

Committee(s): Ordinary Council	Date: 8 October 2019
Subject: Chairs report for Audit and Scrutiny Committee	Wards Affected: All
Committee Chair: Cllr Charles Nolan	
Report of: Jacqueline Van Mellaerts – Director of Corporate Resources	Public
Report Author: Jacqueline Van Mellaerts – Director of Corporate Resources Telephone: 01277 312500 E-mail: jacqueline.vanmellaerts@brentwood.gov.uk	For Note

Since the start of the municipal year there have been two Audit and Scrutiny Committees at the time of this update

Terms of Reference

At Annual Council on 15th May 2019, the terms of reference for each committee for the municipal year 2019/2020 were approved.

Cllr Hirst questioned on page 25 of the report the relevance of the Work Programme being reported to Policy, Resources and Economic Development Committee and whether this continued to be appropriate given the change in the Committee structure and that this Committee was now solely Audit and Scrutiny; and the likelihood of topics under scrutiny being the work of those other committees.

A report was taken to Full Council to amend the terms of reference of Audit and Scrutiny to remove.

Statement of Accounts 2018/19

A verbal update was given on the 18th June 2019, to explain that the Draft Statement of Accounts 2018/19 have been signed by the Interim Chief Finance Officer on 31st May 2019 by the statutory deadline. They were published on our website and was subject to the relevant inspection period. The accounts were subject to External Audit by EY LLP, who must issue their opinion by the deadline 31st July. The annual Governance Statement had also been prepared by officers and reviewed by the Leader and Chair. This statement was also subject to External Audit Review.

At the next Committee on the 29th July 2019, a report presented the Council's Draft Statement of Accounts 2018/19 and Annual Governance Statement. No written notice of objections had been received.

The report explained on 25th June, the formerly Interim Chief Finance Officer, received a phone call from our External Auditors, EY LLP, explaining that their planned Audit which was to commence the week beginning 1st July would be delayed and would need to be rescheduled after 31st July. A meeting was arranged with the Chair of Audit and Scrutiny and the External Auditors to explain the situation and a letter was received dated 3rd July to notify the Council in writing.

External Auditors have expressed their disappointment with this position and recognise the impact this has on the Council's resources, reputation and that this position is through no fault of the Council and its finance team. A reschedule of the Audit has been proposed as soon as possible after 31st July, but no dates have yet been received or confirmed at the time the report was published.

The authority published on our website, before the 31st July, the unaudited Statement of Accounts, the Annual Governance Statement and the Narrative Statement, without a certificate or opinion from the local auditor, and accompanied the documents with a Notice explaining the reasons for the delay of the audit. This has satisfied statutory guidelines.

Mr Neil Harris from EY was present and reiterated what was said in the report stating that the reason for the delayed audit was no fault of the Council and its finance team, but due to EY's resource restraints and to safeguard audit quality. Mr Harris gave assurance that the Council were not in breach of any statutory requirements.

Members raised concerns regarding value for money in relation to their partnership working with other authorities. Mr Harris saw no reason why Brentwood were not giving value of money and saw no significant risks in this area.

Officers are aware that there is a National issue with 40% of audit opinions that have missed the target date of 31st July. A further update of the Audit and proposed timetable will be reported at the next Committee.

Internal Audit Progress Report

Two reports have been presented by BDO our Internal Auditors since April 2019 and they were intended to inform the Audit and Scrutiny Committee of the progress made against the approved internal audit plan for 2018/19 and 2019/20, which was approved by the Committee in March 2018 and March 2019 respectively.

The following reports for 2018/19 had been finalised and a summary of the findings were included in the progress report:

- Business Continuity and Disaster Recovery (Moderate/Moderate)
- General Data Protection Regulations (Moderate/Substantial)
- Homelessness (Moderate/Moderate)
- Main Financial Systems (Moderate/Moderate)

The following report for 2018/19 was issued and a draft and was awaiting management comment. This has since been finalised and will be reported at the next meeting.

- Housing Department Audit
The following audit for 2018/19 remained in fieldwork and auditors were reviewing information before submitting their draft report. This has since been finalised and will be reported at the next meeting.

