

# **Audit and Governance Committee Annual Report 2023-2024**

# Introduction by the Chair of the Audit and Governance Committee



**Councillor Dave Robinson**

## **Chair of Audit and Governance Committee**

It gives me great pleasure to introduce the 2023-2024 Annual Report of the Audit and Governance Committee.

The report informs the Council of the broad range of work undertaken by the Committee in fulfilling its Terms of Reference and in doing so provides assurances on the effectiveness of the Committee in meeting its obligations. The Committee's Terms of Reference were developed in accordance with the CIPFA guidance and the detailed Committee Work Programme, and Self-Assessment provides further assurances that the Terms of Reference are reviewed. I wish to place on record my appreciation to the Executive Director of Corporate Services and Commercial and his team for all their hard and work and continued support to Audit and Governance Committee members. I look forward to working with Committee members and officers who support the Committee during 2024-2025.

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## 1.0 Background and Introduction

1.1 The Audit and Governance Committee has delegated responsibilities from the Council. This report provides details of how the Audit and Governance Committee has discharged those responsibilities and delivered against its Terms of Reference which can be found at Appendix 1 to this report.

1.2 The purpose of the Audit and Governance Committee is to:

- provide independent assurance to the Council in respect of the effectiveness of the Council's governance arrangements, risk management framework and the associated control environment; and
- independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment

1.3 The key benefits of an effective audit committee are:

- increasing awareness regarding the effectiveness and continued development of the Council's governance arrangements;
- providing additional assurances on the robustness of the Council's governance arrangements through a process of independent and objective review;
- reducing the risks of illegal or improper acts;
- increasing public confidence in the objectivity and fairness of financial and other reporting;
- contributing to performance improvements in assurance levels and awareness of the need for strong internal control including the implementation of audit recommendations;
- reinforcing the importance and independence on internal and external audit and similar review processes; and
- promotes high standards of ethical behaviour by developing, maintaining and monitoring performance and Codes of Conduct for Members of the Council (including co-opted members and other persons acting in a similar capacity).

## 2.0 Meetings held in 2023-2024

Meetings of the Audit and Governance Committee are scheduled to take place every three months and in 2023-2024 were held on the following dates:

- 19 July 2023 (Originally scheduled for 21 June 2023)
- 6 September 2023
- 13 December 2023
- 20 March 2024

Additional meetings of the Committee (outside the quarterly schedule) are convened when urgent business needs to be conducted and to enable the Committee to focus its attention on one key area, for example, for consideration of the Council's Statement of Accounts.

Further information on the Audit and Governance Committee Meetings, including agendas and minutes is available at the following link: <https://modgov.sefton.gov.uk/ieListMeetings.aspx?CId=141&Year=0>

### **3. Audit and Governance Committee Work Programme 2023-2024**

The Committee's Work Programme is a rolling and flexible schedule of work that should be undertaken by the Committee. The programme is designed to ensure that the Committee remains on track with its ambitious schedule of work.

The Chartered Institute of Public Finance and Accountancy (CIPFA) publication - "Practical Guidance for Local Authorities and Police" recommends as good practice, the provision of an annual work programme to enable Audit and Governance Committees to discharge their duties in accordance with their Terms of Reference.

Adherence to the work programme ensures that the Audit and Governance Committee has a structured, consistent approach to fulfilling its responsibilities as detailed in the CIPFA guidance.

The Terms of Reference for the Audit and Governance are based on the Chartered Institute of Public Finance and Accountancy's (CIPFA's) publication – "Practical Guidance for Local Authorities and Police" which sets out CIPFA's guidance on the role, function and operation of audit committees in local authorities and police bodies and represents best practice for audit committees in local authorities throughout the UK and for police audit committees in England and Wales. The Terms of Reference have been enhanced to reflect the Committee's Governance role which is not detailed in the guidance.

The Work Programme for each Municipal Year is an important element in planning the year ahead as being closely aligned with the Terms of Reference, it ensures that the Committee has a structured, consistent approach to fulfilling its responsibilities within the Terms of Reference and helps to ensure the effectiveness of the Audit and Governance Committee. It is also important to note that a degree of flexibility is applied in order that any ad hoc / urgent reports may be considered by the Committee as and when required. The Work Plan for the 2023-2024 Municipal Year was approved by Audit and Governance Committee on 15 March 2023 and can be viewed at Appendix 2 to this report.

The introduction of quarterly Work Programme update reports has provided a useful way for the Audit and Governance Committee to monitor adherence to the Work Programme.

