

# **Report to the Audit and Governance Committee**



**Epping Forest  
District Council**

**Report reference:**

**Date of meeting:** 27 June 2024

**Portfolio:** Leader of the Council

**Subject:** Audit and Governance Committee Annual Report for 2023/24

**Responsible Officer:** Sarah Marsh (01992 564446).

**Democratic Services Officer:** Laura Kirman

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## **Recommendations/Decisions Required:**

- (1) The Annual Report for the Audit and Governance Committee for 2023/24 be agreed and the report be referred to the Council for approval.**
- (2) The Committee notes its Terms of Reference**

## **Executive Summary:**

The effective operation of the Audit and Governance Committee forms a key element of the Council's assurance framework. By fulfilling its responsibilities as detailed in this annual report the Committee supports the Council to maintain a high standard of corporate governance

CIPFA (the Chartered Institute of Public Finance and Accountancy) advocates in discharging its responsibilities effectively an Audit Committee should report regularly on its work to those charged with governance, and at least annually report an assessment of their performance. This annual public report demonstrates how the committee has discharged its responsibilities. It includes a review of the Committee's Terms of Reference.

## **Reasons for Proposed Decision:**

To present the Audit and Governance Committee Annual Report for 2023/24 and to recommend that the report be referred to the Council.

## **Other Options for Action:**

None.

## **Report:**

### **Annual Report of the Audit and Governance Committee 2023/24**

1. This is detailed in appendix A.

## **Terms of Reference Review**

2. The role of the Audit and Governance Committee has three main functions:

- Maintenance of governance, risk, and control arrangements
  - Accountability and public reporting
  - Assurance and audit arrangements
3. These are described in detailed in the CIPFA Audit Committees Practical Guidance for Local Authorities and Police, which was updated in June 2022. The guidance includes a model Terms of Reference for a local authority Audit Committee.
  4. The Committee's Terms of Reference were last reviewed by the Committee in June 2023, and minor changes were agreed to ensure it aligned to the CIPFA 2022 model terms of reference.
  5. The current Terms of Reference are still fit for purpose (Appendix B) and no changes are required.

### **Resource Implications:**

There are none.

### **Legal and Governance Implications:**

The effective operation of the Audit and Governance Committee forms a key element of the Council's assurance framework. By fulfilling its responsibilities as detailed in its annual report the Audit Committee helps the Council to maintain a high standard of corporate governance. There is no legal or constitutional requirement for the Committee to report to the Council on its work, however, it is considered good practice to do so.

### **Safer, Cleaner and Greener Implications:**

No specific implications.

### **Consultation Undertaken:**

Corporate Governance Group

### **Risk Management**

The Audit and Governance Committee has a pivotal role in how the Council delivers good governance. The purpose of the Committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process and reviewing the effectiveness of these arrangements.

### **Background Papers:**

Minutes of the Audit and Governance Committee.

### **Equality Analysis:**

The Equality Act 2010 requires that the Public Sector Equality Duty is actively applied in decision-making. Equality: An Equality Impact Assessment was carried out and there was no significant impact.

**Glossary:**

AGS – Annual Governance Statement

CIPFA – Chartered Institute of Public Finance and Accountancy

SOLACE – Society of Local Authority Chief Executives

# **Appendix A: ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2023/24**

## **INTRODUCTION**

The purpose of the Audit and Governance Committee is to:

- provide independent assurance to the Council in respect of the effectiveness of the Council's governance arrangements, risk management framework and the associated control environment; and
- independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment.

Whilst there is no statutory obligation for a local authority to establish an audit committee, they are widely recognised internationally across the public and private sectors as a key component of effective governance. Similarly, it is considered good practice for the Committee to report annually to the Council on its work.

The key benefits of an effective audit committee are:

- increasing awareness regarding the effectiveness and continued development of the Council's governance arrangements.
- providing additional assurance on the robustness of the Council's governance arrangements through a process of independent and objective review.
- reducing the risks of illegal or improper acts.
- increasing public confidence in the objectivity and fairness of financial and other reporting.
- contributing to performance improvements in assurance levels and awareness of the need for strong internal control including the implementation of audit recommendations.
- reinforcing the importance and independence of internal and external audit and similar review processes.

## **1. ASSURANCE ACTIVITY 2023/24**

To help the Committee draw conclusions about the effectiveness of the Council's internal control framework, governance, and risk management it gained assurances from the following sources:

### **Internal Audit**

The Accounts and Audit (England) Regulations 2015 require the Council to maintain an adequate and effective internal audit which is discharged by the Section 151 Officer. Internal Audit is a key source of assurance for both Members and management on the effectiveness of the control framework. The Committee has a responsibility for ensuring that Internal Audit is effective in the provision of this assurance and has worked with the Head of Internal Audit to ensure the agreed Audit Plan for 2023/24 was delivered.

The Committee considered and agreed reports regarding the Internal Audit Strategy, Internal Audit Charter, and Annual Plan. It has also monitored progress made by

management in implementing audit recommendations and received regular progress reports on the work and performance of Internal Audit. These reports have helped in ensuring that reported weaknesses have either been addressed or the identified risks adequately mitigated by management and that there is an effective system of governance and internal control in place.

### **Assurance Framework / Annual Governance Statement**

The Committee's terms of reference include advising on the effectiveness of the Council's assurance framework including the production of the Annual Governance Statement.

During the year, the Committee has received reports on the control framework and how the annual review and assurance process is undertaken. Members are provided with progress made on the issues raised in respect of the Annual Governance Statement and of the annual service assurance process. The Assurance Framework is compiled from various sources of assurance, for instance Directors, managers, and other key officers.

