

# Public Document Pack



**Standards and Audit Committee**

**Tuesday, 19 March 2024 at 7.30 pm**

**Council Chamber - Civic Centre**

**Supplementary Agenda**

	<u>Page</u>
5. External Audit Update BDO	2 - 7
12. Standards and Audit Proposed Work Programme	8 - 18

**The Appendix to this report is to follow**



Report to the Standards and Audit Committee

# RUNNYMEDE BOROUGH COUNCIL

Audit Progress Report: year ended 31 March 2020

IDEAS | PEOPLE | TRUST



## AUDIT UPDATE



On the following pages we have provided an update on the progress of our audit on the Council's 2019/20 financial statements, together with some background to recent consultations aimed at addressing the significant backlog in audits across the local government sector.

We expect to conclude our audit of 2019/20 in advance of the backstop dates proposed in the consultation, and on the following pages we have set out the work necessary to conclude that audit together with a timetable for completion of that work.

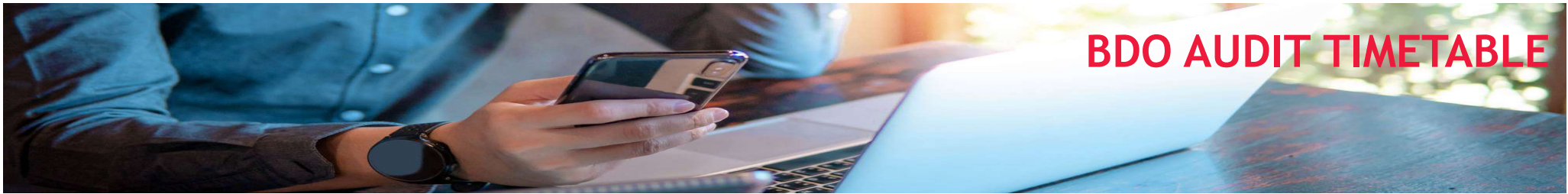
For our audit of the years 2020/21, 2021/22 and 2022/23, then subject to the outcome of those consultations, our expectation is that we will disclaim our opinion on the Council's financial statements for those years.

On page 5 of our report, we have provided an update on our audit fees, including an indication of the variation to the 2019/20 scale fee that we are likely to seek.

We look forward to discussing our report with you.

Steve Bladen

15 March 2024



## BDO AUDIT TIMETABLE

We have set out below a timeline for completion of our 2019/20 audit, and other open audit

### MARCH 2024

- ▶ Held further meetings with Director of Finance and Head of Finance to discuss legal advice obtained by Council in relation to investment Property acquisitions
- ▶ Provided an update report to the Standards and Audit Committee

### MARCH - MAY 2024

- ▶ Completion of our 2019/20 value for money work. As part of this we are reviewing
  - the Council's consideration of the financial and other risks associated with the acquisition investment property and the associated borrowing
  - the adequacy of the legal advice obtained by the Council, and whether any further advice is required
  - whether in acquiring these assets the Council acted in accordance with the applicable statutory framework.
- ▶ We will also consider the Best Value Notice issued in December 2023 by the Department for Levelling Up, Housing and Communities, the Capital Assurance Review undertaken by the Chartered Institute of Public Finance and Accountancy, and the Council's response to this.

### JULY - AUGUST 2024

In relation to 2019/20 we will:

- ▶ Finalise our audit procedures
- ▶ Reconsider any new information that has arisen
- ▶ Report the final position to Those Charged With Governance
- ▶ Issue our 2019/20 auditor's report

In relation to 2020/21, 2021/22, and 2022/23:

- ▶ Complete value for money conclusion work
- ▶ Undertake any necessary work in advance of us issuing our audit report on those year

### SEPTEMBER 2024

- ▶ Subject to the outcome of the consultations referred to on the following page, we will:
  - Issue Auditor's Annual Report and commentary on VFM covering period 2020-21 - 2022-23
  - Issue auditor's reports on 2020/21, 2021/22 and 2022/23 in line with new code requirements

## SECTOR UPDATE

On 8 February 2024, a consultation was launched as part of a cross-system effort to address the backlog in local government audits across the sector. In summary:

- The Department for Levelling Up, Housing and Communities sought views on changes to the Accounts and Audit Regulations 2015 to introduce backstop dates for the publication of audited accounts
- The National Audit Office sought views on changes to the Code of Audit Practice to support auditors to meet backstop dates and promote more timely reporting of their work on value for money arrangements

Further details can be found [here](#).

