

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 11th April 2018, 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.

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**Report
Approved**



Date 27/06/2018

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 11 APRIL 2018**

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 11th April 2018. 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 2017/18 in order to assist the Committee in effectively fulfilling its responsibilities. These included:

- Statement of Accounts training session
- Procurement training Session
- Annual Governance Statement training session
- Cipfa Full training day on the role of the Audit & Governance Committee
- Treasury Management Training session

WORK UNDERTAKEN

The Audit and Governance Committee has met on seven occasions in the year to 11th April 2018. 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. Each report considers risk as a whole. In a change from previous years the Committee now also focuses on a specific KCR in each report to ensure a more thorough review of the various issues and mitigation for each risk. This ensures the Committee has sufficient oversight of the changing risk profile of the Council.
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. Members now receive electronic copies of Internal Audit reports by email throughout the year in order to improve oversight.
5. Members 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.

6. Members considered regular follow up reports setting out progress made by council departments in implementing actions agreed as part of internal audit work.
7. Considered a report which sought members' views on the priorities for internal audit for 2018/19, to inform the preparation of the Internal Audit plan.
8. Received and considered a report on the progress against the actions set out in the new Counter Fraud and Corruption Policy and Strategy which also added new actions for the next financial year. The Council's counter fraud risk assessment was also updated to reflect fraud risks currently facing the Council
9. Received the Annual Report of the Head of Internal Audit which summarised the outcome of audit and fraud work undertaken in 2016/17 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.

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 2017/18. The report summarised the audit approach, highlighted significant areas of key judgements and provided details of the audit team.
11. Received and considered the Annual Audit Letter which summarised the outcome of the 2016/17 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; meeting the challenges of earlier deadlines; and Housing Benefit subsidy certification.

Treasury

13. 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
14. Members received and a Treasury Management Annual report which provided the Committee with an update of Treasury Management Activity for 2016/17.
15. Members later received the Treasury Management Strategy Statement for 2018/19 setting out the strategy for treasury management and specific indicators for the financial year 2018/19.

Governance and Statement of Accounts

16. Considered and approved the Annual Governance Statement for 2016/17, 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.
17. Considered the Annual report of the Audit & Governance Committee prior to its submission to Full Council.
18. Initially considered a draft pre audited version of the Statement of Accounts for 2016/17 in June before approving the Final audited Statement of Accounts in September.

Democratic Governance

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19. Members requested and received a report containing an overview of the Constitution and it was agreed a Task group be set up to review it.
20. Members also considered a report setting out the options for undertaking a review of the effectiveness of the Audit & Governance Committee

Other

21. 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.
22. The Committee received and considered a draft social media policy and media protocol report for information prior to approval by the Chief Executive.
23. Following an internal audit report on sub-contracting previously presented to the Committee, members requested and received update reports from the service on Sub-contracting arrangements in both Civil Engineering and Building Maintenance, along with the actions taken. A Task Group was set up and met twice informally during the year.
24. Members also received an update report on Health and Safety which responded to specific issues identified in the Health and Safety Internal Audit follow up report which had previously been presented to members.
25. The committee continues to discuss issues concerning the report procured by the LGA and written by Linda Walker Consultancy Ltd to identify lessons learned from the Audit & Governance meeting on 22nd February 2017
26. Members received a report presenting the feedback from the Local Government Association (LGA) external Peer review of corporate procurement within the Council, along with an update of the action that had already been taken, actions ongoing and consideration of any future actions following the recommendations to ensure the full benefits are realised from the peer review process.
27. At the next meeting Members received a further report updating the Committee on progress made in delivering the recommendations of the LGA's external peer review of corporate procurement within the council.
28. Members also received a Report setting out the observations and learning from the LGA Peer review.

29. Members received and considered a briefing note on York Environmental Services (YES) Consultancy which set out further information on the nature of the services provided.
30. Members received and considered an update report on the Contract Procedure rules which set out the proposed changes.
31. Members also received two update reports on Health and Safety which responded to specific issues identified in the Health and Safety Internal Audit follow up report which had previously been presented to members.
32. Received a number of Information Governance update reports containing information on performance; General Data Protection Regulation (GDPR); compliance with the Transparency code; the Information Governance Toolkit; and the NHS digital audit.

Summary

33. The Audit & Governance Committee has considered a large number of reports during 2017-18 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 & Governance Committee are:

No.	Delegated authority	Conditions
	Audit	
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

No.	Delegated authority	Conditions
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.
Governance & Regulatory		
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).	

No.	Delegated authority	Conditions
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
	Annual Governance Statement and Accounts etc	
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.	
	General	
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.	

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