

**TELFORD & WREKIN COUNCIL**

**AUDIT COMMITTEE - 21<sup>ST</sup> SEPTEMBER 2010  
COUNCIL – 7<sup>TH</sup> OCTOBER 2010**

**AUDIT COMMITTEE ANNUAL REPORT 2009/10**

**REPORT OF THE HEAD OF GOVERNANCE**

**1.0 PURPOSE**

- 1.1 To present to the Council an Annual Report on the operation of the Audit Committee during 2009/10.

**2.0 RECOMMENDATION**

- 2.1 **That Members of the Council note the contents of the annual report 2009/10.**

**3.0 SUMMARY**

- 3.1 The Audit Committee has been a standalone committee for two years following separation from the Standards and Audit Committee in May 2008. The key benefits of the Audit Committee are:

- ✓ raising awareness on the need for governance and internal control including the implementation of both internal and external audit recommendations.
- ✓ increasing public confidence in the objectivity and fairness of financial and other reporting.
- ✓ reinforcing the importance and independence of internal and external audit.
- ✓ providing additional assurance through a process of independent and objective review by a cross party group of elected members including challenging Cabinet Members and Senior Officers.

- 3.2 As the key assurance Committee of the Council it is accepted best practice that an Annual Report is presented to the Council on the operations of the Committee during the municipal year. This is the second report to Council on the operations of the Audit Committee and is structured based on the terms of reference (attached as Appendix A and operational during the year). Appendix B (attached) provides a summary of the business conducted by the Committee during the period under each section of the terms of reference.

3.3 There were 7 meetings of the Audit Committee in 2009/10 compared to 6 in 2008/09. This was due to new responsibilities in respect to Treasury Management – see paragraph 5.5.

#### **4.0 PREVIOUS MINUTES**

4.1 Audit Committee 23<sup>rd</sup> September 2009  
Council 30<sup>th</sup> September 2009

#### **5.0 INFORMATION – AUDIT COMMITTEE 2009/10**

##### **5.1 Internal Audit**

5.1.1 The Internal Audit team has continued to provide the Committee with reports as outlined in the CIPFA Code of practice and Constitution, highlighting any areas requiring attention by members.

5.1.2 As a result the Committee invited the Head of Regeneration & Housing to provide assurance and an update on the school catering systems and controls. The Cabinet Member Community-Focussed Efficient Council was also asked to attend to update the Committee on Use of Resources.

5.1.3 The Internal Audit Plan and Strategy for 2010/11 was presented and approved by the Committee at the March 2010 meeting.

##### **5.2 External Audit**

5.2.1 The External Auditors – KPMG were required to provide an additional report to the Committee this year – the Financial Statement Audit Plan which was presented to the Committee at the March 2010 meeting.

##### **5.3 Risk Management**

5.3.1 The Committee, in addition, to the regular updates and annual report sought assurance from the Cabinet Assistant: Adult & Consumer Care & HOS - Prevention & Protection on Business Continuity /Emergency Planning risks. Further work was then undertaken by Internal on the specific Business Continuity Plans for the LEA support for Schools and Revenues and benefits in respect to Swine Flu. The Cabinet Member and HOS were due to report back to the March 2010 meeting but this was deferred to 2010/11 due to the impacts of organisational change.

##### **5.4 Governance**

5.4.1 The Annual Governance Statement 2008/09 was approved after consideration of the supporting information.

- 5.4.2 Members of the Committee completed a skills audit during Summer 2009 and specific follow up training was provided in November 2009.
- 5.4.3 The Committee also reviewed and commented on the findings of the Scrutiny Review and proposed changes.
- 5.4.4 The first Annual Report was produced and considered at the September 2009 Council meeting.

## **5.5 Treasury Management**

- 5.5.1 The Committee's terms of reference were updated by Council on 30<sup>th</sup> September 2009 to include reviewing the Council's Treasury Management arrangements to meet the requirements of guidance from the Audit Commission. Training was provided to the Committee by the Council's External Treasury advisors and then from Council officers on the draft strategy. Due to the Committee's developing knowledge an additional meeting was held in February 2010 in order for them to properly comment on the draft strategy.

