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# **Report of the Audit and Risk Committee to Council Covering 2022/23**

Decision to be taken by: N/A

Audit & Risk Committee: 15 March 2023

Date of Council meeting: TBC

Lead director: Amy Oliver, Director of Finance

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## Useful information

- Ward(s) affected: All
- Report author: Colin Sharpe
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- Report version number: 1.0

### 1. Purpose of Report

- 1.1 To present to the Council the report of the Audit and Risk Committee setting out the Committee's work and achievements over the municipal year 2022/23.
- 1.2 This report was presented to Committee for approval at its meeting on 15 March 2023.

### 2. Recommendations

- 2.1. The Audit and Risk Committee is recommended to approve this report for submission to the Council, subject to any amendments that may required at the meeting.
- 2.2. Council is recommended to receive this report.

### 3. Summary

- 3.1. The Committee's terms of reference approved by Council require the submission of an annual report on its activities, conduct, business and effectiveness. Moreover, the CIPFA\* guidance on Audit Committees states that the audit committee should be held to account on a regular basis by Council, and that the preparation of an annual report can be helpful in this regard. (\* CIPFA – the Chartered Institute of Public Finance and Accountancy).
- 3.2. Following the Committee's approval, this report will proceed to Council.
- 3.3. The Audit and Risk Committee considered a wide range of business in fulfilment of its central role as part of the Council's system of corporate governance, risk management, fraud and internal control. It conducted its business in an appropriate manner through a programme of meetings and fulfilled the expectations placed upon it. Its membership was expanded to include an external independent member and it benefited from formal training.

### 4. Report

- 4.1 The Committee's terms of reference are regularly reviewed. They formally confer upon it the role of 'the board' for the purposes of the *Public Sector Internal Audit Standards*, as the recognised professional standards for local authority internal audit. The Standards are the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, interpreted and adopted for local government by CIPFA. Updated terms of reference were implemented for the

2021/22 municipal year and continued into 2022/23 with the added provision for an external independent member to join the Committee.

- 4.2 During the municipal year 2022/23, the Committee met on five occasions. All meetings were properly constituted and quorate. The Committee's terms of reference required it to meet at least four times during the year. The Director of Finance or the Deputy Director of Finance and Leicestershire County Council's Head of Internal Audit and Assurance Service attended meetings of the Committee. In addition, and in the interests of providing the full range of legal, constitutional and financial advice and expertise, the Committee was supported by the City Barrister & Head of Standards or their representatives.
- 4.3 The new external independent member has attended meetings since September 2022. He brings a fresh perspective and focus, drawing on his skills and experience as a finance professional and his links with the City. The appointment pre-empted expected future national requirements and addressed an external audit recommendation in the 2021/22 value for money assessment. The independent member is however not permitted to vote, by law.
- 4.4 Members will recall the CIPFA publication *Audit Committees – Practical Guidance for Local Authorities*, providing guidance on function and operation of audit committees. The position statement within the guidance notes "*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 and strong public financial management.*"
- 4.5 Further to this, it notes the purpose of the governance committee is to provide those charged with governance independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes.
- 4.6 It is considered that Audit and Risk Committee continued to meet the requirements for an effective Audit Committee. In summary the reasons for this are:
- The Committee meets regularly, and its chair and membership are sufficiently independent of other functions in the Council. Meetings are conducted constructively and are free and open and are not subject to political influences;
  - The Committee's terms of reference provide a sufficient spread of responsibilities covering internal and external audit, risk management and governance;
  - The Committee plays a sufficient role in the management of Internal Audit, including approval of the audit plan, review of Internal Audit's performance and the outcomes of audit work and management's responses;
  - The Committee received reports from Grant Thornton as the Council's external auditor and maintains an overview of the external audit process, including the fees charged; and
  - The Committee was updated on changes in governance and local authority finances during the year.
- 4.7 It is of course recognised that Committee members need suitable training. Arrangements continue to be made to provide training on relevant topics. Members

received a bespoke evening training session in November, facilitated by a specialist from CIPFA. The Committee may also request informal briefings on key topics, for example cyber security and the annual statutory statement of accounts.

4.8 The Committee has also benefited from the Chair becoming the Chair of the recently formed East Midlands Regional Audit Chairs' Forum. She presides over Forum meetings, including an all-day workshop in November 2022 which included presentations by CIPFA, an external auditor and a treasury management specialist around Audit Committee best practice, knowledge and skills.

4.9 In the aforementioned 2021/22 value for money assessment, the external auditor also recommended that the Council undertake a skills and knowledge assessment of the Committee. Officers propose to do this in the first half of 2023/24, alongside a fresh review of the Committee's terms of reference and associated impact metrics. The assessment will recognise the training and development that has taken place and identify areas where members' skills and knowledge could be further improved, be that collectively and/or individually. A skills and training plan will then be developed.

4.10 It is of course inevitable that the Committee experiences some turnover of membership each municipal year, a consequence of the political environment in a local authority. Should this happen, training for new members is offered. The appointment of the independent member for a longer term of office is intended to provide some continuity in this context.

4.11 Taking all the above into account, the Committee has continued to make an important contribution to the effectiveness of the City Council's internal control and corporate governance frameworks. It is a central component of the Council's system of internal control.

