

**AUDIT AND ACCOUNTS COMMITTEE ANNUAL REPORT 2016 - 17**

To: **Audit and Accounts Committee**

**Full Council**

Date: **19<sup>th</sup> September 2017**

**17<sup>th</sup> October 2017**

From: **Duncan Wilkinson, LGSS Head of Audit and Risk Management**

Purpose: **To present the Audit & Accounts Committee Annual Report 2015/16.**

Recommendation: **The Audit and Accounts Committee issues an annual report to Council, detailing their activities during the year.**

**Council is requested to consider the report.**

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Source Documents	Location
Reports and Minutes to the Audit and Accounts Committee	Room 117 Shire Hall,  Cambridge

# **Audit and Accounts Committee**

## **Annual Report**

### **1. Introduction**

- 1.1 The Audit and Accounts Committee exists to provide independent assurance on the adequacy of the Council's risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. Audit and Accounts Committees within Local Authorities are necessary to satisfy the wider statutory requirements for sound financial management.
- 1.2 The Audit and Accounts Committee plays a vital role in ensuring that the residents of Cambridgeshire County Council are getting good-quality services and value for money, i.e. economy, efficiency and effectiveness.
- 1.3 The Audit and Accounts Committee has seven members and met seven times in 2016/17. All meetings have been held in public.
- 1.4 The Committee has been structured around the following responsibilities:
  - Considering and approving the Annual Statement of Accounts;
  - Ensuring that the financial management of the Council is adequate and effective;
  - Ensuring that the Council has a sound system of internal control, which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk;
  - Reviewing annually the Council's system of internal control and agreeing an Annual Governance Statement;
  - Ensuring that the Council has an adequate and effective Internal Audit function.
- 1.5 In its role of overseeing the work of Internal Audit, the Committee was advised that in 2016/17, Internal Audit carried out 64 audit reviews, including reviews of policies and compliance, embedded assurance work, risk-based reviews and contracts reviews. Internal Audit also completed 31 schools audits, 46 investigations and 10 grant certifications, as well as providing advice and guidance on a wide range of topics including finance instructions for the

Registrations Service, authorisation of payments, and arrangements for reimbursing independent care providers for flu jab costs.

- 1.6 In total, during the year Internal Audit made 57 recommendations considered to be 'significant' or 'fundamental'. Throughout the course of the year, 45 actions which were considered to be 'significant' or 'fundamental' were implemented by management. 1 'fundamental' and 7 'significant' actions were still outstanding at the end of the year. This is a similar position to 2015/16, where 8 'significant' actions were outstanding at the end of the year.
- 1.7 Of the 8 outstanding actions, implementation of four had been delayed due to the Corporate Capacity Review. Three actions had been partially completed by year-end, and the final one had been delayed due to the project in question being re-scoped.

## **2. Proactive Work of the Committee**

- 2.0 The following section provides a summary of the proactive work undertaken by the Committee over the last year. This aspect of the Committee's work is vital, and has assisted in improving the effectiveness of the Council's overall corporate governance arrangements.

### **2.1 Ely Archives Project**

- 2.1.1 Following a referral from the Assets & Investment Committee to the November 2016 meeting of the Audit & Accounts Committee, a decision was made to undertake a review of the officer processes throughout this project and identify internal lessons learned. This review was undertaken by Internal Audit, with outcomes reported to the Committee in January and March 2017.
- 2.1.2 The Internal Audit review undertaken documented the original scheme, brief and budget, and the timeline including key decisions and revisions relating to scope, cost and budget. It identified the causes of cost variations and evaluated the project's governance arrangements. A report was presented to Committee setting out the lessons learned from the project and recommendations going forward. As an outcome of this review, the Committee requested that Internal Audit review other capital projects to establish whether this had been a one-off case. The Committee received a progress report on implementation of actions in March, and a number of reviews of project management were included in the Internal Audit Plan for 2017/18.