Key elements of the consultation included proposals for:

- Auditors to produce a single commentary on value for money arrangements covering all outstanding periods up to 2022/23
- A proposed backstop date of 30 September 2024 for auditors to issue audit opinions, including modified or disclaimed opinions due to the backstop, for all periods up to and including 2022/23
- A series of backstop dates for later periods of account

Both consultations closed on 7 March and BDO responded to both consultations. We await the Government's final proposals but continue to consider the implications for our audit of future periods.

On 29 February 2024, the Chartered Institute of Public Finance and Accountancy (CIPFA) launched its Invitation to Comment on short term proposals intended to help address the backlog of local authority audits. After considering a wide range of options CIPFA decided to explore two approaches. These would affect the 2023/24 and 2024/25 Codes, by providing:

- An option to simplify measurement of operational property plant and equipment using specified indexation, and
- Reduced disclosures for pensions reporting, by aligning that reporting with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland

The Invitation to Comment can be found [here](#).

## FEES

Public Sector Audit Appointments Limited are responsible for setting the fees payable to auditors for the audit of local government bodies. PSAA set the scale fee for audits covering the periods 2018/19 to 2019/20 at £34,754 (net of any rebate given by PSAA for the 2022/23 year).

### 2018/19

We have previously reported to this Committee that we are seeking an additional fee of £38,000. We have submitted this variation to PSAA; PSAA are currently considering this. The variation arises because of:

- Additional work undertaken to test the valuation of Investment Property
- Work undertaken to test the consolidation of subsidiary entities into the Council's group financial statements

### 2019/20

For our audit of the Council's 2019/20 financial statements, we expect to seek a variation to the scale fee, again reflecting the additional work undertaken around the areas noted above.

We will confirm any variation to the Council following completion of our audit, although we currently expect the quantum of any variation sought to be broadly similar to that sought in 2018/19.

In seeking a variation to the scale fee, we will follow PSAA's approval process. This will include seeking to agree the variation with the Council's s151 Officer and reporting any variation to this Committee.

### 2020/21 - 2022/23

PSAA will use its fee variation process to determine the final fees local public bodies will have to pay in relation to delayed audits.

FOR MORE INFORMATION:

STEVE BLADEN

t: +44 (0)20 3860 6563

m: +44 (0)7870 514535

e: [steve.bladen@bdo.co.uk](mailto:steve.bladen@bdo.co.uk)

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the Council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

BDO is an award winning UK member firm of BDO International, the world's fifth largest accountancy network, with more than 1,500 offices in over 160 countries.

BDO LLP is a corporate establishment under the Limited Liability Partnership Act 2000 and a UK Member Firm of BDO International. BDO Northern Ireland, a separate partnership, operates under a licence agreement. BDO LLP and BDO Northern Ireland are both separately authorised and regulated by the Financial Conduct Authority to conduct investment business.

©2024 BDO LLP. All rights reserved.

[www.bdo.co.uk](http://www.bdo.co.uk)

<b>Report title</b>	<b>Standards and Audit Committee - Future Work Programme</b>
<b>Report author</b>	Amanda Fahey, Assistant Chief Executive and s151 officer
<b>Department</b>	Corporate Leadership Team
<b>Exempt?</b>	No
<b>Exemption type</b>	Not applicable.
<b>Reasons for exemption</b>	Not applicable.

