

MEETING:	COUNCIL
DATE:	8 MARCH 2013
TITLE OF REPORT:	ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2012/13
REPORT BY:	AUDIT AND GOVERNANCE COMMITTEE
MEMBERSHIP:	J STONE (CHAIR), JW MILLAR (VICE-CHAIR), CNH ATTWOOD, EMK CHAVE, PG CUTTER, AJ HEMPTON-SMITH, TM JAMES, BRIG P JONES CBE, PJ MCCAULL, (there is one vacancy currently)

1. Classification

Open.

2. Key Decision

This is not an executive decision.

3. Wards Affected

County-wide.

4. Purpose

To inform Council of the work undertaken by the Audit and Governance Committee during the current municipal year 2012/13.

5. Recommendation

THAT the report be noted.

6. Key Points Summary

- The Council's Constitution requires that annual reports are received from committees to Council (Constitution, Part 4 - Procedure Rules, paragraph 4.1.6.3 m refers).
- This report summarises the work of the Audit and Governance Committee since the last annual report was received at the Annual Meeting of Council on 25 May 2012.
- Since the Annual Meeting of Council, the Committee has met on five occasions: 6 July, 21 September, 12 November, 5 December 2012 and 19 February 2013. To make efficient use of the Committee's time, meetings were cancelled in October 2012 and January 2013. Further meetings are planned for the remainder of the year.

7. Alternative Options

7.1 There are no alternative options as the report is for information purposes only.

8. Reasons for Recommendations

8.1 To comply with the requirements of the Council's Constitution.

9. Introduction and Background

9.1 The role of the Audit and Governance Committee expanded from January 2012 to include consideration and recommendation of any future changes that were necessary to the Council's Constitution.

9.2 Arising from the implementation of the Localism Act 2011 and the adoption of the Council's new Code of Conduct, the role of the Committee further expanded from July 2012 to enable the Committee to consider standards complaints against Councillors that had been investigated or could not be resolved informally.

9.3 An overview of the principal reports considered during the year to date is provided below.

6 JULY 2012

Draft Annual Governance Statement 2011/12

9.4 The Committee considered the draft Annual Governance Statement 2011/12 for inclusion in the Statement of Accounts for 2011/12; the statement came before the 21 September 2012 meeting of the Committee for final approval, see paragraph 9.16 below.

9.5 Issues discussed by the Committee included: Adult Social Care overspends and the actions being taken to address the issues; the different roles of the Committee and the scrutiny function; the Section 151 officer role; and information on partner organisations.

Annual Internal Audit Plan 2012/13

9.6 The Committee considered and approved the Annual Internal Audit Plan 2012/13; the document is an integral part of the Council's internal control assurance process.

9.7 It was noted that work was being carried out on financial systems, the delivery of various projects, and data protection.

Annual Audit Fee Letter and Audit Work 2011/12

9.8 The Committee received and noted the contents of the Audit Commission's Annual Audit Plan 2011/12, including the planned outputs and the indicative fee; this was £274,672 for 2011/12, representing a reduction of £15,000 on the 2010/11 fee.

9.9 Issues discussed by the Committee included: risks for the authority, including the implementation of a new financial ledger system and capital accounting model; the actions taken in response to the identification of a suspected fraud; the final accounts process; and the challenges in respect of Adult Social Care and the transformation programme.

Audit and Governance Committee Update from the Audit Commission

- 9.10 An update was provided on the progress of the Audit Commission in delivering their responsibilities as the Council's external auditors for 2011/12. Grant Thornton would become the Council's external auditors for 2012/13.

21 SEPTEMBER 2012

Statement of Accounts 2011/12

- 9.11 The Committee considered and approved the Statement of Accounts 2011/12; this is a technical document setting out the Council's financial accounting information, in accordance with legal and accounting requirements.
- 9.12 Additional matters discussed by the Committee included: the need to monitor reserves carefully; the requirement under the Localism Act 2011 for each local authority to produce a Pay Policy Statement; and the Committee's interest in receiving information from the Council's partner organisations.

