

AUDIT & CORPORATE GOVERNANCE COMMITTEE
ANNUAL REPORT
2024/25

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FOREWORD

As Chair of the Audit and Corporate Governance Committee, it is my duty to commend the 2024/25 Audit Committee Annual Report.

I am pleased to present this Annual Report which sets out the role of the Committee and summarises the work and achievements we have undertaken as a committee during the financial year 2024/25. As we embark on the next phase for the Committee, we recognise that we are in a period of continuous learning and development. We are eager to learn and explore the intricacies of financial reporting, internal controls, risk management and external audit functions.

Effective audit committees build strong relationships, so we intend to collaborate with management, external auditors, and other stakeholders.

I would like to note our thanks to Nick Brown, Group Manager for Finance, who retired in June 2024, for all of his hard work, support and dedication to Blaby District Council and in particular to the audit committee. I would also like to welcome Katie Hollis to the post of Group Manager for Finance and thank her for the smooth transition, especially during the transfer of external audit responsibilities from Ernst & Young to Azets.

I would like to thank both the officers' and the independent member for their support in providing the committee, as a whole and as individuals, the confidence to challenge officers on the reports presented to ensure clarity and understanding.

I would also like to compliment the finance section on the production of the accounts, considering the challenges that have been faced over the previous few years.

Cllr Mike Shirley

Chair, Audit and Corporate Governance Committee

April 2025

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 CIPFA (Chartered Institute of Public Finance and Accountancy) Position Statement also states that *“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 strong public financial management.”*

The Blaby District Council (BDC) Audit and Corporate Governance (ACG) 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 of 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.

A local authority 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 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.

This role is reflected in the Committee’s Functions, as detailed in the Council’s Constitution. During May 2022 CIPFA published its update Position Statement on Audit Committees in Local Authorities and Police, this was supported by guidance, published in October 2022, ‘Audit Committees – Practical guidance for Local Authorities and Police’, an update from 2018.

2. HIGHLIGHTS OF THE YEAR

There have been many benefits from the work of the Committee. The main outcomes and improvements include:

- a) Received and approved the outstanding accounts for 2020/21, 2021/22, 2022/23 from the outgoing external auditors, Ernst & Young.
- b) Received and approved the accounts for 2023/24 from the incoming external auditors, Azets.
- c) The backstop dates for all of the above accounts were met through the hard work and determination of the finance section.
- d) Received risk register updates at each of its meetings.
- e) Training received for Committee Members.
- f) Received and approved the Internal Audit Plan for 2024/25.

3. SUMMARY OF WORK UNDERTAKEN

3.1 EXTERNAL AUDIT

- a) Received two updates in respect of local audit delays and the expected outcomes arising from the Redmond Review. These reports set out the latest position regarding the backlog of outstanding audits for 2020/21 through to 2022/23, and the proposed introduction of *backstop* dates for their completion and publication.
- b) Received and approved the audited Statement of Accounts for 2020/21, 2021/22 and 2022/23 prepared by the external auditors, Ernst & Young.
- c) Received and approved the Statement of Accounts for 2023/24 prepared by the external auditors, Azets.
- d) The annual audit report 2023-24 from the external auditors will be presented to the audit committee in April 2025, along with the Audit Plan for 2024-25.
- e) Received updates on a regular basis on the build back and backstop dates in relation to the audit assurance of the statement of accounts.

3.2 INTERNAL AUDIT

- a) Continued to oversee the internal audit arrangements for the Council.
- b) Received and approved the Internal Audit Annual Report for 2023/24. This included the Annual Audit Opinion on the adequacy and effectiveness of the framework of control, risk management and governance within the Council.
- c) Received and approved the Internal Audit Plan for 2024/25. The plan ensures that internal audit resources are prioritised towards those systems and areas which, are considered to be of high risk, or which contribute most to the achievement of the Council's corporate objectives. It is designed to enable the Internal Audit Manager to give her opinion at the end of the year but is flexible to ensure it remains relevant throughout the year.
- d) Monitored the delivery of the Internal Audit Plan for 2024/25 through regular update reports presented by the Audit Manager.
- e) Received and considered the results of internal audit work performed in respect of each Directorate.
- f) Monitored the progress made by management during the period to address identified control weaknesses (recommendations).
- g) Monitored the performance of the Internal Audit team through the regular update reports.

