

Agenda Item No: 8 **Report No:** 128/16

Report Title: Annual Report on the work of the Audit and Standards Committee 2015/16

Report To: Audit and Standards Committee **Date:** 26 September 2016

Ward(s) Affected: All

Report By: Chair of the Audit and Standards Committee

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Purpose of Report:

To present to Councillors the annual report on the work of the Audit and Standards Committee, which summarises activity in this key area of corporate governance and provides assurance that the oversight of governance, risk and internal control is operating effectively.

Chair's Recommendation(s):

- 1 To receive and consider the report.
 - 2 To endorse the conclusions on the effectiveness of Internal Audit (see paragraph 16).
 - 3 To endorse the opinion on the Council's Internal Control Environment and Risk Management Framework (see paragraphs 17 and 18).
 - 4 To note that the Committee has discharged all of the duties outlined and complied with the Terms of Reference in all respects (see paragraph 19).
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Reasons for Recommendations

- 1 At its meeting on 19 March 2009, the Committee resolved that the Chair should produce an annual report. The Council's external auditors PKF (now BDO) had recommended this approach as one of a series of best practice developments arising from the Use of Resources assessment for 2007/08.

Information

Background

- 2 The Audit Committee was established in 2001 to provide independent assurance as to the adequacy of the Council's arrangements for internal

control, risk management and corporate governance. A key role for the Committee has been the monitoring of the plans, work and effectiveness of the Council's Internal Audit service. Since November 2014 this monitoring role has also covered the work of the Investigations Team.

- 3 In 2012, the Audit Committee was merged with the Standards Committee to form the Audit and Standards Committee. This report covers the work of the Audit and Standards Committee in the five meetings of the Committee that were held during the financial year 2015/16.
- 4 The Committee conforms to best practice set out in CIPFA's Audit Committees – Practical Guidance for Local Authorities, and operates in accordance with the Remit of the Audit and Standards Committee which is shown in Part 11, Section 4 of the Council's Constitution.
- 5 The Council adopted the CIPFA Code of Practice on Treasury Management. In December 2009, CIPFA updated the Code of Practice with one of the key changes being an emphasis on the need for every local authority to nominate a body to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. Cabinet decided that this scrutiny role should be performed by the then Audit Committee, and the Audit and Standards Committee now receives regular reports on treasury management.

Membership of the Committee

- 6 The Audit and Standards Committee comprises seven Councillors, with the quorum set at four. Up to three additional co-opted non voting Town/Parish members may participate in Standards, but not Audit, matters. The Chair of the Audit and Standards Committee is elected from the Council's minority group.
- 7 In May 2015, Councillor Mike Chartier was elected as Chair of the Committee and has served in that role since then.
- 8 During 2015/16, Councillors Chartier, Gauntlett, Giles and Rowell from the minority group served on the Committee. Councillors Enever, Lington, Loraine, and Robertson from the majority group served on the Committee. As from the November 2015 meeting of the Committee, Councillor Gauntlett replaced Councillor Giles for the remainder of the municipal year 2015/16.
- 9 The Committee maintains a pool of Members who have expressed willingness to serve as substitutes - any member of the Council who is not a member of Cabinet may serve in this way.
- 10 To be effective it is important that members of the Audit and Standards Committee have a broad understanding of the financial risk, control and governance issues facing the Council. During 2015/16, the Committee comprised a mix of new and experienced Councillors, having lost the services of several very experienced Councillors who either did not stand for re-election in May 2015 or who are now serving the Council in different ways.
- 11 The Council provides Committee members with general induction training and additional guidance on specific topics based on a Training Needs Self-Assessment. On 13 and 20 May 2015, Councillors were offered and received standards training from the Legal Services team as part of the induction process

– the training dealt with ethics and the Code of Conduct. Councillors Enever, Giles, Linington, Loraine and Rowell from the Audit and Standards Committee received the training.

Meetings of the Committee

- 12 The Committee normally meets five times per year. During 2015/16, Committee meetings were held on 22 June 2015, 28 September 2015, 30 November 2015, 25 January 2016 and 14 March 2016.
- 13 Each Committee meeting is attended by the Head of Audit, Fraud and Procurement and the Head of Finance, with other Council officers attending as appropriate to report on financial or control issues. An Audit Partner and/or an Audit Manager from the Council's external auditors BDO attend most meetings. Each meeting of the Committee is also attended by a Committee Officer to record the meetings and outcomes.
- 14 At each meeting the Committee receives an Interim Report on the Council's Systems of Internal Control and a Treasury Management Report. Other reports are presented to cover regular items in the financial and control cycle, including a range of annual reports, or to deal with specific current issues. Reports to the Committee for the five meetings in 2015/16 are detailed at Appendix A1.
- 15 During 2015/16, the Committee received 26 reports; this is the same as the number of reports in 2014/15.