**Purpose of report:**

- **To resolve**

**Synopsis of report:**

**This report sets out consideration of:**

- **a draft work programme for the Standards and Audit Committee**
- **the frequency of meetings in order to deliver the work programme; and**
- **discussion of the Committee’s role in the Council’s response to its receipt of a non-statutory Best Value Notice.**

**It also provides context to inform the work programme, particularly around the proposed measures to manage the external audit backlog, including recommendations stemming from the Redmond review.**

**Finally, the report makes recommendations about how the Committee can review its effectiveness in delivering its essential governance role.**

**Recommendations:**

**The Standards and Audit Committee is recommended to:**

- i) Approve the draft work programme at Appendix A;**
- ii) Request that the Assistant Chief Executive (s151) develop an appropriate process for self-assessment of the Committee’s effectiveness based on Cipfa guidance and examples of best practice, in consultation with the Chair and Vice-Chair of the Committee and the Corporate Head of Law and Governance;**
- iii) Commit to providing an annual report on its work programme to Full Council;**



- iv) **Instruct that officers explore the potential to seek co-opted independent members of the Committee, reporting options back to the Standards and Audit Committee for consideration; and**
- v) **That Full Council be requested to confirm that responsibility for the Annual Governance Statement and the Statement of Accounts sits with the Standards and Audit Committee**

**1 Context and background of report**

- 1.1 The landscape around local authority governance is perpetually changing and evolving, as the services local authorities provide, and the way those services are delivered, change. Openness and transparency about the way local authorities work, and how they manage risk, is a key part of the assurance provided to residents and wider stakeholders, including central government. Given the continuous nature of change in this area, and the increased perception of risk in the local government sector following the rise in issuance of s114 notices, it is timely to review the work programme of the Standards and Audit Committee and ensure that it continues to provide the necessary governance assurance.
- 1.2 Alongside a review of the work programme, Members of the Committee have requested a review of the frequency of meetings in order to manage the programme, particularly in light of the Council’s recent receipt of a non-statutory Best Value Notice.
- 1.3 It is evident that the Council’s response to the receipt of this notice needs to be delivered at pace and that outcomes of the various workstreams within the programme will touch on areas falling within responsibilities that sit across many Council functions. The Programme Charter for the non-statutory Best Value Notice response includes the following in respect of reporting to Members:

*“Democratic Reporting Intent: each workstream will produce an outcome or deliverable. Depending on the ‘product,’ reports may need to seek Committee approval for implementation. This will be dependent on the purpose of each Committee as per the Constitution.”*

The table below is reproduced from the Charter and sets out the anticipated reporting to each body of the Council.

<b>Committee:</b>	<b>Scope and Purpose:</b>
Standards & Audit Committee	To be made aware of the risks and any action plans developed as outcomes of workstreams. To note that reporting of risks identified will be in accordance with the risk management framework.
Corporate Management Committee (CMC)	Budget approval for the programme expenditure. To note that as part of regular project portfolio reporting, the programme will be reported on a quarterly basis to CMC at the meeting scheduled after the end of each quarterly reporting period Q4, Q1, Q2, Q3. RAG status will be reported as part

	of the monthly dashboard that is published to Members in the Teams area.
Full Council	Summary of the workstream outcomes and deliverables that make up the evidence base for the response.

- 1.4 The Standards and Audit Committee can therefore expect a variety of reports to come forward as the workstreams progress and action plans are developed, although it is difficult to estimate the timing and frequency of these reports at this early stage in the programme.
- 1.5 Another key aspect of the Committee’s work is its role in relation to external audit. This relationship has been tested in recent years due to the backlog in auditing local authority accounts, due to lack of audit resource, and complexity of both local authority accounts and the prescribed national auditing standard to which auditors must adhere. The Redmond review provided a number of recommendations designed to assist audit committees to carry out their duties, and it would be timely to consider these alongside the recent consultation on measures to address the audit backlog in England.
- 1.6 Finally, the report considers how the Committee demonstrates assurance to the organisation and its stakeholders, and seeks continuous improvement in its work, by proposing an annual self-assessment exercise and through the submission of an annual report on its work to Full Council.
- 1.7 While Members previously requested that the work programme and meeting frequency be considered by the Constitution Member Working Party, it is felt to be more appropriate for the Committee itself to debate the issues and recommendations within this report, before taking any necessary Constitution amendments to the Member Working Party for consideration. Much of what is set out in the report could be adopted within the existing remit of the Committee, meaning that constitutional amendments may not be required.

