

| ISLE OF ANGLESEY COUNTY COUNCIL | |
|--|--|
| COMMITTEE: | COUNTY COUNCIL |
| DATE: | 10 MAY 2012 |
| TITLE OF REPORT: | ANNUAL REPORT OF THE AUDIT COMMITTEE FOR THE MUNICIPAL YEAR 2011-12 |
| PURPOSE OF REPORT : | REQUIRED BY CONSTITUTION |
| REPORT BY: | AUDIT COMMITTEE CHAIRMAN |
| ACTION: | ACCEPT REPORT |

Introduction

The Audit Committee is a statutory Committee of the Council and has ten members. The role of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework, governance arrangements and the associated control environment. The Committee is also responsible for independent scrutiny of the Authority's financial and non financial performance (to the extent that it affects the Authority's exposure to risks and weakens the control environment), and to oversee the financial reporting process and annual accounts review and approval to Council.

The Chair of the Audit Committee is Councillor Tom Jones and the Vice Chair is Councillor Aled Morris Jones.

Meetings

During the municipal year, the Committee has met seven times, this figure made up of five regular meetings and two extraordinary meetings. The regular meetings followed the Audit Committee calendar developed in 2010-11 and considered among the regular Committee business: progress reports from the internal and external auditors, the statement of accounts and the external auditor's report on the statement. The Committee also reviewed progress reports on Treasury Management and the Treasury Management Annual Report, strategic risk management report, progress reports on the National Fraud Initiative, the Corporate Governance Statement and the Wales Audit Office Improvement Assessment.

The Committee also received one-off reports on strengthening the Finance Function, the implementation of the new Fixed Asset system, Grants Audit report, Local Government (Wales) Measure 2011 and Co-Option of Lay Members, and Budget Risk Assessment.

The completion of the audited Statement of Accounts for 2010-11 was delayed, such that the Committee was unable to approve it by the 30 September deadline for the second year in succession. Approval was subsequently given at the November 2011 meeting. The Committee has supported management in measures to strengthen the Finance function to enable the Statement of Accounts to be completed to deadline in 2012-13.

Governance Statement

The Committee adopted an annual Governance Statement for 2010-11 as it was the first year in which it became a statutory requirement.

However, the Annual Governance Statement continued to reflect the weaknesses reported on in a number of regulatory reports and was seen as a progress report towards Council recovery.

The Audit Committee

The role of the Audit Committee has developed considerably during 2011-12 and forms part of the Council's approach to recovery and sustainability. This continues work begun during 2009-10 and 2010-11 to develop the role of the Audit Committee. The Committee has undertaken a self-assessment of effectiveness again this year using a checklist derived from CIPFA's 'Audit Committees: Practical Guidance for Local Authorities,' and the outcome of this self assessment has guided the training programme and actions for the year.

Training

During the year, training was arranged for Audit Committee members, linked to their responsibilities and the member development programme, on:

- The Statement of Accounts;
- Treasury Management; and
- Fixed Asset system.

These training events were well-attended and well received by members. A list of attendees is shown at Appendix A.

Effectiveness

Audit Committee members take their role in respect of governance and stewardship extremely seriously. They acknowledge that this is a non-political Committee and as such the Committee's role is to hold regulators and officers to account and to discharge the duty of regulating the risk management, governance and assurance framework within the Council.

The Committee takes reports regularly to gain assurance over key areas of activity and also completes a self-assessment on its own effectiveness.

A self-assessment of the Committee's effectiveness as described earlier was undertaken in April 2012 to review progress in 2011-12 against the CIPFA checklist. As the spider graphs at Appendix 1 illustrate, some progress has been achieved since the earlier assessment.

Discussion at the workshop has highlighted a number of areas where further improvement can be made and an improvement action plan will be produced for consideration and ongoing monitoring by the Committee in 2012-13.

External audit

The Council is audited externally by the Wales Audit Office (WAO) although part of the work, the financial aspects of the audit, is covered by PwC working to the Appointed auditor in the WAO. Regular reports from PwC have been considered by the Audit Committee and an update is considered at each meeting.

Recently, the Audit Committee has been taking updates from the WAO on the Regulatory Plan, which includes all the work of the regulators. This is an important aspect of the Committee's business to ensure that all external reports are being considered, either by the Audit Committee or one of the Scrutiny Committees, and that appropriate action is being taken.

Internal audit

The Council has an in house Internal Audit Team managed under a contract with RSM Tenon Plc. The Committee approved the Internal Audit Strategic and Operational Plan 2011-12 at its meeting held in March 2011. Performance against the Internal Audit Operational Plan is reported by the Head of Service Audit to each of the Committee's regular meetings as part of the Internal Audit Progress report. Progress reports also include performance against a number of agreed performance indicators as well as the progress of services in implementing Internal Audit recommendations.

Reports of completed Internal Audit reviews along with the assurance levels given is also provided in Progress reports and builds over the year into a picture of the assessed strength of the Council's internal control framework . An overall statement on internal control is provided in the Head of Service Audit's annual report and in the Annual Governance statement.

