

Report to Council

Agenda
Item:

17

Meeting Date: 29 April 2014
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework: Yes
Public / Private: Public

Title: AUDIT COMMITTEE'S ANNUAL REPORT
Report of: Chairman of the Audit Committee
Report Number: RD.03/14

Purpose / Summary:

This report provides a summary of the work undertaken by the Audit Committee during the period 15th April 2013 and the 24th of January 2014.

Recommendations:

It is recommended that the Council note and accept this report.

Tracking

Executive:	Not applicable.
Overview and Scrutiny:	Not applicable.
Council:	29th April 2014.

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: None

Audit Committee

Agenda
Item:

Meeting Date: 14th April 2014
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework: Yes
Public / Private: Public

Title: **AUDIT COMMITTEE'S ANNUAL REPORT**

Report of: Chair of Audit Committee.
Report Number: RD03/14

Purpose / Summary:

This report provides a summary of the work undertaken by the Audit Committee during the period 15th of April 2013 to the 24th January 2014.

Recommendations:

It is recommended that the Audit Committee note and accept this report for recommendation to Council.

Tracking

Executive:	Not applicable.
Overview and Scrutiny:	Not applicable.
Council:	29th April 2014

1 **BACKGROUND**

1.1 In accordance with paragraph 3.3 of the Audit Committee's Rules of Governance - attached to this report for Members' information as **Appendix A** - the Chairman of the Audit Committee is required to present an Annual Report on the work of the Audit Committee to the full Council.

1.2 The Members of the Audit Committee for this municipal year are -

Conservative

Mallinson E

Nedved

Earp

Bowman C (Substitute)

Geddes (Substitute)

Parsons (Substitute)

Labour

Patrick (Chair)

Atkinson K

Atkinson P

Bowditch

Whalen (Substitute)

Boaden (Substitute)

Franklin (Substitute)

This Report covers the meetings of the Audit Committee held on.

15th April 2013

22nd July 2013

26th September 2013

24th January 2014

2 **AUDIT COMMITTEE'S PROGRAMME OF WORK.**

- 2.1 At the commencement of the year, the Committee agreed a Programme of work for the forthcoming year that outlined the areas to be considered at each meeting.
- 2.2 The Programme for the above period included the following topics that were considered at each of the meetings:

Minutes of the Corporate Resources Overview and Scrutiny Committee or latterly the Resources Overview and Scrutiny Panel – these were submitted to each meeting of the Audit Committee for information and any member comments.

Responses from the Executive/Overview and Scrutiny – these were submitted for consideration and comment.

Audit Services Progress Reports – these provided summaries of the work carried out by Audit Services since the previous meeting of the Committee. A copy of each Final Audit Report was appended to these Progress Reports, together with any relevant information relating to any follow-up reviews that had been undertaken where members' attention needed to be drawn to any outstanding recommendations and the reasons for these.

Annual Governance Statement Action Plan – this regular report appraises members of progress made on the Annual Governance Statement Action Plan.

Risk Management Policy and progress – officers have provided Members of the Committee with information relating to the work of the Corporate Risk Management Group and the updated Corporate Risk Register on a regular basis, for noting and action if necessary.

The programme also included a number of topics that are considered on an annual or an ad-hoc basis -

2.2.1 **MEETING HELD 15TH APRIL 2013.**

- The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 3rd January and 21st February 2013 were submitted for information.

- The Audit Manager (Grant Thornton) presented the Certification Work Report for 2011/12. Members were asked to note that all work reported in the report had been completed by the Audit Commission prior to Grant Thornton's appointment as the Council's auditors.
- The Audit Manager (Grant Thornton) reported that overall the Council was performing well and there were no significant matters arising from their certification of claims and returns.

The Director (Grant Thornton) submitted a paper detailing progress in delivering Grant Thornton's responsibilities as the Council's external auditors. It was advised that there was nothing significant that would impact on their view of the accounts. There were no significant changes in approach to the Value for Money (VFM) conclusion work carried out in previous years. Greater emphasis had been placed on financial resilience and a separate report would be produced and reported in September alongside the ISA+260 Audit Findings Report.

