

AGENDA ITEM:

**REPORT TO AUDIT &
GOVERNANCE COMMITTEE**

**REPORT OF THE CHAIRMAN OF
THE AUDIT AND GOVERNANCE
COMMITTEE**

27th NOVEMBER 2023

AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT

SUMMARY

This report is to inform members of the work of the Audit and Governance Committee during the period 1st October 2022 to 30th September 2023.

Introduction

This Annual Report produced by the Chairman of the Audit and Governance Committee has been prepared in accordance with the "Audit Committees, Practical Guidance for Local Authorities" produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2018.

The report demonstrates how the Audit and Governance Committee has fulfilled its key functions and how it is fully committed to helping to improve the Council's governance and control environments.

The Guidance defines the purpose of an Audit and Governance Committee as follows:

- Audit & Governance Committees are a key component of an authority's governance framework. Their function is to provide an independent and high level resource to support good governance and strong public financial management.
- The purpose of and Audit and Governance Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

Functions of the Audit and Governance Committee

The Committee's activities during the period were designed to make a positive contribution to the continual improvement of governance arrangements across the Council, as well as performing the key functions as identified in the Constitution. The Audit and Governance Committee as identified in the constitution is required to:

- a) monitor the integrity of the Council's financial statements and approve the Statement of Accounts;
- b) approve the Annual Governance Statement;

- c) oversee risk management and the Council's risk registers;
- d) review any proposed changes to accounting policies and procedure rules;
- e) review the performance of the Treasury Management Strategy;
- f) approve the role and responsibilities of the Internal Audit Service (the Services' functions, aims and objectives);
- g) receive and consider the Annual Audit Letter from the Council's External Auditor;
- h) agree the programme of value for money work;
- i) approve the internal and external audit plans;
- j) review Internal Audit work on a quarterly basis; internal and external annual reports together with any management response and receive details of specific significant issues highlighted via audit work and refer to the Executive Scrutiny Committee; the Select Committees; Cabinet or Council, as appropriate, any issues arising which are key in nature;
- k) maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour, and consider the Council's compliance with its own and other published standards and controls; and
- l) consider details of any key ethical and wider corporate governance issues which may be referred to it.

Audit and Governance Committee Membership

The membership of the Audit and Governance Committee is as follows;

Cllr Barry Woodhouse (Chairman),
Cllr Stefan Houghton (Vice-Chair),
Cllr Marc Besford,
Cllr Mick Stoker,
Cllr Emily Tate,
Cllr Ross Patterson,
Cllr Laura Tunney,
Cllr Susan Scott,
Cllr Paul Rowling.

The Audit Committee and the Audit and Governance Committee met 5 times during the reporting period, 28th November 2022, 23rd March 2023, 31st May 2023, 31st July 2023 and 25th September 2023.

Officers

The Audit and Governance Committee continues to be well supported by Officers, providing reports in accordance with the Committee's work programme. During the reporting period and on behalf of the Director of Finance, Transformation and Performance and the Director of Corporate Services, the Chief Accountant, Assistant Director Procurement and Governance, Assurance Manager and Health and Safety Manager routinely provided reports and attended the meetings.

External Audit

When required the External Auditors, Mazars, have also attended the Audit and Governance Committee meetings.

Core Activity

The Committee's work and outcomes in each of its areas of responsibility are summarised in the following subsections.

Internal Audit

The Audit and Governance Committee:

- Approved Internal Audit's Audit Plans;
- Approved the Internal Audit Charter which proposed the approach to delivering the audit services for the 2023/24 financial year.
- Received the External Quality Assessment Peer Review; the purpose of the report was to advise Members of the results of the review of the Internal Audit Service.
- Received the Anti-Fraud and Corruption Strategy
- Considered regular reports produced by the Audit and Risk Manager highlighting progress against the audit plan and performance against key indicators and any significant issues arising during the period.
- Received and approved the Internal Audit Annual Report of the Audit and Risk Manager as required by the Public Sector Internal Audit Standards (PSIAS). The report included the Audit & Risk Manager's annual opinion on the overall adequacy and effectiveness of the Council's internal control and governance processes. It is his opinion that the Council continues to have an appropriate, and overall, an effective system of internal control, upon which it can place reasonable reliance to deliver the Council's objectives, and detect fraud and other malpractice within a reasonable period of time.

