

Committee:	Audit Committee
Meeting Date:	14 November 2013
Lead Councillor/s:	Councillor Michael Bond
Local Councillor/s:	All Councillors
Author:	Councillor Michael Bond

Annual Report of the Audit Committee

Brief summary of report

1. This report provides the Committee with the opportunity to comment prior to the annual report being presented to the County Council on 19 December 2013.

Action recommended

2. The Committee is invited to consider and agree
 - a. whether the report provides the County Council with a fair summary of the work of the Audit Committee; and
 - b. that the report be submitted to the County Council on 19 December 2013.

Reason for recommendation

3. The Audit Committee is expected to report annually to the County Council.

Alternative options

4. The Committee could decide to omit some items or include others in the report to the County Council.

Who will be affected by this decision?

5. All residents of Suffolk.

Main body of report

6. The Leader of the Council asked me to take on the work of chairman in May of this year after he had moved my predecessor, Cllr Smith, to a Cabinet post. That month also saw the Committee strengthened by four newly elected members from all sides of the chamber, who have lost no time in bringing to bear an enquiring, positive and careful approach to our work. The Committee met five times during the year, and in addition monthly audit liaison meetings with senior officers of internal audit have been held. I have listed the topics that have been covered in Committee meetings in the annex. Members interested in the detail can easily look it up through the Council's website.

External Audit

7. This year was the first in which the external audit was conducted by Ernst and Young. They adopted an altogether "drier" approach compared with the more "lush" style beloved of the Audit Commission. In September the Audit Committee approved the Statement of Accounts 2012 to 2013 for Suffolk County Council for which Ernst and Young intended to issue an unqualified opinion, and for those of the Pension Fund, which form a component part. The auditors concluded that the financial statements had been well prepared and that appropriate arrangements had been made to secure economy, efficiency, and effectiveness. Members will know of course that the Council's turnover was in excess of £ one billion, let us say £ 4¹/₂ million every weekday, through several different directorates, and I think that members might feel that this sound result reflects considerable professional credit upon the Head of Strategic Finance, Mr Geoff Dobson, and upon those dedicated people responsible for accurate accounting every working day of the year.

Committee Work

8. Most of the work done by the Committee is required by primary and secondary legislation, by "guidance" of various sorts, and by the Council itself, which we serve. There is not a great deal of scope for the Committee to embark upon themes of its own choosing, but nevertheless during the year we reviewed the Council's arrangements for procurement (we were satisfied with the procedures), and we also took a preliminary look at the Council's external debt (again, we were satisfied that debt was being managed prudently, but we wanted to monitor the position). In the future, I think it likely that the Committee will want to review the governance arrangements and value for money attaching to the increasing number of large scale service contracts.

Internal Audit

9. In earlier years we have stressed the lean shape of Internal Audit and the consequent low cost compared with other county councils (£310 per £m turnover compared with £540 per £m turnover in 2013 according to CIFPA - the Chartered Institute of Public Finance and Accountancy). Whilst laudable in itself, this very leanness also represents a potential weakness. We have an establishment of 9.4 full-time equivalent staff (fte). One fte is permanently engaged on internal audit for Suffolk Police for which we are paid, leaving 8.4. Of these, two are shortly to be unfilled owing to vacancy and maternity leave, leaving 6.4.
10. Any further increase in investigating irregularities or time spent on reviewing transitional arrangements while the Council reshapes its services could dilute planned audit work to such an extent that the Head of Service might be unable to furnish a proper opinion on the control environment at the year end. All-in-all, the Committee is increasingly concerned about the manning of the service, which has undergone six years of reduction, and recommends that vigorous action be now taken to stiffen the team with more good people.
11. Anyway, during 2012/13, Audit Services, led by Mr Peter Frost, carried out 89 audit projects and 98% of its recommendations were accepted during feedback and monitoring.

Standards

12. The Localism Act 2011 made fundamental changes to the system of regulation of standards of conduct for elected and co-opted members. The Standards Board for England was abolished on 31 March 2012, and the remaining elements of the current regime, including statutory standards committees with the power to suspend members, were abolished on 1 July 2012.
13. In May 2012 the County Council agreed a “Suffolk Code” and associated procedures in order to implement the requirements of the Localism Act 2011, and also agreed that the terms of reference of the Audit Committee would be widened to include responsibility to promote and maintain high standards of conduct. In May 2013, the Council agreed to the establishment of a Suffolk Joint Standards Board that would be called upon to constitute a hearings panel should one be necessary. This situation would result if a complaint had led to a formal investigation and a finding that a breach of the Code had occurred.
14. Three complaints about the conduct of county councillors have been completed since July 2012. Following initial assessment by the monitoring officer, Mr Tim Ryder, and in consultation with an independent person, it was concluded that no further action was necessary in any of those three cases.
15. A meeting of Suffolk monitoring officers agreed that the procedures for initial assessment of complaints in consultation with an independent person were working well. The Audit Committee also received a report on the operation of the new arrangements after the first year, and agreed that no changes were needed. Following the County Council elections in May, all councillors were provided with a briefing about the Code of Conduct and the need to complete a declaration of interests.
16. Nationally, the Committee on Standards in Public Life (in their Annual Report 2012/13 published in August) continue to have concerns about the new local government standards regime, particularly the lack of sanctions and how these would be viewed by the public. The Committee will continue to monitor the implementation and effectiveness of the new arrangements, and public perception of its effectiveness.

Sources of Further Information

The agendas, reports and minutes of meetings of the Audit Committee for the 2012/13 period can be found on the County Council’s website at:

<http://committeeminutes.suffolkcc.gov.uk/>

Annex to Annual Report of Audit Committee

Meeting held 31 January 2013

Performance and Risk Management Annual Report 2012
Audit Services Charter and Audit Plan Key Themes 2013/14
Anti-Fraud and Corruption Arrangements
Special Educational Needs: Statutory Assessment
Commissioning, Procurement and Contract Management
Local Government Ombudsman report on a complaint about the withdrawal of
the Talking Books service
County Council Elections 2013

Meeting held 21 March 2013

Ernst & Young Audit 2012/13 Audit Plan and Progress Report
Annual Certification Report (2011/12)
Audit Services – 2013/14 Internal Audit Plan and Charter
Councillor Induction Programme
Governor Services Developments
Information Bulletin – Talking Books and Standards Update

Meeting held 12 June 2013

Election of Vice-Chairman
External Audit and Certification Fees 2013/14
External Audit Progress Report 2012/13
Treasury Management Arrangements
Review of the Effectiveness of Internal Audit
Audit Services Annual Report 2012/13
Annual Governance Statement
Information Item: Local Government Ombudsman report on a complaint about
the withdrawal of the Talking Books service

Meeting held 23 July 2013

Options for External Debt Reduction
Commissioning, Procurement and Contract Management
Compliments, Comments and Complaints Annual Report 2012/13
New Standards Regime – One Year On

Meeting held 30 September 2013

2012/13 Statement of Accounts Covering Report
2012/13 Audit Results Report – ISA260 Suffolk County Council
2012/13 Interim Audit Results Report Suffolk Pension Fund
Local Government Ombudsman Annual Review 2012/13

Meeting held 14 November 2013

Annual Audit Letter 2012/13
Audit Services – Progress Report 2013/14
Annual Report of the Democracy Working Group
Annual Report of the Audit Committee
Suffolk County Council's Approach to Divestment
Standards Update