

Agenda Item	10
Report No	AC/14/25

Committee: **Audit Committee**

Date: **28 May 2025**

Report Title: **Audit Committee Annual Report 2024/25**

Report By: **Audit Committee Chair**

1. Purpose/Executive Summary

1.1 This report has been prepared to inform the Highland Council of the work undertaken by the Council's Audit Committee during the financial year 2024/25. This has been prepared in accordance with the requirements of the CIPFA Audit Committee guidance and is the second Audit Committee annual report.

2. Recommendations

2.1 The Committee is asked to:

- i. **Agree** the Audit Committee Chair's annual report including the identified areas for improvement. The report is provided at **Appendix 1**.
- ii. **Agree** that this report should be recommended to Council to acknowledge that the necessary assurances have been provided by the Audit Committee to demonstrate that it has fulfilled its purpose and can demonstrate its impact for 2024/25.

3. Implications

3.1 Resource – there are no additional resource implications identified as Officer time is available to support the Committee and provide the training required.

3.2 Risk – the CIPFA guidance sets out the role of the audit committee in ensuring the effectiveness of the Council's risk management arrangements.

3.3 There are no identified Legal, Health and Safety (risks arising from changes to plant, equipment, process, or people) or Gaelic implications arising from this report.

4. Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and Data Protection. Where identified as required, a full impact assessment will be undertaken.

- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is an update report and therefore an impact assessment is not required.

Designation: Councillor Trish Robertson, Audit Committee Chair

Date: 12 May 2025

Background Papers: CIPFA Audit Committees: practical guidance for local authorities and police (2022 edition)

ASC report 23/03/23 – Updated CIPFA guidance on Audit Committees

Appendices:

Appendix 1 – Annual report 2024/25

Appendix 2 – Self-assessment survey results

Appendix 3 – CIPFA Position Statement

Annual report from the Audit Committee Chair

1. Introduction

This annual report has been prepared to inform the Highland Council of the work carried out by the Council's Audit Committee during the financial year 2024/25. The content and presentation of this report meets the requirements of the CIPFA Audit Committees Guidance 2022 to report to full Council on a regular basis on the Committee's performance in relation to the terms of reference and the impact and effectiveness of the Committee in meeting its purpose.

2. Compliance with the CIPFA Position Statement

A copy of the Position Statement is provided at **Appendix 3**. It is considered that full compliance can be demonstrated as follows:

- the size of the Committee comprises of 14 Members thereby ensuring that it is not too large.
- the Committee is scheduled to meet 4 times a year. In 2024/25 the Committee met in June, September and November 2024, and February 2025.
- the Committee's Chair and Vice-Chair are from opposition parties and so the leadership is independent of the administration.
- the Committee reports directly to Council and is independent from other Committees.
- the Committee terms of reference sets out its core functions. This was last reviewed in October 2023.

3. Fulfilment of the Committee's Terms of Reference

The Committee's purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. This purpose was met during 2024/25 by undertaking the following:

- Scrutiny of the Internal Audit reports provided during the year and their individual audit opinions.
- Requesting update reports from management as considered necessary on progress in addressing the findings from Internal Audit reports. During 2024/25 this involved an update on payroll overpayments in November 2024 and a further update is considered elsewhere on today's agenda.
- Scrutiny of the regular action tracking reports which detail whether management agreed actions have been effectively implemented within the agreed timescales.
- Approving the Internal Audit annual plan for 2024-2025/26.
- Considering update reports on implementation of the new Global Internal Audit Standards.
- Consideration of the Internal Audit Annual Report 2023/24 and the opinion provided on the Council's framework of governance, risk management and control. This report also contains information for the Council's Annual Governance Statement (AGS). The draft Council AGS for 2024/25 is provided as separate agenda item for approval by the Committee.
- Scrutiny of the Fraud and Whistleblowing Annual Report 2023/24.
Note that the Internal Audit Annual Report and the Fraud and Whistleblowing Annual Reports for 2024/25 are provided as separate agenda items within today's Committee papers.

- Review of Audit Scotland’s National Fraud Initiative in Scotland 2022/23 report and the outcomes reported for the Council.
- Approval of the Council’s and the Charitable Trust’s annual audited accounts for 2023/24.
- Scrutiny and consideration of the reports from the Council’s External Auditors including their 2024/25 Annual Audit Plan, and the “Report to those charged with governance” and annual report for 2023/24.
- Scrutiny of Audit Scotland’s Best Value thematic report on workforce innovation.
- Regular scrutiny of the corporate risk register and the actions taken to mitigate the identified risks.
- Approving the Local Code of Corporate Governance 2024/25 and reviewing progress on delivery of the previous year’s actions.

