



Audit & Accounts Committee – Induction Training

26 June 2025

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Overview of Presentation

- Support for the Committee
- The Committee's role and remit
- Risk Management
- Internal Audit
- Corporate Governance

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Support for the Committee

- Committee Services Team Leader – Jim Dean
- Deputy Chief Executive - Resources – Chris Forrester
- Head of Transformation & Assurance – Judith Aupers
- Chief Internal Auditor & Risk Manager – Stephen Baddeley
- Deputy s151 Officer – Emma Fullagar
- External Auditor – Azets

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The Committee's Role

- To provide an independent and high-level focus on the adequacy of governance, risk and control arrangements.
- The Committee should be independent of both the executive and the scrutiny functions
- The Committee should not scrutinise performance, service delivery or policy decisions with the exception of the performance of Internal Audit

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The Committee's Remit

The Committee has 3 core functions:-

1. Audit Activity
 - ❖ Internal Audit
 - ❖ External Audit
2. Regulatory Framework
 - ❖ Risk Management
 - ❖ Corporate Governance
 - ❖ Fraud
3. Finance
 - ❖ Statement of Accounts
 - ❖ Treasury Management

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Risk Management

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Why Do We Need Risk Management?

The theory ..

- It is a fundamental requirement of Corporate Governance
- Accounts & Audit Regulations 2015

In practice ..

- Achieve objectives
- Avoid injury and damage to people and property
- Avoid financial loss
- Protect the Council's reputation

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Risk

- Risk is the chance or possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted or uncertain action or event
- or**
- The chance of something happening that will have an impact on business objectives

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Risk Management

- Risk Management is about having a process in place to identify, control and monitor the risks which can threaten the Council's financial and organisational well-being.
- In essence it is about making the most of opportunities (making the right decision) and about achieving objectives once those decisions are made. This is achieved by controlling, transferring or living with risks.
- The Council has a risk management system in place to identify the strategic risks, the controls in place to manage them and a process for scoring the risks.

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Risk Management – What does it actually mean?

In simple terms:

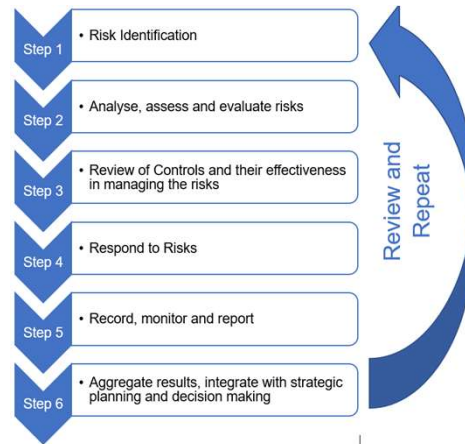
- Look at what the Council is aiming to do (Corporate Objectives)
- Identify any risks that may stop the Council achieving its objectives
- Assess the likelihood of the risk happening and how bad the consequences of that could be (use of scoring matrix)
- Identify any controls currently in place and whether any further action needs to be taken

We apply this to Business Risk, but in fact we all do it every day in our private lives

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New Risk Management Process

- New risk Process approved for use from April 2025
- Aim for it to be continuous process not a periodic update twice a year
- Aim to embed this through the Council to inform decision making
- Common Risk Language



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Risk Scoring Matrix

		Impact			
		Minor/Non-Disruptive Impact (1)	Moderately Disruptive Impact (2)	Significant Consequences (3)	Serious Consequences (4)
Likelihood	Very Likely (4)	4	8	12	16
	Probable (3)	3	6	9	12
	Possible (2)	2	4	6	8
	Unlikely (1)	1	2	3	4

Risk Levels	Colour
Negligible Risk	Blue
Low Risk	Green
Moderate Risk	Yellow
Medium Risk	Orange
High Risk	Red

