

AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT

Report on the work of the
Audit and Governance Committee
during the 2023/24 Municipal Year



Audit and Governance Committee Annual Report 2023/24

Introduction / Foreword by the Committee Chair:

I'm pleased to introduce the first annual report for the Audit and Governance Committee. This includes the results from the first self-assessment of good practice carried out by committee members, with input from key officers. It was prepared following CIPFA's Position Statement 2022: Audit Committees in Local Authorities and Police and associated guidance and covers the committee's purpose, model, membership and core functions.

Committee members are especially grateful for the support of officers in producing this first review and report.

There have been a lot of developments and progress in the year, including the implementation of new committee terms of reference, and some changes in committee membership (although with continuity in the chair and vice chair) and the removal of the committee's delegated authority to approve the annual financial statements.

More widely, there has been monitoring of progress in the implementation of the new finance system, and the review and approval of the delayed 2020/21 financial accounts for which Committee has repeatedly noted the enormous efforts of the Finance team. Audit and Governance is a small, non-political business Committee, and it is right that our thanks to the Chief Accountant and his Finance team reach the wider audience of Full Council.

Committee has also approved the 2022/23 Annual Governance Statement, reviewed revised Contract Procedure Rules, and requested and received senior officers' updates on recommendations following housing repairs and cyber security internal audit reports.

We rely in no small measure on a dedicated and professional Internal Audit team, whose work underpins so much of what the Committee does. It's a pleasure to acknowledge that debt of gratitude in this foreword. As it is to thank all the officers who support us in our work.

The committee plans to review the governance of significant partnerships in the forthcoming year, starting with Brighter Futures for Children.

Members of the Committee face significant challenges. We are not specialised auditors, accountants, or necessarily from a finance or process background. Members have risen to this challenge over the past year, asking for and receiving training on a wide range of areas, and reading, understanding, and challenging where necessary, a significant volume of reports from officers across the four scheduled meetings.

The survey results show we have a solid foundation and room for improvement in the coming year. Perhaps other Committee Chairs will undertake similar exercises.

My thanks to all members, from all political parties, and particularly the Vice Chair, for their supporting me in my role as Chair.

Whilst this foreword comes from myself, it and this report have been reviewed at our July meeting of Audit & Governance and come to Full Council with the full support of all members.

Councillor Josh Williams

Chair, Audit and Governance Committee

1. Committee remit

- 1.1 The Audit and Governance Committee's role is to provide an independent, high-level focus on the adequacy of the Council's governance, risk, and control arrangements, ensuring that there is sufficient assurance over these to give increased confidence that these arrangements are effective. It has oversight of internal and external audit, financial and governance reporting.
- 1.2 The terms of reference for the committee are included within the [Council's constitution](#) (page 69) and provide more details of its remit.

2. Committee membership

- 2.1 The committee consisted of a total of eight members during the 2023/24 municipal year, although there was a change in personnel during the year. Committee membership is based on the political composition of the Council, with five Labour Councillors and one each from The Green Party, The Conservatives, and the Liberal Democrats. The Administration Group traditionally offer the role of Chair to a member of the opposition party with the highest number of seats on the Council. This year, the committee was chaired by the Green Party representative in all but one meeting where the Vice Chair (Labour) acted as the Chair. There were no independent members on the committee during the year.
- 2.2 Further details of committee membership during the 2023/24 municipal year and attendance at meetings are provided in the table below (Table 1). There were four Audit and Governance Committee meetings held during the year:

Table 1: Table showing committee members' meeting attendance during the 2023/24 municipal year.

Member	Party	Position	Attendance				% attendance
			20/07/23	27/09/23	23/01/24	10/04/24	
Cllr Josh Williams	Green	Chair	✓	✓	✓	A	75%
Cllr Glenn Dennis	Labour	Vice Chair	✓	✓	✓	✓	100%
Cllr Deborah Edwards	Labour	Member until 27/9/23	✓	n/a	n/a	n/a	100%
Cllr Ellie Emberson	Labour	Member	✓	✓	✓	✓	100%
Cllr Paul Gittings	Labour	Member	✓	✓	✓	✓	100%
Cllr Finn McGoldrick	Labour	Member from 27/9/23	n/a	✓	✓	✓	100%
Cllr Clarence Mitchell	Conservative	Member	✓	✓	A	A	50%
Cllr Anne Thompson	Liberal Democrats	Member	✓	✓	✓	✓	100%
Cllr Matt Yeo	Labour	Member	✓	✓	✓	✓	100%
			100.00%	100.00%	87.50%	75.00%	

- 2.3 Councillor Robinson (Conservative) was in attendance at two committee meetings during the year, under Standing Order 32, which allows Councillors to attend a meeting of a committee for which they are not a member as an observer.

