

# North Somerset Council

<b>REPORT TO THE</b>	<b>AUDIT COMMITTEE</b>
<b>DATE OF MEETING:</b>	<b>10 SEPTEMBER 2015</b>
<b>SUBJECT OF REPORT:</b>	<b>AUDIT COMMITTEE ANNUAL REPORT</b>
<b>TOWN OR PARISH:</b>	<b>NONE</b>
<b>OFFICER/PRESENTING:</b>	<b>COUNCILLOR MARY BLATCHFORD – CHAIR OF THE AUDIT COMMITTEE</b>
<b>KEY DECISION:</b>	<b>NO</b>

## **RECOMMENDATIONS:**

The Audit Committee approves the Annual Report for 2014/15 at Appendix 1 and refers it to full Council.

## **SUMMARY OF REPORT**

The Audit Committee has specific terms of reference given to it from Full Council and as such is required to report back annually to Council on its activities. Appendix 1 is the proposed summary report for approval by the Audit Committee.

### **1. POLICY**

There is no statutory obligation to have an Audit Committee, however they are widely recognised as a core component of effective governance as laid out in best practice from a number of professional bodies. The Audit Committee therefore has a key role in advising the council on the adequacy of its financial governance and other management arrangements for achieving the organisation's objectives.

### **2. DETAILS**

Appendix 1 sets out a report which details a high level summary of the activities of the Committee over its three formal meetings and workshop meetings. It provides a commentary over key areas of financial and corporate governance and associated assurance activities.

Membership of the Committee has changed following the local elections in May and Councillor Mary Blatchford is the new Chair of the Committee.

### **3. CONSULTATION**

The report has been disseminated to the new Chair of the Audit Committee and the S151 Officer.

#### **4. FINANCIAL IMPLICATIONS**

There are no direct financial implications in relation to this report.

#### **5. RISK MANAGEMENT**

An effective Audit Committee demonstrates good governance in that democratically elected Members carry out an independent scrutiny role on behalf of the Community. This helps to ensure that the Council is delivering good value to its residents from its services and is managing its key risks appropriately.

#### **6. EQUALITY IMPLICATIONS**

There are no specific equality implications. The elected members serving on the Audit Committee are representative of the council's political balance.

#### **7. CORPORATE IMPLICATIONS**

Good Corporate Governance and Risk Management is the responsibility of all officers and Members of the Council.

#### **8. OPTIONS CONSIDERED**

None.

#### **AUTHORS**

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#### **BACKGROUND PAPERS**

Members requiring further information are requested to refer to the agenda, reports and minutes of the Committee meetings posted on the council's website.

## **AUDIT COMMITTEE**

### **ANNUAL REPORT TO COUNCIL - 2014/15**

#### **1. INTRODUCTION**

This is the ninth annual report of the Committee since it was established by the Council in July 2006. It covers the work done during the year September 2014 to July 2015.

#### **2. REVIEW OF WORK DONE IN 2014/15**

##### **a. Financial Governance – Annual Accounts**

- i. Following review at its July 2014 workshop and September 2014 meeting the Committee received and recommended on for approval by full Council the Annual Accounts for the year ended 31 March 2014.
- ii. As part of this process the Committee considered the formal governance report for the Council submitted by the external auditors (Grant Thornton) on their audit of the accounts.
- iii. The Council report highlighted some presentational and technical changes to the accounts, none of which had any financial effect on the accounts and there were no proposed changes to the General Fund Balances and Reserves. The auditors also noted that the accounts were presented promptly and that they were supported by good quality working papers.
- v. The Governance reports were therefore noted and the audit of the accounts formally completed.
- vi. In preparation for considering and recommending the 2014/15 accounts on for approval the Committee received a briefing from officers in advance of its formal meeting in September 2015. The committee expressed its appreciation of the efforts by officers to prepare the accounts by the statutory deadline and explain the complex statements.

##### **b. Financial Governance - External Audit**

- i. Alongside the audit of the accounts for 2013/14 the external auditor also conducted work in relation to concluding a satisfactory VFM opinion for the Council following assessments of our financial resilience, economy, efficiency and effectiveness and a broadly satisfactory review of our main grant returns.
- ii. The external auditor also presented their new audit fees for the Council as well as their audit plans for 2014/15. No significant variances were proposed from the previous audit approach and update reports on their work continued to be presented to the Committee alongside references to key national reports and reviews which could impact on the governance framework.

