

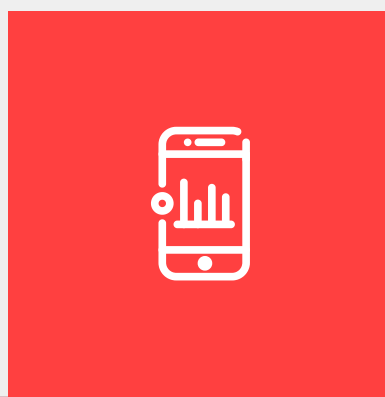
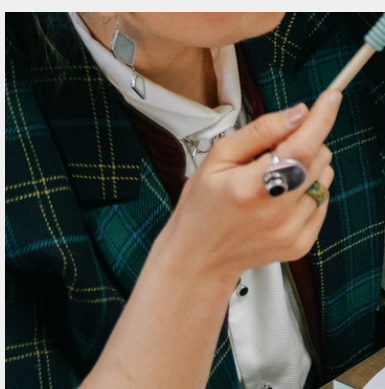
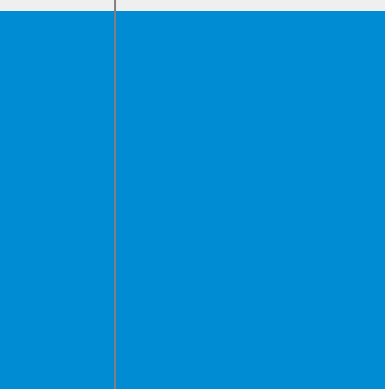
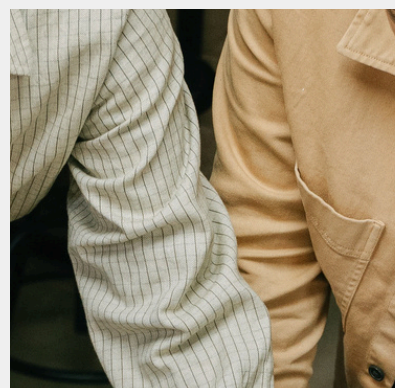
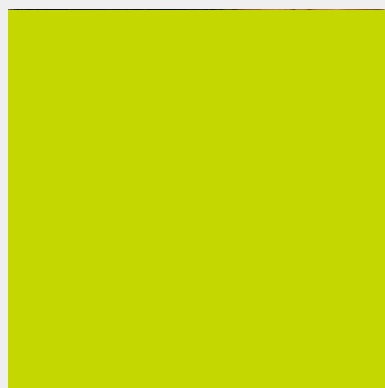


Derby City Council

Audit & Governance

Annual Report 2023 / 2024

This year, the Audit and Governance Committee ensured robust internal controls and risk management, despite challenges with external auditor attendance. Our efforts underscore our commitment to effective governance. Thank you to all involved.



Introduction from the Chair of Audit & Governance Committee

I am pleased to present the sixth annual report of the Council's Audit and Governance Committee. This report underscores the vital role the Committee plays in the Council's governance, adhering to the Chartered Institute of Public Finance and Accountancy's standards.

This year, our focus included:

- Evaluating the adequacy of the Council's internal control systems to ensure financial and governance responsibilities are met and priorities delivered.
- Ensuring these control systems effectively mitigate risks.
- Seeking continuous assurance from the Council's s151 Officer, Head of Internal Audit, and other key officers. Unfortunately, Ernst Young's limited attendance hindered our ability to obtain external audit assurances.

Despite a significant change in Committee membership, with only one returning Councillor, we swiftly adapted and remained an effective part of the governance framework. We continued to refine our focus on governance and risk, ensuring robust control environments.

I extend my gratitude to all Committee members, co-opted members, and supporting staff for their dedication and contributions throughout the year.



Cllr Kieran Morgan-McGeehan AICA CDPO

Chair of the Audit & Governance Committee

May 2024

1. Introduction

While there is no statutory obligation to have such an arrangement, Audit Committees are widely recognised as a core component of effective governance and therefore reflect good practice.

The Audit and Governance Committee is properly constituted and as such is given sufficient authority and resources by the Council. In effect, the Committee has the right to obtain all the information it considers necessary and to consult directly with senior managers. In line with best practice the Committee can report its observations and concerns directly to the Council.

