

Title of Report: **Annual Report of the Audit and Standards Committee 2023/24**

Report of: **Darren Collins, Strategic Director, Resources and Digital**

Purpose of the Report

1. To ask Cabinet to consider the Audit and Standards Committee Annual Report for 2023/24 and agree that this report is submitted to Council.

Background

- 2 In line with best practice the Audit and Standards Committee is required to report to Cabinet and Council on the Committee's activity each year. The report for 2023/24 was agreed by the Audit and Standards Committee on 16 July 2024.

Proposal

- 3 Cabinet is asked to consider the Audit and Standards Committee's Annual Report at Appendix 2 and agree to submit it to Council. The Report provides an overview on the work of the Audit and Standards Committee during 2023/24 and describes how it has had a positive impact on arrangements for oversight of corporate governance, financial management & reporting and audit issues across the Council, as well as providing challenge and independent assurance on the risk management framework and associated internal control environment.

Recommendation

- 4 It is recommended that Cabinet endorse the Annual Report of the Audit and Standards Committee for 2023/24 and agree that it is submitted to Council.

For the following reason:

To strengthen the Council's arrangements for oversight by councillors of governance, audit, risk management, the internal control framework, value for money and efficiency.

Appendix 1

Policy Context

1. The proposal supports the Council's policy, service planning and performance management framework which aims to ensure that all resources are directed towards delivery of the Council's Corporate Plan.

Background

2. It is a requirement of the CIPFA Position Statement on Local Authority Audit Committees that they report annually on how the Committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.
3. Good corporate governance requires independent and effective assurance processes, underpinned by robust risk management arrangements, to be in place to ensure effective financial management and reporting in order to achieve the Council's corporate and service objectives. It is the responsibility of the Audit and Standards Committee to oversee that these arrangements are in place and operating effectively.
4. The Annual Report to Cabinet and Council allows the Audit and Standard Committee to demonstrate the positive impact of its work during the period under consideration to effectively undertake its' role through providing effective challenge across the Council. This includes providing assurance on the Council's arrangements for:
 - Maintaining effective internal control;
 - Risk management; and
 - Reporting on financial and other performance.
5. The areas of activity of the Audit and Standards Committee during 2023/24 are set out in the Annual Report.

Contents of the Report

6. Appendix 2 outlines the activity which the Audit and Standards Committee has covered over the last year, receiving reports in the following areas:
 - Internal Audit planning, performance and activity;
 - Corporate Risk Management and Resilience activity;
 - Counter Fraud updates;
 - Annual Governance Statement Assurance Framework;
 - The Annual Governance Statement and supporting evidence;
 - Achievement of Going Concern status;
 - Audit Completion Report and Council's Statement of Accounts;
 - Treasury Management Policy & Strategy and mid-year update;
 - Review of Internal Audit Charter; and
 - Review of Corporate Risk Management Policy.

7. There were no reports in year which were specific to Standards issues. No complaints have been received under the Member's Code of Conduct, that required investigation, nor was there any guidance or best practice issued during the year that warranted a report. The Monitoring Officer is responsible for maintaining and promoting high standards within the Council and he and his staff have contributed to the Audit work on good governance.
8. Based on the evidence presented during the year and at the meeting of the Audit and Standards Committee on 18 June 2024 it was concluded that the Council's system of internal control and governance framework is effective. This was demonstrated through the approval of the Annual Governance Statement for 2023/24, which accompanies the Statement of Accounts.

Consultation

9. The Audit and Standards Committee considered and agreed the contents of this report at their meeting of 16 July 2024.

Alternative Options

10. There are no alternative options.

Implications of Recommended Option

11. Resources:

- a) **Financial Implications** - The Strategic Director, Resources and Digital confirms that there are no financial implications arising from this report.
- b) **Human Resources Implications** – There are no human resources implications arising from this report.
- c) **Property Implications** – There are no property implications arising from this report.

12. **Risk Management Implications** - There are no risk management implications arising from this report, and the Audit and Standards Committee will continue to receive quarterly reports on risk management.

