



# Audit & Governance Committee

## Annual Report 2022-23

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## Foreword by Cllr Jack Phipps – Chair

I am very pleased present our annual report summarising our activity during the 2022-23 municipal year and my first year as Chair.

The primary role of the committee is to assist the Council in fulfilling its oversight responsibilities in areas such as the integrity of financial reporting, the effectiveness of the risk management framework and system of internal controls, and ~~we~~ overseeing the work and quality of internal audit.

All members of the committee bring a balanced, independent, and objective approach to the business of the Committee. I would like to thank Cllrs Terry, Malik and Fitzgerald for the constructive contributions they have made throughout the year.

The committee works with officers and partners to strengthen governance arrangements across the council. This year our work programme has included:

- Overseeing production of the annual governance statement
- Providing oversight to the Council's internal audit function, receiving the annual report and opinion alongside regular updates on progress against the internal audit plan, including follow-up in relation to limited assurance reviews
- Review of regular counter-fraud update reports
- Oversight of key internal control arrangements including risk management, information governance, and procurement
- Scrutiny of the treasury management activity of the Council

A primary concern for the committee has been the backlog of externally audited accounts and external audit opinion affecting 3 years of the Council's own accounts and the wider local government sector. Inquiry from the Public Accounts Committee has found that the delay hinders accountability for £100billion in local government spending nationwide with only 12% of local authorities having received audit opinions for 2021-22.

The Committee has strongly expressed its deep dissatisfaction and concern and continues to hold our external auditors to account to address this delay, including writing to the auditors and challenging the auditors directly at Committee meetings. We hope to see improvement in 2023-24 that will give us and our residents the assurance of recent and relevant external audit opinion.

In 2023-24 we will continue to adopt a varied work programme that balances routine oversight of governance and control arrangements with a flexible approach that can respond to emerging issues and concerns and look forward to reporting on our activity over the next year. The pressure of rising interest rates, demand on services and local government funding will continue to be a focus for the committee.

Finally, I would like to thank officers from across all the teams we have worked with for their contributions and engagement with the committee, and to the Democratic Services team for their diligent support throughout the year.

## 1. Introduction

Good governance is ultimately the responsibility of the Full Council as the governing body of the London Borough of Waltham Forest. This report provides assurance as to the way in which the Audit and Governance Committee has discharged its role to support the Council in this responsibility. In addition, the report underpins the Annual Governance Statement, which is approved by the committee.

In particular, the report on the work of the committee demonstrates how the committee has:

- Fulfilled its terms of reference
- Complied with national guidance relating to audit committees
- Contributed to strengthening risk management, internal control and governance arrangements

The Chartered Institute for Public Finance and Accountancy (CIPFA) describes the overall aim of good governance as:

‘To ensure that resources are directed in accordance with agreed policy and according to priorities, that there is sound and inclusive decision making and that there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.’

*CIPFA Delivering Good Governance in Local Government Framework 2016 Edition (The Good Governance Framework)*

## 2. Committee Information

### 2.1 Role of the Audit and Governance Committee

The committee is appointed by Council to support the discharge of its functions in relation to good governance by providing a high-level focus on audit, assurance and reporting.

CIPFA defines the purpose of an audit committee as follows:

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping ensure that there are adequate arrangements in place for both internal challenge and public accountability.

*CIPFA's Position Statement 2022: Audit committees in local authorities and police*

The terms of reference for the committee are reviewed regularly against current regulations, CIPFA position statement and guidance for audit committees and best practice in comparable authorities. The terms of reference were most recently reviewed and approved by Council in April 2023.

The core functions of the committee set out in its [terms of reference](#) include:

- Monitoring and considering the effectiveness of the governance, risk and control frameworks
- Consideration of reports of internal audit including the annual opinion, audit plan, updates on the work of internal audit and monitoring of implementation of recommendations
- Review of the annual statement of accounts.
- Consideration of reports of the external auditor and their report on the audited accounts
- Scrutiny of the treasury management strategy, policy and activity
- Supporting corporate improvement programmes following external inspection, peer review or other interventions.

