

Annual Report of the Audit Committee 2022/2023

Report Author: Jessica Hammond
Democratic Services Officer
01508 505298
Jessica.hammond@southnorfolkandbroadland.gov.uk

Portfolio: Finance

Wards Affected: All

Purpose of the Report:

This report summarises the work of the Audit Committee during 2022/23, confirms that it has operated in accordance with its Terms of Reference, has sought to comply with best practice and has demonstrated effective challenge during its meetings.

Recommendations:

1. To recommend that Council approves the content of the Annual Report of the Audit Committee.

1 SUMMARY

- 1.1 The Terms of Reference of the Audit Committee require 'A formal Annual Report of the Committee's work and performance during the year to Council.'
- 1.2 The purpose of this report is, therefore, to summarise the work of the Audit Committee during 2022/23, confirm that it has operated in accordance with its Terms of Reference, has sought to comply with best practice and has demonstrated effective challenge during its meetings.
- 1.3 This report looks back over 2022/23 and examines the range of reports which have been brought to the attention of the Committee by Finance, Internal Audit and External Audit.

2 BACKGROUND

- 2.1 Broadland District Council's Audit Committee has been meeting on a regular basis since its inaugural meeting on the 23 August 2012, following approval of the Terms of Reference by Council.
- 2.2 The Committee was established to play a pivotal role in the delivery of corporate governance at the authority, improve standards of internal control, review financial information including such items as the Annual Statement of Accounts, and to allow for more specialist consideration to be given to Internal and External Audit related matters, and Risk Management provisions. This wide-ranging remit ensures that the Committee is meeting best practice.
- 2.3 This is the eleventh year that an Annual Report has been produced, which sets out to analyse the work of the Audit Committee and in doing so fulfil the requirements within the Terms of Reference of the Committee and to demonstrate compliance with best practice.

3 CURRENT POSITION

- 3.1 The Committee have met on four occasions so far in 2022/23, (July 2022, September 2022, October 2022 and January 2023). A further meeting is scheduled for March 2023. A review of the minutes from meetings highlights that attendance by members is high, with apologies provided where needed. There has also been a consistently strong level of officer support throughout the year, with representation from Finance, Internal Audit, the Council's External Auditors and officers attending to present reports as required.
- 3.2 The Terms of Reference of the Audit Committee are established in the Constitution and emphasise how the Committee is to champion governance arrangements at the authority and follow best practice.
- 3.3 The Committee also ensures that it operates to the highest standards, and with this in mind, a self-assessment exercise is undertaken. The assessment ensures

that the Committee continues to meet best practice and identifies where improvements would be beneficial.

- 3.4 The Committee is due to carry out its annual self-assessment exercise again at the March 2023 meeting.
- 3.5 A rolling work programme is in place which is reviewed and discussed at each meeting, to ensure reports are considered and received by the Committee at appropriate times over the course of the year.
- 3.6 The Committee have discussed the comments made by the Peer Review in 2022, which stated that “the external auditors recognised the Audit Committee at South Norfolk Council was more effective in its oversight of financial reporting, internal controls and risk, with a good approach to support and challenge”. The Committee have taken onboard the comments made and have sought further clarification from the external auditors Ernst & Young (EY). They have also resolved to attend meetings of South Norfolk’s Finance, Resources, Audit and Governance (FRAG) Committee.

Overview of key items considered and reviewed

- 3.7 Annual Governance Statement 2021/22

The Annual Governance Statement was considered at the July 2022 meeting where members considered the current governance arrangements of the Council. The Chief of Staff explained that the Statement was subject to the outcome of the Head of Internal Audit’s Opinion Report. The statement was approved at the meeting, subject to suggested amendments.

- 3.8 Counter Fraud Service

In July 2022, the Assistant Director of Finance updated members on the Counter Fraud Service following the Limited Assurance received from Internal Audit. He explained that Anglia Revenue Partnership (ARP) had been commissioned to carry out a review and provide options as to how the counter fraud service could be delivered in future, these options were then presented to Cabinet for decision.

- 3.9 Independent Persons of the Audit Committee

The Committee considered a report which outlined the proposal for appointing Independent Person’s to the Audit Committee, as per CIPFA guidance. Members expressed their support in principle for appointing an Independent Person onto the Committee and endorsed the potential benefits this would have. They then recommended to Council that steps be taken to fully investigate the appropriateness of appointing an Independent Person to the Audit Committee.

