓
IT Health Check		✓	✓		
Annual Governance Statement				✓	
Statement of Accounts				✓	
Capital Strategy, Treasury Management, Investment Strategy and MRP Strategy					✓

Audit Committee Action Plan

Ref	Action	Assigned to	Timescale
1	Training plan to be developed to ensure all committee members have a reasonable level of knowledge in the relevant areas.	Working Group	September 2023
2	Review of the Self-Assessment of Good Practice to then consider areas of weakness and improvements required to meet the key principles as set out in the Position Statement.	Working Group	September 2023
3	Review of the annual work plan of the audit committee and align where necessary to the position statement.	Working Group	September 2023
4	Terms of Reference (TOR) of the Committee to be reviewed and updated in line with the CIPFA recommended TOR.	Working Group	September 2023
5	Constitution to be updated to reflect the good practice of having two independent members on audit committee.	Monitoring officer/ Deputy monitoring officer	January 2024
6	The Audit Committee should produce an annual report on how they complied with the position statement, discharged its responsibilities, and include an assessment of its performance.	Working Group with input from all committee members – ownership of the report to be confirmed.	To be completed for agreement by April 2024