## 2.2 Membership

Four elected members were appointed to the committee in 2022-23:



Cllr Jack Phipps  
Chair



Cllr Steve Terry  
Vice-Chair



Cllr Marion Fitzgerald



Cllr Zafran Malik

Following the 2022 local elections, two out of four members (including the chair) were newly elected. The remaining two members have been long-standing members of the committee.

Attendance has been high, with only one apology for absence given and a substitute arranged during the year.

## 2.3 Independence of the committee

As a Council appointed committee, Audit and Governance Committee is appointed in line with the requirements for proportionality but, in line with CIPFA guidance and best practice, strives for political neutrality. As such, the committee has traditionally included an independent member with professional expertise and knowledge that supports the work of the committee.

The position of a non-voting independent member remained vacant in 2022 and was held vacant pending the publication of the 2022 CIPFA position statement as it was anticipated to include specific recommendations for this role.

In line with the position statement published in late 2022, the committee recommended that the number of independent members increase to two. Recruitment of the independent members is due to complete in November 2023 in order to formally appoint at Council in December. This will be followed by an induction plan to prepare members to take up their roles in 2024.

## 2.4 Knowledge and skills

A programme of development has been undertaken during the year to ensure that all members of the committee have the necessary knowledge and skills to discharge the functions of the committee. In view of the significant change in membership, an introductory session was provided on the role and functions of the committee prior to the first meeting of the 2022-23 municipal year.

Further briefings have been provided to ensure that all members remain up to date and informed to enable fulfilment of the committee's role.

As in previous years, the Director of Financial Services provided training to the committee in preparation for their examination of the annual accounts.

To support the committee in their scrutiny of the council's treasury management arrangements, the treasury management team have delivered training with the council's investment advisors. This was arranged to coincide with the committee's consideration of the treasury management strategy and annual report.

## **2.5 Operation of the committee**

The committee has met on four occasions during the year with meeting dates structured around the production and receipt of annual assurance reports, external and internal audit reporting cycles, and the statutory requirements for production of the annual accounts and governance statement. The committee usually meets five times per year but a meeting in March 2023 was cancelled due to a lack of urgent business.

The committee is supported by a senior officer attending regularly from Internal Audit and Corporate Anti-Fraud, Finance, Risk, Law and Governance, and Treasury Management.



### 3. Committee Business

The work undertaken by the committee to support their approval of the Annual Governance Statement and Accounts, and in furtherance of the core functions of the committee is summarised in this section. A complete list of reports considered by the committee is included at Annexe 1.

#### 3.1 Governance Risk and Control

##### Risk Management

The committee discuss the council's overall approach to risk management and regularly receive the strategic risk register. Members commended the training and workshops facilitated by the risk management service throughout the authority and the work of the team in challenging risk assumptions through the risk champions network.

During the year, the committee dedicated time to:

- The £1.75m contingency to mitigate increases in commercial energy costs – July 2022 – and discussed how this would be kept under review taking into account market conditions.
- The continued inclusion of COVID-19 as a significant strategic risk, noting that this would likely relax and be removed during the coming year although remained relevant largely due to the potential impact on adult social care – October 2022.

The pressure of rising interest rates, demand on services and local government funding will continue to be a focus for the committee during 2023-24.

##### Anti-Fraud and Corruption

The committee receives regular updates from the Corporate Anti-Fraud Team including the annual report, the proactive and reactive plans, and quarterly progress updates.

When considering the annual report, the committee discussed the best practice actions included in the Fighting Fraud and Corruption Locally Checklist review and factored these into the forward plan:

- Review of Whistleblowing Policy – Considered April 2022
- Disclosures of gifts, hospitality and business for officers and members – Scheduled for January 2024

The committee have taken interest in the issue of prosecutions and sentencing. They discussed evidence and judgement challenges to bringing successful prosecutions and supported the practical approach taken by the service.

