

Annual Report of the Audit Committee 2016/17

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1. Summary

- 1.1. The Audit Committee is required by the Constitution to make an annual report to Full Council.
- 1.2. The Audit Committee forms a part of the County Council's corporate governance arrangements. Its purpose is to "provide independent assurance of risk management and the control environment", "independent scrutiny of the authority's financial and non-financial performance" and "oversee the financial reporting process" (CIPFA).
- 1.3. This report is to inform members of the work of the Audit Committee in the previous financial year, and to note the Committee's opinion on the standard of governance, risk management and internal audit in place within the County Council.

2. Background

- 2.1. The Audit Committee met a total of 8 times during the 2016/2017 financial year. Every meeting has had a very full and wide-ranging agenda, reflecting the role of the Committee.

The additional meetings during the last year have been on the direct instructions of committee members in order to gain the necessary assurance around internal audit reports that only achieved Partial Assurance, and therefore indicated that controls were lacking. A total of 21 separate Partial Assurance audits have been formally reviewed by the Audit Committee during 2016/2017, with the responsible manager(s) presenting their actions and plans to meet the auditor's recommendations.

- 2.2. In addition to what might be considered its "core" reports around corporate risk, internal audit and the Statement of Accounts, the Audit Committee has regularly requested attendance by officers to explain other matters. This is to provide assurance on key topics to satisfy members that the appropriate governance measures are in place to meet the organisation's aims, to meet statutory requirements, and to mitigate risks and prevent losses.

Presentations have been received on issues such as the new Contract Management processes, Business Continuity, the future direction of IT for the authority and the National Audit Office work on financial sustainability of local authorities through capital expenditure and resourcing.

2.3. Technical support to the Audit Committee comes from a number of sources, including:-

- Grant Thornton as External Auditor for the Statement of Accounts and Value for Money conclusion.
- South West Audit Partnership (SWAP) as Internal Auditor to deliver our Internal Audit Plan
- The Director of Finance and Performance, or his deputy, in the capacity of the s151 officer.
- Strategic Manager – Financial Governance, acting as the Chief Internal Auditor and also Lead Officer for the Committee.
- Chief Accountant providing training to members and presenting the Statement of Accounts.
- Governance Manager and Principal Officer – Risk Management.

The Audit Committee wishes to place on record its gratitude for the continued quality of the support that it receives.

3. Work Programme

3.1. The Audit Committee's work programme over the last year has been varied, but key responsibilities and themes have always included:

- formal approval of the Annual Statement of Accounts and Value For Money Conclusion;
- continued review of the management of risks across the County Council, with particular emphasis on the corporate risks;
- review of the corporate governance arrangements across the County Council to ensure that they remain sound and fit for the changing authority, e.g. the Annual Governance Statement and system of internal control, anti-fraud and corruption measures; the Internal Audit plan;
- review of Internal and External Audit reports looking at the Audit Plan delivery and findings, and ensuring that individual managers follow-up audit recommendations;
- review of the debtor management processes and its performance in collecting money due to the County Council.
- how the County Council is delivering on commissioning of services ,learning lessons from Audit findings and previously commissioned contracts

3.2. The Audit Committee can report that the majority of governance functions and processes remain well-controlled and delivered.

For the accounting period 2017/18 the statutory deadlines for publishing draft accounts and final audited accounts changes from 30 June and 30 September respectively, to 31 May and 31 July respectively. To ensure we deliver successfully to the new statutory deadlines, we have implemented the new deadlines already, ahead of schedule, in order to determine how this can best be achieved. Audit Committee can report that not only were the statutory deadlines achieved for the 2015/2016 accounts (i.e. 2 years ahead of the legislation), but that the Statement of Accounts preparation resulted in an unqualified opinion for both the County Council and the Pensions Fund. This is the most positive conclusion that is possible from external audit, and the auditor was most complimentary in his report to Audit Committee in July 2016. Members

were delighted with the performance, and congratulated the officers involved in this achievement.

The Value For Money Statement again received a highly positive external audit, with only the widely-reported OFSTED issue outstanding.

- 3.3. The Anti-Fraud and Corruption Review report that came to the January 2017 Audit Committee brought details of 6 potential fraud cases involving the County Council or the Pension Fund. Although some have now been closed without fraud involved, some cases are still “live” and under investigation. A significant Anti-Fraud and Corruption effort continues to be undertaken in conjunction with the National Fraud Initiative and with specialist officers from SWAP and the Police. This should serve as a reminder to all to be vigilant in relation to fraudulent activities. The Audit Committee fully re-endorsed the “zero tolerance” policy in operation in the County Council.
- 3.4. The Audit Committee has just received a piece of work entitled Healthy Organisation from SWAP. This was commissioned as part of the 2016/2017 internal audit plan and looks at the governance framework across a number of key themes (SWAP are carrying out this piece of work for a number of partner authorities). The Healthy Organisation report shows that the overall governance framework for the authority is generally sound, but that there are a number of improvements that could be made. These will be picked up as part of the 2017/2018 internal audit plan.
- 3.5. One recurrent theme throughout the Audit Committee’s work in the past financial year has been in relation to IT. A number of the Partial assurance audits were wholly or partially related to poorly performing IT systems that are simply not fit for purpose and have led to workarounds and inefficiencies. The Audit Committee very much welcomed the positive presentation on the future of IT at its November 2016 meeting, but is acutely aware that there are a multitude of tasks to improve our IT across a wide variety of services.

4. Training

- 4.1. The Audit Committee has continued to hold training and workshop sessions in addition to its public meetings when necessary. During the previous financial year, this included training in relation to the Statement of Accounts ahead of their approval. The training programme will be reviewed once the new Committee is formed.

5. Conclusions

- 5.1. The Audit Committee feels that a strong governance framework remains in place. However, there have been some specific audit findings reported during the previous year that have revealed local weaknesses that still need to be addressed. The Audit Committee will continue to review progress in these areas, and call in the relevant officers to provide the necessary assurance.
- 5.2. The Audit Committee remains committed to ensuring that high governance standards are maintained.

6. Background papers

6.1. Audit Committee papers can be found at:

<http://www1.somerset.gov.uk/council/boards.asp?boardnum=9>

Note: For sight of individual background papers please contact the report author