## 2 Current position

- 2.1 The existing remit of the Standards and Audit Committee is covered in [Article 8](#) of the Council’s Constitution and includes the following matters:
- Member Code of Conduct,
  - Reports from the Monitoring Officer
  - Overview of complaints and any Local Government and Social Care Ombudsman investigations
  - Employee appeals
  - Consideration of the Council's overall framework of internal control
  - Oversight of the risk management framework
  - Internal audit reporting
  - Matters referred by the external auditor; and
  - Recommending individuals suitable for appointment as Independent Persons.
- 2.2 This report focuses on the “Audit” functions of the Committee rather than its “Standards” functions, as this is the area that has seen most growth in the past two years and where further change is proposed. The essential governance role of the Committee can be summarised as having responsibility for the framework for internal

control. This is a broad remit, beginning with the adoption of a Local Code of Corporate Governance, which sets out how governance arrangements are managed in the authority, and culminating in the Annual Governance Statement (AGS) which reviews how the Local Code has been adhered to during the year, evidencing good practice and proposing future actions to maintain continuous improvement over its governance functions.

- 2.3 Both internal and external audit, and other external reviews, feed into this process and provide independent assurance, and recommendations for improvements, which the Committee then monitor for implementation. Changes to the governance process should then be incorporated into the Local Code at its next review.
- 2.4 As part of the iterative process described above, the past two years have seen a growth in reporting to the Committee to improve its oversight of key governance areas. Most notably, the Committee has overhauled the layout of the Local Code making it more understandable and linking directly to supporting information; overseen the refresh of the Council's Risk Management Framework, including the development of Risk Appetite Statements and twice-yearly Risk Management reporting; introduced regular reporting on anti-fraud measures and requested data on procurement and contract management processes. As demonstrated by this activity, it is not the day-to-day management of services, deep dives into specific service issues, or the management of the Council's financial position, for example, which sits with the Standards and Audit Committee; these roles lie with the relevant Service Committee or with the Overview and Scrutiny Select Committee. The Standards and Audit Committee's role is one of ensuring that governance processes are in place, are robust and effective, and that appropriate and proportionate controls exist to safeguard the public's interest.
- 2.5 As noted above, the work of internal audit forms a key part of the overall control framework managed by the Committee. The internal audit service reports on its annual plan, progress against the plan, individual assurance reports (especially where they fall below substantial or reasonable assurance levels) and the implementation of recommendations stemming from its assurance reports. This currently involves the internal audit provider reporting to every meeting of the Committee, under its existing meeting frequency. The Committee has also been instrumental in proposing new internal arrangements commencing April 2024, involving a partnership model with Southern Internal Audit Partnership, and provided a robust challenge to the proposal before recommending the Partnership model to the Corporate Management Committee for approval.
- 2.6 The current year (2023/24) has also seen the start of the next 5-year "appointing period" for the Council's external auditors under the procurement led by Public Sector Audit Appointments Limited (PSAA). This has seen the move from the Council's previous external auditors (BDO LLP) to Grant Thornton UK LLP for the years 2023/24 – 2027/28. The extensive backlog in local authority external audit means that BDO are currently still working on the Council's 2019/20 audit with the 3 subsequent years remaining outstanding. While measures to address the backlog are the subject of a recent consultation exercise, in the short term the Committee will need to work with both sets of auditors to understand their approach to the backlog, any changes in audit approach from the in-coming auditor, and to ensure any future audit recommendations are responded to.
- 2.7 Due to the volume of existing work, and in particular the necessity for handover of work between both internal and external auditors, Members requested an additional meeting be added to the 2023/24 calendar during March 2024.

