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**Audit and Governance Committee**

21 June 2017

Report of the Chair of the Audit Committee

**Annual Report of the Audit and Governance Committee**

**Summary**

- 1 This report seeks Members' views on the draft annual report of the Audit and Governance Committee for the year ended 5<sup>th</sup> April 2017, prior to its submission to Full Council.

**Background**

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

**Annual Report of the Audit and Governance Committee**

- 3 A copy of the draft annual report of the Committee is attached at Appendix 1. A copy of the Committee's terms of reference as set out in Section 7, Part 3C of the Constitution is also attached to the report at Appendix 2, for information.

**Options**

- 4 This report sets out the proposed wording of the Committee's Annual Report. Members are asked to suggest alternative wording if necessary.

**Analysis**

- 5 Not relevant for the purpose of the report.

## **Corporate Priorities**

- 6 This report contributes to the council's overall aims and priorities by helping to ensure probity, integrity and honesty in everything we do.

## **Implications**

- 7 The implications are:

- **Financial** – none
- **Human Resources (HR)** – there are no HR implications to this report.
- **Equalities** – there are no equalities implications to this report.
- **Legal** – there are no legal implications to this report.
- **Crime and Disorder** – there are no crime and disorder implications to this report.
- **Information Technology (IT)** – there are no IT implications to this report.
- **Property** – there are no property implications to this report.

## **Risk Management**

- 8 Assurance in respect of the council's arrangements for managing risk, the maintenance of effective controls including those designed to prevent and detect fraud, and compliance with relevant legislation, may not be provided if the Audit and Governance Committee does not effectively discharge its responsibilities.

## **Recommendations**

- 9 Members are asked to:

- Consider and comment on the Annual Report of the Audit and Governance Committee prior to its submission to Full Council.

### Reason

*To enable the Committee to fulfil its role in providing assurance about the adequacy of the council's internal control environment and arrangements for managing risk and for reporting on financial and other performance.*

## Contact Details

**Author:**

Emma Audrain  
Technical Accountant  
(01904) 551170

**Chief Officer Responsible for the report:**

Ian Floyd  
Director Customer & Corporate Support Services  
Telephone: (01904) 551100

**Report  
Approved**



**Date** 21/06/2017

## Specialist Implications Officers

Not applicable

**Wards Affected:** Not applicable

**All**

**For further information please contact the author of the report**

## Background Papers:

None

## Report of the Audit and Governance Committee For the Year to 5 April 2017

### Purpose of the Report

To provide Members of the council with details of the work of the Audit and Governance Committee covering the year to 5<sup>th</sup> April 2017. 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 7, 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.

### Training

The Committee has continued to receive a number of training sessions during 2016/17 in order to assist the Committee in effectively fulfilling its responsibilities. These included:

- Statement of Accounts training session
- Project Management briefing/ training session
- Annual Governance Statement training session

### Work Undertaken

The Audit and Governance Committee has met on seven occasions in the year to 5<sup>th</sup> April 2017. 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, 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 by subcategory:

### **Risk**

1. The Committee received a number of update reports on the key corporate risks for the Council during the year, along with the refreshed Key Corporate Risk Register.
2. Members received a further risk report which included an update on the major projects .

### **Internal Audit and Counter Fraud**

3. The Committee 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.
4. Received, considered and approved the initial Internal Audit and Counter Fraud plan along with a number of update reports on the progress made throughout the year.
5. Considered a report which sought member's views on the priorities for internal audit for 2017/18, to inform the preparation of the Internal Audit plan.
6. Considered a report which sought approval for changes to the Council's Internal Audit Charter to reflect changes to the Public Sector Internal Audit standards (PSIAS). Members approved and adopted the proposed charter.
7. Received and considered a new Counter Fraud and Corruption Policy and Strategy. The Committee also considered the results of the annual fraud risk assessment.
8. Received the Annual Report of the Head of Internal Audit which summarised the outcome of audit and fraud work undertaken in

2015/16 and provided an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control. Members scrutinised the significant control issues highlighted in the report and noted that these were reflected within the Annual Governance Statement.

9. Members received and considered regular reports on counter fraud activities, and other investigations, including a report providing information on the results of a recent internal audit investigation into the procurement of an external consultant.