The original Audit and Accounts Committee was set up in September 2005. Its role is defined in its terms of reference as laid out in the Council's constitution. The areas covered within them are consistent with those identified as good practice by the Chartered Institute of Public Finance and Accountancy (CIPFA) in its document "Audit Committees: Practical Guidance for Local Authorities and Police" (2018). The Terms of Reference have recently been reviewed and updated by the Committee for the 2023/24 Municipal Year and approval will be sought for them at the AGM in May 2023.

This report informs Full Council of the Committee's activities during the Municipal Year 2023/24 and how it has discharged its responsibilities.



2. Committee Membership

In the 2023/24 Municipal year the Committee consisted of nine Councillors and four co-opted members:

Councillors:

Councillor Keiran Morgan-McGeehan, Chair

Councillor Jamie Mulhall, Vice Chair

Councillor Sara Bolton

Councillor Lucy Care

Councillor Kirk Kus

Councillor Martin Repton

Councillor Balbir Sandhu

Councillor Neil Wilson

Councillor John Wright

Co-opted Members:

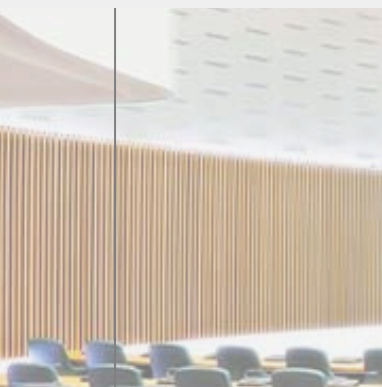
Stuart Green (until 19/9/23)

Philip Sunderland

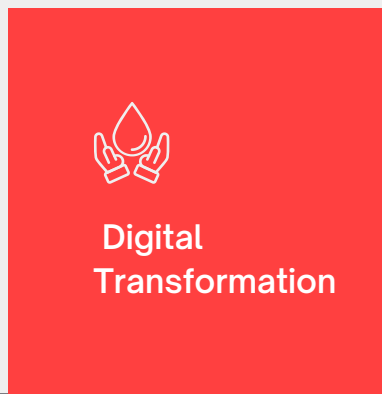
Anthony Doleman (from 20/9/23)

Paul Stone (from 20/9/23)

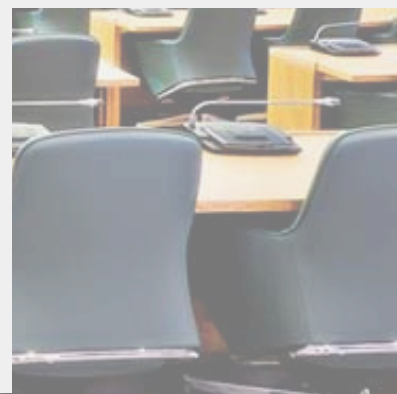
David Webster (from 20/9/23)



Nurture
Innovation
Culture



Digital
Transformation



Meeting attendance

The Committee held six meetings in 2022/23:

- 14th June 2023
- 26th July 2023
- 11th October 2023
- 6th December 2023
- 24th January 2024
- 27th March 2024

Table 1 below shows the level of attendance at each of the scheduled meetings in 2023/24. Committee Members achieved an overall attendance rate of 79.6% (43 out of a possible 54) in the 6 meetings held in 2023/24. This is higher than the overall attendance rate in 2022/23 of 71.6%. Three Councillors achieved a 100% attendance rate during 2023/24, as did three of the independent/co-opted members.

	14/6/23	26/7/23	11/10/23	6/12/23	24/1/24	27/3/24
Councillors	8	6	7	8	9	5
Co-opted	1	1	3	4	4	4

In line with good practice the Council's s151 Officer (or in her absence, the Deputy s151 Officer) and the Head of Internal Audit have attended all Audit and Governance Committee meetings. In addition, other senior officers have attended

where appropriate, or where they have been invited by the Committee. Committee was very unhappy at the level of attendance of the External Auditor at Committee meetings. This was deemed to be too infrequent, and not of benefit or reassurance.





Training

In the 2023/24 year, the Committee prioritized enhancing its members' expertise and understanding of crucial areas. To this end, Committee members underwent comprehensive training focused on risk management. This training was pivotal in equipping members with the knowledge and skills needed to effectively oversee and mitigate risks within the Council's operations.