## **5.6 Statement of Accounts 2008/09**

- 5.6.1 The Statement of Accounts approved by the Committee following a change to the Committee's terms of reference (previously approved by Council). As previously the approval meeting was preceded by a session with key Finance staff who explained the statements and the changes that had occurred during 2008/09.

## **5.7 Anti-Fraud & Corruption**

- 5.7.1 The annual report on the Anti-Fraud & Corruption Policy was received in July 2009.
- 5.7.2 Monitoring by the Committee of the Speak Up policy activity 2009 was reported at the March 2010 meeting.

## **5.8 Complaints**

- 5.7.1 The Committee reviewed the 2008/09 Annual Complaints report in July 2009.

## **5.9 General**

- 5.9.1 The Committee reviewed its Terms of Reference in September 2009 and incorporated responsibilities in respect to Treasury Management. They had been updated in June 2009 to include approval of the statement of accounts and were further updated to enable the Committee to review and "monitor" the Treasury management arrangements.

5.9.2 The Committee had a vacancy for a part of 2009/10 but the Committee is now properly populated and the new members have been offered and received induction training.

## **5.10 Conclusions for 2009/10 and the future 2010/11**

5.10.1 The Committee has had a productive year and sought assurance for Members and the Community on the audit, governance, risk management, financial statements, Treasury Management, complaints and anti-fraud and corruption arrangements of the Council.

5.10.2 Having a dedicated Audit Committee has allowed the committee members to get to know the processes across the Council. This more detailed insight has enabled the committee to challenge and provide assurance.

5.10.3 The Committee is not complacent and understands that the Council is experiencing some significant challenges and that it must continue to seek and provide appropriate assurance during 2010/11. Most notable are the changes in central Government and legislation/regulatory regime, organisational changes, significant reductions in resources, the International Financial Reporting Standards and the Committee's revised role in monitoring the Treasury Management activities of the Council.

5.10.4 The Committee will continue to seek assurances from strategic risk owners and Heads of Service in respect to governance and the control environment.

## **6.0 OTHER CONSIDERATIONS**

<b>AREA</b>	<b>COMMENTS</b>
Equality & Diversity	Internal reports to the Committee consider any appropriate equalities/diversity issues. If raised during the meeting they would be referred to the appropriate officer and if required cabinet member.
Environmental Impact	Internal reports to the Committee consider any appropriate sustainability issues. If raised during the meeting they would be referred to the appropriate officer and if required cabinet member.
Legal Implications	Although Audit Committees are not a legal requirement they are good practice as defined by CIPFA and the Audit Commission.
Links with Corporate Priorities	The Audit Committee contributes to Priority 7 Community Focussed Efficient Council.
Risks and Opportunities	The Audit Committee has an assurance role in the management of the Council's risks and opportunities.  The Chairman of the Committee is responsible for the management of the risks and opportunities associated with the committee but supported by appropriate officers.

Financial Implications	There are no financial implications arising from this report. The Audit Committee and support arrangements are fully funded within existing budgets.
Ward Implications	The operations of the Audit Committee encompass all Council activities and all Council locations. Therefore all Council Wards are affected by its operations.

## 7.0 **BACKGROUND PAPERS**

Audit Committee Papers 2009/10 (including minutes)

Constitution

Constitution Committee, Full Council – appropriate agenda's, papers and minutes

Report by Jenny Marriott, Audit & Risk Manager 383101

**TERMS OF REFERENCE OF AUDIT COMMITTEE 2009/10**

**Internal Audit**

1. The approval (but not direction) of, and monitoring of progress against, the internal audit strategy and plan.
2. Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
3. To be able to call senior officers and appropriate members to account for relevant issues within the remit of the Committee – governance, internal audit, risk management, statement of accounts and external audit.
4. The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any action being taken by the Council.

**External Audit**

5. Review and agree the External Auditors annual plan, including the annual audit fee and receive regular update reports on progress.
6. To consider the reports of external auditor.
7. Meet privately with the external auditor once a year, if required.
8. Ensure that there are effective relationships between external and internal audit that the value of the combined internal and external audit process is maximised.