External Audit

The Audit and Governance Committee:

- Received regular reports from Mazars with updates on progress in delivering their responsibilities as our external auditor.
- Received the External Auditors Audit Certificate 2020/21 which formally concluded the 2020/21 audit.
- Received the Audit Strategy Memorandum for the year ending 31 March 2023. The purpose of this document was to summarise Mazars audit approach, highlight significant audit risks and areas of key judgements and to provide the Council with the details of their audit team and fees.
- Received the Auditors Draft Annual Report for 2021/22 which summarised the work Mazars had undertaken for the year ended 31 March 2022.
- Received the Audit Completion Report for the 2021/22 financial year. This document summarised the external auditors findings from the annual audit of the 2021/22 accounts.
- Received a follow up letter to the Audit Completion Report for 2021/22 which provided an update of pending matters noted in the original Audit Completion report.

Annual Statement of Accounts

The Audit and Governance Committee:

- Approved the Annual Financial Statements for 2021/22 (subject to satisfactory conclusion to the pension fund audit assurance work).
- Received and reviewed the draft Annual Statement of Accounts for the 2022/23 financial year.

Treasury Management

The Audit and Governance Committee:

- Received a 2022/23 mid-term report on the performance against the treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2022.
- Received the Treasury Management Annual Report for 2022/23 that informed members of the performance against treasury management and prudential indicators set in the Treasury Management Strategy approved by Council in February 2022.

Risk Management

The Audit and Governance Committee:

- Received quarterly reports from the Audit and Risk Manager on developments within the Corporate Risk Registers to ensure the Members were aware of any emerging risks across the Council and the extent to which the Strategic Risk Management Strategy was being embedded.
- Considered and challenged the Corporate Strategic Risk Register.

Governance

The Audit and Governance Committee:

- Received the Council's draft Annual Governance Statement for 2022/23 for consideration and comments.
- Approved the Annual Governance Statement for 2022/23.
- Received the Constitution update report which had been approved by full council in March 2023.

Health and Safety

The Audit and Governance Committee:

- Received quarterly reports detailing the regular non-responsive services provided by the Council's Health and Safety Unit to monitor, improve and to ensure compliance of the health, safety and well-being control environment.

Chairman's Conclusion

A new Vice Chair and a blend of newly elected members of the Committee and existing members have shown a strong commitment to the work for which they have been given responsibility and the committee has functioned well. The members have studied agendas and asked searching questions of officers not only presenting reports but also requesting further investigation of issues and explanation by the Chair and supporting officers of the committee. From the information received and reviewed the committee has not identified any issues that are not already being managed effectively that required escalation.

While recognising the valuable contribution made by members we must also pay tribute to the officers of this Authority who despite reduced staffing, reorganisation and a harsh financial environment have worked diligently to ensure sound fiscal controls and compliance with relevant regulations often being subjected to extra pressures due to delays in the delivery of information from external institutions. Reorganisation of the Council's management structure is proving a seamless transition with officers in many cases taking on different and added responsibilities. All of this and the adjustment post Covid 19 to "normal" working and a return to the office environment must of course be monitored and a work / life balance must be maintained.

In conclusion I would add that our officers have worked both in the office and occasionally from home throughout the year in a challenging environment showing a commitment and dedication to the Borough's sound financial management under at times extreme pressure and for this effort we must record our gratitude as a committee and a Council.

The Audit and Governance Committee is established with comprehensive terms of reference. The Chair of the Audit and Governance Committee has prepared this annual report on the Committee's work for presentation to Cabinet and hopefully this shows that effective corporate and ethical governance is critical to an authority's performance and in demonstrating continuous improvement it is therefore, a fundamental element of the modernisation agenda. Probity, transparency and high standards are an inherent part of corporate/ethical governance.

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