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Risk Scores

Likelihood

4	Very Likely	<ul style="list-style-type: none"> Event expected to occur. Has occurred and will continue to do so without action being taken. Indication of imminent occurrence There are external influences which are likely to make our controls ineffective
3	Probable	<ul style="list-style-type: none"> There is a moderate exposure to the risk. Reasonable to expect event to occur within a year. Has occurred in the past. Is likely to occur within the Council's planning cycle. There are external influences which may reduce effectiveness of controls
2	Possible	<ul style="list-style-type: none"> There is a low exposure to the risk. Little likelihood of event occurring - 1 in 10 years There is a potential for external influences which may reduce effectiveness of controls
1	Unlikely	<ul style="list-style-type: none"> Extremely remote Not expected to occur but may do so in exceptional circumstances - 1 in 100 years. There are few or no external influences which may reduce effectiveness of controls

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Risk Scores

Impact Scores

Category	Descriptor	Minor/Non-Disruptive Impact 1	Moderately Disruptive Impact 2	Significant Consequences 3	Serious Consequences 4
Health & Safety	This refers to Occupational Health & Safety, and other safety matters relating to the delivery of our services	No substantive risk of injury	Minor/superficial injuries or near misses	Serious injury/near miss of serious injury causing significant time off work	Loss of human life/near miss of death or long-time life changing injuries
Environmental	This refers to the environmental impact on the public – it could be related to virus type illnesses or environmental pollution issues which impact on health or related to events which have an impact on the natural environment such as pollution/contamination	No noticeable impact on the public or environment	Localised outbreak – minor symptoms which can be self-medicated or through prescription from GP. Small/minor pollution/contamination incident affecting a room or small outside area	Outbreak of virus/disease with symptoms which require medical treatment, vaccination, etc but no fatalities. Localised major pollution/contamination incident. Small part of the district	Outbreak of virus/disease leading to fatalities or culling of animals e.g., outbreak of Legionella Disease or Foot & Mouth in the district. Major/large-scale pollution/contamination of the environment
Contractual / Partnership	This refers to both the risks regarding partnership / contractual activities and the risks associated with the partnership / contract delivering services to the agreed cost and specification.	Negligible impact on contracts or partnerships but no loss of contractor/supplier	Loss of partner / contractor with negligible loss or disruption to service delivery. Supplier easy to replace and can be done quickly.	Unforeseen loss of partner / contractor resulting in short term loss or disruption to service delivery. Alternative supplier can be found and brought in to operate within several weeks.	Absolute failure to deliver or unforeseen loss of major partner / contractor resulting in sustained loss or disruption to critical functions. Will take several months to engage replacement contractor. E.g., Loss of contractor for key frontline service e.g. refuse collection or leisure
Capacity / Service Delivery	This is about ensuring that sufficient capacity is available to deliver services which meet statutory obligations, Council objectives etc and public expectation.	Negligible impact on capacity or ability to deliver services	Loss of key/specialist team member for less than a week. Service can be covered in part by other officers or backlog will wait until officer returns/alternative brought in to cover	Loss of whole team / service area. Service delivery disrupted for several weeks, up to 2 months. Specialist area – difficult to cover with other staff/agency.	Sustained loss of staff >25% of the Council lasting for several months – major impact on service delivery. Will require additional funding or support from another organisation.

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Options for Managing Risks

Once risks have been scored, the options are:

- Tolerate (some high risks cannot be reduced and are just a fact of life that we have to accept)
- Treat (Do something that will reduce the risk)
- Transfer (Insurance & Contracting out are the most common transfer mechanisms but 80% of Business Risks are not insurable)
- Terminate (some risks can never be accepted and we need to stop the activity related to them)

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The Strategic Risk Register

- Leadership Team undertake an assessment of the strategic risks that the Council faces in delivering its objectives
- These risks are held on the Strategic Risk Register
- Each risk is assigned to an owner who is responsible for delivery of the planned actions and reporting on them
- The full strategic register is monitored by Leadership Team
- Cabinet receive a summary of progress for each residual red risk quarterly and an annual update on amber risks

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Role of the Audit & Accounts Committee

The Committee will receive quarterly reports on the Strategic Risk Register and progress in addressing residual red risks with an annual update on amber risks

Role of the Committee - areas to question or challenge include:

- *Risks which have not changed score for a long time;*
- *Progress comments which seem to show a lack of progress in dealing with the risks*

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Internal Audit

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Why Do We Have Internal Audit?

