

REPORT TO COUNCIL

REPORT OF: CHAIRMAN OF GOVERNANCE AND AUDIT COMMITTEE

REPORT NO: GAC004

DATE: 3 May 2012

TITLE:	GOVERNANCE & AUDIT COMMITTEE – ANNUAL REPORT TO COUNCIL FOR YEAR ENDED 31ST MARCH 2012	
KEY DECISION OR POLICY FRAMEWORK PROPOSAL:	N/A	
PORTFOLIO HOLDER: NAME AND DESIGNATION:	Corporate Governance and Housing Portfolio Resources and Assets Portfolio	
CONTACT OFFICER:	Richard Wyles – Head of Finance r.wyles@southkesteven.gov.uk 01476 406210	
INITIAL IMPACT ASSESSMENT:	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required: N/A
Equality and Diversity:	N/A	
FREEDOM OF INFORMATION ACT:	This report is publicly available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	
BACKGROUND PAPERS	Governance & Audit Committee Agendas and Minutes 2011/12 - available via the Your Council and Democracy link on the Council's website: www.southkesteven.gov.uk	

1. RECOMMENDATIONS

1.1 Council is asked to:

- Note the Annual Report of the Governance and Audit Committee for 2011/12
- Note the indicative work plan and timetable for 2012/13 that reflect the terms of reference of the Committee

2. PURPOSE OF THE REPORT

2.1 The purpose of this report is to advise Council of the key outcomes arising from the work of the Governance and Audit Committee for 2011/12 and to note how the work of the Committee will be developed during 2012/13.

- 2.2 The Committee's work is key to delivering good governance throughout the authority because it provides independent assurance and challenge on the effectiveness of the Council's overall arrangements for corporate governance and internal control, including risk management. It is good practice to publicise the work of the Committee in order to ensure a greater understanding of governance and audit issues. It is also important for the Committee to demonstrate the impact of its work to Members, partners, stakeholders and the wider community.

3. DETAILS OF THE REPORT

External Audit & Inspection

- 3.1 Following the announcement by Government in August 2010, regarding the Audit Commission being abolished during 2012/13, the committee has been kept informed of developments regarding the future arrangements. At each Committee meeting the Audit Commission has provided briefing updates on the progress of the changes to the Commission. The Committee also reviewed and informed the Council's response to the Future of Public Audit Consultation.

2011/12 – Key Outcomes

- 3.2 The following is a summary of the key outcomes arising from the work of the Committee that have helped improve and strengthen the Council's overarching control environment and governance arrangements.
- 3.3 The Committee met five times during 2011/12. The work programme takes account of the nature of the items included and the frequency with which Members require to be kept informed. Some of the items are a statutory requirement (Statement of Accounts, Annual Governance Statement, Annual Audit Letter) whereas others are included because they meet professional guidance and recommended best practice (reports covering internal audit and risk management). In addition, some items are ad-hoc and cover such matters as the accounting policies and corporate protocols, including partnerships and health and safety.

Governance:

- Review and approval of the Annual Governance Statement for 2010/11 on behalf of Council.

Internal Audit:

- Consideration and review of internal audit plan, progress reports and Annual Report and Audit Opinion.
- The Committee reviewed the status of all outstanding internal audit recommendations to ensure that they were implemented within the agreed time-frame.

External Audit & Inspection:

- Consideration and review of external audit (Audit Commission) annual fee letter, progress reports and Audit opinion.
- Consideration of the Audit Commission's Annual Report on the Certification of Claims and Returns. This includes the outcome of the audit

of the Housing and Council Tax Benefit Grant claim and the Housing Subsidy claim.

Financial Reporting:

- Consideration of provisional and final General Fund and Housing Revenue Account (HRA) Revenue and Capital Outturn 2010/11.
- Approval of draft (pre-audit) and revised (post audit) Statement of Accounts for 2010/11 and the Audit Commission's Annual Governance Report detailing adjustments to the Financial Statements and the Value for Money Conclusion.
- During the year, the Committee received reports on the pension fund assumptions and accounting policies to be used in the closedown of the 2011/12 account as well as approving the Council's approach to componentisation.

Treasury Management:

- The Governance and Audit Committee is responsible for monitoring treasury management performance. Specifically, this covered the review of the Treasury Management Annual report for 2010/11 and the formation of the 2011/12 strategy. In addition, the Committee received a mid-year report on assurance relating to treasury management activity. As part of the new committee membership, training was undertaken led by the Council's Head of Finance on Treasury Management during the course of the year.
- The Committee was also involved in the review of the 2011/12 Treasury Management Strategy as part of the Council's requirement to ensure it was compliant with the requirements to support the HRA self-financing arrangements.

