



# **WOKINGHAM BOROUGH COUNCIL**

## **DRAFT Audit Committee Annual Report 2023/24**

For approval at Audit Committee 7 February 2024

## **Foreword by Councillor Rachel Burgess - Chair of Audit Committee**

I am pleased to introduce the annual report of the Audit Committee, summarising the contribution the committee made during the 2023/24 Municipal Year to the achievement of good governance, effective internal control, and strong public financial and governance reporting within the Council.

All members of the committee bring a balanced, independent, and objective approach to business of the committee. The committee is well supported by several officers who regularly attend meetings and offer their expertise, and I would like to thank both committee members and officers for their contributions this year.

The committee has provided robust challenge and meaningful review of the Council's arrangements for risk, governance and audit, and in particular has:

- Overseen the production of the Annual Governance Statement for 2022/23 and monitored the progress of improvement actions;
- Received and reviewed in detail assurance reports on the key aspects of the Council's internal control arrangements, including risk management and financial governance, providing robust challenge to our arrangements and monitoring for areas in need of improvement;
- Provided oversight to the Council's internal audit function ensuring it meets the highest standards of good practice, receiving the annual report and opinion alongside regular updates on progress against the internal audit plan, including follow up in relation to limited assurance reviews.
- Monitored progress of the Council's statutory accounts which are subject to completion of the external audit; and
- Received regular updates and formal reports from the Council's External Auditor.

The committee continues to work hard with officers to understand and strengthen governance arrangements across the Council, and to ensure that risks are escalated appropriately. During the year the committee has built upon the cycle of internal control approach to officer reporting introduced in the 20/21 municipal year, with a continued focus, which remains non-political, on ensuring that governance arrangements are robust and that there is appropriate democratic oversight.

The committee seeks to continually improve in its role. Following formal annual evaluation of the committee in February 2023, a number of improvements have been introduced during the year 2023/24. These include the appointment of a second independent member of the committee, closer links and interaction between the committee Chair and the Head of Internal Audit and Investigation including the opportunity for the Committee to meet in private with both the Head of Internal Audit and the External Auditor, a skills audit of committee members, and effective training of members, in particular with regard to risk management and the role of an effective audit committee. The re-appointment of a committee Chair in 2023/24 who is not a

member of the ruling party builds further on previous positive steps towards independence from politically-motivated discussion.

In what are extremely challenging times for local authorities across the country, there is no room for complacency in the Audit Committee, and further improvements are planned for the forthcoming year. The committee continues to adopt a varied work programme informed by a recent study of the Council's "assurance map," receiving annual assurance reports to provide routine oversight of arrangements, but taking a flexible and agile approach, adapting to emerging issues and concerns. We welcome feedback from members, officers, auditors, and the public in pursuit of our aims as a committee and to ensure continual improvement.

Councillor Rachel Burgess

Chair Audit Committee

## 1. INTRODUCTION

This annual report to Full Council demonstrates the importance the Council places on the authority's governance arrangements. The Chartered Institute for Public Finance and Accountancy (CIPFA) describes the overall aim of good governance as:

“to ensure that resources are directed in accordance with agreed policy and according to priorities that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities”

*CIPFA Delivering Good Governance in Local Government Framework 2016 Edition (the Good Governance Framework)*

Good governance is ultimately the responsibility of Full Council as the governing body of Wokingham Borough Council. This report provides assurance as to the way in which the Audit Committee has discharged its role to support Full Council in this responsibility.

In addition, the report underpins the Annual Governance Statement, whose production is overseen by the committee, and will be provided to all Members. In particular, the report on the work of the Council's Audit Committee demonstrates how the committee has:-

- Fulfilled its terms of reference;
- Complied with national guidance relating to local government audit committees; and
- Contributed to strengthening risk management, internal control and governance arrangements.

## 2. COMMITTEE INFORMATION

### Role of Audit Committee

The audit committee is appointed by Full Council to support the discharge of its functions in relation to good governance by providing a high-level focus on audit, assurance and reporting. CIPFA defines the purpose of an audit committee as follows:

1. Audit committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.
2. The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Audit Committees – Practical Guidance for Local Authorities and Police (2018)

The Terms of Reference for the Audit Committee are reviewed regularly against current regulations, CIPFA position statement and guidance for audit committees and best practice in comparable authorities.

The latest review of the Committee's effectiveness took place in February 2024 providing further assurance of compliance against the CIPFA position statement and resulting in further, relatively minor, actions to strengthen effectiveness.

The core functions of the committee, reflected in its Terms of Reference, are to:

- Consider the Council's arrangements relating to the Accounts;
- Consider the Council's arrangements relating to external audit requirements;
- Review the adequacy of policies and practices to ensure compliance with statutory and other guidance;
- Review the adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management);
- Consider the Council's arrangements relating to internal audit requirements.

## **Membership**

For the 2023/24 municipal year there were seven elected members and two non-voting independent member appointed to the committee. The Committee was pleased to welcome a second non-voting independent with effect from September 2023:

- Councillor Rachel Burgess (Chair)
- Councillor Mike Smith (Vice Chair)
- Councillor Sam Akhtar
- Councillor David Davies
- Councillor Peter Harper
- Councillor Jordan Montgomery
- Councillor Stephen Newton
- Mike Drake (Independent Member)
- Sandeep Vig (Independent Member) – from September 2023

## **Independence of the committee**

As a Council appointed committee, the Audit Committee is appointed in accordance with the requirements of political balance but, in line with CIPFA guidance and best practice, strives for political neutrality. Michael Drake was appointed in September 2022 as a non-voting Independent Member to the committee with Sandeep Vig appointed in September 2023. The introduction of independent members to the committee has enhanced the independence of the committee as it discharges its

functions. In addition, the professional experience and knowledge of its independent members, gives depth and insight to the robust challenge the committee provides in considering the assurances received.