### 3 Review of key work areas and proposals for change

#### Internal Audit

- 3.1 The handover arrangements between the incumbent supplier of internal audit services and the new partnership model will initially require additional reporting to the Committee, as TIAA Ltd close off their current annual programme and SIAP commence the plan for 2024/25. Both auditors are scheduled to present to the March 2024 meeting, and it is also anticipated that TIAA Ltd will bring their final annual report and overall opinion on the internal controls in place during 2023/24 to the May meeting of the Committee. Previously, the audit contract ran to the end of April, but the new contract has been realigned to financial years, running 1<sup>st</sup> April – 31<sup>st</sup> March each year. It is therefore proposed to include a March meeting each year to align with the delivery of the internal audit annual opinion so that it can feed into the Annual Governance review which is considered in May each year. SIAP will continue to report to all Committee meetings during the year, to provide progress updates against the annual plan, any proposed changes to the plan, to bring areas of concern to the attention of the Committee, and to report on the implementation of recommendations. Given this will be the first year under the Partnership arrangement, Members will also be looking to ensure that the arrangement delivers as expected and provides a robust internal audit service.

#### External audit

- 3.2 As with internal audit, the handover of work between external auditors will also impact the work programme of the Committee with the audit of 2019/20 – 2022/23 being undertaken by the outgoing external auditor, BDO LLP, and the years 2023/24 – 2027/28 being the remit of Grant Thornton.
- 3.3 It is hoped that the introduction of backstop dates for the completion of outstanding audits will see the audit process move forward, allowing the Committee to receive more timely audit reporting and restoring confidence in the external audit process. However, there is still a significant amount of work to get through, and it will be a number of years before the external audit process is fully restored to more “normal” deadlines.
- 3.4 The backlog in the publication of audited accounts of local bodies in England has grown to an unacceptable level. The number of outstanding opinions peaked on 30 September 2023 at 918. As at 31 December 2023, the backlog of outstanding audit opinions stood at 771. In July 2023, the Minister for Local Government published a [Cross-system statement](#) to Parliament setting out proposals to tackle this backlog and in February 2024, consultation was issued on taking these proposals forward.
- 3.5 The proposals consist of three stages:
- **Phase 1: Reset** involving clearing the backlog of historical audit opinions up to and including financial year 2022/23 by 30 September 2024
  - **Phase 2: Recovery** from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles
  - **Phase 3: Reform** involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit

- 3.6 **Phase 1** include putting a date in law (the “backstop date”) – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23. Changes to the Code of Audit Practice would require local auditors to comply with the backstop dates by giving their opinions in time for audited accounts to be published and would allow them to provide a single commentary on value for money (VFM) arrangements for local bodies for all outstanding years up to and including 2022/23.
- 3.7 The introduction of backstop dates is likely to increase the number of modified or disclaimed opinions on outstanding accounts if auditors do not have enough time to complete all audit work before that date. It is important that readers of the accounts will be able to distinguish between modified and disclaimed audit opinions caused by the introduction of backstop dates and those that indicate significant financial reporting or financial management issues, so that local authorities will not be unfairly judged should they receive a modified opinion stemming from the imposition of back stop dates for reasons largely outside of their control.
- 3.8 The government will publish a list of local bodies and their auditors which do not meet the backstop date.
- 3.9 **Phase 2** - Following modified or disclaimed audit opinions, auditors will need to audit some of the opening balances in order to obtain assurance over the current year closing balances. Full assurance may need to be built over multiple periods, meaning further modified or disclaimed opinions may be given, in order to minimise additional delay. To prevent this recovery work causing delays to future audits, the proposals involve establishing new statutory backstop dates for all financial years up to and including 2027/28. These backstop dates would replace the existing deadlines in the Accounts and Audit Regulations 2015.
- 3.10 The proposed backstop dates for subsequent years are as follows:
- Year ended 31 March 2024: 31 May 2025
  - Year ended 31 March 2025: 31 March 2026
  - Year ended 31 March 2026: 31 January 2027
  - Year ended 31 March 2027: 30 November 2027
  - Year ended 31 March 2028: 30 November 2028

