

Name of Committee:	Audit and Finance Committee		
Committee Date:	18 October 2023		
Report Title:	Audit and Finance Committee Annual Report 2022/23		
Responsible Councillor:	Councillor Diamond, Chairman of the Audit and Finance Committee		
Cabinet Lead:	Councillor Bowdell		
Status:	Non-Exempt		
Urgent Decision:	No	Key Decision:	No
Appendices:	None		
Background Papers:	None		
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Report Number:	HBC/046/2023		

Corporate Priorities:

As part of the People First theme, the Corporate Strategy highlights that the Council “.. will strive to improve our services and modernise”.

Executive Summary:

The Audit and Finance Committee is a key component of a council’s corporate governance framework. It provides an independent and high-level focus on the audit, risk management, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the report is to give an account of the Committee’s performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose and in doing so provide assurance to the Council on the adequacy of the risk management framework and the internal control environment.

Recommendations:

Recommend Council to note the submitted Audit and Finance Committee Annual Report 2022/23

1.0 Introduction

- 1.1 The Audit and Finance Committee is a key component of a council's corporate governance framework. It provides an independent and high-level focus on the audit, risk management, assurance and reporting arrangements that underpin good governance and financial standards.
- 1.2 The purpose of the Committee is to provide independent assurance to the council on the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It also oversees the work of both the internal and external auditors, helping to ensure that efficient and effective assurance arrangements are in place.
- 1.3 The key benefits of the Committee can be seen as:
- a. increasing public confidence in the objectivity and fairness of financial and other reporting;
 - b. reinforcing the importance and independence of internal and external audit and similar review processes;
 - c. providing additional assurance through a process of independent review;
 - d. raising awareness of the need for internal control and the implementation of audit recommendations; and
 - e. ensuring the National Audit Office's key principals of: Efficiency; Economy; Effectiveness and Equity are embedded across the organisation.
- 1.4 The Committee aims to complete the following main sources of assurance each year:
- a. Annual Governance Statement - this is the statutory report which the Committee approves and forms part of the council's Statement of Accounts;
 - b. Approve the statement of Accounts for the previous year;
 - c. Strategic Risk Register – detailing how and where the Committee can gain assurance that risks are being well managed;
 - d. Internal Audit - the ongoing work of, and reports from the council's internal auditors; and
 - e. External Audit - the reports submitted to the Committee by the Council's external auditors who are set by the Public Sector Audit Appointments (PSAA) and are currently Ernst Young.
- 1.5 The Committee's business was impacted by the:
- a. consequences of Covid;
 - b. the restructuring of the Finance Team because of the transference of this function back to the Council; and

- c. the national shortage of external auditors, which had delayed the signing-off of the 2021/22 Statement of Accounts and the subsequent effect in the preparation of the accounts for 2022/23.

Therefore, at the time of writing, there are still elements of the 2022/23 Committee cycle to be completed.

- 1.6 Following the May 2023 local elections, I was pleased to take the role of Chairman of the Committee and would like to place on record my thanks to all of the past members who served on the Committee during the year 2022/23, alongside who have provided ongoing advice to the Committee and our internal and external auditors who have all contributed towards its success.

2.0 Background

- 2.1 The Audit and Finance Committee’s terms of reference require the Council to report to Full Council on the Committee’s performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

3.0 The Committee’s Business

- 3.1 During the 2022/23 municipal year the Committee met three times and conducted the following business:

<p>External Audit - Updated Audit Results report for year ending 31 March 2021</p> <p>External Audit Progress Reports and Sector</p> <p>External Auditors Outline Plan 2020/21</p> <p>Mid Year Treasury Management & Outturn Report 2021-22</p>	<p>Internal Audit Annual Report 2022/23</p> <p>Internal Audit Progress Reports</p> <p>Options for internal audit days for 2023/24</p>
<p>Regulation Of Investigatory Powers Act (RIPA) Policy</p>	<p>Draft Annual Governance Statement 2021/22</p> <p>Corporate Governance and Risk Policy</p> <p>Ombudsman Annual Review Letter 2021/22</p> <p>Quarterly Governance & Risk Report</p>

3.2 Risk Management

The Committee regularly receives and reviews the council's Corporate Governance and Risk Policy, and assesses the assurance provided to demonstrate how risks are being mitigated. It may also, where required, call in individual risks for a more detailed review.