## **2.2 Safe Recruitment in Schools**

- 2.2.1 Safe recruitment in schools has continued to be a focus for the Committee in 2016/17. In November 2016, the Committee received a report detailing the latest measures taken to improve practice in this area, including Internal Audit and the Learning Directorate jointly producing a safe recruitment audit tool for schools. Audit and the Learning Directorate also worked together to look at the safeguarding review process undertaken by Education Advisors, ensuring that the review tool was comprehensive and meets Ofsted framework expectations and the guidance in *Keeping Children Safe in Education*.
- 2.2.2 The Committee has resolved that in the event of a further Internal Audit review finding a serious failure of safe recruitment practice, the headteacher of the school concerned should be required to attend the next available Audit & Accounts Committee, and the head of governors requested to do likewise.
- 2.2.3 The Committee continue to receive regular updates in this area. In July 2017 an update from the Learning Directorate gave information on the Safeguarding reviews carried out in the first six months of the year, outcomes from Ofsted reviews and safer recruitment training delivered. The next update is scheduled for November 2017.

## **2.3 Workforce Strategy**

- 2.3.1 The development of a Workforce Strategy was an area of focus for the Committee. The Committee meeting in July 2016 received an update report on the progress to develop a Workforce Strategy and the proposed Employee Engagement Programme.
- 2.3.2 A further report on the Workforce Strategy was received at the November Committee meeting. It identified a need for innovation, digital awareness skills, and commissioning, commercial and contract management ability. The report also presented a proposal for the final CCC Workforce Strategy.
- 2.3.3 This continues to be an area of interest for the Committee, with a further update scheduled for November 2017.

## **2.4 Risk Management and the Risk Register**

- 2.4.1 In accordance with best practice, the Council operates a risk management approach at corporate and service levels, seeking to identify key risks which might prevent the Council's priorities, as stated in the Business Plan, from being successfully achieved. The role of this Committee is to provide independent assurance of the adequacy of the Council's risk management framework and the associated control environment.
- 2.4.2 The Committee has received four risk management reports throughout the year alongside the Corporate Risk Register. The Committee has the opportunity to query individual risks within the risk register, which are then reported back to the Corporate Risk Group and Senior Management Team (SMT) for further review. In particular, during 2016/17 the Committee raised queries regarding recruitment capacity, the potential impact of Brexit, and budget forecasts for Looked After Children. As a result of their work reviewing the risk register, the Committee is now receiving reports on caseloads in children's social care, to gain greater assurance over the management of this risk.
- 2.4.3 The Committee also requested some benchmarking work to compare Cambridgeshire's Corporate Risk Register with those of other Councils. This work found that the types of risk being recorded are in the same areas as other Councils, but that the number of corporate risks being recorded was higher than most of the other Councils that were looked at, and as a result the number of risk monitored and managed at corporate level has been reduced. The Committee has also requested updates to target dates and additional detail on specific mitigating actions to be provided, and reviewed the presentation of the risk register and its appendices.
- 2.4.4 In light of this, in the final quarter of 2016/17, discussions at Audit & Accounts Committee, General Purposes Committee (GPC) and Strategic Management Team (SMT) identified a need for the Corporate Risk Register to be reviewed, simplified and streamlined in accordance with best practice. The annual Risk Management report which was presented to the Committee in July 2017 outlined the key corporate risks faced by the Council throughout the year, the outcome of the annual review of the Risk Management Policy and the approach to revising the Risk Register. This has included a workshop with GPC to simplify the number of corporate risks, transfer reporting of risk into the Integrated Resources and Performance Report and fully implement the use of the new GRACE risk management system.

## **2.5 Corporate Governance**

- 2.5.1 The Council's Code of Corporate Governance must be reviewed by the Committee annually. In 2016, an update was made to *the Delivering Good Governance in Local Government* Framework issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), which sets out the requirements of the Code.
- 2.5.2 The Code of Corporate Governance was reviewed and re-drafted in light of the new requirements, and the draft was reviewed by the Committee on 30<sup>th</sup> May 2017, following a full review of supporting evidence by Internal Audit. The Code was approved by the Committee for sign off along with the Annual Governance Statement.

## **2.6 Council Finance and Statement of Accounts**

- 2.6.1 Throughout 2016/17, the Committee has maintained its oversight of Council finances, reviewing the quarterly Integrated Resources and Performance Reports to assess progress in delivering the Council's Business Plan and review the status of the Council's Key Performance Indicators. The Committee regularly inquires and follows-up on areas which have overspends or other issues.
- 2.6.2 The Committee also considered and approved the annual Statement of Accounts. This is an iterative process, with the Committee receiving the audit planning report from the Council's external auditors in May; reviewing the draft Statement of Accounts in July, and carrying out a final review in September. An extraordinary meeting of the Committee was required in October 2016 to sign off the accounts for the year ended 31<sup>st</sup> March 2016, due to delays in submission of a report from the external auditors.
- 2.6.3 In response to this, a learning point was raised about the importance of timetabling and scheduling of external audit work. A report was brought to the January 2017 meeting of the Audit & Accounts Committee, summarising the learning points from the production of the 2015-16 Statement of Accounts and changes to systems and processes to ensure that the 2016-17 Statement of Accounts would be ready for sign-off at the end of August 2017, to allow sufficient time for members to review the final accounts prior to the September Committee meeting. Actions included introducing monthly liaison meetings between CCC and BDO to monitor progress, introduction of an agreed escalation protocol, provision of a more detailed records required listing and a live action log.

