

**REPORT TO:** Audit and Governance Committee

**MEETING DATE:** 17 September 2024

**BY:** Service Manager – Internal Audit

**SUBJECT:** Audit & Governance Committee Annual / End of Term Report 2023/24

---

## **1 PURPOSE**

- 1.1 To present the outcome of the 2023/24 Audit & Governance Committee self-assessment and seek approval from the Audit & Governance Committee to present the Annual / End of Term Report 2023/24 to the Council.

## **2 RECOMMENDATION**

- 2.1 The Audit & Governance Committee is asked to approve the Audit Committee Annual / End of Term Report 2023/24 (Appendix 1) and its self-assessments using the CIPFA Audit Committees Guidance (Appendix 2) and agrees that the Audit Committee Annual / End of Term Report 2023/24 should be presented to the Council.

## **3 BACKGROUND**

- 3.1 The purpose of this report is to provide Members with the Audit & Governance Committee Annual / End of Term Report 2023/24, which sets out how the Audit & Governance Committee has performed against its remit and the effectiveness of the Audit & Governance Committee in meeting its purpose, based on a self-assessment of the Committee against best practice, and provides assurances to the Council.
- 3.2 It is important that the Council's Audit & Governance Committee fully complies with best practice guidance on Audit Committees to ensure it can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance of the Council.
- 3.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition (hereinafter referred to as CIPFA Audit Committees Guidance) includes the production of an annual report on the performance of the Audit & Governance Committee for submission to the Council. The Audit & Governance Committee

Annual / End of Term Report 2023/24 is appended to this report as Appendix 1 for consideration.

3.4 The Audit & Governance Committee Annual / End of Term Report 2023/24 includes the following assurances to the Council:

- The Council has access to the Minutes of the Audit & Governance Committee throughout the year.
- The Audit & Governance Committee has operated in accordance with its agreed terms of reference, covering the themes of Governance, Risk and Control, Internal Audit, External Audit, Financial Reporting and Accountability Arrangements, and accordingly conforms to the Audit Committee principles within the CIPFA Position Statement for Audit Committees.
- It focused entirely on matters of risk management, internal control and governance, giving specialist advice to the Council on the value of the audit process, on the integrity of financial reporting and on governance arrangements, and acted as a bridge between the Council and other stakeholders. It did this through material it received from Internal Audit, External Audit, Risk Management, Council Finance teams and reporting from Council Arm's Length Bodies and assurances from Management relevant to the Audit Cycle of reporting.
- The Audit & Governance Committee has reflected on its performance during the year and has agreed areas of improvement to enable enhanced effectiveness to fulfil its scrutiny and challenge role.

3.5 The areas of improvement that have been agreed as part of the Audit & Governance Committee Annual / End of Term Report 2023/24, are as follows:

- Complete the members Skills and Knowledge assessment already circulated and make recommendations on any areas of skills and knowledge that could be enhanced by having co-opted independent members, and which areas require further training or development by December 2024.
- Develop an approach for recruitment of co-opted independent members of the Audit & Governance Committee and implement this approach by March 2025.
- Ensure that this report is forwarded onto the Council as required by the CIPFA Audit Committees Guidance.
- Ensure consideration of the Draft Annual Governance Statement to be included in the Draft Annual Accounts is considered by the Audit & Governance Committee in full by June 2025.
- Consider adding specific questions to management assurance statements on an annual basis on the added value of the Audit & Governance Committee to the Council and reviewing other methods of obtaining feedback from those interacting with the Committee, these will be returned in May 2025.
- Consider reviewing the Audit & Governance Committee terms of reference to ensure that it meets the requirements of the CIPFA Audit Committees Guidance and reinforces the role and purpose of the Committee by June 2025.

