

CHAIRMAN OF THE AUDIT COMMITTEE'S REPORT TO COUNCIL - COUNCILLOR PAUL GALLEY

Overview

I am pleased to provide this report to the Council on the work of the Audit Committee, over the last Municipal Year.

The purpose of the Committee is to provide those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting and annual governance process.

We have an important role in the Council's overall governance framework through providing support and challenge. I feel the importance of having an effective Audit Committee is especially crucial in light of the current financial climate currently faced by local government.

Since the formation of the new Audit Committee in May 2015, work has continued to increase the level of challenge provided by the Committee. This report summarises the work that has been undertaken by the Committee over the course of the 2016/ 2017 Municipal Year. It also demonstrates how the Committee has been committed to its own development through training as it aims to become more effective, as well as highlighting some key aspects of the Committee's future development.

Work Undertaken

Risk Services

The Committee has continued to put a considerable amount of work into overseeing the Council's control and assurance framework. Members have reviewed the Risk Services Quarterly Reports and following concerns over the inadequate assurance being provided for two specific Internal Audit reviews, it has requested Chief Officer attendance to provide assurance that adequate progress was being made to address the control weaknesses. The two specific areas of concern were in relation to the Lightpool Project and the Selective Licensing scheme.

Arising from the Committee's consideration of whistleblowing information when being presented with the Risk Services Quarterly Report, Members thought that it would be useful for Members to have access to training on the Whistleblowing Policy. It was therefore agreed to recommend that the Members Training Panel consider offering a training course for Members on the Whistleblowing policy. The recommendation was subsequently approved by the Members Training Panel and a training course is currently being developed.

The Committee also considered a detailed report into safeguarding against cyber risks, with the Head of ICT Services attending to respond to Members' questions on the steps being taken to help minimise the risk of cyber attack.

Strategic Risk Register

The Committee approved the revised Strategic Risk Register in June 2016 and requested that risk owners continue to attend Committee meetings to discuss progress against addressing each risk on a periodic basis.

So far this year, we have discussed the below strategic risks with the appropriate risk owners:

- Sustainability of the Council.
- Ineffective Governance.
- Inability to Respond to a Major Incident.
- Lack of Resilience.
- Service Failure.
- Failure to Keep People Safe.
- Reputational Damage.
- Unsustainable Local Economy/ Increased Deprivation.

Following the Committee's consideration of 'Failure to Keep People Safe', Members agreed to request a report focused on the items on the Adult Services and Children's Services departmental risk registers that were scored as high net risk. The Committee discussed the background and context of the risks identified on the departmental registers, as well as providing challenge over the measures being taken to mitigate the risks.

External Audit

The External Auditors, KPMG, continue to attend the Committee on a regular basis and the Committee has considered and approved a number of key documents relating to External Audit, including:

- An overview report on KPMG's progress in delivering its responsibilities as the external auditors, including the main technical issues that are currently having an impact in local government.
- The External Auditor's Report to those charged with Governance (ISA 260).
- The Annual Audit Letter 2015/2016, which summarised the key issues arising from the 2015/ 2016 audit of the Council.
- The Annual Audit Fee 2016/ 2017
- The External Audit Plan 2016/ 2017
- The Certification of Grants and Returns 2015/ 2016

Annual Governance Statement

In June 2016, the Committee considered and approved the Annual Governance Statement for 2015/ 2016, which summarised the key elements of the structures and processes that comprised the governance arrangements of the authority. The Committee was provided with details of the Elected Member and Officer workshops that had been held as part of the Annual Governance Statement Review and had been based around the principles of good governance and to make an assessment as to what controls already formed part of the Council's governance framework and what areas needed further development.

Members considered that the relevant criteria for the Annual Governance Statement had been met, but also agreed an action plan to further develop and enhance the areas of governance that they felt could benefit from further work. As a result, a mid-year review of progress against the actions outlined in the Annual Governance Statement was undertaken.

In January 2017, an update in terms of the progress that had been made in implementing the actions identified was presented to the Committee. Members considered that the mid-term review had proved to be a very useful process in keeping check of the progress of developments and actions.

As part of the mid-year review, Members considered and supported the proposal for an independent member to be appointed to the Audit Committee in order to further strengthen the challenge to governance arrangements by the Committee. It is hoped that the Council considers including an appropriately qualified independent person when it reconstitutes its committees at its Annual Council meeting.

Other work undertaken

Since the start of the Municipal Year, the Committee has approved the Council's Regulation of Investigatory Powers Act (2000) (RIPA) Policy and Procedure, the Council's response to the recommendations contained within the CIPFA Fraud Tracker 2016 report, the Internal Audit Plan for 2017/ 2018, the Anti-Fraud and Corruption Statement and the Internal Audit Charter. The Committee has also considered the findings of the Local Government Counter Fraud and Corruption Strategy 2016/ 2019, the Public Sector Internal Audit Standards External Assessment and the National Fraud Initiative Report 2016.

In addition, the Committee considered details of the Chief Internal Auditor's Annual Opinion on the Council's control environment and details of the Quality Improvement Programme, which the audit team worked towards in line with the Public Sector Internal Audit Standards.

Training and Development

Committee Members have been committed to their own development and held a workshop in April 2016, in which a number of topics for training were identified. The training sessions identified covered areas based upon the CIPFA Guidance for Audit Committees and in which Members felt there was a requirement for improved skills and knowledge. As requested by the Committee, the below listed training sessions have been held over the past year:

- The Role of Audit Committee.
- Statement of Accounts.
- Reviewing the Annual Governance Statement.
- Interpreting the Risk Services Quarterly Report.
- Audit Committee Best Practice.
- Challenging the Strategic Risk Register.

Further to holding the workshop to consider its training needs, Members of the Audit Committee were invited to complete a self-evaluation checklist, based on the CIPFA Guidance for Audit Committees, to help measure the effectiveness of the Committee. As part of this evaluation exercise, officers who engaged with the Audit Committee were also asked to undertake an evaluation of the Committee based on their experiences and provide any comments or suggestions as to potential improvements going forward. The self-evaluation exercise helped to highlight some areas that required further improvements, which will be built into future plans for the Committee's training and development.

Future Work Programme

The Committee will continue to receive and review the Risk Services Quarterly Report and when appropriate, invite Chief Officers to attend to provide explanations where inadequate assurance has been provided or where key controls have not been implemented.

The Strategic Risk Register will also be subject to continuous review and Chief Officers will be required to update the Committee with regards to the controls that are being implemented in order to manage the Council's risks. For instance, the Committee is due to consider the Strategic Risk Register item 'Ineffective Governance' at its next meeting.

Members, I am pleased to present this report to Council and will be happy to answer any questions.