

**TITLE: ANNUAL REPORT 2023/24**

Committee: Audit Committee

Date: 19 March 2024

Author: Director, Finance

Report No: Y162

Contact Officer:

Ian Smith,  
Director, Finance

[ian.smith@eastcambs.gov.uk](mailto:ian.smith@eastcambs.gov.uk), 01353 616470, Room 104, The Grange, Ely

## **1.0 ISSUE**

1.1. To review the Audit Committee's Annual Report and recommend this for approval at Full Council.

## **2.0 RECOMMENDATION(S)**

2.1. To recommend to Full Council to approve this report.

## **3.0 BACKGROUND**

3.1. It is considered best practice for the Audit Committee to report to Full Council on its activities. This has not previously been undertaken by the Council; however, it is believed that this should be addressed, and the below text provides details of the Committee's activities during 2023/24 municipal year.

3.2. The objectives and Terms of Reference of the Audit Committee at the start of the year were detailed in the Constitution.

### **3.3. Objectives**

3.4. Oversight and approval of Statement of Accounts, Internal and External Audit, and Risk Management matters (not otherwise the responsibility of the Council or any other Committee).

### **3.5. Terms of Reference**

3.6. To act as the Council's Audit Committee and the discharge of these duties and responsibilities including:

- consideration of Annual Audit letter to Members, Annual Audit and Inspection Fee Letter and the External Audit Annual Governance Report, Annual Audit Plan and Code of Audit Practice and Statement of Responsibilities;
- approve the Annual Governance Statement;
- approve the Statement of Accounts;

- approve the Code of Corporate Governance.
- 3.7 To agree the Internal Audit Terms of Reference and Internal Audit Plan, review and consider the Plan, any Annual Report and/or Opinion.
- 3.8 To oversee and approve the Code of Corporate Governance. To oversee the Council's Corporate Governance arrangements including Anti-Fraud and Corruption Policy.
- 3.9 To oversee and monitor the Council's Corporate Risk Register and recommend revisions to the Council's Risk Management Strategy.
- 3.10 To appoint 'Member Champions' as required.
- 3.11 To make nominations to any relevant outside bodies for the Audit Committee from the wider membership of the Council for a period of up to 4 years.

#### **4.0 AUDIT COMMITTEE ACTIVITY IN 2023/24**

- 4.1. The Audit Committee met on five occasions during the 2023/24 year:
- 25<sup>th</sup> May 2023 (following Full Council)
  - 17<sup>th</sup> July 2023
  - 16<sup>th</sup> October 2023
  - 5<sup>th</sup> February 2024
  - 19<sup>th</sup> March 2024
- 4.2. The Committee reflected the political balance of the Council, having three Conservative councillors and two Liberal Democrat councillors.
- 4.3. The lead officer to the Committee is the Director, Finance, supported by the Director Legal (monitoring officer). Other officer attendees are the Head of Internal Audit, the External Audit Manager and then other report authors.
- 4.4. Committee received the following reports during the year:
- External Audit Results Report for 2021/22
  - Statement of Accounts for 2021/22 – these were approved on the 17<sup>th</sup> July 2023
  - Internal Audit – Annual Report and Opinion 2022/23 – the summary findings of which are below:

Based upon the work undertaken by Internal Audit during the year, the Chief Internal Auditor's overall opinion on the Council's system of internal control is set out below:

I am satisfied that sufficient internal audit work has been undertaken to inform an opinion on the adequacy and effectiveness of governance, risk management and internal control for 2022/23. In giving this opinion, it should be noted that assurance can never be absolute. The most that the internal audit service can provide is reasonable assurance that there are no major weaknesses in the system of internal control.

It is my opinion that **Satisfactory Assurance** can be given over the adequacy and effectiveness of the Council's control environment for 2022/23 – see definition of assurance opinions in section 4.1 of this report. This control environment comprises of the system of internal control, governance arrangements and risk management. Any limitations over this opinion are detailed and explained further below.

### **Financial control**

Controls relating to the Council's key financial systems which were reviewed during the year were all concluded to be operating at a level of Satisfactory Assurance or above, with 92% of opinions given being of Good or Substantial Assurance.

Assurance over the outsourced revenues and benefits service has been provided in the form of internal audit reports issued for the Anglia Revenues Partnership shared service. These have all resulted in assurance opinions of 'Adequate / Reasonable' or higher, which is comparable to the Council's internal audit service's assurance opinion of 'Satisfactory' or above.

### **Risk management**

The Council's structures and processes for identifying, assessing and managing risk have remained generally consistent during 2022/23.

