

# **AUDIT AND ACCOUNTS COMMITTEE ANNUAL REPORT 2018 - 19**

**To:** Audit and Accounts Committee / Full Council

**Date:** 24<sup>th</sup> September 2019 / 15<sup>th</sup> October 2019

**From:** LGSS Head of Internal Audit / Cllr Mike Shellens, Chairman of the Audit & Accounts Committee

**Purpose:** To present the Audit & Accounts Committee Annual Report 2018/19. The Audit and Accounts Committee issues an annual report to Council, detailing their activities during the year.

**Recommendation:**

- a) The Committee is asked to review and comment / make any suggestions to the attached draft Report.
- b) To refer (with any changes from discussions at this meeting) the Annual Report to the Council meeting on 15<sup>th</sup> October.

<b><i>Officer contact:</i></b>	<b><i>Member contact:</i></b>
<b>Name:</b> Duncan Wilkinson <b>Post:</b> LGSS Head of Internal Audit <b>Email:</b> Duncan.Wilkinson@Milton-Keynes.gov.uk <b>Tel:</b> 01908 252089	<b>Name:</b> Councillor Mike Shellens <b>Portfolio:</b> Chairman of Audit & Accounts Committee <b>Email:</b> Shellens@waitrose.com <b>Tel:</b> 01223 699170

<b>Source Documents</b>	<b>Location</b>
<b>Report and Minutes of the Committee</b>	Democratic Services Internal Audit Room 117 Shire Hall, Cambridge CB3 0AP Link: <a href="https://cambridgeshire.cmis.uk.com/ccclive/Committees/tabid/62/ctl/ViewCMIS_CommitteeDetails/mid/381/id/9/Default.aspx">https://cambridgeshire.cmis.uk.com/ccclive/Committees/tabid/62/ctl/ViewCMIS_CommitteeDetails/mid/381/id/9/Default.aspx</a>

# **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 nine times in 2017/18. 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 2017/18, Internal Audit carried out 58 audit reviews including reviews of policies and compliance, risk-based reviews and contracts reviews. Internal Audit also managed a caseload of 59 investigations and 14 grant certifications, as well as providing advice and guidance on a wide range of topics including the interpretation of Council policies and procedures, risks and controls within systems or processes, and ad-hoc guidance on queries relating to projects or transformation.

- 1.6 Throughout the course of the year, 44 audit actions which were considered to be 'important' or 'essential' were implemented by management. No 'essential' actions were outstanding at the end of the year, although 12 'important' actions remained had yet to be closed; this was a significant decrease on 2017/18 when 23 actions were outstanding at year end.

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

- 2.1.1 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.
- 2.1.2 In 2017/18, the Internal Audit team co-ordinated an external Risk Management Health Check review by the Council's insurers, Zurich. In 2018/19, the team worked with Risk Champions across the organisation to complete the actions from this review, and also delivered risk workshops for Place and Economy to produce a new Directorate Risk Register.
- 2.1.3 Internal Audit undertook a review of Risk Management during 2019/20 and gave good assurance on the adequacy of the risk management system, as the Council has clear risk management policies and procedures and risk is managed appropriately across the majority of the Council. The audit also gave good assurance on compliance with those policies and procedures, particularly at a corporate risk level. Some further actions for completion were identified and these will continue to be implemented in 2019/20.

### **2.2 Corporate Governance**

- 2.2.1 The Council's Annual Governance statement is compiled on the basis of the findings of Internal Audit reviews throughout the year, assurance statements from executive and corporate directors, and input from senior management and

members of the Committee. The 2018/19 Annual Governance Statement was reviewed by the Committee in May 2019, prior to final sign-off and inclusion in the Council's annual Statement of Accounts.

