

CHAIR OF AUDIT COMMITTEE ANNUAL REPORT

Cabinet Member for Finance & Commissioning

Date: 17 April 2024

Agenda Item:

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Key Decision? NO

Local Ward Members Full Council.



Lichfield
District Council

AUDIT COMMITTEE

1. Executive Summary

- 1.1 This report presents the proposed Annual Report of the Audit Committee 2023/24 and seeks the Audit Committee's endorsement prior to its submission to all Councillors.

2. Recommendations

- 2.1 That the proposed Annual Report of the Audit Committee 2023/24 (**Appendix 1**) be endorsed and that the Chair of the Audit Committee circulate the report to all Councillors.
- 2.2 To delegate to Audit Manager in conjunction with agreement by the Chair of the Committee to allow any subsequent minor changes to complete the Annual Report prior to submission to all Councillors.

3. Background

- 3.1 Audit Committees are an important source of assurance about an organisation's arrangements for corporate governance, managing risk, maintaining an effective control environment and reporting on financial and other performance.
- 3.2 CIPFA recommend that Audit Committees produce an annual report to promote the role and purpose of the Committee, account for the Committee's performance, evaluate whether the Committee is continuing to meet its terms of reference and document how the Committee adds value. The Audit Committee's annual report fulfilling these requirements is set out at **Appendix 1**.
- 3.3 The annual report sets out:
- An introduction from the Chair of the Committee.
 - A reminder of the Committee's terms of reference
 - Member and Officer attendance at the Committee during the year.
 - A summary of training undertaken by Committee members.
 - A summary of the sources of assurance that the Committee received during 2023/24, notably, internal and external audit/inspection, financial management, risk management and corporate governance.

Alternative options

1. The Council is not obliged by law to appoint an Audit Committee. However, this has been done in line with good governance practice and CIPFA guidance.

Consultation	1. The Audit Committee's consultation and endorsement has been sought.
Financial implications	1. None.
Approved by Section 151 Officer	Approved.
Legal implications	1. There are no specific legal implications.
Approved by Monitoring Officer	Approved.
Contribution to the delivery of the strategic plan	1. An effective Audit Committee supports the delivery of the Council's Strategic Plan by seeking assurance that the Council's risk management, internal control and governance arrangements are sufficient and operating effectively.
Equality, diversity and human rights implications	1. There are no Equality, Diversity or Human Rights issues.
EIA logged by Equalities Officer	Yes/no* Equalities Officer confirmed not required.
Crime & safety Issues	1. There are no Crime and Community Safety issues.
Data assessment	1. N/A
Environmental impact (including climate change and biodiversity)	1. None arising.
GDPR / Privacy impact assessment	1. This has been a key area as part of the Committee's work programme and challenge during the year.

	Risk description & risk owner	Original score (RYG)	How we manage it	New score (RYG)
A	The Audit Committee is ineffective and does not fulfil the requirements of its terms of reference Audit Manager	Likelihood: Green Impact: Red Severity: Red	Annual reviews of committee effectiveness and work programmes.	Likelihood: Green Impact: Green Severity: Green
B	The value of the Committee's work is not known to the wider Council/organisation/the public. Audit Manager	Likelihood: Green Impact: Yellow Severity: Yellow	Promotion of work of the Committee via the annual report process.	Likelihood: Green Impact: Green Severity: Green

Background documents	Audit Committee routine reports, internal audit reports. Independent Member and Skills Audit – Report to Audit and Member Standards Committee 27 September 2023
Relevant web links	https://democracy.lichfielddc.gov.uk/mgCommitteeDetails.aspx?ID=134



Annual Report of the Audit Committee 2023/24

Introduction from the Chair of the Audit Committee

The start of the financial year commenced with continued support to the local area through the challenge of cost of living and further support in the ways that the Council operated. The Committee has received assurance around the Council's response to these issues during the financial year.

