



# **ANNUAL REPORT OF THE CHAIR OF THE AUDIT AND GOVERNANCE COMMITTEE – 2022-23**

## **JULY 2023**

# CONTENTS

<b>Section</b>	<b>Page</b>
<b>Foreword</b>	<b>2</b>
<b>1 Background</b>	<b>4</b>
<b>2 Committee Role and Responsibilities</b>	<b>5</b>
<b>3 Audit Committee Membership</b>	<b>5</b>
<b>4 2022-23 Committee Achievements</b>	<b>5</b>
- Internal Audit	<b>5</b>
- External Audit	<b>6</b>
- Risk Management	<b>7</b>
- Regulatory and Governance	<b>7</b>
- Treasury Management	<b>7</b>
- Annual Statement of Accounts and the AGS	<b>8</b>
<b>5 Work Programme</b>	<b>8</b>
<b>6 Training</b>	<b>8</b>
<b>7 Conclusions</b>	<b>8</b>

## Foreword

As Chair of the Audit and Governance Committee (the Committee), I am pleased to present this report on our contribution to the Council's oversight of risk and governance for 2022-23.

Effective management and governance are important to ensure that the Council successfully delivers crucial services to our community, improves performance and reduces the risk of not achieving our objectives.

The Committee is a core component of effective governance. Our role is to independently oversee and assess the internal control, governance and risk management environment and to constructively advise the Council on the adequacy and effectiveness of these arrangements.

As Chair, I also consider training a key priority for Members in order for us to undertake our roles effectively.

Our work programme is structured around the Committee's main areas of responsibility. It is reviewed and agreed at each meeting to enable key tasks to be considered and delivered.

Through our work programme, we have provided independent assurance on the adequacy of the governance, risk management and control environment. This includes assurance on the Council's performance where this affects exposure to risk and weakens the control environment. We have also overseen the statutory financial reporting process.

The External Auditor gave an unqualified opinion on the 2021-22 annual accounts. They stated that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The work of the Committee has contributed to this conclusion.

This report informs Council of the Committee's work in 2022-23 and to note our opinion on the standard of governance, risk management and the audit arrangements in place.

The Committee has made a positive contribution to the Council's overall governance, control and risk arrangements and has been successful in fulfilling its terms of reference. I am satisfied that the Council has maintained an adequate and effective internal control framework through the period covered by this report.

The Committee has considered regular reports on treasury management, risk management, procurement, fraud, Internal Audit Progress, the Annual Statement of Accounts and Annual Governance Statement.

As a result of last year's independent review of our risk register, progress has been made in terms of aligning the Strategic Plan, Budget and Commissioning Intentions. There is more work to be done in clarifying what achievements the Council wants to reach in the Strategic Plan timescale and what annual milestones will help achieve those targets. This will then allow the Strategic Risk Register to be constructed according to those targets. The Risk Register will then help the Committee develop the annual work plan for Internal Audit focussing on the key risks. This will then help both Cabinet and scrutiny committees effectively monitor progress towards achieving the goals of the Strategic Plan.

Finally, I would like to convey my thanks to all the members of the Committee and to the officers for all the work done during the past year. While the work was performed under somewhat challenging circumstances the results have justified the effort.

**Councillor Colin Hay**

**Chair of the Audit and Governance Committee**

## 1. Background

- 1.1 Gloucestershire County Council (the Council) is responsible for ensuring that its business is conducted lawfully and to proper standards. This includes ensuring that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. In discharging this responsibility, the Council must ensure that it has proper arrangements for the governance of its affairs in place.
- 1.2 A sound corporate governance framework requires accountability to service users, stakeholders and the wider community. Within this, the Council takes decisions, leads and controls its functions to achieve stated objectives and priorities. It thereby provides an opportunity to demonstrate the positive elements of the Council's business and promote public confidence. Audit Committees are widely recognised as a core component of effective governance.
- 1.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) confirm that "Audit Committees are a vital part of any organisation". The Council's Audit and Governance Committee (the Committee) is responsible for overseeing corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement (AGS). The Committee's specific powers and duties are set out in the Council's Constitution.
- 1.4 The key benefits of the Committee are:
  - i. Maintaining public confidence in the objectivity and fairness of financial and other reporting. This includes providing a focus on financial reporting throughout the year, leading to confidence in the objectivity and fairness of the governance arrangements operating within the Council;
  - ii. Reinforcing the importance and independence of Internal and External Audit and any other similar review process;
  - iii. Considering assurance from various sources and holding management to account;
  - iv. Providing assurance through a process of independent and objective review, via the Internal Audit service provided by Audit Risk Assurance (ARA);
  - v. Raising the Council's awareness of the need for governance, ethical behaviour, internal control and the implementation of audit recommendations; and
  - vi. Providing assurance on the adequacy of the Council's risk management arrangements, including the risk of fraud and irregularity.
- 1.5 The Committee is established in accordance with CIPFA's "Audit Committees – Practical Guidance for Local Authorities and Police – 2022". It has a direct reporting line to full Council, and the Chair also has direct access to the Chief Executive and the Leader, if required.
- 1.6 Despite the challenges faced by the Council in 2022-23, the Committee maintained a detailed work programme for its main areas of activity which it considered and updated at each meeting.