Statement of the Audit and Standards Committee's opinion on the effectiveness of Internal Audit

- 16 The Audit and Standards Committee has noted the separate report on Internal Audit Performance and Effectiveness. The Committee endorses the conclusions of the report that the Internal Audit service achieves its aims, objectives and expected outcomes, operates in accordance with the Internal Audit strategy that was approved by the Committee, and meets best practice standards including compliance with the Public Sector Internal Audit Standards (PSIAS).

Statement of the Audit and Standards Committee's opinion on the Council's Internal Control Environment and Risk Management arrangements

- 17 As noted above, the Committee receives regular interim and annual reports that include detailed assessments of the Council's internal control environment and the arrangements for risk management and corporate governance. These reports, supported by regular briefings from the Head of Audit, Fraud and Procurement, enabled the Committee to maintain proper oversight of the arrangements for internal control.
- 18 The Committee endorses the opinion of the Head of Audit, Fraud and Procurement that the overall standards of internal control and risk management are satisfactory. This opinion is based on the work of Internal Audit, external audit and the Council's work on risk management. The risk management process has identified that most risks are mitigated by the effective operation of controls or other measures. Whilst recommendations have been made to improve procedures and controls in some areas, there were no instances in

which internal control problems created significant risks for Council activities or services. In most cases managers have addressed the control issues since the respective audits, and within those recommendations not yet implemented there are no issues that create significant risks for the Council.

Terms of Reference

- 19 I have examined the Committee's Terms of Reference. I believe that the Committee has discharged all of the duties outlined and complied with the Terms of Reference in all respects. In addition, the Committee has used its powers to raise questions with officers and representatives of BDO to seek assurance and clarification on matters of control and governance.

Audit and Standards Committee Activities for 2016/17

- 20 It is anticipated that the scope and content of the Committee's activities will remain broadly similar to those in 2015/16.

Financial Appraisal

- 21 There are no additional financial implications from this report.

Sustainability Implications

- 22 I have not completed the Sustainability Implications Questionnaire as this report is exempt from the requirement because it is an internal monitoring report.

Risk Management Implications

- 23 If the Audit and Standards Committee does not ensure proper oversight of the adequacy and effectiveness of the Council's systems of internal control there is a risk that key aspects of the Council's control arrangements may not comply with best practice.

Equalities Screening

- 24 This report is for information only and involves no key decisions. Therefore, screening for equality impacts is not required.

Background Papers

- 25 None

Appendices

- 26 Appendix A1: Reports presented to the Audit and Standards Committee
Appendix A2: Table of abbreviations
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Appendix A1: Reports presented to the Audit and Standards Committee 2015/16

Report	June 2015	Sept 2015	Nov 2015	Jan 2016	March 2016	Source
Annual Report on the work of the Audit and Standards Committee 2014/15	x					Chair
Annual Report on Internal Audit Performance and Effectiveness 2014/15	xx					HAFP
Annual Report on the Council's Systems of Internal Control 2014/15	xx					HAFP
Interim Report on the Council's Systems of Internal Control 2015/16	xx	xx	xx	xx	xx	HAFP
Annual Audit Plan 2016/17					xx	HAFP
Statement of Accounts 2014/15	xx	xx				HF
Treasury Management Report	xx	xx	xx	xx	xx	HF
Annual Treasury Management Strategy Statement and Investment Strategy 2016/17 to 2018/19				xx		HF
Annual Governance Statement 2015		xx				HAFP
Code of Corporate Governance Update					xx	HAFP
Annual report on the establishment and maintenance of a Register of Interests 2014/15			xx			ADCS
Final Report to the Audit and Standards Committee – Audit for the year ended 31 March 2015		xx				BDO

Report	June 2015	Sept 2015	Nov 2015	Jan 2016	March 2016	Source
Planning Report for the Audit and Standards Committee					xx	BDO
LDC Annual Audit Letter 2014/15			xx			BDO
Internal Audit Benchmarking 2014/15		xx				HAFP
Annual Report on the Council's work to combat Fraud and Corruption 2014/15		xx				HAFP
Contract Procedure Rules				x		DCS

Key

DCS - Director of Corporate Services

ADCS – Assistant Director of Corporate Services

HAFP – Head of Audit, Fraud and Performance

HF – Head of Finance

BDO – Council's external auditors BDO

x – report was received at a meeting in 2015/16

xx – report or equivalent item was received at meetings in both 2014/15 and 2015/16, even if they were not the same meeting in each year.

Appendix A2: Table of abbreviations

BDO – BDO, the Council's external auditors. Formerly BDO Stoy Hayward

CIPFA – Chartered institute of Public Finance and Accounting

HAFP – Head of Audit, Fraud and Procurement

LDC – Lewes District Council

PKF – Pannell Kerr Forster

PSIAS – Public Sector Internal Audit Standards