13. **Equality and Diversity Implications** – there are no equality and diversity implications arising from this report.

14. **Crime and Disorder Implications** – There are no crime and disorder implications arising from this report.

15. **Health Implications** – There are no health implications arising from this report.

16. **Climate Emergency and Sustainability Implications** – There are no climate emergency and sustainability implications arising from this report.
17. **Human Rights Implications** – There are no human rights implications arising from this report.
18. **Ward Implications** – There are no ward implications arising from this report.
19. **Background Information** – Report of the Audit and Standards Committee meeting on 16 July 2024.

Contents of the Audit and Standards Committee Annual Report to Cabinet and Council – 2023/24

1. The areas of activity considered by the Audit and Standards Committee during 2023/24 are set out below.

Internal Audit planning, performance and activity

2. As at 31 March 2024 95% of the Internal Audit Plan was completed, which resulted in 101 audit reports. Of these reports 96 (95%) concluded that systems in place were operating well or satisfactory, with 5 (5%) concluding systems and procedures had significant weaknesses, of which three were in relation to schools.
3. All recommendations are followed-up as part of the Internal Audit process and the Audit and Standards Committee will monitor the outcomes.
4. Based on this evidence arising from Internal Audit activity during 2023/24, the Council's internal control systems and governance and risk management arrangements are considered to be effective.
5. The Internal Audit Service has also co-ordinated the Council's National Fraud Initiative (NFI) work and has supported Council managers with irregularity, e-mail, internet and other disciplinary investigations on an ongoing basis during 2023/24, with regular updates to Audit and Standards Committee.
6. The Audit and Standards Committee also approved the Audit Strategy and Plan and agreed to continue to monitor Internal Audit's progress on a quarterly basis against the 2023/24 Audit Plan.

Corporate Risk Management and Resilience activity

7. The Committee received quarterly reports on the assurance derived from risk management. These reports make Councillors aware of the arrangements that exist within the Council for managing risk, the impact that these have had and the plans for further development of risk management arrangements.

Counter Fraud Updates

8. The Committee received a report every six months updating on activity undertaken in relation to the work of the Corporate Fraud Team summarising performance against the Counter Fraud and Corruption Strategy and the effectiveness of the Strategy. Conclusions also form part of the Annual Governance Statement.

Annual Governance Statement Assurance Framework

9. The Committee received a report providing an overview of the work to be undertaken to produce the Annual Governance Statement (AGS) for 2023/24 which demonstrates the level of assurance that can be given by the Council's control systems and governance arrangements, the Assurance Framework.

The Annual Governance Statement and supporting evidence

10. The Annual Governance Statement for 2023/24 concluded that the Council's system of internal control, risk management and governance framework is effective.
11. The Audit and Standards Committee approved the Annual Governance Statement for 2023/24 at its meeting on 18 June 2024, following a review of the evidence detailed below in paragraphs 12-30, and evidence seen by the Committee during the year.

Cabinet Members

12. Assurance was sought from Members of the Cabinet on the effectiveness they felt could be placed on the Council's corporate governance arrangements. They concluded that effective governance arrangements are in place.

Senior Managers

13. Service Directors completed self-assessment assurance statements detailing the level of assurance obtained from their key control processes. The conclusion of this exercise found that senior managers agreed that effective control systems were in place overall. These statements will be examined as part of the 2024/25 Audit Plan and the outcomes reported to the Audit and Standards Committee in September 2024.

Internal Audit

14. The Internal Audit Service has undertaken audit work throughout the year based on the risk-based audit plan. In addition, the Council has a framework of assurance available to satisfy it that risks have been properly identified and are being managed by controls that are adequately designed and effective in operation. This includes assurance from a variety of sources other than the Internal Audit Service. These other audit systems have been assessed, as part of the Audit Plan.
15. Based on this audit activity the overall opinion of the Chief Internal Auditor for the year 2023/24 was that internal control systems and risk management and governance arrangements are effective.