#### 4.0 Reports considered by the Audit and Governance Committee in accordance with the Work Programme

As indicated in the Work Programme, reports submitted for consideration by the Audit and Governance Committee related to the following areas:

- Internal Audit
- Risk Management
- Monitor Role
- Accounts, Financial Statements and Treasury Management
- Information Governance/Constitution Updates
- Miscellaneous / Ad hoc reports

#### 4.1 Internal Audit

To support the Committee in monitoring progress of Internal Audit work within the year, the following reports were presented:

Meeting	Report
21 June 2023	Performance update on Risk and Audit Team including: <ul style="list-style-type: none"> <li>• Audit Team</li> <li>• Health and Safety</li> <li>• Counter Fraud</li> <li>• Insurance and other risk areas such as Business Continuity</li> </ul>
21 June 2023	Annual Opinion of the Chief Internal Auditor including: <ul style="list-style-type: none"> <li>• Review of impairment on independence and objectivity</li> <li>• QAIP</li> </ul>

	<ul style="list-style-type: none"> <li>• Assessment against PSIAS and LGAN</li> </ul>
6 September 2023	<p>Performance update on Risk and Audit Team including:</p> <ul style="list-style-type: none"> <li>• Audit Team</li> <li>• Health and Safety</li> <li>• Counter Fraud</li> <li>• Insurance and other risk areas such as Business Continuity</li> </ul>
13 December 2023	<p>Performance update on Risk and Audit Team including:</p> <ul style="list-style-type: none"> <li>• Audit Team</li> <li>• Health and Safety</li> <li>• Counter Fraud</li> <li>• Insurance and other risk areas such as Business Continuity</li> </ul>
13 December 2023	Annual report on the follow up of Internal Audit recommendations including those not implemented within a reasonable timescale
20 March 2024	<p>Performance update on Risk and Audit Team including:</p> <ul style="list-style-type: none"> <li>• Audit Team</li> <li>• Health and Safety</li> <li>• Counter Fraud</li> <li>• Insurance and other risk areas such as Business Continuity</li> </ul>
20 March 2024	Approval of the Annual Internal Audit Plan and review of Internal Audit Charter

## 4.2 Risk Management

The following reports on the management of risk within the Council during the year were presented to the Audit and



## Governance Committee:

<b>Meeting</b>	<b>Report</b>
21 June 2023	Review of the Quarterly Corporate Risk Register
6 September 2023	Review of the Quarterly Corporate Risk Register
6 September 2023	Review of the Corporate Risk Management Handbook
13 December 2023	Review of the Quarterly Corporate Risk Register
20 March 2024	Review of the Quarterly Corporate Risk Register

**4.3 Monitor Role**

<b>Meeting</b>	<b>Report</b>
21 June 2023	Reporting of the anti- fraud, bribery and corruption strategy (included in Risk and Audit Service Performance Report)
21 June 2023	Review of CIPFA Financial Management Code
6 September 2023	Reporting of the anti- fraud, bribery and corruption strategy (included in Risk and Audit Service Performance Report)
6 September 2023	Review of the Members Code of Conduct
6 September 2023	Review the Annual Governance Statement
6 September 2023	Review of Whistleblowing Policy

6 September 2023	Review of Financial Procedure Rules
13 December 2023	Reporting of the anti- fraud, bribery and corruption strategy (included in Risk and Audit Service Performance Report)
13 December 2023	Provide an annual report on the Council's anti-fraud strategy
13 December 2023	Provide an annual report on the Council's Anti-Money Laundering Policy
20 March 2024	Reporting of the anti- fraud, bribery and corruption strategy (included in Risk and Audit Service Performance Report)

#### 4.4 Accounts, Financial Statements & Treasury Management

The following Financial and Treasury Management reports were presented to the Audit and Governance Committee:

<b>Meeting</b>	<b>Report</b>
21 June 2023	External Auditor Annual Audit Letter On completion of the External Audit
21 June 2023	External Auditor Annual Report re. grant work On completion of the External Audit
21 June 2023	Treasury Management In-Year Position
6 September 2023	Treasury Management Outturn
13 December 2023	Treasury Management In-Year Position
20 March 2024	Treasury Management In-Year Position

#### 4.5 Information Governance / Constitution Updates

Within the financial year significant work was undertaken on the Council's governance arrangements and issues in relation to the constitution. These issues were presented to the Audit and Governance committee in advance of progression to Council for approval where required and are reflected below:

<b>Meeting</b>	<b>Report</b>
6 September 2023	Annual Report of the Audit and Governance Committee 2022-2023
13 December 2023	Financial Procedure Rules
20 March 2024	ICT Acceptable Usage Policy
20 March 2024	Review of Whistleblowing Policy and Review of Whistleblowing Referrals 2022-2023
20 March 2024	Guidance for Council Appointed Directors

#### 4.6 Miscellaneous Reports

The following miscellaneous reports were considered by the Audit and Governance Committee:

<b>Meeting</b>	<b>Report</b>
13 December 2023	Procurement – National Procurement Policy and Contract Procedure Rules

## **5.0 Assurance Activity 2023-2024**

- 5.1 In order for the Committee to draw conclusions about the effectiveness of the Council's internal control framework, governance and risk management it gained assurances from several sources.
- 5.2 The Accounts and Audit (England) Regulations 2015 require the Council to maintain an adequate and effective internal audit which is discharged by the Section 151 Officer. The Chief Internal Auditor works with Internal Audit to provide assurances for both Members and management on the effectiveness of the control framework.
- 5.3 The Committee received and considered reports in relation to the Annual Report and Opinion of the Chief Internal Auditor that provided a summary of the work of internal audit during 2023-2024 and the Chief Internal Auditor's opinion on the overall control environment operating within the Council during the year. This report is a key requirement of the Public Sector Internal Audit Standards.
- 5.4 The Committee also received regular updates in relation to the performance and key activities of the Risk and Audit Service to each Meeting and agreed revisions to the Internal Audit Plan for 2023/2024.

## 6.0 Risk Management

6.1 Risk Management continues to be a key component to service planning and regular monitoring of the corporate risk register is a vital of the Committee. The Committee routinely received reports in that respect. Throughout 2023-2024 risks had been re-scored in accordance with the assessment guidance included in the Corporate Risk Management handbook. Members welcomed the continuance of the regime of receiving a short presentation from a risk owner on one of the risks listed in the Corporate Risk Register, which provided Members with further insight into risks associated with particular service areas and allowed for a further layer of scrutiny and challenge.

6.2 During 2023-2024 the Committee received the following presentations:

- Service Manager – Property and Building Services on the condition of Sefton Council Assets
- Service Manager – Finance on Financial Sustainability within the Council
- Executive Director of Corporate Resources and Customer Services on SEND and High Needs
- Executive Director of Adult Social Care and Place and the Assistant Director of Life Course Commissioning on the risks associated with the Adult Social Care sector

## **7.0 Treasury Management**

- 7.1 The Audit and Governance Committee has a responsibility to provide a level of scrutiny in relation to treasury management policies and practices, and as such, the Committee considered the treasury management outturn position for the period 2023/2024 which reviewed the implications of changes resulting from regulatory, economic and market factors affecting the Council's treasury management position along with the treasury management activities undertaken to 31 March 2024.
- 7.2 The Committee also considered quarterly progress reports on the treasury management position and performance against prudential indicators. As a result of the current economic environment the Council's Treasury Management activities took on even greater importance which helped to support the overall budget pressures in 2023/24 – this position was reported to Audit and Governance committee through the year and Council in accordance with the agreed Strategy.

## **8.0 Statement of Accounts and External Auditors**

- 8.1 At its meeting held on 19 July 2023 the Committee considered an update on the progress of the audit of the Statement of Accounts for 2020/2021 and 2021/2022 as well as the production of the Statement of Accounts for 2022/23. Members queried the regulations regarding external auditors and the impact on future audit timescales.
- 8.2 The Committee on 27 September 2023 held a special meeting to consider the Statement of Accounts. The final audited 2020/2021 Statement of Accounts and 2021/2022 Statement of Accounts, including the Annual Governance Statements and “Letters of Representation” from Sefton to Ernst and Young LLP (EY) were considered and approved subject to the final completion of the audit. The Committee also considered the draft 2022/2023 Statement of Accounts including the Annual Governance Statement. The Committee was advised that the final draft accounts would be completed in the following 3 weeks. Representatives from Ernst and Young advised that at present no date had been set for the audit of these accounts as they awaited further ministerial guidance on the approach to year end auditing and an assessment of internal resources.
- 8.3 At its meeting held on 12 December 2023 the Committee was updated on the progress of the audit of the Statement of Accounts for 2020/21, 2021/22 and 2022/23.
- 8.4 At its meeting held on 20 March 2024 the Committee was introduced to external auditors Grant Thornton who outlined the timeline for an Audit Plan, findings report and annual report.

## **9.0 Information Governance/Constitution Updates and other Miscellaneous reports falling within the Committee's Terms of Reference**

### **9.1 6 September 2023**

#### **9.1.1 Annual Report of the Audit and Governance Committee**

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which formally presented the Annual Report of the Audit and Governance Committee 2022-2023.