- The Chairman presented report RD.04/13 which summarised the work undertaken by the Audit Committee during the period 16th April 2012 to 11th January 2013.
- The Audit Manager (Carlisle City) submitted report RD.06/13 providing details of the updated Strategic Audit Plan and the proposed Audit Plan for 2013/14.
- The Audit Manager (Carlisle City) submitted report RD.05/13 summarising the work carried out by Audit Services since the previous report to Committee on the 11th January 2013 and detailing progress made on delivery of the approved Audit Plan during the fourth quarter of 2012/13. The Committee gave in depth consideration to the audits of Carlisle Leisure Limited Client Contract, Recycling, and Bring Sites.
- The Chief Accountant submitted report RD.76/12 providing the regular quarterly summary of Treasury Management transactions for the third quarter of 2012/13 including the requirements of the Prudential Code.

2.2.2 MEETING HELD 22nd JULY 2013.

- Councillor Ms Patrick was duly appointed as Chairman of the Audit Committee for 2013/14 and it was also moved and seconded that Councillor Bowditch be appointed Vice-Chairman.
- The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 5th March, 4th April and 6th June 2013 were submitted for information.
- The Audit Manager (Grant Thornton) presented the Audit Plan for Carlisle City Council for the year ended the 31st March 2013. Members were informed that the Plan was based on a risk based approach to audit planning.
- The Audit Manager (Grant Thornton) presented the Audit fee letter for 2013/14. The scale fee for 2012/13 had been set by the Audit Commission at £70,153, i.e. the same as the audit fee for 2012/13 and the grant certification fee had been set at £17,200.
- The Audit Manager (Grant Thornton) presented their Grant Certification Work Plan for 2012/13.
- The Financial Services Manager submitted report RD.22/13 providing the City Council's Annual Governance Statement for 2012/13. There was only one area of significant weakness in the Councils Governance arrangements which needed to be brought to the attention of Members, details of which were included in the statement.
- The Chief Accountant presented in some detail report RD.23/13 enclosing the Council's Statement of Accounts 2012/13 which had been certified by the S.151 Officer in accordance with statutory requirements;by 30th June 2013.
- The Chief Accountant submitted the Annual Report on Treasury Management (RD.13/13). Members were informed that the report was required under both the Financial Procedure Rules and CIPFA Code of Practice on Treasury Management. The regular report on Treasury Transactions for the period 1st January 2013 – 31st March 2013 was also submitted.
- The Chief Accountant submitted report RD.08/13 concerning Treasury Management Counterparties.

- The Audit Manager (Carlisle City) submitted report RD.26/13 summarising the work carried out by Internal Audit since the previous report to Committee on 15th April 2013 and detailing progress made on delivery of the approved Audit Plan during the first quarter of 2013/14.
- The Audit Manager (Carlisle City) submitted report RD.25/13 summarising the work carried out by the Internal Audit Shared Service for the year 2012/13 together with the annual audit opinion on the adequacy of the control environment for that period. Also provided was information on the effectiveness of Internal Audit in the format agreed by the Audit Committee on 23rd January 2007.
- The Audit Manager (Carlisle City) submitted report RD.27/13 concerning the outcome of an internal investigation undertaken in 2012/13.

2.2.3 MEETING HELD ON 26TH SEPTEMBER 2013.

- The Minutes of the meeting of the Resources Overview and Scrutiny Panel held on the 18th July and 29th of August 2013 were submitted for information. The Chairman acknowledged the improvement to the Councils sickness levels.
- The Manager (Grant Thornton) reported that Grant Thornton's work supporting their Value for Money (VFM) conclusion as part of the statutory external audit included a review to determine whether the City Council had proper arrangements in place for securing financial resilience.
- The Director (Grant Thornton) presented a report highlighting the key matters arising from the audit of the Council's financial statements for the year ended 31st March 2013. The report was also used to present their audit findings to management and the Audit Committee in accordance with the requirements of International Standard on Auditing 260 (ISA).
- The Chief Accountant submitted report RD.43/12 attaching a Letter of Representation for 2012/13.
- The Chief Accountant submitted report RD.44/13 concerning the Council's Statement of Accounts 2012/13. Copies of the Accounts, which had been

subject to a three month audit process, (commencing July 2013 and with a statutory completion date of 30 September 2013) had been circulated.