Additionally, Committee members were provided with access to the Audit and Governance Committee Handbook. This handbook serves as a vital reference tool, encompassing all key areas outlined within the Committee's Terms of Reference. The content of the handbook is meticulously curated and regularly updated by the Head of Internal Audit to ensure it remains relevant and aligned with best practices.

The handbook not only aids in the continuous professional development of the Committee members but also ensures that they have a consistent and thorough understanding of their roles and responsibilities. This resource is instrumental in supporting the Committee's efforts to maintain high standards of governance and accountability within the Council.

By investing in training and providing valuable reference materials, the Committee demonstrates its commitment to ongoing improvement and effective governance.

3. How have we discharged our responsibilities?

The way we have discharged our responsibilities in 2023/24 is described below:

- Approving the Statement of Accounts
- Reviewing/Approving the Annual Governance Statement
- Promoting a counter fraud culture
- Receiving External Audit reports
- Reviewing the Risk Management Framework
- Other Core Work Areas
- Our Annual Work Programme
- Items requested by Audit and Governance Committee
- Referral from Full Council – Allestree Hall & Golf Course
- e due diligence and the securing of a value for money outcome for the Council.
- Terms of Reference
- Independent Members - Review
- Audit and Governance Committee – Outstanding Resolutions

Over the following pages there is more detail about these points.

Approving the Statement of Accounts

The Committee still has on-going concerns around the Council's external auditors, Ernst Young, which has prevented us from discharging one of our key responsibilities as a committee, that of approving and signing off the annual statement of accounts. At the time of writing this report, the Council's External Auditors have yet to complete the audits of the 2020/21 accounts, the 2021/22 accounts or the 2022/23 accounts. Therefore, these three sets of accounts have not been signed off.

The 2022/23 draft accounts were made available for members of the Committee to view via the Council's website.

We reviewed the proposed accounting policies for the 2023/24 Accounts at our meeting on 27th March 2024.

At our meeting on 24th January 2024, Committee received a presentation on the Council's new Financial Management System (CIA).

Reviewing the Annual Governance Statement

We reviewed and approved the Annual Governance Statement (AGS) 2022/23 at our meeting on 11th October 2023.



Approving the Internal Audit Plan / Head of Internal Audit Annual Report and Opinion

We considered the Internal Audit Annual Report for 2022/23 at our June 2023 meeting, which included the Head of Internal Audit's Annual Opinion.

The Committee has continued to support the new quarterly approach to audit planning introduced by the Head of Internal Audit. Quarterly audit planning provides more flexibility to the audit planning process and we have a process which is more responsive to changing risks faced by the Council during the year.

We received regular update reports from the Head of Internal Audit on the delivery of the 2023/24 annual internal audit plans.

The Head of Internal Audit has also provided reports outlining those recommendations made by internal audit where management have decided to risk accept the recommendation.

The Head of Internal Audit has raised with Committee concerns during the year that the timeliness of audits was being affected by a lack of co-operation from Council Officers when the Auditors were trying to source information/evidence for their reviews, management responses and details on implementation of recommendations.

