

13 July 2023

ANNUAL REPORT OF THE CHAIR OF AUDIT COMMITTEE for the Financial Year 2022-23

1. Introduction

- 1.1. The Audit Committee provides independent assurance that adequate corporate governance and strategic risk management arrangements are in place for the Council.
- 1.2. The Chartered Institute of Public Finance and Accounting (CIPFA) guidance, recommends that the Audit Committee report annually to the Council, on how they have discharged their duties and responsibilities.
- 1.3. This report summarises the work and achievements of the Audit Committee for the Council year 2022-23 (April 2022 - March 2023). Its first aim is to give new Councillors and Councillors with limited experience of the Audit Committee an overview of the Committee, allowing members of the Committee and Officers to reflect on the year's activity, as well as reporting back to the residents of Milton Keynes via Full Council.
- 1.4. The report seeks to provide assurance that the Committee has fulfilled its terms of reference and added value to the overall governance arrangements that were in place and highlights both the standard items of business considered by the Committee (as part of the annual cycle) and key one-off items which have been considered.

2. Role of the Committee

- 2.1 The committee fulfils its purpose of provision of independent assurance through review of reports on the following during the year
 - Corporate Governance
 - Internal Control Environment
 - Corporate Risk Management
 - Regulatory Framework
 - Internal Audit
 - External Audit
 - Financial Reporting
 - Updates on Inspections and Reviews
 - Counter Fraud
- 2.2 The full responsibilities of the Audit Committee are contained in its terms of reference in **Annex B**.

3. Committee Membership and Attendance

3.1 For the year to 31 March 2023 the Committee had 12 members, with Membership as follows:

MEMBER	Attendance /Total No of meetings
Cllr L Montague (Chair)	5/5
Cllr Lancaster (vice chair)	3/5
Cllr B Nolan (vice chair)	3/5
Cllr P Cannon	3/5
Cllr N Khan	3/5
Cllr A Hussain	3/5
Cllr C Wardle	3/5
Cllr D Hosking	5/5
Cllr C Hall	4/5
Mr I Farookhi	1/5
Mr D Fletcher	4/5
Ms M Lynch	3/5

3.2 Minor amendments were made to the above on 7 March 2023, with Councillor Lancaster having stepped down as Vice Chair and been replaced by Councillor Hosking.

4. Review of Meetings

4.1. The Committee met 5 times during the year. The meeting on 18th May 2022 was the formal meeting to appoint the chair / vice-chairs following the Council's AGM. The 4 substantive meetings were held on 27th July 2022, 22nd Sept 2022, 6th December 2022 and 7th March 2023.

4.2. The Committee did not commission any extraordinary meetings during 2022-23.

4.3. The minutes and agendas for all the meetings are held on the Council's website (Modern.Gov) and all agenda items were discussed in open public sessions over the year.

5. Effectiveness of the Audit Committee

5.1. The Audit Committee is a key element of the Council's governance framework, and it needs to demonstrate a high level of effectiveness in how it carries out its core business. Chartered Institute of Public Accountants (CIPFA) has produced a questionnaire guide for use in assessing Committee effectiveness.

5.2. The Committee met the requirements of the Terms of Reference, at Annex B, both in terms of relevant agenda items and the effectiveness of its review.

5.3. No issues were identified during the year that would indicate the Audit Committee and its members were unable to properly discharge the Committee's functions as required by best practice.

5.4. The attendance of Audit Committee members at meetings are as detailed above. Where councillors were not able to attend in person, substitutes had been nominated and were in attendance at all meetings.

6. Recurring Items

6.1 The Committee has a schedule of matters to be considered at each meeting, with Internal and external audit activity reviewed at every meeting.

6.2. Annual Financial Statements

6.2.1. The Audit Committee has delegated responsibility for approving the Council's Financial Statements. The Statement of Accounts and Accounting Policies for the financial year ended 31 March 2021 were approved at the 6th December 2022 Audit Committee meeting.

