

PURPOSE OF THE REPORT

To provide Members of the council with details of the work of the Audit and Governance Committee covering the period to 28th February 2013. The report also details how the Audit and Governance Committee has fulfilled its terms of reference.

BACKGROUND

The Audit and Governance Committee is responsible for overseeing the council's corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement. The functions of the Audit and Governance Committee are set out in Section 8, Part 3C of the Constitution. A copy of the list of the Committee's responsibilities is attached at **Appendix 2** for information.

The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to local authorities to help ensure that audit committees are operating effectively. The guidance recommends that audit committees should report annually on how they have discharged their responsibilities.

WORK UNDERTAKEN

The Audit and Governance Committee has met on eight occasions in the period to 28th February 2013. During this period, the Committee has assessed the adequacy and effectiveness of the council's risk management arrangements, control environment and associated counter fraud arrangements through regular reports from officers, internal audit and the external auditors, The Audit Commission (now Mazars). The Committee has sought assurance that action has been taken, or is otherwise planned, by management to address any risk related issues that have been identified by auditors or inspectors during this period. The Committee has also sought to ensure effective relationships exist between internal and external auditors, inspection agencies and other relevant bodies.

The specific work undertaken by the Committee is set out below. The Committee has:

1. Assessed the adequacy and effectiveness of the Council's risk management arrangements through consideration of the progress made by officers to address the Key Corporate Risks (KCRs). Details of the KCR's were reported to the Committee on a quarterly basis. Each quarter the report has focused on a specific directorate and the relevant director for each area has been present at the meeting to provide assurance by providing further information to members at the meeting.
2. Received and considered the results of the annual review of the effectiveness of internal audit. The outcome of this review informed the preparation of the Annual Governance Statement.
3. Received and considered the results of internal audit work completed during the period and monitored the progress made by management to address identified control weaknesses. The Committee considered breaches of the Council's Financial Regulations and contract procedure rules identified during audit work.
4. Received, considered and approved the Internal Audit and Counter Fraud plan along with updates on the progress throughout the year.
5. Requested and received an additional update in the year to provide assurance that adequate progress had been made to date to implement actions agreed following an audit of personalisation and direct payments.
6. Considered a report which informed them about potential fraud risks facing the Council and potential counter fraud activity to address those risks. The Committee also noted the outcome of a review of the Council's counter fraud policies.
7. Considered the Annual Report of the Head of Internal Audit which provided an overall opinion on the Council's control environment. The Head of Internal Audit confirmed that the council's internal controls provided substantial assurance although the Committee's attention was drawn to a number of significant control weaknesses. Again this informed the conclusions reported within the Annual Governance Statement for 2011/12.
8. Considered and approved the Annual Governance Statement, noting that action plans would be put in place to address each of the significant governance issues identified in section 5.

9. Initially considered a draft and then approved the final Statement of Accounts for 2011/12.
10. Continued the role of scrutinising the Council's treasury management strategy and policies. The Committee received and considered the Treasury Management Annual Report and review of Prudential Indicators which compared actual performance against the budget and the treasury management strategy for the year.
11. Received and considered the Audit Commission's plan for the audit of the financial statements and value for money opinion, the certification of grant claims together with the associated fee for undertaking this work. A progress report was also received and considered during the year.
12. Received and considered the Annual Audit Letter of the Council's District Auditor. Members noted details of strengths and improvements identified by the Audit Commission and any areas which required review.
13. Considered the outcome of the Audit Commission's review of the Council's grant claim arrangements for the 2010/11 financial year. The Committee noted a constructive report which reflected the hard work of the financial services team in implementing previous recommendations.
14. Received regular updates on national reports produced by the Audit Commission
15. Set up a Committee working group to review the Committee's own effectiveness. The working group then reported back to the Committee during the year.
16. Considered a report which informed members about the Information Governance Strategy developed by the Council's Information Governance Group (CIGG) and the proposed actions to strengthen information governance arrangements.
17. Considered a report which shared the latest draft of a revised whistle blowing policy and procedures for the Council.
18. Considered a number of proposed changes to the Council's Constitution, and recommended their adoption by Full Council. This included a merger of the Scrutiny Management Committee with Effective Organisation Overview and Scrutiny Committee; the

abolishment of Cabinet working groups; establishment of a Corporate Parenting board and removing certain internal protocols.

19. At each meeting the Committee has maintained a rolling Forward Plan for a number of meetings in advance, to ensure that its responsibilities are discharged in full and appropriate reports are brought by officers on a timely basis.

Cllr Linsay Cunningham-Cross
Chair of the Audit & Governance Committee