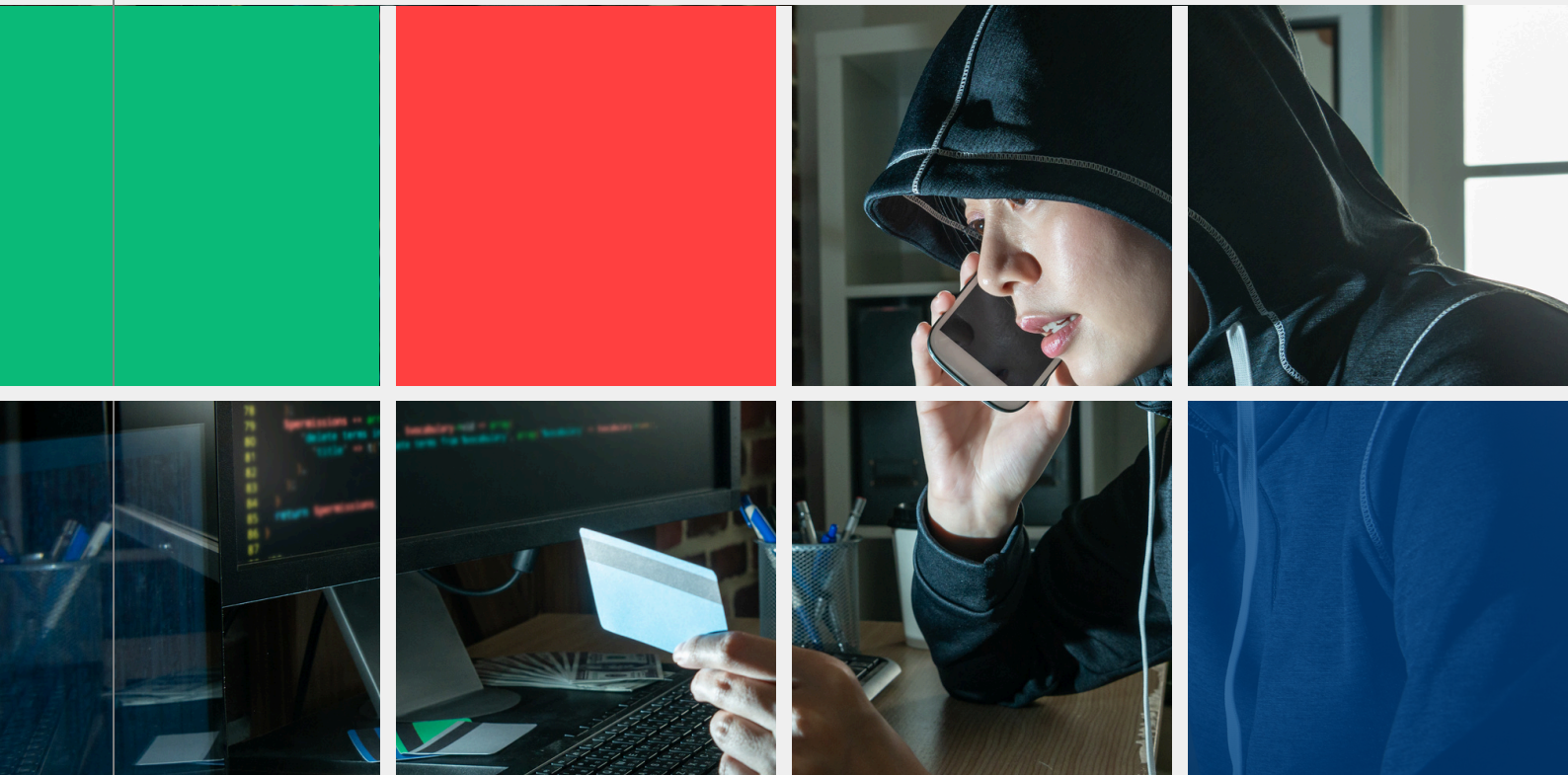
We had sight of both the Internal Audit Charter for the Central Midlands Audit Partnership and its Quality and Assurance Improvement Programme (QAIP).

On an annual basis the Council's s151 Officer provides Committee with her view on the effectiveness of internal audit.

Promoting a counter fraud culture

At the Committee meeting on 26th July 2023, we received the Annual Counter Fraud report for 2022/23.

We received update reports on counter fraud activities taking place within the Council. This included an update on the work of the Counter Fraud Team. We also received assurance on the work done to prevent fraud across the Council.



Receiving External Audit reports

The external audit process continues to be a frustration for the Committee. The delays in completing the audit of the Council's annual accounts have meant that the Committee has received one formal report during the year 2023/24 municipal year from the Council's External Auditor, Ernst Young.

The External Auditor's attendance at Committee meetings has also been poor. At our meeting on 11th October 2023, the Committee requested that an update from External Audit is included on the agenda for all future meetings.

EY did not attend the meetings on 24th January 2024 or 27th March 2024. In the absence of the External Auditor, the Director of Finance and the Group Accountant have had to provide the Committee with updates regarding the delays in the external auditor concluding the audit of the 2020/21, 2021/22 and 2022/23 accounts.

Members of the Committee agreed that the Director of Finance would work with the Chair of the Committee to submit a formal complaint to EY about the poor standard of service that it had provided to the Council.