In relation to the committee's work, this has now been fully developed into a hybrid working approach with officers working from home and utilising the new office spaces within Frog Lane on a regular basis. The redevelopment of the work spaces have continued to develop and support this approach. Committee meetings have been undertaken through face to face meetings and 'live streaming'. The work of the Audit Committee meetings should be visible to members of the public and, as such, meetings have been held on site and broadcast live on YouTube streams. This availability appears to continue to have been well received by a number of viewers.

The remit of the Committee was changed during 2023/24 when it became solely an Audit Committee. Where required a sub committee will be drawn up to hear any Member Standards complaints.

The Annual Report's main purpose is to allow the Council to demonstrate to residents, stakeholders and partners, the significance of the Audit Committee's role and the positive contribution it has made to the Council's overall governance arrangements.

The internal audit programme completion level has been high when compared to the agreed plan and the number of concerns identified throughout the programme have been few. As we have identified some outstanding audit recommendations, members have been able to interrogate further where there have been instances of less than adequate assurances, I am committed to following up these outstanding audit recommendations with the potential of summoning managers to the Audit Committee for accountability.

Risk Management within the Council has continued to be by the Committee in relation to the levels of risks above the risk appetite of the Council and the concerns around Cyber Security. During the year regular quarterly updates were provided to Committee.

As we ended the 2023/24 financial year, the District Council introduced Azets Audit Services for our external audit provision for the next five years to 2027/28.

During the year there have been continued arrangements put in place for the Internal Audit Shared Service arrangement with Tamworth Borough Council. This arrangement was renewed on 1st October 2023 and will complete September 2025. This has been supported by external contractors who we have procured during the year to provide specialist IT Auditor services and general auditor services.

The Committee has appreciated the support and assurance the audit personnel have given from these arrangements.

I am therefore thankful for all members and officers who have contributed to the work of the committee over the last 12 months. There will be continuing financial challenges facing us, as well as continuing our work to ensure the Council's overall governance framework remains fit for purpose.

**Councillor Wai-Lee Ho,
Chair of the Audit Committee 2023/24 - April 2024**

1. Terms of Reference

The terms of reference, which the Committee operated to during 2023/24, is detailed at Part 3 of the Council's constitution at the following link:

<https://democracy.lichfielddc.gov.uk/documents/s8011/Part%203%20Final%20v4.pdf>

2. Member and Officer Attendance

The Audit Committee met 6 times during the 2023/24 municipal year.

Membership of the Audit Committee during the 2023/24 municipal year and their attendance is detailed below:

Audit & Committee Member	Date of Committee Meeting					
	20/7/23	27/9/23	28/11/23	1/2/24	21/3/24	17/4/24
Councillor Wai-Lee Ho	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor Phil Whitehouse	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor Thomas Marshall		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	TBC
Councillor Dave Robertson	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor John Smith	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor Paul Taylor	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC
Councillor Sharon Taylor	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>			
Councillor Keith Vernon		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	TBC
Councillor Sue Woodward				<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	TBC

During the year Councillor Sharon Taylor left the committee and Councillor Sue Woodward joined for its meeting on 1st February 2024.

A number of the Audit Committee Members also sat on various other Committees. There were no reports received during the year that necessitated Members absenting themselves.

Senior officers from the council also attend the Audit & Member Standards Committee meetings as appropriate, including the Assistant Director - Finance & Commissioning (Section 151), Chief Operating Officer, Audit Manager (Shared Service) and Data Protection Officer. The External Auditors also attend and the Cabinet Member for Finance & Commissioning usually observes.

3. Training & Effectiveness

The role of the Audit Committee training was provided on 20 July 2023, and this was supported by a Member's Skills Audit undertaken at the beginning of the municipal year. A further report on Independent Members and skills audit was considered on 27 September 2023 and the Committee approved the appointment of two Independent Members. In addition, we undertook an Audit Committee Effectiveness review which was reported to committee on 21st March 2024. A training plan for members is being developed and will be rolled out in 2024/25.