The Head of Internal Audit provides an annual report and opinion regarding the Council's control framework. This opinion is considered by the Committee alongside other sources of assurance.

The Committee reviewed the Annual Governance Statement (AGS) for 2022/23 which identified governance issues requiring further ongoing improvement or oversight relating to:

- Economic issues due to economic volatility due to national and global events.
- Statement of Accounts, as nationally councils continue to have difficulties in getting their final accounts audited, including Epping Forest.
- Financial Management Code Review and a need for an assessment to ensure the Council can demonstrate compliance against the CIPFA Code.
- Income recovery, as this requires improvement.
- Financial Regulations review to ensure they remain up to date.
- Risk management and business continuity to further embed processes

The assurance framework remained unchanged during 2023/24. The Council's Code of Corporate Governance was reviewed by the committee in February 2024 to ensure it remains compliant with the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. Only minor changes were proposed (and agreed) to ensure it was still up to date, in line with good practice and fit for purpose.

The Committee was able to satisfy themselves that there is a robust assurance framework in place to safeguard the Council's resources through reliance on the annual review of the Council's system of internal control and the Head of Internal Audit's annual opinion.

### **Anti-Fraud and Corruption**

Countering fraud and corruption is the responsibility of every Member and officer of the Council. The Committee's role in this area has been to monitor and support the actions taken by officers to counter fraud, particularly as the Council has its own in-house Corporate Fraud Team, who work in tandem with Internal Audit.

The Committee receives reports and presentations on such work undertaken in the Council and proactive fraud work, for example participation in the National Fraud Initiative (NFI).

The Council continues to send out a strong message that fraud will not be tolerated and that where fraud is proven the strongest possible actions of redress will be taken.

Based on the work to date, and the implementation of recommendations coming out of investigations undertaken by the Corporate Fraud Team and Internal Audit, the Committee concludes that there is a sound anti-fraud and corruption framework in place. The Council's anti-fraud and corruption strategy was approved by Council, following approval by the Audit and Governance Committee in February 2024.

### **Risk Management**

The Committee receives and discusses reports relating to risk management. Work continues to enhance monitoring and reporting mechanisms to ensure there is adequate scrutiny and challenge of risk across the Council and aligning this with the service planning process.

Committee members are routinely presented with the corporate strategic risk register. The Committee was kept abreast of changes to the risk management framework, including the format of risk registers, during 2023/24.

### **Treasury Management**

In accordance with its Terms of Reference, the Committee reviewed the Council's Treasury Management Strategy and considered the risks associated with the Council's treasury activity and how these are managed. The Committee also considered progress reports on the treasury management function and performance against prudential indicators.

### **Statement of Accounts and External Auditors**

Annually the Committee should review and formally approve the Council's Statement of Accounts for the previous financial year. This would normally take place at the June/July meetings. However, this has not been the case for Epping Forest (and most other local councils) as reported above in the Assurance Framework / Annual Governance Statement section.

At its July 2023 meeting the Committee considered the Council's draft Statement of Accounts for the 2022/23 financial year prior to the completion of the External Audit process.

The Council's External Auditors (Deloitte's) were in attendance at the February 2024 meeting when the audited Statement of Accounts 2020/21 were presented and recommended to Council for approval.

At its March 2024 meeting the External Auditors presented their report on progress with the 2021/22 audit, which was nearing completion.

The Committee has been informed that the Government has put in place proposals to clear the backlog of outstanding local audits, which will allow the External Auditor to issue a disclaimer to the 2022/23 Accounts. The Council's new External Auditors, Ernst & Young, will be responsible for auditing the 2023/24 accounts and work has started on this.

## **2. COMMITTEE WORKING ARRANGEMENTS**

The Committee has a rolling and flexible programme of work for its main areas of activity which is proactively reviewed and amended throughout the year to reflect changes in policies, priorities, and risks. The Committee met four times in 2023/24. The Committee considered items which are presented annually, such as audit results, the draft statement of accounts, the annual governance statement, and audit plans; as well as a number of other items including treasury management as these fall under the committee's remit.

The Committee's work plan is supplemented with periodic bespoke training. For 2023/24, this included the role of the Audit and Governance Committee and Internal Audit, risk management and assurance frameworks.

## **3. Committee Effectiveness**

In March 2023 the Committee, through an in-person workshop, undertook its own effectiveness review facilitated by the Head of Internal Audit. The conclusions of this work were reported to the July 2023 meeting.

The results showed the Council could demonstrate compliance with recommended best practice for an effective Audit Committee. An action plan was approved of minor improvements that could be made. At its February 2024 meeting the Committee noted that the majority of the action plan had been completed. The plan is to repeat the effectiveness exercise on an annual basis.

The Committee helps demonstrate its independence by having two co-opted persons. A recruitment campaign during 2023/24 was successful in appointing to the two vacant co-opted posts.

The Committee has the benefit of being well supported by Council officers. This includes the Section 151 Officer, the Monitoring Officer, and the Head of Internal Audit as well as the Council's External Auditors.

### **Outcomes / Achievements**

Through its work, the Committee's main outcome is in the assurance provided of the robustness of the Council's arrangements regarding corporate governance, risk management and internal controls.

The Committee has added value through its activity and in particular it has:

- continued with the importance placed upon governance issues, particularly risk management, anti-fraud and the assurances sought that key risks are being mitigated; and
- it has continued to raise the profile of internal control issues across the Council and to seek to ensure that audit recommendations are implemented, and any control issues are being addressed.

### **Conclusions**

The Committee's remit is achieved firstly through it being appropriately constituted, and secondly by the Committee being effective in ensuring internal accountability and the delivery of audit and a robust assurance framework. The Committee has received and commented on reports including those from internal and external audit.