The committee support the work across local authorities and partners to prevent and identify fraud and recognise the role of officers within the team taking this forward. Officers undertook to keep the committee apprised of progress, particularly in overcoming data sharing issues.



In October 2022, the committee reviewed the anti-fraud policies and resolved to extend the review period to take place every three years to coincide with the anti-fraud strategy.

### **Internal Controls**

The committee reviewed the annual record of waivers to the contract procedure rules, noting that the total value of waivers has fallen year-on-year since 2020, in part due to the receding impact of the COVID-19 pandemic.

The annual review of the Regulation of Investigatory Powers Act 2000 (RIPA) policy was considered by the committee in February 2023. The committee noted no applications made under the policy and no changes to the policy required aside from the updating of names and job titles.

### **Whistleblowing**

In April 2022, the committee considered changes to the whistleblowing policy and reviewed activity under the policy over the preceding year.

The committee noted that 7 whistleblowing complaints were received in 2022. Of those, 4 fell outside of the whistleblowing policy and 3 were investigated with no further action.

The policy was benchmarked with other local authorities through the London Legal Alliance. It was adjusted to give greater confidence of protection to staff raising whistleblowing allegations that fall outside of the definition of the act.

The committee approved the amended policy and recommended that school governing bodies also adopt the policy.

### **Elections and Electoral Registration**

The committee considered a review of the 2022 local elections and noted the key successes and identified areas for improvement.

They commended the successful implementation of new local government ward boundaries, recognising the challenge of the delay to the Local Government Boundary Commission for England's (LGBCE) final report on implementation times.

Concern was raised about the 4.71 percentage point drop in borough turnout when compared with the 2018 local elections. The committee noted that this was consistent with a reduction in turnout across London and resolved to keep the matter under review.

### **Constitution and Procedure Rules**

Having conducted a thorough review of the constitution between 2017-19, the committee have not undertaken any significant reviews of articles of the constitution this year. Instead, activity has been directed by changes to national policy and best practice.

To align with the Chartered Institute of Public Finance and Accountancy (CIPFA) Position Statement for local authorities, issued in October 2022, the committee undertook a review of its terms of reference in April 2023.

The review found that the majority of issues within the remit of the committee are as recommended by CIPFA. Members noted the CIPFA advice that widening the committee remit should be carefully considered and recommended to Council the continued inclusion of the following issues within the terms of reference:

- Review and monitoring of whistleblowing arrangements
- Monitoring delivery and arrangements for elections and electoral registration
- Oversight and review of the constitution, procedure rules and general scheme of delegation
- Standards

Members felt that these key governance issues relate to the wider remit of the committee. In the case of standards they were content that the committee complies with the CIPFA recommendation that they consider assurances on the discharge of the authority's standards responsibilities. The existing arrangement of drawing a determination sub-committee hearing panel from the members of the Audit and Governance Committee do not conflict with this.

Following this review, the committee has resolved to include the development of a local code of governance (as recommended by CIPFA) in the 2023/24 workplan.

The Committee also reviewed the scheme of members' allowances, a cyclical responsibility, informed by the advice of the Constitution Working Group. They considered the implications of the Local Government pay award for officers being a flat rate, rather than percentage increase, and how this type of award was not recognised under the existing scheme. The committee instead recommended an increase in line with the pay award increase for allowances rather than salaries and that this be backdated in line with the award for officers. This was agreed by Council.

### **Governance of significant partnerships and collaborations**

The governance of significant partnerships and collaborations is a new inclusion in the terms of reference following the April 2023 review. Therefore, no significant activity was undertaken during the last year.

In 2023-24, the committee will receive the audited accounts of the Council's wholly owned companies, Waltham Forest Services Ltd and Sixty Bricks Ltd. This is alongside increased scrutiny of these relationships by the Budget and Performance Scrutiny Committee.