The Committee was informed that this was the second year an annual report had been presented which contained updates on the following sections:

- Audit and Governance Committee Work Programme 2022-2023
- Assurance Activity
- Risk Management
- Treasury Management
- Statement of Accounts and External Auditors
- Information Governance/Constitution Updates
- Audit and Governance Self-Assessment Exercise
- Appointment of an Independent Member
- Audit and Governance Committee Member Training and Development
- Outcomes/Achievements



The Annual Report of the Audit and Governance Committee was agreed and referred to Council for approval.

## 9.2 **13 December 2023**

### 9.2.1 Financial Procedure Rules

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which sought approval for revisions to the Financial Procedure Rules.

As part of the annual review of the Council's Constitution, the Council's Financial Procedure Rules had been the subject of review. A number of key areas were reflected in the updated schedule:

- Commercial Activity
- Loans to Third Parties and Acquisition of Third-Party Interests
- Collection of Income

The revision to the Financial Procedure Rules set out in Appendix 1 was approved and the duly amended Financial Procedure Rules were referred to Council for approval.

### 9.3.1 Procurement – National Procurement Policy and Contract Procedure Rules

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which updated on national policy direction and gave a refresh of the Contract Procedure Rules for consideration.

The Committee discussed updated national guidance that was due to be published regarding the Contract Procedure Rules.

The draft Contract Procedure Rules were approved, and it was noted that a full rewrite of the Contract Procedure Rules

would take place once the updated national guidance is published, and a further report would be submitted for consideration.

### 9.3 **20 March 2024**

#### 9.3.1 ICT Acceptable Usage Policy

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which requested approval for revised security policy documentation relating to the Authority's ICT estate. The Policy Document is a yearly review of the ICT Acceptable Usage Policy which was previously reviewed and approved by the Audit & Governance Committee on 15 March 2023 and by Council on the 13 April 2023. Changes to the ICT Acceptable Usage Policy included the provision explicit guidance around Bring Your Own Devices (BYOD) for Council Officers and WhatsApp usage.

The Committee queried whether Councillors would still be able to connect to corporate resources on personal devices.

The revised ICT Acceptable Usage policy documentation relating to the authority's ICT estate and the internal publication of the Acceptable Use Policy was approved.

#### 9.3.2 Review of Whistleblowing Policy and Review of Whistleblowing Referrals 2022-2023

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which summarised all complaints received by the Council via its whistleblowing policy in the municipal year 2022 to 2023 and presented a revised policy for approval by the Committee.

The revised policy as detailed in appendix 1 was approved and the summary of referrals received during the municipal year 2022 to 2023 was noted.

#### 9.3.3 Guidance for Council Appointed Directors

The Committee considered the report of the Executive Director of Corporate Resources and Customer Services which

presented conflict-of-interest guidance for Members who are appointed as directors on its wholly owned companies for endorsement.

The attached Conflict of Interests Guidance was approved and issued to all Members and Officers who are appointed as Directors on any company.

## 10.0 Audit and Governance Committee Self-Assessment Exercise

The Chartered Institute of Public Finance and Accountancy (CIPFA) emphasises the importance of local authority audit committees undertaking a self-assessment exercise to help provide assurance that the committee is soundly based and has in place a knowledgeable membership.

On 5 March 2024 Audit and Governance Committee members attended a special briefing session and conducted a Self-Assessment exercise in consultation with the Chief Internal Auditor and Chief Legal and Democratic Officer.

The introduction of a Self-Assessment for the Committee (approved on 15 March 2023) enabled the Members to undertake a high-level review of the function and effectiveness of the Audit and Governance Committee incorporating the key principles set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Position Statement - [CIPFA Audit Committee Position Statement.pdf](#) and the publication (Practical Guidance for Local Authorities and Police, CIPFA, 2022 - [Audit Committee Practical Guidance 2022.pdf](#)).

A copy of this document can be viewed in the Audit and Governance Committee Library at the following links: [Audit and Governance Committee Self-Assessment 2023/2024 Report Document](#) and [Audit and Governance Committee Self-Assessment 2023-2024](#)

The Self-Assessment Exercise will be undertaken on an annual basis and will inform the Committee's work programme, training and development of Committee Members and the Annual Report.

## 11.0 Appointment of an Independent Member

CIPFA strongly recommends that Audit and Governance Committee Membership includes non-elected, co-opted independent member(s).

