

Report of the Chief Auditor

Audit Committee – 25 October 2016

CHAIR / WALES AUDIT OFFICE LIAISON

Purpose:	This report provides details of a liaison meeting held on 3 October 2016 attended by the Chair, Chief Auditor and representatives of the Wales Audit Office
Policy Framework:	None
Reason for Decision:	To allow the Audit Committee to discuss the issues raised in the meeting with the Wales Audit Office
Consultation:	Legal, Finance and Access to Services
Recommendation:	It is recommended that: the Committee discusses the issues raised and identify any actions to be taken forward.
Report Author:	Paul Beynon
Finance Officer:	Paul Beynon
Legal Officer:	Sandie Richards
Access to Services Officer:	Sherill Hopkins

1. Introduction

- 1.1 Following the presentation made by the Wales Audit Office at the Audit Committee Training meeting in June 2016, the Chair thought that it would be useful to meet representatives of the Wales Audit Office to get their views on the Audit Committee and how its role should develop going forward.
- 1.2 The meeting would form part of the Committee's annual performance review and would be particularly useful as the Wales Audit Office have only recently taken over the external audit of the Council and are able to bring examples of good practice identified in other Audit Committees across Wales.

1.3 The report outlines the areas discussed at the meeting on 3 October 2016 to generate discussion amongst the Committee regarding the issues raised.

2. Chair/Wales Audit Office Liaison Meeting

2.1 The meeting was held on 3 October 2016 and was attended by

- Alan Thomas, Audit Committee Chair
- Paul Beynon, Chief Auditor
- John Herniman, Engagement Director and Engagement Lead Financial Audit
- Geraint Norman – Financial Audit Manager

2.2 The Wales Audit Office representatives felt that based on the experience of meetings attended, the Audit Committee was largely operating well with positive contributions from members to the issues raised.

2.3 However, the following suggestions were made that the Committee may wish to consider

- Where an audit receives a moderate or limited level of assurance consider inviting the relevant Head of Service to the Audit Committee to provide an explanation.
- Any common issues identified in school audits should be brought to the attention of all schools eg by circulating an executive summary of the Annual Report of School Audits 2015/16.
- Consider how the Committee would obtain assurance regarding services provided on a regional or collaborative basis
- Consider whether the oversight of Treasury Management should be added to the Committee's terms of reference. This function is currently undertaken by Cabinet.
- What alternative sources of assurance can be obtained eg from outside bodies such as Estyn, CSSIW, Public Service Ombudsman for Wales
- The Audit Committee may wish to hold an independently facilitated exercise to review its terms of reference to identify the level of assurance it receives regarding each area within its responsibilities.
- Should members of the Audit Committee have access to the Council's risk register
- The Chair should consider making contact with other Audit Committees to identify areas of good practice which may be adopted in Swansea.

2.4 As part of its ongoing performance review, the Audit Committee may wish to consider the suggestions made above.

2.5 To assist in the discussion of the items mentioned above the Committee's terms of reference are attached in Appendix 1 and a summary of the core functions of an Audit Committee put forward by CIPFA are attached in Appendix 2 as well as a small number of non-core functions which may be undertaken by Audit Committees.

3. Equality and Engagement Implications

3.1 There are no equality and engagement implications associated with this report.

4. Financial Implications

4.1 There are no financial implications associated with this report.

5. Legal Implications

5.1 There are no legal implications associated with this report

Background Papers: None

Appendices: Appendix 1 Audit Committee Terms of Reference
Appendix 2 CIPFA Position Statement on Audit Committees in
Local Government and Police Bodies

AUDIT COMMITTEE – TERMS OF REFERENCE

Audit Committee

Statement of Purpose

1. Our audit committee is a key component of the City and County of Swansea's corporate governance. It provides an independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.
2. The purpose of our audit committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the City and County of Swansea's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, Risk and Control

3. To review the Council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
4. To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances.
5. To consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
6. To consider the Council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
7. To monitor the effective development and operation of risk management in the Council.
8. To monitor progress in addressing risk related issues reported to the committee.
9. To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
10. To review the assessment of fraud risks and potential harm to the Council from fraud and corruption.

11. To monitor the counter fraud strategy, actions and resources.

Internal Audit and External Audit

12. To approve the internal audit charter and resources.
13. To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
14. To consider summaries of specific internal audit reports as requested.
15. To consider reports dealing with the management and performance of the providers of internal audit services.
16. To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
17. To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.
18. To consider specific reports as agreed with the external auditor.
19. To comment on the scope and depth of external audit work and to ensure it gives value for money.
20. To commission work from internal and external audit.

Financial Reporting

21. To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
22. To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Accountability Arrangements

23. To report to full Council on a regular basis on the committee's performance in relation to the terms of reference and the effectiveness of the committee in meeting its purpose.

CIPFA Position Statement on Audit Committees in Local Government and Police Bodies 2013

The core functions of an Audit Committee are to:

- Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- In relation to the authority's internal audit function
 - oversee its independence, objectivity, performance and professionalism
 - support the effectiveness of the internal audit process
 - ensure the effective use of internal audit within the assurance framework
- Consider the effectiveness of the authority's risk management arrangements and the control environment. Review the risk profile of the organisation and assurances that action is being taken on risk-related issues, including partnerships with other organisations
- Monitor the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risks of fraud and corruption
- Consider the reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control
- Ensure that there are effective relationships between external audit and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit

Possible non-core functions of an Audit Committee

- Considering governance, risk or control matters at the request of other committees or statutory officers
- Working with local standards committees to support ethical values and reviewing the arrangements to achieve those values
- Reviewing and monitoring treasury management arrangements in accordance with the CIPFA Treasury Management Code of Practice
- Providing oversight of other public reports, such as the annual report