#### **4 POLICY IMPLICATIONS**

4.1 None

#### **5 INTEGRATED IMPACT ASSESSMENT**

5.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

#### **6 RESOURCE IMPLICATIONS**

6.1 Financial - None

6.2 Personnel - None

6.3 Other - None

#### **7 BACKGROUND PAPERS**

7.1 None

<b>AUTHOR'S NAME</b>	Duncan Stainbank
<b>DESIGNATION</b>	Service Manager – Internal Audit
<b>CONTACT INFO</b>	dstainbank@eastlothian.gov.uk
<b>DATE</b>	3 September 2024

**EAST LoTHIAN COUNCIL  
AUDIT & GOVERNANCE COMMITTEE  
ANNUAL/END OF TERM REPORT FROM THE CHAIR – 2023/24**

This annual/end of term report has been prepared to inform East Lothian Council of the work carried out by the Council's Audit & Governance Committee during the year 2023/24. The content and presentation of this report meets the requirements of the CIPFA Audit Committees Practical Guidance for Local Authorities and Police 2022 Edition (hereinafter referred to as CIPFA Audit Committees Guidance), 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 to share lessons learned, and areas of improvement to inform the Audit & Governance Committee

### **Meetings**

There were meetings of the Audit & Governance Committee four times during the financial year, namely meetings on 13 June 2023, 26 September 2023, 19 December 2023 and 26 March 2024 to consider reports pertinent to the audit cycle and its terms of reference. Additionally at the start of the 2024/25 financial year a meeting has been held on 17 June 2024.

The Audit & Governance Committee is a key component of East Lothian Council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards. The purpose of the Committee is to provide independent assurance to elected members of the adequacy of the risk management framework and the internal control environment. It provides independent review of East Lothian Council's governance, risk management and control frameworks, and oversees the financial reporting and annual governance processes. It oversees internal and external audit, helping to ensure efficient and effective assurance arrangements are in place.

The Audit & Governance Committee reviewed the annual accounts for 2022/23 at its meeting on 19 December 2023, alongside the Draft External Audit report on their annual audit 2022/23 to consider any concerns or improvements arising from the audit.

The Audit & Governance Committee approved the Internal Audit Charter and the Internal Annual Plan. It monitored Internal Audit's performance including progress against annual plan approving changes during the year, conformance with Public Sector Internal Audit Standards (PSIAS), and quality assurance and improvement plan (QAIP) arising from the External Quality Assurance Review reported to the Audit & Governance Committee on the 26 March 2024, and considered the statutory annual audit opinion within the Annual Internal Audit Report. It considered Internal Audit's reports which set out executive summaries of findings, audit opinions, good practice and recommendations associated with each assurance review, as well as other work. It monitored the implementation of agreed actions through receipt of regular reports during the year from Internal Audit.

The Audit & Governance Committee has reviewed the External Audit Strategy and Plan Overview for East Lothian Council, considered External Audit reports including the annual report to Members and the Controller of Audit on the annual audit of the Council, reviewed the main issues arising from the External Audit of the Council's statutory accounts, and monitored the implementation of agreed actions arising.

The Audit & Governance Committee reviews all of the Service Risk Registers and the Council Risk Register on an annual cycle. This enables the Audit & Governance Committee to provide oversight of Risk Management Framework to ensure it is able to demonstrate its effectiveness in carrying out its remit.

The Audit & Governance Committee receives a report every 2 years on the activity undertaken as part of the National Fraud Initiative, this was incorporated into the annual fraud report reported in June 2024. This report was produced in accordance with the requirement from the Audit & Governance Committee self-assessment for 2022/23.

The Audit & Governance Committee is the governance body responsible for scrutiny of the treasury management strategy, mid-term, and annual review, in accordance with the CIPFA Treasury Management Code of Practice. This scrutiny occurred during 2023/24 at Audit Committee meetings including the Annual Treasury Management Review 2023/24 in June 2024 and the Treasury Management Mid-Year Report 2023/24 in December 2023.

### Membership

The Membership of the Audit & Governance Committee reflects the Council’s approved Standing Orders, and Scheme of Administration which states that *“Councillor membership of the Committee should be drawn only from non-Cabinet Members of the Council. In appointing Councillor members to the Committee, the Council shall seek to achieve political balance.”* The CIPFA Audit Committees Guidance states that *“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.”* The Committee is intending to undertake a knowledge and skills review this year prior to considering an approach to recruiting independent members to the Committee. A questionnaire has been provided to all members to assist in this self-evaluation and will be summarised when members have returned the questionnaire. Recruitment of independent members will remain challenging and recruitment exercises at other Scottish Local Authorities have not always provided appropriate candidates.

