

AUDIT AND GOVERNANCE COMMITTEE

21 July 2023

ANNUAL REPORT ON THE WORK OF THE COMMITTEE 2022/23

Report of the Director of Finance

1. Purpose of Report

- 1.1 This report provides a summary of the work undertaken by the Audit and Governance Committee during 2022/23 and the outcome of this work. The purpose of this report is to demonstrate how the Committee has fulfilled its role and will be presented to Council once agreed by the Committee.

2. Purpose and Role of the Committee

- 2.1 The Audit and Governance Committee is a key component in the Council's Corporate Governance Arrangements. Its main objectives are to:

- Provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment and reporting arrangements that underpin good governance and financial standards.
- Oversee the annual financial reporting and governance processes.
- Oversee internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

- 2.2 Its role is to:

- approve the Authority's Statement of Accounts, income and expenditure, and balance sheet or record of receipts and payments (as the case may be);
- consider the effectiveness of the authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;
- be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;

- receive, consider and monitor reports on treasury management policy, strategy and practices.

3. Matters Considered

3.1 The Committee met four times during the year to consider its business. All appropriate officers of the Council have been in attendance at the meetings to present reports and provide additional information in order to clarify issues and respond to questions from members of the Committee. Regular attendees at the meetings were the Director of Finance, Assistant Director of Assurance and Property Services, Chief Accountant, Senior Manager - Assurance and the Council's External Auditors.

3.2 To enable the Committee to fulfil its role as set out in paragraph 2.1, a range of reports were considered, as follows:

- a) Members were provided with an update on the City plan and the assurance and review arrangements in place. Members were pleased that key partners and stakeholders across the City were being involved in the review.
- b) The Committee endorsed the Risk and Assurance Map for 2022/23 which sets out the key risk areas for the Council, the assurance that would be gathered in relation to them and where the assurance would be sought from. The report included the plans of work for the year for the Internal Audit and Risk and Assurance teams, and the performance indicators for Internal Audit. The Committee was also given the opportunity to identify any areas of work to be considered for the year.
- c) Progress reports in relation to the Risk and Assurance Map were presented to the Committee. These provided details of the level of assurance for the strategic and corporate risk areas from management, specialist assurance functions, Internal Audit, Risk and Assurance, the external auditor and other external agencies.
- d) Specific key issues were highlighted within the Risk and Assurance Map update reports for members to consider further, members raised queries, including, work in relation to the strategic risk areas/City Plan, changes to risk scores and the actions being taken address them and how the risk scores are evaluated for new risks.
- e) External Auditors provided progress reports to each meeting, the Annual Audit Letter, Audit Completion Report, and the Review of the Council's arrangements for securing value for money. The External Auditor also presented their Audit Strategy Memorandum setting out their work for the coming year.

- f) The results of the Annual Governance Review for 2021/22 were presented, which summarises the overall governance arrangements in place within the Council and made recommendations for further improvement. The head of internal audit's opinion on the Council's internal control environment was positive. The resultant Annual Governance Statement highlighted the good corporate governance arrangements in place and was approved by the Committee and included within the Council's Statement of Accounts.
- g) The annual Statement of Accounts 2021/22 (subject to audit) was issued to the Committee members and published online in line with the extended statutory deadline. The audited accounts were presented at the November 2022 Committee meeting. The Chair thanked the External Auditor and the Finance team for their work on the Statement of Accounts.
- h) There is a requirement to undertake an annual assessment of the Council's status as a going concern in line with the CIPFA/LASAAC Code of Practice. The Committee received the report in relation to this which sets out the evidence relied upon to make the assessment.
- i) The Committee received reports in relation to the Council's Treasury Management arrangements to receive assurance that they are appropriate and approved the Treasury Management Policy and Strategy. The Committee asked questions in relation to various aspects of the reports, including the potential impact of the increase in inflation and interest rates.
- j) The Committee received the Data Protection Annual Report 2021/22 which is reported to the Committee on an annual basis.

3.3 From the reports presented the Committee has been proactively monitoring activity in a number of important areas, as follows:

- *Risk and Assurance Map* – The Committee closely monitored activity in relation to changes to the strategic risk scores. In particular numerous questions were asked following a presentation regarding the Council's arrangements to reduce carbon emissions.
- *Treasury Management* – The Committee has received regular updates regarding the Council's performance in relation to Treasury Management. Members questioned the potential impact of increases in inflation and interest rates.
- *Cyber Security* – Queries were raised regarding the Council's arrangements for cyber security which resulted in a presentation by the Chief Information Officer setting out the threats and activity to protect the Council.

- 3.4 It can be seen that the work of the committee is wide ranging with members monitoring performance more closely in those areas where it was deemed appropriate.
- 3.5 The Chartered Institute of Public Finance and Accountancy has issued further guidance in relation to effectiveness of Audit Committees in local government. This is currently being reviewed and any improvements required will be considered in the next review of the remit and effectiveness of the Committee during 2024.

4. Recommendation

- 4.1 The Committee is asked to consider the report and provide any comments for inclusion prior to the report being presented to Council.