These dates are intended to achieve a balance between restoring timely audit and returning to unmodified audit opinions for the majority of local bodies. They have also been designed, to the extent possible, to limit the impact on other public sector audits, including NHS audits. It should be noted that despite these extended backstop dates, local authorities are still required to complete their accounts by 31 May each year.

- 3.11 This will not be easy to achieve. Setting aside the scarcity of audit resource, for councils themselves achieving a 31 May 2025 audit completion for the 2023/24 year will sit alongside the same timing as for closedown of the 2024/25 financial year for example, meaning an increased workload for this period. For later years, the auditing period is likely to cut across key budget setting timelines. While this will put pressure on internal resources, councils must work with their auditors to achieve these deadlines, and to repair the audit system, as continued delays have a far greater impact both on the Council’s own staffing resources and the reputational damage risked by having an on-going backlog.

- 3.12 Whilst Phase 1 enables the auditor to incorporate outstanding VFM arrangements reporting for historical years into a single output under a reduced scope, proposals for Phase 2 involve the restoration of full scope VFM arrangements by 2023/24. In addition, it is proposed that the Code of Audit Practice will set a requirement that from 2023/24 the Auditors' Annual Report will be issued in draft to those charged with governance by 30 November each year, irrespective of the position on the audit, to enable auditors to report regularly on most of the VFM arrangements work in a more timely and predictable way. This will impact on the Committee's work programme by having these draft VFM arrangements coming through separately to the final reporting on the main financial statements.
- 3.13 CIPFA/LASAAC will also consult on 3 temporary changes to the Code of Practice on Local Authority Accounting for 2023/24 and 2024/25 in order to reduce some of the complexity in disclosure requirements around valuations and pension accounting, for example, in order to reduce the burden on preparers and auditors in the short term and aid the restoration of timely auditing. At the current time it is not known whether any changes will be in place in time to reduce the 2023/24 burden.
- 3.14 **Phase 3** of the process will build on the recommendations of the [Redmond Review](#) and other recent commentary, to address the systemic challenges that have led to the current backlog, establishing the Audit, Reporting and Governance Authority as system leader for local audit and looking at long term reform of financial reporting based on the needs of users of the accounts. A large number of these recommendations require primary or secondary legislation to be in place to facilitate them, and these have been, and will continue to be, progressed as parliamentary time allows. Other recommendations have been incorporated into various sector guidance such as [CIPFA's Position Statement on Audit Committees, 2022](#) or will be rolled into CIPFA Codes on financial reporting.

Other proposals for change

- 3.15 The remit of the Standards and Audit Committee, as set out in the Council's Constitution, chimes well with the suggested functions set out in CIPFA's Position Statement. There are however three areas set out in the guidance that the Committee may wish to consider further:
- the inclusion of co-opted independent members to provide appropriate technical expertise;
  - the undertaking of an annual self-assessment of its performance; and
  - the provision of an annual report on the Committee's work to full Council.
- 3.16 Currently, the Standards and Audit Committee considers the AGS and recommends its approval by the Corporate Management Committee before it is published alongside the annual Statement of Accounts. And while the Committee will receive both the draft and final Auditor's Annual Report, including conclusions on the Council's VFM arrangements, it currently does not receive the final, audited Statement of Accounts, which are presented instead to the Corporate Management Committee.
- 3.17 The Local Government Association's guide to the Statement of Accounts notes that a council's Audit Committee has an essential role in overseeing the submission of accounts for audit and the work of the external auditor. It will liaise with the Council's Chief Financial Officer to ensure that the unaudited Statements are prepared on time, will receive information on the external auditor's work programme for the year and receive audit opinions and recommendations as they become available. Finally, the

Committee will receive and discuss the external auditor's annual audit letter. Whilst the Statement of Accounts is "owned" by the Full Council, many councils delegate the approval of the audited Statements to the Audit Committee as their role is vital in demonstrating corporate ownership and governance over the accounts' preparation process and their subsequent audit.