Rolling risk register reviews were introduced by Internal Audit in 2022/23 and have received positive feedback from the Audit Committee on the value of this work, in giving assurance over the effectiveness of risk management arrangements.

### **Internal control**

For the audits completed by the Internal Audit service in 2022/23, 100% of the opinions given in relation to the control environment and compliance have been of at least Satisfactory Assurance.

The audit plan coverage had targeted areas of known risk and was informed through consultation with senior management and the Audit Committee.

The audit of Cyber Security was not performed in 2022/23 pending ongoing work by officers on addressing findings from the IT health check. Assurance has, however, been provided in the form of Public Sector Network Code of Connection compliance certification obtained in May 2023 indicating satisfactory resolution of vulnerabilities identified by penetration testing.

Of the agreed management actions due for implementation during 2022/23, 85% had been completed during the year.

There have been no incidences during 2022/23 where the internal audit team have highlighted a fundamental risk or weakness and management have sought to accept the risk, rather than agree an appropriate action.

Internal Audit has not been made aware of any further governance, risk or internal control issues which would reduce the above opinion. No systems of controls can provide absolute assurance against material misstatement or loss, nor can Internal Audit give that assurance.

- Internal Audit Progress Reports (four reports)
- ICT Audit Progress Report
- Corporate Risk Management (Risk Register) update reports (two reports)

- Risk Management Policy and Framework (recommended to Full Council for approval on the 16<sup>th</sup> October 2023) – this was approved at Full Council on the 20<sup>th</sup> February 2024
  - Information Governance Annual Report
  - Draft Statement of Accounts for 2022/23
  - Annual Governance Statement 2022/23 - this was approved on the 5<sup>th</sup> February 2024
  - Risk Review for East Cambs Street Scene (ECSS), where it was agreed to support the requirement to amend the Memorandum of Agreement; recommend Operational Services Committee to undertake a review of the Waste and Recycling service and prepare a project plan for implementation by 2025 and note that the Chief Executive... is implementing urgent changes to the organisational structure to enhance the client-side and provide clarity between the Council and ECSS.
  - External Audit updates (two updates)
  - Internal Audit Charter and Strategy – this was recommended for approval on the 19<sup>th</sup> March 2024
  - Internal Audit Plan 2024/25 – this was recommended for approval on the 19<sup>th</sup> March 2024
- 4.5. Audit Committee training took place on the 15<sup>th</sup> June 2023 to assist the new Committee following the election in May 2023.
- 4.6 On the 12<sup>th</sup> January 2024, Audit Committee members (including one substitute member) met to conduct a self-assessment of the Committee against the CIPFA Position Statement on the role of Audit Committees in local government. Attendees found this a useful meeting and an opportunity to reflect on where the Committee was performing well and where further improvement could be made, to better align with best practice. A draft action plan has been produced and will be subject to review by the Committee. It is intended to re-perform the self-assessment on an annual basis.
- 4.7 Some areas where the members felt the Committee was strong included a good level of discussion and engagement from all members at committee meetings; making recommendations for the improvement of governance, risk and control arrangements; and maintaining an advisory role without responsibility for other functions. Areas where the Committee felt improvement could be made and actions are being considered included the appointment of an independent committee member; conducting a skills/training assessment and plan; and ensuring direct access to the external auditor – including gaining an understanding of the latest position with external audit issues.
- 4.8 A number of further areas where the Committee felt that the best practice was not being met related to producing an annual report to Council which should raise the profile of audit work, ensure that the Committee is delivering on its role for those charged with governance, and ensure the role of the committee is more widely understood. This report if approved will be the first of such annual reports.

4.9 The Constitutional Review Working Party reported to Full Council on 20<sup>th</sup> February 2024, recommending the following changes to the Audit's Committee Terms of Reference

- The appointment of one lay member without voting rights to the Committee
- Clarification on the attendance of officers at Audit Committee, specifically, and in addition to the lead officer, report author and those required by the Constitution to attend in addition, an appropriate officer can be instructed to attend, by Committee resolution, in relation to a specified current or future agenda item.

These change in terms were agreed.

**5.0 FINANCIAL IMPLICATIONS / EQUALITY IMPACT STATEMENT / CARBON IMPACT ASSESSMENT**

- 5.1. There are no financial implications arising from this report.
- 5.2. An Equality Impact Assessment (EIA) is not required.
- 5.3. A Carbon Impact Assessment (CIA) is not required.

Background Documents:

Audit Committee agendas and minutes

