

ISLE OF ANGLESEY COUNTY COUNCIL	
REPORT TO:	AUDIT COMMITTEE
DATE:	10 DECEMBER 2014
SUBJECT:	AUDIT COMMITTEE SEMINAR
PORTFOLIO HOLDER(S):	COUNCILLOR H E JONES
LEAD OFFICER(S):	RICHARD MICKLEWRIGHT
CONTACT OFFICER:	RICHARD MICKLEWRIGHT
ACTION:	

BACKGROUND

As part of the Council's improvement programme, a seminar was held recently to assess the effectiveness of the Audit Committee and to identify any adjustments that are worthy of consideration in respect of the Committee's Terms of Reference or activities.

This report discusses the various matters that arose at that seminar.

The current Terms of Reference of the Committee is attached as Appendix A.

The focus of the Committee currently is primarily, but not exclusively, around issues of financial management, with governance and transparency being seen as of lesser priority historically.

The effective governance of the Council would be strengthened, arguably, if assessments of governance matters were more obviously included in the remit of the Committee.

A number of mechanisms are being considered to achieve that. These include:-

- (i)** adjusting the name of the Committee to be the Audit and Governance Committee;
- (ii)** review the formal Terms of Reference of the Committee to highlight governance issues more, and to develop the Committee's role in engaging with external regulators other than Auditors (there being an effective level of engagement with Auditors already).

The Council faces significant pressures in its finances in the coming years. To protect services in the face of such pressures, it is highly probable that the Council will need to enter into a wider variety of partnerships with other local authorities and with the wider public sector.

There is a danger that entering into partnership has the unintended side effect of diminishing accountability and transparency as the relationship between a service entity and the corporate leadership and/or elected Members of a participant body will inevitably be made more distant and, hence, less clear cut and effective.

There will be a benefit to Anglesey, therefore, in ringfencing the role of the Committee in assessing the effectiveness of such partnerships.

The effective management of the resulting profile of work is likely to have an effect on the number of meetings of this Committee that are necessary in a year. Currently, the Committee meets four times per year: it is envisaged that this will need to increase to either five or six meetings per year.

It is believed widely that the Committee carries out its duties effectively and to a good standard. It is recognised, though, that it would be beneficial to introduce a mechanism that allows that to be demonstrated objectively and allows any developmental issues to be identified and addressed.

The CIPFA report on Evaluating the Effectiveness of the Audit Committee includes an annual self-assessment check list and 2.5 suggested that the Committee would find it useful to complete this each year in order to demonstrate its continued effectiveness. This would build on the annual workshops currently carried out.

RECOMMENDATION

- (i)** The Committee recommend to full Council that the name of the Committee be changed to the Audit and Governance Committee;
- (ii)** Request that the Chief Internal Auditor to carry out a review of the effectiveness of the Council's arrangements for dealing with partnership working;
- (iii)** Note its past actions and resolve to continue carrying out the annual self-assessments of its effectiveness.

3.4.8 AUDIT COMMITTEE

3.4.8.1 Terms of Reference

3.4.8.1.1 to monitor the performance of internal and external audit of the Council and to secure its independence and in particular:

- (i)** to liaise with the Wales Audit Office over the appointment of external auditors
- (ii)** to consider the external auditor's proposed audit plan
- (iii)** to consider the external auditor's Annual Letter
- (iv)** to approve, on behalf of the Council, a statement of aims and objectives of the internal audit function
- (v)** to receive the annual Audit Plan as to the allocation of internal audit resources against different categories of work
- (vi)** to review the achievement of internal and external audit work against the respective audit plans
- (vii)** to consider the Audit Manager'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
- (viii)** to ensure that the authority has a sound system of internal control which facilitates the effective exercise of functions and which includes arrangements for the management of risk and adequate and effective financial management. To review the effectiveness of internal control at least once a year and approve an Annual Governance Statement for inclusion with the authority's Statement of Accounts
- (ix)** to prepare a report for the annual meeting of the Council on its activities for the year
- (x)** to ensure that the Internal Audit function is adequately resourced and has appropriate standing within the organisation.