3.3 RISK MANAGEMENT

- a) Continued to oversee the Council's risk management arrangements.

- b) Received quarterly corporate risk updates.
- c) Reviewed the progress made by the Council to identify and address corporate risks. This included consideration of the Corporate Risk Register.

3.4 CORPORATE GOVERNANCE

- a) Ensured the work plan for the year ahead, covered all relevant areas during the year.
- b) Reviewed the Annual Governance Statement prior to it being considered by Cabinet in July.

3.5 FINANCE

Reviewed and approved the proposed Accounting Policies to be used in the preparation of the 2023/24 Statement of Accounts.

4. LOOKING FORWARD

- a) The Committee has approved the work programme for the 2025/26 financial year, setting out the receipt of regular update reports and annual assurance reports.
- b) The Committee will continue to closely monitor the publishing of the Council's Statement of Accounts.
- c) The Committee will receive updates on how assurance will be built back following the disclaimed statements of accounts in previous years, due to the audit delays
- d) Continued training and development of Members in line with the CIPFA Position Statement.
- e) Begin the recruitment of a second independent person to the Committee following the update of the skills and knowledge audit for committee members.
- f) Continue to review the functions of the Committee in line with the CIPFA Position Statement.
- g) Ensure that as a committee will meet the requirements of the Global Internal Audit Standards in readiness for the external assessment towards the end of the year.

6. FUNCTIONS OF THE AUDIT & CORPORATE GOVERNANCE COMMITTEE

1. Governance, Risk and Control

- To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- To consider the Council's Annual Governance Statement and to recommend its adoption to Cabinet Executive.
- To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the Council.
- To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To maintain an overview of the Whistleblowing Policy and Procedure (Raising Concerns).
- To maintain an overview of the Council's Constitution in respect of contract regulations and financial regulations.
- To monitor the effective development and operation of risk management in the Council.
- To monitor progress in addressing risk-related issues reported to the Committee.
- To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.
- To monitor the Anti-fraud & Corruption Policy, and the counter-fraud strategy, actions, and resources.

2. Internal Audit

- To approve the Internal Audit Charter.
- To consider the Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements and to consider quarterly and other reports in relation to the same. These will include:
 - a. Updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work
 - b. Regular reports on the results of the Quality Assurance and Improvement Programme
 - c. Reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the Annual Governance Statement
- To consider summaries of specific Internal Audit reports as appropriate.
- To consider reports from Internal Audit on agreed recommendations not implemented within a reasonable timescale.

- To receive reports outlining the action taken where the Head of Internal Audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
- To receive an independent report from the Head of Internal Audit on matters of a serious nature which cannot be dealt with via normal procedures.
- To contribute to the Quality Assurance and Improvement Programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
- To consider a report on the effectiveness of internal audit to support the Annual Governance Statement, where required to do so by the Accounts and Audit Regulations.

3. External Audit

- To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To commission work from internal and external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.
- To consider the external auditor's Annual Audit and Inspection letter, any other external audit and investigation reports, subsequent action plans and monitoring arrangements, relevant reports, and any reports relating to issues of governance falling within the remit of this Committee to ensure that the Council has responded appropriately, and that the Committee are satisfied with the internal control framework.

4. Financial Reporting

- To review & approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

5. Accountability Arrangements

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- To report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

- That Members of the Audit Committee complete annually CIPFA's Self-Assessment of Good Practice and the Knowledge and Skills Framework, to inform future development of the Committee.

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