



Draft
Annual Report to Full Council

Corporate Governance and
Audit Committee

2018/19

Annual Report of the Corporate Governance and Audit Committee 2018/19

Foreword by Councillor Kevin Ritchie - Chair

This is the first time in a number of years that the committee has produced an Annual report and I am delighted the committee has resolved to do so again.

The report summarises the contribution the Committee has made during the Municipal Year to the achievement of good governance and internal control within the Council.

All Members of the committee bring an independent and open mind to business of the committee and I am indebted to them for the contributions they have made.

We have:

- Overseen the production of the Annual Governance Statement;
- Reviewed and approved the Council's statutory accounts
- Ensured that assurance reports have been reviewed in detail on the key aspects of the Council's internal control arrangements including:
 - Risk management
 - Performance and business continuity management,
 - Employment policies and practices and officer conduct,
 - Financial management (including arrangements for Treasury management),
 - Customer access and complaints handling;
 - The openness and transparency of our decision making arrangements.

There have been other benefits from our work including;

- Demonstrable improvements in the our decision making arrangements;
- A clean external audit opinion on the council's Statement of Accounts, confirming their accuracy and completeness against shorter reporting timescales
- Confirmation (by external audit) that the council has in place the arrangements required to achieve its objectives and deliver its services economically, effectively and efficiently
- Public Service Network re-certification and continued challenge to address areas of needing further improvement.
- A review of our compliance with the Chartered Institute for Public Finance and Accountancy Best Practice for Audit Committees.
- Sharing Best Practice with other local authorities.
- Oversight of the transition to working with new External Auditors appointed through Public Sector Audit Appointments.

1. INTRODUCTION

This annual report on the work of the Council's Corporate Governance and Audit Committee demonstrates:

- How the Corporate Governance and Audit Committee has fulfilled its terms of reference;
- The extent to which arrangements comply with national guidance relating to audit committees;
- How the Corporate Governance and Audit Committee has contributed to strengthening risk management, internal control and governance arrangements.

2. TERMS OF REFERENCE

The Terms of Reference for the Audit Committee are reviewed each year to ensure they represent current regulations and best practice as outlined within guidance for audit committees from the Chartered Institute of Public Finance and Accountability.

The core functions of the Audit Committee are to:

- Consider the Council's arrangements relating to the Accounts;
- Consider the Council's arrangements relating to external audit requirements ;
- Review the adequacy of policies and practices to ensure compliance with statutory and other guidance;
- Review the adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management);
- Consider the Council's arrangements relating to internal audit requirements.

3. COMMITTEE INFORMATION

Audit Committee Membership

Ten elected members serve on the committee:

- Councillor Kevin Ritchie (Chair)
- Councillor Jonathan Bentley
- Councillor Ben Garner
- Councillor Pauleen Grahame
- Councillor Peter Harrand
- Councillor Mark Harrison
- Councillor John Illingworth
- Councillor Andrew Scopes
- Councillor Jonathon Taylor
- Councillor Paul Truswell

The committee has considered the CIPFA recommended practice of having a co-opted Independent Member appointed to the committee (see below).

Audit Committee Meetings

The Committee has met on five occasions during the year with meeting dates structured around the regular receipt of annual assurance reports, external and Internal audit reporting cycles and the statutory requirements around the production of the Accounts and Annual Governance Statement.

This frequency of meetings ensures the Committee can fulfil its responsibilities in an efficient and effective way and we have benchmarked this against the CIPFA recommended practice (minimum of 4 meetings per year) and arrangements in other local authorities (where the average is around 6 meetings per annum).

The July meeting of the Committee is particularly important, both the Statement of Accounts and agreement of the Annual Governance Statement take place.

4. COMMITTEE BUSINESS

A list of the reports considered by the Corporate Governance and Audit Committee can be found in **Appendix A**. The main outcomes of the Committee's work in relation to its core functions can be summarised as follows:

Internal Audit

The Committee:

- Received and considered the Head of Internal Audit's opinion on the Council's internal control environment.
- Received and considered information on the performance and effectiveness of the Internal Audit Team.
- Received and considered regular reports from the Head of Internal Audit on the Internal Audit Team's progress in delivering the planned work and summaries of reports issued. The reports also provided monitoring information on the implementation of agreed audit recommendations. Members specifically considered the following limited assurance issues raised by the Head of Internal Audit during the year:
 - IR 35 Legislation
 - Leeds Building Services – Out of Hours (Lifts) and Information Governance (Records Management).
 - Financial management arrangements at two primary schools
 - Income reviews that have focussed on the controls in place to identify and raise income due across specific service areas, including external advertising income
 - The proactive activity to prevent potential housing disrepair issues becoming claims
 - Tendering System Controls
 - Waivers of Contract Procedure Rules
 - Inspection activity in respect of Homes of Multiple Occupancy

- Received and considered follow up reports on previous audits from previous years where low assurance opinion was highlighted.
- Continued to provide support to the Internal Audit Team to ensure management was responsive to recommendations made and agreed.
- Agreed the Internal Audit Annual Plan for 2019/20.
- Explored arrangements for securing independent assurance of Internal Audit's work and compliance with the Public Sector Internal Audit Standards.
- Reviewed the Anti Bribery and Anti Money Laundering Policies.

