

**REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE
FOR THE PERIOD TO 17 APRIL 2013**

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 17th April 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 ten occasions in the period to 17th April 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 by subcategory. The Committee has:

Risk

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. The committee has also participated in a council-wide review of risk management facilitated by Zurich. The committee expressed some concerns about the way in which risk is reported to the committee and has taken steps to address this (see point above). This will continue to be monitored over the coming year to ensure new approaches are embedded fully.

Internal Audit and Fraud

3. 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.
4. 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.
5. Received, considered and approved the Internal Audit and Counter Fraud plan along with updates on the progress throughout the year.
6. 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.
7. 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 Councils counter fraud policies.

8. 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 Committees attention was drawn to a number of significant control weaknesses. Again this informed the conclusions reported within the Annual Governance Statement for 2011/12.

External Audit

9. 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.
10. 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.
11. 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
12. Received regular updates on national reports produced by the Audit Commission

Treasury

13. 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.

Governance and Statement of Accounts

14. 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.

15. 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.
16. Considered a report which shared the latest draft of a revised whistle blowing policy and procedures for the Council.
17. 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; changes to cabinet member decision-making sessions; establishment of a Corporate Parenting board; Review of the Council's Scrutiny Arrangements; Review of the terms of reference of the Audit Committee and removing certain internal protocols.
18. Initially considered a draft and then approved the final Statement of Accounts for 2011/12.

Other

19. 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 with a number of recommendations. These include appointing at least one independent member to the committee (the recruitment process for this is already underway); making annual training mandatory for all committee members; and improving our approach to risk management.
20. 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.

Summary

21. This past year has been a busy one for the Audit and Governance Committee. Thanks to the work of the sub-group, key officers and the committee as a whole, the review of effectiveness has been very successful. A number of key areas for development were identified and over the next year these will be addressed through a number of measures such as mandatory training, the addition of

independent members and a review of risk management procedures. The committee has taken its role very seriously in terms of providing assurance that the Council's financial and governance procedures are effective and has questioned officers and auditors rigorously and will continue to do so going forward.

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

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

8.1 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 including a summary of internal and external audit activity (actual and proposed in the relevant accounting period) and the level of assurance that can be given over the corporate governance arrangements at the Council and to advise the Executive accordingly.	
2	To consider summaries of specific internal audits reports as scheduled in the forward plan for the Committee or otherwise requested by Members.	
3	To consider reports dealing with the management and performance of the Internal and External Audit functions.	
4	To consider reports from Internal Audit on agreed recommendations not implemented within agreed timescales.	
5	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.
6	To consider all other relevant reports from the District Auditor as scheduled in the forward plan for the Committee as agreed with the External Auditor or otherwise requested by Members.	
7	To comment on the scope and depth of External Audit work and ensure it provides value for money.	
8	To liaise with the Audit Commission over the appointment of the Council's External	

No.	Delegated authority	Conditions
	Audit body.	
9	To approve the Annual Plans of the Internal Audit Service and the External Auditor.	
10	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
11	To provide advice to the Council on issues arising out of a fraud investigation and report any action which has or ought to be taken by the Council.	
	Governance & Regulatory	
12	To keep under review the Council's contract procedure rules, financial regulations, working protocols and codes of conduct and behaviour (not otherwise reserved to the Standards Committee).	
13	To review any relevant issue referred to it by the Chief Executive, S151 Officer, the Monitoring Officer or any other Council body.	
14	To consider any reports of the Director of Customer & Business Support Services referred to the Committee for consideration further to Article 13 of this Constitution.	
15	To monitor the effective development and operation of risk management and corporate governance across the Council.	
16	To monitor Council policies on 'whistle blowing', the Anti-Fraud & Corruption Strategy and consider any issues referred to it in accordance with the Council's whistle blowing policy and procedures as set out in Part 5 of this Constitution.	
17	To consider the Council's arrangements for corporate governance and make recommendations about all actions necessary for compliance with best practice to Full Council.	

No.	Delegated authority	Conditions
18	To consider the Council's 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 of Governance and ICT.
	Annual Governance Statement and Accounts etc	
20	To approve the Statement of Accounts and the Annual Governance Statement.	
21	To consider the External Auditor's 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.	