

AGENDA ITEM**REPORT TO COUNCIL****4TH MARCH 2015****REPORT OF THE AUDIT
COMMITTEE****ANNUAL REPORT OF THE AUDIT COMMITTEE****SUMMARY**

The Chartered Institute of Public Finance & Administration (CIPFA) state that an effective Audit Committee will produce annual reports on its work and findings.

This report is to inform members of the work of the Audit Committee during the past year and the sources of information upon which the enclosed Audit Committee opinion statement is based.

RECOMMENDATIONS

It is recommended that the work carried out by the Audit Committee be noted.

DETAIL**ROLE OF THE AUDIT COMMITTEE**

3. Members are reminded of the role of the Audit Committee which is:

- (a) Reviewing and monitoring the Council's approach to risk management and corporate governance including the approval of the Statement of Internal Control.
- (b) Monitoring the integrity of the Council's financial statements and approving the Statement of Accounts.
- (c) Reviewing any proposed changes to accounting policies and promoting discussion around these.
- (d) Considering budget reports and the effect of government announcements on the Council's finances.
- (e) Reviewing Financial Update reports identifying the impact on the Medium Term Financial Plan.
- (f) Approving the role and responsibilities of the Internal Audit Service
- (g) Considering the reports of External Audit, as far as the Audit Commission's rules permit and monitoring the effectiveness of auditor's performance
- (h) Approving the internal and external audit plans
- (i) Reviewing Internal Audit work on a quarterly basis; internal and external annual reports together with any management response and receiving details of specific significant issues highlighted via audit work and referring to the Executive Scrutiny Committee; the Select Committees; Cabinet or Council, as appropriate, any issues arising which are key in nature
- (j) Since the demise of the Standards Committee the Audit Committee has maintained an overview of the Council's Constitution in respect of contract

procedure rules, financial regulations and codes of conduct and behaviour, and considering the Council's compliance with its own and other published standards and controls

- (k) Consider details of key ethical and wider corporate governance issues

The Terms of Reference for the Audit Committee were approved by Council, at its meeting held on 25 January 2006, and form part of the Council's Constitution. At its meeting in January 2011, Council also approved a Statement of Purpose for the committee:-

The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Background

4. This report covers the period from 1st October, 2013 to 30th September, 2014. As many other reports give opinions or results at the end of the financial year, the timing of this report is to show that the review/ appraisal of the control environment within this Council are on-going.

5. The Audit Committee is in the final year of operation of this administration, and although there has been less changes in financial legislation than in previous years there has continued to be detailed and in depth questioning from members appointed to the committee all have grasped the ethos of Audit work. They have ensured a continuance of the review / appraisal process across the period of reporting and made a valuable and much appreciated contribution to the functions of the Committee.

6. The opinions of the Audit Committee expressed in this report are based on information supplied by the following specialist risk assessment services.

- The Council's Monitoring officer,
- The Chief Accountant,
- The External and Internal Audit services,
- Health & Safety
- Risk Management and Insurance.
- A number of Corporate Governance reports.

7. The main thrust of all the specialist reports is to ensure risks are identified, managed appropriately and the resulting control environment is reliable. In receiving and challenging these reports the Audit Committee is well placed to form an independent over-view of the complete control environment including the Authorities Anti fraud Strategy as influenced by the Audit Commission report *Protecting the Public Purse 2011 Fighting Fraud Against Local Government* .

OPINION STATEMENT

8. The membership of the committee marginally changed from the previous municipal year and therefore ensured work in progress was continued with members continuing to pose searching questions alongside the in depth probing of existing members. Alongside this it was ensured that any substitute member was experienced in the function and operations of the committee. If the Audit Committee membership were to change dramatically and

members be required to report on a year of which they have no personal knowledge or experience (and therefore be reliant on the Officers upon whom they are supposed to exercise oversight), the previous Chair suggested that the Committee's report cover the work on the Authority's control environment for the year ending 30th September.