##### **d. Corporate Governance (Including Risk Management) –**

- i. The Accounts and Audit Regulations require the Council to carry out an annual review of its governance arrangements, and to produce an annual statement detailing the results of that review.
- ii. As part of the process there is a review of progress against actions identified in the previous years' statement and two updates were received by the Committee around financial governance of Section 256 Grants. The Committee had previously expressed concern over the issues raised and were pleased to see the positive progress made to ensure key financial governance processes were improved and roles and responsibilities clarified.
- iii. During the year the Committee received two reports on the Councils Corporate Risk Register. This included a presentation on the risk appetite for significant risks and progress to date on actions. The Corporate Risk Register was updated during the year following a refresh and the Committee expressed a keen interest in being kept up-to-date with future progress against actions.
- iv. In that vein the Committee reviewed key risks around the Transformation Programme and the Council's approach to Procurement and Contract Management at its December meeting.

**e. Corporate Assurance -**

**Internal Audit**

- i. The Committee considered the Service's work plan as well as monitoring its progress during the year. The Committee was satisfied with the balance of the plan in relation to the Council's key corporate risks as well as the mix of its planned projects, unplanned commissions and follow-up of previous reports.
- ii. In relation to performance the Committee commended the service on its performance against the plan with almost 99% of the plan completed as at the end of 2014/15.
- iii. The committee noted the annual opinion on the internal control framework and that with increased pressure on budgets, choices on the degree of internal control had to be made and there was therefore an imperceptible rise in the level of the risk being accepted.
- iv. The committee also received updates on progress of the audit function towards a shared service with Bath & North East Somerset Council. This proposal built on the first 12 months of joint working between the two Councils and the sharing of a Head of Service.
- v. A dedicated briefing session was given to the Committee at a workshop in November 2014 to explain the proposal to move towards a single integrated function. The committee explored the background, risks and benefits and were supportive of the proposal which was eventually presented and approved by the full Executive in December 2014.
- vi. The new integrated service is now formally in operation under a five year contract with savings of almost 40% guaranteed to be delivered over the contractual period, well in advance of original projections within the medium term financial plan. The potential to now build on these arrangements to achieve further benefits can now be

realised and work is already underway in areas such as Data Analytics to maximise the sharing of resources.

- vii. The committee clearly has an important role to play in monitoring progress and will be keen to see that the service continues to deliver a valuable resource to the Council.

### **Counter Fraud**

- xii. The Committee considered the annual plan for pro-active work in reducing and eliminating fraud and corruption within the Council's activities and monitored progress.
- xiii. The Committee were pleased to hear of the significant and positive progress in reducing fraud, loss and error in a range of areas including Business Rates and Housing & Council Tax Benefits. The committee commended the officers on their progress and supported further activity.

### **Business Continuity**

- xiv. The Committee considered the annual plan for pro-active work in supporting services to plan appropriately for the ongoing delivery of vital services to the Community in the event of an incident and/or business interruption.
- xv. The Committee commended the officers on their success in mitigating the risks of business critical services failing to deliver services to the community in the event of an incident and supported the pro-active testing detailed in the plan.

### **f. Awareness & Briefings**

- i. Updates and briefings continue to be a strong part of the Committee's approach to raising awareness of key governance issues with members which included -
  - Annual Accounts
  - Risk Management
  - Transformation Programme
  - Contract Management
  - Governance of S256 Funding
  - Internal Audit & Shared Services
- ii. This approach continues to be welcomed and has resulted in constructive and valuable debate of individual topic areas which will continue in 2015/16.

### **g. Review of Terms of Reference**

- i. A high level desktop review of the Committee's work against CIPFA's best practice model was undertaken and no significant issues were identified. The one area of merit was the need for independent scrutiny of Treasury Management arrangements to take place through the Audit Committee and this will commence in 2015/16. A more detailed review will take place on 2016 once the new membership of the Committee has fully 'bedded in'.
- ii. A more detailed review of the Committee's terms of reference and best practice will take place on 2016.

### **3. WORK PLAN FOR 2015/16**

- i. Whilst the Committee's work in 2015/16 will be broadly similar to the year recently ended it will keep under close review a number of key issues –
  - a) Financial resilience of the organisation through its Accounting and Treasury Management arrangements;
  - b) Internal Audit performance under the new shared service arrangements;
  - c) Compliance of the organisation with international accounting standards;
  - d) Key Corporate risks to the organisation

### **4. MEMBERSHIP AND SUPPORT**

- i. Councillor Tony Moulin was Chair of the Committee for the majority of the year but decided to stand down at the May 2015 elections. Councillor Mary Blatchford was then selected as the new Chair of the Committee. Further changes to the committee following the elections resulted in Councillor's Marcia Pepperall and Derek Mead also being selected as new members to the Committee.
- ii. The Committee is supported by a range of officers, notably the Head of Finance & Property (S151 Officer) and Head of Audit & Assurance as well as the Corporate Accounting Manager and Audit and Corporate Governance Manager.
- iii. The external auditors are currently represented by an Engagement Lead and Audit Manager from Grant Thornton.