Risk Management

16. Risk management is embedded in the Council through a Corporate Risk Management Policy which includes the requirement to identify strategic and operational risks, assess those risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls. The Council maintains and reviews a register of its business risks, linking them to strategic business objectives and assigning ownership for each risk.
17. The Strategic Director, Resources and Digital reported that risk management arrangements during the year were effective.

Counter Fraud

18. The Council has a zero-tolerance approach to fraud and corruption. A counter fraud communications and awareness plan is in place to enable and evidence communication requirements to promote and raise awareness of the Council's counter fraud arrangements, including the publicising of any proven fraud cases and media handling. The plan details the key stakeholders and the methods and frequency of any communications during the year. The plan also details how the outcomes of any successful prosecutions would be handled.
19. The Strategic Director, Resources and Digital reported that counter fraud arrangements during the year were effective.

Performance Management and Data Quality

20. The Council has a corporate suite of strategic performance indicator to enable effective monitoring of the Council's strategic approach through which quality of service is measured via strategic outcome indicators. The monitoring of performance takes place at key performance points as identified in the framework including quarterly performance reported to Group Management Teams and Corporate Senior Officer meetings.
21. In addition, performance is also monitored, measured, challenged and scrutinised on a six-monthly basis at Cabinet and respective Overview and Scrutiny Committees. Performance reports to Overview and Scrutiny are published on the Council's website.
22. The Performance Management Framework (PMF) is to be reviewed to ensure it continues to provide optimum information for assisting informed decision making and links to strategic corporate planning and delivery of objectives, and a remodelled Senior Management Group Terms of Reference is planned to further strengthen the framework, governance and oversight of the PMF.
23. Based on evidence arising from the performance management framework process for 2023/24, effective controls are in place.

Views of the External Auditor and other External Inspectors

24. Mazars, the Council's external auditor, issued an unqualified opinion, without modification for the 2022/23 financial statements. No significant weaknesses were reported in relation to the arrangements the Council has in place for securing economy, efficiency and effectiveness in its use of resources.
25. Other external inspectorates' reports have been issued from time to time on management and governance arrangements to the Council.

The Legal and Regulatory Framework

26. Assurance has been obtained from the Strategic Director, Corporate Services and Governance as the Monitoring Officer who has a legal duty to ensure the lawfulness and fairness of decision-making within the Council. The Council has a Constitution in place and compliance with established policies, procedures, laws and regulations is ensured by the requirement to give the Strategic Director, Corporate Services and Governance the opportunity to comment on every report submitted to a decision-making body.

Financial Controls

27. Assurance has been obtained from the Strategic Director, Resources and Digital, who is designated as the responsible officer for the administration of the Council's financial affairs under Section 151 of the Local Government Act 1972, that financial controls are effective. Systems in place include Financial Regulations, the opportunity to comment on the financial implications of committee reports, monitoring meetings and evidence from internal and external audit.
28. In addition, the Council undertook a self-assessment of compliance with the CIPFA Financial Management Code during 2023/24. The assessment considered seventeen financial management standards grouped into seven sections underpinning the six principles. Following the self-assessment, the Council is considered to be compliant with the Financial Management Code.

Partnership Arrangements & Governance

29. Service Directors review partnerships within their service plans on an annual basis. As partners are key to the delivery of the Council's objectives assurance of their control and governance systems is required. The consensus amongst Service Directors was that all Partnership Arrangements have been established in compliance with the Council's Guide to Partnership Working. In addition, the most recent review of this area by the Internal Audit Service found to be operating well.
30. Based on evidence arising from partnerships for 2023/24, effective controls are in place.

