

TORBAY COUNCIL

Torbay Council Audit Committee Annual Report 2024/25

Introduction

Chair – Audit Committee, Cllr Martin Brook

1. Purpose of the Audit Committee Annual Report

1.1 Under CIPFA best practice the Audit Committee should produce an annual report on its performance to Full Council. This report summarises the work of the Audit Committee during 2024/25 and how it has fulfilled its duty. To assess its performance the following key areas have been considered, as aligned to CIPFA best practice:

- Membership and Attendance
- Performance in delivery of its Terms of Reference
- Compliance to the CIPFA Audit Committee Position Statement
- Compliance to CIPFA Audit Committee Best Practice Self-Assessment
- Assessment of Skills and Knowledge
- Training and Development

2. Governance

2.1 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)

2.2 Good governance is ultimately the responsibility of Full Council as the governing body of Torbay Council. This report provides assurance to the way in which the Audit Committee has discharged its role to support the Full Council in this responsibility.

3. Role of the Audit Committee

3.1 The Audit Committee is a key component of the Council’s governance framework. Its 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 all those charged with governance that those arrangements are effective. The Audit Committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

3.2 The Audit Committee is directly accountable to Full Council. It is independent of both the cabinet and the scrutiny functions and is a key advisory committee providing independent oversight, recommendations, opinions and influence on the matters for which it is responsible. To assist the Audit Committee in fulfilling its role, it has a right of access to and is expected to engage constructively with other committees and

functions, for example scrutiny committee, corporate risk management groups/boards where they exist and other strategic groups. The Audit Committee also has the right to request reports and seek assurances from relevant officers.

- 3.3 The Audit Committee is governed by its terms of reference that shall be reviewed by Full Council on the advice of the committee to ensure that they remain fit for purpose and in accordance with any relevant regulations and guidance. Any revisions will be agreed by the Full Council and by the Audit Committee. The current Audit Committee Terms of Reference were approved by Full Council on 20 June 2024 and are based on CIPFA's recommended Audit Committee Terms of Reference.

4. **Audit Committee Membership**

4.1 Membership

Number of Members	6 elected members and 1 Independent Person)
Substitute Members Permitted	Yes
Political Balance Rules apply	Yes
Appointments	Appointments to the Committee are made annually by Council.
Restrictions on Membership	Cabinet members may not be a member of this Committee
Restrictions on Chair/Vice- Chair	None
Quorum	3
Number of ordinary meetings per Council Year	At least 4 per year

How the Audit Committee has discharged responsibilities against its Terms of reference.

5.1 Governance, risk and control

Governance, risk and control

Frequency

To review the council's corporate governance arrangements against the good governance framework, including the ethical framework, and consider the local code of governance

To monitor the effective development and operation of risk management in the council.

To monitor progress in addressing risk-related issues reported to the committee.

To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.

To consider reports on the effectiveness of financial management arrangements, including compliance with CIPFA's Financial Management Code

To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

To review the assessment of fraud risks and potential harm to the council from fraud and corruption.

To monitor the counter fraud strategy, actions and resources

To review the governance and assurance arrangements for significant partnerships or collaborations

P=Periodically, Q=Quarterly, A=Annually

The Audit Committee received a number of reports throughout 2024/25 to help inform how governance is operating within the Council and to provide an insight to how well risk management and internal control is operating. Key information presented to the committee included:

Corporate Governance Arrangements

5.2

Regular Risk Management Reports/Updates

5.3 The Audit Committee has received regular reports on risk management. Effective risk management can have a major impact on the successful achievement of the objectives, policies, and strategies of the authority. The Account and Audit Regulations 2015 require the Council to have in place effective arrangements for the management of risk. The Audit Committee has challenged officers around the level of engagement on risk management and requested that reports that the Audit Committee receive were amended to include additional information to assist in their oversight with how effectiveness the management of risks is within the Council.

Internal Control Recommendations & Agreed Actions

5.4

Financial Management Code Compliance

5.5

Others

5.6

Review of Councils counter fraud and corruption arrangements

5.7

6. Financial and governance reporting

Financial and governance reporting

Frequency

Governance reporting

To review the AGS prior to approval and consider whether it properly reflects the risk environment and supporting assurances, including the head of internal audit's annual opinion.

To consider whether the annual evaluation for the AGS fairly concludes that governance arrangements are fit for purpose, supporting the achievement of the authority's objectives.

