

Audit Committee: Annual Report 2016/17

Audit Committee

Date: 27^h June 2017

Author: Head of Internal Audit

Wards: None

Parishes Affected: None

1. Purpose and Reasons

- 1.1 To present Members with the Audit Committee's annual report for 2016/17.
- 1.2 It is important to ensure that the Council has a sufficiently independent and effective Audit Committee that follows best practice. Audit Committees are a key component of corporate governance. The Audit Committee is a source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and non-financial performance.
- 1.3 The annual report sets out the role of the Committee and the work it has undertaken during 2016/17.

2. Recommendations

The Committee is recommended to:

- 2.1 It is recommended that the contents of the report be noted.

3. Detail – Annual Report

Introduction

- 3.1 The Council established the Audit Committee as a full Committee with effect from May 2006. Whilst there is no statutory obligation to have such a Committee, they are widely recognised as a core component of effective governance and internal control.

Terms of Reference

- 3.2 The Council has a duty to ensure that it is fulfilling its responsibility for having adequate and effective risk management, internal control and governance arrangements for the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in assessing the extent to which this responsibility is being met and advising the Council on the adequacy and effectiveness of these arrangements.
- 3.3 The Committee's Terms of Reference are to provide independent assurance to the Council in relation to:

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- The effectiveness of the Council's risk management, internal control and its overall governance framework.
- The effectiveness of the Council's financial and non-financial performance to the extent that it might impact on the above.
- Reviewing the performance of the Council's Internal Audit section
- Receipt and review of External Audit reports and liaison with external auditors on significant matters identified.
- Advising upon and/or reviewing the effectiveness of any other matters referred to the Audit Committee by the Executive, the Overview and Scrutiny and Regulatory Committees.
- To consider, accept and take a view on the Statement of Accounts and the Annual Governance Statement.
- Oversight of the Council's Treasury Management activities.

- 3.4 The Committee's Terms of Reference are reviewed annually to ensure that they reflect best practice and are kept up to date.

Membership

- 3.5 The membership of the Audit Committee has comprised of the following Elected Members:

Councillor Steve Weisinger (Chair)
Councillor Malcolm Davies
Councillor Mary Friend
Councillor Nick Martin
Councillor Des Moffatt
Councillor Kevin Small
Councillor Chris Watts

- 3.6 The Corporate Director: Resources and the Head of Internal Audit regularly attended meetings of the Committee. The Council's External Auditor Grant Thornton also attends meetings on a regular basis. Steve Jones (Senior Committee Clerk) supports the committee.
- 3.7 The Committee met five times during 2016/17. Committee agenda papers and minutes are available on the Council's website at: www.swindon.gov.uk

Benefits of an effective audit committee

- 3.8 An effective audit committee can bring many benefits to the Council, including:

Further information on the subject of this report can be obtained from Nick Hobbs, Direct Dial Telephone Number: 01793 463940, nhobbs@swindon.gov.uk.

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- Promoting the principles of good governance
- Giving additional assurance through a process of independent and objective review
- Helping achieve the Council's objectives by assisting in improving the adequacy and effectiveness of risk management and internal control
- Reinforcing the objectivity, importance and independence of internal and external audit and therefore the effectiveness of the audit function
- Raise awareness of the need for sound control and the implementation of recommendations by internal and external audit

3.9 The Audit Committee's work programme has allowed it to provide assurance to the Council regarding governance, risk management and internal control arrangements. In summary, during the course of 2016/17, the Committee has:

- Reviewed and challenged the contents of the Annual Governance Statement and review the actions taken to address significant issues included in the Statement.
- Reviewed the Corporate Risk Register
- Received updates from risk owners including a presentation from the Head of Information Technology regarding the current risks/issues within Information Technology and what action is being taken to address them.
- Received and challenged reports received from the External Auditor regarding the Council's financial statements and value for money opinion.
- Received and approved the Treasury Management Strategy; mid-year Treasury Performance report and the Treasury Management annual report.
- Received reports summarising future changes to statutory requirements affecting the production of the Statement of Accounts.
- Received and reviewed the Council's Annual Statement of Accounts
- Responded to a letter from External Audit to those charged with governance.
- Reviewed its own terms of reference and work programme and issued its annual report for 2015/16.
- Agreed an annual report for the Audit Committee summarising the work carried out during 2015/16.

3.10 The Committee has carried out a self-assessment against the CIPFA Guidance regarding Audit Committees Good Practice checklist (see Appendix 1) to ensure it operates in line with this guidance.