2.4 The Audit and Governance Committee reports, and is directly accountable, to Council and is independent of scrutiny functions.

3. Areas covered and work of the committee.

The Audit and Governance Committee has five main areas within its remit. A summary of coverage of these during the 2023/24 municipal year is detailed below (Table 2):

Table 2: Table showing key areas covered at 2023/24 Municipal Year A&G Committee meetings.

Areas covered at meetings:	20/07/2023	27/09/2023	23/01/2024	10/04/2024
governance, risk and control	✓	✓	✓	✓
governance reporting		✓		
financial reporting	✓	✓	✓	✓
external audit		✓	✓	✓
internal audit	✓	✓	✓	✓

3.1 Governance, risk and control

3.1.1 The Committee received updates on the strategic risk register, including highlighting any new and red (i.e., highest) risks, at each of its meetings, as well as an update report on the actions to improve the Council's policies, systems and processes relating to Information Governance following several internal audit limited assurance reports in this area. There was also a regular review of progress in implementing high and medium-risk internal audit recommendations. Updates on cybersecurity and housing repairs following audits were also considered, together with details of the CIPFA Financial Management Code and key points from CIPFA's guidance on Audit Committees.

3.2 Governance reporting

3.2.1 Annually, the Committee receives, considers and reviews the Annual Governance Statement, which details the overall effectiveness of the Council's governance arrangements. This was reviewed and endorsed for 2022/23 during the year.

3.3 Financial reporting

3.3.1 Financial performance and monitoring reports were received regularly by the committee, together with a progress update on the closing of the financial accounts and the associated assessment of the Council's Going Concern status. The committee also gave its approval for the Director of Finance to sign off the 2020/21 financial accounts in consultation with the Committee's Chair during the year. However, it is noted that as part of the review and amendment of the committee terms of reference, this has now been removed from the committee's remit and will revert to Council going forward.

3.4 External Audit

- 3.4.1 Representatives from Ernst Young, the Council's External Auditor, were regular attendees at Committee meetings during the year, attending all but one meeting, providing progress updates on the external audit of the financial statements, draft audit plan, results report and value for money assessment. Discussions were also held regarding the possible impact of needing to adopt the "backstop" position later in the year if the audit of the Council's financial statements had not caught up by then.

3.5 Internal Audit

- 3.5.1 The Chief Auditor provided a quarterly update on progress with the annual audit plan, together with a summary of key findings from audit reports issued since the previous meeting for the committee to review and consider. The Internal Audit Plan and Internal Audit Charter for the forthcoming year were also reviewed and approved, together with the Internal Audit Annual Assurance Report, which provided an opinion on the overall adequacy of the Council's governance, risk management and control frameworks.

3.6 Other

- 3.6.1 The Committee received regular progress reports during the year on the implementation of the Council's new finance system, E5, together with an Annual Treasury Management review for 2022/23 and quarterly updates on Treasury Management activity. Consideration was also given, and a recommendation was made to Council, that it adopted proposed updates to the Council's Contract Procedure Rules.

All A&G Committee meeting agendas, papers, minutes and recordings are available online on the [Council's website](#).

4. Training

- 4.1 To enable committee members to fully engage in discussions and provide appropriate challenges as required, several training sessions were organised during the year. Details of training sessions attended by each committee member are detailed on the following page (Table 3).

/continued on next page

Table 3: Table showing training attended by A&G Committee members in the 2023/24 Municipal Year.

Member	Training session									
	Cllr Induction / Code of Conduct	Code of Conduct	Licensing	Local Govt Finance	Member Briefing Sessions	Planning / Planning & Enforcement	Prevent	Risk Management	Treasury Management Training	member briefing sessions attended
Councillor Josh Williams				✓	✓			✓	✓	SharePoint possible cyber risks
Councillor Glenn Dennis			✓	✓	✓			✓	✓	SharePoint possible cyber risks
Councillor Deborah Edwards				✓	✓		✓*			an introduction to climate change and carbon literacy
Councillor Ellie Emberson				✓			✓		✓	n/a
Councillor Paul Gittings										n/a
Councillor Finn McGoldrick	✓	✓			✓				✓	establishment of a joint committee /Berkshire Prosperity Board
Councillor Clarence Mitchell					✓					an introduction to climate change and carbon literacy
Councillor Anne Thompson					✓	✓	✓		✓	an introduction to climate change and carbon literacy, RE3 waste contract and waste services, establishment of a joint committee/ Berkshire Property Board
Councillor Matt Yeo					✓				✓	SharePoint possible cyber risks

Key:

* Undertaken after the member had stepped down from the A&G Committee.

