

**ANNUAL REPORTS ON THE WORK OF THE COMMITTEE 2013 – 2015**

**AUDIT AND GOVERNANCE COMMITTEE**

**26<sup>th</sup> June 2015**

**ANNUAL REPORT ON THE WORK OF THE COMMITTEE 2014/15**

**Report of the Director of Finance**

**1. Purpose of Report**

- 1.1 This report provides a summary of the work undertaken by the Audit and Governance Committee during 2014/15 and the outcome of this work. The purpose of this report is to demonstrate how the Committee has fulfilled its role and will be presented to Council once agreed by this committee.

**2. Role of the Committee**

- 2.1 The Audit and Governance Committee is a key component in the Council's Corporate Governance Arrangements. Its role is to:
- approve the Authority's Statement of Accounts, income and expenditure, and balance sheet or record of receipts and payments (as the case may be);
  - consider the effectiveness of the authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;
  - be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
  - receive, consider and monitor reports on treasury management policy, strategy and practices.

**3. Matters Considered**

- 3.1 The Committee has met five times during the course of the year to consider a range of issues. Appropriate officers of the Council have been in attendance at the meetings to present reports and provide additional information in order to clarify issues and respond to questions from members of the Committee. Regular attendees at the meetings were the Director of Finance, Head of Assurance,

Procurement and Projects, Assistant Head of Financial Resources, the Audit, Risk and Assurance Manager and the Council's External Auditors.

- 3.2 To enable the Committee to fulfil its role as set out in paragraph 2.1, a range of reports were considered, as follows:
- a) The Committee endorsed the Corporate Assurance Map for 2014/15 which set out the key risk areas for the Council, the assurance that will be gathered in relation to them and where the assurance will be sought from. The report included the plans of work for the year for the Internal Audit and Risk and Assurance teams, and the performance indicators for Internal Audit. The Committee was also given the opportunity to identify any areas of work to be considered for 2014/15.
  - b) Committee Members were provided with an update on current and future issues that would impact on the Council so that they could ensure that these issues were appropriately reflected in the work of the committee and the reports presented to them. Members also received a presentation regarding the law and regulations in relation to fraud and the Council's approach to fraud prevention which prompted a number of questions and discussions.
  - c) Progress reports in relation to the Corporate Assurance map were presented on a quarterly basis. These provided details of the level of assurance for the strategic and corporate risks areas from management, specialist assurance functions, Internal Audit, Risk and Assurance, the external auditor and other external agencies. The Committee received an update on improvements made to the Council's ICT service from the Assistant Chief Executive, which had been highlighted during the previous year.
  - d) Specific key issues were highlighted within the Corporate Assurance Map update reports for members to consider further, specifically in relation to the results of external reviews of the Council's Children's Safeguarding service. A number of areas for improvement were identified and the Chief Operating Officer for People Services attended the committee on three occasions to provide an update on progress.
  - e) The Corporate Assurance Map update report in March 2015 also identified that a significant risk recommendation regarding the arrangements for the testing of emergency lighting in Council premises had not been implemented. The Committee highlighted its concern over this resulting in the testing arrangements being put in place without delay.
  - f) The Committee raised questions about the activity being undertaken to address the risk in the Strategic Risk Profile regarding the development of skills for younger people and their access to education. A presentation was provided on the Changing Role of the Local Authority in Improving Educational Outcomes by the Head of Educational Attainment & Lifelong Learning.

Information regarding performance measures was also provided.

- g) The newly appointed Executive Director of Commercial Development attended the committee to explain her role within the Council and her background.
- h) External Auditors provided progress reports to each meeting, the Annual Audit Letter, Audit Completion report and the Annual Certification of Claims and Returns report. These reports provided a very positive opinion regarding the Council's performance, financial management and value for money arrangements. The External Auditor also presented their Audit Strategy Memorandum setting out their work for the coming year.
- i) The results of the Annual Governance Review for 2013/14 were presented, which summarises the overall governance arrangements in place within the Council, and makes recommendations for further improvement. The head of internal audit's opinion on the Council's internal control environment was positive. The resultant Annual Governance Statement highlighted the good corporate governance arrangements in place and was approved by the Committee and included within the Council's Statement of Accounts.
- j) The annual Statement of Accounts 2013/14 (subject to audit) was presented for members to challenge and approve before they were made available for public inspection and to the external auditors. Once the external auditor had completed the audit, any amendments were submitted back to the Committee for approval. The External Auditor commented positively on the arrangements the Council has in place with regard to the production of the Accounts.
- k) The annual statement of Accounts 2013/14 were also presented for the Tyne and Wear Development Joint Committee and Beamish Museum Joint committee as both of these committees no longer existed to consider the accounts.
- l) The Committee received reports in relation to the Council's Treasury Management arrangements to receive assurance that they are appropriate and approved the Treasury Management Policy and Strategy. The Committee noted the good performance in this area, and asked questions in relation to the Council's approach.
- m) Included within the Corporate Assurance Map update reports the Committee was provided with information regarding the areas of counter fraud work undertaken and the results of this work. No particular concerns were highlighted.

