

## ISLE OF ANGLESEY COUNTY COUNCIL

<b>COMMITTEE:</b>	<b>COUNTY COUNCIL</b>
<b>DATE:</b>	<b>8 MAY 2014</b>
<b>TITLE OF REPORT:</b>	<b>ANNUAL REPORT OF THE AUDIT COMMITTEE FOR THE MUNICIPAL YEAR 2013/14</b>
<b>PURPOSE OF REPORT:</b>	<b>FOR INFORMATION</b>
<b>REPORT BY:</b>	<b>AUDIT COMMITTEE CHAIR</b>
<b>ACTION:</b>	<b>TO RECEIVE REPORT</b>

### Introduction

The Audit Committee is a statutory Committee of the Council and has eight elected Members and two Lay Members. The role of the Audit Committee is to provide independent assurance of the adequacy of the Council's governance arrangements, the associated control environment and the adequacy of the risk management framework. 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 Robert Llewelyn Jones and the Vice Chair is Councillor Trefor Lloyd Hughes.

### Meetings

During the municipal year, the Committee has met fully five times with attendance figures for the five regular meetings being provided for information at Appendix A.

The regular meetings followed the Audit Committee calendar 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 received reports on Treasury Management progress and the Treasury Management Annual Report, the corporate risk management framework and risk register, progress with the National Fraud Initiative, the Annual Governance Statement and Governance and Assurance arrangements, and the Annual Report on the Prevention of Fraud and Corruption. The Committee also received specific reports concerning the Three Towns Capital Project, Information Governance, the Buildings Maintenance Unit, Enhancing the Audit Committee, the Transformation Programme, Information Management and Data Security, Certification of Grants and Returns 2011/12, Statement of Accounts 2012/13 Major Judgements and Estimates and the Gwynedd Local Government Pension Fund.

The completion of the audited Statement of Accounts for 2012/13 was completed by the 30 September 2013 deadline and recommended by the Committee for approval by the Council. The Committee has continued to support management in measures to strengthen the Finance function further and to ensure current progress in this area is sustainable going forward.

## **Governance Statement**

The Committee adopted an Annual Governance Statement for 2012/13 as statutorily required. The Annual Governance Statement was produced as a result of widespread consultation and review of governance processes in year. As with the 2011/12 Statement, the 2012/13 Statement was consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

The Annual Governance Statement continued to report some weaknesses in governance arrangements. An Action Plan has been produced in order that these weaknesses can be addressed.

## **The Audit Committee**

The Audit Committee has worked within its terms of reference which includes the requirements of the Local Government (Wales) Measure 2011 in relation to the role of the Audit Committee in monitoring Risk Management, Governance and Internal Control within the Council.

The Audit Committee reappointed its two Lay Members during the year and the Committee has continued to benefit from their knowledge, skills and experience during meetings. This 'outside' view of Council issues is to be particularly welcomed.

The Committee has again this year undertaken a self-assessment of its effectiveness 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 Committee. A report on the outcome of this self assessment was presented to the Audit Committee held on 10 April 2014.

## **Training**

During the year, training was arranged for the induction of new Audit Committee Members appointed in May 2013. Further training for Members has been scheduled for later on in 2014 including training in relation to the Statement of Accounts; Treasury Management; and the Risk Management Framework.

## **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 January 2014 to review progress in 2013/14 against the checklist based upon CIPFA best practice for Audit Committees.

Discussion at the workshop has highlighted a number of areas where further improvement can be made and an improvement action plan is being produced for consideration and ongoing monitoring by the Audit Committee in 2014/15. One area identified for improvement in 2014/15 was the need to raise the profile of the Audit Committee and to make stakeholders more aware of the important work that it undertakes.

## **External Audit**

The Council is audited externally by the Wales Audit Office (WAO) although part of the work, covering the financial aspects of the audit and some performance work 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.

The Audit Committee has been taking regular updates from the WAO on the Performance Work Programme. The Committee has also received updates from the WAO on the Improvement Assessment Programme including Improvement Assessment Letters 1 and 2 during the year. This is an important aspect of the Committee's business to ensure that external reports are being considered, either by the Audit Committee or one of the Scrutiny Committees, and that appropriate action is being taken.

As well as updates on the Performance Work Programme, the Committee also receives updates from PwC on the financial audit work being undertaken. Updates this year have included both the workplan and timetabling of work.

## **Internal Audit**

The Council has an in-house Internal Audit Team managed under a contract with Baker Tilly Ltd. The Committee approved the Internal Operational Plan 2013/14 at its meeting held in July 2013. Internal Audit Operational Plan outcomes are reported by the Audit Manager to each of the Committee's regular meetings as part of the Internal Audit Progress report. Progress reports also include 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. During this year, the Internal Audit Progress reports have contained additional information on each review undertaken, including details of the key findings arising from the work undertaken.

An overall statement on internal control is provided in the Audit Manager's annual report and in the Council's 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 Audit Committee in its Terms of Reference is charged with fulfilling these requirements.

The Committee has continued to support the development of the Risk Management framework within the Council during the year, and consideration of Risk Management and the receiving of the Corporate Risk Register is to be a standing agenda item from 2014/15 onwards.

The Committee sees its key role in the Risk Management process as satisfying itself as to the adequacy of the structures, processes and responsibilities for identifying and managing the key risks facing the organisation.

## **Counter Fraud**

The Audit Committee received the annual Policy for the Prevention of Fraud and Corruption: Report for 2012/13 in September 2013. The report included an update on the Council's participation in the National Fraud Initiative (NFI) 2012/13 (results issued 2013).