- 3.18 It is therefore recommended that final approval of both the AGS and the Statement of Accounts sit with the Standards and Audit Committee in future, rather than with the Corporate Management Committee (CMC), thereby aligning the final approval of these key governance documents with the Committee most immersed in reviewing and improving the governance functions of the Council. This does not detract from the role of CMC in monitoring the financial sustainability of the Council through receipt of regular budget monitoring reports including the provisional outturn report. Review of the financial statements, however, goes beyond the outturn figures themselves, and includes the consideration of areas such as accounting policies, of the critical judgements made within the accounts, of the absence of fraud and of the completeness of the records. This role is best carried out by those who are able to bring their knowledge of the Council's governance processes together to understand the context of the Accounts preparation. For example, those who have heard the internal auditors report on the soundness of the key financial systems will be able to use that knowledge to support their assurance that the figures within the Statements are robust, and those who have received reports from the Council's Fraud Service will be aware of which categories of transaction are at greater risk of fraud,

#### Draft Work Programme

- 3.19 Appendix 'A' of the report sets out an indicative annual work programme which will flex around future priorities but allows the Committee to see how their work comes together over the year to form the Governance overview. (Noting that there may be additional reports presented to the Committee and its sub-Committee relating ethical and standards issues including Member Code of Conduct) In considering the work programme and the frequency of meetings, it is important to focus on key inputs and ensure that agendas are not over-loaded, risking insufficient scrutiny of key governance (or Standards) issues due to time pressures.
- 3.20 The draft work programme pulls together the current work of the Committee with the proposals above. Whilst the calendar of meetings for the forthcoming year has now been set, the Committee is able to add additional meetings in the year as necessary, such as the proposed March meeting.

#### **4 Policy framework implications**

- 4.1 The proposals outlined in this report aim to improve the framework of governance and internal control of the Council and are aligned with Cipfa's position statement on Audit Committees and other public sector guidance. The inclusion of a self-assessment of the Committee's effectiveness aids continuous improvement while an annual report to full Council on its work programme, ensure that the wider council membership is sighted on important governance work, that that Committee is held to account by itself and others, and its work is transparent and open.
- 4.2 Any necessary Constitution changes to bring any of these proposals into effect will need to be considered by the Constitution Member Working Party and recommended via CMC to full Council for adoption.

#### **5 Resource implications/Value for Money**

- 5.1 Most of the proposals outlined in this report have no financial implications. Where additional staffing resource is expended in supporting the Committee in a self-assessment exercise and in reporting to full Council, this will in part be offset by streamlining the governance work of the Council so that the Committee with the most knowledge of risk and governance is able to bring knowledge to bear to consider key governance documents (AGS / Statement of Accounts) and avoid duplication of reporting to other Committees.
- 5.2 One area that may have a financial cost is the appointment of independent members to the Committee. This will need to be considered should the Committee agree to investigate this option and any budgetary requirement will need the appropriate approval under the Council's financial regulations.
- 5.3 The Medium-Term Financial Strategy and subsequent Budget report for 2024/25, approved a moratorium on growth whereby no supplementary estimates are to be approved in-year unless essential to deliver corporate aims or that are business critical to the running of services. Even where these criteria are met, the first assumption will be that growth is to be met by savings elsewhere or by external funding.