3.3 From the reports presented the Committee has been proactively monitoring activity in a number of important areas, as follows:

- *Corporate Assurance Map* – The Committee received quarterly update reports in relation to the assurance provided through the Corporate Assurance Map. This co-ordinates assurance from different sources to provide an overall view of the governance arrangements within the Council and its arrangements to manage risks. The implementation of improvements in the Children’s Safeguarding service was specifically considered.
- *Treasury Management* – The Committee have received regular updates regarding the Council’s performance in relation to Treasury Management and continue to assure themselves about the arrangements in light of current developments in this area.

3.4 It can be seen that the work of the committee is wide ranging with members monitoring performance more closely in those areas where it was deemed appropriate.

#### **4. Recommendation**

4.1 The Committee is asked to consider the report and provide any comments for inclusion prior to the report being presented to Council.

**ANNUAL REPORT ON THE WORK OF THE COMMITTEE 2013/14**

**Report of the Head of Assurance, Procurement and Projects**

**1. Purpose of Report**

- 1.2 This report provides a summary of the work undertaken by the Audit and Governance Committee during 2013/14 and the outcome of this work. The purpose of this report is to demonstrate how the Committee has fulfilled its role and will be presented to Council once agreed by this committee.

**2. Role of the Committee**

- 2.2 The Audit and Governance Committee is a key component in the Council's Corporate Governance Arrangements. Its role is to:

- approve the Authority's Statement of Accounts, income and expenditure, and balance sheet or record of receipts and payments (as the case may be);
- consider the effectiveness of the authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;
- be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- receive, consider and monitor reports on treasury management policy, strategy and practices.

**3. Matters Considered**

- 3.3 The Committee has met five times during the course of the year to consider a range of issues. Appropriate officers of the Council have been in attendance at the meetings to present reports and provide additional information in order to clarify issues and respond to questions from members of the Committee. Regular attendees at the meetings were the Executive Director of Commercial and Corporate Services, Head of Assurance, Procurement and Projects, Head of Law and Governance and the Council's External Auditors.
- 3.4 To enable the Committee to fulfil its role as set out in paragraph 2.1, a range of reports were considered, as follows:

- n) The Committee endorsed the Corporate Assurance Map for 2013/14 which set out the key risk areas for the Council, the assurance that will be gathered in relation to them and where the assurance will be sought from. The report included the plans of work for the year for the Internal Audit and Risk and Assurance teams, and the performance indicators for Internal Audit. The Committee was also given the opportunity to identify any areas of work to be considered for 2013/14.
- o) Committee Members were provided with an update on current and future issues that would impact on the Council so that they could ensure that these issues were appropriately reflected in the work of the committee and the reports presented to them. Members were also received a presentation on the framework underpinning the Corporate Assurance Map, including details of how assurance is gathered and the details of work that make up the opinions in each of the columns on the Corporate Assurance Map.
- p) A new Independent Member was welcomed to the Committee.
- q) Progress reports in relation to the Corporate Assurance map were presented on a quarterly basis. These provided details of the level of assurance for the strategic and corporate risks areas from management, specialist assurance functions, Internal Audit, Risk and Assurance, the external auditor and other external agencies. Specific key issues were highlighted within the reports for members to consider further, specifically in relation to issues raised by a whistleblower in relation to the issue of Housing Related Support Grants. The appropriate Executive Director was in attendance to explain how the issues were being addressed. At the end of the year, issues in relation to ICT were discussed. The Assistant Chief Executive was in attendance to explain the actions that were being taken to address the issues raised. Members asked questions regarding the capacity of the ICT service to deal with the issues and were assured that options were being considered to ensure that the ICT could deliver on its priorities and support the Council.
- r) It is pleasing to note that the Internal Audit Plan was delivered with all of the Key Performance Indicators being met. The head of internal audit's opinion on the Council's internal control environment was positive.
- s) An annual review of the effectiveness of Internal Audit is carried out and the results of this review were reported to members to provide assurance that the arrangements in place are sound. The review, undertaken by the External Auditor (Mazars) was very positive, and concluded that the internal audit function continues to meet all relevant professional standards.
- t) Members received a report regarding a review of how the Integrated Assurance Framework had been implemented, which was undertaken by PricewaterhouseCoopers. The review concluded that good progress had been

made in the development of the framework so far and made a small number of recommendations detailing how the arrangements could be further developed.

