

# **NORTH WEST LEICESTERSHIRE DISTRICT COUNCIL**

Appendix 1

## **AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT**

**2023/24**



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## FOREWORD

As Chair of the Audit and Governance Committee, I am pleased to present this Annual Report which sets out the role of the Audit Committee and summarises the work and achievements we have undertaken as a Committee during the financial year 2023/24. Following the Council elections in May 2023, the Committee membership was appointed. As we embark on the next phase for the Committee, we recognise that we are in a phase of continuous learning and development. We are eager to learn and explore the intricacies of financial reporting, internal controls, risk management and external audit functions.

It is my pleasure to commend the 2023/24 Audit Committee Annual Report.

Thank you to all the officers involved in its production, and in particular Kerry Beavis, Audit Manager, Paul Stone, Director of Resources, Anna Crouch, Head of Finance and Elizabeth Warhurst, Head of Legal and Support Services. I would also like to thank Members and officers who have supported the work of this Committee by presenting, discussing, challenging and debating solutions to the ongoing risk, control and governance environment of the Council. All Members of the Committee bring a balanced, independent and objective approach to business of the Committee and I thank them for the contributions they have made.

The highlight of the report, for me, is recognising the work of the Internal Audit function in providing regular reports in respect of the Council's governance and internal control arrangements. The Committee is made up of new members following the elections in May 2023 and I am grateful to officers for providing appropriate training during the last 12 months.

A working group of Committee members has been established to draft the Annual Report and is an important element of the Committee as we aim to grow and enhance our effectiveness continually.

Effective audit committees build strong relationships, so we intend to collaborate with management, external auditors, and other stakeholders. The relationship with our external auditors, Mazars has been excellent. There have been delays to the publication of our Statement of Accounts which is a national problem, and the issues are well versed. The publication of the 2021/22 Statement of Accounts was delayed due to the ongoing issues with the 2020/21 Accounts which meant the statutory deadline was missed. The Council, like many other authorities within the sector, has struggled with recruitment to key finance posts which has also hindered the process, and this is coupled with capacity issues with external audit firms across the country. However, the strong relationship with Mazars has helped to promote transparency and accountability as the Council is committed to catching up with the timely publication of its Statement of Accounts.

The times in which NWLDC operates remain challenging. However, the professionalism and dedication of Officers, Audit Committee members, and our external auditors, Mazars, have enabled the highest standards of governance to continue to be achieved.



***Cllr David Everitt,***

***Chair, Audit and Governance Committee***

***April 2024***

## INTRODUCTION

While there is no statutory obligation to have such an arrangement, Audit Committees are widely recognised as a core component of effective governance and therefore reflect good practice. The CIPFA Position Statement also states that “*Audit 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 strong public financial management.*”

The Audit and Governance Committee is properly constituted and as such is given sufficient authority and resources by the Council. In effect, the Committee has the right to obtain all the information it considers necessary and to consult directly with senior managers. In line with best practice the Audit Committee can report its observations and concerns directly to the Council.

A local authority has a duty to ensure that it is fulfilling its responsibilities for adequate and effective internal control, risk management and governance, as well as the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in overseeing and assessing the internal control, risk management and corporate governance arrangements and advising the Council on the adequacy and effectiveness of those arrangements.

This role is reflected in the Committee’s Terms of Reference which are shown in Appendix One as set out in the Council’s Constitution. During October 2022, the Chartered Institute of Public Finance and Accountancy (CIPFA) published ‘Audit Committees – Practical guidance for Local Authorities and Police’, an update of previous guidance from 2018. The guidance includes suggested Terms of reference for Audit Committees. These were used as the basis for proposed new Terms of Reference for the Audit Committee, which were agreed at the Full Council meeting on 23 February 2023, with membership of the Committee agreed at the Full Council meeting on 23 May 2023.

The current Audit and Governance Committee had the following attendance during 2023/24. There was a meeting in April 2023, however, this included the previous membership prior to the Council elections in May 2023.

