

**ANNUAL REPORT ON THE  
WORK OF  
THE AUDIT COMMITTEE**

**March 2015**

## **1. Introduction**

1.1 This report covers the period April 2014 to March 2015 and outlines:-

- Information relating to the Audit Committee;
- The coverage of work undertaken by the Audit Committee;
- Key issues arising;
- Actions taken during the year, including training, to ensure the effectiveness of the Audit Committee; and
- Future planned work and challenges.

## **2. Background**

2.1 The Audit Committee has been in place for a number of years. The Committee's terms of reference list the responsibilities and authorities delegated in the Council's Constitution, which comprise:

### **Internal control**

- To consider and monitor the adequacy and effectiveness of the Authority's risk management and internal control environment and to make recommendations to full Council where necessary.

### **External audit**

- To monitor the adequacy and effectiveness of the External Audit Service and respond to its findings.

### **Internal audit**

- To support the Group Director Resources with his or her delegated responsibility of ensuring arrangements for the provision of an adequate and effective internal audit.
- To monitor the adequacy and effectiveness of the internal audit service and to receive and monitor an annual internal audit plan from the audit manager.
- To approve the Annual Statement of Accounts, including the Annual Governance Statement, and to recommend as necessary to the Governance Committee regarding the committee's responsibilities to monitor corporate governance matters generally.
- To monitor proactive fraud and corruption arrangements.

## **3. The Audit Structure (as at February 2015)**

Audit Committee: Cllr Frederick Thompson (Chair)  
Cllr Julie Wilkes (Vice Chair)  
Cllr Viddy Persuad  
Cllr Clarence Barrett  
Cllr Philip Hyde  
Cllr Graham Williamson

Internal Auditors: Internal Service

External Auditors: PricewaterhouseCoopers (PwC)

## **4. Audit Committee coverage**

## **Annual Report of the Audit Committee, 2014/15**

- 4.1 The Audit Committee has received the reports as set out in Appendix A. The coverage can broadly be categorised as regular and specific. More information on both is set out below.

### **4.2 Regular Work**

The Committee has regularly reviewed:

- Progress against the audit plan and performance;
- Key findings/issues arising from each audit undertaken;
- Progress against implementation of the recommendations;
- Anti-fraud and corruption activity, including frauds investigated and outcomes;
- Treasury Management activity; and
- The Accounts closedown timetable and progress reports.

### **4.3 Specific Review / Reports**

There were several during the year including a review and approval of:

- the Statement of Accounts;
- the Annual Governance Statement; and
- the Annual Audit Plan.

The Committee also received assurances via:

- Annual Report from Internal Audit that includes the Annual Assurance Statement; and
- The work of External Audit (PwC).

## **5. Key issues arising**

- 5.1 Appendix B includes details of the audit assurances and recommendations provided for each audit area within the plan.
- 5.2 The Committee have been updated on the plans for the Audit, Risk and Fraud teams to be restructured as part of the oneSource service integration. This work continues and the new structures will be implemented in 2015/16.

## **6. Work to ensure effectiveness of Committee**

- 6.1 The Committee has received dedicated training and awareness sessions on Treasury Management, the Annual Statement of Accounts and Fraud. Risk Management is scheduled for March. Details of training and attendance are included at Appendix C.

## **7. Priorities and work plan for the forthcoming year**

- 7.1 The Audit Committee is currently planned to meet on four occasions over the next municipal year. There are specific reports planned throughout the year,

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running through a mix of quarterly progress reports and annual reviews of specific strategies and policies within the remit of the Committee, together with progress reports from the Council's external auditor.

- 7.2 Officers will continue to ensure all members on the Committee, and their nominated substitutes, are adequately trained.
- 7.3 The Committee will continue to oversee the effectiveness of the audit team and wider fraud resources as they become part of oneSource and in accordance with Public Sector Audit Standards and the updated Audit and Accounts Regulations 2015 that take effect from April 2015.
- 7.4 The Committee will focus on the Risk Management arrangements while they continue to be embedded and seek assurances that robust arrangements are in place.
- 7.5 Fraud prevention and detection will continue to be high on the Audit Committees agenda going forward, ensuring the changes in fraud strategy in 2015 are effectively delivered.
- 7.6 The Committee will continue to focus on ensuring Value for Money and challenging weak areas that have been highlighted by the work of Internal Audit.
- 7.7 A draft forward plan and training plan are detailed in Appendix D.