The Committee membership during the year comprised of Councillors Menzies (Convenor), Trotter (Depute Convenor), Bruce, Jardine, McFarlane, McGuire, McLeod and Ritchie.

The attendance by each member at the Committee meetings throughout the year was as follows:

<b>Member</b>	<b>13 June 2023</b>	<b>26 Sep 2023</b>	<b>19 Dec 2023</b>	<b>26 Mar 2024</b>
<b>Cllr Menzies</b>	X	√	√	√
<b>Cllr Trotter</b>	√	X	X	√
<b>Cllr Bruce</b>	√	√	√	√
<b>Cllr Jardine</b>	√	X	√	X
<b>Cllr McFarlane</b>	√	√	√	√
<b>Cllr McGuire</b>	√	√	√	√
<b>Cllr McLeod</b>	√	X	X	√
<b>Cllr Ritchie</b>	√	√	√	√

Every Audit & Governance Committee meeting in 2023/24 was quorate, it is noted however that the planned 11 June 2024 meeting was rescheduled until the 17 June 2024 due to the meeting not being Quorate. Group leaders have subsequently specifically stressed the importance of attendance to ensure that meetings are quorate going forward.

All other individuals who attended the meetings are recognised as being “In Attendance” only. The Chief Executive, Executive Director for Council Resources (Section 95 Officer), External Audit (Audit Scotland), and Internal Audit attend all Audit Committee meetings, and other senior officers also routinely attend Audit & Governance Committee meetings. The Council has provided support and resources to the Audit & Governance Committee throughout the year including a Democratic Services Officer as the Minute secretary.

## **Skills and Knowledge**

Given the wider corporate governance remit of Audit Committees within local government and the topics now covered by the external and internal audit functions, it is noteworthy that there is a range of skills, knowledge and experience that Audit & Governance Committee members bring to the committee, not limited to financial and business management. This enhances the quality of scrutiny and discussion of reports at the meetings. No one committee member would be expected to be expert in all areas.

## **Self-Assessment of the Committee**

A self-assessment questionnaire was issued to all members of the Audit & Governance Committee in July 2024, responses have been summarised and enhanced by the Service Manager - Internal Auditor, in conjunction with the Audit & Governance Committee Chair, using the self-assessment of good practice and the evaluating the impact and effectiveness of the audit committee from the CIPFA Audit Committees Guidance. This was useful for Members to ensure the Committee can demonstrate its effectiveness as a scrutiny body as a foundation for sound corporate governance of the Council.

The outcome of the self-assessments was a medium/high degree of compliance against the good practice principles and an improving and medium degree of effectiveness. Improvements were identified focussing on activity to improve its effectiveness in fulfilling its role. In summary these are:

- Complete the members Skills and Knowledge assessment already circulated and make recommendations on any areas of skills and knowledge that could be enhanced by having co-opted independent members, and which areas require further training or development by December 2024.
- Develop an approach for recruitment of co-opted independent members of the Audit & Governance Committee and implement this approach by March 2025.
- Ensure that this report is forwarded onto the Council as required by the CIPFA Audit Committees Guidance.
- Ensure consideration of the Draft Annual Governance Statement to be included in the Draft Annual Accounts is considered by the Audit & Governance Committee in full by June 2025.
- Consider adding specific questions to management assurance statements on an annual basis on the added value of the Audit & Governance Committee to the Council and reviewing other methods of obtaining feedback from those interacting with the Committee, these will be returned in May 2025.
- Consider reviewing the Audit & Governance Committee terms of reference to ensure that it meets the requirements of the CIPFA Audit Committees Guidance and reinforces the role and purpose of the committee by June 2025.

## **Assurance Statement to the Council**

The Audit & Governance Committee provides the following assurance to the Council:

- The Council has access to the Minutes of the Audit & Governance Committee throughout the year.
- The Audit & Governance Committee has operated in accordance with its agreed terms of reference, covering the themes of Governance, Risk and Control, Internal Audit, External Audit, Financial Reporting, and Accountability Arrangements, and accordingly conforms to the Audit Committee principles within the CIPFA Position Statement for Audit Committees.
- It focused entirely on matters of risk management, internal control and governance, giving specialist advice to the Council on the value of the audit process, on the integrity of financial reporting and on governance arrangements, and acted as a bridge between the Council and

other stakeholders. It did this through material it received from Internal Audit, External Audit, Risk Management, Council Finance teams and reporting from Council Arm's Length Bodies and assurances from Management relevant to Audit Cycle of reporting.