Financial reporting

Frequency

To monitor the arrangements and preparations for financial reporting to ensure that statutory requirements and professional standards can be met.

To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the council.

Financial and governance reporting

Frequency

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

P=Periodically, Q=Quarterly, A=Annually

Review of AGS Prior to approval

6.1

Presentation of financial accounts & External Auditors Reports

6.2 The Accounts and Audit Regulations 2015, as amended by the Accounts and Audit (amendment) Regulations 2022 states that, as part of the formal process of closing the accounts, the Chief Financial Officer is required to approve the draft statement of accounts by the 31st May. As part of the Audit Committees role in signing off the annual accounts is to examine the report from External audit on any matters arising through their work on the accounts. The Audit Committee has reviewed and commented on all external audit finding reports relating as well as commenting on the financial accounts.

7. Arrangements for audit & assurance – External Audit

External audit

Frequency

To support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by PSAA or the authority's auditor panel as appropriate.

To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To consider additional commissions of work from external audit.

To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

To provide free and unfettered access to the Audit Committee chair for the auditors, including the opportunity for a private meeting with the committee.

7.1 The committee plays a significant role in overseeing the Council's relationship with its external auditors and takes an active role in reviewing the external audit plan, progress reports and annual report setting out external audit findings and the value for money review/conclusion. Grant Thornton UK LLP is the Council's current appointed auditor, appointed through the public sector audit appointment (PSAA) process.

8. Arrangements for audit & assurance – Internal Audit

Internal audit

Frequency

To approve the internal audit charter

To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.

To approve the risk-based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.

To approve significant interim changes to the risk-based internal audit plan and resource requirements.

To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations

To consider any impairments to the independence or objectivity of the head of internal audit arising from additional roles or responsibilities outside of internal auditing and to approve and periodically review safeguards to limit such impairments

To consider reports from the head of internal audit on internal audit's performance during the year

To consider the head of internal audit's annual report

To consider summaries of specific internal audit reports as requested

To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.

To contribute to the Quality Assurance and Improvement Plan (QAIP) and in particular to the external quality assessment of internal audit that takes place at least once every five years

To consider a report on the effectiveness of internal audit to support the AGS where required to do so by the accounts and audit regulations

To provide free and unfettered access to the Audit Committee chair for the head of internal audit, including the opportunity for a private meeting with the committee.

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Internal audit services are provided by Devon Assurance Partnership which is a shared service arrangement between Devon County Council, Torbay Council, Plymouth City Council, Mid Devon District Council, Torridge District Council, North Devon District Council and Devon and Somerset Fire and Rescue Authority.

The partnership has a management board made up of representatives from the partner members and a single Head of Partnership who fulfils the role of Chief Internal Auditor for each of the authorities.

The partnership is governed as a joint committee under Section 20 of the Local Government Act 2000. The joint committee has Members from each of the Councils, supported by a management board comprising the Directors of Finance (Section 151 Officers).

Internal Audit Charter & Approval of the Risk Based Audit plan

8.1 The Audit Committee received the internal audit plan and charter and the committee feed in their views on areas of potential risk and assurance that should be considered. The audit plan was pulled together through collaboration with key stakeholders to ensure that the widest view on risk and assurance requirements was taken into account.

8.2 Annual Internal Audit Opinion Report

The Annual Internal Audit Opinion Report summarises the work of internal audit to provide an 'independent' view from the Head of Internal Audit on how well governance, risk management and internal control is operating within the authority. The report is based on the work undertaken by Internal Audit, but can draw on other sources of assurance where appropriate.

Progress Update Reports & Significant Internal Audit Findings

8.3 Internal audit provided regular update reports to the Audit Committee on performance against the internal audit plan, highlighting areas of significant governance, risk or control weaknesses identified through their work. These update reports included the summary of key findings where weaknesses were identified. As part of the internal audit process, agreed management actions are captured for addressing weaknesses and these are monitored through

There were no issues raised around scope limitations through the work of internal audit during 2024/25 nor were there any areas where management chose to 'accept' the level of risk being highlight by internal audit through their work.

Also, to maintain independence and objectivity the head of audit does not undertake additional roles or responsibilities.