4. Self-assessment of good practice

In April 2025, all Audit Committee Members were sent a link to a survey to enable them to complete their individual assessments against the CIPFA self-assessment of good practice. This assessment is published within the CIPFA Audit Committees guidance (2022 edition). The guidance also states that “A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.”

It was disappointing therefore to note that despite reminders, this was only completed by myself and another 3 Committee Members. The survey results are set out in Appendix 2 for information purposes. However, due to the low response rate it is difficult to draw any conclusions from the information provided.

5. Areas for improvement

The 2023/24 annual report contained 4 areas for improvement. These are detailed in the table below with an update provided showing the actions undertaken.

Area for improvement	Action undertaken
<p>Whilst there is the opportunity to engage and raise salient matters, it is recognised that their knowledge, skills and experience of the Audit Committee members are developing over time. To assist with improving this, a programme of training will be organised. Potential topics identified include the role of External Audit, Internal Audit and training on the new risk management process. This will also include revisiting the Audit Committee Knowledge and Skills Framework published by CIPFA.</p>	<p>This has been completed. The Committee agreed on 05/02/25 the following programme of training to be undertaken during the year: 05/02/25 – Refresher training, including the role of internal audit (complete). 28/05/25 – Risk management. 20/08/25 – Counter fraud arrangements. 12/11/25 – Role of External Audit (to be delivered by Audit Scotland).</p>

Ensuring that the management agreed actions are delivered by the agreed target dates and that the number of revisions are reduced. This will assist in the Committee holding management to account on implementation of the agreed actions to improve the systems of internal control.	The action tracking information reported was enhanced in 2024 by providing includes details of the open actions by the number of days and action completion rates allowing performance to be tracked over time. This will continue to be monitored during 2025/26.
Ensuring that officers bring the draft Annual Governance Statement (AGS) to the May Audit Committee meeting for its agreement.	This has been completed and the draft AGS is provided as a separate agenda item.
Considering the earlier presentation of the Chair's annual report which should also be presented to the May Committee meeting. This will include revisiting the CIPFA toolkits provided within their Audit Committee guidance to measure the progress made by the Committee.	This has been completed.

The following improvement actions have been identified for 2025/26:

- Ensuring that management agreed actions are completed by the agreed target date and there is a reduction in the number of actions with revised dates. This action from the 2023/24 annual report will continue to be monitored during this year.
- Ensuring a higher response rate to the self-assessment of good practice in order that this information can be used to assist in assessing the effectiveness of the Audit Committee.
- It will be ensured that private sessions are arranged for the Audit Committee Members to meet separately with the Strategic Lead and the External Auditors on an annual basis. For the latter this will be arranged to coincide with the presentation of the External Auditor's annual report when they will attend Committee in person.
- A review of the Committee Members will be undertaken including consideration of lay members.

