

<b>MEETING:</b>	<b>Council</b>
<b>MEETING DATE:</b>	<b>6 March 2015</b>
<b>TITLE OF REPORT:</b>	<b>Annual Report of the Audit and Governance Committee</b>
<b>REPORT BY:</b>	<b>Audit And Governance Committee</b>

## **Classification**

Open

## **Key Decision**

This is not an executive decision.

## **Wards Affected**

County-wide

## **Purpose**

To inform Council of the work undertaken by the Audit and Governance Committee from July 2014 to February 2015.

## **Recommendation**

**THAT: the report be noted.**

## **Alternative Options**

- 1 There are no alternative options as the report is for information.

## **Reasons for Recommendations**

- 2 To comply with the requirement in the council's constitution that Council will receive annual reports from committees.

## **Key Considerations**

- 3 This report summarises the work of the Audit and Governance Committee between the Council meetings held on 18 July 2014 and 6 February 2015.
- 4 The committee met 4 times in the reporting period. The principal areas of business considered are summarised below.

## **External Audit**

- 5 External auditors, Grant Thornton UK LLP, have been appointed by the Audit Commission to undertake external audit activity for the council. All activity was completed within budget last year with the exception of additional work in relation to a disclosure from a member of staff concerning the procurement and implementation of the Customer Relationship Management (CRM) IT system.
- 6 The Committee noted a Review of the Council's Audit Findings Report for 2013-14. The audit process went well this year, aided by better quality information which has improved the transparency of the accounts. It was noted that further improvements could be made and this feedback has been provided to officers.
- 7 The audit findings include that those risk areas previously showing as red or amber are now showing as green, including an assessment rating of the council's reserves. Five specific risks areas were identified in terms of Value for Money: Public Information Disclosure Act (PIDA) review of CRM; Better Care Fund; Energy from Waste project (EfW); Adult Social Care; Safeguarding of Children. However, in terms of financial and budgetary control, the council now compares positively with other local authorities.

## **Annual Audit Letter**

- 8 The Committee noted the Annual Audit Letter for 2013-14 from Grant Thornton. The letter sets out the unqualified audit opinion on both the financial statements and Value for Money conclusion. This is an improvement on the position last year when a qualified opinion was given. Proper arrangements are in place to secure efficiency, effectiveness and economy, and noting the ongoing review of the Energy from Waste Plant (EfW), the latest Ofsted report and the financial control systems. Grant Thornton confirmed that work was continuing with EfW following the receipt of an objection from a member of the public concerning this issue.
- 9 The Committee was commended for its ongoing work and attention given to the outcomes of a PIDA investigation, detailed later in this report.

## **Internal Audit**

- 10 SWAP (the South West Audit Partnership) was confirmed as internal auditors for the council. It is expected that SWAP will be able to deliver savings and better value, achieved by an increase in audit activity and by sharing best practice as well as providing an increased local presence.
- 11 An Internal Audit Charter was approved, the key points of which are: that internal audit will be objective and independent; that the Committee will receive four reports each year plus an annual report on the risk environment; that the chair of the Committee is invited to participate in approving SWAP's accounts and agreeing its future work programme.
- 12 The Committee approved the Internal Audit Plan for 2014-15. SWAP will work with external auditors, Grant Thornton, to co-ordinate audit activity and to maximise resources. Where common themes are found, best practice will be shared amongst partner authorities in order to make improvements.
- 13 Progress reports were provided in September and November, and it was noted that for

the audits completed to November, none was assessed as partial or no assurance.

### **Budget Monitoring**

- 14 The Committee received and noted a report from the Section 151 Officer, setting out the financial position up to August 2014. The break-even position that was reported remained through to October 2014 despite pressures in Adult Wellbeing and Children's Wellbeing due to their being demand-led services. This was noted as a concern although it was confirmed that the base budget, being an estimate of spend, had been robust in its assumptions.
- 15 Savings continue to be monitored. It was expected that savings would also come from other areas such as the changes in waste collection to fortnightly and additional recycling activity.

### **Annual Governance Statement and Statement of Accounts**

- 16 The Committee approved the Annual Governance Statement. The Statement is now stronger in reporting style and is more focused on action planning, and will enable better monitoring and assurance to the Committee.
- 17 The key areas identified were that although there was an overspend in Adult Wellbeing, due to savings in other areas the result was a break even position. The general reserve funds were at £5.1million which exceeds the minimum policy requirement. Reserves for specific items of £23.9m had also been set aside.
- 18 There has been an increase in net assets, partly due to the increase in reserves. Previous reductions were due to schools taking on Academy status. A decrease in pension liability was also highlighted and triennial valuations will take place to assess the amount that needs to be set aside. It was confirmed that an apparent drop in the size of the Collection Fund was due to the change in Council Tax Benefit to the localised Council Tax Reduction Scheme.

### **Waste Contract and Value for Money**

- 19 The Committee noted a conclusion from the Section 151 Officer that the value for money provided by the chosen waste contract option was better than that reported to Cabinet in December 2013. Better contractual arrangements are now in place which secures the council's £40million investment.

### **Community Governance Review**

- 20 The Committee undertook a community governance review of the areas of Ross Town Council and Ross Rural Parish Council. This was completed via a working group which reported findings back to the Committee in September.
- 21 As a consequence, the committee made final recommendations to Council in December 2014 and it was resolved that these would take effect from 1 April 2015 in order to constitute a new parish to be known as Ross on Wye.

### **Council Constitution**

- 22 Following the changes made to regulations by the Local Audit and Accountability Act (2014), an amendment was made to the constitution to ensure legal compliance regarding the recording of public meetings of the council. It was agreed that

amendments would also be made to the Chairman's script at the beginning of meetings to include an announcement of filming.

- 23 It has been noted by Committee that there are a number of technical amendments which are to be made to the constitution.

### **Public Interest Disclosure Act (PIDA) Investigation**

- 24 External auditors, Grant Thornton, reported on an investigation into the procurement and implementation of the council's IT-based customer relationship management (CRM) system. Two broad areas were considered in the investigation, those being procurement, and implementation of the CRM system.
- 25 The investigation found that whilst there was no evidence to suggest that the procurement was not carried out properly, there were a number of other findings which resulted in the development of an action plan. The actions were addressed by a task and finish group which looked at governance structures, systems and procedures relating to procurement and projects in order to pass recommendations on to the next administration.

### **Annual Report of the Monitoring Officer**

- 26 The Committee noted the Monitoring Officer's annual report for the municipal year 2013-14. Key reporting areas included data regarding adherence to the Members' code of conduct, with 36 complaints alleging a breach of the code received. Of those complaints, 15 were resolved informally and 7 were resolved by panel recommendation. The remaining 14 allegations were not upheld.
- 27 The report also included data on complaints, whistleblowing and information governance issues which will be used as a baseline for future trend analysis.
- 28 In terms of corporate governance, during 2013-14, there had been no occasions where the public has been excluded from meetings in order to allow the discussion of confidential or exempt material. There were nine occasions where it was not possible to publish notice of decisions to be taken within the statutory 28-day period, and these were reported to the relevant scrutiny committee. There was one decision called-in by the general overview and scrutiny committee.

### **Background Papers**

- None identified