

## **TELFORD & WREKIN COUNCIL**

**AUDIT COMMITTEE 20th SEPTEMBER 2011  
COUNCIL 24<sup>th</sup> NOVEMBER 2011**

**AUDIT COMMITTEE ANNUAL REPORT 2010/11**

**REPORT OF THE HEAD OF GOVERNANCE**

### **1 PURPOSE**

1.1 To present to the Council an Annual Report on the 2010/11 operations of the Audit Committee.

### **2 RECOMMENDATIONS**

2.1 That Members of the Council note the contents of the annual report 2010/11.

### **3 SUMMARY**

3.1 The Audit Committee is part of the Council's governance and assurance arrangements. 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 third 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 6 meetings of the Audit Committee in 2010/11 compared to 7 in 2009/10. The reduction was due to not requiring an additional meeting in February 2010 to discuss the Treasury Management strategy as the Committee through training and experience had become more familiar with their roles and responsibilities.

### **4 PREVIOUS MINUTES**

4.1 Audit Committee 23<sup>rd</sup> September 2009 and 21<sup>st</sup> September 2010  
Council 30<sup>th</sup> September 2009 and 7<sup>th</sup> October 2010

## **5 INFORMATION – AUDIT COMMITTEE 2010/11**

### **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 The Internal Audit Plan and Strategy for 2011/12 was presented and approved by the Committee at the March 2011 meeting.
- 5.1.3 During the year, as a result of questions from the public, two “exceptional” reports were presented to the Audit Committee – one on Member Expenses 2007 and the other on Dawley Town Hall Lease Agreements 2002 -10. Both areas were subsequently the subject of independent review by the External Auditor. The External Auditor upheld the Internal Audit findings and actions agreed with management.

### **5.2 External Audit**

- 5.2.1 The External Auditors – KPMG were required to provide additional reports to the Committee this year – the Certification of Grant Claims and Returns 2008/9 and 2009/10. The former was presented to the June 2010 meeting and the latter the March 2011 meeting.
- 5.2.2 As already outlined in paragraph 5.1.3 above they were also required to report their responses to elector questions which they make an additional charge to the Council.

### **5.3 Risk Management**

- 5.3.1 The Committee, in addition, to an update and annual report, sought further assurance in respect to Business Continuity /Emergency Planning risks. The Committee also sought assurance in respect to the risks and finances around Looked After Children (Director of Children’s Social Services and Head of Safeguarding) and the risks/progress of the Single Status Project (Lead Director attended)

### **5.4 Governance**

- 5.4.1 The Annual Governance Statement 2009/10 was approved after consideration of the supporting information.
- 5.4.2 Members of the Committee reviewed their effectiveness at their February and March 2011 meetings and agreed not to appoint a co-optee at this stage due to the forthcoming elections and potential changes to the members of the committee.
- 5.4.3 The second Annual Report was produced and considered at the October 2010 Council meeting.

### **5.5 Treasury Management**

- 5.5.1 The Committee continued to build on the training and experience of the new responsibilities taken on during 2009/10.

## **5.6 Statement of Accounts 2009/10**

5.6.1 The Statement of Accounts was approved by the Committee following external audit at the September 2010 meeting. 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 2009/10.

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

5.7.1 The annual report on the Anti-Fraud & Corruption Policy was received in July 2010.

5.7.2 Monitoring by the Committee of the Speak Up policy activity 2010 was reported at the March 2011 meeting.

5.7.3 The updated Anti-Fraud & Corruption Policy was presented to the March 2011 committee and approved and recommended onto Council for adoption.

## **5.8 Complaints**

5.7.1 The Committee reviewed the 2009 Annual Complaints report (January – December 2009) in July 2010.

## **5.9 General**

5.9.1 The Committee reviewed its Terms of Reference at its first meeting of the municipal year as set out in the Constitution. No changes were required at this time and none have not been made during the year.

## **5.10 Conclusions for 2010/11 and the future 2011/12**

5.10.1 The Committee has had some challenging meetings during the year, for example the public interest and attendance at meetings in respect to the Dawley Town Hall lease review.