- The Financial Services and HR Manager submitted report RD.45/13 updating Members on the Council's governance arrangements and its systems of internal control in line with CIPFA's Good Governance Framework. The Annual Governance Statement for 2012/13 had highlighted one area of weakness (related to contract monitoring) in the Council's governance arrangements together with the progress made against that area.
- The Audit Manager submitted report RD.42/13 summarising the work carried out by Internal Audit since the previous report to Committee on 22nd of July 2013 and detailing progress made on delivery of the approved Audit Plan.
- The Chief Accountant submitted report RD.30/13 providing the regular quarterly summary of Treasury Management transactions for the first quarter of 2013/14, including the requirements of the Prudential Code.
- The Director of Governance presented report SD.05/13 providing an update on the Council's risk management arrangements. Details of the background and risk management and control environment were provided.

2.2.4 MEETING HELD ON 24TH JANUARY 2014.

- The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on the 10th of October and 28th of November 2013 and 6th January 2014 were submitted for information.
- The Director (Grant Thornton) presented, for information, the Annual Audit Letter for the City Council, the purpose of which was to summarise the key findings from the work carried out for the year ended the 31st March 2013, namely auditing the 2012/13 Accounts and Whole of Government Accounts submission; assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources; and certification of grant claims and returns.
- The Audit Manager (Grant Thornton) presented a paper detailing progress in delivering Grant Thornton's responsibilities as the Council's external auditors. Also included was a summary of emerging national issues and developments

of relevance to the authority; together with a number of challenge questions in respect of those emerging issues.

- The Chief Accountant submitted report RD.72/13 providing information on the 2013/14 Final Accounts process.
- The Financial Services and HR Manager submitted report RD.73/13 providing Members with proposed changes to the authority's Financial Procedure Rules in respect of the retention of documents.
- Pursuant to Minute AUC.52/13 the Financial Services and HR Manager submitted report RD.74/13 updating Members on the Councils governance arrangements and its systems of internal control in line with CIPFA's Good Governance Framework.
- The Audit Manager (Carlisle City) submitted report RD.79/13 summarising the work carried out by Internal Audit and detailing progress made on delivery of the approved 2013/14 Audit Plan.
- The Chief Accountant submitted report RD.63/13 setting out the Council's Treasury Management Strategy Statement for 2014/15 in accordance with the CIPFA Code of Practice on Treasury Management..
- The Chief Accountant submitted report RD.55/13 providing the regular quarterly report on Treasury Transactions, together with an interim report on Treasury Management as required under the Financial Procedure Rules. The report also discussed the City Council's Treasury Management estimates for 2014/15 with projections to 2018/19, and set out information regarding the requirements of the Prudential Code on local authority capital finance.
- The Group Audit Manager (Cumbria Shared Internal Audit Services) reported (RD.81/13) that Cumbria County Council had commissioned a review of the Internal Audit Shared Service in spring 2013. That was to assist the incoming Group Audit Manager in developing the audit service in line with the Public Sector Internal Audit Standards (PSIAS). Those standards became mandatory for all UK public sector internal audit services from 1st April 2013.
- The Group Audit Manager (Cumbria Shared Internal Audit Services) submitted report RD.80/13 presenting a draft Internal Audit Charter setting out the

arrangements for the delivery of the internal Audit Services to Carlisle City Council.

3 CONSULTATION

None

4 CONCLUSION AND REASONS FOR RECOMMENDATION.

4.1 The existence of the Audit Committee and its work programme enable the Council to demonstrate that it is following the recommended best practice in respect of the CIPFA Practical Guidance for Audit Committees in Local Authorities. The Committee has strengthened the Council's internal control process through its ability to ensure that systems and controls are robust, that challenges are raised as appropriate, and that adequate follow-up procedures are in operation in relation to Audit recommendations. This has been noted and commented on by the External Auditor's Audit Manager.

4.2 It is recommended that the Audit Committee note and accept this report.

5 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES.

