

Meeting of the City Council

23 September 2015

Report title	Audit Committee Annual Report – 2014/15	
Referring Body	Audit Committee – 6 July 2015	
Councillor to present report	Cllr Craig Collingswood	
Wards affected	All	
Cabinet member with lead responsibility	Cllr Andrew Johnson Resources	
Accountable director	Mark Taylor, Finance	
Originating service	Audit	
Accountable employee (s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report to be/has been considered by	Audit Committee	6 July 2015

Recommendation(s) for action or decision:

1. The Council is recommended to approve the contents of the 2014/15 Audit Committee Annual Report.

1.0 Purpose

1.1 This report is submitted to summarise the work undertaken by the Audit Committee during the 2014/15 year and to ask Council to approve the contents of the report.

2.0 Background

2.1 The Audit Committee submits an annual report to Council based on activity and work programmes for the preceding municipal year. This report covers activity during 2014/15.

3.0 Progress

3.1 The accompanying annual report of the Audit Committee provides an overview of the work undertaken in 2014/15

4.0 Financial implications

4.1 There are no financial implications arising from the recommendation in this report

5.0 Legal implications

5.1 There are no legal implications arising from the recommendation in this report

6.0 Equalities implications

6.1 There are no equalities implications arising from the recommendation in this report.

7.0 Environmental implications

7.1 There are no environmental implications arising from the recommendation in this report.

8.0 Human resources implications

8.1 There are no human resources implications arising from the recommendation in this report.

9.0 Corporate landlord implications

9.1 There are no corporate landlord implications arising from the recommendation in this report

10.0 Schedule of background papers - Audit Committee report on 6 July 2015 'Annual Report – 2014/15'

This report is PUBLIC
[NOT PROTECTIVELY MARKED]

CITY OF
WOLVERHAMPTON
COUNCIL

Audit Committee Annual Report – 2014/15



The Audit Committee at Wolverhampton

Councillor Craig Collingswood – Chair of the Audit Committee

The Audit Committee is a key component of the council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the Audit Committee is to provide independent assurance to the council on the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes.



It also oversees the work of both the internal and external auditors, helping to ensure that efficient and effective assurance arrangements are in place. The key benefits of the Committee can be seen as:

- increasing public confidence in the objectivity and fairness of financial and other reporting;
- reinforcing the importance and independence of internal and external audit and similar review processes;
- providing additional assurance through a process of independent review; and
- raising awareness of the need for internal control and the implementation of audit recommendations.

The Audit Committee agrees a work programme for each year. It is based on (but not limited to) the following main sources of assurance:

- Annual Governance Statement: this is the statutory report which the Audit Committee approves in relation to the council's Statement of Accounts.
- Strategic Risk Register: a regular review of how the council is managing the risks it faces.
- Internal Audit: the ongoing work of, and reports from the council's internal auditors.
- External Audit: the reports submitted to the Audit Committee by the council's external auditors PricewaterhouseCoopers (PwC).

I believe it has been a successful year for the Audit Committee and we look forward to building on this during 2015/16. I was particularly pleased to see the council's audit service continuing to expand on its successful joint working arrangement with Sandwell MBC. Not only has it recently won the contract to provide the audit service for Wolverhampton Homes, it has also entered into a partnership arrangement with Centro. All of which has helped them build an impressive customer base.

Finally, as the new Chair of the Audit Committee I would like to thank all the Councillors who served on the Committee during the year, both the internal and external auditors and all of the other employees who have contributed towards that success.

Key Committee business during the year

Meeting	Activity
14 July 2014	Draft Statement of Accounts Annual Governance Statement Corporate Risk Register Audit Committee Annual Report Annual Internal Audit Report Annual Review of the Effectiveness of Internal Audit Internal Audit Report – Performance Appraisal Scheme CIPFA Audit Committee Update Payment Transparency
22 September 2014	Audited Statement of Accounts External Audit ISA 260 Report External Audit – Financial Resilience Report Budget Update and Review Independent Review of the Process for the Medium Term Financial Strategy Strategic Risk Register and Assurance Map Internal Audit Charter Internal Audit Report on Agresso Internal Audit Update Internal Audit Staffing Arrangements CIPFA Audit Committee Update Payment Transparency
15 December 2014	External Audit Annual Letter Budget Update and Review Annual Governance Statement Update Strategic Risk Register and Assurance Map Internal Audit Update Payment Transparency Review of Fraud Related Policies and Procedures Benefits Fraud Sanctions
9 March 2015	External Audit Plan Annual Certification Report Strategic Risk Register and Assurance Map Internal Audit Update Internal Audit Plan Payment Transparency Secondary School Balances Statement of Accounts Progress Appointment of External Auditor Audit Committee – Terms of Reference Audit Committee – Self Assessment of Good Practice and Effectiveness Procurement Cards – Briefing Note