The committee has been particularly pleased to learn that Directors are willing to proactively seek Internal Audit's view, particularly where there are known governance challenges. This we feel is a good indicator of the Open, Honest and Trusted values that the Council has adopted.

External Audit

The Committee:

- Considered arrangements for the transition from KMPG to our new External Auditors Grant Thornton.
- Received and considered the External Audit Plan.
- Received and considered reports on the External Auditor's progress against the agreed plan.
- Continued to provide support to the External Auditors to ensure management was responsive to recommendations made and agreed.
- Received and considered the External Auditor's Certification of Grants Report 2017/18.

Internal Control

The Committee has:

- Received and approved the Annual Report of the Audit Committee.
- Overseen the production of and recommended the adoption of the Annual Governance Statement.
- Received and considered annual Assurance reports in relation to:
 - Financial Management arrangements
 - Treasury Management
 - Procurement
 - Risk management
 - Business Continuity
 - Customer Contact and Satisfaction
 - Decision Making (including surveillance conducted by the Council under the Regulation of Investigatory Powers Act 2000)
 - Information Governance
 - HR Policies and Practice

In addition the committee has undertaken separate pieces of work to;

- Receive and respond to a referral from Children and Families Scrutiny Board concerning a gap in the Council's Executive and Decision Making Procedure rules;
- Follow up and receive additional assurances around the Children and Families Directorate's arrangements for decision making administration;
- Provide assurance and visibility on governance arrangements to manage, maintain and make best use of council buildings including buildings with Listed status
- The Commissioner's intervention in Northamptonshire County Council and any lessons learned;
- The management of risks associated with Brexit.

The Accounts

The Committee has:

- Received reports on the Statement of Accounts;
- Approved the Statement of Accounts.
- Received and considered reports from the External Auditor on the Statement of Accounts.

Compliance with Best Practice

The committee undertook a self-assessment of the Committee's compliance with current best practice. This assessment was against a checklist from the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance "Audit Committees – Practical Guidance for Local Authorities and Police 2018 Edition."

There are no significant areas of non-compliance identified in the core functions expected of audit committees or with the identified wider functions, however some variances were identified as set out in bold text below:

The absence of an Independent Person on the Committee. We have considered the merits of co-opting an Independent Person to the committee. The Leader of Council, Deputy Leader/Executive Member for Resources and Sustainability and the Leader of the Opposition have been consulted and are broadly in favour of an Independent Member appointment. With the benefit of the further evaluation the merits for progressing such an appointment be considered by the General Purposes Committee in advance of the Annual Council meeting

The preparation of an Annual Report of the Committee to Council. This was not something that was in place. Whilst the Committee's role in approving the Annual Governance Statement does result in the Annual Governance Statement being provided to all Members, Members were of the opinion that producing this Annual Report to Full Council would add considerable value to demonstrating the importance of the Council's Governance arrangements.

Knowledge and Skills Framework - Members bring with them a range of knowledge and skills from their working life and elected representative role to the work of the committee. Further training was provided to the Committee on the Accounts and further training will be provided to Members as necessary.

CORPORATE GOVERNANCE AND AUDIT COMMITTEE ACTIVITY – 2018/19

Appendix A

Reports	Jun 2018	July 2018	Nov 2018	Jan 2019	Mar 2019
Annual Decision Making Assurance Report					
Estate Governance					
Annual Assurance Report on Employment Policies and Procedures and Employee Conduct					
Joint Risk and Performance Management Assurance Report					
Internal Audit Update Report					
Annual Governance Statement					
Statement of Accounts					
Work Programme					
Corporate Performance Management Report					
Council Password Policy					
PSN Certification (including progress on Access database remediation)					
External Audit ICT Audit Findings					
Internal Audit Annual Report and Opinion					
External Audit ISA 260 Report to those Charged with Governance					
Customer Contact and Satisfaction Annual Assurance Report					
External Audit Annual Letter and Update on issues Arising					
Introduction to New External Auditors					
Children and Families Decision Administration					
Referral from Children and Families Scrutiny Board - Short Notice Decisions					
External Audit – Certification of Grants Report 2017/18					
Leeds City Council Password Policy					
External Audit Plan					
Review of Anti Money Laundering and Anti Bribery Policies					
Letter to the Secretary of State from Northamptonshire County Council Commissioners					
Audit Committees: CIPFA Practical Guidance for Audit Committees					
Internal Audit Plan					
Annual Business Continuity Report					
Impact of Brexit on Council Services					

Reports	Jun 2018	July 2018	Nov 2018	Jan 2019	Mar 2019
Annual Assurance Report on Procurement, Policies and Practices					
Annual Financial Management Assurance Report (Incorporating Capital)					
Annual Treasury Management Assurance Report					
External Audit Interim Audit Report					
Information Governance Annual Assurance Report					