

# REPORT TO COUNCIL

**REPORT OF: Chairman of Governance & Audit Committee**

**REPORT NO: GAC002**

**DATE: 22<sup>nd</sup> April 2010**

<b>TITLE:</b>	<b>Governance &amp; Audit Committee – Chairman’s Annual Report to Council For Year Ended 31<sup>st</sup> March 2010</b>	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	N/A	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Cllr Mike Taylor Assets and Resources Portfolio Holder	
<b>CONTACT OFFICER:</b>	Councillor Reg Lovelock MBE. (Chairman)	
<b>INITIAL IMPACT ASSESSMENT:</b>	Carried out and Referred to in paragraph (7) below:	Full impact assessment Required: N/A
<b>Equality and Diversity</b>		
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Local Democracy link on the Council’s website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	Governance & Audit Committee Agendas and Minutes 2009/10 available via the Local Democracy link on the Council’s website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	

## **1. RECOMMENDATIONS**

1.1 Council is asked to:

- Approve the Annual Report of the Chairman of Governance & Audit Committee for 2009/10
- Note the indicative work plan and timetable for 2010/11

## **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 & Audit Committee for 2009/10 and to note how the work of the Committee will be developed during 2010/11.
- 2.2 The Committee’s work is key to delivering good governance throughout the authority. It is good practice to publicise the work of the Committee in order to ensure a greater understanding of governance and audit issues with partners, stakeholders and the wider community.

### **3. DETAILS OF THE REPORT**

- 3.1 In accordance with Article 12 of the Constitution and in line with good practice, the Council established a Governance and Audit Committee in May 2007. This Committee is entirely separate from the “executive” and “scrutiny” functions of the Council.
- 3.2 The approved Terms of Reference are set out in the Constitution – Part 2, Article 12, page 54. More recently, Council has approved the widening of the terms of reference to include the regular review of the Council’s Treasury Management function and any revisions to Financial Regulations (guidance notes).

#### **2009/10**

- 3.3 The Committee met six times during 2009/10. 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 corporate protocols, including partnerships and sponsorship.
- 3.4 The following is a snapshot of the key outcomes arising from the work of the Committee that have helped to improve and strengthen the Council’s overarching control environment and governance arrangements:

#### **Governance:**

- Approval of the Annual Governance Statement on behalf of Council and consideration of the Action Plan (reviewed six-monthly)
- Quarterly Review of Assurance Statements completed by Service Managers/Corporate Heads in relation to the effectiveness of the systems and controls in operation on a day to day basis

#### **Internal Audit:**

- Consideration and review of internal audit plan, progress reports and Annual Report & Audit Opinion. New internal auditors, RSMTenon were appointed from April 2009.
- In relation to an internal audit report on HRA – Financial Management, the Committee received regular updates from the internal auditor on progress with implementing the recommendations and were satisfied that appropriate action had been taken by management.
- 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) plan, progress reports and Annual Audit Letter.
- In March 2010, the Committee reviewed the report from the Audit Commission relating to the first Organisational Assessment of the Council in accordance with the arrangements for Comprehensive Area

Assessment (CAA). This report was made available to all members when it was published in December 2009

- Review of the Audit Commission's report on the Use of Resources 2008/09 prior to consideration by Cabinet

#### **Financial Reporting:**

- Consideration of provisional and final General Fund and HRA Revenue and Capital Outturn 2008/09.
- Approval of Draft (pre-audit) and revised (post audit) Statement of Accounts for 2008/09 and the Audit Commission's Annual Governance Report detailing adjustments to the Financial Statements
- During the year, the Committee received three updates on progress in relation to the adoption of International Financial Reporting Standards (IFRS)
- At its meeting in March 2010, the Committee considered the underlying assumptions to be used in the calculation of future pension contributions and liabilities (FRS17) for the 2009/10 statement of accounts

#### **Treasury Management:**

- Following consideration by the Constitution Committee, the Governance & Audit Committee was given responsibility for monitoring treasury management performance. As a result, greater challenge and review was made on the Council's arrangements for dealing with treasury management – a key financial system. Specifically, this covered the review of the Treasury Management Outturn report for 2008/09 and the 2009/10 Strategy. In addition, the Committee received quarterly reports on assurance relating to treasury management activity (previously six-monthly). This additional responsibility was accompanied by training provided to all members of the Committee (September 2009).