<b>Member</b>	<b>Apr</b>	<b>Jul</b>	<b>Oct</b>	<b>Jan</b>
Cllr Everitt (Chair)		✓	✓	✓
Cllr Moulton (Deputy Chair)		✓	✓	✓
Cllr Barker		✓	✓	✓
Cllr Boam		-	-	-
Cllr Cooper		✓	✓	✓
Cllr Rogers		✓	✓	✓
Cllr Simmons		✓	✓	✓
Cllr Smith		✓	✓	✓
Cllr Sutton		-	✓	✓
Cllr Smith	-			
Cllr Gillard	✓			
Cllr Hay	-			

Cllr Allman	✓			
Cllr Benfield	✓			
Cllr Clarke	✓			
Cllr Morris	✓			
Cllr Richichi	✓			
Cllr Sheahan	✓			
Cllr Wyatt	✓			

## HIGHLIGHTS OF THE YEAR

There have been many benefits from the work of the Committee. The main outcomes and improvements include:

- Received and approved the Internal Audit Plan for 2023/24
- Focused on the CIPFA Position Statement to enhance the work of the Committee.
- Received risk register updates at each of its meetings.
- Trained Audit Committee Members

## SUMMARY OF WORK UNDERTAKEN IN 2023/24

The Audit Committee completed the following during 2023/24:

### External Audit – Mazars

- Received and considered the audit plan to review the financial statements 2021/22.
- Received and considered the detailed results of the external auditor's work in relation to the audit of the 2020/21 financial statements of the Council. The Committee was pleased to note that the auditors had given an unqualified audit opinion, however, there is concern from Members that this was delayed, and subsequent years are also delayed. The Chair of the Audit Committee asked for a report to be submitted to Council in March 2024 highlighting both the national and local issues of audit delays.

### Internal Audit

- Continued to oversee the internal audit arrangements for the Council. This included approving the review of the Internal Audit Charter which outlines the terms of reference of the department and is aligned to the Public Sector Internal Audit Standards.
- Received and approved the Internal Audit Annual Report for 2022/23. This included the Annual Audit Opinion on the adequacy and effectiveness of the framework of control, risk management and governance within the Council. As the opinion was one of limited assurance, the Director of Resources also provided a management action plan in response to the audit opinion.
- Received and approved the Internal Audit Plan for 2023/24. The plan ensures that internal audit resources are prioritised towards those systems and areas which are considered to be of high risk, or which contribute most to the achievement of the Council's corporate objectives. It is designed to enable the Internal Audit Manager to give her opinion at the end of the year but is flexible to ensure it remains relevant throughout the year.

- Monitored the delivery of the Internal Audit Plan for 2023/24 through regular update reports presented by the Audit Manager.
- Received and considered the results of internal audit work performed in respect of each Directorate.
- Monitored the progress made by management during the period to address identified control weaknesses (recommendations).
- Monitored the performance of the Internal Audit team through the regular update reports.

## Anti-fraud and Corruption

- Received and approved updates to the Anti-Fraud and Corruption Policy, Confidential Reporting (Whistleblowing) Policy, and the Anti-Money Laundering Policy.

## Risk Management

- Continued to oversee the Council's risk management arrangements and Risk Management Policy, including updates to the strategy and Policy.
- Received corporate risk updates including details of the review of risk arrangements undertaken by Zurich and the resulting Action Plan.
- Reviewed the progress made by the Council to identify and address corporate risks. This included consideration of the Strategic Risk Register three times during the year.