**Risk Management**

Recognising that Risk Management is a Cabinet function, the Committee should:-

9. Seek assurances that the authority's risk management arrangements are effective and operating within Council policy and review the Annual Risk Management report to Council.
10. Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.

## **Governance**

11. Be responsible for the review and approval of the authority's Annual Governance Statement ensuring that it properly reflects the risk environment and any actions required to improve it. Following approval, it should recommend its inclusion in the Accounts.
12. Consider the effectiveness of the control environment including reviewing the Council's Code of Corporate Governance and other corporate governance arrangements to ensure compliance with best practice.

## **Treasury Management**

13. To review and monitor the Council's Treasury Management arrangements including Treasury policies, procedures and the management of the associated risks and make recommendations to the Cabinet as appropriate.

## **Statement of Accounts**

14. Review and approve the Statement of Accounts, external auditor's opinion and reports on them to members and monitor management action in response to the issues raised by external audit.

## **Fraud & Corruption**

15. To approve the Anti-Fraud and Corruption Policy for adoption by the Council, and to review it at least once every 2 years.
16. To approve the Speak Up Policy ('*whistle blowing*') for adoption by the Council, and to monitor its operation. This policy will be reviewed at least once every two years.

## **Complaints**

Recognising that Complaints/Compliments are a Cabinet function, the Committee should:-

17. Review the Annual Complaints Report and seek assurances that the Council is improving in response to complaints raised.

## **General**

18. The meetings will follow the principles of scrutiny, i.e. no party whip will be applied and a constructive, evidence based approach will be used.

19. To ensure that adequate training is received by the members of the committee on the areas covered by the terms of reference 1 – 16 above.
20. To ensure that any sensitive or confidential information obtained as a result of membership of the Committee is treated as confidential.
21. Annually review their effectiveness and their terms of reference.

## AUDIT COMMITTEE ACTIVITY 2009/10

Area	Activity
<b>Internal Audit</b>	Annual Report 2008/09 Quarter 4 2008/09 Update report Quarter 1 2009/10 Update report Quarter 2 2009/10 Update report Quarter 3 2009/10 Update report National Fraud Initiative 2008/09 update Internal Audit Plan and Strategy 2010/11 CIPFA Internal Audit Benchmarking results and analysis 2009  Update on Schools Catering – Head of Regeneration & Housing Update on Use of Resources from the Cabinet Member – Efficient Community Focussed Council
<b>External Audit</b>	Annual Audit Fee Letter 2009/10 Interim Report on 2008/09 final accounts work Annual Governance Report (ISA 260) 2008/09 Annual External Audit Letter 2008/09 Financial Statements Audit Plan – March 2010
<b>Risk Management</b>	Review of the Key Strategic Risk Register May 09 Risk Management Annual Report 2008/09 Risk Management Update February 2010  Discussion with risk owners Cabinet Assistant: Adult & Consumer Care & HOS Prevention & Protection on Business Continuity /Emergency Planning risks
<b>Governance</b>	Annual Governance Statement (AGS) 2008/09 November 2009 – half yearly progress on the consolidated governance action plan 2008/09 Review of the Effectiveness of the System of Internal Audit Review of the Effectiveness of the Audit Committee Skills audit for Audit Committee members Review of the Draft Revised Scrutiny arrangements  Audit Committee Annual Report 2008/09
<b>Treasury Management</b>	Internal Audit Review against the Audit Commission “Risk or Return” report Follow Up of Internal Audit Review against the Audit Commission “Risk or Return” report Discussed links between Audit Committee and Value for Money

	Scrutiny Committee in respect to Treasury Management Review of Draft Treasury Management Strategy (2 meetings)
<b>Statement of Accounts</b>	Review of Statement of Accounts 2008/09

**APPENDIX B (continued)**

<b>Area</b>	<b>Activity</b>
<b>Fraud &amp; Corruption</b>	2008/09 Annual Report on Anti-Fraud & Corruption Policy Update on the Speak Up Policy Activity 2009
<b>Complaints</b>	Annual report 2008/09
<b>General</b>	Terms of Reference reviewed September 2009