3.3 The work of our internal and external auditors

The Council's internal auditors gave the following opinion in their 2020/21 Annual Report:

"In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed."

While not fundamental to the overall control environment, they gave a 'limited' rating in four of their internal audit reports and it remains important that the recommendations made in these areas are implemented and improvements made, in a timely manner.

There concerns related to:

- a. Risk management;
- b. Procurement;
- c. Accounts Receivable/Debt Management; and
- d. Asset Management – Tenanted Properties

The Committee has monitored these concerns throughout the year and sought assurance that action was being taken to improve these services.

The External Auditors issued a (2020/21) Audit Results Report dated 19 July 2022 to the Audit and Finance Committee on 28 July 2022. In this work they issued an unqualified opinion concluding that: the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

The national shortage of external auditors has delayed the signing-off of the 2021/22 Statement of Accounts and the subsequent effect in the preparation of the accounts for 2022/23. Therefore, at the time of writing, there are still elements of the 2022/23 Committee cycle to be completed.

3.4 Counter Fraud

One of the roles of the Committee, is to review the assessment of fraud risks and potential harm to the council from fraud and corruption along with monitoring counter-fraud actions.

On 28 July 2022, the Committee reviewed and approved the Council's Regulation of Investigatory Powers Act (RIPA) Policy. Unfortunately, due to the impact of Covid, the council policies in relation to whistleblowing and anti-fraud and corruption, including anti money laundering have not been reviewed for some time. It is expected that these policies will be considered by the Committee in 2023/24.

3.5 Governance

One of the core roles of the Committee, is to review the adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management).

In 2022 the Committee noted changes to the draft and final Annual Governance Statement for 2021/22 on behalf of the Council, showing how the Council complied with the Code of Corporate Governance and highlighting areas of continued progress.

The Committee also received the Annual Review Letter 2022 from the Local Government & Social Care Ombudsman and noted that the Council was fully compliant with the outcomes and remedies recommended by the Ombudsman in the two upheld complaints.

4.0 Options

4.1 This report is presented to enable the Audit Committee to fulfil its responsibility for reporting on how they have discharged their duties.

5.0 Relationship to the Corporate Strategy

5.1 The Council has a duty to ensure that it is fulfilling its responsibilities for adequate and effective internal control, risk management and governance, as well as the economy, efficiency and effectiveness of its activities. The Audit and Finance Committee has a key role in overseeing and assessing the internal control, risk management and corporate governance arrangements and advising the Council on the adequacy and effectiveness of those arrangements.

6.0 Conclusion

- 6.1 The Audit and Finance Committee considers that it has continued to make a significant contribution to ensuring that the key elements of the governance framework are given proper consideration and are appropriately challenged. It will continue to develop this role and contribute to strengthen internal control, risk management and governance throughout the authority.

7.0 Implications and Comments

7.1 S151 Comments

The Audit and Finance Committee acts on behalf of the Council in playing a vital role in ensuring the financial stability and integrity of the authority and that sound governance processes are in place. The report reflects the work of the committee over the past year and I fully support the contents of the report.

There are no financial implications as a result of this report.

7.2 Monitoring Officer Comments

The Monitoring Officer welcomes this report and the Audit and Finance Committee's oversight of the Council's governance framework.

7.3 Legal Implications

None arising from this report.

7.4 Equality and Diversity

None arising from this report.

7.5 Human Resources

None arising from this report.

7.6 Information Governance

None arising from this report.

7.7 Climate and Environment

None arising from this report.

8.0 Risks

- 8.1 There are no immediate risks arising this report.

9.0 Consultation

- 9.1 None

10.0 Communications

- 10.1 Not applicable