The Committee believes that its key achievements during the year were

<ul style="list-style-type: none">• Providing assurance through a process of independent review and challenge.
<ul style="list-style-type: none">• Raising the profile of internal control issues across the council and of the need to ensure that audit recommendations are implemented.
<ul style="list-style-type: none">• Regular consideration and review of the risks that the council faces, through examination of the strategic risk register and accompanying assurance map.
<ul style="list-style-type: none">• Maintaining a good working relationship with the council's internal and external auditors.
<ul style="list-style-type: none">• Maintaining an awareness of the likely changes to the appointment of external auditors through the Local Audit and Accountability Act, and noting that in 2015/16 the council will have new external auditors (Grant Thornton).
<ul style="list-style-type: none">• Building the skills and knowledge of Committee members through regular technical updates and the consideration of related guidance issued by CIPFA.
<ul style="list-style-type: none">• The continued presence of two independent members in order to broaden the Committee's experience and independent view point.
<ul style="list-style-type: none">• Maintaining a detailed focus on the actions being taken to combat fraud.

The Committee's Terms of Reference

Statement of purpose

Our Audit Committee is a key component of the council's corporate governance. It provides an independent and high-level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of our Audit Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.

Governance, risk and control

- To review the council's corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.
- To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit's opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.
- To consider the council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- To consider the council's framework of assurance and ensure that it adequately addresses the risks and priorities of the council.
- To monitor the effective development and operation of risk management in the council.
- To monitor progress in addressing risk-related issues reported to the committee.
- To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.
- To review the assessment of fraud risks and potential harm to the council from fraud and corruption.
- To monitor the counter-fraud strategy, actions and resources.

Internal Audit

- To approve the internal audit charter.
- To review proposals made in relation to the appointment of external providers of internal audit services and to make recommendations.
- To approve risk based internal audit plan, including internal audit's resource requirements, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- To approve significant interim changes to the risk-based internal audit plan and resource requirements.
- To make appropriate enquiries of both management and the head of internal audit to determine if there are any inappropriate scope or resource limitations.
- To consider reports from the head of internal audit on internal audit's performance during the year, including the performance of external providers of internal audit services. These will include:

- updates on the work of internal audit including key findings, issues of concern and action in hand as a result of internal audit work;
 - regular reports on the results of the quality assurance and improvement programme; and
 - reports on instances where the internal audit function does not conform to the Public Sector Internal Audit Standards and Local Government Application Note, considering whether the non-conformance is significant enough that it must be included in the annual governance statement.
- To consider the head of internal audit's annual report:
 - the statement of the level of conformance with the Public Sector Internal Audit Standards and Local Government Application Note and the results of the quality assurance and improvement programme that supports the statement - these will indicate the reliability of the conclusions of internal audit; and
 - the opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control together with the summary of the work supporting the opinion - these will assist the committee in reviewing the annual governance statement.
 - To consider summaries of specific internal audit reports as requested.
 - To receive reports outlining the action taken where the head of internal audit has concluded that management has accepted a level of risk that may be unacceptable to the authority or there are concerns about progress with the implementation of agreed actions.
 - To contribute to the quality assurance and improvement programme and in particular, to the external quality assessment of internal audit that takes place at least once every five years.
 - To consider a report on the effectiveness of internal audit to support the annual governance statement, where required to do so by the Accounts and Audit Regulations.
 - To support the development of effective communication with the head of internal audit.

External Audit

- 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 commission work from internal and external audit.
- To advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Financial Reporting

- To receive detailed training in respect of the process associated with the preparation, sign off, audit and publication of the council's annual statement of accounts.
- To monitor the on-going progress towards publication of the council's annual statement of accounts, ensuring the statutory deadlines are achieved.
- To obtain explanations for all significant variances between planned and actual expenditure to the extent that it impacts on the annual statement of accounts.

- To review the annual statement of accounts. Specifically, 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.

Accountability arrangements

- To report to those charged with governance on the committee's findings, conclusions and recommendations concerning the adequacy and effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements, and internal and external audit functions.
- To report to full Council on a regular basis on the committee's performance in relation to the terms of reference, and the effectiveness of the committee in meeting its purpose.

Counter Fraud

- To monitor the progress of investigations undertaken by the internal auditors.