

Item No. 7.4	Classification: Open	Date: 26 March 2014	Meeting Name: Council Assembly
Report title:		Annual Report on the Work and Performance of the Audit and Governance Committee in 2013/14	
Ward(s) or groups affected:		All	
From:		Audit and Governance Committee	

RECOMMENDATION

1. That council assembly note the work and performance of the audit and governance committee in 2013/14.

BACKGROUND INFORMATION

2. The audit and governance committee's terms of reference include a requirement to report annually to council assembly on its work and performance during the year.
3. The aims of the report are to make council aware of the audit and governance committee's work in relation to its audit, regulatory, financial reporting and treasury management responsibilities and to provide assurance on areas covered or to identify any concerns.
4. The purpose of this report is to review the audit and governance committee's work and performance in 2013/14. The audit and governance committee considered its annual report on 24 February 2014 and subject to an update to take account of that meeting, which has been incorporated, agreed to refer it to council assembly.
5. This report also considers the effectiveness of the audit and governance committee which forms a part of the review of internal audit and which will in turn be reported as part of the review of the system of internal control, as required under the Accounts and Audit Regulations 2011.

KEY ISSUES FOR CONSIDERATION

Role of the committee

6. The purpose of the audit and governance committee is to provide
 - Independent assurance of the adequacy of the council's governance arrangements, including 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
 - Oversight of the financial reporting process

- Scrutiny of treasury management strategy and policies.
7. In line with the above, the committee's terms of reference are structured by reference to its four key functions in terms of audit activity, the regulatory framework, the accounts and treasury management. The committee agrees a work programme for each year which is also structured in the same way.

Audit activity

Internal audit

8. The committee received and considered regular reports on the performance of internal audit and the outcome from its work during the year and also the head of anti-fraud and internal audit's annual report on the work of internal audit and anti-fraud 2012/13. Members had questions for both officers and the engagement manager for the auditors, Baker Tilly (formerly RSM Tenon).
9. Following the implementation of new Public Sector Internal Audit Standards, the committee reviewed the draft internal audit charter and approved it, subject to several minor amendments. It also reviewed consequential amendments to the committee's terms of reference, which were subsequently approved by council assembly on 16 October 2013.
10. The committee agreed the internal audit plan for 2014/15 and strategy for internal audit for 2014/15 – 2018/19.

External audit

11. The committee received regular progress reports from the external auditor (Grant Thornton) throughout the year. It also considered Grant Thornton's audit plans for 2012/13 for both the council and the Southwark pension fund, their audit findings reports and annual audit letter for 2012/13 and their annual report on the certification of claims and returns for 2012/13.
12. The committee considered the external auditor's annual fee letters for 2013/14 for both the council and the Southwark pension fund. Grant Thornton also reported to the committee on their review of the council's arrangements for securing financial resilience and on assurance work undertaken by them as to management processes and the committee's oversight of the risk of fraud, compliance with laws and regulation, and matters in relation to going concern, to inform their audit risk assessment.
13. The committee received progress reports on the implementation of recommendations made by external audit in July 2013 and in February 2014.

Accounts

14. The committee considered a draft of the 2012/13 statement of accounts at its July 2013 meeting and formally approved them at its meeting in September 2013.

Regulatory framework

15. As with the statement of accounts, the committee reviewed the annual governance statement for 2012/13 at its July 2013 meeting and approved it at its September 2013 meeting. The committee asked officers to make it aware in

advance of any future reviews of the council's directorates that were relevant to the committee's remit.

16. Following the committee's decision three years ago to invite strategic directors to attend meetings to report on governance arrangements in their departments, it broadened its invitations to include other key governance players in 2013/14. During the year the director of public health, the strategic director of housing and community services, the strategic director of finance and corporate services and the director of corporate strategy attended meetings. Members of the pensions advisory panel also attended for a wider discussion about key developments in the Local Government Pension Scheme and forthcoming pensions regulations and the committee has requested that a report on the pensions triennial review be brought to a future meeting. Members asked questions about particular aspects of their arrangements.
17. The committee received a report on a retrospective contract-related decision at their February 2014 meeting.
18. At the committee's request, a report on the council's insurance framework was considered by the committee at its April 2013 meeting and during the year it also received an annual report on the work of the corporate risk and insurance team for 2012/13 and a report on the council's top risks.
19. The committee received its annual report on whistle blowing outcomes.
20. Several reports were included on the committee's agendas during the year further to requests made by members for information on matters arising out of its deliberations: following discussions about data matching in the context of council tax fraud, a report on council tax single occupancy discount reviews was considered by the committee at its July 2013 meeting; concerns expressed by members of the committee about the sale of temporary accommodation at a primary school and associated issues were addressed in a report to the committee's November 2013 meeting; and a report back on what council services use identification checking for new users and whether the processes could be used for school applications was included in a report to its February 2014 meeting.