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Internal Audit Assurance

- 3.11 Internal Audit is a key source of assurance for both Members and officers on the effectiveness of the Council's governance, risk management and internal control arrangements. The Audit Committee has a responsibility for ensuring the effectiveness of Internal Audit in providing this assurance.
- 3.12 The Committee has received regular reports from the Head of Internal Audit including:
- Head of Internal Audit's annual report - which provides the Head of Internal Audit's overall opinion on the Council's risk management, governance and internal control arrangements.
 - Annual Internal Audit Plan 2016/17 – which presented Members with a risk based plan and an opportunity to consider areas for inclusion in the plan before it was finalised.
 - As part of the Annual report the Committee was provided with a Strategic Fraud Update – that provided details of the fraud work carried out by Corporate Fraud Team along with details of national and local initiatives in this area.
 - Internal Audit Charter – Members reviewed and approved the Charter for Internal Audit.
 - Regular progress reports – that provided Members with details of progress against the audit plan along with any significant updates regarding the section etc.
- 3.13 The Committee has also received full Internal Audit reports on the following service areas where an audit has been carried out and an opinion of 'significant' or 'of concern' risk has been identified. For all these reports relevant Members and officers have attended to provide explanations and details of progress made in implementing agreed audit recommendations:
- Stores and Equipment
 - Isambard School
 - Contract management of the delivery of the Housing capital programme
 - Stores and Equipment follow-up review
- 3.14 The Committee's terms of reference also include responsibility for oversight of the treasury management function. Therefore an audit report on Treasury Management was also presented to the Committee. The report identified that there was a high standard of internal control within the system resulting in only a moderate risk to the Council.

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- 3.15 Internal Audit are required to work to the Public Sector Internal Audit Standards. The Standards require that an external assessment be carried out of the service at least once every five years. A paper setting out this process was considered and agreed by Audit Committee. The assessment was undertaken by Bristol City Council in June 2016 and the results were reported to Audit Committee in September 2016. The assessment found that Swindon's Internal Audit service comply with the requirements of the Standard.

External Audit Assurance – Governance and Statement of Accounts:

- 3.16 External Audit is an essential part of the assurance process providing an independent opinion on the financial statements, and reviewing aspects of governance and financial management as well as arrangements for securing economy, efficiency and effectiveness across the Council. External Audit works closely with Internal Audit to ensure that statutory responsibilities are delivered.
- 3.17 The following reports were received from External Audit during 2016/17:
- External Audit Plan and audit fee letter
 - Annual Statement of Accounts and External Audit findings
 - Annual Audit Letter
 - Certification annual report
 - Briefing notes and regular progress update reports.

Changes to arrangements for the appointment of an External Auditor:

- 3.18 The Committee received a report summarising the changes to the arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/18 audits.
- 3.19 The report set out the various options the Council has with regard to appointing and putting in place new arrangements in time to make a first appointment by 31 December 2017. Audit Committee recommended that Cabinet be recommended that Council be asked to agree the appointment of an External Auditor through the national sector led body, Public Sector Audit Appointments Ltd

Looking forward:

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- 3.20 Given the continued financial pressures facing the Council, the importance of an effective Audit Committee remains critical in providing independent assurance on the governance, risk management and internal control arrangements in the Council and effective challenge where improvement is needed.

4. Alternative Options

- 4.1 Not Applicable

5. Implications, Diversity Impact Assessment and Risk Management

Financial and Procurement Implications

- 5.1 There are no direct financial implications arising from this report.

Legal and Human Rights Implications

- 5.2 Internal Audit is a statutory requirement of the Accounts and Audit Regulations 2015. The Internal Audit service also provides assurance to the Director of Finance regarding the requirements of Section 151 of the Local Government Act 1972.

All Other Implications (including Staff, Sustainability, Health, Rural, Crime and Disorder)

- 5.3 None

Links to One Swindon, Strategic Objectives, Plans and Policies

- 5.4 Effective systems of governance and internal control within the Council will help to ensure that the objectives set out in One Swindon and the Council's Corporate Strategy is achieved.

Diversity Impact Assessment

- 5.5 None

Risk Management

- 5.6 Not applicable

6. Consultees

- 6.1 Councillor Steve Weisinger (Audit Committee Chair 2016/17)
- 6.2 The Board Director: Resources (Section 151 Officer) and Director of Law and Democratic Services (Monitoring Officer) are consulted in respect of all reports.

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7. Background Papers

7.1 None

8. Appendices / Background papers

8.1 Appendix 1 – Audit Committee Self-assessment against the CIPFA Guidance on Audit Committees

9. Key Decision/Decision in Forward Plan

Not Applicable