5. Committee Effectiveness

For the first time, both committee members and key Officers were invited to complete a short questionnaire seeking their opinions on the Committee's effectiveness. A summary of key findings in each is provided below with a detailed analysis in Appendix 2.

5.1 Councillors survey

5.1.1 There was a 75% response rate to the questionnaire, with the following identified:

- Most respondents (two-thirds) understood the role and purpose of the committee, with the remaining third somewhat understanding its role.
- Two-thirds of respondents thought that the A&G Committee escalated issues and concerns promptly to those in governance and leadership.
- For consideration of core areas by the committee within the last year, nearly all respondents thought that adequate consideration had been given to risk management, internal control and internal audit, with half the respondents thinking that adequate consideration had been given to governance arrangements, the Annual Governance Statement, financial reporting, and the assurance framework. For external audit, two-thirds of respondents somewhat agreed that the committee had given it appropriate consideration, with the remaining third agreeing.
- There was a lack of clarity as to whether the committee had met privately with either Internal or External Audit during the year, with nearly all respondents either unsure or thinking that there had not been a private meeting during the year.
- Most respondents did not think that they had had an evaluation of their knowledge or skills since joining the committee/in the last two years, with half detailing that they had not had an evaluation of their training needs.
- However, all respondents said that they had been provided with useful training and useful and effective support, and the majority with effective training.
- All respondents said that there was partially an appropriate level of knowledge and skills on the committee.
- Nearly all respondents felt that the committee had adequate secretarial and administrative support.
- All respondents indicated that they thought that the committee had good working relations, access to, and visibility, with Internal Audit and the Director of Finance, with at least half feeling that for external audit (50%) and the Assistant Director of Legal and Democratic Services (83%). Most respondents (83%) were unsure who other key people referred to.
- All respondents agreed that key agenda items were addressed, whilst all respondents either agreed or somewhat agreed that the committee was well-chaired, there was a focus on improvement and all members were encouraged to participate. However, it was noted that one respondent did not agree that the committee operated in an apolitical manner, and one somewhat agreed.
- There was a lack of clarity with all respondents as to whether any feedback was obtained on its performance from those interacting or relying on its work.
- Most respondents thought the committee made recommendations for improving governance, risk and control arrangements.
- Half the respondents thought that committee recommendations had traction with those in leadership roles and was adding value with the remaining respondents thinking either partially or unsure.
- All respondents thought that the committee engaged with a wide range of leaders and managers.

5.2 Key Officers survey

5.2.1 There was a 70% response rate to the questionnaire, with the following identified:

- All respondents understood the role and purpose of the A&G Committee.
- Most respondents thought that the A&G Committee escalated issues and concerns promptly to those in governance and leadership roles.
- All respondents thought that adequate consideration had been given to risk management and internal control arrangements, Internal and External Audit, with most agreeing for the Annual Governance Statement, financial reporting, and the assurance framework and just over half agreeing for governance arrangements.
- There was a lack of clarity as to whether the committee had met privately with either Internal or External Audit during the year, with most respondents not knowing whether there had been a private meeting with either during the year.
- About 70% of respondents either thought there was or partially was an appropriate level of knowledge and skills on the committee.
- All respondents thought the committee had good working relations with Internal Audit, the Director of Finance and the Assistant Director of Legal and Democratic Services, with most agreeing for External Audit. Others, where there were good or partially good relations, included the Chief Accountant and the Risk Management Team.
- All respondents agreed that the committee was well-chaired, and operated in an apolitical manner, with key agenda items addressed. The majority of respondents thought there was a focus on improvement, with all members encouraged to engage in discussion, and regular dialogue with the Chair as to how the committee was working, with feedback provided to the committee.
- Just over half of respondents thought the committee made recommendations for improving governance, risk and control arrangements.
- Most thought the committee was adding value.
- All agreed that responsible Officers attended A&G Committee meetings when appropriate to answer questions, advise on actions being taken to address areas of concern and listen to comments and concerns of the Committee on key matters.

6. Progress update since the first assessment of good practice

6.1 A significant amount of progress has been made since the assessment of good practice was first carried out last year.

