

AUDIT COMMITTEE ANNUAL REPORT DISCUSSION 2018/19

REPORT OF THE AUDIT MANAGER

AGENDA ITEM: 6.1

1. In accordance with its terms of reference, the Audit Committee is required:
 - To report to Council on the Committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of the governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
 - To report to Council on an annual basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

Background

2. The Audit Committee prepares an Annual Report, in which it discloses the outcomes of a Self-Assessment of the effective delivery of its role, and it provides an account of its activities, findings and opinion in respect of its terms of reference. The Audit Committee Chairperson presents the Audit Committee Annual Report to Council in the autumn, following the end of the municipal year.
3. To support the Audit Committee to consider its indicative observations and findings from its programme of work in the municipal year 2018/19 to date, the following information follows a desktop review of the Audit Committee Agenda, Work Programme and Minutes for the year to date. Audit Committee consideration and discussion of this indicative analysis will support the development of its Draft Annual Report 2018/19, for consideration on 25 June 2019.

Issues

4. The following paragraphs outline the standard and one-off Audit Committee items and reports received and planned for the municipal year 2018/19, together with the indicative key observations to date, and the primary initiatives taken forward to further progress the delivery and impact of its work. This information is considered to represent the key summary information for Audit Committee to consider, for development within its Annual Report 2018/19 as the year progresses.

a. Standard Items

5. The Corporate Director Resources (Section 151 Officer) has provided financial updates at each meeting outlining the budget strategy, financial resilience and the Council's overall financial position. The Audit Committee has continued to raise concerns from

prior years about significant overspends and unrealised savings targets, with emphasis given to the Social Services Directorate.

6. The Audit Committee has considered the contents of the Corporate Risk Register quarterly and the Senior Management Assurance Statements (SMAS) biannually. The Audit Committee has progressed its approach to inviting senior officers to account for how they have discharged effective governance, risk management and control. Assurance has been sought specifically in respect of cyber security and coastal erosion flood risk management, with the senior risk owners invited to Audit Committee to account for their management of these risks.
7. The Audit Committee has continued to receive the Treasury Management Annual Report, Mid-Year Report, Treasury Management Strategy and the Treasury Performance and Practices Reports. Audit Committee areas of challenge and requests for assurance have related to the levels and nature of investments and borrowing.
8. External Audit letters, financial audit reports and updates in national and regional studies have been reported to, and considered by, Audit Committee. This work has been relied upon by the Audit Committee, in seeking assurance in relation to its terms of reference.
9. Audit Committee has continued to place reliance on the work of the Council's Internal Audit Team. The Committee has approved the Audit Charter and Audit Plan for 2018/19, and has received and considered key progress reports which have included regular updates on conformance with the Public Sector Internal Audit Standards, and critical findings and emerging trends from the work undertaken and the audit tracker of recommendations issued and progress in delivery. Particular areas of assurance from this work have been sought in respect of school governance and the control environment in respect of the Waste Management function.

b. One-off Items

10. The Audit Committee has invited senior officers to provide first-hand assurance in relation to the internal control environment for their respective areas of responsibility. The Chief Executive and a number of Directors have attended Audit Committee to provide an overview of their governance, risk management and control assurance.
11. The Audit Committee has also invited senior officers to provide assurance in specific areas, following Audit Committee review of standard item information and outputs. In particular, senior responsible officers have attended, or are arranged to attend Audit Committee this year in respect of the following areas.
 - Cyber Security
 - Coastal Risk Management Programme
 - Waste Management Internal Control Environment and Investigation Assurance

c. Key Observations

12. The Key observations of the Audit Committee in the 2018/19 municipal year to date have been documented as follows:

- **Budget Prioritisation Control**

- Overspends in particular directorates
 - Achievement of budget savings proposals
 - Budget Proposals (2019/20) - assurance sought on proposed Risk Management and Internal Audit savings
- **Financial / Internal Control**
 - Continued invitations for Directors to attend and provide assurance on their internal control environments in Audit Committee Meetings
 - Specific areas of governance and risk management have been explored in Committee meetings - Cyber Security (November 2018), Coastal Risk Management Programme (January 2019) and Waste Management Assurance (programmed for March 2019).
 - Waste Management internal control matters – Briefings received as appropriate and active monitoring ongoing.
 - **Financial Resilience (including treasury management)**
 - Updates provided in each Committee meeting.
 - Focus on use of reserves, investments and borrowing
 - **Schools Governance and Compliance**
 - Report received on Governance in Schools and School Balances
 - School Governance Mechanism agreed in November 2018 for assurance to be received and coordinated via the Director of Education and Lifelong Learning.

d. Initiatives

13. Audit Committee has taken forward some key initiatives this year in order to strengthen its effectiveness, as follows.
14. The Chairperson and Vice Chairperson have engaged in reciprocal Audit Committee visits. This year Chairperson visits have been arranged with Swansea and Leeds Council Audit Committees, in order to share ideas, initiatives and best practices.
15. In support of wider awareness of the work, findings and outcomes of Audit Committee activities, an inaugural Audit Committee Newsletter was published in October 2018. The intention is to continue to publish a newsletter twice a year to continue to communicate the Committee's work, and support a culture of accountability and assurance.
16. To underpin Audit Committee effectiveness, and progress targeted development and training where required, the Audit Committee Annual Self-Assessment process has been strengthened to require all Members to complete an individual assessment against the core areas of the CIPFA knowledge and skills framework.

Reason for recommendation

17. To enable the Audit Committee to consider its indicative observations and findings for development within its draft Audit Committee Annual Report.

Legal Implications

18. There are no direct legal implications arising from this report.

Financial Implications

19. There are no direct financial implications arising from this report.

Recommendation

20. Audit Committee to consider the contents of this report and to discuss the development of the Audit Committee Annual Report.

CHRIS PYKE
AUDIT MANAGER
22 January 2019