- u) External Auditors provided progress reports to each meeting, the Annual Audit Letter, Audit Completion report and the Annual Certification of Claims and Returns report. These reports provided a very positive opinion regarding the Council's performance, financial management and value for money arrangements. The External Auditor also presented their Audit Strategy Memorandum setting out their work for the coming year.
- v) The External Auditors provided an update on the Local Accountability Framework and Members discussed what that would mean for the appointment of External Auditors for the Council in the Future.
- w) The results of the Annual Governance Review for 2012/13 were presented, which summarises the overall governance arrangements in place within the Council, and makes recommendations for further improvement. The resultant Annual Governance Statement highlighted the good corporate governance arrangements in place and was approved by the Committee and included within the Council's Statement of Accounts.
- x) The annual Statement of Accounts 2012/13 (subject to audit) was presented for members to challenge and approve before they were made available for public inspection and to the external auditors. Once the external auditor had completed the audit, any amendments were submitted back to the Committee for approval. The External Auditor commented positively on the arrangements the Council has in place with regard to the production of the Accounts.
- y) The Committee received reports in relation to the Council's Treasury Management arrangements to receive assurance that they are appropriate and approved the Treasury Management Policy and Strategy. The Committee noted the good performance in this area, and asked questions in relation to the Council's approach.
- z) Included within the Corporate Assurance Map update reports the Committee was provided with information regarding the areas of counter fraud work undertaken and the results of this work. No particular concerns were highlighted.

3.3 From the reports presented the Committee has been proactively monitoring activity in a number of important areas, as follows:

- *Corporate Assurance Map* – The Committee received quarterly update reports in relation to the assurance provided through the Corporate Assurance Map. This co-ordinates assurance from different sources to provide an overall view of the governance arrangements within the Council and its arrangements to manage risks.

- *Treasury Management* – The Committee have received regular updates regarding the Council's performance in relation to Treasury Management and continue to assure themselves about the arrangements in light of current developments in this area.

3.4 It can be seen that the work of the committee is wide ranging with members monitoring performance more closely in those areas where it was deemed appropriate.

#### **4. Recommendation**

4.2 The Committee is asked to consider the report and provide any comments for inclusion prior to the report being presented to Council.



**ANNUAL REPORT ON THE WORK OF THE COMMITTEE 2012/13**

**Report of the Executive Director of Commercial and Corporate Services**

**1. Purpose of Report**

- 1.3 This report provides a summary of the work undertaken by the Audit and Governance Committee during 2012/13 and the outcome of this work. The purpose of this report is to demonstrate how the Committee has fulfilled its role and will be presented to Council once agreed by this committee.

**2. Role of the Committee**

- 2.3 The Audit and Governance Committee is a key component in the Council's Corporate Governance Arrangements. Its role is to:

- approve the Authority's Statement of Accounts, income and expenditure, and balance sheet or record of receipts and payments (as the case may be);
- consider the effectiveness of the authority's corporate governance arrangements, risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements and seek assurance that action is being taken on risk-related issues identified by auditors and inspectors;
- be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
- receive, consider and monitor reports on treasury management policy, strategy and practices.

- 2.4 To enable the Committee to fulfil its role effectively awareness / update sessions have been held to provide members of the Committee with information on relevant issues. Sessions provided include the following:

- Statement of Accounts and International Financial Reporting Standards.
- Update on changes resulting from the Council's improvement programmes.