**APPENDIX A**

**AUDIT COMMITTEE AGENDA ITEMS - FROM APRIL 2014 TO DATE**

**April 2014**

- Internal Audit System Audit Summaries
- Internal Audit School Audit Summaries
- Internal Audit Annual Report
- Annual Governance Statement
- Urgent Business
- Surtees Contract
- Internal Audit Fraud Interim Report

**June 2014**

- Closure of Accounts Timetable 2013/2014
- Internal Audit Progress Report
- System Audit Report Summaries
- Internal Audit School Audit Summaries
- Fraud Progress Report
- Forward Plan of the Audit Committee
- Revised Internal Audit Plan for 2014/2015
- Internal Audit Charter and Terms of Reference
- Member Training Plan
- Annual Governance Statement
- Urgent Business

**September 2014**

- Annual Statement of Accounts 2013/2014
- Report to those charged with Governance
- Fraud Progress Report
- Urgent Business
- Annual Treasury Management Report 2013/2014
- Treasury Management Update Quarter 1 2014/2015

**December 2014**

- Annual Audit Letter
- Closure of Accounts Timetable
- Internal Audit Progress Report
- Governance Update
- Fraud Progress Report
- Urgent Business
- Treasury Management Update Quarter 2

## APPENDIX B

## AUDIT COMMITTEE SPECIFIC ASSURANCES

The table below shows the reports submitted to Audit Committee during the municipal year and identifies the title of the audit and shows the audit opinion given. The audit opinion options are:

- **Full:** There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
- **Substantial:** While there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- **Limited:** Limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
- **No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/or significant non compliance with basic controls leaves the system open to error or abuse.

The table also shows the number of recommendations made and the category. Recommendations are categorised into three priority levels which indicate the level of risk the identified weakness poses on the control environment. The key below defines these priorities.

- **High:** Fundamental control requiring implementation as soon as possible.
- **Medium:** Important control that should be implemented.
- **Low:** Pertaining to best practice.

Report	Assurance	Recommendations			
		High	Med	Low	Total
<b>Systems Audit</b>					
Housing Benefits	Substantial	0	0	0	0
Council Tax	Substantial	0	2	3	5
Main Accounting (Pre One Oracle Review)	Substantial	0	0	0	0
Debtors (Pre One Oracle Review)	Substantial	0	0	0	0
Pensions (Pre One Oracle Review)	Substantial	0	0	0	0
Budgetary Control	Substantial	0	0	0	0
Payroll	Substantial	0	0	0	0
Pre-Paid Cards	Substantial	0	3	0	3
Youth Services	Substantial	0	3	1	4
Accounts Payable (Pre One Oracle Implementation)	Substantial	0	1	0	1
Accounts Receivable (Pre One Oracle Implementation)	Substantial	0	1	0	1
Payroll (Pre One Oracle Implementation)	Substantial	0	0	0	0
BACS	Limited	1	2	0	3
Gas Safety Regulations – Building Services	Substantial	1	4	3	8
Gas Safety Regulations – Home Ownership	Limited	3	2	0	5