### **Knowledge and Skills Framework**

Members bring with them a range of knowledge and skills from their working life and elected representative roles to the work of the committee. The skills and knowledge of the committee are further complemented by those of the Independent Members, who has brought with them a wealth of knowledge and experience in an audit setting and applies this knowledge, skill and experience to Wokingham Borough Council. A programme of development has been undertaken during the year to ensure that new members of the committee have the necessary knowledge and skills to discharge the functions of the committee – this has included specific training in Risk Management (November 2023) and more general training from CIPFA on the role and functions of Audit Committees in May 2023.

Further e-briefings have been provided to the committee from, for example CIPFA, to ensure that all Members remain up to date and informed to enable fulfilment of the committee's role.

In addition, the Chair attends meetings of the South East Regional Audit Forum, a body set up to share good practice and topical information with expert speakers.

The committee looks forward to participating in further development opportunities over the 2024/25 municipal year which will commence with an introductory session led by CIPFA in May 2024.

### **Operation of the committee**

The committee has met on five occasions during the year with meeting dates structured around the receipt of annual assurance reports, external and internal audit reporting cycles, and the statutory requirements for production of the Accounts and Annual Governance Statement. This frequency of meetings ensures the committee can fulfil its responsibilities in an efficient and effective way.

All meetings of the committee are streamed live on YouTube to facilitate easy access to the committee for residents, members of the press, and other interested parties.

The committee is supported by several officers who attend regularly and bring expertise in relation to finance, corporate governance, internal audit, legal compliance, and risk management. In addition, during the year the Committee has been attended by the Chief Executive, Deputy Chief Executive (and Chief Finance Officer), and various directors from the Corporate Leadership Team.

The work undertaken by the committee to support their approval of the Annual Governance Statement and Accounts, and in furtherance of the core functions of audit committees identified by CIPFA, is summarised in this section. The Accounts and Annual Governance Statement Council has delegated to the committee the

authority to approve the Council's Annual Governance Statement and the audited Statement of Accounts on behalf of the Council.

The committee considered the 2022/23 Annual Governance Statement in June 2023, and went on to monitor implementation of improvement actions at its November 2023 meeting. As part of its review, the committee considered the Local Code of Corporate Governance, reflecting the seven principles of good governance set out in CIPFA Good Governance Framework.

The committee received regular updates on the auditors' sign off of the 2020/21 Statement of Accounts which took place in summer 2023. During consideration of the accounts the committee sought assurance from officers on matters including the Council's MRP (minimum revenue provision) method for paying debt and received confirmation that the method is recognised in statutory guidance and in line with other authorities. Members also sought and received assurance on changes to the accounting treatment of infrastructure assets.

### **External Audit**

The committee plays a significant role in overseeing the Council's relationship with its external auditors, and takes an active role in reviewing the external audit plan, progress reports and annual report setting out the findings of the value for money review. Ernst & Young (EY) is the Council's current appointed auditor, and will continue for the 2022/23 accounts, after which the appointment will come to an end. EY will be replaced by KMPG as the appointed auditors for the 2023/24 accounts and beyond.

During the year, the committee has received regular reports and verbal updates from the external auditor setting out progress against the external audit plan for the 2021/22 and 2022/23 accounts.

**(Will need to update on latest position following 7 Feb Audit Committee)**

### **Internal Control**

The committee has responsibility for monitoring the effectiveness of the Council's system of internal control and management of corporate risks. Through robust consideration of annual assurance reports in relation to a wide range of internal controls the committee has obtained assurance that relevant systems and processes are documented and defined; clearly communicated; effectively embedded; meaningfully monitored; and reviewed and refined.

### **Internal Audit**

The committee works closely with the internal audit function, both overseeing the independence and effectiveness of the service, and receiving assurance from the

service as to the adequacy and effectiveness of the Council's internal control environment.

The committee has received and considered regular reports from the Head of Internal Audit and Investigation throughout the year providing updates on progress against the 2023/24 Internal Audit and Investigation Plan, together with information relating to the wider work of the Internal Audit section. The committee are advised of the outcomes of every internal audit review, with greater depth, and follow up reviews, provided in relation to reviews resulting in limited assurance (category 3 level of assurance).

During the course of the 2023/24 municipal year the committee has considered one review (to date) identifying limited assurance overall:

- Information governance

In June 2023, the committee received and considered the Internal Audit & Investigation Annual Report and noted a satisfactory overall opinion for 2022/23. The committee was satisfied that the work undertaken to support the opinion had been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing. Assurance on the work of the internal audit team was further bolstered in September 2023 when the results of the external quality assurance review were reported which concluded that the function meet the highest category of assurance in compliance with the Public Sector Internal Auditing Standards (PSIAS).

The committee reviewed and agreed the annual risk based audit plan for the 2024/25 year in February 2024.

## **LOOKING FORWARD**

The committee will approve its work programme for the 2024/25 municipal year at its June 2024 meeting setting out the receipt of regular update reports and annual assurance reports. Through the continuing receipt of regular reports, the Audit Committee will provide the usual level of robust challenge to corporate governance and audit practice and procedure across the authority to ensure that our arrangements are up to date and fit for purpose, communicated, embedded and routinely complied with.