4.12 The key outcomes from the Committee's work included:

#### 4.12.1 Internal Audit

- The Committee considered the Internal Audit annual plans and monitored delivery and outcomes during the year. The Committee also received the Internal Audit annual reports and opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control.
- The Committee reserves the right to summon relevant officers to attend its meetings to discuss in more depth specific issues raised by Internal Audit reports. This has helped to maintain the profile of the Committee and its role in promoting adherence to procedures and improved internal control.

#### 4.12.2 Counter-Fraud

- The Committee maintained an effective overview of the Council's measures to combat fraud and financial irregularity. Specifically, the Committee:
  - Considered counter-fraud reports, which brought together the various strands of counter-fraud work with data on the various types of work carried out by the teams involved.

- Reviewed and supported the Council's participation in the National Fraud Initiative.

#### 4.12.3 External Audit

- The Committee considered the external auditor's plans and progress and the outcomes of this work, with particular reference to the annual audit of the Council's statutory financial statements and value for money arrangements.
- The Committee was kept updated on the national issues with local authority accounts and audit, which delayed the finalisation of the Council's statutory statement of accounts. The Committee monitored progress and asked questions about the impact.
- The Committee kept abreast of the progress of the national scheme for appointing the external auditor from 2023/24 to 2027/28, together with the associated audit fee increases. The Committee sought explanations for the much higher fees being proposed.

#### 4.12.4 Risk Management

- The Committee maintained a regular overview of the risk management arrangements. This included the Council's strategic and operational risk registers, identifying potential emerging risks to the Council and its services, together with the Risk Management Strategy and Policy and the Corporate Business Continuity Management Strategy.

#### 4.12.5 Corporate Governance

- The Committee fulfilled the responsibilities of 'the board' for the purposes of the City Council's conformance to the *Public Sector Internal Audit Standards* in terms of overseeing the Council's arrangements for audit, the management of risk and the corporate governance assurance framework.
- The Committee maintained its oversight of the Council's corporate governance arrangements. The Council's updated assurance framework, which maps out the process for collating the various sources of assurance and preparing the Council's statutory Annual Governance Statement, was reviewed and approved by the Committee.
- The Committee approved the Annual Governance Statement for 2021/22.
- This annual report to Council is part of the governance arrangements, through giving a summary of the Committee's work and contribution to the good governance of the City Council and demonstrating the associated accountability.

#### 4.12.6 Financial reporting

- The Committee received and approved the Council's statutory Statement of Accounts for 2021/22 and associated external audit reports. It approved the Council's letters of representation, by means of which the City Council gives assurance to the external auditor; there were no significant items that were not reflected in the Council's accounting statements. As noted above, the Committee was kept updated on the delays in finalising the accounts and audit.

- The external auditor's Annual Governance Reports were issued to the Committee as 'those charged with governance' and considered accordingly. In these reports, the auditor confirmed that his audit opinion on the Council's financial statements would be expected to be 'unqualified'.

#### 4.12.7 Other Work

- During the year the Committee also received updates and reports on the following areas:
  - Insurance
  - Corporate complaints
  - Procurement
  - Developments in local government finance, audit and governance

### 5. **Conclusions**

- 5.1 The Committee fulfilled all of the requirements of its terms of reference and the good practice guidance issued by CIPFA.
- 5.2 It is the view of the Director of Finance (the s151 officer) that the Audit and Risk Committee made a significant contribution to the good governance of the City Council. Through its work, it has reinforced the Council's systems of internal control and internal audit and has given valuable support to the arrangements for corporate governance, legal compliance and the management of risk.

## 6. **Financial, legal, equalities, climate emergency and other implications**

### 6.1 Financial implications

An adequate and effective Audit and Risk Committee is a central component in the governance and assurance processes intended to help ensure that the Council operates efficiently, cost effectively and with integrity. Its support for the processes of audit and internal control will help the Council as it continues to face the financially challenging times.

Colin Sharpe, Deputy Director of Finance

### 6.2 Legal implications

The Audit and Risk Committee aids the fulfilment by the Council of its statutory responsibilities under the Accounts and Audit Regulations 2015 by considering the findings of a review of the effectiveness of the Council's system of internal control. It is an important part of the way in which the duties of the responsible financial officer under s151 of the Local Government Act 1972 are met.

*Kamal Adatia, City Barrister & Head of Standards, x37 1401*

**6.3 Equalities implications**

N/A

**6.4 Climate Emergency implications**

N/A

**6.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)**

N/A

**7. Other Implications**

| <b><u>OTHER IMPLICATIONS</u></b>     | <b><u>YES/NO</u></b> | <b><u>PARAGRAPH REFERRED</u></b> |
|--------------------------------------|----------------------|----------------------------------|
| Equal Opportunities                  | No                   |                                  |
| Policy                               | No                   |                                  |
| Sustainable and Environmental        | No                   |                                  |
| Crime and Disorder                   | No                   |                                  |
| Human Rights / People on low incomes | No                   |                                  |
| Corporate Parenting                  | No                   |                                  |
| Health Inequalities Impact           | No                   |                                  |

**8. Background papers:**

Agendas and Minutes of the Audit and Risk Committee meetings in 2022/23

**9. Summary of Appendices:**

N/A

**10. Consultations**

**11. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?** No

**12. Is this a “key decision”?** If so, why? No