Due to the hard work and commitment of the Committee members during the year this has led to the committee being able to effectively carry out its role. This was further supported by the annual review of the Committee's effectiveness as reported in March 2024.

Sources of Assurance during 2023/24

In fulfilling its terms of reference, the business conducted by the Audit Committee during 2023/24 is detailed at **Appendix A** per the following themes: -

- Internal Audit;
- External Audit / Inspection;
- Financial Management;
- Risk Management;
- Corporate Governance;

The Committee gained assurance in 2023/24 from these themes as follows:-

Internal Audit

In respect of the 2022/23 financial year, a positive Internal Audit Opinion was given from the Shared Head of Audit as follows:

On the basis of our audit work, our opinion on the council's framework of governance, risk management and internal control is adequate in its overall design and effectiveness. Certain weaknesses and exceptions were highlighted by our audit work. These matters have been discussed with management, to whom we have made recommendations. All of these have been, or are in the process of being addressed.

The Internal Audit Service was externally assessed for compliance with the Public Sector Internal Audit Standards and was found to 'generally conform' which is the highest rating available. An Action Plan has been agreed with management and all actions were completed during 2023/24.

Internal Audit also provide quarterly progress reports to committee and an annual report which details the performance of the service.

External Audit / Inspection

The main responsibility of the External Auditor is to report on the Council's Accounts and whether the council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Grant Thornton reported on the 2022/23 Accounts. The Council is yet to receive Grant Thornton's external audit opinion, finalised Annual Audit Report and value for money assessment due to delays in the provision of Pension Fund Assurance from the Pension Fund External Auditors.

Financial Management

The Committee scrutinised the 2022/23 Statement of Accounts and also received assurances on the Council's financial management arrangements (e.g. treasury management, prudential indicators) from the Assistant Director – Finance and Commissioning (Section 151 Officer). The Committee also received a report on the CIPFA Resilience Index, regular Internal Audit Progress Reports, including a number giving assurance on financial management and controls during the period. The Committee also received assurance on compliance against Financial Procedure Rules and Contract procedure rules.

Risk Management

The Committee has received quarterly updates on the Council's Risk Management arrangements via review of the Strategic Risk Register. The risk environment continues to develop following the progress

made in respect of cost of living support and together with Cyber Security has dominated the Council's risk management arrangements this year and will continue into 2024/25. The Council has aligned its strategic risks to the new Strategic Plan as well as introducing the 3 lines of defence model to risk management activities and has developed its sub strategic risk processes.

The Audit Committee also gained assurance around risk management and challenged management in relation to the approach taken in respect of cyber security.

The Council's current 6 strategic risks are as below, together with their position on the matrix, note **SR6** was removed from the strategic risk register during 2023/24.

likelihood				
		SR3		SR7
			SR1, SR2, SR4, SR5	
	Impact			

- **SR1:** Pressures on the availability of finance may mean the Council is not able to deliver the key priorities of the strategic plan.
- **SR2:** Resilience of teams to effectively respond to a further serious disruption to services.
- **SR3:** Capacity and capability to deliver / adapt the new strategic plan to emerging landscape.
- **SR4:** Failure to meet governance and / or statutory obligations e.g. breach of the law.
- **SR5:** Failure to adequately respond to the wider socio-economic environment over which the Council may have little control, but which may impact on the growth and prosperity of the local area.
- **SR7:** Threat to the Council's ICT systems of a cyber-attack.

Corporate Governance

The Annual Governance Statement (AGS) and review of effectiveness for the 2022/23 financial year, concluded that the effectiveness of the system of internal control was fit for purpose overall.

