

BRECKLAND DISTRICT COUNCIL

Report of: Head of Internal Audit

To: Governance and Audit Committee 13 June 2017
Full Council 27 July 2017

Author: Emma Hodds, Head of Internal Audit

Subject: Annual Report of the Governance and Audit Committee

Purpose: The purpose of this report is to summarise the work of the Governance and Audit Committee during 2016/17, confirm that it has operated in accordance with its Terms of Reference, has sought to comply with best practice and demonstrated effective challenge during its four meetings in year.

This report reviews activity in 2016/17 and examines the range of reports which have been brought to the attention of the Committee by various parties, including senior management, Internal Audit and External Audit.

Recommendation(s):

1) That the Governance and Audit Committee notes and approves the contents of the Annual Report, and that it is taken forward to Full Council on 27 July 2017.

1.0 BACKGROUND

1.1 Breckland Council's Governance and Audit Committee has been meeting regularly since 20 February 2008, following approval of original Terms of Reference for the Committee by Full Council on 6 December 2007.

1.2 The Committee was established to:

- play a pivotal role in the delivery of corporate governance at the authority;
- improve standards of internal control;
- review financial information including such items as the Annual Statement of Accounts and Treasury Management related documentation; and
- allow for more specialist consideration to be given to Internal and External Audit related matters, and Risk Management provisions.

1.3 This is the ninth successive year that an Annual Report has been produced. It analyses the work of the Governance and Audit Committee, fulfilling one aspect of its Terms of Reference, as well as enabling it to demonstrate compliance with best practice guidance.

2.0 CURRENT POSITION

2.1 Membership of the Governance and Audit Committee

2.1.1 During 2016/17 the Committee has met on four occasions; a review of the minutes has highlighted that attendance at meetings by core members has improved when compared to 2015/16, with apologies provided where appropriate.

There were two lay advisors serving on the Governance and Audit Committee, with attendance rates high.

2.1.2 There has been a consistently strong level of officer support throughout the year, with regular representation from Senior Management, Finance, Internal Audit, Performance, and the Council's External Auditors, with officers attending to present reports as required. The Committee is also well served by the Committee Services Team, with a constant and strong presence by the Senior Democratic Services Officer.

2.2 The Role and Remit of the Audit Committee

2.2.1 The Terms of Reference for the Governance and Audit Committee were reviewed at the meeting on the 9th December 2016 and subject to the noted amendments were agreed to be put forward to Full Council for approval and adoption. This ensures that the Committee continues to follow and adopts recognised best practice.

2.2.2 The Committee also ensures that it operates to the highest standards, with a regular self-assessment exercise undertaken by the Committee, with the last being completed in June 2016, with full compliance being noted.

2.2.3 A work programme is in place which is reviewed and discussed at each meeting, along with the following standing items; minutes, actions arising, apologies, urgent business, declarations of interest, non-members wishing to attend, and training.

2.3 Overview of key items considered and reviewed in 2016/17

2.3.1 Accounts / Finance Reports

The Governance and Audit Committee received the Draft Statement of Accounts at the meeting on 10 June 2016, the Chef Accountant presented the report and provided Members with a detailed overview of the draft un-audited Statement of Accounts.

The key points highlighted two significant changes to the statement of accounts; a change to the code around the measurement basis for certain assets and the change in the accounts bringing in group accounts for Breckland Bridge Ltd.

It was noted, as with last year, that the Council had followed the timescales of the new regulations coming into force in for the 2017/18 audit of the accounts, namely the un-audited accounts being signed by the Responsible Finance Officer by 31 May and the audited accounts being brought to the Committee for approval by 31 July (this meeting was subsequently postponed to September).

Members asked detailed questions regarding the set of accounts, in particular the housing benefit overpayments and the pension position, and as a result the draft un-audited Statement of Accounts for 2015/16 and the Annual Governance Statement (AGS) were noted.

The final Statement of Accounts were tabled at the meeting on the 2 September 2016, the Committee approved the statement of accounts, the AGS and the letter of representation.

The Committee also receives regular reports on Treasury Management at key points in the year to determine and approve Policy and Strategy and to review the mid-year progress and the year-end position in this fundamental area.

2.3.2 Internal Audit

Internal Audit reports regularly to the Governance and Audit Committee; the Strategic and Annual Internal Audit Plans are received and approved in February, with regular reports on

progress against these plans received twice yearly, and in addition regular reports are received regarding management implementation of recommendations.

Internal Audit work concludes in June each year, with an Annual Report and Opinion on the governance, risk management and control framework of the Council, raising any control issues that need to be referred to in the aforementioned Annual Governance Statement.

Minutes reflect the level of discussion by members in this area, and that key issues are picked up.

In February 2017, the Committee received a report on the external assessment of internal audit, which was undertaken by the Institute of Internal Auditors. The assessment concluded that; *“the internal audit team fully meets most of the Standards, as well as the Definition, Core Principles and the Code of Ethics which form the mandatory elements of the International Professional Practices Framework (IPPF), the globally recognised standard for quality on Internal Auditing.”* Benchmarking the performance of the internal audit team, against a maturity model rated the service as excellent in its efficient of operations and the processes are concluded to be efficient and economic.

2.3.3 External Audit

The Committee also received a range of reports from its External Auditor; Ernst and Young throughout 2016/17.

In June 2016, the Committee received an update report on the progress to date with the audit of the 2015/16 accounts and that work was on track for completion, including the review of the group arrangements.

At the meeting in September 2016 the Audit Results Report was presented to Committee concluding that the accounts preparation and engagement was of a very high standard. The Annual Accounts were subsequently signed by the Section 151 Officer and the Chair of the Governance and Audit Committee. The final conclusions were reported through to the Committee in the Annual Audit Letter at the meeting in December 2016.

The External Auditors also report on the Certification of Claims which was received by the Committee in February 2017. This reports concludes on the certification of the housing benefits subsidy claim. Also at this meeting the external audit plan of work for the 2016/17 accounts was also received.

In addition, the External Auditors regularly provided Local Government Briefing Notes to the Committee to apprise members of current development and trends in the sector.

2.3.4 Risk Management

Quarterly updates are provided to the Committee, which are produced from the Performance Management system; Covalent. Members actively discuss the strategic risks and have provided comment to officers on what they wish to see reported. As Covalent has been developed these points have been taken on board and Members now see a full picture in relation to the Strategic Risk of the Council.

2.3.5 Management Reports

The Committee has considered within year the merits of having Lay Advisors on the Committee and have agreed that it is beneficial to retain this position, with the recruitment process currently underway.

The Committee were also informed that the current contract with Ernst Young is due to expire after the completion of the 2017/18 accounts. Thus, the Committee has agreed to join the national collective scheme for the appointment of the external auditors, led by Public Sector Audit Appointments (PSAA).

Finally, the Committee has received the following reports from officers; Annual Report of Standards Arrangements, Annual Review of Traded Activities, Review of Standards – Local Arrangements and the Processes in place for reviewing Financial and Corporate Performance.

3.0 REASONS FOR RECOMMENDATION(S)

3.1 To ensure that the Governance and Audit Committee meets its terms of reference in providing an Annual Report to Full Council and to ensure that best practice guidance is met.

4.0 IMPLICATIONS

4.1 Constitution & Legal

4.1.1 The Governance and Audit Committee's terms of reference are part of the Council's Constitution and this report ensures compliance with those terms of reference.

Background papers: - None

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Key Decision: No

Exempt Decision: No