

To: Audit and Standards Committee

Date: 23 July 2024

Report: Chair of Audit and Standards Committee

Title: Annual Report

Report Title:	Audit and Standards Committee Annual Report
Purpose/Description of Report:	It is best practice for the Audit Committee to report to the Council on its activities in this area. This report fulfils this responsibility.
Key Decision:	No
Chair of Audit and Standards Committee for 2023/24:	Cllr L Higgins

1. Introduction and Overview

1.1 The Audit and Governance Committee operates in accordance with the CIPFA Position Statement 2022: Audit Committees in Local Government. This position statement sets out the role of an Audit Committee as follows:

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are

adequate arrangements in place for both internal challenge and public accountability.

1.2 This is important to ensure that the Council understands where things may go wrong and has controls in place to make sure that it mitigates against them. The functions that are discharged by the Committee are not Executive functions and cannot be discharged by the Executive.

1.3 The Committee consists of 10 members, politically balanced. Terms of reference for the Committee are as set out in the Constitution [Audit and Standards Committee: Terms of Reference](#). In addition to members the following will also attend meetings:

- Director for Corporate Services (also the Chief Finance Officer role as required by Section 151 of the Local Government Act 1972);
- The Solicitor to the Council in the role of Monitoring Officer;
- The Head of Internal Audit (HIAS);
- The External Auditor.

Other Officers and Councillors may attend meetings as required.

1.4 For the 2023/24 Council year formal Committee meetings have been held on the following dates. Agendas and minutes are available to the public on the Council website. Public meetings are broadcast live on YouTube and remain available on YouTube.

4th July 2023

26th September 2023

28th November 2023

16th January 2024

26th March 2024

1.5 In addition to the formal public Committee Meetings the Chair and Vice Chair meet quarterly with the Director for Corporate Services, Monitoring Officer and the Head of Internal Audit. These meetings discuss potential future agenda items, performance against development aims, Internal Audit performance and other matters such as changes to the regulation framework for audit, topical national fraud and other risk issues.

1.6 Occasionally as required the Chair and Vice Chair will be invited by the Director for Corporate Services to attend meetings with the External Auditor. Seminars are also held on topical issues nationally for Chairs and Vice Chairs of Audit Committees.

2. Summary of 2023/24

2.1 As part of the induction programme for all members following the election mandatory training was provided on the role of the Audit Committee by the Internal Auditor which included the role of internal and external audit. This was followed later in the year with training on risk management and the statement of accounts.

2.2 Key activities and considerations during the year were as follows:

- Received and considered the internal audit annual opinion and report for 2022/23;
- Approved the internal audit annual plan for 2023/24 following active engagement and consultation on its development;
- The Committee reviewed and approved the Internal Audit Charter and Strategy in April 2023. This is subject to annual review, in line with the Public Sector Internal Audit Standards;
- The Committee received updates on progress providing challenge and scrutiny on any weakness in internal control identified. Key findings from each internal audit assignment are provided for the Committee's consideration as part of the update reports. Where any assurance opinions of less than 'moderate assurance' have been given, members of the Committee would have received full copies of the audit report however I am pleased to report that during 2023/24 no audit reviews resulted in an assurance rating of less than moderate. At the final Committee meeting of the year on 26th March 2024 there were 23 agreed management actions which were overdue for implementation of which 4 were high priority, 16 medium priority and 3 low priority. Of these 16 were over three months overdue. The Committee pay rigorous attention to the non-implementation of recommendations at every meeting;
- Considered and noted the twice-yearly counter fraud progress reports;
- Contributed to and approved the 2024/25 Internal Audit Workplan;
- Considered and noted the draft Annual Governance Statement for 2022/23;
- Considered and noted the annual risk management report and received and noted a six monthly update on risk management;
- Considered and approved the draft information governance framework and noted all actions required in regard to its implementation;
- Considered and approved the Council's updated counter fraud policy and anti money laundering policies and guidance;
- Considered and approved the Council's updated Regulation of Investigatory Powers Act (RIPA) policy and noted the update provided for the financial year 2022/23.

- 2.3 One significant area to note is the progress on the external audit of the Council's financial statements. There is a national backlog of external audit work due to a lack of external audit resources and Melton is no exception. At the start of the Council year the Council's accounts for 2020/21 to 2022/23 remained unaudited although draft statement of accounts have been published within statutory deadlines. Consultation from national bodies has been undertaken. Unfortunately changes to the Code of Audit Practice and introduction of statutory publication dates ("backstop" dates) for the outstanding accounts cannot proceed until the new Parliament has considered if it wishes to proceed with the proposals. The external auditors for this period are Ernst Young with new auditors taking over from the financial year 2023/24. An update on progress was received from Ernst Young during the year but the audit of the accounts for 2020/21 to 2022/23 remain outstanding at the end of the 2023/24 council year. The External Audit plan for 2023/24 was received from Grant Thornton, the new external auditors, and it is intended that priority will be given to the audit of this latest financial year in order to get the Council back on track. However, this does depend on the position for these earlier years being resolved. The key issue being will Grant Thornton need to undertake a balance sheet audit for 2023/24 to verify the opening balances in light of any qualified accounts from prior years due to Ernst young not being able to undertake their audits.
- 2.4 The Chair and Vice Chair in consultation with committee members, the Director for Corporate Services and The Head of Internal Audit has updated its self assessment using the checklist from the CIPFA publication *Audit Committees – practical guidance for Local Authorities*. This is contained at Appendix A. Appendix B includes the rationale for the scoring along with an action plan to address those areas where scope for improvement was identified.

Written by: Chair of Audit and Standards Committee

Appendix A: Audit Committee Self Assessment

Appendix B: Basis of Scoring and Action Plan