6.2 This is the first year that the committee has produced an annual report to Council which includes details of its performance during the last year, how the committee has complied with the CIPFA Position Statement 2022, the results of the annual evaluation and work carried out and planned as a result of it, how it has fulfilled its terms of reference and key issues escalated during the year. An annual effectiveness review has also been carried out, with input from Committee members, key Officers and Internal Audit via tailored questionnaires, and areas for improvement identified.

- 6.3 The Audit and Governance Committee's terms of reference have been amended to ensure they reflect best practice, as detailed in CIPFA's Position Statement and associated guidance. This included that the committee would report to Council on its findings, conclusions and recommendations on the adequacy and effectiveness of governance, risk and internal control frameworks, financial reporting arrangements and internal and external audit functions, and on the committee's performance, and publish an annual report. Producing this report is the first stage in the process; it will also be published as a public report on the Council's website.
- 6.4 Previously the A&G Committee had delegated responsibility from Council to approve the annual statement of accounts. However, following last year's assessment, this has now been changed. Council's terms of reference have been amended to include receipt of an annual report from the external auditor and approving the annual statement of accounts. A&G Committee's terms of reference have been amended to remove approval of the annual accounts and instead detail their review, including consideration of whether appropriate accounting policies have been followed and if there are concerns from the financial statements that need to be brought to Council's attention, as well as to consider the external auditors report to Council on issues arising during the audit of the accounts.
- 6.5 Due to a combination of when the terms of reference were amended and approved and the financial accounts required to be signed off, the 2020/21 final accounts were approved by the A&G Committee during the year to be signed by the Director of Finance in consultation with Chair of the A&G Committee. However, it will be Council approving these going forward.
- 6.6 The recent amendment of the committee's terms of reference also contained the inclusion of a statement of purpose for the committee and coverage of governance, risk management and internal control arrangements as detailed in CIPFA's Position Statement.
- 6.7 Generally, there has been an increase in the level of engagement of committee members and the chair at meetings, with questions, queries and discussions relating to agenda items regularly occurring on agenda items throughout the year.
- 6.8 The committee has engaged with a wide range of officers during the year, with some attending regularly (for example Internal and External Audit, the Director of Finance, the Assistant Director of Legal and Democratic Services, the Chief Accountant, the Financial Strategy and Planning Manager, and the Health, Safety and Risk Management Lead) and some on an ad hoc basis (for example the Interim Assistant Directors of Commissioning and Transformation, Procurement and Contracts, and Housing and Communities, and the Chief Digital and Information Officer).
- 6.9 Whilst the Committee has not made recommendations as such, there have been challenges when agenda items, service managers and external audit have not been at meetings they were anticipated at.
- 6.10 Also, the Committee has exercised its right during the year to request that relevant Directors, Assistant Directors, and Service Managers attend the meeting and/or provide an update report where internal audits have provided limited or no assurance to obtain a progress update on the implementation of recommendations. In the year, this has been related to housing repairs and cyber security.

- 6.11 Requests to change the format of papers have been made to enable easier identification of key points i.e., the strategic risk register. There have also been requests for (repeat) member training in certain areas to help equip members to better understand and provide challenge in key areas.
- 6.12 Generally, the Audit and Governance Committee complies with CIPFA's Position Statement 2022 although it does not have any independent members on the committee and the role of observers would benefit from further clarification. It was also noted that the Chair was absent from the last meeting of the year, with the Vice Chair acting as Chair, who is a member of the ruling party.
- 6.13 It is noted that the committee has indicated that it will be considering the governance of significant partnerships in the forthcoming year, commencing with that of Brighter Futures for Children.

7. Areas for improvement

7.1 Areas identified for improvement are listed below:

- Escalation of issues and concerns promptly to Council and Officers.
- Make recommendations to improve governance, risk and control arrangements.
- Review governance arrangements of key partnerships.
- Ensure that there are appropriate arrangements in place to secure value for money.
- Review the assessment of fraud risks and monitor the counter-fraud strategy (or the equivalent), actions and resources, including whistleblowing.
- Consideration of the assurance provided, whether it adequately addresses the Council's risks and priorities, and the effectiveness of relationships between assurance providers.
- Equip existing and any new Members to fulfil our responsibilities by providing more detailed and effective training on all key areas of responsibility including financial arrangements and risk management, governance and audit planning.
- Review the working relationship, visibility of and access to external audit.

8. Plans for 2024/25

8.1 It has been a busy year for the committee, with a significant amount of progress made on areas of development identified in last year's committee assessment. Next year further work is planned to fully embed the new committee terms of reference and address areas identified as requiring improvement.

Councillor Josh Williams

Chair, Audit and Governance Committee