### **External Audit**

10. Received and considered Mazars Audit Strategy Memorandum which set out the audit plan in respect of the audit of the Councils Financial statements for 2016/17. The report summarised the audit approach, highlighted significant audit risks and provided details of the audit team.
11. Received and considered the Annual Audit Letter which summarised the outcome of the 2015/16 audit carried out by Mazars on the annual accounts and work on its value for money conclusion. Members discussed and noted the findings of the audit contained in the report.
12. Received regular reports on the progress made by Mazars in meeting their responsibilities as the Council's external Auditor. The Committee were also kept updated on key emerging national issues and developments
13. Received and scrutinised a report from Mazars considering whether the Council's arrangements over some of the major programmes of work are effective in terms of governance, management of risk and project delivery.
14. Members also received a report from Mazars on issues arising from the objection to the 2015/16 accounts. The report covers the work undertaken to investigate the issues raised by the objection and the key findings.

### **Treasury**

15. The committee continued the role of scrutinising the council's treasury management strategy and policies and considered both strategy statements and update reports during the year

16. Members received and considered the annual treasury management strategy statement and prudential indicators for 2016/17, and also later considered a mid year review report updating members on the performance for the first six months of the year.
17. Members later received the Treasury Management Strategy Statement for 2017/18 to 2021/22..

### **Governance and Statement of Accounts**

18. Considered and approved the Annual Governance Statement for 2015/16, noting that action plans would be put in place to address each of the significant governance issues identified. The Committee received various update reports from officers during the year on the progress that had been made on each of the items identified as significant governance issues.
19. Considered the Annual report of the Audit & Governance Committee prior to its submission to Full Council.
20. Initially considered a draft pre audited version of the Statement of Accounts for 2015/16 in June before approving the Final audited Statement of Accounts in September.
21. Members received a report providing a review of the Code of Corporate Governance following the updated framework and guidance notes issued jointly by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Authority Chief Executives (SOLACE). Members expressed their support for the code and recommended to Full Council that the revised code be adopted.

### **Democratic Governance**

22. The Committee have received a number of reports related to Democratic Governance throughout the year including:
23. A paper presented at the Committees request on the process for implementing and actioning Council motions.
24. A report presented at the Committees request on the terms of reference of the Group Leader's meeting and its role in Local

Democracy. Members noted the report and asked that it be circulated to Group Leaders for information.

25. A report seeking Members' views on changes to the Officer Scheme of Delegations. After considering the content of the report Members recommended to the Leader and Council that the new scheme of delegations be adopted.

## **Other**

26. At each meeting the Committee has maintained a rolling Forward Plan for meetings a year in advance, to ensure that its responsibilities are discharged in full and appropriate reports are scheduled to be brought by officers on a timely basis.
27. Members considered a resolution which had been referred by the Executive to the Committee which requested the Committee gave consideration to proposed changes to the Council Procedure Rules and the Councils Webcasting protocol. Members recommended that the amendment to the council Procedure Rules be adopted, and recommended if any decision was taken to edit any webcast the reason for the editing should be stated.
28. Members received a report which set out changes to the arrangements for appointing External Auditors following the end of the current transitional arrangements on completion of the 2017/18 audit. The report set out the advantages and disadvantages of each option available for future appointment available to the Council. Members recommended and referred to Full Council that the Council should opt in to the approved sector led body, Public Sector Audit Appointments Ltd (PSAA), to act as the appointing person for the appointment of external auditors for the council for the five years commencing 1 April 2018.
29. Members received a Procurement Action Plan report from officers which considered the management response to reports on the same subject from Mazars, the Council's external auditors and Veritau, the Council's internal auditors, on issues arising from the objection to the 2015/16 accounts.
30. Members also received a further Procurement report from officers at their request, which set out an overview of the procurement function. Members scrutinised the report and requested further information from officer. A training session on procurement was



subsequently held for members of the Committee at their request during 2017/18.

31. At the Committees request received a number of update reports throughout the year on the Project Management framework which informed members of areas that were being strengthened along with an update on major projects.
32. Members considered and approved a report setting out the proposed changes to the current Contract Procedure rules, prior to submission to Full Council.
33. Members also received a report providing and update on progress in delivering the Older Persons Accommodation Programme.
34. Received a number of update reports in relation to Sickness Absence Management from officers in response to specific issues identified in the Attendance Management follow up memo. Members noted the report which provided an update on sickness absence monitoring on iTrent and requested further information from officers including: benchmarking from other authorities; breakdown of sickness absence by directorate and Information on the Workforce Wellbeing Charter.
35. Members also received a progress update report which responded to specific issues identified in the Health and Safety Internal Audit Follow up report previously presented to members.
36. Received a number of progress reports in relation to Information Governance update report which provided Members with an update on the Information Commissioners Office (ICO) audit; updates on information security checks; updates on the Health and Social Care Information Toolkit; the new General Data Protection Regulation; a compliance update report on the Transparency Code 2015; and Information on the current consultation by the Department for Communities and Local Government (DCLG) on changes to the Transparency code.
37. Members also received an update report on Schools Information Governance following an earlier internal audit report . It was agreed further updates would be brought back to the Committee as part of the regular governance reports presented to the Committee.