3.10 Statement of Accounts

At its meeting in October 2022, the Committee received the final Statement of Accounts for 2020/21. Officers advised of the changes made to the Statement since the draft version. With regard to the inclusion of a bad debt provision for sundry debtors, members were advised that it would not be included for the 2020/21 statement of accounts. However, it would be included in future years. The Committee noted the adjustments made and resolved to delegate to the Chairman of the Audit Committee to sign the letter of representation.

In January 2023, the Assistant Director of Finance presented the draft Statement of Accounts for 2021/22 and highlighted key areas of the accounts. Members noted that the gross income for the Corporate Costs account was significantly higher than in previous years, and it was explained that this was due to the receipt of the Council's share of the gain from the pooling of business rates income across Norfolk.

3.11 External Audit

There had been delays to the external audit work as a result of the ongoing effects of the Covid-19 Pandemic as well as EY's resource shortages. The Committee and officers had been regularly monitoring the effect of these delays. A verbal update was presented to the Committee at its meeting in September 2022 where it was highlighted that the Chairman, alongside the Chairman of South Norfolk's FRAG Committee, wrote to Public Sector Audit Appointments (PSAA) Ltd (as the appointing body) to express both Council's disappointment in the delays to the 2020/21 external audit.

The Audit Results Report for 2020/21 was presented by EY at the Audit Committee meeting on 27 October 2022. Members were informed of the recommendations made by EY with regard to internal control. It was noted that EY were recommending a clean unqualified audit opinion for 2020/21.

3.12 Internal Audit

On an annual basis the Committee reviews and approves the Strategic and Annual Internal Audit Plan for the forthcoming year. The Committee then regularly receives updates on the progress of the completion of the plan of work and the position with the action taken by management to progress audit recommendations. Finally, at the end of the financial year, the Annual Report and Opinion of the Head of Internal Audit is considered by the Committee in terms of the conclusions made in relation to the adequacy and effectiveness of the Council's framework of governance, risk management and control.

The Audit Plan was received and approved by the Committee in March 2022. Although there have been some delays with issuing reports, the Head of Internal Audit has been keeping a close eye on the progress and continues to report this to

the Committee. At the January 2023 meeting there were two important recommendations outstanding for 2020/21 and for 2021/22 there were 3 urgent and 13 important recommendations outstanding.

3.13 Strategic Risk Update

The Committee met informally in early January 2023 to discuss the results of the recent risk maturity assessment undertaken by the Internal Audit team. A subsequent meeting was held between the Audit Committee and Cabinet to discuss the suggested actions. It was agreed that the Strategic Risk Register (SRR) was added onto the Audit Committee agenda for the January 2023 meeting.

The Committee reviewed the SRR at the January 2023 meeting and were due to consider it again at the March 2023 meeting.

At the meeting in January 2023, the Committee suggested that the risk management policy be revised to outline how Cabinet would be kept up to date on risks and mitigations by the Corporate Leadership Team (CLT). It was also agreed that the SRR be updated to reflect the portfolio(s) associated with each risk.

3.14 The following items will be considered at the March 2023 meeting:

- Strategic and Annual Internal Audit Plan 2023/24
- Annual Report of the Audit Committee
- Self-Assessment of the Audit Committee
- Strategic Risk Update

4 PROPOSED ACTION

- 4.1 To receive the report on the work undertaken by the Audit Committee during 2022/23 and approve the contents of the Annual Report.

5 OTHER OPTIONS

- 5.1 Not applicable to this report.

6 ISSUES AND RISKS

- 6.1 **Resource Implications** –not applicable to this report.
- 6.2 **Legal Implications** – not applicable to this report.
- 6.3 **Equality Implications** – not applicable this report.

6.4 **Environmental Impact** – not applicable to this report.

6.5 **Crime and Disorder** – not applicable to this report.

6.6 **Risks** - not applicable to this report.

7 CONCLUSION

7.1 This report highlights that the Committee continues to operate in accordance with best practice. It plays an important part in the Council's governance framework, remaining an active Committee and ensuring that it delivers its remit and reviews a wide range of items, providing an appropriate level of support.

8 RECOMMENDATIONS

8.1 To recommend that Council approves the content of the Annual Report of the Audit Committee.