Other Reports

Achievement of Going Concern Status 2022/23

31. The Committee received a report considering the Council's status as a going concern in October 2023.
32. Authorities are required by Section 32 of the Local Government Finance Act 1992 to set a balanced budget. However, financial pressures within the local government sector mean that there continues to be a risk that the Chief Finance Officer (Section 151 officer) may need to consider whether action is required under Section 114 of the 1988 Act, where the Section 151 officer must report, following consultation with the council's monitoring officer, to all authority's members if they believe expenditure is likely to exceed incoming resources in the current or in any future year.
33. The report outlined the assessment of the Council's status as a going concern as this is now considered best practice in the current challenging local government financial climate.
34. Based on the assessment undertaken, the Council's Chief Finance Officer (Section 151 officer) view was that the Council is fully aware of the challenges it faces and is prepared to deliver its services in the future taking account of the future known risks and therefore the Council is a going concern and the Council's Statement of Accounts should be prepared on that basis.

Audit Completion Report and Council's Statement of Accounts

35. The outcome and findings of the audit of the Council's Statement of Accounts 2022/23 by the Council's external auditor, Mazars, along with the audited Statement of Accounts, were reported to the Audit and Standards Committee 30 October 2023. The key messages were:
 - At the time of issuing the report, and subject to satisfactory conclusion of the remaining audit work, Mazars anticipated issuing an unqualified opinion, without modification, on the financial statements. However, this was subject to the conclusion of matters in relation to pensions.
 - The auditor's work identified a number of misstatements that have been discussed with management. A summary of the identified misstatements was set out in the report.
 - Value for Money – at the time of issuing the report, the auditor anticipated having no significant weaknesses to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources.
 - Whole of Government Accounts (WGA) – the timetable for the Council's submission for 2022/23 had not yet been published.

Audit work would commence once such instructions had been received.

- Wider powers – the Local Audit and Accountability Act 2014 requires the auditor to give an elector, or any other representative of the elector, the opportunity to question them about the accounting record of the Council and to consider any objection to the accounts. No question or objections had been received.

Treasury Management Policy & Strategy and Six-Monthly Update

36. In line with CIPFA's Code of Practice on Treasury Management the Annual Treasury Policy and Strategy are reviewed by the Audit and Standards Committee prior to being reported to Cabinet and Council. A quarterly position is also reported through the Audit and Standards Committee to highlight progress on investment performance and borrowing.

Local Code of Governance Update

37. The Council has a local code of governance which was originally presented to the Audit Committee in April 2007. In line with good practice the document should be reviewed regularly, and the Audit and Standards Committee were asked to consider and approve an updated version on 25 April 2024, based on the CIPFA Delivering Good Governance in Local Government: Framework. The Code defines how the Council complies with the principles of good governance laid down by the Independent Commission on Good Governance in Public Services and forms an integral part of the Councils' Annual Governance Statement, which is a legal requirement to demonstrate the level of assurance that can be given by the Council's control systems and governance arrangements.

Review of Internal Audit Charter

38. The Internal Audit Charter is reviewed annually, and the outcome is reported to the Audit and Standards Committee to seek comments and approval in line with Best Practice. The Chief Internal Auditor carried out the annual review and confirmed that it continues to reflect best practice and no amendments were required.

Review of Corporate Risk Management Policy

39. Prior to submission to Cabinet and Council, the Committee considered a review of the Council's Corporate Risk Management Policy. The Policy prescribes a robust risk management framework within which the Council can identify, assess, mitigate and manage the many diverse risks that could inhibit the sustained provision of essential services and the delivery of the Council's corporate objectives. Risk Management is embedded the Council through a Corporate Risk Management Policy which includes the requirement to identify strategic and operational risks,

assess those risks for likelihood and impact, identify mitigating controls and allocate responsibility for those controls.

40. The Policy was last approved by Council in June 2013, since when it has been subject to periodic reviews and minor amendments to reflect issues such as Council Structural changes, but it has not been fundamentally reviewed in that time.
41. The Policy was reviewed by reference to the ALARM Risk Management Standard, which confirmed it was still broadly fit for purpose, but was amended to ensure it continues to reflect Industry best practice by reference to the most recent version of the ALARM Risk Management Standards, with additional narrative to strengthen references to:
 - Definition of strategic risks
 - Definition of operational risks
 - Project risks
 - Compliance / legal risks
 - Risk assessment procedures
 - Risk ownership / accountability
 - Risk appetite