## **6 Legal implications**

- 6.1 Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.
- 6.2 In a local authority the Full Council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to Full Council. The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.
- 6.3 The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation. Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.
- 6.4 The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained. It is not the role of the audit committee to exercise day to day management over the functions of a local authority. Those functions will sit with either officers or other committees of the local authority.
- 6.5 It is a matter for a local authority to decide which matters are delegated to an audit committee and which remain within the control of Full Council.

## **7 Equality implications**



7.1 There are no equality implications arising from this report.

## **8 Environmental/Sustainability/Biodiversity implications quality implications**

8.1 There are no Environmental/Sustainability/Biodiversity implications arising from this report.

## **9 Risk implications**

9.1 The proposals outlined in this report mitigate the risk of significant failures within the governance and internal control procedures of the Council by bringing together reporting on a raft of related governance issues, alongside the independent recommendations of both internal and external auditors. The addition of a self-assessment exercise reduces governance risk by providing an opportunity for the Committee to reflect on its performance and make improvements, while an annual report to full Council demonstrating openness and transparency and an opportunity to be held to account, as well as raising awareness of governance matters to all Members.

9.2 This approach is consistent with the “Cautious” risk appetite for Governance risk, recommended by the Standards and Audit Committee and adopted by full Council in November 2023.

## **10 Other implications**

10.1 Not applicable

## **11 Timetable for implementation**

11.1 The draft work programme which contains the indicative timing for reports to the Committee can be implemented immediately if approved by Members. Investigation into the appointment of independent members to the Committee will need to be subject to a future report and necessary budget approvals if Members decide to explore this option. The timing of any subsequent appointments will then be subject to the Council being able to find willing and suitable candidates. Any necessary Constitution changes to bring any of these proposals into effect will need to be considered by the Constitution Member working Party and recommended via CMC to full Council for adoption.

## **12 Conclusions**

12.1 Members have requested a review of the Committee’s work programme. This report aims to set out the key elements of the existing work programme, and suggests the consideration of some additional elements, using the current remit of the Committee and existing sector guidance to inform these changes.

12.2 There is no doubting that the Standards and Audit Committee plays a crucial role in maintaining the governance framework of the Council and providing assurance to stakeholders. The proposals in the report build on this role without crossing over into areas that fall within the remit of other Committees of the Council and reduces some duplication between the Standards and Audit Committee and CMC. The majority of these changes will not require constitutional amendment as they fall under the existing remit of the Committee and its role in considering the Council’s overall framework of internal control.

- 12.3 The draft work programme provides an initial starting point for discussion which can be developed further during the new municipal year. It is anticipated for example that outcomes and actions plans from the non-statutory Best Value Notice response will be presented to this Committee as the Best Value Programme progresses (as set out in the Programme Charter referred to earlier in this report). It is proposed that the Chair requests a March 2025 meeting be added to the calendar of meetings for the new municipal year to enable timely reporting of the opinion on internal control from the Council's internal auditor. It is within the existing powers of the Chair to request additional meetings during the year, after the meeting calendar has been approved. This may need to be exercised again should a significant number of reports come forward from the non-statutory Best Value Notice response programme. The frequency of meetings can then be reviewed again as part of the process for agreeing the meeting calendar for the following year.
- 12.4 If Members agree to the addition of a self-assessment exercise and annual report to full Council, it is suggested that the format of these be progressed by the Assistant Chief Executive (s151 officer) in consultation with the Chair and Vice-Chair of the Committee and the Corporate Head of Law and Governance.
- 12.5 If the Committee wishes to pursue the appointment of one or more independent members of the Committee, officers will undertake research and develop a proposal to be considered under the relevant process, which may require CMC approval due to budget requirements, and any associated Constitution amendments.

### **13 Background papers**

- [Cross-system statement on proposals to clear the backlog and restore timely audits](#)
- [CIPFA's Position Statement on Audit Committees, 2022](#)
- [Must Know Guide: The Statement of Accounts | Local Government Association](#)
- [Redmond Review: Local authority financial reporting and external audit independent review](#)

### **14 Appendices**

- Appendix A – Draft Work Programme