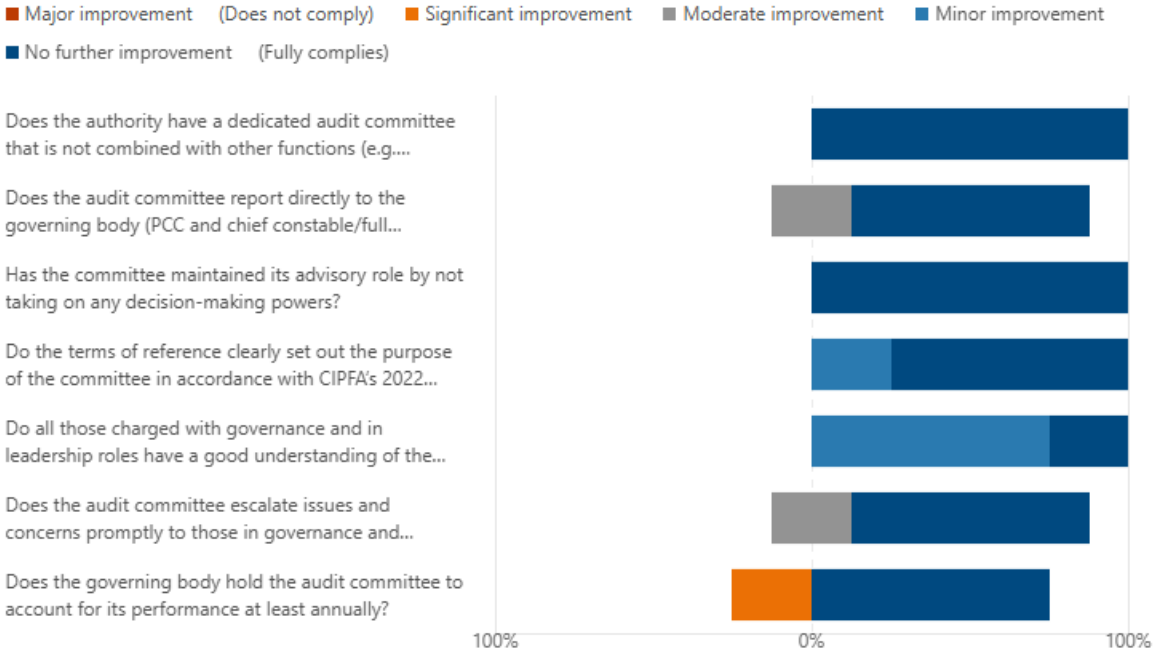
6. Assurance statement

In my role as the Audit Committee Chair, I am satisfied that the Committee complies with the CIPFA Position Statement. The work undertaken by the Committee during 2024/25 fulfils the Committee remit and provides reasonable assurance that the Council's control environment, risk management arrangements, and governance framework operated as expected.

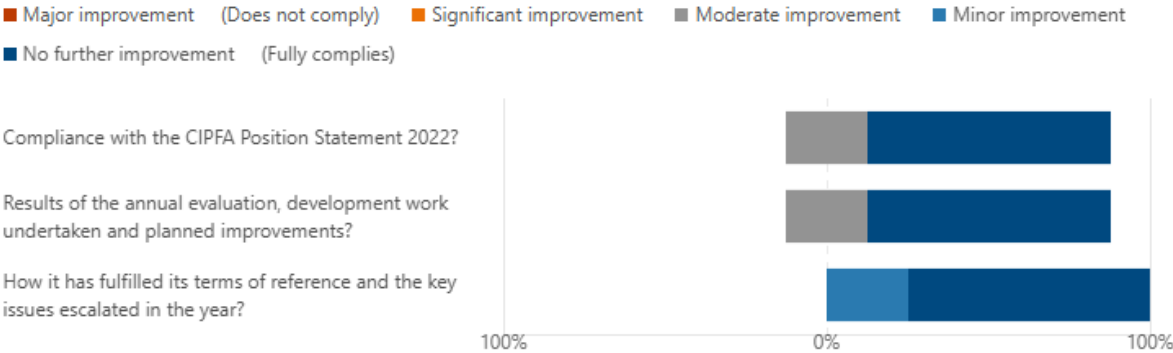
Councillor Trish Robertson
Audit Committee Chair

Appendix 2 – Self-assessment survey results

1. Audit committee purpose and governance:



2. Does the committee publish an annual report in accordance with the 2022 guidance, including:



3. If you have any further comments relating to the committees purpose and governance, please provide information in the space below.

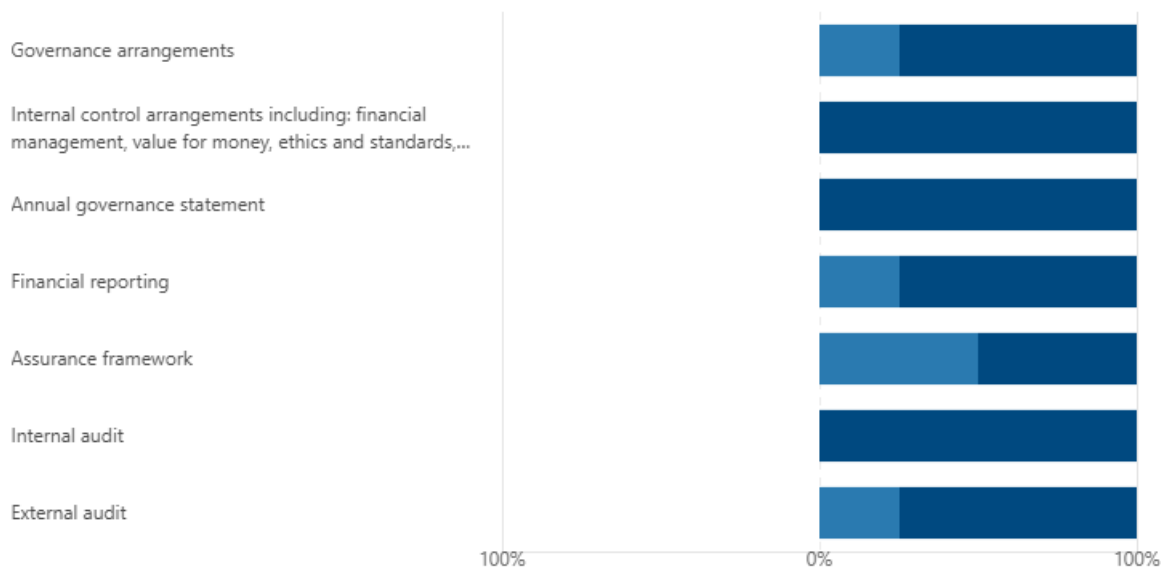
1 Responses

Latest Responses

"I have only been on the Audit Committee for a short period of time hence my responses may alter as I become more familiar with the processes."