Annual Governance Report 2011/12

- 9.13 The Committee considered the statutory Annual Governance Report for 2011/12; this set out the external auditor's opinions on the Council's financial statements for 2011/12, arrangements for securing value for money, and recommendations for further improvements in the Council's governance arrangements arising from their audit work.
- 9.14 Attention was drawn to: changes during the financial year, including the use of a new integrated ledger system (Agresso) and the preparation of the annual accounts by Hoople Ltd.; the fact that there were no significant uncorrected errors in the accounts; and the additional work required to complete the Whole of Government Accounts return. The Committee also discussed Hoople Ltd.'s admittance to the Local Government Pension Scheme and work being undertaken to review the Council's Service Level Agreements.
- 9.15 In addition to noting the Annual Governance Report and approving the Draft Letter of Representation, the Committee recommended to the Overview and Scrutiny Committee that the consideration of value for money of the proposed Waste Management PFI contract be included in its regular work programme.

Annual Governance Statement 2011/12

- 9.16 The Committee considered and approved the Annual Governance Statement 2011/12.
- 9.17 Arising from the discussion, the Committee requested further information on the principles by which Health and Safety was being administered within the Council, see paragraph 9.36 below.

Annual Assurance Report 2011/12

- 9.18 The Committee received the Annual Assurance Report 2011/12; this summarised the internal audit work undertaken and provided an overall internal audit opinion.
- 9.19 It was the opinion of Internal Audit that the Council had adequate and effective risk management, control and governance processes to manage the achievement of its objectives except for those areas highlighted as limited; agreed improvement plans were in place for those areas.

The Annual Council Meeting

- 9.20 The Committee considered a report about amending the business to be discussed at the Annual Meeting of Council, to distinguish between the civic and ceremonial aspects and the consideration of regular business.
- 9.21 Council received a report on this matter at its 28 September 2012 meeting (minute 46).

Review of Overview and Scrutiny Structure

- 9.22 The Committee received a report on proposed changes to the Overview and Scrutiny structure, the principal proposal being the establishment of two Overview and Scrutiny Committees, namely: a Health and Social Care Overview and Scrutiny Committee, and a General Overview and Scrutiny Committee. The Committee considered arrangements for the roll-out of the dual-committee structure, to enable an effective transition to take place.
- 9.23 Council received a report on this matter at its 28 September 2012 meeting (minute 47).

Grant of Dispensations Under the Localism Act 2011

- 9.24 Arising from the Relevant Authorities (Disclosable Pecuniary Interests) Regulations, the Committee considered a report which proposed the delegation of the power to grant dispensations in respect of Members' participation in decision-making, where a member had a disclosable pecuniary interest.
- 9.25 It was also proposed that the Council's Procedure Rules be amended to require a member with a disclosable pecuniary interest to vacate the meeting unless a dispensation had been granted.
- 9.26 Council received a report on these matters at its 28 September 2012 meeting (minute 48).

Community Governance Review

- 9.27 Council had previously decided that a community governance review of the areas of Ross Town Council and Ross Rural Parish Council, would take place in the autumn of 2013, and had authorised the Audit and Governance Committee to undertake all community governance reviews and to make recommendations to Council on the matter (minute 62 of 2 March 2012).
- 9.28 The Committee considered a report about the setting-up of a sub-committee for the purpose of conducting the reviews and appointed the members that had been nominated by Group Leaders to the sub-committee, to be chaired by Councillor Hempton-Smith.

Transitional Arrangements for Standards Cases

- 9.29 The Committee received a confidential report which outlined all of the Standards complaints that were unresolved as at 1 July 2012, when the old Standards regime was abolished under the Localism Act 2011.
- 9.30 It was agreed that any case from the Standards Committee not concluded as at 1 July 2012 be referred to the Standards Panel for consideration and complainants requesting a review of any decision of the Standards Committee be advised that no right to request a review now existed. It was also agreed that the Monitoring Officer be authorised to appoint parish / town council representatives to assist the Standards Panel in progressing complaints.

12 NOVEMBER 2012

Annual Accounts Action Plan

- 9.31 The Committee noted the Audit Commission's Annual Audit Letter 2011/12 and approved the action plan for the closure of the 2012/13 accounts.
- 9.32 It was noted that the Audit Commission had issued an unqualified opinion on the Council's financial statements. The Commission had concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Four key issues for the Council in 2012/13 were identified, namely: Financial Position; Adult Social Care; Waste Disposal PFI Contract; and the Health and Social Care Act.
- 9.33 The Committee also discussed matters relating to procurement savings, the accounts timetable, Safeguarding budget pressures, and the Root and Branch Review process.

