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| <b>Report To:</b>       | <b>Audit Committee</b>  | <b>Date:</b> 29 June 2023         |
| <b>Report By:</b>       | <b>Head of Legal, Democratic,<br/>Digital &amp; Customer Services</b> | <b>Report No:</b> AC/16/23/IS/APr |
| <b>Contact Officer:</b> | <b>Andi Priestman</b>   | <b>Contact No:</b> 01475 712251   |
| <b>Subject:</b>         | <b>ANNUAL REPORT ON THE AUDIT COMMITTEE – 2022-23</b>                 |                                   |

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**1.0 PURPOSE**

1.1  For Decision  For Information/Noting

1.2 The purpose of this report is to provide members with the Annual Report on the Audit Committee for 2022/23.

**2.0 RECOMMENDATIONS**

2.1 It is recommended that Members:

- Review and approve the Annual Report on the Audit Committee for 2022/23.
- Agree that the report should be presented to a future meeting of the Council in line with best practice guidance.

**Iain Strachan**  
**Head of Legal, Democratic, Digital & Customer Services**

### 3.0 BACKGROUND AND CONTEXT

- 3.1 It is important that the Committee complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a foundation for sound corporate governance for the Council.
- 3.2 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued an updated guidance note Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition which incorporates CIPFA's Position Statement: Audit Committees in Local Authorities and Police. This sets out CIPFA's view of the role and functions of an Audit Committee. The CIPFA Audit Committee Guidance includes the production of an annual report on the performance of the Audit Committee against its remit for submission to the Council.

### 4.0 PROPOSALS

- 4.1 The Annual Report on the Audit Committee for 2022/2023 is attached as an Appendix to this report for consideration by Members.
- 4.2 Members are asked to review and approve the Annual Report on the Audit Committee for 2022-2023 and agree that the report should be presented to a future meeting of the Council in line with best practice guidance.

### 5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

| SUBJECT                                      | YES | NO | N/A |
|--|-----|----|-----|
| Financial                                    |     | X  |     |
| Legal/Risk                                   | X   |    |     |
| Human Resources                              |     | X  |     |
| Strategic (LOIP/Corporate Plan)              | X   |    |     |
| Equalities & Fairer Scotland Duty            |     |    | X   |
| Children & Young People's Rights & Wellbeing |     |    | X   |
| Environmental & Sustainability               |     |    | X   |
| Data Protection                              |     |    | X   |

#### 5.2 Legal/Risk

There is a risk that the Audit Committee does not comply with best practice guidance in relation to demonstrating its effectiveness in providing a foundation for sound corporate governance. The annual report provides this assurance to the Council on the activity of the Committee.

#### 5.3 Human Resources

There are no human resources implications directly arising from this report.

#### 5.4 Strategic

This report helps ensure strong governance, and its findings will help support delivery of the Council Plan adopted by Inverclyde Council on 20 April 2023, and in particular outcome theme 3: Performance, with the Council seeking to provide high quality and innovative services that deliver value for money.

## **6.0 CONSULTATIONS**

6.1 Not applicable. This report summarises the work carried out by the Audit Committee during 2022-2023.

## **7.0 LIST OF BACKGROUND PAPERS**

7.1 CIPFA Guidance on Audit Committees for Local Authorities – October 2022.

**Inverclyde Council**  
**Audit Committee**  
**2022/23 Annual Report**

**Introduction**

This annual report has been prepared to inform Inverclyde Council of the work carried out by the Council's Audit Committee during the financial year 2022/23.

**Meetings**

The Audit Committee met 6 times during 2022/23 comprising meetings on 7 June, 28 June, 18 October 2022, 10 January, 21 February and 25 April 2023 to consider reports relevant to the Audit cycle and other matters as deemed appropriate. Pre-Agenda meetings were also held ahead of Committee meeting involving the Convenor, Vice-Convenor and appropriate officers.

All meetings were held using the Council's hybrid meeting platform to allow remote and physical participation. Meetings have been live-streamed and made available publicly on the Council's live streaming website.

**Purpose and Remit**

The purpose and remit of Audit Committee is detailed in the Council's Scheme of Administration. The core functions of the Audit Committee 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 governance, risk management and internal control arrangements.
- Consider the Council's arrangements relating to internal audit requirements.