11.1 CIPFA indicates that the benefits of independent member(s) to serving on Audit and Governance Committees are:

- To supplement the knowledge and experience of elected representatives in specific areas, such as audit or financial reporting.
- To provide continuity outside the political cycle. This is of particular importance where membership of the committee changes annually or because of elections.
- To help achieve a non-political focus on governance, risk and control matters

11.2 Ms Rachel Oakes has been an Independent Member on the Committee since 1 June 2023.

## 12.0 Audit and Governance Committee Member Training and Development

To comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) advises that regular briefings and training are essential to keep Audit and Governance Committee Members up-to-date, confident and effective in their role.

- 12.1 On 15 March 2023 the Committee gave its approval for the 2022-2023 programme of Audit and Governance Committee briefing sessions based on the key competencies outlined by CIPFA to be held for one hour prior to scheduled meetings of the Audit and Governance Committee. Details of the programme of briefings and how they fulfil CIPFA key competencies Appendix 3 to this report.
- 12.2 The report also indicated that as the Treasury Management function crosscuts all Council business it would be helpful for Treasury Management training to be provided to all Councillors. The Committee therefore gave its approval for this course to be included in the Member Development Handbook 2023-24 provided to Councillors at the start of the Municipal Year. This is in line with CIPFA code which states:

*“The responsible officer will ensure that board/council members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.*

*Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively”.*

The Treasury Management Training event for all Councillors was held on Teams and delivered by the Council’s Treasury Management Consultants – Arlingclose on 11 November 2023.

- 12.3 CIPFA stresses the importance of Audit and Governance Committee Members being committed to and ‘buying into’ training and development regardless of previous knowledge and skills they had when they joined the committee; ensuring that their knowledge is kept up to date, giving them more confidence and understanding of their role as A&G Committee members and helping to facilitate effective, participation and decision making at meetings.
- 12.4 The following table provides details of the 2023-2024 training sessions:

<b>Date and Topic</b>	<b>Presenter</b>
<b>19 July 2023</b>  <b>New Risk Management</b>	Chief Internal Auditor
<b>6 September 2023</b>  <b>Financial Management and Accounting</b>	Service Manager - Finance
<b>20 March 2023</b>  <b>Treasury Management</b> (Facilitated by the Council's Treasury Management Consultants)	Arlingclose – The Council's Treasury Management Consultants

### 13.0 Outcomes / Achievements

The work undertaken by the Committee has provided additional assurance of the robustness of the Council's arrangements regarding corporate governance, risk management and internal management of controls. The Committee has added value through the importance placed upon governance issues, risk management, anti-fraud and assurances that key risks are being mitigated.

- 13.1 The continuation of the Work Programme for the Audit and Governance Committee is seen as a positive step in ensuring that the Committee remains on track with its ambitious schedule of work. The introduction of quarterly Work Programme update reports are a useful means of monitoring adherence to the annual work programme
- 13.2 The continuation of a Self-Assessment Exercise completed by Members of the Committee, provides reassurance that the Committee is equipped to fulfil its role in providing independent assurance to the Council in respect of the effectiveness of the Council's governance arrangements, risk management framework and the associated control environment; and independent scrutiny of the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment and helping provide assurance that the Committee is soundly based and has in place a knowledgeable membership.
- 13.3 The continued appointment of an Independent Member is seen as a positive development for the Committee in helping to supplement the knowledge and experience of elected members and to help achieve a non-political focus on governance, risk and control matters.



## 14.0 Conclusion and Future Plans

- 14.1 The Committee has the benefit of being well supported by Council officers including the Section 151 Officer, the Monitoring Officer and the Chief Internal Auditor as well as the Council's external auditors.
- 14.2 During 2023/2024 the Audit and Governance Committee has consolidated the progress that has been made in previous years in providing robust scrutiny and challenge of the Committees Terms of Reference and in doing so the Committee has continued to have a real and positive contribution to the governance arrangements of the Council.
- 14.3 In order to build on the key achievements of 2023/2024 and in looking forward to the Committee's work programme for 2024/2025 the Committee will:
- Continue to review all elements of the governance arrangements associated with Audit and Governance Committee ensuring that best practise is adopted in a timely fashion;
  - Continue to support the Council in managing the risk of fraud and corruption.
  - Continue to support the work of audit.
  - Continue to consider the effectiveness of the Council's risk management arrangements.
  - Continue to provide effective challenge and scrutiny of all areas of the Audit and Governance Terms of Reference giving the appropriate assurances to the Council.
  - Continue to provide Audit and Governance Committee Members with training to help ensure that they remain up to-date, confident and effective in their role on the Committee.