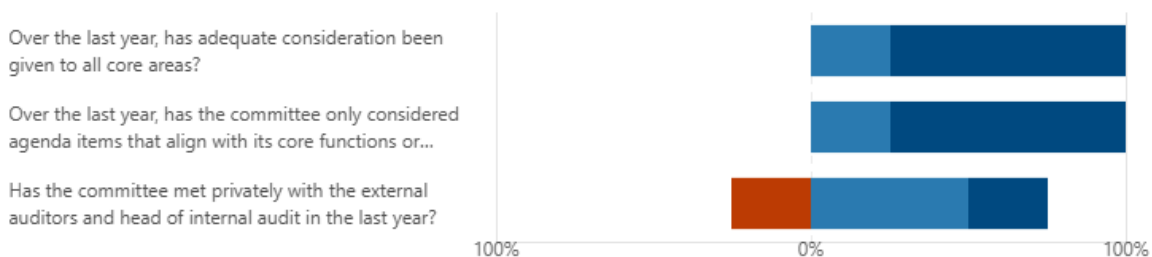
4. Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?

■ Major improvement (Does not comply)
 ■ Significant improvement
 ■ Moderate improvement
 ■ Minor improvement
■ No further improvement (Fully complies)



5. Functions of the committee:

■ Major improvement (Does not comply)
 ■ Significant improvement
 ■ Moderate improvement
 ■ Minor improvement
■ No further improvement (Fully complies)



6. If you have any further comments relating to the functions of the committee, please provide information in the space below.

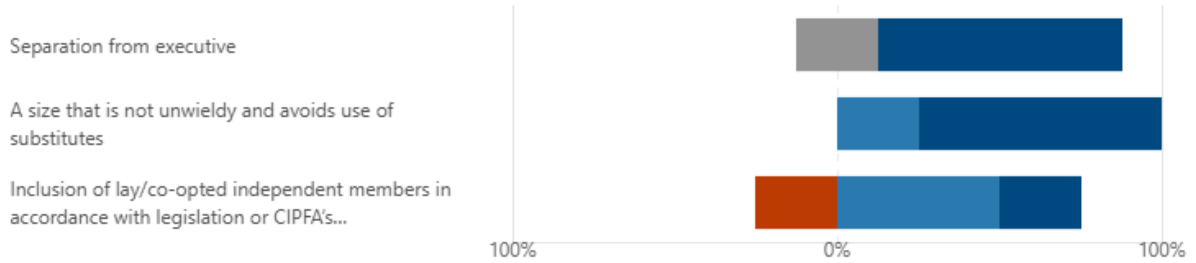
Responses

I have only been on the Audit Committee for a short period of time hence my responses may alter as I become more familiar with the processes.

I don't remember audit going into private session ... but perhaps I'm wrong.

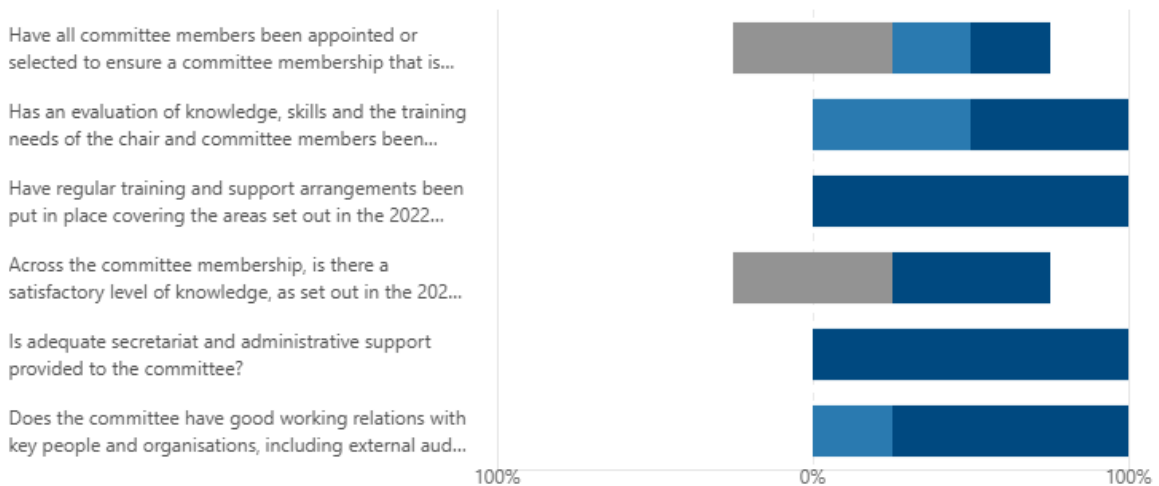
7. Has the committee been established in accordance with the 2022 guidance as follows?

