

## Report of the Chair of Audit Committee

Audit Committee – 12 June 2014

### DRAFT AUDIT COMMITTEE ANNUAL REPORT 2013/14

<b>Purpose:</b>	This report provides the draft Audit Committee Annual Report 2013/14 municipal year.
<b>Policy Framework:</b>	None.
<b>Reason for Decision:</b>	To allow the Audit Committee to discuss, review and contribute to the draft Audit Committee Annual Report 2013/14 prior to the report being presented to Council.
<b>Consultation:</b>	Legal, Finance and Access to Services.
<b>Recommendation(s):</b>	It is recommended that: -  1) The Committee review and discuss the draft Audit Committee Annual Report 2013/14; 2) The Annual Report is presented to Council.
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#### 1. Introduction

- 1.1 The Council is required, under the Local Government (Wales) Measure 2011, to have an Audit Committee which among other things must include at least 1 lay member.
- 1.2 The Measure requires the Audit Committee to review and scrutinise the Council's financial affairs, risk management, internal control and governance arrangements. It also requires the Committee to oversee the Council's internal and external audit arrangements and review its financial statements.
- 1.3 The work of the Audit Committee is structured so that the Committee can gain assurance over the areas identified above

1.4 This report describes the assurance that has been gained by the Audit Committee from various sources and also outlines a number of other areas where briefings have been provided to the Committee.

## 2. Committee Membership

2.1 The membership of the Audit Committee during 2013/14 is shown in the following table

Mr AM Thomas – Lay Member & Chair	Cllr G Owens
Cllr P Downing	Cllr JA Raynor
Cllr R Francis-Davies	Cllr RV Smith
Cllr PR Hood-Williams	Cllr DWW Thomas
Cllr L James	Cllr M Thomas – replaced by Cllr RA Clay 30/07/13
Cllr JW Jones – Vice Chair	Cllr LV Walton
Cllr PM Meara	

2.2 The Committee met on 11 occasions during 2013/14 with attendance over the course of the year being 76%

## 3. Internal Audit Assurance

3.1 The Audit Committee approved the Internal Audit Annual Plan and has also received quarterly monitoring reports from the Chief Auditor which show progress against the Annual Plan

3.2 The quarterly monitoring reports also identified any audits that received a 'moderate' or 'limited' level of assurance along with an outline of the issues which led to the audit receiving the negative assurance level.

3.3 The Internal Audit Annual Report 2012/13 was reported to the Audit Committee which included a review of actual work completed compared to the Annual Plan.

3.4 The Internal Audit Annual Report also included the Chief Auditor's opinion on the internal control environment which stated that based on the audit testing carried out reasonable assurance can be given that the systems of internal control are operating effectively and that no significant weaknesses were identified which would have a material impact on the Council's financial affairs.

3.5 The Internal Audit Annual Report of School Audits 2012/13 was presented to the Audit Committee. This report summarised the school audits undertaken during 2012/13 and identified some common themes identified across most school audits

#### **4. Annual Governance Statement 2012/13**

- 4.1 The draft Annual Governance Statement 2012/13 was presented to the Audit Committee prior to being reported to Cabinet for approval. This gave the Committee the opportunity to review and comment upon the Statement.

#### **5. Annual Statement of Accounts 2012/13**

- 5.1 The Council's external auditors, PwC provided a training/briefing session to the Audit Committee, which identified the issues that the Committee should be aware of when reviewing the Annual Statement of Accounts.
- 5.2 The Head of Finance and Delivery presented the draft Statement of Accounts 2012/13 for the Council and the Pension Fund to the Committee and answered a number of queries raised by members of the Committee.
- 5.3 Following the audit of the Statement of Accounts 2012/13, PwC on behalf of the Wales Audit Office presented its Audit of Financial Statements reports to the Audit Committee. The reports presented the details findings of the audit and stated that an unqualified audit report on the financial statements had been issued

#### **6. External Audit Assurance**

- 6.1 As well as the Audit of the Statement of Accounts reports mentioned above, the external auditors also provided assurance by presenting the following reports to the Audit Committee
- Annual Financial Outline 2012/13 – City and County of Swansea
  - Annual Financial Outline 2012/13 – City & County of Swansea Pension Fund
  - Internal Controls Report 2012/13
  - Annual Audit Letter 2012/13

#### **7. Implementation of Audit Recommendations**

- 7.1 An important role undertaken by the Audit Committee is monitoring the implementation of agreed audit recommendations arising from both internal and external audits.
- 7.2 The implementation of any Internal Audit recommendations arising from the annual fundamental audits is reported to the Audit Committee in the Recommendations Tracker report. For 2012/13, a number of recommendations remained outstanding when the Tracker report was presented and a further update is being presented to the Committee in June 2014

- 7.3 The implementation of any high or medium risk recommendations arising from non-fundamental audits is subject to follow up procedures by Internal Audit to confirm they have been implemented. The results of the follow ups are reported in the quarterly Internal Audit Monitoring Reports. During the year, this highlighted an issue with 1 primary school where concerns were expressed by the Committee and a number of briefings were provided by the Education Department Management Team to improve the understanding of the Committee on the responsibility for ensuring any audit recommendations made to schools are implemented.
- 7.4 The Internal Controls Report presented to the Audit Committee by the external auditors shows any recommendations made as a result of their work and the action taken by management to implement the recommendations.
- 7.5 A number of concerns were raised by the Audit Committee during the year regarding the management response to both internal and external audit recommendations. As a result, the Chair wrote to the Council's Directors Group asking that Heads of Service respond positively to audit recommendations and ensure that they are implemented within the agreed timescale.
- 7.6 A positive response was received from the Directors Group with audit recommendations now being an agenda item at monthly Directorate Performance and Financial Monitoring meetings.

## **8. Risk Management**

- 8.1 The Local Government (Wales) Measure 2011 makes the overview of risk management function of the Audit Committee
- 8.2 A briefing on risk management was received during the year but the Committee is conscious that it has not yet been able to obtain an appropriate level of assurance over risk management. However the Committee is also aware of recent management changes regarding responsibility for risk management within the Council and the Committee will review progress made in this area at its October 2014 meeting.

## **9. Briefings**

- 9.1 The Audit Committee also received a number of briefings during 2013/14 as noted below
- Housing Benefits Investigation Team - Annual Report 2012/13
  - National Fraud Initiative
  - Wales Audit Office Study – Local Authority Review of Governance
  - Council Tax Debt Collection
  - Swansea Local Service Board

- ICT Contact Governance Arrangements
- Celtic Marine Lease Negotiation
- Internal Audit Plan Methodology
- Coastal Project

## **10. Audit Committee – Performance Review**

10.1 The Audit Committee undertook a review of its performance during 2013/14 using a self assessment checklist published by CIPFA.

10.2 The outcome of the performance review was that the Committee felt that it was generally performing well measured against the checklist although a small number of issues were identified where improvements could be made to ensure that the Committee was following best practice. The issues, which will be addressed during 2014/15, are shown below

- The Committee's terms of reference did not match the model terms of reference published by CIPFA
- A formal annual report outlining the work of the Audit Committee is not produced.
- Training needs to be provided to new members of the Committee
- Greater assurance over risk management is required

10.3 It is intended that the review of performance will again be undertaken towards the end of the current municipal year.

## **11. Equality and Engagement Implications**

11.1 There are no equality and engagement implications associated with this report

## **12. Financial Implications**

12.1 There are no financial implications associated with this report.

## **13. Legal Implications**

13.1 There are no legal implications associated with this report.

**Background Papers:** None

**Appendices:** None