9. The members of the Committee have shown a strong commitment to the work for which they have been given responsibility and the committee has functioned well. The members have studied agendas and asked searching questions of officers not only presenting reports but also requesting further investigation of issues and explanation by the Chair, Vice chair and supporting officers of the committee.

10. We are fortunate insofar as the make up of the Audit Committee membership is diverse not only geographically but also in experience and expertise. Members represent not only the North and South of the Borough but also the major conurbations and communities giving a broad spectrum of geographical and electoral knowledge.

11. This overview coupled with long serving members with experience of Cabinet and Charing Scrutiny Committees and members elected more recently indicates a searching and enquiring membership with a varied and extensive knowledge capable of ensuring sound and ethical governance.

12. As well as looking at the Internal Audit Report, Corporate Risk Register and the Health and Safety Report at each meeting the Committee has, and will continue to include in its deliberations and debates External Audit Updates, Constitutional Updates (as required), The Monitoring Officer's Report. And last but certainly not least The Role of Internal Audit and its compliance with The Accounts and Audit Regulations 2011.

13. Outsourcing the Audit Commission's in-house audit practice continued providing an external overview of the Councils operations. In essence there has been no change from the previous situation although this has resulted in a substantial saving in audit fees for the Council year on year. The Accounts and Audit Regulations 2011 required an assessment of the Internal Audit service to be carried out annually against specific criteria set out in the CIPFA 'Code of Practice for Internal Audit' (the Code). A revised standards checklist had been introduced since the last review and the assessment had therefore been carried out against that check list. The review had again been undertaken by two designated members of the Corporate Governance Group

14. The financial statements were once again produced under International Financial Reporting Standards. The Council prepared well for the introduction of IFRS and produced the draft financial statements in time for the new statutory deadline of 30th September.

15. In conclusion I would add the following:-

The Audit Committee is now well established with comprehensive terms of reference. The Audit Committee has responsibility for risk management, internal control and financial reporting. The Chair of the Audit Committee prepares an annual report on the Committee's work for presentation to Cabinet. Effective corporate and ethical governance is critical to an authority's performance and to demonstrating continuous improvement it is therefore, a fundamental element of the modernization agenda. Probity and high standards are an inherent part of corporate/ethical governance. They are also priorities in Law and Democracy's Service Plan and in the Council Plan.

Chairman of the Audit Committee

Councillor Barry Woodhouse

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<u>Background Papers:</u>	None
<u>Ward(s) and Ward Councillors:</u>	Not ward specific
<u>Property Implications:</u>	None

Changes during the year

Reductions in staffing, the retirement of a valued long serving officer and reorganisation of duties seems to have been carried out in a seamless manner and the officers taking on extra duties and responsibilities have assured the Committee that the effects will not be to the detriment of the service or their personal performance.

The Council is still facing increasing budget pressures around children's and Adult social care spending and this must be closely monitored as part of ongoing budgetary control.

In addition there are several other issues and developments that have impacted on Council budgets going forward, including devolving responsibility for Council Tax Benefit, transfer of public health budgets from primary care trusts, localisation of business rates and distribution of revenue funding to academies.

The Council has taken prompt and effective action to move towards the reductions of £11.3 million in 2013/14 and onwards these have been built into the medium term financial plan and the ongoing efficiency, improvement and transformation programme set out how the Council would review services and deliver more savings in the future with actions such as the "Big Ticket".

Our robust and prudent investment regime has in the avoided issues similar to the collapse of the Icelandic Banks however difficult times have been faced due to a very low interest rate in the market. The continual monitoring of information on any changes in the investment sector being paramount both for internal control and the stability of the Authorities forward financial planning and officers have worked diligently to ensure maximum returns were achieved.

The Accounts and Audit Regulations 2011 changed the requirements regarding the completion and approval of the Annual Financial Statements. From 2010/11, annual Financial Statements had to be prepared by 30th June and to then pass them to external auditors for review. Authorities are now required to present audited accounts for approval by those charged with governance by 30th September which has been completed again this year.

The financial statements were produced under International Financial Reporting Standards as required.