

ANNUAL REPORT ON THE WORK OF THE COMMITTEE 2010/2011

Report of the Executive Director of Commercial and Corporate Services

1. Purpose of Report

- 1.1 This report provides a summary of the work undertaken by the Audit and Governance Committee during 2010/2011 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.
- 2.2 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:
- The Council's Economic Masterplan.
 - Statement of Accounts and International Financial Reporting Standards.
 - Treasury Management.

3. Matters Considered

- 3.1 The Committee has met six 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 Audit, Risk and Procurement, Head of Law and Governance 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 Internal Audit Strategy and Operational Plan, which sets out the arrangements for providing internal audit within the Council and to associated bodies, the plan of audit work for the year and the performance indicators that internal audit will be measured against. The Committee was also given the opportunity to identify any areas of work to be considered for the Internal Audit Plan for 2011/2012.
- b) An interim progress report and the Internal Audit Annual Report 2009/2010 were presented to provide details of Internal Audit's performance in relation to the agreed performance indicators and to provide members of the Committee with an opinion on the overall internal control environment within the Council. Specific key issues were highlighted within the reports for members to consider further, specifically in relation to Information Security Management. It is pleasing to note that the Internal Audit Plan was delivered with the majority of the Key Performance Indicators being met. The head of internal audit's opinion on the Council's internal control environment was positive.
- c) 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 Audit Commission, concluded that the internal audit function continues to meet all relevant professional standards.
- d) External Auditors provided reports detailing their Annual Opinion Audit Plan, their fees, the Annual Audit Letter, Annual Governance Report, and the Annual Grants report. These reports provided a very positive opinion regarding the Council's performance, governance and value for money arrangements.

- e) Reports were presented in relation to the Corporate Risk Profile and the risk management arrangements within the Council, to provide assurance to members that key risks are being identified, assessed and effectively managed. An effective risk management framework is in place and good progress made in relation to actions identified to mitigate strategic and corporate risks.
- f) The results of the Annual Governance Review for 2009/2010 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.
- g) The annual Statement of Accounts 2009/2010 (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 progress toward implementing the new 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.
- h) The Committee received reports in relation to the Council's Treasury Management arrangements to receive assurance that they are appropriate and approved amendments to the Treasury Management Policy and Strategy. The Committee noted the good performance in this area, specifically with regard to security and level of return.

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 Internal Audit Annual Report for 2009/2010 reported that the rate of implementation of agreed medium risk recommendations stood at 84% against a target of 90%. A breakdown of performance by directorate was provided. The Committee noted that the performance in some areas of the Council should be improved and this was monitored throughout the year by the Committee. Members were made aware of additional arrangements being put in place to seek improvement.
- *Abolition of the Audit Commission* – During a number of meetings throughout the year the Committee enquired about the position of the Audit Commission and the potential impact on the Council and the internal audit service.

- *Treasury Management* – The committee has taken a keen interest in the policies applied in relation to Treasury Management activities, asking detailed questions about the ongoing arrangements and proposed changes before providing their approval.
- *Corporate Risk Profile* – The Committee have received updates regarding the Council's Corporate Risk Profile and have challenged the scoring of specific risks and queried the relationships between risks.

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.