A background to counter fraud and a presentation of the work of the Benefits Fraud Team was included in the January 2014 Audit Committee Workshop. The outcome of the January workshop included an action to consider the formal adoption of the 'Managing the Risk of Fraud' guidelines against which to benchmark the Council's current counter fraud and corruption processes.

The Internal Audit progress report includes reference to the number of referrals resulting in formal reports during the year.

## **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 outcome of the review of the Council's counter fraud arrangements. This will, again, include relevant training events geared to its activities in 2014/15.

The Committee will continue to develop its role in relation to Risk Management during 2014/15 and will look to adopt a method of being able to assess the adequacy of the Council's anti-fraud and corruption arrangements on an on-going basis.

The Audit Committee's proposed future work programme is provided at Appendix B.

## **Chair's Remarks**

The Chair would like to express his gratitude to the Committee's Members for their attendance and contribution to the work of the Committee during the year and also to those Council employees who have attended and contributed so much.

The Chair would take the opportunity to remind the Council of the importance of the work of the Committee which is even more relevant in the current economic situation in terms of ensuring that the Council is run in a sound manner and that value for money is being obtained.

The Committee is committed to continuing to work with Council employees in supporting continuing improvements in the Council's operations in 2014/15.

**APPENDIX A**

**AUDIT COMMITTEE - ANALYSIS ON REGULAR MEETING ATTENDANCE - 2013-14**

Members	% Eligible Attendance - Scheduled Meetings	Meeting Held on	Attended	Meeting Held on	Attended	Meeting Held on	Attended	Meeting Held on	Attended	Meeting Held on	Attended	Number of Meetings Attended
Cllr. Robert Llewelyn Jones (Chair)	100%	23/07/2013	Yes	24/09/2013	Yes	11/12/2013	Yes	04/02/2014	Yes	10/04/2014	Yes	5
Cllr. Trefor Lloyd Hughes (Vice Chair)	80%	23/07/2013	Yes	24/09/2013	Yes	11/12/2013	Apologies	04/02/2014	Yes	10/04/2014	Yes	4
Cllr. Dafydd Rhys Thomas	60%	23/07/2013	Yes	24/09/2013	Yes	11/12/2013	Yes	04/02/2014	Apologies	10/04/2014	Apologies	3
Cllr. Jim Evans	60%	23/07/2013	Yes	24/09/2013	No	11/12/2013	Yes	04/02/2014	Yes	10/04/2014	Apologies	3
Cllr. John Griffiths	100%	23/07/2013	Yes	24/09/2013	Yes	11/12/2013	Yes	04/02/2014	Yes	10/04/2014	Yes	5
Cllr. Raymond Jones	20%	23/07/2013	No	24/09/2013	Apologies	11/12/2013	No	04/02/2014	Yes	10/04/2014	No	1
Mr Richard Barker	80%	23/07/2013	Yes	24/09/2013	Yes	11/12/2013	Yes	04/02/2014	Apologies	10/04/2014	Yes	4
Cllr. Richard Owain Jones	67%					11/12/2013	Yes	04/02/2014	Yes	10/04/2014	Apologies	2
Mrs Sharon Warnes	100%	23/07/2013	Yes	24/09/2013	Yes	11/12/2013	Yes	04/02/2014	Yes	10/04/2014	Yes	5
Cllr. Vaughan Hughes	0%	23/07/2013	Apologies	24/09/2013	No	11/12/2013	No	04/02/2014	No	10/04/2014	Apologies	0
Cllr. Peter Rogers	100%	23/07/2013	Apologies	24/09/2013	Yes							2

Figures as at 15-04-14

AUDIT COMMITTEE CALENDAR FOR MUNICIPAL YEAR 2014/15

	ACCOUNTS	INTERNAL AUDIT	EXTERNAL AUDIT	TREASURY MANAGEMENT	RISK MANAGEMENT	GOVERNANCE	OTHER
FEBRUARY			Progress Report	Consideration of TM Strategy 2014/15		Audit Committee – Terms of Reference	DCE Briefing on Transformation programme framework (Mins 11/12/13)
Mid/Late APRIL		IA Annual report for financial year just ended  Consider and adopt internal audit plan for year starting and medium term strategy  Review of Internal Audit Charter and Protocol	Consider and adopt plan for year starting  Progress Report	Qtr 3 Treasury Management Report	Annual Review of Risk Management Strategy	Governance and Assurance Update  Review of Terms of Reference	Annual review of Audit Committee Effectiveness and Counter Fraud Arrangements  Review Governance Framework  Annual Members’ Training Plan  Approve Annual report of the Committee for Annual Council meeting.  CIVICA – Post Implementation (Mins 11/12/13)
JULY	Review Statement of Accounts	Progress Report	Progress Report	Treasury Management Annual Report  Qtr 1 Treasury Management Report	Corporate Risk Register  Report of DCE on RM Implementation (Mins 11/12/13)	Governance and Assurance Update;  Consider Governance Statement  Review Code of Governance  Annual Health & Safety report	Annual Report – Gwynedd Local Gov’t Pension Scheme  Three Towns Project Closure Report (Mins 11/12/13)
SEPTEMBER	Recommend for Approval of Council the Statement of Accounts (30 Sept deadline)	Progress Report	Receive report on accounts to those charged with Governance  Progress Report		Corporate Risk Register	Governance and Assurance Update  Adopt Governance Statement	Inspection of registers and declarations  Annual Report on Fraud and Corruption
DECEMBER		Progress Report	Receive annual letter on audit year just ended  Progress Report	Qtr 2 Treasury Management Report  Scrutiny of mid-year report and preparation for following year	Corporate Risk Register	Governance and Assurance Update	