

# DRAFT ANNUAL REPORT OF THE AUDIT COMMITTEE

2023/24

## Report Distribution

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## 1. INTRODUCTION

- 1.1 In line with best practice guidance, the Audit Committee is required to submit an annual report to Council outlining the Committee's activities over the previous year. This report summarises the work of the Audit Committee during 2023/24 and how it has undertaken its responsibilities for reviewing the key areas within its remit. Specifically, these include:
- Internal Audit
  - External Audit
  - Counter Fraud
  - Risk Management
  - Financial reporting process of the Statement of Accounts.
- 1.2 In compliance with the Accounts and Audit (Amended) (England) Regulations 2021 the Audit Committee has reviewed the effectiveness of the systems of internal control by receiving regular reports from these areas above that contribute to the control framework. This report provides an opportunity for Council Members to review the work of the Audit Committee and comment on its contribution and performance.

## 2. Key Activities of the Audit Committee

- 2.1 The Terms of Reference (ToR) of the Committee are attached at [Appendix A](#). These were last amended at the Council meeting held on 11 May 2017, following an Internal Audit review of the Effectiveness of the Audit Committee.
- 2.2 During the 2023/24 municipal year the Audit Committee met on four occasions: 27 April 2023, 8 August 2023, 22 November 2023 and 12 February 2024.
- 2.3 Membership and attendance of the Audit Committee comprised as follows:

Member Name	Member Appointment	2023/24 Meeting Attendance
Mr John Chesshire (Independent Chairman)	Initially appointed on 2 November 2017 to present	Attended all four meetings
Cllr Reeta Chamdal	Appointed May 2022 to present	Attended all four meetings
Cllr Tony Burles	Appointed May 2022 to present	Attended all four meetings
Cllr Nick Denys	Appointed May 2022 to present	Attended April 23, November 23 and February 24
Cllr Henry Higgins	Appointed August 2023 – present	Attended all four meetings (April 2023 as a Substitute)
Cllr June Nelson	Appointed August 2023 - present	Attended November 23 and February 24
Cllr Stuart Mathers	Non-Member	Attended in April 2023 as a Substitute
Cllr Kishan Bhatt	Non-Member	Attended in August 2023 as a Substitute

- 2.4 The current Independent Chairman has over 24 years' experience in the public and private sectors working in the internal audit, risk management, business improvement and governance fields.

2.5 The role delegated by the Council to the Audit Committee is to provide independent assurance over the governance, risk management and the system of internal control in operation at the Council. The Audit Committee has fulfilled this role by undertaking the following key activities:

**a) Oversight of Internal Audit**

- The Audit Committee oversaw the activity of the Council's Internal Audit service to assist it in its role of monitoring the internal control, risk management and governance arrangements of the Council's operations. During 2023/24, the Audit Committee reviewed the 2022/23 Annual Internal Audit Report and Head of Internal Audit Opinion Statement, the 2023/24 Annual Internal Audit Plan, and quarterly progress reports and operational plans;
- The Audit Committee also reviewed the key findings from Internal Audit reviews and sought explanations from the Head of Internal Audit about the recommendations emanating from 'Limited' or 'No' assurance audits.
- The Audit Committee continued to monitor the performance of the Internal Audit Service. The Committee has received assurances from the Head of Internal Audit that all actions from the External Quality Assessment of the Internal Audit Service, completed at the end of 2022/23, were confirmed to have been completed during 2023/24.

***The Audit Committee is satisfied that Internal Audit is effective and adds value to the Council.***

**b) Oversight of External Audit**

- The Committee has reviewed the activity of the Council's External Auditors (Ernst & Young) to assist it in its role of monitoring the internal control, risk management and governance arrangements of the Council's operations. The Committee has received and considered the external audit plan, progress updates and reviewed EY performance.
- The Committee confirmed the completion of the 2021/22 annual accounts audit and acknowledged the ongoing national delays in relation to the 2022/23 accounts audit which are consistent with other local authorities. The Committee also monitored the completion of the draft Value for Money and Pension Fund audit results for 2022/23, which were presented in April 2024.

***The Audit Committee is satisfied with the Council's External Audit arrangements during 2023/24***

**c) Prevention and Detection of Fraud and Corruption**

- The Council operates a zero-tolerance policy towards all fraud and corruption. The Counter Fraud Team (CFT) is embedded into all major fraud risks across the three largest areas of expenditure Revenues, Social Care and Housing. The team conducts proactive and reactive counter fraud activity to highlight fraud, loss and error. This minimises the Council's exposure to fraud and maximises its preventative savings.
- The National Fraud Initiative (NFI), is embedded in practice in the CFT through detecting potential fraud by matching electronic data sets within and between public and private sector bodies. Relevant service areas across the Council review

the initial data matches and then refer them to the CFT for investigation (where appropriate to do so).

- The Audit Committee has received consolidated quarterly progress reports from the CFT, a detailed 2023/24 Annual Plan and Annual Report for 2022/23. The team has responsibility for the oversight of the effectiveness of the Council's policies and procedures to prevent and detect fraud and corruption.
- In 2023/24 the CFT had achieved a number of successful outcomes including a total of c£11.2m in loss prevention savings across Council services. These savings included the recovery of 103 council properties due to tenancy fraud.