Quality Assurance and Improvement Plan (QAIP) and the External Quality Assessment (EQA)

8.4

Liaison with Chair and Vice Chair of the Audit Committee

8.5

9. Audit Committee Accountability Arrangements

Accountability arrangements

Frequency

To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions

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 publish an annual report on the work of the committee, including a conclusion on the compliance with the CIPFA Position Statement.

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The Annual Governance Statement is a statutory document which explains the processes and procedures in place to enable the council to carry out its functions effectively. The AGS is produced following a review of the council's governance arrangements and includes an action plan to address any significant governance issues identified. A key role of the Audit Committee is to ensure that the annual governance statement is an accurate assessment of governance, risk management and internal control operating in the authority drawing on information the committee has received and contains an action plan on areas for improvement.

Audit Committee Annual Report to Full Council

9.1 This document constitutes the annual report to Full Council providing an overview of the work undertaken by the Audit Committee to comply with its terms of reference. This report highlights information received by the Audit Committee in discharging its delegated responsibility for oversight for governance, risk management and internal control.

CIPFA Self-Assessment of Good Practice

9.2 The 2022 CIPFA Audit Committee Guidance provides a framework for assessing the Audit Committee against good practice. Where an Audit Committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee. A regular self-assessment should be used to support the planning of the Audit Committee work programme and training plans. It will also inform this annual report.

A workshop was held in September 2024, this was co-ordinated by the Head of Devon Assurance Partnership. The outcome of the workshop was presented to the November 2024 meeting of the Audit Committee, the link below:

[Audit Committee Self Assessment CIPFA Guidance 2024-25.pdf](#)

An action plan to address the areas of improvement identified in the self-assessment will be presented to the May 2025 audit committee meeting which detailed timescales for delivery.

9.3 Conclusion on Compliance to CIPFA Audit Committee Position Statement 2022

A review has been undertaken against the CIPFA Audit Committee Position Statement. Whilst the Audit Committee generally complies with the CIPFA Position Statement, there are some areas for work for full compliance. These include:

- **List area of development from self-assessment session**

10. Annual Approvals

Annual Approvals

Frequency

Approve the annual accounts of the Council and the Annual Governance Statement.

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11. Additional Areas for Committee work: Treasury Management

Treasury Management

Frequency

Provide an overview role in Treasury Management matters including regular monitoring of treasury activity and practices.

Review and recommend the Non-Treasury Management Investment Strategy, **Capital Strategy**, MRP Strategy, and any appropriate Prudential Indicators to Council.

Treasury Management Practices (TMPs)

11.1 The TMP is a detailed document setting out how day to day treasury activity is undertaken by the council and is part of the suite of governance documents controlling the Council's Treasury Management activity. It is a requirement of the CIPFA code on treasury management for the council to prepare and maintain TMPs and should be a 'living document' that should be reviewed and updated as necessary.

Treasury Management Strategy 2025/26

11.2 The Audit Committee received the Treasury Management Strategy report that brought the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice Revised 2021 Edition (CIPFA TM Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities: Revised 2021 Edition (CIPFA Prudential Code) together. The Audit Committee reviewed and asked a number of questions on the report before recommending it for formal approval at Cabinet and Full Council.

Capital Strategy 2025/26

11.3 Under CIPFA's Prudential Code for Capital Finance (2021) local authorities must put in place a Capital Strategy which explains how proposed capital expenditure contributes to the Council's objectives and supports delivery of essential services, sets the funding strategies for new items of capital investment and provides an overview of how the risks associated with capital investments are being identified and addressed. The Audit Committee received a copy of the Capital Strategy and asked a number of questions and comments. Following discussion the strategy was noted.

Outcome of Skills Survey against CIPFA key knowledge areas.

12. Members of the Audit Committee were surveyed during 2024/25 against the CIPFA Audit Committee members knowledge and skills framework. This information was used to help inform knowledge gaps to address through the appointment of independent members and inform future training & development requirements. A number of questions were asked under each knowledge area for members to consider their understanding as 'good knowledge', 'some knowledge' or 'no knowledge'.

Training and Development

13. The current Audit Committee membership has had the following training sessions/workshops made available:

- March 2024 - Internal Audit Plan and Risk Framework/Management
- July 2024 – Statement of Accounts
- September 2024 – Audit Committee Self-Assessment Workshop

In addition to these training sessions/workshops the External Auditors also provide sector updates to ensure the Audit Committee is kept up to date on relevant matters.