

2022/23 Annual report of the Audit & Risk Assurance Committee

Purpose of Report

For information.

Summary

This report provides an overview of areas reviewed and work undertaken by the Audit & Risk Assurance Committee in 2022/23, in accordance with the Committee's terms of reference.

LGA Plan Theme: Financially resilient and ambitious

Recommendation

That the General Assembly notes the report.

Contact details

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Background

1. The responsibilities of the LGA's Audit & Risk Assurance Committee (ARAC) are to:
 - 1.1. review the financial statements prepared for the LGA and its associated companies
 - 1.2. monitor the processes for managing risks, internal controls and corporate governance arrangements
 - 1.3. oversee the appointments of the external and internal auditors and commission and review their work
 - 1.4. consider issues of probity and conduct
 - 1.5. seek expert advice where necessary to provide independent internal or external assurance on key issues
 - 1.6. perform 'deep dives' into specific risks and their mitigation strategies.
2. In 2022/23 the focus of ARAC's has been to review the audited accounts of the LGA and its associated companies, to agree and review the findings and recommendations of the internal audit programme for the year.
3. Following the Corporate Peer Challenge, a recommendation was made to review the governance arrangements for Audit Committee (now known as Audit and Risk Assurance Committee) which was completed in March.

Report of the Audit and Risk Assurance Committee

Financial statements and external audit

4. PKF Littlejohn LLP are the LGA's external auditors for the financial years 2021/22, 2022/23 and 2023/24 following a procurement exercise in early 2022.
5. In June 2023 the LGA's consolidated accounts for 2022/23 and the audited accounts for its subsidiary company IDeA were reviewed prior to these being adopted by the LGA Board and the relevant company board.

6. The LGA's consolidated financial statements also disclose the position of the LGA as a standalone entity and include the LGA's income and expenditure accounts and statement of financial position.
7. The consolidated accounts show the LGA, and its related bodies made an operating deficit of £5.7m (2021/22 surplus of £2.0m), after interest and tax.
8. Overall income increased by 9 per cent from £67.9m to £74.0m due to maintaining core government funding, a 2 per cent rise in subscription income, and increased continued success in securing increased income from other funding sources and investment/joint venture incomes.
9. The LGA's Geoplace LLP Joint Venture made another useful contribution to other income during 2022/23, making a dividend payment of £3.0m (£3.0m in 2021/22).
10. The investment properties have been revalued at the year end. Layden House has decreased in value by £3.5m, due to the condition of the Farringdon market, while 18 Smith Square has decreased in value by £4.5m reflecting the Westminster rental market position.
11. The overall pension fund deficit reported in the accounts last year of £67.3m has become a surplus of £34.6m, a swing of £102m due to changes in actuarial assumptions. The overall Statement of Comprehensive Income for the year shows separately the gains and losses that relate to changes in the actuarial assumptions used to calculate pension scheme assets and liabilities with the ongoing payroll contributions made to reduce historic deficits included within administrative expenses.
12. It is standard practice for issues identified in the course of the external audit to be raised by the auditors with management and for these to be reported to the board members as "Performance Improvement Observations" in what is commonly known as the "Auditor's Report". We received this report from the auditors at its meeting on 6 June 2023 and will monitor progress with the recommendations arising from the 2022/23 external audit.

Internal Audit

13. TIAA are the LGA's internal auditors following a procurement exercise in 2022.
14. The Audit & Risk Assurance Committee is responsible for agreeing the annual internal audit strategy and programme at the start of each financial year, taking account of the key risks identified in the LGA's Strategic Risk Register.
15. The internal audit strategy and audit programme for 2022/23 was agreed in October 2022. The audit programme was split into two blocks and included a follow up of actions

taken by the LGA in response to the recommendations of previous audits. TIAA have completed six audits and full reports were presented to this Committee in January 2022 and June 2023. TIAA's Annual report was presented to the Committee meeting in June 2023.

16. In their annual opinion for the year 2022/23, TIAA's Head of Internal Audit states "TIAA is satisfied that, for the areas reviewed during the year, Local Government Association has reasonable and effective risk management, control and governance processes in place".
17. The 2022/23 audit opinions are summarised below:

Internal audit assignment	Internal audit opinion
Core financial controls	Substantial Assurance
Information governance	Substantial Assurance
HR workforce	Reasonable assurance
Performance reporting	Reasonable assurance
Hybrid working	Reasonable assurance
Core financial controls – new finance system	Reasonable assurance

18. The Audit & Risk Assurance Committee has overseen the implementations of any recommendations via the follow up review and conducted by TIAA on an annual basis.

Risk management and internal control

19. In 2022, the Strategic Management Team (SMT) requested a full review of the corporate risk register, which included the addition of 'umbrella risks' and 'areas of responsibility', to enable risk to be more easily reviewed and managed. ARAC reviewed this new approach in June 2023 and approved for it to be taken forward.
20. The strategic risk register is circulated to Corporate Leadership Team (CLT) quarterly for updating and Strategic Management Team (SMT) to review and ensure the LGA's strategic and operational risks are identified, and the associated scoring reflect the LGA's current situation. ARAC have reviewed the strategic risk register during the year, focusing on ensuring that key risks facing the organisation are being effectively managed.
21. The ARAC receives an annual report on any instance of fraud occurring and can confirm that there were no proven instances of fraud or corruption in 2022/23.
22. ARAC can confirm that there have been no incidents of probity and conduct issues to be investigated and reported in 2022/23.

Audit & Risk Assurance Committee Governance review

23. Following a recommendation from the Corporate Peer Challenge (CPC), a review of the governance and Toor's was completed in March 2023. The following actions/changes were proposed and agreed by the LGA Board:

23.1. The Audit Committee is now known as the Audit and Risk Assurance Committee (ARAC).

23.2. The committee will meet three times per year, October, February and June.

23.3. The Head of Strategic Finance is designated the lead officer for the committee.

23.4. All committee appointments should have relevant experience of audit committees or relevant financial experience.

23.5. The Terms of Reference (TOR) include 'deep dives' into specific risks and their mitigations strategies.

23.6. The Chair of ARAC, is invited to LGA Board as necessary to present committee updates.