### **3. Matters Considered**

- 3.5 The Committee has met five times during the course of the year to consider a range of issues. Appropriate officers of the Council have been in attendance at the meetings to present reports and provide additional information in order to clarify issues and respond to questions from members of the Committee. Regular attendees at the meetings are the Executive Director of Commercial and Corporate Services, Head of Corporate Assurance and Procurement, Head of Law and Governance and the Council's External Auditors.
- 3.6 To enable the Committee to fulfil its role as set out in paragraph 2.1, a range of reports were considered, as follows:
- aa) The Committee endorsed the Corporate Assurance Map for 2012/13 which set out what areas assurance will be gathered on and where the assurance will be sought from. The report included the plans of work for the year for the Internal Audit and Risk and Assurance teams, and the performance indicators for Internal Audit. The Committee was also given the opportunity to identify any areas of work to be considered for 2012/13.
  - bb) A progress report in relation to the Corporate Assurance map was presented on a quarterly basis. These provided details of the level of assurance for the strategic and corporate risks areas from management, specialist assurance functions, Internal Audit, Risk and Assurance, the external auditor and other external agencies. Specific key issues were highlighted within the reports for members to consider further, specifically in relation to the rate of implementation of internal audit recommendations by directorates, which improved during the course of the year. It is pleasing to note that the Internal Audit Plan was delivered with all of the Key Performance Indicators being met. The head of internal audit's opinion on the Council's internal control environment was positive.
  - cc) The committee reviewed its remit and effectiveness during the year. The review confirmed that the Council's arrangements continue to comply with the CIPFA guidance.
  - dd) An annual review of the effectiveness of Internal Audit is carried out and the results of this review were reported to members to provide assurance that the arrangements in place are sound. The review, undertaken by the external auditor (Mazars) is very positive, and concluded that the internal audit function continues to meet all relevant professional standards.

- ee) External Auditors provided reports detailing their Interim Opinion report, their fees, the Annual Audit Letter, Annual Governance Report, and the Annual Grants report. In addition progress reports were provided to the latter meetings in the year. These reports provided a very positive opinion regarding the Council's performance, governance, financial management and value for money arrangements. The External Auditor was also able to confirm that the objection to the accounts which had prevented previous years statement of accounts being signed off, had been resolved.
- ff) The updated Risk Management Strategy and Policy for the Council was presented to Members for their comments. Progress was reported in relation to the actions taken to mitigate risks on the Corporate Risk Profile.
- gg) The results of the Annual Governance Review for 2011/12 were presented, which summarises the overall governance arrangements in place within the Council, and makes recommendations for further improvement. The resultant draft Annual Governance Statement highlighted the good corporate governance arrangements in place and was approved by the Committee and included within the Council's Statement of Accounts.
- hh) The annual Statement of Accounts 2011/12 (subject to audit) was presented for members to challenge and approve before they were made available for public inspection and to the external auditors. Once the external auditor had completed the audit, any amendments were submitted back to the Committee for approval. The Committee also received information regarding the International Financial Reporting Standards. The External Auditor commented positively on the arrangements the Council has in place with regard to the production of the Accounts.
- ii) The Committee received reports in relation to the Council's Treasury Management arrangements to receive assurance that they are appropriate and approved the Treasury Management Policy and Strategy. The Committee noted the good performance in this area, specifically with regard to security and level of return.
- jj) A report was presented to Committee setting out the Councils Counter Fraud Strategy. This explained the Council's arrangements to combat fraud and included an improvement plan to strengthen the arrangements further.
- kk) Members received a report setting out the proposal to form a Single Fraud Investigation Service covering the work of the Department of Work and Pensions, Local Authority Benefit Fraud Investigators, and HRMC in relation to tax credits. The single service aims to rationalise the investigation and prosecution policies into a single way of working.

- ii) The Committee was updated on the results of the work undertaken to investigate the matches provided through the National Fraud Initiative administered by the Audit commission. This compares data for a number of services across a number of organisations to identify potential frauds. No particular concerns were highlighted but Members commented that they were pleased the Council was continuing with this initiative, especially given Welfare Reform.

3.3 From the reports presented the Committee has been proactively monitoring activity in a number of important areas, as follows:

- *Implementation of Agreed Internal Audit Recommendations* – The implementation of actions agreed with Directorates as a result of Internal Audit work are monitored and reported to Members on a quarterly basis. The Committee take particular interest in the performance of individual directorates. In particular the performance of Children’s Services and Health, Housing and Adults Services were discussed and improvements sought.
- *Integrated Assurance Framework* – The Committee received quarterly update reports in relation to the assurance provided through the Corporate Assurance Map. This co-ordinates assurance from different sources to provide an overall view of the governance arrangements within the Council and its arrangements to manage risks.
- *Corporate Risk Profile* – The Committee have received updates regarding the Council’s Corporate Risk Profile through the corporate Assurance Map.

3.4 It can be seen that the work of the committee is wide ranging with members monitoring performance more closely in those areas where it was deemed appropriate.

#### **4. Recommendation**

4.3 The Committee is asked to consider the report and provide any comments for inclusion prior to the report being presented to Council.