- The Audit & Governance Committee has reflected on its performance during the year and has agreed areas of improvement to enable enhanced effectiveness to fulfil its scrutiny and challenge role.

Lee-Anne Menzies  
Chair of Audit & Governance Committee  
17 September 2024

## East Lothian Council Audit &amp; Governance Committee – self-assessment of Good Practice at August 2024

Audit committee purpose and governance	Yes/Partly /No	Comments
Does the authority have a dedicated audit committee?	Yes	The Council's Standing Orders identify the Audit & Governance Committee undertaking the Audit Committee role.
Does the audit committee report directly to full council?	Yes	All Minutes of Audit & Governance Committee meetings are circulated to full Council for noting and the Committee terms of reference state that: Decisions of the Committee on functions delegated to them shall be reported to the Council for information only unless the Committee resolved that a particular item of business should be referred to the council for decision. However Annual/End of Term report has not yet been forwarded formally to the Council for consideration.
Has the committee maintained its advisory role by not taking on any decision-making powers?	Yes	Yes, the Committee has no direct decision-making powers.
Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	Yes	Yes, the Terms of Reference of the Audit & Governance Committee identify responsibilities for Governance, Risk and Control Arrangements, Finance and Governance reporting, establishing appropriate and effective arrangements for audit and assurance.
Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	Yes	The role and purpose of the Audit & Governance Committee is set out in the Council's Standing orders including what it can do, the arrangements for meetings, required quorums etc. Attendance by Senior Officers including the Chief Executive and Executive Directors at every Committee meeting demonstrates the understanding. However, noted that ongoing training and development is required.
Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	Yes	The Audit & Governance Committee is well attended by Senior Officers including the Chief Executive and Executive Directors and escalation of issues to Council is covered in the terms of reference section G.
Does the governing body hold the audit committee to account for its performance at least annually?	Yes	The Audit & Governance Committee are now completing annual reviews however these are not yet being forwarded to the Council to demonstrate holding to account, although the review is available to the Council a public document.



East Lothian Council Audit & Governance Committee – self-assessment of Good Practice at August 2024

Functions of the committee	Yes/Partly/No	Comments
Does the committee publish an annual report in accordance with the 2022 guidance, including:		
compliance with the CIPFA Position Statement 2022	<input type="checkbox"/> Yes	This report covers this compliance.
results of the annual evaluation, development work undertaken and planned improvements	<input type="checkbox"/> Yes	Covered in this report.
how has it fulfilled its terms of reference and the key issues escalated in the year?	<input type="checkbox"/> Yes	Covered in this report.
Do the committee’s terms of reference explicitly address all the core areas identified in CIPFA’s Position Statement?		
<ul style="list-style-type: none"> <li>• Governance arrangements</li> </ul>	<input type="checkbox"/> Yes	Reference in Terms of Reference relation to section A 4 to Governance.
<ul style="list-style-type: none"> <li>• Assurance framework</li> </ul>	<input type="checkbox"/> Yes	Reference in Terms of Reference to section A 2 (f).
<ul style="list-style-type: none"> <li>• Internal audit and Internal Control Arrangements including:                             <ul style="list-style-type: none"> <li>○ Financial management</li> <li>○ Value for money</li> <li>○ Ethics and standards</li> <li>○ Counter fraud and corruption</li> </ul> </li> </ul>	<input type="checkbox"/> Yes	Reference in Terms of Reference section A 3, 4 & 1(c).
<ul style="list-style-type: none"> <li>• External audit</li> </ul>	<input type="checkbox"/> Yes	Reference in Terms of Reference to section A 2 (c), (e) & (f).

