

Rother District Council

Report to	-	Council
Date	-	18 September 2023
Report of the	-	Audit and Standards Committee
Subject	-	Annual Report to Council – Audit-related Matters

Recommendation: It be **RESOLVED:** That the Annual Report of the Audit and Standards Committee on audit related matters be received.

Introduction

1. The role of the Audit and Standards Committee (A&SC) is to provide oversight and monitor the governance, risk management and internal control arrangements of the Council, to provide independent assurance that these are effective and efficient. This is achieved through items received by the Committee in relation but not limited to, internal and external audit, key finance items, governance reviews and strategic risk management reporting.
2. The Terms of Reference (Appendix 1) outline the purpose of the Committee in more detail and are currently being reviewed in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) best practice.
3. The Committee was originally convened in September 2006 as the Audit Committee. It was established to allow a more robust discussion of;
 - The work of both internal and external audit
 - The wider regulatory and control framework
 - The final accounts
4. In May 2017, the Committee was joined with the Council's Standards Committee and became known as the Audit and Standards Committee. The Membership has changed significantly following the recent elections in May, but for the financial year in question (2022/23) was as follows;
 - Councillor Drayson (Chair)
 - Councillor Thomas (Vice Chair)
 - Councillor J. Barnes
 - Councillor Mrs M.L. Barnes
 - Councillor Courtel*
 - Councillor Harmer (ex-officio)*
 - Councillor Mrs Kirby-Green
 - Councillor Langlands*
 - Councillor Madeley*

*Ceased to be elected Members in May 2023
5. The new Committee Members are as follows and include four Members both new to the Committee and the Council;
 - Councillor Drayson (Chair)

- Councillor J. Barnes (Vice Chair)
- Councillor Biggs*
- Councillor Cook (ex-officio)
- Councillor Gray
- Councillor Hayward*
- Councillor McGurk*
- Councillor Pearce*
- Councillor Thomas

*Newly elected Members 2023

6. The Committee follows current best practice and includes 'Independent Person' representatives for both Audit and Standards matters.

Audit – Mr P Farmer

Standards - Mr R Brown and Mrs R Durban

In addition, for Standards matters, two representatives from the Rother Association of Local Councils attend the relevant meetings.

Work of the Committee 2022/23

7. The Committee met six times during the 2022/23 financial year, and considered the following items of business throughout the year:

Internal Audit

- Progress report on Internal Audit Activity (quarterly).
- Follow-up on Internal Audit Recommendations (six-monthly)
- Annual report and opinion 2021/22 and review of the effectiveness of Internal

The A&SC are keen to understand why some long standing Internal Audit recommendations remain outstanding and have agreed, where appropriate, to ask responsible service managers to attend future meetings to explain why recommendations have not been implemented and what the barriers are.

External Audit

- Grant Thornton 2020/21 audit opinion
- Grant Thornton 2021/22 audit opinion

Accounts / Finance

- Treasury management updates (quarterly)
- Draft Statement of Accounts 2020/21
- Draft Statement of Accounts 2021/22

Risk Management

- Corporate Risk Register (six-monthly)

Governance

- Property Investment Strategy (PIS) update
- Anti-fraud and corruption framework
- Housing Company governance arrangements
- Constitution updates

8. The A&SC has an important role to play in considering the governance arrangements for the management and monitoring of the Council's significant partnerships. This remit however goes further in relation to the Council's wholly owned housing company, Rother DC Housing Company (RDCHC). The Committee has two distinct roles to play as follows;
 - *Governance arrangements* - the Committee has a specific task to ensure that the governance is robust and, that where improvements are identified they are implemented in a timely manner; and
 - *Risk* – the Committee is responsible for oversight of the Council's strategic corporate risks and the Corporate Risk Register. While the housing company does not in itself represent the only large-scale risk, it is non-the-less a significant one in relation to the Council's finances and therefore worthy of particular focus and attention.
9. The Committee must also be aware of the Shareholder Representative's role and ensure that is being performed satisfactorily. There is a balance to be struck between ensuring that the company has enough freedom and flexibility to operate commercially to achieve its objectives whilst at the same time providing Members with assurance that there is sufficient oversight to protect the Council's investment.
10. The first report in relation to the RDCHC's governance arrangements was considered by the Committee in July 2022. To ensure that these arrangements continue to receive the focus they deserve the Committee is proposing to request an Annual Report from the Shareholders Representative Group, to provide the Committee with a high level update regarding progress, governance arrangements and improvements in March of each year. Internal Audit are due to present their findings from the first governance audit on the Company later this year so a follow up report from the Shareholders Representative Group in March will be timely and enable an update to be provided at that point.