6.2.2. The Council's accounts are audited by Ernst and Young. The external audit of the Accounts for the year ended 31 March 2021 was delayed, due to the late sign off of the 2019/20 audit in July 2021. This situation is allowed for by Regulation 10, paragraph (2a) of the Accounts and Audit Regulations 2015. A qualified opinion was issued for these accounts, due to a limitation of scope on infrastructure assets, an issue that impacted Local Authorities nationally, as guidance on what was required had not been clear over the years.

6.3. The Annual Governance Statement (AGS)

6.3.1. A draft 21-22 Annual Governance Statement was considered at the meeting in February 2022. The Final AGS was approved along with the Financial Statement at the meeting of 6th December 2022.

6.4. Audit Reports

6.4.1. The Committee has received regular updates on the progress against the Internal Audit Plan at every routine meeting. The Internal Audit Plan for the year (22-23) was approved by Committee on 2 February 2022, with Plan for 2023/24 being approved at the meeting in March 2023.

6.4.2. The Internal Audit Annual opinion report for 2021-22 was presented to Committee at its meeting of 27 July 2022. The Chief Internal Auditor concluded that the framework of governance, risk management and management control across the Council's operations was Satisfactory.

6.4.3. The External Audit Plan for 2022/23 was reviewed and agreed at the meeting on 7th March 2023. Updates on progress of the Audit of the financial statements for 2021/22 were also reviewed during the year.

6.5. Risk Management

6.5.1. The Strategic Risk Register was presented to Committee at its meetings on 27 June 2022, September 2022 and March 2023. The reports provide Committee with the assurance that the framework had operated as expected during the year, and also the opportunity for the Committee to delve deeper into specific risks.

6.6 Updates on Inspections and other external Reviews

6.6.1 A report on the conclusions of the Local Government Ombudsman Annual Report was discussed at Committee meetings in September 2022 and March 2023. The Ombudsman Annual report details how well the Council handled complaints made and focused on those that were escalated to the ombudsman when the complainant was not satisfied with MKCC's responses.

6.7 Annual Approvals

Relevant Policies/procedures/guidance are reviewed and updated annually, to reflect any changes in legislation and or best practice, as necessary, and are presented for approval. The following policies were presented and approved by Committee during the year:

POLICY	ACTION	COMMITTEE DATE
Internal Audit Charter	Re-adopted	6 December 2022
Anti-Fraud & Corruption Policy	Approved	6 December 2022
Whistle blowing Policy	Approved	6 December 2022
Anti-Money Laundering Policy	Approved	6 December 2022
Draft Audit Plan 2023/24	Approved	7 March 2023

7. Significant Issues Considered

7.1 Independent External Quality Assessment of the Internal Audit Service

7.1.2 A full external assessment of the Service was undertaken by an independent assessor, during June/July 2022. As part of the review, the assessor held discussions with the Chair of the Committee and attended and observed the Committee at their meeting in July 2022. A report of the conclusions from the assessment was presented to Committee meeting in September 2022.

7.1.3 The Committee endorsed a proposed action plan to address the recommendations for improvement arising from the review. Subsequently the majority of the recommendations have been implemented.

7.2 Limited Assurance Audit opinions

7.2.1 Consistent with best practice the regular Internal Audit update reports included audit reports that had been given a limited assurance audit opinion i.e., there are significant control weaknesses that present a high risk to the control environment and or the control environment has not operated as intended. Limited assurance opinions were issued for the following Planned Audits and summary of issues were highlighted to Committee during the year.

- Children's Direct Payments
- Budget Monitoring
- Continuing Healthcare Funding
- Family and Children Centres Procurement cash & Card
- Complaints Management
- Children Services – Contracts Management

7.3 External

7.3.1 There were no unforeseen events for Committee to consider during 2022-23.

It is important to formally recognise and thank all the Councillors and independent members who have served on the Committee throughout 2022-23 and the core team of officers who have supported and guided the Committee over the year.

Sam Crooks

Chair of Audit Committee