Work Programme 2012/13

- 9.34 The Committee received a proposed work programme as a basis for future agenda items. The work programme focussed on the transaction of financial and audit business, as governance matters would require a greater degree of flexibility and responsiveness.

Internal Audit Progress 2012/13

- 9.35 The Committee was updated on the progress of internal audit work, with attention drawn to key internal control issues arising from work recently completed. At the date of the meeting, one audit review had been finalised and seven reviews were being completed by Audit Services, with draft reports issued in four areas.

Health and Safety

- 9.36 The Committee received a report which summarised the actions undertaken in response to the audit of the Health and Safety management system, improvements made by the Health and Safety Team and Resilience Group, and work in progress to raise the Corporate Assurance Grading in readiness for a follow-up audit.

The Monitoring Officer's Annual Report 2011/12

- 9.37 The Committee received a report from the Assistant Director (Law, Governance and Resilience) about matters within the responsibility of the Monitoring Officer and the Council's performance for 2011/12 with regard to complaints under the standards framework; 55 complaints had been lodged during the course of the year.

Report of the Standards Panel: Breach of the Members' Code of Conduct by Councillor MAF Hubbard

- 9.38 The Committee considered a report on a breach of the Code of Conduct by Councillor MAF Hubbard and agreed to report the outcome to Council.
- 9.39 The Committee also requested a report on the powers and sanctions available to the Committee in respect of standards cases under the Localism Act 2011, see paragraph 9.49 below.

5 DECEMBER 2012

Notices of Motion

- 9.40 The Committee considered a report on the Procedure Rules in respect of Notices of Motion and recommended amendments to Council, alongside the adoption of a related protocol.

Standards Panel Report, 22 November 2012

- 9.41 The Committee considered a report on a breach of the Code of Conduct by Councillor GA Powell and agreed to report the outcome to Council.

19 FEBRUARY 2013

Annual Audit Fee Letter

- 9.42 The Committee received and noted the contents of the external auditor's Annual Fee Letter, including the planned outputs and the indicative fee; this was £164,803, representing a reduction of £109,869 on the 2011/12 fee. The Committee discussed arrangements for additional work.

Communication with the Audit and Governance Committee

- 9.43 The Committee received and noted a report which outlined the process to ensure that there was effective two-way communication between the Committee and the external auditor.
- 9.44 It was noted that any changes to the Auditing Standards document would be reported back to the Committee. Committee Members expressed a wish to receive reports in respect of related parties.
- 9.45 In accordance with recommended practice for all local authorities nationally, a meeting was to be held with the auditors to provide an opportunity for Committee Members to ask questions informally.

Internal Audit Progress 2012/13

- 9.46 The Committee was updated on progress made with internal audit work, with attention drawn to key internal control issues arising from work recently completed. At the date of the meeting, seven audit reviews had been finalised and nine reviews were being completed by Audit Services, with draft reports issued in four areas.
- 9.47 Two reviews had been graded as providing 'Limited Assurance' and these areas would be further reviewed in 2013/14 to ensure that recommendations had been implemented. The Committee also requested that a report on Public Health - Food Licensing be presented to a future meeting.
- 9.48 The Committee noted the need for assurance that appropriate systems were in place in respect of procurement and the monitoring of contracts.

Powers and Responsibilities in Relation to Standards Complaints

- 9.49 In relation to standards complaints against Councillors under the Localism Act 2011, the Committee received and noted a report on the powers and responsibilities of the Audit and Governance Committee, Council, the Monitoring Officer, Independent Persons and the Standards Panel.

- 9.50 The Committee discussed the report and the circumstances of recent cases. The Committee also heard the views of appointed Independent Persons. The key points included: the new process needed time to develop and establish best practice; the Committee needed an appropriate level of detail to enable it to make informed decisions about the complaints referred to it; examples of possible action were not exhaustive and it should be made clear that further or alternative actions might be considered subject to Monitoring Officer advice; and the need to clarify the role of Council.
- 9.51 It was agreed that a report be provided to Group Leaders with a view to circulation to all Members of the Council for information.

Dispensations

- 9.52 The Committee received and noted a report on the grant of dispensations to all Members of the Council to allow them to participate in the decisions on the setting of the Budget and Council Tax for 2013/14.

10. Background Papers

- 10.1 None identified.