5.1 To ensure that good governance arrangements are in place to underpin the delivery of Carlisle City's Priorities.

Contact Officer: Gill Martin Ext: 7294
Audit Manager
Shared Internal Audit Service

**Appendix A – Rules
of Governance
attached to report:**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Economic Development – not applicable

Governance – not applicable

Local Environment – not applicable

Resources – not applicable

Appendix A

AUDIT COMMITTEE RULES OF GOVERNANCE

1. STATEMENT OF PURPOSE

- 1.1 The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

2. TERMS OF REFERENCE

2.1 Audit Activity

To consider the Audit Services Manager's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.

To consider summaries of specific internal audit reports as requested.

To consider reports dealing with the management and performance of the providers of internal audit services.

To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To liaise with the Audit Commission over the appointment of the Council's external auditor.

To commission work from internal and external audit.

2.2 Regulatory Framework

To maintain an overview of the Council's Constitution in respect of Contract Procedure Rules, Financial Regulations and financial Codes of Conduct and Behaviour.

To review any issue referred to it by the Town Clerk and Chief Executive or a Director, or any Council body.

To monitor the effective development and operation of risk management and corporate governance in the Council.

To monitor Council policies on “Raising Concerns at Work” and the anti-fraud and anti-corruption strategy and the Council’s complaints process.

To oversee the production of and approve the authority’s Annual Governance Statement.

To consider the Council’s arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

To consider the Council’s compliance with its own and other published standards and controls.

2.3 Accounts

To approve the Annual Statement of Accounts, income and expenditure and balance sheet. To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

To consider the external auditor’s report to those charged with governance on issues arising from the audit of the accounts.

3. ACCOUNTABILITY

3.1 The Audit Committee will be a stand alone Committee of the Council. All Audit Committee members will act in the interests of the Council and not on behalf of any political party, constituency, ward, or interest group.

3.2 The Chairman of the Audit Committee will be appointed by the Committee. The Chairman and the Committee will ensure that relevant issues are promptly brought to the attention of the Executive, Overview and Scrutiny Panels and Regulatory Committees or the full Council.

3.3 The Chairman of the Audit Committee will present an Annual Report on the work of the Audit Committee to the full Council.

4. AUTHORITY AND ACCESS

4.1 The Audit Committee has a right to request relevant information from appropriate or relevant Members and Officers of the Council.

4.2 The Audit Committee will not be able to transact the powers, functions and duties reserved to the full Council, the Executive, Overview and Scrutiny Panels and other Regulatory Committees.

4.3 The Audit Committee will have access to in-house financial, legal and any other professional advice necessary to carry out its functions.

4.4 The Chairman of the Audit Committee and the external and internal auditor will meet as necessary and the Council’s Audit Services Manager will provide necessary services and support and assistance to the Audit Committee.

- 4.5 Any Member, Officer or member of the public who has any concern covered by the Terms of Reference of the Audit Committee may raise the matter with the Chairman of the Committee who will obtain, if necessary, relevant advice from the Council's Monitoring Officer or the Section 151 Finance Officer before taking any action with regard to the same.

5. MEMBERSHIP

- 5.1 Audit Committee members will be appointed by the Council and consist of 7 members in accordance with the rules governing political balance. No member of the Executive and no chair of the Overview and Scrutiny Panels will be eligible to be a member of the Audit Committee.
- 5.2 The Audit Committee will be provided with administrative support by the Governance Directorate and reports/decisions of the Audit Committee will be recorded and published on CMIS in the usual way. The Resources Directorate will provide technical support to the Committee when required. As the decisions of the Audit Committee will not be of an executive nature, the decisions will not be the subject of a request for call-in. If any Member is concerned about any decision of the Audit Committee, s/he should raise the matter with the Chairman of the Audit Committee, the Monitoring Officer, the Section 151 Finance Officer and/or ask an oral question of the Chairman of the Audit Committee at the Council meeting in accordance with the relevant Council Procedure Rules.