## **Summary**

38. The Audit & Governance Committee have considered a large number of reports during 2016-17 in carrying out their responsibility for overseeing the council's corporate governance, audit and risk management arrangements and providing assurance that the Council's financial and governance procedures are effective. The Committee has also carried out its duty in scrutinising the Statement of Accounts and Annual Governance statement prior to approval.

Cllr Fiona Derbyshire  
Chair of the Audit & Governance Committee

## Part 3 C of the Constitution (Council Committees and Other Bodies)

7.1 The functions of the Audit &amp; Governance Committee are:

No.	Delegated authority	Conditions
	<b>Audit</b>	
1	To consider the annual report and opinion of the Head of Internal Audit. The report should include a summary of internal audit activity in the relevant period and the level of assurance that can be given over the control environment and corporate governance arrangements at the Council	
2	To consider periodic reports from the Head of Internal Audit detailing the summary findings and the main issues arising from internal audit work.	
3	To consider reports dealing with the management and performance of the Internal and External Audit functions.	
4	To consider whether internal audit work conforms to professional standards and to review the effectiveness of Internal Audit and the Committee itself on an annual basis.	
5	To consider reports of the Head of Internal Audit detailing the progress made by management to address control weaknesses identified by Internal or External Audit.	
6	To consider the action plan arising from the Annual Letter of the External Auditor.	With respect to the Annual Letter being first considered and accepted by the Executive

<b>No.</b>	<b>Delegated authority</b>	<b>Conditions</b>
7	To consider all other relevant reports received from the External Auditor as scheduled in the forward plan for the Committee or otherwise requested by Members.	
8	To comment on the scope and depth of external audit work and ensure it provides value for money.	
9	To liaise with the Audit Commission (or its successor body) over the appointment of the Councils External Auditor.	
10	To approve the Internal Audit Charter	
11	To approve the Annual Plans of the Internal Audit Service and the External Auditor.	
12.	To commission work from the Internal Audit Service and External Audit with regard to the resources available and the existing scope and breadth of their respective work programmes and the forward plan for the Committee.	Subject to budgetary provision.
<b>Governance &amp; Regulatory</b>		
13.	To keep under review the Councils contract procedure rules, financial regulations, working protocols and codes of conduct and behaviour (not otherwise reserved to the Joint Standards Committee).	
14	To review any relevant issue referred to it by the Chief Executive, S151 Officer, the Assistant Director (Financial Services)), the Monitoring Officer, the Head of internal Audit or any other Council body.	
15	To consider the effectiveness of the Councils arrangements for corporate governance (including information governance).	

<b>No.</b>	<b>Delegated authority</b>	<b>Conditions</b>
16	To monitor the effective development and operation of risk management arrangements across the Council.	
17	To assess the effectiveness of the Councils counter fraud arrangements including the Whistle blowing policy and other relevant counter fraud policies and plans.	
18	To consider the Councils compliance with its own and other relevant published regulations, controls, operational standards and codes of practice.	
19	To bring to Full Council all proposals for amendment to this Constitution submitted by Members in accordance with this Constitution.	Subject to the advice of the Assistant Director Legal and Governance
	<b>Annual Governance Statement and Accounts etc</b>	
20	To approve the Statement of Accounts and the Annual Governance Statement.	
21	To consider the External Auditors report to those charged with governance on issues arising from the audit of the accounts.	
22	To scrutinise the Treasury Management Strategy and Monitoring Reports.	
	<b>General</b>	
23	To meet informally with the External Auditor and the Head of Internal Audit on a periodic basis to discuss audit related matters.	
24	To report on the discharge of the Committees responsibilities under the Constitution to Full Council on an annual basis.	

<b>No.</b>	<b>Delegated authority</b>	<b>Conditions</b>
25	To maintain and participate in a programme of training relevant to the activities and responsibilities of the Committee	