- 1.7 The Committee met five times during the year and each meeting had a full and wide-ranging agenda, reflecting its broad role.

## **2. Committee Role and Responsibilities**

- 2.1 The core functions of the Committee are incorporated in its terms of reference. They are presented under the main areas of activity, which are to oversee:
  - i. Audit activity (Internal, External and any Inspections);
  - ii. Regulatory framework; and
  - iii. The Statutory Accounts and AGS.
- 2.2 The Committee raises awareness of the need for sound internal control and risk management arrangements. The Committee provides assurance to the Council and stakeholders about these important aspects of governance.

## **3. Audit Committee Membership**

- 3.1 The Committee's membership of 11 elected Councillors and one independent member for 2022-23 was:
  - i. Councillor Colin Hay (Chair)
  - ii. Councillor Stephan Fifield (Vice-Chair)
  - iii. Councillor Matt Babbage
  - iv. Councillor John Bloxsom
  - v. Councillor Alex Hegenbarth
  - vi. Councillor Stephen Hirst
  - vii. Councillor Alan Preest
  - viii. Councillor Brian Tipper
  - ix. Councillor Chloe Turner
  - x. Councillor Susan Williams
  - xi. Councillor Dr David Willingham; and
  - xii. Independent Person – David Clowes
- 3.2 The Council's officers and External Auditors (Grant Thornton) support the Committee. Key officer engagement is principally via the Executive Director of Corporate Resources (S151 Officer), the Monitoring Officer and the Head of ARA.

## **4. 2022-23 Committee Achievements**

- 4.1 The outcomes of the Committee's work in relation to its core functions are summarised below.
- 4.2 **Internal Audit** – the Council's Internal Audit is provided by ARA. The Committee reviewed and considered:
  - i. The Internal Audit Annual Plan for 2022-23. The Committee contributed towards the formulation of the Internal Audit Plan. The plan helps Internal Audit to target resources to those areas considered to be the highest risks, or which contribute most to the achievement of the Council's corporate objectives;

- ii. The Head of ARA's Annual Report and opinion for 2021-22. This provided an Acceptable opinion on the effectiveness of the Council's internal control environment and summarised the activity upon which this was based. The Committee can therefore take reasonable assurance that there is a sound system of internal control in place at the Council;
- iii. The Annual report on School Assurance Statements 2020-21;
- iv. Internal Audit reports – this included receiving responses from officers and Members;
- v. Reports on Internal Audit's progress against the Annual Audit Plan through regular update reports presented by the Head of ARA;
- vi. Management progress to address control weaknesses identified in Internal Audit reports where a limited opinion on the control environment has been provided;
- vii. Considered the outcomes of special investigations undertaken by the Internal Audit Counter Fraud team. This included progress made in the investigation of queries arising as a result of the National Fraud Initiative (NFI) data matching exercise; and
- viii. Received updates on the work around the Gloucestershire Fire and Rescue Service and counter fraud activities. The GFRS Progress Report has been concluded and all recommendations were confirmed as implemented.

4.3 **External Audit** – the Committee (or the Chair via delegated responsibility) have monitored the work of the External Auditor and have:

- i. Considered and accepted the Annual Audit Report for 2021-22. This summarises the outcomes from External Audit work during this period;
- ii. Received and considered regular External Audit progress reports;
- iii. Considered and approved the Council's draft Statement of Accounts for 2021-22, with regular updates on the position received from External Audit. The S151 Officer and the Chair signed a letter of representation on behalf of the Committee and Council to Grant Thornton, to enable the 'unqualified' opinion to be issued;
- iv. Considered and accepted the Audit Results Report;
- v. Considered and approved the Letter of Representation; and
- vi. Considered and accepted the External Auditor's Plan for 2022-23, which sets out work to be undertaken on the accounting statements and to provide a value for money opinion.