6. ATTENDANCE

- 6.1 The Audit Committee shall meet on a regular basis as provided for in paragraph 7 below. Officers and others may attend all or part of the meeting at the invitation of the Committee. Attendees will usually include:

- The Leader or Deputy Leader
- The Portfolio Holder for Finance
- Town Clerk and Chief Executive
- Director of Resources (Section 151 Finance Officer)
- Director of Governance (Monitoring Officer)
- Audit Services Manager
- Other Directors and Managers, as required

- 6.2 Subject to the relevant meeting complying with the Access to Information paragraphs for the exclusion of members of the public, the Audit Committee will at least annually meet :

- (i) in private, with the external and internal auditors together; and/or
- (ii) in private, with the external auditor.

7. MEETINGS

- 7.1 The Audit Committee will meet at least four times a year in accordance with the schedule of meetings agreed by the Council. The External Auditor or the Audit Services Manager may

request a meeting if they consider it necessary and other special meetings may be called in accordance with the Council's Procedure Rules.

- 7.2 The members of the Audit Committee will commit to receiving appropriate training and development necessary to fulfil their roles.

8. QUORUM

- 8.1 The quorum for any meeting will be one quarter of the elected members of the Committee, subject to there being not less than two elected members present at any time.

9. WORK PROFILE OF THE AUDIT COMMITTEE

- 9.1 In furtherance of the Terms of Reference and not otherwise, the Audit Committee is likely to receive and advise upon the following areas of work :

- Whether there is an appropriate culture of risk management and related control throughout the Council;
- the Annual Governance Statement;
- the annual Statement of Accounts, including changes in and compliance with accounting policies and practices, major judgemental areas and significant adjustments resulting from the audit;
- significant changes required to Financial Procedure Rules and the Contracts Procedure Rules.
- the framework and processes for risk assessment, analysis and management within the Council;
- the effective co-ordination between internal and external audit;
- the budget needed to resource effective internal and external audit and other responsibilities of the Audit Committee; and
- generally, on how the Audit Committee could add value to the work and operation of the Council.

9.2 External Audit and Inspection Agencies

- To note the fees and terms of engagement of the external auditor.
- To review the planned programme of work with the external auditor.
- To consider the annual statutory audit and to advise the Executive on any response to any audit management letters, reports and investigations, including Value for Money studies and other inspection reports.
- To review whether agreed external or internal audit or inspection recommendations have been implemented by the Executive as timetabled.
- To discuss with the external auditor any problems, reservations or issues arising from the interim or final audit or other investigations.

- To review the external auditor's independence and objectivity and annually appraise the Executive on the effectiveness and value for money of the external audit service.

9.3 Corporate Governance Framework

- To review and advise the Executive on the embedding and maintenance of an effective system of corporate governance including internal control and risk management.
- To give an assurance to the Council that there is a sufficient and systematic review of the corporate governance, internal control and risk management arrangements within the Council.
- To review the Annual Governance Statement and make appropriate recommendations to the Council, the Executive, the Overview and Scrutiny Panels and Regulatory Committees.
- To ensure that any significant weaknesses identified are remedied.
- To commission, if necessary, any relevant investigations into matters of particular concern relating to internal control.
- To ensure that the impact of any alleged or fraudulent activity on the Council's framework of internal control is reviewed and, where necessary, to recommend changes to strengthen the control framework.
- To receive reports relating to those aspects of whistle blowing or alleged or actual fraudulent activity which relate to the Terms of Reference of the Audit Committee.

9.4 Internal Audit

To review and make recommendations to the Executive regarding :

- The effectiveness of internal audit;
- the internal audit function to ensure it is adequately resourced;
- the internal audit strategy, annual plan and to monitor delivery of the plan;
- any internal audit protocols and policies;
- significant audit findings, together with the response from managers to these reports;
- any difficulties encountered by internal audit including any restrictions on the scope of activities or access to required information;
- agreed internal audit recommendations to ensure they are implemented by management as timetabled; and
- the annual report from the Audit Services Manager.

9.5 Other

To consider and make recommendations to the Executive on:

- the selection and terms of appointment of other appropriate advisors and consultants;
- governance issues relating to the operation of the Audit Committee, and
- the proportionality, independence, and appropriateness of any of the Council's policies relating to any audit or governance matters;
- such other matters of an audit, financial or governance nature as fall within the terms of reference of the Committee or as may be referred by the Council.