Self-assessment

11. It is recognised best practice for an Audit Committee to undertake an annual self-assessment of its effectiveness. This had not previously been undertaken for this Committee. A session was facilitated by the Interim Chief Finance Officer during April 2023 to allow the Committee Members to discuss and complete the first draft of the assessment template and supporting action plan.
12. This was discussed and agreed by the Committee at its meeting in June and the improvements will now form part of the action plan for delivery over the remainder of the year.

Conclusion

13. The Committee continued to meet its obligation to provide oversight of the Council's governance procedures, corporate risk and internal/external audits. This report informs the Council of the work the Audit and Standards Committee in relation to audit-related work undertook during the 2022/23 financial year.

14. It is noted that a separate report from the Audit and Standards Committee on its work in relation to ethical standards matters was considered by the Committee at its June meeting and was received by Full Council in July.
15. The Committee are comfortable with the governance arrangements in place and can confirm to full Council that they are operating effectively.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	External Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Chief Executive:	Lorna Ford
Report Contact Officer:	Councillor Drayson
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Appendices:	A – Audit and Standards Committee Terms of Reference
Relevant Previous Minutes:	N/A
Background Papers:	N/A
Reference Documents:	The Chartered Institute for Public Finance and Accountancy (CIPFA) document on “Audit Committees - practical guidance for local authorities and police (2018)”

Audit Functions

3.2 Functions and Delegations

Statement of Purpose

When carrying out the Audit functions and delegations, the purpose of the Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

3.3 Audit Activity

- (1) To consider the Audit Manager's annual audit report and opinion, and a summary of internal audit activity.
- (2) To approve the internal audit strategy, plan and monitor performance.
- (3) To consider summaries of internal audit reports setting out the main audit findings and level assurance given to each area reviewed.
- (4) To consider reports from internal audit on agreed recommendations not implemented and consider their impact on the overall control environment.
- (5) To ensure there is an effective working relationship between external audit and internal audit.
- (6) To consider the External Auditor's annual planning letter and comment on the scope and depth of external audit work and ensure it gives value for money.
- (7) To consider the External Auditor's annual governance report regarding issues affecting the control environment and governance reporting.
- (8) To consider the Council's audit risk assessment response to the External Auditor.
- (9) To consider specific reports as agreed with the External Auditor.
- (10) To consider the governance arrangements for the management and monitoring of the Council's significant partnerships and wholly or partly owned council commercial entities.
- (11) To consider and recommend to Council the appointment of one Audit independent person.

3.4 Regulatory Framework

- (1) To maintain an overview of the procurement procedure rules, financial procedure rules and codes of conduct and behaviour (other than the Code of Conduct for Members).
- (2) To review any issue referred to it by the Chief Executive, or any council body.
- (3) To monitor the effective development and operation of risk management and corporate governance in the Council.
- (4) To monitor council policies on 'Raising Concerns at Work' and the anti-fraud and corruption strategy and the Council's complaints process.
- (5) To oversee the production of the Council's Annual Governance Statement and to recommend its adoption.
- (6) To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- (7) To consider the Council's compliance with its own and other published standards and controls.
- (8) To ensure effective scrutiny of the treasury management strategy and policies.
- (9) To monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are given full effect.
- (10) To consider and recommend to Council and proposed changes to the Constitution.

3.5 Accounts

- (1) To review the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council. To agree the signing of the accounts following the review.
- (2) Approving the Authority's statement of accounts, income and expenditure and balance sheet or records of receipts and payments (as the case may be). (The Accounts and Audit Regulations).
- (3) To consider the External Auditor's annual audit report on issues arising from the audit of the accounts.