Risk Management

The Local Government Measure (Wales) 2011 includes a requirement for local authorities to appoint a Committee with responsibility to review and assess the risk management, internal control and corporate governance arrangements of the authority. The Terms of Reference of the Audit Committee also includes reference to its role in relation to satisfying itself as to the adequacy of the structures, processes and responsibilities for identifying and managing key risks facing the organisation.

During 2011-12 the Audit Committee has continued to support the development of risk management within the Authority which has resulted in the production of an initial Corporate Risk Register in year. It is intended that the Audit Committee will start to receive the Corporate Risk Register at each of its regular meetings for consideration from September 2012. This will enable the Committee to meet the Local Government Measure requirements and its own terms of reference in relation to risk management in 2012-13.

Counter Fraud

The Audit Committee received the annual Policy for the Prevention of Fraud and Corruption: Report for 2010-11 in September 2011. The report included an update on the Council's participation in the National Fraud Initiative (NFI) 2010-11.

The Committee had previously agreed to adopt HM Treasury's 'Managing the Risk of Fraud' document and to carry out a self assessment of the Council's Counter Fraud arrangements. A background to counter fraud and a presentation of the work of the Benefits Fraud Team was included in the April 2012 Audit Committee Workshop. Following a self assessment exercise an improvement action plan will be produced and progress against the plan monitored during 2012-13.

Plans for the Future

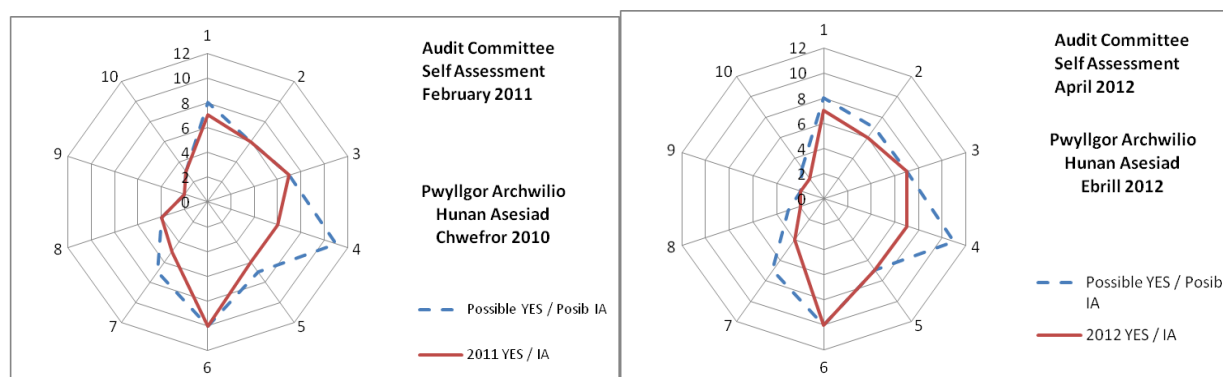
As well as its regular business, the Committee will continue its development programme, informed by the self-assessment of effectiveness and counter fraud arrangements results. This will include more training events geared to its activities in 2012-13 as set out earlier.

The National Assembly's new Local Government Measure (Wales) 2011 includes new requirements to make Audit Committees mandatory at principal local Authorities. Few changes to the role and terms of reference will be required at Anglesey, the authority having operated an Audit Committee in accordance with good practice for many years. However, one change brought about by the Measure is the requirement to co-opt non-councillor members to the Committee. The Committee have advertised for such members and had a very encouraging response with citizens and others with experience keen to play a role in Anglesey. Short listing has taken place and members of a sub- Committee of the Audit Committee will interview potential candidates for the position. The Council will be updated on the position at its next meeting.

**COUNCILLOR TOM JONES
CHAIRMAN**

3 MAY 2012

RESULTS OF AUDIT COMMITTEE EFFECTIVENESS SELF ASSESSMENT 2012



The outer numbers of 1-10 represent the areas covered by the checklist as per the key below.

The figures coming from the centre of the spider graph outwards from 1-12 represent the number of questions in each area.

The blue dotted line represents where we would be if we could answer yes to all the best practice questions in each area. The red line shows where we actually are against best practice in each area. The nearer the red line is to the dotted blue line and less towards the centre the better we have performed in each area.

Key to Areas 1-10

| No. | Area | No. of Best Practice Points | Self Assessed Score 2012 |
|-----|--|-----------------------------|--------------------------|
| 1 | Role and Remit | 8 | 7 |
| 2 | Membership; Induction and training | 7 | 6 |
| 3 | Meetings | 7 | 7 |
| 4 | Internal Control | 11 | 7 |
| 5 | Financial Reporting and Regulatory Matters | 7 | 7 |
| 6 | Internal Audit | 10 | 10 |
| 7 | External Audit | 7 | 4 |
| 8 | Agenda Management | 3 | 2 |
| 9 | Papers | 2 | 2 |
| 10 | Actions Arising | 3 | 2 |