

## **REPORT FROM THE AUDIT COMMITTEE CHAIRMAN TO THE MEETING OF FULL COUNCIL ON WEDNESDAY, 16 NOVEMBER 2016**

Since my last report to full Council on 20<sup>th</sup> July, the Committee has considered the following items:

### **1. The 2015/16 external Auditors report on the Councils financial performance.**

The Committee was pleased to receive from our external auditors, Ernst and Young, a clean bill of health on the management of the council's financial affairs for 2015/16.

They raised again the significant risk to the council's finances, recognising that savings of some £60M had been secured but also that focusing on savings alone would not be sufficient to sustain future service delivery. The Auditors accepted that a revised medium term financial plan would help to reduce the immediate need for savings. The detail of that plan was not available at the time of the meeting, but has since been presented to full Council and agreed.

### **2. Annual Report of the Head of Internal Audit.**

The Committee considered the report and supporting information from the Council's internal auditors, Price Waterhouse Coopers, and endorsed their findings from 21 separate and detailed audit reviews. Overall, governance, risk management and control systems were generally satisfactory, although 4 high risk findings were identified, 1 within the IT function, relating to business continuity, disaster recovery and data recovery, 2 within the Coroner's service where there is a risk relating to documentation review, but the major risk is lack of financial control - a risk which is difficult to mitigate as costs are driven by events. The risk could be removed by increasing the budget, but that could needlessly tie up funding. It was accepted that the risk be noted and that additional funding would require to be allocated depending upon circumstances. High risk 3 is within the management of the PFI, which is an exceptionally large contract, and where additional resources to manage the client side have recently been provided, which should result in a gradual diminution of risk.

### **3. Annual Governance Statement**

This is a statutory statement required by the Accounts and Audit Regulations 2015. This year's statement differs little from the previous year. The Committee approved it with a recommendation for formal sign-off by the Leader and the Chief Executive.

### **4. Annual Statement of Accounts.**

The Council discharges its duty to examine and approve its annual statement of accounts through the Audit Committee. The Committee, after receiving and examining the statement as presented, and having regard to the opinions of the independent Auditors, approved the accounts.

## **5. Procurement Strategy 2016 -2019**

The Committee considered the proposed revised Procurement Strategy. The overall strategy governs the procurement processes for purchasing all goods and services, both revenue and capital amounting to some £135M annually. The strategy has been revised to bring it up to date and in particular to take note of the Public Contracts Regulations 2015.

I was pleased to note that one of the key themes of the strategy is to support Island businesses, and that within the necessary regulatory framework, the Council will aim to make it simpler for businesses to work with us and for us.

6. The Committee also reviewed progress on the preparation of the forward 2017 -18 audit plan, the annual report on Treasury management and performance and the Council's external audit arrangements after 2017 -18. On this latter item the Committee agreed in principle to seek assistance from Public Sector Audit Appointments Ltd (a successor company formed by the Local Government Association after the demise of the Audit Commission) to assist with the appointment of external auditors for the period from 2018 onwards.

7. Membership of the Audit Committee continues to present a challenging role for Councillors, in particular because of the lengthy and detailed papers that have to be considered and understood (the papers for the last meeting were 325 pages long) and the Committee continues to operate with two vacancies. Work has continued to identify independent individuals who have some understanding of local government management, and an interest in finance, to serve as the Committee's co-opted members but I am not at present able to report any success. We shall continue the search.

**Councillor Stuart Hutchinson**  
**Chairman of Audit Committee**