- 4.4 **Risk Management** – the Committee considered risk and opportunity management implications within Internal Audit reports.
- 4.5 Risk management is a key component of effective governance. The Committee and senior management supported an independent review of the Council’s risk management arrangements.
- 4.6 The Committee reviewed the programme of improvement formulated by the Planning, Performance and Insight service (which included suggested actions from the independent review of risk management undertaken in 2021-22). This will ensure that risk management continues to be embedded within the Council’s key business processes.
- 4.7 The Committee considered and approved the Annual Risk Management Activity Report.
- 4.8 The Committee also received regular risk management update reports (including the review of the strategic risk register) and being presented with the actions taken by the council to identify and address corporate risks. The Committee recognised that the corporate risk register required further review and enhancement, which is currently being addressed.
- 4.9 **Regulatory and Governance** – the Committee received:
- i. The Whistleblowing Annual Report;
  - ii. The Member Code of Conduct Annual Report;
  - iii. The Local Government and Social Care Ombudsman’s Annual Review Letter and the RIPA Policy;
  - iv. The Annual review of the Council’s use of the Regulation of Investigatory Powers Act 2000 (RIPA);
  - v. The Committee also reviewed the Council’s Local Code of Governance (the Code) and the AGS. The Code will be kept under review and be subject to Internal Audit inspection to verify supporting evidence; and
  - vi. The Committee reviewed the progress made by management to address the required actions identified in the 2021-22 AGS Improvement Plan;
- 4.10 In addition, the Committee continued to monitor the Local Government Ombudsman Annual Report, Freedom of Information Annual Report and considered the actions required to further improve the Council’s performance.
- 4.11 **Treasury Management** – is a key area for the Committee to monitor and they continue to consider and recommend to full Council for approval amendments to the investment strategy in response to changing market conditions. During the year, the Committee has:
- i. Received and approved the Annual Treasury Management report which looked at the final 2021-22 outturn position;



- ii. Received and approved the Treasury Management mid-year activity reports which monitors treasury activity against the 2022-23 strategy; and
- iii. Also considered and recommended to full council the Capital, Treasury and investment Strategy for 2022-2023, including the Minimum Revenue Provision Policy. This report also set the council's prudential indicators for 2022-23.

#### 4.12 Annual Statement of Accounts and the AGS – the Committee:

- i. Scrutinised the draft annual Statement of Accounts for 2021-22;
- ii. Ensured appropriate accounting policies had been followed and considered whether there were any concerns that needed the attention of Council. Following scrutiny, the Committee approved the annual Statement of Accounts; and
- iii. Considered and approved the AGS for 2021-22.

### 5. Work Programme

- 5.1 The Audit Committee can report that the majority of governance functions and processes are well-controlled and delivered.
- 5.2 Where Internal Audit reports revealed risks of concern, the Committee have asked questions to management to explain their plans to rectify any areas of weakness.
- 5.3 Recent reports to the Committee have indicated that further work is needed on some areas around counter fraud and risk management arrangements.

### 6. Training

- 6.1 A breadth of mandatory training sessions and wider training opportunities were on offer to all Council Members in 2022-23 including:
  - i. Annual Governance Statement, Local Code of Corporate Governance and Annual Statement of Accounts;
  - ii. Treasury Management; and
  - iii. The Role of Internal Audit.

### 7. Conclusions

- 7.1 The Committee has been successful in maintaining oversight of the Council's governance, risk management and internal control framework throughout 2022-23 and providing constructive challenge.

- 7.2 The Committee's work programme is dynamic. The programme is regularly reviewed to ensure the Committee maximises its contribution to the governance and control framework, while ensuring that the agenda for meetings are focused on key issues.
- 7.3 The Committee is committed to ensuring high governance standards are maintained.
- 7.4 During 2023-24, the Committee will continue to be an important source of assurance over the Council's risk management and control environments, and the financial and performance reporting arrangements.
- 7.5 In particular, the Committee will continue to:
- i. Support the work of Internal and External Audit and ensure appropriate responses are given to their recommendations;
  - ii. Monitor actions arising from the AGS Action Plan for 2022-23, to ensure the Council's governance arrangements are effective; and
  - iii. Monitor actions arising from the Risk Management Annual Report 2022-23 Action Plan and support their implementation.