The Committee also:

- undertook a review of its own effectiveness in line with CIPFA good practice and confirmed that it continued to meet its terms of reference. The Committee also reviewed its skills. Consideration was given to whether appointing an Independent Person was necessary but the Committee concluded that it had sufficient skills and experience in the existing membership to be able to conduct its business effectively.
- received assurances on updates on the Council's Contract Procedure Rules and Financial Procedure Rules;
- received an update on the implications for the audit regime resulting from the Redmond Review; and
- received the annual report of the Monitoring Officer and Exceptions and Exemptions to Procedure Rules

Regular updates on the adequacy of the Council's counter fraud arrangements were also taken including the approval of the suite of counter fraud and corruption policies (counter fraud and corruption policy statement, strategy and guidance notes; whistleblowing policy, anti-money laundering policy and prevention of tax evasion policy).

4. Conclusion

The Committee has been able to confirm that there were no areas of significant duplication or omission in the systems of governance in the authority that had come to the Committee's attention during 2023/24 that were not being adequately resolved.

Through members receiving this report, the role and purpose of the Committee has been promoted and it has demonstrated that the Committee has continued to perform, meet its terms of reference and added value. This work will continue in 2043/25 with the Committee's refreshed work programme.

Appendix A

Summary of Audit & Member Standards Committee Work Plan by Assurance Theme 2023/24

MeetingDate	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
20/7/23	Annual Treasury Management Report			<input checked="" type="checkbox"/>		
	CIPFA Resilience Index			<input checked="" type="checkbox"/>		
	Internal Audit Quarterly Progress Report	<input checked="" type="checkbox"/>				
	Quality Assurance & Improvement Programme/PSIAS	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
	Compliment, complaints, MP & FOI enquiries report 22/23					<input checked="" type="checkbox"/>
	RIPA reports policy and monitoring					<input checked="" type="checkbox"/>
	Audit Plan (including Planned Audit Fee 22/23)		<input checked="" type="checkbox"/>			
	Informing the Audit Risk Assessment		<input checked="" type="checkbox"/>			
27/9/23	Independent Member & Skills Audit					<input checked="" type="checkbox"/>
	Compliance & GDPR Update					<input checked="" type="checkbox"/>
28/11/23	Audit Findings Report 21/22		<input checked="" type="checkbox"/>			
	Audit Findings Report 22/23		<input checked="" type="checkbox"/>			
	Auditor's Annual Report 22/23		<input checked="" type="checkbox"/>			
	Statement of Accounts 21/22			<input checked="" type="checkbox"/>		
	Statement of Accounts 22/23			<input checked="" type="checkbox"/>		
	Mid-Year Treasury Management Report			<input checked="" type="checkbox"/>		
	LWMTS Annual Report					<input checked="" type="checkbox"/>
	Internal Audit Quarterly Progress Report	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
1/2/24	Counter Fraud Update Report	<input checked="" type="checkbox"/>				
	Audit Plan (including Audit Fee 23/23)		<input checked="" type="checkbox"/>			
	Treasury Management Statement and Prudential Indicators			<input checked="" type="checkbox"/>		
	Internal Audit Quarterly Progress Report	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
21/3/24	GDPR/Data Protection Policy					<input checked="" type="checkbox"/>
	Internal Audit Plan and Charter 24/25	<input checked="" type="checkbox"/>				
	Review of Effectiveness of Audit Committee					<input checked="" type="checkbox"/>
	Outstanding Audit Recommendations	<input checked="" type="checkbox"/>				

Meeting Date	Report	Assurance Theme				
		Internal Audit	External Audit / Inspection	Financial Management	Risk Management	Corporate Governance
17/4/24 TBC	Accounting Policies and Estimation Uncertainty			<input checked="" type="checkbox"/>		
	Annual Governance Statement					<input checked="" type="checkbox"/>
	Chair of Audit Committee Annual Report 23/24					<input checked="" type="checkbox"/>
	Annual report for Internal Audit 2023/24 (including year end progress report)	<input checked="" type="checkbox"/>				
	Risk Management Update				<input checked="" type="checkbox"/>	
	GDPR/Data Protection Policy Update					<input checked="" type="checkbox"/>
	Review of Effectiveness of Audit Committee					<input checked="" type="checkbox"/>