## 3.2 Financial and Governance Reporting

The Council has delegated to the committee the authority to approve the Council's Annual Governance Statement and the audited Statement of Accounts.

### Governance Reporting

The 2021-22 draft Annual Governance Statement was approved by the committee in July 2022. The committee were pleased to see the inclusion of cyber security and progress with Freedom of Information Request compliance included within the statement.

At the end of the municipal year (April 2023), the committee considered the 2022-23 draft Annual Governance Statement. Members were happy to see the inclusion of conduct and standards within the report and recommended that reference be made to the committee's displeasure at the delays of external audit.

### Financial Reporting

The committee considered the review of accounting policies for 2022-23 and their effect on the policies for preparing and reporting the council's financial statements. They noted that changes were minimal, with the major issue being changes to the accounting of infrastructure assets.

The accounting of infrastructure assets has affected all local authorities and contributed to external audit delays. The committee noted that the policy changes required to address this issue would also be applied to the 2019-20, 2020-21, and 2021-22 financial statements.

Further information about the ongoing backlog of external audits is set out in section 3.4.

## 3.3 Treasury Management

In July 2022 the Committee received training delivered by the Treasury Management team and the council's treasury advisers, Link Asset Services. Having undertaken training, they scrutinised the Annual Treasury Management Review and recommended the review to Council for agreement.

Treasury Management was regularly reported to the committee, who scrutinised the mid-year review and annual investment strategy in October 2022 and February 2023 respectively.

Members noted the predictions for interest rate increases and the strategy of short-term borrowing to mitigate the impacts of interest rates until they reduce.

Members requested that reports be expanded to include relevant comparators including rate of return which was incorporated by the service and advisers.

### **3.4 Arrangements for Audit and Assurance**

#### **External Audit**

The committee received regular updates on the progress of external audit. Currently three years of external audits are outstanding (2019-20, 2020-21, 2021-22) which form a portion of a national issue affecting local authority external audits since the introduction of the Public Sector Audit Appointments (PSAA) arrangements in 2018-19.

The committee noted in July 2022 that the 2021-22 statement of accounts had been published in draft. The committee have not yet received the external audit plan for these accounts which cannot be planned whilst the preceding accounts remain unaudited.

The committee continues to apply pressure to external audit and the committee have agreed that the chair write to express their dissatisfaction in August 2023.

#### **Internal Audit**

The committee considered the 2021-22 Internal Audit Annual Report and Head of Internal Audit's reasonable assurance opinion in July 2022 alongside the Internal Audit Charter and Draft Internal Audit Plan 2023-24.

Throughout the year members received regular updates on the progress of Internal Audit. They have monitored the implementation of high priority actions in the case of all limited assurance audits.

The committee have received assurance on compliance with the Public Sector Internal Audit Standards (PSIAS) through self-assessment and an external quality assessment. They discussed the key achievements of the assessment noting:

- The experienced leadership in internal audit
- Effective engagement with key stakeholders
- The diverse assurance engagements undertaken by internal audit with the co-sourced support of PWC

The external quality assessment concluded that the internal audit service conforms with 53 of the 64 relevant PSIAS and partially conforms with 8 of the standards. The committee will receive an update including an action plan to address the recommendations of the assessment in 2023-24.

### **3.5 Supporting Corporate Improvement Programmes**

The annual review letter of the Local Government and Social Care Ombudsman (LGSCO) was presented to the committee alongside Housing Ombudsman Service (HOS) complaints data and general council complaints data.

The committee noted the increase in compensation payments arising from complaints despite a lower number of ombudsman complaints upheld when compared with the previous

year. This was primarily due to the nature of the complaints (housing options and special educational needs) where compensation is generally higher because of injustice.

### **3.6 Standards**

The committee considered revisions to the Councillor Code of Conduct and complaints procedure in October 2022, taking into account the recommendations of the Committee on Standards in Public Life. These were adopted by Council in October 2022.