3.4.8.1.2 The Committee will be responsible for reviewing the authority's accounting policies and procedures and will review the authority's statement of accounts prior to its adoption by the full Council. This will include in particular –

- To consider whether appropriate accounting policies have been followed
- To give any instructions concerning accounting records and control systems as may be required by the Accounts and Audit Regulations (Wales) 2005
- To consider the external auditor's report to those charged with governance on issues arising from audit of the accounts

3.4.8.1.3 The Committee will also advise on the Council's Policy for Prevention of Fraud and Corruption, including –

(i) reviewing the effectiveness of the policy

(ii) to receive an annual report from the Head of Function (Resources) on the implementation of the policy

3.4.8.1.4 to receive progress reports from internal and external audit, including summaries of Audit reports.

3.4.8.1.5 to monitor management's response to Audit reports and, where it considers this appropriate, to forward recommendations to the relevant Committee.

3.4.8.1.6 the Committee may review the corporate governance, risk management and internal control issues in connection with the discharge of any Council functions. As well as reviewing documentation, in fulfilling the audit role, it may require any member or officer of the authority to attend before it to explain in relation to matters within their remit:

(i) compliance or otherwise with council procedures

(ii) compliance or otherwise with established corporate governance standards

(iii) the degree to which risk has been considered and addressed and it is the duty of those persons to attend if so required.

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3.4.8.1.7 the Committee shall be advised by the Head of Function (Resources) as the officer with responsibility for financial administration, and by the both the external and internal auditors. They may additionally, within an approved budget, seek independent advice from outside the authority.

3.4.8.1.8 the external/internal auditors of the Council shall have the right to request the Chair of the Audit Committee to consider any matter which the auditors believe should be brought to the attention of the Council.

3.4.8.1.9 exercise the powers and responsibility regarding governance and risk management:

(i) to oversee and monitor the compliance and assurance requirements and to satisfy itself as to the adequacy of the structures, processes and responsibilities for identifying and managing key risks facing the organisation

(ii) to ensure compliance with statutory requirements including Health and Safety

(iii) to review the Council's Corporate Governance Framework including accountability agreements, Council Procedure Rules etc.

(iv) to receive, review and approve risk assessments and the resultant action plans

- (v) to establish a methodology for assessing risks in all functions of the Council
- (vi) to receive and review reports from Officers on progress in implementing action plans resulting from risk assessment of the Council's activities and to agree any remedial work
- (vii) to develop and keep under review a Risk Management Strategy for the Council
- (viii) to establish a profile of risks across the Council and analyse priorities for action
- (ix) to develop and review the risk register and associated risk treatment plans and to make recommendations regarding the allocation of resources to address identified risks
- (x) to raise awareness of risk management within the Council and to ensure that training and education needs in respect of risk management are identified and addressed
- (xi) to ensure appropriate and effective communication reporting lines are in place in the context of Risk Management

3.4.8.1.10 to scrutinise Treasury Management matters as required by the Code of Practice on Treasury Management and the Council's Treasury Management policies.

3.4.8.2 Frequency

3.4.8.2.1 Minimum 3 meetings per year.

3.4.8.2.2 The committee must meet if the authority as a whole resolves that it should or if at least one-third of the members of the committee requisition a meeting in writing to the Chairman of the committee.

3.4.8.3 Membership

3.4.8.3.1 Eight members of the Council, to be politically balanced, plus two lay co-opted members to be appointed by the Committee.

3.4.8.3.2 Members of the Executive will not be eligible to be members of this Committee. The Portfolio Holder for Finance is required, as far as is possible, to attend each Audit Committee meeting.

3.4.8.3.3 The co-opted members, not being members of the Council, to be recruited for skills appropriate to the Audit Committee's work, and who shall be appointed by the Councillor members of the Audit Committee for a fixed term to be determined by them when the appointment is made.

3.4.8.3.4 All members of the committee shall have a vote.

3.4.8.3.5 The Audit Committee will appoint its Chairperson who will not be a member of any of the groups represented on the Executive except when all groups are represented on the Executive (and could be a co-opted member).