## Corporate Governance

- Considered the CIPFA Position Statement: Audit Committees in Local Authorities and Police 2022 and received regular updates.
- Considered the draft Member Conduct Annual Report recognising it acts as a helpful tool in communicating the work undertaken by the Audit and Governance Committee to the public and to Members.
- Received and considered quarterly Standards and Ethics reports detailing both the figures for the Ethical Indicators and the figures for the Local Determination of Complaints process.
- Received and considered at each meeting its own work plan for the year ahead, ensuring that all relevant areas are covered during the year.
- Considered the management response to the Annual Internal Audit Opinion 2022/23 and received regular updates on progress against the action plan at each of its meetings.
- Considered a report in respect of the Council's review of its Constitution and recommended changes to Council on 22 February 2024
- Reviewed Corporate Governance Policies including:
  - Anti Fraud and Corruption Policy
  - Anti Money Laundering Policy
  - Confidential Reporting (Whistleblowing) Policy
  - Risk Management Policy
  - RIPA and IPA Policy

- Information Management Policy
  - Data Protection Policy
  - ICT and Cyber Security Policy
  - Local Code of Corporate Governance
- Agreed to appoint an Independent Member of the Audit Committee, however, the Council has been unsuccessful in making an appointment, but the position is being advertised again.

## Finance

- Considered the Accounting Policies and Materiality 2022/23
- Received and considered reports on Treasury Management Stewardship
- Continued to review the Council's Treasury Management arrangements. This included reviewing the Treasury Management Activity Report 2023/24 – Quarter 1 and Mid-year which included the actual and proposed treasury management activity.

## Other

- Received details of the Local Government and Social Care Ombudsman's review letter for 2022/23 in accordance with its guidance on Effective Handling of Complaints.

## TRAINING AND DEVELOPMENT

- There were new Committee Members following the elections in May.
- Members have completed a self-assessment against CIPFA Guidance for Local Authority Audit Committees. This will be used to inform an ongoing training programme for Members.
- Members have received training in respect of Internal Audit, Risk, Standards and Ethics, Statement of Accounts and completion of the Audit and Governance Committee Annual Report
- A programme of training for Committee members has been produced and will be mandatory for all Audit and Governance Committee Members.
- A training manual is to be developed for Audit and Governance Committee Members.

## LOOKING FORWARD

The Committee has approved the work programme for the 2024/25 financial year setting out the receipt of regular update reports and annual assurance reports.

The Committee will continue to closely monitor the delays to publishing the Council's Statement of Accounts and the Government's proposals for addressing the backlogs across the sector.

Training and development of Members will continue in line with the CIPFA Position Statement.

The Council's Corporate Risk Register will continue to be closely monitored and key areas of concern scrutinised such as, but not limited to, safeguarding, housing and value for money.



## SECTION D7 - AUDIT AND GOVERNANCE COMMITTEE

### 1 COMMITTEE FORM AND STRUCTURE

#### Committee scope

- 1.1 The **Audit and Governance Committee** has specific responsibility for governance issues, including audit functions.
- 1.2 The Committee's scope is to:
  - 1.2.1 provide independent assurance to those charged with governance of the adequacy of the risk management framework and the internal control environment.
  - 1.2.2 provide independent review of the **Council's** governance, risk management and control frameworks and oversee the financial reporting and annual governance process.
  - 1.2.3 oversee internal audit and external audit arrangements, helping to ensure efficient and effective assurance mechanisms are in place.
- 1.3 The success of the **Audit and Governance Committee** in exercising its audit functions depends upon its ability to remain apolitical. It must adopt a nonpolitical approach to its meetings and discussions at all times. Remaining apolitical also places a duty on **Councillors** not to make inappropriate use of information provided to the Committee for other purposes.

#### Composition

- 1.4 The **Audit and Governance Committee** will comprise 10 Councillors in **Political Balance**.
- 1.5 Members of the **Committee** should not be members of **Cabinet** or **Scrutiny**.
- 1.6 The Chair will be appointed by **Full Council** annually.
- 1.7 Two **Independent Persons** may be co-opted as required to the Audit and Governance Committee to advise on finance matters or to a **Sub-Committee** of the Audit and Governance Committee in relation to standards matters but will not be entitled to vote at meetings.
- 1.8 At least one parish councillor may be present when matters relating to parish councils, or their Councillors are being considered. Parish councillors are coopted to the Audit and Governance Committee as required and will not be entitled to vote at meetings.