To fulfil this remit, the Audit Committee sought assurance on the adequacy and effectiveness of the Council's systems of governance, risk management and internal control to ensure efficient operations and the highest standards of probity and accountability. This was achieved through reports received from Internal Audit, other Council functions and External Audit with focus in particular on internal control and governance.

At each meeting of the Audit Committee it considered significant findings from Internal Audit reports together with monitoring the progress made by management in completing agreed actions to improve the Council's control environment. It also considered the status of external audit action plans arising from external audit reports received and the indicative external audit annual plan for 2022/23 from the newly appointed external auditors in April 2023.

The Audit Committee also received reports on:

- Risk Management.
- National Fraud Initiative.
- CIPFA Guidance for Audit Committees.
- The Internal Audit Charter.
- The Criminal Finance Act 2017 Policy.

#### Membership of the Audit Committee

In accordance with Inverclyde Council's Standing Orders membership of the Audit Committee comprises 11 Elected Members. The quorum of the Audit Committee is 6 Elected Members. In June 2022, the Council appointed the following members to Audit Committee:

|                             |               |
|-----------------------------|---------------|
| Cllr Crowther               | Cllr Curley   |
| Cllr McCabe                 | Cllr McClusky |
| Cllr McCormick              | Cllr McGuire  |
| Provost McKenzie            | Cllr McVey    |
| Cllr Nelson (Convenor)      | Cllr Reynolds |
| Cllr Wilson (Vice-Convenor) |               |

Every meeting of the Audit Committee during 2022/23 was quorate.

#### Attendance by Officers

All meetings were attended by the Chief Financial Officer, Head of Legal, Democratic, Digital and Customer Services and the Chief Internal Auditor.

Other senior officers also attended meetings as appropriate for items on the Agenda for which their presence was relevant. Representatives from the Council's external auditors - Audit Scotland - were present at June and October 2022 meetings and the newly appointed external auditors from KPMG were present at the meeting in April 2023.

#### Audit Committee Activity

The committee received and considered reports from the Chief Internal Auditor in relation to:

- The internal audit annual report and opinion on the Council's internal control environment.
- Information on the performance and effectiveness of the Internal Audit Team.
- The Internal Audit Team's progress in delivering the planned work and summaries of reports issued and updates on the National Fraud Initiative.

This enabled the Committee to oversee the work of Internal Audit and Corporate Fraud in relation to the provision of assurance on the Council's framework of arrangements for risk management, corporate governance and internal control and in terms of corporate counter-fraud arrangements.

## Compliance with Best Practice

During 2022/23 the Audit Committee undertook a self-assessment of the committee's compliance with current best practice. This assessment was against a checklist from the CIPFA guidance "Audit Committees – Practical Guidance for Local Authorities and Police 2022 Edition." In response to this assessment the committee identified some areas for improvement which are being progressed.

## Assurance Statement to the Council

The Audit Committee provides the following assurance to the Council:

- The Council has received the Minutes of the Audit Committee meetings throughout the year.
- The Audit Committee has operated in accordance with its agreed terms of reference, and accordingly with the audit committee principles in the CIPFA Position Statement relating to its Audit functions.
- It did this through reports received from Internal Audit, External Audit, and assurances from Management. It focussed on matters of governance, risk management and internal control; giving advice to the Council on the value of the audit process; on the integrity of financial reporting; and on governance arrangements.
- For all audit reports, the Audit Committee considered whether it was satisfied that an adequate management response was in place to ensure action would be taken to manage risk and address concerns on governance, risk management and internal control arrangements. The Audit Committee acknowledges that there is a system in place of ongoing follow-up by Internal Audit and reporting to senior management and the Audit Committee.
- The Audit Committee reviewed the draft audited Annual Accounts for 2021/22.

## Conclusion

Based on the reports received and reviewed by the Audit Committee, members are in agreement with the Chief Internal Auditor's annual report and assurance statement which confirmed an overall audit opinion of **Satisfactory** such that that reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in 2022/23 and are satisfied that active monitoring and follow up of agreed action plans is in place.

**6 June 2023**