- **Section 151 of the Local Government Act 1972**
requires authorities to “make arrangements for the proper administration of their financial affairs”
- **Accounts and Audit Regulations 2015**
“A relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

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Terms of Reference for Internal Audit

Internal Audit Charter

- Outlines the terms of reference for Internal Audit, ensuring that Audit has the right authority to carry out its function and is suitably resourced and structured to meet its objectives.
- The Charter will be approved by the Committee periodically normally at a March or June meeting

Role of the Committee:

- *to ensure that the Internal Audit Charter is fit for purpose*

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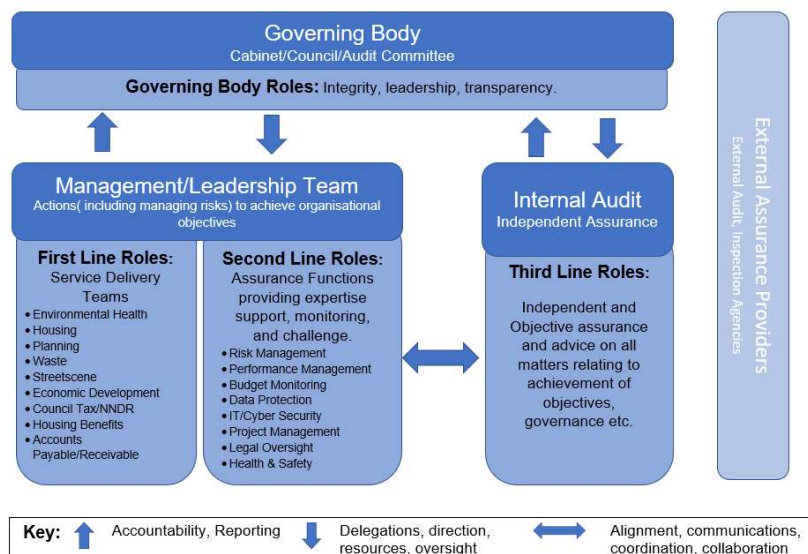
What Internal Audit Does

Internal Audit looks at the Council's key systems and governance arrangements to check that adequate controls are in place to manage risk and that these are operating effectively. Where weaknesses are found, recommendations are made to managers.

Main role of IA is to support management by giving an independent objective conclusion on the effectiveness of the processes and controls put in place to manage the organisation.

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IIA 3 Lines Model



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Risk and Controls

Risk - the likelihood of something happening that will have an impact on the achievement of the Council's objectives

Control – something that Managers put in place to prevent or reduce risks

Examples of Controls:

- Management Controls – Stocktakes, Income Reconciliations, Separation of duties
- Corporate Controls - Performance Management Framework, Budget Monitoring, Financial Regulations

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Determining Internal Audit's Work

- Internal Audit can review all of the Council's systems – not just financial
- All of the Council's systems are included in the **Audit Universe**
- The systems are scored against a number of risk factors
- The systems with the highest scores will be usually be included in the **Annual Audit Plan** although at times we may base the plan on a different assessment where there are significant one-off risks
- The Annual Audit Plan is presented to the Audit & Governance Committee in March each year for approval

Role of the Committee :

- *Review the plan, ask questions and make suggestions to Chief Internal Auditor:*
 - *Are the areas included for review this year appropriate?*
 - *Are there any major areas that have not been included for review without an explanation*
- *When satisfied, approve the Audit Plan*

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Audit Reports

- A report is issued for each audit
- Outlines key findings and recommendations in an action plan
- A conclusion will be given on the level of assurance for the system:
 - ❖ Substantial
 - ❖ Partial
 - ❖ Limited
 - ❖ No Assurance
- Follow-up Audits

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Reporting on the Work of Internal Audit

Periodic In-Year Reports

- Report on performance against the audit plan
- Summary of key issues arising from audits completed
- Summary of Follow-ups Completed

Role of the Committee:

- *To discuss the findings of Internal Audit:*
 - *focus should be on Limited/No Assurance areas, what are the issues, are agreed actions appropriate*
 - *where little progress is made at the follow-up stage why hasn't it been improved, are managers planned actions appropriate.*
- *To review performance against the Audit Plan – is work on target or has it slipped?*

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Reporting on the Work of Internal Audit

Annual Report

- Report on the whole year's performance against the audit plan
- Summary of key issues arising from audits completed during the year
- A conclusion on the Council's governance framework

Role of the Committee:

- *Has the Audit Plan been delivered – sufficient work to give a valid conclusion?*
- *Is the audit conclusion supported by the work undertaken during the year?*
- *Have all issues highlighted been considered for inclusion in the AGS*

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Review of Internal Audit

- Annual Report on a self-assessment of compliance against the Public Sector Internal Audit Standards & Cipfa's Role of the Head of Internal Audit document as well as other best practice guidance
- The Council is required to have an external review once every five years. (Last done Nov 2022)

Role of the Committee:

- *To challenge the assessment and consider whether Internal Audit are performing effectively and in line with professional and statutory guidance*

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Corporate Governance

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What is Governance?

- The Council has a responsibility for ensuring that:
 - its business is conducted in accordance with the law and proper standards; and
 - that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.
- Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.
- Corporate governance and good governance is everyone's responsibility.

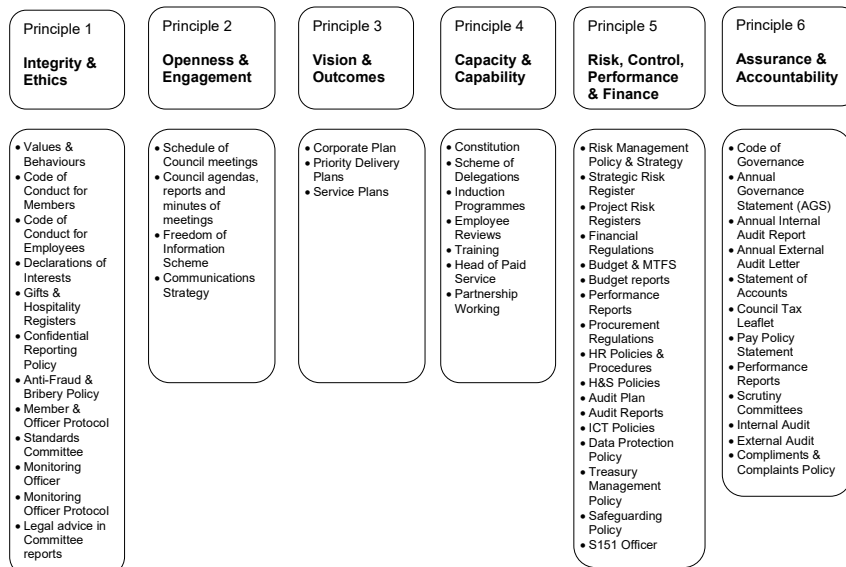
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6 Principles of Good Governance

1. Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law;
2. Ensuring openness and comprehensive stakeholder engagement;
3. Defining the vision and outcomes for the local area and determining the actions necessary to achieve the intended outcomes
4. Developing the entity's capacity, including the capability of its leadership and the individuals within it;
5. Managing risks and performance through robust internal; control and strong public financial management; and
6. Implementing good practices in transparency, reporting and audit to deliver effective accountability.

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Governance Framework



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Reporting on Corporate Governance

- Requirement to undertake at least an annual review of the Council's governance arrangements
- Prepare an Annual Governance Statement (AGS)
- The Audit & Accounts Committee considers and approves the AGS in May/June each year
- The Audit & Accounts Committee receives periodic progress reports on significant governance issues outlined in the AGS

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Role of the Committee

- *Consider the adequacy and effectiveness of the corporate governance framework and make recommendations to the Cabinet or the Council, as appropriate*
- *Consider the Annual Governance Statement (AGS) and whether it reflects the control environment and any actions required to improve it*
 - *Is the review of the governance framework comprehensive?*
 - *Are all of the issues included in the AGS significant*
 - *Are there any significant issues missing from the AGS?*
- *Approve the AGS*

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