

Report Title: Annual Report on the work of the Audit and Standards Committee 2017/18

Report To: Audit and Standards Committee **Date:** 17 July 2018

Ward(s) Affected: All

Report By: Chair of the Audit and Standards Committee

Contact Name: Cllr Mike Chartier
Title: Chair of the Audit and Standards Committee
Email: michael.chartier@lewes.gov.uk
Tel no: 01273 472019

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 to 19).
 - 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 20).
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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 and Counter Fraud service.

- 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 during the financial year 2017/18.
- 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 In addition to Councillor Chartier, the following Councillors served on the Committee during 2017/18 – Catlin, Denis, Enever, Gauntlett, Loraine, O'Keeffe and Rowell.
- 9 The Committee maintains a pool of Councillors 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 2017/18, the Committee comprised a mix of relatively new and experienced Councillors.
- 11 The Council provides Committee members with general induction training and additional guidance on specific topics based on a Training Needs Self-Assessment. There was no training provided during 2017/18.

Meetings of the Committee

- 12 The Committee normally meets five times per year. During 2017/18, Committee meetings were held on 19 June 2017, 25 September 2017, 27 November 2017, 22 January 2018 and 19 March 2018. The meeting on 19 March 2018 was not quorate.

- 13 Each Committee meeting is attended by the Head of Audit and Counter Fraud (HACF) and the Head of Finance (HF), 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 discussions 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 2017/18 are detailed at Appendix A1.
- 15 During 2017/18, the Committee received 30 reports, the same number of reports as in 2016/17.

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 HACF, enabled the Committee to maintain proper oversight of the arrangements for internal control.
- 18 The Committee endorses the opinion of the HACF that the overall standards of internal control have been generally satisfactory. In the main, procedures and controls remained effective during most of 2017/18. However, in some areas controls did not operate fully, partly as a result of changes in the organisation and staffing of services arising from the JTP. It is not anticipated that the control issues would have a material effect on the financial results for 2017/18, and the issues are being addressed as the JTP process continues.
- 19 This opinion is based on the work of Internal Audit, the management assurance framework, external reviews, 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. 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.

Terms of Reference

- 20** 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 2018/19

- 21** It is anticipated that the scope and content of the Committee's activities will remain broadly similar to those in 2017/18.

Financial Appraisal

- 22** There are no additional financial implications from this report.

Sustainability Implications

- 23** 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

- 24** 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

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

Background Papers

- 26** None

Appendices

- 27** 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 2017/18

| Report | June 2017 | Sept 2017 | Nov 2017 | Jan 2018 | March 2018 | Source |
|--|--------------|--------------|-------------|-------------|---------------|--------|
| Annual Report on the work of the Audit and Standards Committee 2016/17 | xx | | | | | Chair |
| Annual Report on Internal Audit Performance and Effectiveness 2016/17 | xx | | | | | HACF |
| Annual Report on the Council's Systems of Internal Control 2016/17 | xx | | | | | HACF |
| Risk Management and the Strategic Risk Register | | | | | xx | HACF |
| Annual Report on the Council's work to combat Fraud and Corruption 2016/17 | xx | | | | | HACF |
| Interim Report on the Council's Systems of Internal Control 2017/18 | xx | xx | xx | xx | xx | HACF |
| Annual Audit Plan 2018/19 | | | | | xx | HACF |
| Draft Code of Corporate Governance | | x | | | | HACF |
| Charter for Internal Audit and Counter Fraud | | | | x | | |
| Statement of Accounts 2016/17 | xx | xx | | | | DCE |
| Treasury Management Report | xx | xx | xx | xx | xx | HF |
| Annual Treasury Management Strategy Statement and Investment Strategy 2018/19 to 2020/21 | | | | xx | | DCE |
| Annual Treasury Management Report 2016/17 | xx | | | | | DCE |
| Annual Governance Statement 2017 | xx | | | | | HACF |
| Annual report on the establishment and maintenance of a Register of Interests 2017/18 | | xx | | | | ADLDS |

| Report | June 2017 | Sept 2017 | Nov 2017 | Jan 2018 | March 2018 | Source |
|--|-----------|-----------|----------|----------|------------|--------|
| Preparations for Changes to Data Processing Legislation | | x | | | | DCE |
| Annual Report on the Use of Covert Surveillance | | | | x | | ADCS |
| LDC – Fee Letter 2017/18 | x | | | | | BDO |
| LDC – Grant Claims and Returns Certification – year ended 31 March 2016 | | xx | | | | BDO |
| LDC – Report to the Audit and Standards Committee: Audit for the year ended 31 March 2017 | | xx | | | | BDO |
| LDC – Planning Report to the Audit and Standards Committee: Audit for the year ended 31 March 2018 | | | | | xx | BDO |
| LDC Annual Audit Letter 2016/17 | | | xx | | | BDO |

Key

ADCS – Assistant Director of Corporate Services

ADLDS – Assistant Director Legal and Democratic Services (formerly ADCS)

DCE – Deputy Chief Executive

HACF – Head of Audit and Counter Fraud (formerly HAFP)

BDO – Council’s external auditors, BDO

x – report was received at a meeting in 2017/18

xx – report or equivalent item was received at meetings in both 2016/17 and 2017/18, 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

LDC – Lewes District Council

PKF – Pannell Kerr Forster

PSIAS – Public Sector Internal Audit Standards