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

- 2.3.1 Throughout 2018/19, 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.
- 2.3.2 The Committee also considered and approved the Council's annual Statement of Accounts. The draft Statement of Accounts was presented to Committee on 12<sup>th</sup> June 2018, ahead of the final review and approval at the Committee meeting on 30<sup>th</sup> July 2018. This reflects the new, earlier statutory deadlines for the Council's annual accounts, which require publication by 31<sup>st</sup> May and sign-off by 31<sup>st</sup> July.
- 2.3.3 The statutory deadlines were met for the 2017/18 accounts, although the Accounts Report and Audit Completion report had not been published and circulated within five working days of the 30<sup>th</sup> July meeting, in order to ensure the papers were as up-to-date as possible. The Chairman therefore exercised his discretion to take the reports pursuant to Section 100B(4)(b) of the Local Government Act 1972.
- 2.3.4 In respect of the accounts, BDO (the Council's former External Auditors) had received objections from a local elector in respect of the 2017/18 and 2016/17 public rights periods. As of the meeting of the Audit & Accounts Committee on 28<sup>th</sup> July 2019, no resolution to these objections had been received from BDO by the Committee.
- 2.3.5 In respect of the 2018/19 accounts, the Committee notes that there was a delay in production of the accounts which resulted in draft accounts being submitted to External Audit on the 11<sup>th</sup> June 2019. This delay was due to resourcing pressures created from the need to transfer fixed asset values and other opening balances from Oracle Projects to the new ERP Gold system, which impacted the resources available to produce the accounts as well as meet initial external audit requirements. This situation is a 'one-off' relating to the introduction of the new ERP Gold system, and is not expected to be repeated in future years.

## **2.4 Community Transport Investigation**

- 2.4.1 Throughout 2017/18, the Committee monitored the progress of the external investigation into concerns raised regarding several of the Council's Community Transport providers. The final report of the investigation was provided to a special public meeting of the Audit & Accounts Committee meeting on the 31<sup>st</sup> July 2018, which was held in the Council Chamber to accommodate the number of interested parties.
- 2.4.2 Subsequently, the Committee has taken an active role in monitoring progress with the implementation of recommended actions from the investigation report and associated work by Internal Audit. This included a further special meeting of the Committee on the 31<sup>st</sup> October 2018, which provided another opportunity for public questions and for the Committee to discuss specific matters arising from the review.
- 2.4.3 Regular progress updates have been provided by Internal Audit, who have undertaken follow-up work throughout the year to evidence completion of planned actions. Of the 66 actions in the final full Action Plan, 59 (89%) were completed by the end of the 2018/19 financial year. The Committee has continued to monitor the implementation of the remaining actions into 2019/20.

## **2.5 Whistleblowing Policy**

- 2.5.1 In November 2018, Internal Audit presented a revised draft of the Council's Whistleblowing Policy and an updated version of the Whistleblowing Managers' Guidance document. The changes included a new process to allow whistleblowers to raise any complaints regarding the investigation into their concerns, and updating the guidance to managers to give more detail on how to conduct investigations under the policy, in line with ACAS (Advice, Conciliation and Arbitration Service) guidance.
- 2.5.2 After minor amendments, the policy was approved by the Audit & Accounts Committee, which in January 2018 took on responsibility for the Whistleblowing Policy from the Constitution and Ethics Committee, which had previously had this delegated responsibility. Following approval, Internal Audit conducted a range of pro-active work to publicise the policy internally and externally, including a poster campaign throughout Council offices, a separate poster campaign for maintained schools, and posts on the Council's Daily Blog and Friday Focus newsletter.
- 2.5.2 The annual report on whistleblowing for 2018/19 was brought to the Committee by Internal Audit in May 2019. This included the results of a staff survey which

identified that 93% of staff were aware of the policy. It noted that 19 whistleblowing cases had been recorded by Internal Audit in the 2018/19 financial year, an increase on the 2017/18 results which was believed to be a result of the significant work to publicise the policy to staff.

### **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 reassessed 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 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 In 2018/19 in particular, the Committee has supported requests from Members for Internal Audit to review the Ely Bypass project and the tenancy of Manor Farm, as well as approving regular updates to the Audit Plan at Committee meetings as required.

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

- 4.1 Having been fully reviewed and revised in 2016/17, the Terms of Reference for the Audit & Accounts Committee were reviewed by the Committee in May 2018, and retained with no changes.

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

- 5.1.1 As set out above, the Committee will continue to follow up on progress in key focus areas from previous years, including reviewing the Council's financial reporting and monitoring the implementation of the Council's whistleblowing policy.
- 5.1.2 More broadly, the Council faces significant challenges and changes to the environment within which it operates. In March 2017, the Cambridgeshire and Peterborough Combined Authority was formed, and recent years have brought

increasingly close partnership working with colleagues at Peterborough City Council. The Council continues to seek to deliver savings and investment through its Transformation Programme, to meet the ongoing challenge of reduced budgets coupled with significant growth.

- 5.1.3 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. Close partnership working with other local authorities will also require a reassessment of how assurance can be obtained on behalf of the audit committees at each authority.