Other Core Work Areas

During the 2023/24 year the Committee received a report on the adequacy and level of Derby City Council's Insurance Arrangements.



Reviewing the Risk Management Framework

At our meeting on 26th July 2023, we received the 2022/23 year-end risk assurance report. The purpose of this report was to update the Committee on activity that has taken place over the last 6 months of 2022/23 and to set out proposals for risk reviews in 2023/24.

A further update report was brought to the Committee meeting on 4th January 2024.

During 2023/24, the Committee has been provided with assurance that the majority of risks within the strategic risk register are regularly and actively reviewed, in some instances, by multiple boards and/or working groups.

This is further strengthening the Council's control environment through regular review and monitoring in a multi-disciplinary setting, for what are often complex risks.



Our Annual Work Programme

We have an annual work programme which allows us to obtain a greater understanding of issues of strategic interest, and areas that could impact on the governance of the Council.

During 2023/24, as well as our core work areas, we received reports and sought assurance in the following areas:

- Contract Waivers (26th July 2003 and 27th March 2024)
- Annual Report and Review of Performance 2022/23 (26th July 2023)
- Information Governance and Security (14th June 2023 and 6th December 2023)
- Compliance with the CIPFA Financial Management Code (27th March 2024)
- Treasury Management Mid-Year Report 2023/24 (24th January 2024)
- Programme Management Office (PMO) Update (24th January 2024)

Items requested by Audit and Governance Committee

S106 Agreements

Members of the Committee wanted to seek assurance around, and gain a better understanding of, S106 Agreements. The Head of Planning and the Team Leader (Implementation) attended the meeting on 27th March 2024 and provided an overview of the use of S106 Agreements as well as an update on the proposed Community Infrastructure Levy which would provide an alternative to S106 Agreements.

Items referred to Audit and Governance Committee

Referral from Full Council – Allestree Hall & Golf Course

In March 2023 this Committee formally requested that the Central Midlands Audit Partnership (CMAP) carry out an independent investigation into the ongoing sale of Allestree Hall and Golf Course. This Committee also requested that issues concerning English Heritage status and potential criminality of tree removal works alleged to have taken place were included in the investigation.

At our meeting on 11th October 2023, CMAP presented their findings. They confirmed that Council officers suitably engaged with English Heritage, in order for the golf course to become a Heritage Asset, and completion of the Heritage Impact Assessment followed due process. CMAP confirmed that the removal of /damage to trees at Allestree Park did constitute a criminal offence. It was noted that the Council had acknowledged the breach and taken appropriate action in line with the required government guidance to best rectify the situation. CMAP confirmed that a competitive process had been undertaken for the sale of Allestree Hall & Golf Course, along with adequate due diligence and the securing of a value for money outcome for the Council.

During discussions on the report, a Committee Member was concerned that the heritage assessment was conducted before relevant information on the historic design and nature of the site had been discovered and suggested that the local heritage assessment should be reviewed. The Committee agreed that a new heritage assessment should be carried out on the site.

One Committee member asked whether the Tree Protection Enforcement Policy should be considered before May 2026. Committee agreed that the relevant Head of Service would be asked to look into this.

We will be seeking an update on these actions during the 2024/25 Municipal Year.

Terms of Reference

The Committee seeks to review its Terms of Reference (ToR) on an annual basis. At the meeting on 27th March 2024, the Committee reviewed its Terms of Reference and decided that they remained fit for purpose.

Independent Members

At the July meeting, the Committee approved a proposal to ask Council to appoint four independent members to the Audit and Governance Committee for a four-year term. Previously there had been two co-opted members of the Committee. The skills set of the four proposed Co-opted members complemented each other and covered the important areas of risk management, internal and external audit, governance, financial management and reporting.

The proposal sought the re-appointment of a co-opted member who had been on the Committee since and the appointment of three new co-opted members from 20th September 2023.

Audit and Governance Committee – Outstanding Resolutions

Throughout the year we have monitored the progress being made on resolutions that the Committee has made.



4. Audit & Governance Committee Self-Assessment

The annual self-assessment questionnaire on the effectiveness of the Committee was completed by Members of the Committee in February 2024.