- 2.6.4 The Audit & Accounts Regulations 2015 have enacted changes to the statutory deadlines for the production and publication of the Statement of Accounts. From the production of 2017/18 accounts onwards, draft accounts will need to be published by 31<sup>st</sup> May (previously 30<sup>th</sup> June) and final audited accounts by 31<sup>st</sup> July (previously 30<sup>th</sup> September). The Council has been working to accommodate these changes into working practices.
- 2.6.5 The Committee also reviewed the 2015-16 LGSS Statement of Accounts and the Annual Audit Letter produced by External Audit which highlights key findings from their work.

## **2.7 Appointment of the External Auditor**

- 2.7.1 The current arrangements for external audit of the Council come to an end upon the conclusion of the audit of the 2017-18 financial statements. At their November 2016 meeting, the Audit & Accounts Committee discussed the option of opting-in to the sector-led procurement exercise being undertaken by Public Sector Audit Appointments Limited (PSAA), the body which has replaced the Audit Commission. The decision to opt in was taken at the meeting of Full Council on 14<sup>th</sup> February 2017 as required by the Local Audit (Appointing Person) Regulations 2015.
- 2.7.2 Assurance has been obtained from PSAA that all LGSS authorities could be assigned the same external auditor through the PSAA led process, subject to due considerations of auditor independence.

## **2.8 Committee Training**

- 2.8.1 A training seminar was held for the Audit & Accounts Committee on the 27<sup>th</sup> June 2017, as part of the Member Induction Programme. This included sessions on the role of the Committee; Internal Audit; Risk Management; the Statement of Accounts; and Management Accounts.
- 2.8.2 The Committee's further training needs will be considered at the September 2017 meeting.

## **3. The Committee's relationship with Internal Audit**

- 3.1.1 A key part of the Committee's role is to both challenge and support the Internal Audit service. The Committee has supported a flexible approach from the Internal Audit team which ensures that planned coverage is continually



assessed to direct audit resource towards areas of emerging risk, rather than a static plan agreed some months before. The Committee has taken a proactive role in this new approach, both by suggesting pieces of work for Internal Audit, contributing ideas towards the detailed brief, and requesting updates from Internal Audit and Council services on implementation of actions.

- 3.1.2 The Committee has also taken an active role in fraud awareness and whistleblowing. At its March 2017 meeting, the Committee approved drafts of a new Anti-Fraud and Corruption Policy, Anti-Money Laundering Policy and Whistleblowing Policy, and these drafts have progressed onward to the relevant Committees for final approval.

## **4. Terms of Reference for the Committee**

- 4.1 Following a decision by the Audit & Accounts Committee to retire the Assurance Framework, the terms of reference of the Committee were reviewed and brought into line with best practice guidance. The revised terms of reference were approved by the May meeting of the Audit & Accounts Committee and then by the June meeting of the Constitution and Ethics Committee.

## **5. Future Focus for the Committee**

As set out above, the Committee will continue to follow up on progress in key focus areas from previous years, including Safer Recruitment, the Transformation Fund, and Workforce Strategy.

More broadly, the 2017/18 Business Plan highlights that over the next 5 years the Council will continue to face ongoing challenges of reduced budgets coupled with significant growth, affecting both demand for services and the level of resources the Council has available to fund their provision.

Delivering statutory services within this context will continue to be incredibly challenging – and the Committee will seek to ensure that those services continue to be delivered with integrity and in a way that is accountable, transparent, effective, efficient and inclusive.

This Committee carries out its responsibilities by directing and monitoring the efforts of Internal Audit. In future, given the financial situation, there will be ever-increasing emphasis on enabling the Council to provide a higher level of service

to our customers within a defined budget. In line with the approach being taken by Council services more generally, the Committee's role is increasingly shifting towards a focus on outcomes.