

ANNUAL REPORT 2015/16 – CHAIR OF AUDIT COMMITTEE

COUNCILLOR MATT MANN

1 INTRODUCTION

I am pleased to present my Annual Report to Council on the work of the Audit Committee during 2015/16.

The Terms of Reference of the committee are set out in Part 3, Section 8 of the Council's Constitution. The scope of its activity is summed up in the statement of purpose:

"The audit committee's purpose is to oversee and, independently of the Executive and Overview and Scrutiny function, provide the council with assurance of the adequacy of its corporate governance arrangements, including the risk management framework and the associated control environment. The committee reviews the authority's exposure to and management of risk across all financial and non-financial activity, and oversees the financial reporting process."

2 OVERVIEW OF AUDIT COMMITTEE RESPONSIBILITIES

AUDIT AND ASSURANCE WORK

Internal Audit

At its June 2015 meeting, the Audit Committee approved *the Internal Audit Strategy and Risk Based Plan* for 2015/16. This set out the strategy for the delivery and development of the Internal Audit function and how it will contribute to the achievement of the Council's organisational objectives and priorities, over the three year period. The risk-based plan set out the elements of work to be delivered in providing assurance to support the annual opinion on the Council's internal control environment. It also set out the Internal Audit resources to be devoted to other areas of work of an advisory/support nature.

Throughout the year, the Audit Committee has monitored the work of Internal Audit against the approved Annual Audit Plan and has received Internal Audit reports providing a specific opinion on the level of assurance that can be given and action plans to improve arrangements where necessary. Audit Committee formally reviews the position where an audit report has resulted in an adverse assurance opinion, and monitors progress made to implement agreed corrective action until such time an acceptable level of assurance can be achieved.

Audit Committee has also reviewed the results of other areas of audit work including advice, support and investigative work. The committee has overseen monitoring reports from the Internal Audit Manager to ensure that acceptable levels of assurance are provided as to the effectiveness of the Council's internal control and governance arrangements. The end product of this is the Internal Audit Manager's Annual Report and Assurance Statement which will be submitted to the June 2016 meeting of the Committee.

Combatting Fraud

In January 2016 the Committee received a presentation from the Council's Corporate Fraud Manager. This gave Members an insight into the developing work, objectives and plans for the new corporate fraud arrangements implemented in June 2015 under a collaboration with Preston City Council and Fylde Borough Council. This promises to be a dynamic and interesting area for the committee to monitor over the coming years and an important one for the Council as a whole in protecting its financial interests and wellbeing.

Assurance and Risk Management

An in-depth review is being carried out into the Council's approach to managing risk and gathering assurance on the effectiveness of its governance and business arrangements. This review is being led by the Internal Audit and Assurance Manager with, revised arrangements due to be agreed and implemented during 2016/17

External Audit

The Committee receives all scheduled reports produced by the Council's external auditor, currently KPMG. During the year, these included the following items:

- Certification of grant claims and returns 2013/14
- External Audit Plan 2014/15
- External Audit Fee Letter 2015/16
- Report to those charged with governance (ISA 260) 2014/15

In January 2016, the Audit Committee reviewed the external auditor's main report for the year, the Annual Audit Letter for the 2014/15 audit

The report summarised the findings from the 2014/15 audit and once again highlighted some very positive messages for the Council including:

- An unqualified value for money conclusion was reached. This means that the auditor, having considered the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources and improving efficiency and productivity, was satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness. A risk assessment undertaken as part of the auditor's VFM audit work did not identify any specific risks which would impact on the VFM conclusion for 2014/15.
- An unqualified opinion on the Authority's financial statements on 21 September 2015. This means that the auditor believed the financial statements to give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.
- The auditor made and agreed with managers one medium priority recommendation regarding arrangements to ensure the completeness of the Authority's revaluation schedule. No other recommendations were made as a result of the audit.
- The Council's Annual Governance Statement was consistent with the auditor's understanding of the authority.

CORPORATE GOVERNANCE

Local Code of Corporate Governance and Annual Governance Statement

In 2007/08 the Audit Committee approved a *Local Code of Corporate Governance* complying with legislative requirements. The legislation also requires the Council to publish an annual *Governance Statement* alongside the financial statements. The committee approved the 2014/15 annual statement in September 2015.

The Statement reflects the importance and contribution of recognised systems of internal control including effective policy and decision making arrangements; strong corporate values and standards of conduct, and arrangements covering corporate governance, risk and financial management and the economic, efficient and effective use of resources.

Maintaining and reviewing the effectiveness of these systems of internal control and governance is a continuous process which is informed throughout the year by:-

- The work of internal audit and senior managers of the Council, who have responsibility for maintaining effective systems of internal control;
- Comments made by the Council's external auditors and other review agencies and inspectorates, and;
- The role of the Audit and Overview and Scrutiny Committees and that of the Budget and Performance Panel.

In September 2015, the Audit Committee considered the overall arrangements for the review and evaluation of evidence in support of the 2014/15 Statement, concluding that the Council has internal control and corporate governance arrangements in place that accord with proper practice and are working effectively.

3 CONSTITUTIONAL MATTERS

In June 2015 the Committee considered and proposed to full Council a number of minor alterations to the Audit Committee's terms of reference reflecting recent legislative changes. These alterations were duly ratified by full Council.

The Committee did not consider any other constitutional matters during the year.

4 OTHER MATTERS

In September 2015, the committee considered the Local Government Ombudsman's Annual Review Letter and Report for 2014/15. The Ombudsman had received a total of 22 complaints and enquiries regarding the Authority. Two of the cases had been investigated in detail, with one of them, relating to housing conditions and Disabled Facilities Grant works, being upheld by the Ombudsman.

5 CONCLUSION

The organisation and operation of the Audit Committee is considered as part of the external auditor's annual value for money opinion. I am certain that the work of the Audit Committee, other elected members and council officers in providing effective systems of corporate governance and internal control have continued to make an important contribution to the standing and achievements of the council. I would like to thank them all again for their continued support and hard work.