- Workforce Strategy and Organisational Structure.
Regarding 2019/20 Audit Plan, work was underway on two audits and planning was underway on three audits. The report also updated members on minor timing changes of the 2019/20 Plan.

A summary of outstanding recommendations from previous audits that were due by 29 May 2019 were presented to the Committee. Of the total 91 recommendations, 80 were due to be implemented and 57 (71%) had been completed.

Of the 67 recommendations raised in 2017/18. 44 had been implemented. There were 20 recommendations that are in progress and 3 recommendations that are categorised as overdue.

Management are working with Internal Audit to review all recommendations and an update will be provided at the next Committee on the progress.

Internal Audit Annual Report 2018/19

Mr Rubins was present at the meeting and summarised the Annual report. He reported that good progress had been made by the Council given the financial pressures it is currently facing. However, work is needed to improve implementation of recommendations on a timely basis and the auditors will be working with the Council on this to ensure improvement in this area.

Overall, BDO were able to provide moderate assurance that there is a sound system of internal control, designed to meet the Council's objectives and that controls are being applied consistently. In forming their view BDO have taken into account that:

- The Council has performed broadly in line with budget regarding financial performance. The Council has continued to demonstrate sound financial management with moderate assurance opinions provided on the design and operational effectiveness in the audits on corporate projects and key financial systems.
- In respect of the design of the controls, an opinion of moderate assurance was provided for seven out of the ten assurance audits where reports have been issued, substantial assurance was provided in three areas. These opinions are an improvement compared with 2017/18.
- In respect of operational effectiveness of the controls, opinion of moderate assurance was provided for five of the ten assurance audits where reports have been issued, substantial assurance was provided in four areas, and in limited assurance in one area. These opinions are an improvement compared with 2017/18.

- The Council has specifically requested audits into known areas of risk and new areas of concern i.e. the Housing Department and PCI/DSS compliance.
- Management has responded positively to reports issued and action plans have been developed to address the recommendations raised.
- BDO confirmed that 71% of recommendations due for implementation by the date of reporting had been completed. Management has provided assurance that a further 19 (24%) have been implemented, and they are awaiting evidence to verify this.

Risk Management Update

Members were updated on the status of the Council's Strategic Risk Register and High Operational Risks. Following on from a request at the Regulatory and Governance Committee on 6 March 2019, the Operational Risk Register for the Housing Department was also published.

Risk Management is a standard item on the Audit and Scrutiny Agenda and will be reviewed again at the next Committee.

Member Enquiry System

The report set out the continuing review work with regards to the new Members Enquiry system.

At the previous committee Members were advised that 6 members cross party were invited to give feedback on the new Member Enquiry System in order for officers to note the comments and explore any modifications that could be made.

At the Audit & Scrutiny Committee on the 13th March 2019, Min 375 refers, members considered a report detailing the progress made to date on matters raised by members. It was resolved that Officers would report back to the next meeting of this committee identifying any further feedback and updates from comments received, including actions to be taken. To date there were no further updates.

The Chair of the Policy, Resources and Economic Development Committee requested a report on the Members Enquiry System be made to the 10th July 2019 committee, with a resolution that a questionnaire be drafted and a report brought back to the Policy, Resources and Economic Development Committee.

Scrutiny Work Programme 2019/20

The Constitution requires that the Audit & Scrutiny Committee agrees its Scrutiny work programme at each meeting of the Committee. This report identified the current status of existing scrutiny working groups and sets out the process for gaining members' views on future scrutiny matters to be considered by the committee.

Set out below were the Working Groups that previously existed as part of the 2018/19 Scrutiny programme and their current status.

It was suggested that the following items continued to be reported to the committee as part of its Scrutiny Work Programme.

- Local Development Plan
- Performance Indicators and Formal Complaints
- Community Safety Partnership

At the start of the municipal year a request form is circulated to members if they wish to add anything to the work programme. Following discussions regarding the terms of reference of the Committee it was resolved that the request form be made available to all members immediately following this meeting with completed responses to be returned to the Chair of Audit and Scrutiny Committee, and officers, for consideration.

No requests have been received and nothing further has been added to the work programme.

Performance Indicators and Formal Complaints

A working group took place on the 19th September to discuss Quarter 1's data. A report will be presented at the next Audit and Scrutiny Committee on 9th October 2019.