## Quorum

The **Audit and Governance Committee Quorum** will be 3 **Councillors**.

## 2 MATTERS RESERVED FOR THE AUDIT AND GOVERNANCE COMMITTEE

### Governance, Risk and Controls

- 2.1 The Committee has the right to access all the information it considers necessary to undertake the work of the Committee and may receive reports and refer matters to internal and external auditors.
- 2.2 To review the Council's corporate governance arrangements against the good governance framework, including the ethical framework and consider the local code of governance.
- 2.3 To review and approve the **Annual Governance Statement** and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the **Council's** framework of governance, risk management and control.
- 2.4 To consider the **Council's** arrangements to secure value for money and to review and scrutinise assurances and assessments on the effectiveness of these arrangements.
- 2.5 To consider the **Council's** framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- 2.6 To monitor the effective development and operation of risk management in the **Council**.
- 2.7 To monitor progress in addressing risk related issues reported to the **Committee** such as the [Corporate Risk Register](#).
- 2.8 To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- 2.9 To review the assessment of fraud risks and potential harm to the **Council** from fraud and corruption.
- 2.10 To monitor the [Anti-Fraud and Corruption Strategy](#), actions and resources.
- 2.11 To review the governance and assurance arrangements for significant partnerships or collaborations.

2.12 To review and monitor the **Council's** compliance with public sector financial and audit standards and guidance, in accordance with the **CIPFA Codes and Accounts and Audit Regulations**.

2.13 To review and monitor the Council's **Treasury Management** arrangements in accordance with the **CIPFA Treasury Management Code of Practice**.

### 3 INTERNAL AUDIT

3.1 To approve the internal audit charter.

3.2 To approve (but not direct) the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

3.3 To approve significant interim changes to the risk-based internal audit plan and resource requirements.

3.4 To make appropriate enquiries of both management and the Head of Internal Audit (currently the Audit Manager) to determine if there are any inappropriate scope or resource limitations.

3.5 To consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.

3.6 To consider reports from the Head of Internal Audit on internal audit's performance during the year.

3.7 To consider internal audit's annual report:

3.7.1 The statement of the level of conformance with the **Public Sector Internal Audit Standards** and the results of the Quality Assurance and Improvement Programme that supports the statement – these will indicate the reliability of the conclusions of internal audit;

3.7.2 The opinion on the overall adequacy and effectiveness of the **Council's** framework of governance, risk management and control together with the summary of the work supporting the opinion – these will assist the Committee in reviewing the **Annual Governance Statement**.

3.8 To consider summaries of specific internal audit reports in accordance with agreed protocols.

3.9 To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may

be unacceptable to the Council or there are concerns about progress with the implementation of agreed actions.

3.10 To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.

3.11 To provide free and unfettered access to the Audit and Governance Committee Chair for internal audit, including the opportunity for a private meeting with the Committee.

#### **4 EXTERNAL AUDIT**

4.1 To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised.

4.2 To consider the external auditor's annual audit letter, relevant reports and the report to those charged with governance.

4.3 To consider specific reports as agreed with the external auditor.

4.4 To comment on the scope and depth of external audit work and to ensure it gives value for money.

4.5 To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

#### **5 FINANCIAL REPORTING**

5.1 To 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 the financial statements or from the audit that need to be brought to the attention of the **Full Council**.

5.2 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

5.3 To seek assurances that the **Council** has complied with the **Treasury Management** Strategy and Practices by demonstrating effective control of the associated risks and pursuing optimum performance consistent with those risks.

#### **6 ACCOUNTABILITY ARRANGEMENTS**

6.1 To report to those charged with governance on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.

6.2 To report to **Full Council**, as required, on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

6.3 To publish an annual report on the work of the Committee.

## 7 RELATED FUNCTIONS

7.1 Subject to the requirements set out below, to consider all findings of the Local Government and Social Care Ombudsman, including reports resulting in a finding of maladministration against the **Council**, and to make recommendations as to actions that may be necessary in connection with the Ombudsman's findings.