■ Major improvement (Does not comply)
 ■ Significant improvement
 ■ Moderate improvement
 ■ Minor improvement
 ■ No further improvement (Fully complies)



8. Membership and support:

■ Major improvement (Does not comply)
 ■ Significant improvement
 ■ Moderate improvement
 ■ Minor improvement
 ■ No further improvement (Fully complies)



9. If you have any further comments relating to the membership and support of the committee, please provide information in the space below.

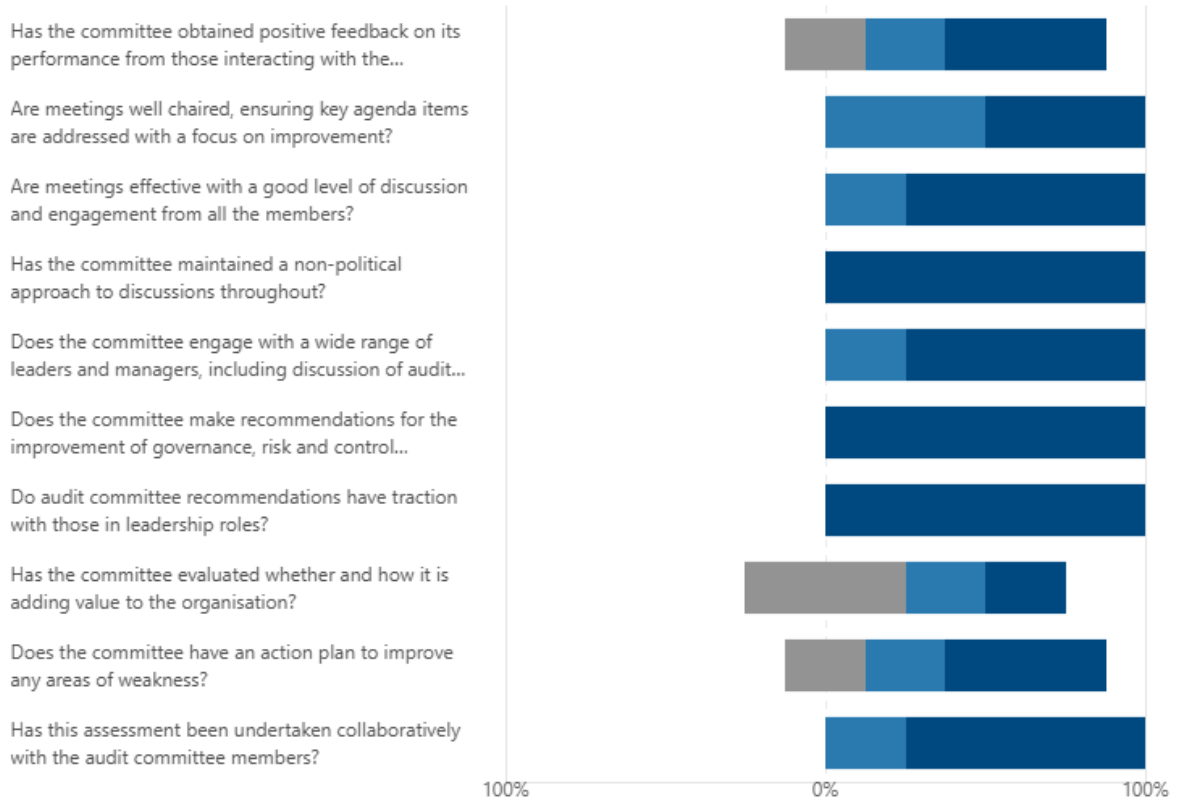
Responses

I have only been on the Audit Committee for a short period of time hence my responses may alter as I become more familiar with the processes.

Point made that the chairs of other policy committees should not be (Audit Committee) members. We also do not yet have any lay/co-opted independent members.

10. Effectiveness of the committee:

■ Major improvement (Does not comply)
 ■ Significant improvement
 ■ Moderate improvement
 ■ Minor improvement
 ■ No further improvement (Fully complies)



CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

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

Purpose of the audit committee

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 all 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. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The 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.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.