#### **Risk Management:**

- Regular review of Council's Corporate Risk Register and Action Plan. The Committee also approved the revised and updated Risk Management Strategy and Risk Management Annual Report that summarised the work of the Risk Management Group and detailed what training had been undertaken.

#### **Internal Control Policies and Procedures:**

- During the year, the Committee approved a revised Anti-Money Laundering Policy

#### **Other Reports & Feedback, Including Training:**

- Review of Local Government Ombudsman's Annual Letter
- In February 2010, Members of the Committee received training on risk management provided by the Greater Lincolnshire Risk Management Group. In January 2010, the Chairman attended a course entitled "The Advanced Audit Committee" and provided the Committee with feedback at its meeting in March 2010

#### **Conclusion:**

- 3.5 It is pleasing to report that the Committee has continued to bring independent assurance and challenge to an increasingly diverse range of governance issues, including: financial reporting; internal and external audit; risk management; and treasury management, etc. The Committee is also effective in providing an additional source of assurance to the Council's Corporate Head, Finance and Customer Services (s151 Officer) that systems of internal control

are working effectively and that internal audit is operating in accordance with the CIPFA Code of Internal Audit Practice.

## **2010/11**

3.6 In line with best practice an indicative annual work plan and timetable for 2010/11 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 accounts 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 of review, etc.

3.7 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 & Audit Committee.

## **4. OTHER OPTIONS CONSIDERED**

4.1 None

## **5. RESOURCE IMPLICATIONS**

5.1 This report has no direct impact on the Council's resources, including, finance/budget, people, land/property, etc.

## **6. RISK AND MITIGATION (INCLUDING HEALTH AND SAFETY AND DATA QUALITY)**

6.1 None

## **7. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT**

7.1 None

## **8. CRIME AND DISORDER IMPLICATIONS**

8.1 None

## **9. COMMENTS OF SECTION 151 OFFICER**

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. I have no specific financial comments to make.

## **10. COMMENTS OF MONITORING OFFICER**

10.1 Each year, it is important that all Members are appraised 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 SERVICE MANAGER**

11.1 None

**12. APPENDICES:**

12.1 2010/11 - Indicative Work Plan (Appendix 1)

## GOVERNANCE &amp; AUDIT COMMITTEE INDICATIVE WORK PLAN – 2010/11

	18th March 2010	27th May 2010	24th June 2010	23rd Sept. 2010	2nd Dec. 2010	17 <sup>th</sup> March 2011
<b>Governance:</b>						
Annual Governance Statement (AGS) – Draft & Final		√	√			
AGS – Action Plan					√	
Review Code of Corporate Governance		√				
Assurance Statements	√	√		√	√	√
<b>Internal Audit:</b>						
Strategic/Annual Audit Plan	√					√
Progress Report, including Tracking Audit Recommendations	√		√	√	√	√
Annual Report & Audit Opinion			√			
<b>External Audit (Audit Commission):</b>						
Annual Audit & Inspection Plan			√			
Progress Report				√		
Annual Audit Letter	√					√
CAA Organisational Assessment	√					√
Use of Resources - Feedback					√	
Annual Governance Report				√		
<b>Internal Control/Financial Policies:</b>						
AFCS, Whistle-blowing Policy, Money Laundering & Fin. Regs.				√		
<b>Risk Management:</b>						
Revised Strategy & Annual Report		√				
Corporate Risk Register/Action Plan Update					√	
<b>Finance Reports:</b>						
Provisional Financial Outturn		√				
Draft/Audited Statement of Accounts			√	√		
Update on Reserves					√	
Treasury Management – Strategy, Updates + Annual Report	√		√	√	√	√
FRS17 (Pensions) Assumptions	√	√				√
International Financial Reporting Standards (IFRS) - Updates	√	√		√	√	√
<b>G &amp; A Committee:</b>						
Annual Review of Effectiveness, including revised TOR					√	
Annual Report to Council	April 2010					
<b>Other Reports:</b>						
Ombudsman Reports	■	■	■	■	■	■
Review of Various Protocols – Partnerships, Sponsorship, Decision Making, etc.	■	■	■	■	■	■

■ – these items may occur during the course of the municipal year

