

Report of the Chair of Audit Committee

Audit Committee – 9 April 2015

DRAFT AUDIT COMMITTEE ANNUAL REPORT 2014/15

Purpose:	This report provides the draft Audit Committee Annual Report 2014/15 municipal year
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss, review and contribute to the draft Audit Committee Annual Report 2014/15 prior to the report being presented to Council.
Consultation:	Legal, Finance and Access to Services
Recommendation(s):	It is recommended that 1) The Committee review and discuss the draft Audit Committee Annual Report 2014/15; 2) The Annual Report is presented to Council.
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Legal Officer:	Sharon Heys
Access to Services Officer:	Sherill Hopkins

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 during 2014/15 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 2014/15 is shown in the following table

Mr AM Thomas – Lay Member & Chair	Cllr PM Meara
Cllr RA Clay	Cllr G Owens
Cllr P Downing	Cllr JA Raynor replaced by Cllr D Phillips 30/09/14
Cllr R Francis-Davies replaced by Cllr AM Cook 30/09/14	Cllr RV Smith
Cllr PR Hood-Williams	Cllr DWW Thomas
Cllr L James	Cllr LV Walton
Cllr JW Jones – Vice Chair	

- 2.2 The Committee met on 9 occasions during 2013/14 not including the current meeting with attendance over the course of the year being 67%

3. Internal Audit Assurance

- 3.1 The Audit Committee approved the Internal Audit Charter as required by the Public Sector Internal Audit Standards
- 3.2 The Audit Committee also approved the Internal Audit Annual Plan and has also received quarterly monitoring reports from the Chief Auditor showing progress against the Plan.
- 3.3 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.
- 3.4 The Internal Audit Annual Report 2013/14 was reported to the Audit Committee which included a review of actual work completed compared to the Annual Plan.
- 3.5 The Internal Audit Annual Report also included the Chief Auditor's opinion on the internal control environment for 2013/14 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.

3.6 The Internal Audit Annual Report of School Audits 2013/14 was presented to the Audit Committee. This report summarised the school audits undertaken during 2013/14 and identified some common themes identified across school audits. This report identified that procurement was the area which led to the most audit recommendations being made and as a result a briefing was provided to the Committee by the Procurement Section. Following the briefing, the Chair discussed the procurement issues the Cabinet Member for Education and the Committee provided a written submission to the School Governance Scrutiny Working Group.

4. Annual Governance Statement 2013/14

4.1 The draft Annual Governance Statement 2013/14 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 2013/14

5.1 The Head of Finance and Delivery presented the draft Statement of Accounts 2013/14 for the Council and the Pension Fund to the Committee and answered a number of queries raised by members of the Committee.

5.2 Following the audit of the Statement of Accounts 2013/14, PwC on behalf of the Wales Audit Office presented its Audit of Financial Statements reports to the Audit Committee. The reports presented the detailed 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 to the Audit Committee by presenting the following reports

- Annual Financial Outline 2014/15 – City and County of Swansea
- Annual Financial Outline 2014/15 – City & County of Swansea Pension Fund
- Internal Controls Report 2013/14
- Annual Audit Letter 2013/14
- Certification of Grants and Returns 2012/13
- Audit Completion Certificate 2013/14 - Update

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 fundamental audits is reported to the Audit Committee in the Recommendations Tracker report. For 2013/14, the results of the tracker exercise were extremely positive with 95% of agreed recommendations due for implementation by 31st January 2015 being implemented
- 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.
- 7.4 A number of follow up audits were reported to the Committee in the quarterly monitoring reports and in most cases it was found that substantial progress had been made by management in implementing the agreed recommendations. However there were a small number of audits where the non implementation of recommendations at the time of the follow up visit was escalated to the relevant Head of Service or Chair of the Governing Body in the case of schools.
- 7.5 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.

8. Risk Management

- 8.1 The Local Government (Wales) Measure 2011 makes the overview of risk management function of the Audit Committee
- 8.2 An update on Risk Management was provided to the Committee by the Head of Finance and Delivery and an annual review of Risk Management for 2014/15 is to be provided to the April 2015 meeting of the Committee.

9. Performance Audit

- 9.1 For the first time, the Audit Committee received regular briefings from the Wales Audit Office on the performance audit work being undertaken within the City and County of Swansea

9.2 The Wales Audit Office's Performance Audit Plan 2014/15 was reported to the Committee and regular updates on progress against the Plan were provided by the Wales Audit Office throughout the year.

10. Relationship with Scrutiny Function

10.1 The Chair met with the Chair and Vice Chair of the Scrutiny Programme Committee to discuss developing the relationship between the Audit Committee and Scrutiny. The objectives of the meeting were

- Mutual awareness and understanding of the work of Scrutiny and the Audit Committee
- Respective workplans are coordinated to avoid duplication / gaps
- Clear mechanism for referral of issues if necessary

10.2 A series of actions were agreed at the meeting including the sharing of agendas and workplans, Chairs to attend each others meetings periodically and relevant matters to be referred by letter where necessary.

11. Briefings

11.1 The Audit Committee also received a number of briefings during 2014/15 as noted below

- Housing Benefits Investigation Team - Annual Report 2013/14
- Coastal Project
- School Budget Delegation
- Council Tax Single Person Discount
- Waste Management
- Procurement by Schools
- Internal Audit Plan Methodology
- All Wales Audit Committee Chairs Group
- Peer Review
- Corporate Governance Review

12. Audit Committee – Performance Review

12.1 The Audit Committee undertook a review of its performance during 2014/15 using a Self Assessment of Good Practice Questionnaire published by CIPFA in its *Audit Committees – Practical Guidance for Local Authorities and Police Bodies* publication.

12.2 The outcome of the performance review was that the Committee felt that it was generally performing well measured against the Questionnaire although some issues were identified where improvements could be made to ensure the Committee was following

best practice. The issues, which will be addressed during 2015/16, are shown below

- The Committee should consider ways of ensuring that its role and purpose is understood by relevant persons/groups across the Authority
- The Committee should formally consider the wider areas of responsibility put forward by CIPFA.
- The Committee's membership should be assessed against the core knowledge and skills framework put forward by CIPFA.
- A series of training updates for the Committee should be arranged for early in the new municipal year.
- The Committee should consider ways of obtaining formal feedback on its performance from those who interact with the Committee and rely on its work.
- The Committee should consider ways of evaluating how it is adding value to the Council and how this can be captured and recorded.

13. Future Audit Committee Meetings

- 13.1 The Council Diary for the new municipal year includes Audit Committee meetings on a 2 monthly basis. The change is based on experience over the last 2 years.
- 13.2 Meetings will now be held on the 3rd Tuesday of every 2nd month and will start at 2pm.
- 13.3 The Committee will have the ability to call additional meetings if necessary.

14. Equality and Engagement Implications

- 14.1 There are no equality and engagement implications associated with this report

15. Financial Implications

- 15.1 There are no financial implications associated with this report.

16. Legal Implications

- 16.1 There are no legal implications associated with this report.

Background Papers: None.

Appendices: None.