

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.

Since the formation of the new Audit Committee in May 2015, the Committee has continued to provide an increasing level of challenge to Senior Officers at the Council. This report summarises the work that has been undertaken by the Committee over the course of the 2018/2019 Municipal Year to date. It also demonstrates how the Committee has developed through training as it aims to become more effective and focussed on audit, assurance and reporting, as well as highlighting some key aspects of the Committee's future development.

Notable improvements this year have included the quality of Member input and questioning and levels of engagement from Members and officers alike. Whilst there is still room for development, significant progress has been made and this in turn has raised the public profile of the Committee.

Changes to the Strategic Risk Register, a greater level of challenge, input from a newly appointed Independent Member and an increased appetite for risk in pursuit of growth and prosperity have all helped to refine the audit process and ensure it continues to evolve through innovation.

Work Undertaken

Strategic Risk Register

The Committee has continued to focus upon the now redesigned Strategic Risk Register and requested regular attendance from risk owners in order to provide challenge on the work undertaken to mitigate risk and be fully comprehensive.

To date the following strategic risks have been considered:

- Inadequate change management
- Sustainability of the Council
- Inability to respond to a major incident
- Lack of resilience
- Failure to keep people safe.

Due to the level of questioning about risks and the detail required by the Committee, the Head of Audit and Risk changed the way in which the Strategic Risk Register was presented for 2018/ 2019 to provide a more comprehensive picture for consideration. However, the Committee still felt that more could be done to improve the readability of the document and also to be able to quickly interpret current performance indicators at a glance.

The Committee considered and approved the Annual Year End Accounts for 2017/ 2018 in September 2018. It had been delayed from the July 2018 meeting due to concerns raised by the external Auditor, KPMG about the way financial data in relation to pension pre-payments had been presented. Members therefore agreed to defer further consideration of the item until September 2018 in order that the version presented to the Committee would be considered final and would incorporate all the changes required.

Annual Governance Statement

Members raised questions in relation to the Performance Management Framework and agreed to undertake a mid-year review of progress against the actions outlined in the Annual Governance Statement. The mid-year review was considered in January 2018 and noted that despite some actions remaining partially implemented the Council would be fully compliant with regulations. A mid-year review of the Annual Governance Statement for the 2018/ 2019 calendar cycle was also considered at the 17 January 2019 Committee meeting.

Risk Services

Members of the Committee have reviewed reporting on Risk Services on a quarterly basis and have requested Chief Officer attendance, as appropriate, to provide assurance of adequate progress. The Committee has provided a specific challenge on a number of matters including business loans, staff recruitment and retention policies and emergency planning as well as specific internal audit reports. It was here that the Committee requested greater involvement from Council officers that were not members of the Corporate Leadership Team. In terms of attendance of operational level officers, their attendance at Committee meetings was requested in relation to internal audit follow-ups on a number of areas that included, Estate Management and Investment Portfolio, Rideability, Public Health Integration and Community Engagement. The information those officers provided has allowed for more comprehensive questioning during meetings which in turn has led to increased confidence among Members. As a result, there is a renewed vigor and desire to improve the audit process.

Throughout the year, the Committee also considered the Council's Anti-Money Laundering Policy and Procedure, Estates Management and Investment Portfolio and information relating to fraud prevention and cyber security. Members provided strong challenge to address those issues identified and sought explanations from relevant officers of what will be done to mitigate current and future risks.

External Auditors

The Audit Committee welcomed the incumbent external auditors, Deloitte, for the 2018/ 2019 financial year. Given the cycle of financial reporting, the Committee will receive the first report from Deloitte in March 2019.

The Committee has received the following reports from the outgoing External Auditor, KPMG:

- External Auditor's Report to those charged with Governance
- Statement of Accounts 2017/ 2018
- Annual Audit Letter 2017/ 2018

Other work undertaken

- Annual Audit Opinion 2017/ 2018 - provided Members with details of individual and collective audit reviews undertaken in the year ended 31 March 2018. The report also provided the Chief Internal Auditor's Annual Opinion on the Council's control environment.
- Audit Committee Self-Evaluation – the self-evaluation is undertaken each year and the Committee considers the feedback in order to develop the Audit Training Programme and improve the quality of challenge made.
- The Committee approved the Quality Assurance and Improvement Programme for the internal audit service for 2018/ 2019, Risk Management Framework and the Business Continuity Framework.
- Internal Audit Charter 2018/ 2019 – the Committee received and approved the charter.

Training and Development

Committee Members have focused on their own development and continue to attend training events on a regular basis. The training sessions identified covered areas highlighted within 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:

- Role of the Audit Committee
- Cyber Risk
- General Data Protection Regulations (GDPR) training via an online module.

In addition, planned training for the remainder of the 2018/ 2019 calendar cycle will include 'Good Practice from other Audit Committees' and 'Lessons to be learned from other local authorities'.

A training session dedicated to the new format Strategic Risk Register will also be delivered to Committee Members on 7 March 2019.

Future Work Programme

The Committee will continue to receive and review key information including the Annual Governance Statement and the Risk Services Quarterly Report and when appropriate, invite Chief Officers and operational 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 be reviewed and the information within it improved and Chief Officers will continue to be required to update the Committee with regards to the controls that are being implemented in order to manage the Council's risks especially when audit follow-up action is requested. As such, the Committee has made a recommendation for a potential scrutiny review to be undertaken to explore in greater detail the responses provided to one audit follow-up report in particular that the Committee felt was inadequate.

Additional follow-up audit activity has been planned to revisit Business Planning and Performance Management, Events Risk Management, Transition from Children's to Adult Services and the Adolescent Hub.

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