Treasury management

21. Members received a report on the 2013/14 treasury management strategy which had been approved by council assembly in February 2013 and sought clarification and assurance from officers on a number of points.

Effectiveness of the audit and governance committee

22. The Accounts and Audit Regulations require a review of internal audit to be carried out, including consideration of the effectiveness of the audit and governance committee. This will be carried out later in the year and the results will be brought to a future meeting of the audit and governance committee.
23. To complement this, the audit and governance committee assesses itself using a checklist produced by CIPFA. In December 2013, CIPFA published revised guidance on the function and operation of audit committees in local authorities. This included an updated self-assessment of good practice which formed the basis of the checklist considered by the committee at its February 2014 meeting. The completed checklist is attached at Appendix 1. The committee was advised

that the checklist should be considered as part of the review of internal audit and that it would need to consider the findings of the review alongside the annual governance statement later in the year.

24. The completed checklist confirms that there are no significant areas of concern in relation to the committee's effectiveness. However, it highlights that training is an area that members may wish to continue to keep under review.

Training

25. Information on relevant issues and developments is provided by the CIPFA Better Governance Forum which publishes its 'Audit Committee Update' three times a year. These focus on key topics and include a round-up of legislation, reports and developments and are circulated to all members of the committee for their information.
26. A briefing session on the statement of accounts was organised for members of the committee in September 2013 prior to the committee's approval of them.
27. The self-assessment checklist (see above) identified that training will be provided as required and officers will continue to arrange training as opportunities arise.

Development opportunities

28. The audit and governance committee has now been in place for seven years. The management of its agenda in order to ensure that it can focus its resources effectively remains one of the key challenges for the future.
29. The year saw the following principal achievements:
 - Greater assurance of departmental and corporate governance arrangements, through the extension of invitations to a wider group which included members of the pensions advisory panel as well as officers
 - Ongoing constructive challenge from members in respect of reports received by them.
30. For the coming year, the following are areas where the committee has the opportunity to effect further development or to which it may wish to give consideration:
 - Implications of the new Local Audit and Accountability Act which received royal assent in January 2014 and their impact on the role of the committee
 - Future training needs.

Conclusion

31. The committee's work programme aims to ensure that the committee is able to carry out its functions effectively. To this end, the programme is structured to cover the key areas of audit activity, the regulatory framework, financial reporting and scrutiny of the treasury management strategy and policies.
32. During the committee's seventh year of operation, it continued to ask questions on matters before it in a challenging yet constructive way. In some cases, this has resulted in further information being provided to the committee to provide the assurance sought; in others, in others, it has resulted in increased focus on the

implementation of action plans.

33. The committee kept its work programme under review in 2013/14 and made changes when appropriate.
34. Through its work, the committee is able to confirm that:
 - The council's system of risk management is adequate to identify risk and to allow the authority to understand the appropriate management of those risks
 - There are no areas of significant duplication or omission in the systems of governance in the authority that have come to the committee's attention and not been adequately resolved.
35. The work programme for the committee for 2014/15 was included on the committee's February 2014 agenda for consideration and agreement, and this will be reviewed and amended on an ongoing basis if necessary to help to ensure that the committee can continue to provide assurance of the adequacy of the council's governance arrangements.

Policy implications

36. There are no policy implications in the proposals in this report.

Community Impact Statement

37. This report is not considered to contain any proposals that would have a significant impact on any particular community or group.

Resource implications

38. There are no direct resource implications in this report.

Consultation

39. There has been no consultation on this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Corporate Services

40. The strategic director of finance and corporate services remains mindful of the important role of the audit and governance committee and pleased that it continues to function in line with its terms of reference. It is noted that the performance of the committee has been strengthened by the attendance of the strategic directors and other senior officers and it is expected that the committee will continue to obtain assurance of governance arrangements from these interviews. Following the change in external auditor, the committee has overseen the successful approval of the accounts and a seamless transition from the Audit Commission to Grant Thornton. It is noted that the committee requested and received specific reports on relevant matters through the year and it is anticipated that this will continue from time to time. The additional scrutiny of governance that this adds to the organisation is welcomed. The committee is aware of the Local Audit and Accountability Act and the need to consider its implications for the future in due course.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
CIPFA Audit committees – Practical Guidance for Local Authorities and Police 2013 edition	Finance and Corporate Services, Second Floor, Tooley Street	Jo Anson 020 7525 4308

APPENDICES

No.	Title
Appendix 1	Self-assessment of Good Practice

AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Corporate Services	
Report Author	Jo Anson, Head of Financial and Information Governance	
Version	Final	
Dated	6 March 2014	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal Services	No	No
Strategic Director of Finance and Corporate Services	Yes	Yes
Cabinet Member	No	No
Date final report sent to Constitutional Team	10 March 2014	