

30 March 2016

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

Overview

I am pleased to provide this first report to the Council on the work of the Audit Committee, over the last Municipal Year and will be happy to answer any questions.

In June last year, the Council adopted the CIPFA recommended terms of reference for an Audit Committee, allowing the Committee to focus on its core audit functions. 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.

Audit Committees in local authorities are necessary to satisfy the wider requirements for sound financial management. In England, for instance, local authorities are responsible 'for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control, which facilitates the effective exercise of that body's functions and which includes arrangements for the management of risk'. Again, in England, section 151 of the Local Government Act 1972 requires every local authority to 'make arrangements for the proper administration of its financial affairs'.

Therefore, 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 2015/ 2016 municipal year. It also demonstrates the Committee's commitment to its own training and development as it aims to become more effective, as well as highlighting some key aspects of the Committee's future work programme.

Work Undertaken

Risk Services

A considerable amount of work has been undertaken in regards to oversee of the Council's control and assurance framework. The Committee has 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 Framework-I implementation and the CCTV service.

Strategic Risk Register

The Committee approved the Strategic Risk Register in September and requested that risk owners be required to attend Committee meetings to discuss progress against addressing each risk on a periodic basis.

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

- Unsustainable Local Economy /Increased Deprivation
- Lack of Resilience
- Service Failure
- Inadequate Change Management
- Failure to Keep People Safe

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:

- The Annual Audit Fee 2015/ 2016
- The External Auditor's Report to those charged with Governance (ISA 260)
- The Annual Audit Letter 2014/ 2015, which summarised the key issues arising from the 2014/ 2015 audit of the Council
- The External Audit Plan 2015/ 2016
- The Certification of Grants and Returns 2014/ 2015

The Committee has also been informed by the External Auditor of the specific requirements that will need to be complied with when exercising the power to appoint an External Auditor from the 2018/ 2019 financial year onwards.

Referrals to Scrutiny

Throughout the course of the Audit Committee's work over the year, a number of issues have arisen that we have considered appropriate to refer to the Tourism, Economy and Resources Scrutiny Committee to be examined in more detail. The referrals made by Audit Committee to the Tourism, Economy and Resources Scrutiny Committee have resulted in:

- A planned report on the Highways Asset Management Strategy
- A planned report on the impact of Channel Shift and the performance of Customer Services
- A recommendation to consider the impact of the CCTV Service once its performance is able to be demonstrated

Other work undertaken

Since the start of the Municipal Year, the Committee has also approved the Council's Prosecution Policy and Anti-Money Policy and Procedure, which helped to embed a zero tolerance approach to fraud at the Council. National trends and local performance in relation to fraud and fraud prevention has been considered by the Committee on a regular basis to provide assurance that the Council's approach to fraud prevention and detection is robust.

Training and Development

Committee Members have been committed to their own development and have attended a number of training sessions that have been held over the past year, on the below listed subject areas:

- Audit Committee induction training
- Statement of Accounts
- The role of External Audit
- Understating Risk Services reports
- Corporate fraud
- National Fraud Initiative and Audit Committee best practice.

The Committee intends to undertake a self-assessment of its work to determine whether the Committee's performance has improved over a twelve month period. It is intended that the Committee members will continue to develop their skills through training and a self-evaluation of skills and knowledge will also be undertaken to inform future training needs.

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. The following strategic risks are due to be considered by the Committee in its forthcoming meetings:

- Reputational Damage
- Sustainability of the Council
- Ineffective Governance
- Inability to respond to a major incident

The Committee aims to strengthen the monitoring process of the Annual Governance Statement and plans to carry out its own independent review of progress made in addressing the governance issues identified in the 2015/ 2016 Annual Governance Statement in September/ October of 2016.