***The Audit Committee is satisfied with the effectiveness of the Council's counter fraud arrangements during 2023/24.***

#### **d) Risk Management & Corporate Governance**

- The Audit Committee monitored the implementation of the new Risk Management system and processes throughout 2023/24 as part of the Committee's role to independently assess the Council's corporate risk management arrangements.
- They received quarterly risk management reports, including the Corporate Risk Register, and a new Strategic Risk Report in February 2024. These provided assurance that action was being taken on risk related issues.
- The Audit Committee also oversee the production of the Council's Annual Governance Statement (AGS). The AGS for 2022/23 was drafted and submitted to External Audit during the year, however as the 2022/23 audit of the annual accounts has been delayed the final accounts were not presented to the Committee during the year.

***The Audit Committee is satisfied that the Risk Management arrangements enable it to provide sufficient challenge to officers around the identification and management of the key risks to the Council.***

#### **e) Approval of Financial Accounts**

- Throughout 2023/24 the Audit Committee was provided with audit progress reports on the Council's annual statement of accounts for 2021/22. This included considering whether appropriate accounting policies have been followed in relation to the 2022/23 accounts.
- Due to national delays finalising the audit of the 2022/23 annual accounts the Audit Committee had not received the final audit of the accounts by the end of 2023/24. This will be taken forward during 2024/25.

## **3. Conclusion**

- 3.1 The Audit Committee considers that it has continued to make a significant contribution to ensuring that the key elements of the governance framework are given proper consideration and are appropriately challenged. It will continue to develop this role and contribute to strengthen internal control, risk management and governance throughout the authority.

## **APPENDIX A: AUDIT COMMITTEE TERMS OF REFERENCE**

The Constitution defines the Terms of Reference for the Audit Committee as:

The Audit Committee's role is to:

- Review and monitor the Council's audit, governance, risk management framework and the associated control environment, as an independent assurance mechanism;
- Review and monitor the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and/or weakens the control environment;
- Oversee the financial reporting process of the Statement of Accounts.

Decisions in respect of strategy, policy and service delivery or improvement are reserved to the Cabinet or delegated to Officers.

### Internal Audit

- 1) Review and approve (but not direct) the Internal Audit Strategy to ensure that it meets the Council's overall strategic direction.
- 2) Review, approve and monitor (but not direct) Internal Audit's planned programmes of work, paying particular attention to whether there is sufficient and appropriate coverage.
- 3) Through quarterly Internal Audit summary reports of work done, monitor progress against the Internal Audit Plan and assess whether adequate skills and resources are available to provide an effective Internal Audit function. Monitor the main Internal Audit recommendations and consider whether management responses to the recommendations raised are appropriate with due regard to risk, materiality and coverage.
- 4) Make recommendations to the Leader of the Council and Cabinet Member for Finance on any changes to the Council's Internal Audit Strategy and plans.
- 5) Review the Annual Report and Opinion Statement and the level of assurance this provides over the Council's corporate governance arrangements, risk management framework and system of internal controls.
- 6) Consider reports dealing with the activity, management and performance of internal audit services.
- 7) Following a request to the Corporate Director of Finance and, subject to the approval of the Leader of the Council or Cabinet Member for Finance, to request work from Internal Audit.

### External Audit

- 8) Receive and consider the External Auditor's annual letter, relevant reports and the report to those charged with governance.
- 9) Monitor management action in response to issues raised by External Audit.
- 10) Receive and consider specific reports as agreed with the External Auditor.
- 11) Comment on the scope and depth of External Audit work and ensure that it gives value for money, making any recommendations to the Corporate Director of Finance.

- 12) Be consulted by the Corporate Director of Finance over the appointment of the Council's External Auditor.
- 13) Following a request to the Corporate Director of Finance and, subject to the approval of the Leader of the Council or Cabinet Member for Finance, to commission work from External Audit.
- 14) Monitor arrangements for ensuring effective liaison between Internal Audit and External Audit, in consultation with the Corporate Director of Finance.

#### Governance Framework

- 15) Maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations and, where necessary, bring proposals to the Leader of the Council or the Cabinet for their development.
- 16) Review any issue referred to it by the Chief Executive, Corporate or Executive Director, any Council body or external assurance providers including inspection agencies.
- 17) Monitor and review (but not direct) the authority's risk management arrangements, including regularly reviewing the corporate risk register and seeking assurances that appropriate action is being taken on managing risk.
- 18) Review and monitor Council strategy and policies on anti-fraud and anti-corruption including the 'Raising Concerns at Work' policy making any recommendations on changes to the Leader of the Council and relevant Corporate / Executive Director.
- 19) Oversee the production of the authority's Annual Governance Statement and recommend its adoption.
- 20) Review the Council's arrangements for corporate governance and make recommendations to the Corporate Director of Finance on suggested actions to improve alignment with best practice.
- 21) Where requested by the Leader of the Council, Cabinet Member for Finance or Corporate Director of Finance, provide recommendations on the Council's compliance with its own and other published standards and controls.

#### Accounts

- 22) Review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from financial statements or from the external auditor that need to be brought to the attention of the Council.
- 23) Consider the external auditor's report to those charged with governance on issues arising from the external audit of the accounts.

#### Review and reporting

- 24) Undertake an annual independent review of the Audit Committee's effectiveness and submit an annual report to Council on the activity of the Audit Committee.