A total of 8 responses were received (66.6%). The Members that responded felt that the Committee demonstrates a high level of effectiveness in how it carries out its core business. A number of areas were identified where Members felt that the Committee required improvements to be made to comply with the CIPFA principles for an effective Audit Committee.

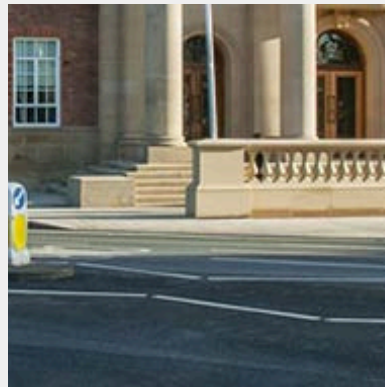
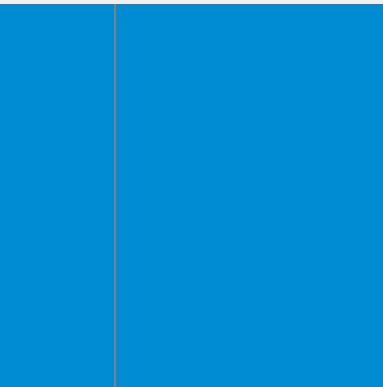
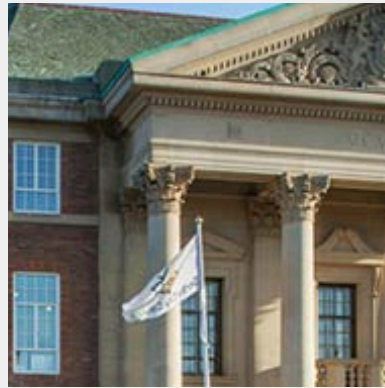
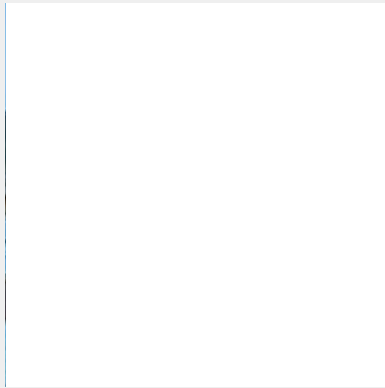
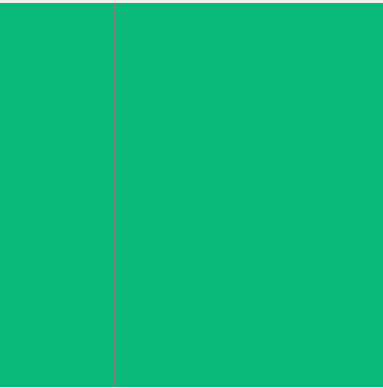
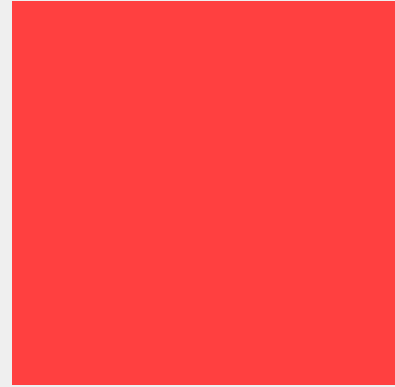
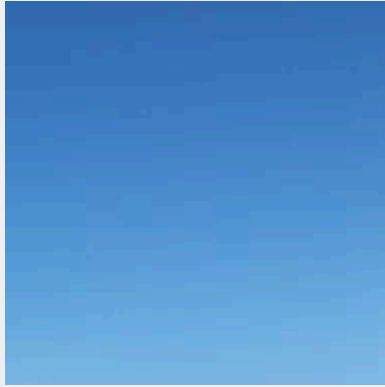
An action plan is being drawn up to address the areas of partial compliance and this will be presented to Committee early in the 2024/25 Municipal Year.

5. Chair's Opinion

"I am confident that this report highlights the Audit and Governance Committee's success in fulfilling its mandate to provide the Council with assurance regarding the effectiveness of its governance arrangements, risk management framework, and internal control environment during the 2023/24 Municipal Year.

Furthermore, I firmly believe that the Committee's diligent efforts have fully met the standards set forth in the CIPFA Position Statement on Audit Committees in Local Government."

Cllr K A Morgan-McGeehan
Chair



Thank You