## **4. Looking Forward**

The committee has approved the work programme for the 2023-24 municipal year setting out the receipt of regular update reports and annual assurance reports.

Through the continuing receipt of regular reports, the committee will provide the usual level of robust challenge to corporate governance and audit practice and procedures across the authority to ensure that arrangements are fit for purpose, communicated, embedded and complied with.

In addition to the routine business, the committee have requested specialised assurance reports in relation to:

- The implementation of the council's enterprise management software – Oracle
- Development of a local code of governance (as recommended by CIPFA)

The work programme will be the subject of regular review and the committee will remain flexible in its approach to accommodate additional items within its remit as they emerge.

The committee will continue to develop its expertise and understanding through training and development. Whilst not within the period of this annual report, the committee have already attended an away-day in August 2023 facilitated by officers. At this away-day, members developed their familiarity with the services that regularly report to the committee and received training in relation to:

- Internal Audit
- Corporate Anti-Fraud
- Financial Assurance, External Audit Opinion and The Annual Governance Statement
- Risk Management
- Treasury Management
- Standards

## 5. Annexe 1 – Reports considered by the committee

<b>Governance Risk and Control</b>	<b>July 2022</b>	<b>October 2022</b>	<b>February 2022</b>	<b>April 2022</b>
Corporate Anti-Fraud Team Annual Report	X			
Corporate Anti-Fraud Team Update		X	X	X
Anti-Fraud Policy Review		X		
Risk Management Update		X	X	X
Review of Local Elections 2022		X		
Regulation of Investigatory Powers Annual Review			X	
Contract Waiver Monitoring				X
Information Governance Annual Report				X
Whistleblowing Policy and Activity Annual Review				X
Audit & Governance Committee Terms of Reference Annual Review				Recommended to Council
<b>Financial and Governance Reporting</b>	<b>July 2022</b>	<b>October 2022</b>	<b>February 2022</b>	<b>April 2022</b>
<b>Governance Reporting</b>				
Annual Governance Statement 2021/22	Draft/Delegated			
Annual Governance Statement 2022/23				Draft/Delegated
<b>Financial Reporting</b>				
Accounting Policies 2022-23			Agreed	
<b>Treasury Management</b>	<b>July 2022</b>	<b>October 2022</b>	<b>February 2022</b>	<b>April 2022</b>
Annual Treasury Management Review 2021-22	Recommended to Council			
Treasury Management Strategy Mid-Year Review		Recommended to Council		
Treasury Management Annual Investment Strategy 2023-24			Recommended to Council	

<b>Arrangements for Audit and Assurance</b>	<b>July 2022</b>	<b>October 2022</b>	<b>February 2022</b>	<b>April 2022</b>
External Audit				
Update on External Audit Progress		X	X	
External Audit Plan 2020/21			X	
Internal Audit				
Head of Internal Audit Opinion 2021-22	X			
Internal Audit Progress Report		X	X	X
Internal Audit Charter, Strategy and Provisional Plan 2023-24				Agreed
<b>Accountability Arrangements</b>	<b>July 2022</b>	<b>October 2022</b>	<b>February 2022</b>	<b>April 2022</b>
Audit & Governance Committee Annual Report		Recommended to Council		
<b>Supporting Corporate Improvement Programmes</b>	<b>July 2022</b>	<b>October 2022</b>	<b>February 2022</b>	<b>April 2022</b>
Annual review letter from the Local Government and Social Care Ombudsman and the Housing Ombudsman annual report 2021-22		X		
<b>Standards and Constitution</b>	<b>July 2022</b>	<b>October 2022</b>	<b>February 2022</b>	<b>April 2022</b>
Revised Councillor Code of Conduct and Complaints Procedure		Recommended to Council		
Scheme of Members' Allowances 2023-24				Recommended to Council