



**ANNUAL REPORT OF THE  
CHAIR OF THE AUDIT AND  
GOVERNANCE  
COMMITTEE – DRAFT**

**2022-23**

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## Foreword

As Chair of the Audit and Governance 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 Audit and Governance Committee (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.

The Committee considers and monitors internal and external reports, and recommends actions to the Council to address any deficiencies.

We undertake a substantial range of activities and work closely with the Head of Finance and Resources (Section 151 Officer), the Monitoring Officer, Internal and External Audit.

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.

In addition to this, Members have requested additional detailed reports from officers on particular areas where we felt this to be helpful for assurance purposes.

The External Auditor has not completed their audit of the Council's statutory accounts for 2020-21 or 2021-22. Therefore, the Committee have not been able to sign these off. The Committee have, however, received and approved the Annual Governance Statement for 2021-22.

During 2022-23, the Council has been recovering from the cyber incident. The Committee played an important role in this by questioning management on the Council's actions and scrutinised responses. We will continue to monitor IT and other risks to ensure the Council mitigates against these.

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

The Committee has made a positive contribution to the Council's overall governance, control and risk management 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.

**Councillor Declan Wilson**

**Chair of the Audit and Governance Committee**

## 1. Background

- 1.1 Gloucester City 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 involves 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 Audit and Governance 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 financial 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 Managing Director and the Leader, as 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's presence and effective operation provide assurance to the Council and stakeholders about these important aspects of governance.

## **3. Audit Committee Membership**

- 3.1 The Committee's membership of nine elected Councillors for 2022-23 was:
  - i. Councillor Wilson (Chair);
  - ii. Councillor Gravells (Deputy Chair);
  - iii. Councillor Brooker;
  - iv. Councillor Bowkett;
  - v. Councillor Durdey;
  - vi. Councillor Melvin;
  - vii. Councillor Patel; and
  - viii. Councillor Pullen;
- 3.2 The Council's officers and External Auditor (Deloitte) support the Committee. Key officer engagement is principally via the Head of Finance and Resources (S151 Officer), the Monitoring Officer and the Head of ARA.

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

- 4.1 The Council's focus in 2022-23 was on recovery from the cyber incident and officers worked hard to address the position and minimise the impact on customers.
- 4.2 The Committee received regular updates on the Council's recovery to ensure understanding of the risks and the relevant action plan.
- 4.3 The Committee asked questions of management regarding the Council's response to the incident and scrutinised these.
- 4.4 The IT position necessitated an update to the Internal Audit Annual Plan for 2022-23 which was overseen and agreed by the Committee.

- 4.5 The Committee will continue to oversee the Council's recovery from the incident and to ensure that mitigating actions minimise the likelihood of a reoccurrence.
- 4.6 The Committee continued to oversee the Council's work on risk management, governance, treasury management and anti-fraud.
- 4.7 The outcomes of the Committee's work in relation to its core functions are summarised below.
- 4.8 **Internal Audit** – the Council's Internal Audit service is provided by Audit Risk Assurance (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. Following this, the Committee oversaw amendments to the Internal Audit Plan 2022-23, which were necessitated after the cyber incident. The Committee received regular management updates on the incident and the Council's recovery position to date, to ensure understanding of the risks and the relevant action plan;
  - iii. 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 that opinion was based. The Committee can therefore take reasonable assurance that there is a sound system of internal control in place at the Council;
  - 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; and
  - vii. 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.
- 4.9 **External Audit** – the Committee have monitored the work of the External Auditor and have:
- i. Received and considered regular External Audit progress reports;
  - ii. Considered and accepted the Audit Results Report;
  - iii. Considered and approved the Letter of Representation; and
  - iv. Considered and accepted the External Auditor's Plan for 2022-23.

- 4.10 The External Auditor has not completed their audit of the Council's statutory accounts for 2020-21 or 2021-22. Therefore, the Committee have not been able to sign these off.
- 4.11 **Risk Management – the Committee:**
- i. Received regular risk management update reports (including the review of the Strategic Risk Register); and
  - ii. Considered risk and opportunity management implications within Internal Audit reports.
- 4.12 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. Key outcomes from the review were included in the Risk Management Action Plan 2022-23. The report was presented to the Committee in July 2022.
- 4.13 **Regulatory and Governance – the Committee:**
- i. Reviewed and approved the Council's 2021-22 Local Code of Governance (the Code) and AGS. The Code will be kept under review and be subject to Internal Audit inspection to verify supporting evidence;
  - ii. Reviewed the progress made by management to address the required actions identified in the 2020-21 AGS Improvement Plan;
  - iii. Considered updates on key areas including the Appointment of an Independent Member (an action from the most recent self-assessment of the effectiveness of the Committee); and the Council's ICT position;
  - iv. In 2023-24, the Committee will receive and scrutinise an Assurance Map. This will identify areas of assurance and identify any gaps; and
  - v. The Committee have recruited to and have appointed an independent person as an additional member. This is a non-political appointment that will enhance the independence of the Committee.
- 4.14 **Treasury Management – is a key area for the Committee to monitor. The Committee considers and recommends approval by Full Council of amendments to the investment strategy in response to changing market conditions. The Committee has:**
- i. Approved the half yearly Treasury Management activity reports; and
  - ii. Considered and recommended to Full Council for approval the Treasury Management Strategy, the Annual Investment Strategy and Minimum Revenue Provision Policy Statement 2022/23 (through the March 22 Committee meeting). These reports set the Council's prudential indicators and the treasury strategy for the respective periods. This is a key area for the Committee to monitor, consider and recommend to Full Council for approval amendments to the investment strategy in response to constantly changing market conditions.

#### **4.15 Annual Statement of Accounts and the AGS – the Committee:**

- i. Had not been able to sign off the Council's 2020-21 or 2021-22 statutory accounts as External Audit have not completed an audit of these periods.
- 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 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 anti-fraud and risk management arrangements.

### **6. Training**

- 6.1 A breadth of training opportunities were offered to all Members within the year.
- 6.2 In addition to the above, the following training was specifically made available to members of the Committee to support them in discharging their responsibilities:
  - i. Role of Internal and External Audit;
  - ii. Role of the Audit Committee in relation to the Annual Statement of Accounts;
  - iii. Role of the Audit Committee in relation to governance, risk and control;
  - iv. The Committee's standards role; and

### **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.