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<b>Report</b>	<b>Assurance</b>	<b>Recommendations</b>			
		<b>High</b>	<b>Med</b>	<b>Low</b>	<b>Total</b>
Carbon Reduction Commitment Scheme	N/A	N/A	N/A	N/A	N/A
Construction Industry Scheme	Substantial	0	0	0	0
Main Accounting (Pre One Oracle Implementation)	Substantial	0	0	0	0
Housing Capital	Substantial	0	2	0	2
Housing Allocations	Limited	0	0	0	0
Tenancy Management Organisations	Limited	3	4	0	7
Payments to Contractors (Road & Pavement Defects)	Limited	3	4	3	10
Long Term Sick	Nil	0	4	0	4
<b>Follow Up Audit</b>					
Information Governance Follow Up	Substantial	0	0	0	0
Tenancy Management Follow Up	Substantial	0	1	0	1
LAC Placements Follow Up	Substantial	0	1	0	1
Emergency Assistance Scheme Follow Up	Full	0	0	0	0
<b>Computer Audit</b>					
PARIS	Limited	3	1	0	4
Operating Systems Follow Up	Substantial	0	0	0	0
<b>Schools Audit</b>					
Benhurst Primary School	Substantial	1	3	2	6
Towers Junior School	Substantial	0	5	0	5
Squirrels Heath Infants School	Full	0	1	1	2
Parklands Junior	Nil	7	9	0	16
St. Edwards CE Primary	Substantial	1	6	0	7
Brady Primary	Substantial	0	9	3	12
St Patricks RC Primary	Substantial	0	5	3	8
Langtons Infants Health Check	Substantial	0	1	4	5
Mead Primary Health Check	Full	0	1	2	3
The Mawney Foundation Health Check	Full	0	2	1	3

**APPENDIX C**

**AUDIT COMMITTEE MEMBERS TRAINING / AWARENESS**

<b>Timescale</b>	<b>Session</b>	<b>Coverage</b>	<b>Attendance</b>
May	Induction	General	Cllr Ray Morgon Cllr Julie Wilkes Cllr Graham Williamson Cllr Phillip Hyde Cllr Viddy Persuad
September	Finance	Treasury Management	Cllr Frederick Thompson Cllr Ray Morgon Cllr Julie Wilkes Cllr Graham Williamson
September	Finance	Statement of Accounts	Cllr Frederick Thompson Cllr Ray Morgon Cllr Julie Wilkes Cllr Viddy Persuad Cllr Graham Williamson
December	Fraud	Fraud Briefing 2014	Cllr Frederick Thompson Cllr Julie Wilkes Cllr Philip Hyde Cllr Viddy Persaud Cllr Graham Williamson



**APPENDIX D**

**AUDIT COMMITTEE – FORWARD PLAN / TRAINING**

<b>FORWARD PLAN</b>	<b>AGENDA ITEM</b>	<b>PLANNED TRAINING</b>
June 2015	<ul style="list-style-type: none"><li>• Internal Audit Charter and Terms of Reference</li><li>• Audit Strategy and Full Year oneSource Plan</li><li>• Internal Audit Progress Report</li><li>• Fraud Progress Report</li><li>• Annual Governance Statement</li><li>• Annual Review of Risk Management</li><li>• Annual Review of Fraud &amp; Corruption</li><li>• Committee Forward Plan</li><li>• Member Training Plan</li><li>• Accounts Update – verbal</li></ul>	Corporate Governance
September 2015	<ul style="list-style-type: none"><li>• Annual Statement of Accounts</li><li>• Report to those charged with Governance</li><li>• Response to Auditors</li><li>• Audit Progress Report</li><li>• Fraud Progress Report</li><li>• Treasury Update Q1</li><li>• Annual Treasury Report</li></ul>	Accounts
December 2015	<ul style="list-style-type: none"><li>• Annual Audit Letter</li><li>• Closure of Accounts Timetable</li><li>• Internal Audit Progress Report</li><li>• Governance Update</li><li>• Fraud Progress Report</li><li>• Audit Progress Report</li><li>• Treasury Management Update Q2</li></ul>	Fraud
March 2016	<ul style="list-style-type: none"><li>• 2014/2015 Audit Report of Grant Claims and Returns</li><li>• External Audit Plan</li><li>• Internal Audit draft plan and strategy.</li><li>• Internal Audit progress report</li><li>• Outstanding Audit Recommendations</li><li>• Fraud Progress Report</li><li>• Annual Review of Audit Committee Effectiveness</li><li>• Treasury Management Update Q3</li><li>• Annual Report of Audit Committee</li><li>• Closure of Accounts timetable</li></ul>	Risk Management