There are statutory obligations which will, in some circumstances, require reports to be taken to **Cabinet** or **Full Council**.

The Ombudsman operates protocols in relation to the timing of the publication of findings. The Council would have to give consideration to those protocols when determining how to manage the **Audit and Governance Committee's Agenda**.

7.2 To review any issue referred to it by the **Chief Executive, S151 Officer, Monitoring Officer** or any **Council** body.

## 8 STANDARDS FUNCTIONS

8.1 To assist the Council in fulfilling its duty under the Localism Act 2011 to promote and maintain high standards of conduct by **Councillors** and **co-opted Councillors** of district and parish councils.

8.2 To advise the Council on the adoption or revision of its **Councillors' Code of Conduct** in **Part 4**.

8.3 To monitor and advise the Council about the operation of its **Councillors' Code of Conduct** in **Part 4** in light of best practice and any changes in the law.

8.4 Advising, training or arranging to train councillors and co-opted members on matters relating to the **Councillors' Code of Conduct** in **Part 4**.

8.5 Dealing with any report from the **Monitoring Officer** on any matter concerning governance.

8.6 To establish **Sub-Committees** for the assessment or determination of matters concerning allegations in relation to Councillor conduct.

8.7 To grant dispensations to **Councillors** who require such dispensations for more than one meeting or on more than one occasion from requirements relating to interests set out in the **Councillors' Code of Conduct** in **Part 4** as appropriate.

## Appendix One

- 8.8 To advise the Council on, and review as necessary, the arrangements for dealing with complaints or any local protocols regulating the conduct of **Councillors** and to deal with allegations of breach of any such protocol.
- 8.9 To consider and make recommendations to Full Council on any other matter that may be referred to the Audit and Governance Committee relating to the conduct and training of Councillors.
- 8.10 To consider amendments to the **Constitution** and recommend proposals to **Full Council** for approval, except where specifically delegated to the **Monitoring Officer**.
- 8.11 To undertake an annual review of the **Corporate Governance Policies** and make recommendations to **Cabinet**.

### Local Assessment of Complaints About Councillor Conduct

- 8.12 **Sub-Committees** of the **Audit and Governance Committee** are formed on an ad hoc basis to deal with local assessment of **Councillor** conduct complaints.
- 8.13 All **Audit and Governance Committee** members will form a pool from which members will be drawn based on their availability and the requirements of the particular **Sub-Committee** as and when required.
- 8.14 The **Sub-Committee** may co-opt at least one parish councillor when decisions are taken concerning a parish matter.
- 8.15 The **Sub-Committee** may co-opt at least one **Independent Person** as appropriate.
- 8.16 No member who considered a complaint at the initial **Assessment/ Determination Sub-Committee** may consider the same complaint at the **Review Sub-Committee**.
- 8.17 The **Quorum** of the **Sub-Committees** is 3 **Councillors**.
- 8.18 The **Chair** of each **Sub-Committee** will be a **Councillor**.
- 8.19 The **Sub-Committees** and their functions are set out below:

#### Assessment Sub-Committee

Assessment of complaints in accordance with the **Council's Councillors' Code of Conduct** in **Part 4** and to either:

- Accept the **Monitoring Officer's** recommendation of no failure to comply with the **Councillor's Code of Conduct**;
- Refer the matter for full investigation; or
- Refer the matter for other action.

Review Sub-Committee

Consideration of requests for a review in accordance with the **Council's Councillors' Code of Conduct** in **Part 4**.

Determinations Sub-Committee

To receive reports from the **Monitoring Officer** or his/her appointed investigating officer and to decide either:

- to determine finding of no failure to comply with the **Councillors' Code of Conduct** in **Part 4**;
- to determine finding of failure to comply with the **Councillors' Code of Conduct** in **Part 4** and impose relevant sanctions; or
- Refer the matter for other action; in accordance with the **Council's Councillors' Code of Conduct** in **Part 4**.