

ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE

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 13th April 2016. 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 2015/16 in order to assist the Committee in effectively fulfilling its responsibilities. These included:

- An Introduction to the work of the Audit & Governance Committee
- Statement of Accounts training session
- Various briefing/ demonstration sessions on Project Management
- A Training session provided by Bevan Brittan on the Audit Committees role, purpose and terms of reference, as well as the role of others, standards and codes of conduct, Access to information and use of social media amongst other items.
- Treasury Management training
- Risk Management training

WORK UNDERTAKEN

The Audit and Governance Committee has met on seven occasions in the year to 13th April 2016. 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 2015.
2. Members also received a paper presenting the council's Risk Based Verification Policy which the Committee approved.

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. Received a report informing Members about potential fraud risks that the Council is exposed to, and proposed counter fraud activity to address those risks.
6. Considered a report which sought member's views on the priorities for internal audit for 2016/16, to inform the preparation of the Internal Audit plan.
7. Received the Annual Report of the Head of Internal Audit which

summarised the outcome of audit and fraud work undertaken in 2014/15 and provided an opinion on the overall adequacy and effectiveness of the council's internal control arrangements. Members scrutinised the significant control issues highlighted in the report and noted that these were reflected within the Annual Governance Statement.

External Audit

8. Received and considered a report presenting an audit review of the Elderly Person's Home Project, carried out by Mazars, along with an action plan developed by the Council in response to the key findings in the report.
9. Members also received a report detailing the findings of a review by Mazars of the programme and project management arrangements for the transformation programme.
10. Received a report from Mazars presenting the outcomes from the objection and closure of the 2013/14 audit.
11. Received and considered Mazars Audit Strategy Memorandum which set out the audit plan in respect of the audit of the Council's Financial statements for 2015/16 along with the Value for Money audit plan. The report summarised the audit approach, highlighted significant audit risks and provided details of the audit team.
12. Received and considered the Annual Audit Letter which summarised the outcome of the 2014/15 audit carried out by Mazars on the annual accounts and work on its value for money conclusion.. Members noted the findings of the audit contained in the report.
13. 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
14. As part of the Audit Progress report in April Members noted that Mazars had issued a Public Interest Report on governance issues in relation to City of York Trading Ltd (CYT) which was considered by Council on 26th February
15. Received and considered an Audit Completion report from Mazars

which summarised their audit conclusions for the year ended 31 March 2015.

Treasury

16. 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 .
17. Members received and considered the annual treasury management strategy statement and prudential indicators for 2015/16, and also later considered a mid year review report updating members on the performance for the first six months of the year.
18. At Members' request, a report was also presented on Pension Investment in Fossil Fuels. This report was in response to a Council motion of 8 October 2015 which required a report to be presented to the Committee detailing York's current direct and indirect investments in fossil fuels, including current investment by North Yorkshire Pension Fund.
19. Members later received the Treasury Management Strategy Statement for 2016/17 to 2020/21. At the request of members the report also contained information on the Ethical Investment Policy.

Governance and Statement of Accounts

20. Considered and approved the Annual Governance Statement for 2014/15, 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.
21. Considered the Annual report of the Audit & Governance Committee prior to its submission to Full Council.
22. Initially considered a draft pre audited version of the Statement of Accounts for 2014/15 in June before approving the Final audited Statement of Accounts in September.

Democratic Governance

23. The Committee have received a number of reports related to Democratic Governance throughout the year including:
24. A Consultation report on Governance Issues. The new Council leadership wanted policy and scrutiny committees to have the opportunity to debate and make recommendations on matters requiring an executive decision before a final decision is taken. The report presented to members sought their views which were then fed back to Executive. The report also asked Members to consider further changes to /council Procedure Rules.
25. A report was presented which asked the Committee to give further consideration to the introduction of a Deputy Leader's report to Council. At a previous meeting members had considered the principle of introducing such a report and this paper put forward a specific proposal for consideration
26. A report presenting an update on actions being taken to progress the recommendations arising from the Local Government Association (LGA) peer reviews.

Other

27. 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.
28. Received two progress reports providing Members with updates on the latest information governance developments.
29. At the Committees request received a report on Programme on Project Management outlining the arrangements in place in respect of project management to ensure transparency in general, but particularly in respect of projects with commercial sensitivities. The Committee also received a further follow up report later in the year providing information on the work the Council is carrying out to strengthen project and programme management.
30. Received a report presenting the statistics about the council's application of the Regulation of Investigatory Power Act 2000 (RIPA) which also described the council's progress in completing

the recommendations made following the most recent inspection by the Office of the Surveillance Commissioner (OSC).

31. Received a report presenting members with an update on the progress in delivering the Older Persons' Accommodation Programme
32. Members received a report providing an update on the Council's progress and performance in responding to Freedom of Information requests and scrutinised the contents.

Summary

33. The Audit & Governance Committee have considered a large number of reports during 2015-16 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, alongside overseeing the appointment of two new independent co-opted members to the Committee for the upcoming year.

Cllr Neil Barnes
Chair of the Audit & Governance Committee