
Report to: Audit and Governance Committee **Date of Meeting: 7 December 2016**

Subject: Statement of Accounts 2015/16

Report of: Head of Corporate Resources

Wards Affected:

Is this a Key Decision? No

Is it included in the Forward Plan? No

Exempt/Confidential No

Purpose/Summary

To provide Members of the Audit and Governance Committee with details of the outcome of the VFM assessment undertaken by the Council's External Auditor, Ernst & Young LLP as part of the 2015/16 closure of accounts process.

Recommendation(s)

The Audit and Governance Committee is asked to:

- Note that the final audit certificate has been provided to the Chair of the Audit and Governance Committee and Head of Corporate Resources;
- Receive and Note the Annual Audit Letter as provided by Ernst & Young LLP and comment on its findings;
- Note the response of the Council to the issues raised within the Annual Audit letter in respect of Procurement Activity;
- Approve that progress in delivering the Procurement Action Plan should be reported by the Head of Commissioning Support and Business Intelligence to each subsequent meeting of the Audit and Governance Committee in addition to a summary of all OJEU complaint processes that are undertaken for a period of 12 months; and
- Note that a report through the Head of Commissioning Support and Business Intelligence will also be considered at the next Cabinet meeting on the outcome of the recent procurement processes and subsequent audit work.

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community	x		
2	Jobs and Prosperity	x		
3	Environmental Sustainability	x		
4	Health and Well-Being	x		
5	Children and Young People	x		
6	Creating Safe Communities	x		
7	Creating Inclusive Communities	x		
8	Improving the Quality of Council Services and Strengthening Local Democracy	X		

Reasons for the Recommendation: The recommendations will support the Council in ensuring that its control framework is robust and supports effective governance and management of resources.

What will it cost and how will it be financed?

(A) Revenue Costs

(B) Capital Costs

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal	
Human Resources	
Equality	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

What consultations have taken place on the proposals and when?

The Chief Finance Officer (FD 4421/16) and the Head of Regulation & Compliance (LD 3704/16) have been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

Implementation Date for the Decision

Immediately following the Committee/ meeting.

Contact Officer: Stephan Van Arendsen

Tel: 0151 934 4081

Email: Stephan.vanarendsen@sefton.gov.uk

Background Papers:

There are no background papers available for inspection.

1. Introduction/Background

- 1.1 At the Audit and Governance Committee meeting on 21st September 2016, Members received the Statement of Accounts for the financial year 2015/16 and in doing so:-
- Approved the 2015/16 Statement of Accounts;
 - Approved the Annual Governance Statement;
 - Noted the comments of Ernst & Young LLP that whilst an unqualified opinion was proposed following the audit of the Councils Statement of Accounts, they had been unable to conclude the work to support the value for money conclusion due to the ongoing procurement work;
 - Approved the Letter of Representation and Authorised the Chair and the Head of Corporate Resources to sign it on the Councils behalf; and
 - Noted that following the completion of the VFM assessment, the final audit certificate would be provided to the Chair of the Audit and Governance Committee and the Head of Corporate Resources and a follow up report would be made available at the next meeting of the Committee
- 1.2 This report therefore provides that update for Members of the Committee.

2. Review of the Arrangements to secure economy, efficiency and effectiveness of resources

- 2.1 As stated, at the time of the last meeting, the audit of the Council's Statement of Accounts for 2015/16 had been completed and following reporting to the Committee, Ernst & Young LLP issued an unqualified opinion on the Statement of Accounts.
- 2.2 In addition to the review of the Statement of Accounts, Ernst & Young have a responsibility to carry out sufficient work to conclude on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the Use of Resources. At the time of the meeting in September they reported that they were in the process of completing their review of the Councils procurement processes.
- 2.3 Following the completion of the audit work in this area, the Council has received the final Annual Audit Letter from Ernst & Young and this is enclosed as part of this agenda item. Representatives from the firm will present this letter and discuss the key findings from the audit work undertaken.
- 2.4 Within this letter, it is reported that a qualified 'except' for Value for Money conclusion has been issued, due to weaknesses in arrangements for procuring goods and services across the Council. The reasons for the conclusion and supporting detail are provided at page 15 of the Ernst and Young LLP letter.

3. Council response to the issues raised within the Annual Audit Letter

- 3.1 As stated within the Annual Audit Letter, the Council engaged an independent review in June 2016 to investigate a specific element of a procurement process. This highlighted a number of control weaknesses within the process and made a series of recommendations, which were subsequently agreed by Senior Officers. In addition a thorough investigation was also undertaken by the Councils Internal Audit Team.
- 3.2 As a result of this review a 'Procurement Improvement Action Plan' was immediately developed including a review of the Council's Contract Procedure Rules and progress in delivering this Action Plan is reported separately on this agenda. It is recommended that progress in the delivery of the action plan be reported by the Head of Service, Commissioning Support and Business Intelligence, to each subsequent meeting of the Audit and Governance Committee.

- 3.3 In addition to this, due the risks identified from the recent audit work, it is proposed that details of all OJEU compliant processes that are undertaken within the Council are also reported to each meeting of this committee for a period of 12 months. This will provide Members with the appropriate visibility of all major procurement activity and reassurance that the appropriate controls are being adhered to.
- 3.4 Having established through additional work undertaken as part of the year-end audit that these control weaknesses were not isolated to one area, in addition to the execution of the Procurement Action Plan the Council will also;
- Engage with Ernst & Young's procurement specialists to independently assess the improvement actions being undertaken by the Council and the scope of a further review of current arrangements;
 - Reflect within future Internal Audit Planning the increased risk arising from recent findings; and
 - Provide a report through the Head of Commissioning Support and Business Intelligence to Cabinet on the outcome of the recent procurement processes and subsequent audit work.

4. Conclusion

The Council having identified control weaknesses within its procurement processes has responded in a pro-active and expedient manner. As a result, in addition to the completion of the Procurement Action Plan, the Council will engage with the external auditors procurement specialists in order to address all issues raised in order that the control environment is improved and future processes are conducted in accordance with appropriate legislation and the Councils own procurement regulations.