East Lothian Council Audit & Governance Committee – self-assessment of Good Practice at August 2024

Functions of the committee (cont’d)	Yes/Partly /No	Comments
<ul style="list-style-type: none"> <li>Risk management arrangements</li> </ul>	<input type="checkbox"/> Yes	Reference in Terms of Reference to section A 1 (a).
<ul style="list-style-type: none"> <li>Annual Governance Statement</li> </ul>	<input type="checkbox"/> Yes	Reference in Terms of Reference to section A 1 (d), 3 (b) & 4.
Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/> Yes	Reports have been received that cover all core areas at meetings of the Audit & Governance Committee, however raised areas for more or different coverage by members include Annual Governance Statement, Financial Management, Assurance Framework and Risk Management.
Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/> Yes	The Audit & Governance Committee has only considered items that align with its core functions.
Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/> Yes	The Service Manager Internal Audit and Audit Scotland have met privately with the Audit & Governance Committee.
Has the Committee been established in accordance with the 2022 guidance as follows:		
Separation from the Executive	<input type="checkbox"/> Yes	Audit & Governance Committee terms of reference state that members are only drawn from non-Cabinet members of Council.
A size that is not unwieldy and avoids the use of substitutes	<input type="checkbox"/> Yes	Regular attendance by all members without substitutes evidence’s compliance.
Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA’s recommendation.	<input type="checkbox"/> No	Consideration is being given on how to recruit lay/co-opted members and what skill sets these members would require.

## East Lothian Council Audit &amp; Governance Committee – self-assessment of Good Practice at August 2024

**Membership and support**

	Yes/Partly /No	Comments
Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled.	Yes	Elected Members on the Audit & Governance Committee are selected in accordance with the arrangements set out in the terms of reference as part of the Council's Standing Orders. Committee members bring a wide variety of skills, experience, and knowledge. Continued further training and development requirements will remain under review.
Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	No	Following the May 2022 local government elections and appointment to the Audit & Governance Committee the elected members' induction programme was completed, arrangements are currently in process to complete an evaluation of knowledge, skills, and training needs.
Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	Yes	Induction training has been provided for all members which covers key areas of the 2022 guidance, further regular training events have taken place with members of the Committee and will continue to take place.
Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	Yes	The Committee members have satisfactory level of knowledge and experience in all key areas.
Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief financial officer?	Yes	The Chair meets with the Executive Director for Council Resources, the Head of Finance, and the Service Manager Internal Audit in advance of each Audit & Governance Committee meeting, and has the option to meet with External Auditors, in private. The Audit & Governance Committee members have a pre-meeting with senior management prior to each Audit & Governance Committee meeting to enable wider context of Council business.
Is adequate secretariat and administrative support to the committee provided?	Yes	Yes.
Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	Partly	Feedback is provided through regular meetings with Committee members and opportunity for communication with Internal and External audit, including private meeting, and management in pre-meetings. The reporting of this work to Council will provide opportunity for Council feedback to be provided.
Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	Yes	As reflected in the Minutes of the Committee.

## East Lothian Council Audit &amp; Governance Committee – self-assessment of Good Practice at August 2024

Effectiveness of the committee	Yes/Partly /No	Comments
Are meetings effective with a good level of discussion and engagement from all members?	Yes	As reflected in the Minutes of the Committee.
Has the Committee maintained a non-political approach to discussions throughout?	Yes	As reflected in the Minutes of the Committee.
Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	Yes	The Chief Executive and appropriate Executive Directors attend all Audit & Governance Committee meetings and respond to members' questions for the business being considered by the Committee to ensure action findings and action plans are acted upon. Corporate and Service Risk registers are presented to the Committee.
Does the committee make recommendations for the improvement of governance, risk and control arrangements?	Yes	Recommendations can be made by the Committee to Council in accordance with the business considered by the Committee. Recommendations made in Audit work are followed up with management and reported back to the Committee.
Do audit committee recommendations have traction with those in leadership roles?	Yes	The Chief Executive, Directors and the Section 95 Officer attend all Audit & Governance Committee meetings and respond to members' questions as appropriate for the business being considered by the Committee to ensure action findings and action plans are acted upon.
Has the committee evaluated whether and how it is adding value to the organisation?	No	Self-Evaluation by the Committee members confirmed that they agree value was being added but no formal evaluation has taken place.
Does the committee have an action plan to improve any areas of weakness?	Yes	An Action plan was created last year and refreshed this year.
Has this assessment been undertaken collaboratively with the audit committee members?	Yes	All members of the Audit & Governance Committee were asked to complete a questionnaire to provide an aggregate view for this self-assessment.