5.10.2 The Committee has continued to seek 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.

5.10.3 The change in administration following the election in May 2011 has meant an increase to the membership of the Audit Committee from six to seven members. The new Chairman is Cllr David Davies and the vice Chairman is Cllr Keith Austin

5.10.4 General training has been provided to all members and additional more specific training is planned during 2011. At the February 2012 meeting the Committee will review their knowledge and skills and assess if they feel the need to appoint any suitably skilled/experienced co-optee to enhance the committee's effectiveness.

5.10.5 There may also be a need to review the terms of reference during 2011/12 to reflect the move to a Co-operative Council and any immediate changes in respect to the external audit arrangements.

5.10.6 The Committee recognises that the Council is experiencing some significant challenges and that it must continue to seek and provide appropriate assurance during 2011/12. Most notable are the changes in the legislation/regulatory regime, organisational changes, significant reductions in resources and the International Financial Reporting Standards. The Committee will continue to seek assurances from strategic risk owners and Heads of Service in respect to governance and the control environment.

## **6 OTHER CONSIDERATIONS**

<b>AREA</b>	<b>COMMENTS</b>
Equal Opportunities	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	The work undertaken by the Audit committee during the year 2010/11 ensured that the Council complied with the statutory requirements set out in the Audit and Account Regulations 2003 (as amended). Those Regulations have now been revoked. The Audit and Accounts (England) Regulations 2011 ('the Regulations') are now in force and set out certain requirements that the Council must adhere to in relation to matters such as risk and financial management. If at any point there is a review of either the Audit Committee work plan and/or terms of reference, consideration must be given to the Council's statutory obligations as set out in the Regulations which are now in force. 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 good governance and the assurance framework. The work of the Committee links to all Council priorities.
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 BACKGROUND PAPERS**

Audit Committee Papers 2010/11 (including minutes)

Constitution

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

Report by Jenny Marriott, Audit & Assurance Risk Manager 383101

**TERMS OF REFERENCE OF AUDIT COMMITTEE 2010/11****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 2010/11

Area	Activity
<b>Internal Audit</b>	Annual Report 2009/10 Quarter 4 2009/10 Update report Quarter 1 2010/11 Update report Quarter 2 2010/11 Update report Quarter 3 2010/11 Update report Internal Audit Plan and Strategy 2011/12 CIPFA Internal Audit Benchmarking results and analysis 2010  Member Expenses May 2007 – Results of the Internal Audit & External Audit (KPMG) Investigations Internal Audit Review of Dawley Town Hall Lease Agreements 2002 - 2010
<b>External Audit</b>	Annual Audit Fee Letter 2010/11 Certification of Grant Claims and Returns 2008/09 Interim Report on 2009/10 final accounts work Annual Governance Report (ISA 260) 2009/10 Annual External Audit Letter 2009/10 Financial Statements Audit Plan – 2010/11 Certification of Grant Claims and Returns 2009/10  KPMG Report on Dawley Town Hall Leases
<b>Risk Management</b>	Review of the Key Strategic Risk Register September 2010 Risk Management Annual Report 2009/10 Risk Management Strategy 2010  Update of the Business Continuity Actions previously reported - HOS Looked after Children – DCSS and HOS Single Status update – Corporate Director
<b>Governance</b>	Annual Governance Statement (AGS) 2009/10 November 2010 – half year review of progress of the AGS 2009/10 action plan Review of the Effectiveness of the System of Internal Audit Review of the Effectiveness of the Audit Committee  Audit Committee Annual Report 2009/10
<b>Treasury Management</b>	Outturn Report 2009/10 Half Year Update Report 2010/11 2011/12 Treasury Management Strategy and Treasury Update Report
<b>Statement of Accounts</b>	Review of Draft Statement of Accounts 2009/10 Approval of the audited Statement of Accounts 2009/10

**APPENDIX B (continued)**

<b>Area</b>	<b>Activity</b>
<b>Fraud &amp; Corruption</b>	2009/10 Annual Report on Anti-Fraud & Corruption Policy Update on the Speak Up Policy Activity 2010 Update of the Corporate Anti-Fraud & Corruption Policy
<b>Complaints</b>	Annual report January – December 2009
<b>General</b>	Terms of Reference reviewed June 2010 Changes to the Accounts and Audit Regulations