Risk Management:

- Regular review of Council's Corporate Risk Register and associated Risk Management Improvement Plan.
- The Committee also approved the Risk Management Annual Report that summarised the work of the Risk Management Group and detailed what training had been undertaken.
- Approval of the updated Risk Management Strategy for 2011/12.

Internal Control Policies and Procedures:

- In September 2011, the Committee received a revised and updated version of both the Financial Regulations and Contractual Procurement and Procedure Rules for recommendation on to Council.
- The Committee also approved an update to the Council's whistle-blowing policy contained within the Counter Fraud, Corruption and Bribery Framework.

Other Reports & Feedback:

- Review of Local Government Ombudsman's Annual Letter.
- Review of the Health and Safety Annual Report
- Review of Partnerships Annual Report
- Review of Business Continuity Annual Report

2012/13 - Annual Work Plan and Timetable

- 3.4 In line with best practice, an indicative annual work plan and timetable has been developed and this is attached as Appendix A. The existence of an annual work plan and timetable will assist Members in planning the work of the Committee and ensure that they are better informed and therefore engaged in the wide spectrum of audit, governance and financial issues. It will also ensure that the focus of the Committee's work is correctly balanced in terms of the degree of emphasis and the timing and frequency of reviews.
- 3.5 Looking forward, it is important to ensure that all Members are appraised of the work of the Committee and are actively engaged in helping to improve and strengthen the Council's governance arrangements in all areas of their work for the local community. It is also important to recognise that the Council's developing governance agenda is not the sole responsibility of the Governance and Audit Committee.
- 3.6 To assist in heightening awareness and promoting engagement, every effort will be made to ensure that reports continue to be written in a format that is understandable to all Members of the Council.

4. OTHER OPTIONS CONSIDERED

- 4.1 None

5. RESOURCE IMPLICATIONS

- 5.1 None.

6. RISK AND MITIGATION

- 6.1 Risk has been considered as part of this report and no high levels risks have been identified.

7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT

- 7.1 None

8. CRIME AND DISORDER IMPLICATIONS

- 8.1 None

9. COMMENTS OF FINANCIAL SERVICES

- 9.1 The Committee's work is key to delivering good governance throughout the authority. This is an opportunity for all Members to consider the work of the Committee and the forward work plan and timetable and make any suggestions or amendments as appropriate. There are no specific financial comments.

10. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES

- 10.1 Each year, it is important that all Members are informed of the work of the Committee and given the opportunity to comment on the work plan and timetable for the ensuing year.

11. COMMENTS OF OTHER RELEVANT SERVICES

- 11.1 None

12. APPENDIX

- 12.1 2012/13 - Indicative Work Plan and Timetable (Appendix 1 attached)

GOVERNANCE & AUDIT COMMITTEE – INDICATIVE ANNUAL WORK PLAN

	Mar	Jun	Sep	Dec	Comments/ Frequency
Governance:					
Annual Governance Statement (AGS)		√			Annually
Review Code of Corporate Governance		√			Review biennially
Review effectiveness of key partnership governance arrangements		√			Annually – June so results feed into AGS
Internal Audit (RSM Tenon):					
Appointment of Internal Auditors	■	■	■	■	As required by contract
Strategic/Annual Audit Plan	√				
Progress Report	√	√	√	√	Quarterly
Tracking Recommendations	√	√	√	√	Quarterly
Annual Report		√			
Private meeting with internal audit				√	
Review effectiveness of internal audit and external audit relationship	√				By reference to Joint Working Protocol
External Audit (Audit Commission):					
Annual Audit & Inspection Plan/Fee Letter	√	√			
Progress Report	■	■	■	■	As required
Annual Audit Letter				√	
Annual Governance Report			√		
Private meeting with external audit				√	
Claims & Returns – Annual Report	√				
Annual Audit Opinion	√				
Internal Control Policies:					
Counter Fraud & Corruption Framework	√				Review biennially
Review Other Policies as required	■	■	■	■	e.g. Contract Procedure Rules, Codes of Conduct,
Internal Control Framework:					
Revised Strategy		√			Review biennially
Annual Report		√			
Risk Register Update		√		√	Review Bi-annually
Finance Reports:					
Draft/Final Financial Outturn		√			
Statement of Accounts		√	√		
Update on Reserves				√	
Treasury Management Strategy	■	■	■	■	Review as required
Treasury Management Annual Report		√			
Treasury Management mid-year review				√	
Review of Financial Regulations	■	■	■	■	Review as required
Accounting Policies	√				
Pension Assumptions	√				
G&A Committee					
Review of Effectiveness & TOR				√	Review biennially
Other Reports					
Review Business Continuity Annual Report			√		
Review Health & Safety Annual Report		√			
Review Safeguarding Annual Report					
Ombudsman Annual Report			√		
Review of various protocols – Partnerships, Sponsorship	■	■	■	■	Review as required

■ These items may occur at any time during the course of the municipal year