

Agenda Item No:	7	Report No:	143/13
Report Title:	Annual Report on the work of the Audit and Standards Committee 2012/13		
Report To:	Audit and Standards Committee	Date:	23 September 2012
Ward(s) Affected:	All		
Report By:	Chair of the Audit and Standards Committee		
Contact	Name: Ian Eiloart Post Title: Chair of Audit and Standards Committee Email: cllr@eiloart.com Tel No: 07876-123-969		

Purpose of Report:

To present to Councillors the Annual Report on the work of the Committee.

Chair's Recommendation(s):

- a. To receive and consider the report.
- b. To endorse the conclusion on the effectiveness of Internal Audit (see paragraph 17).
- c. To endorse the opinion on the Council's internal control, environment, and risk management arrangements (see paragraphs 18 and 19).
- d. That the Committee should review its terms of reference during the coming year and make a report to the Constitution working party.
- e. That the Committee should review CIPFA's "Audit Committees – Practical Guidance for Local Authorities (ii)", as part of its training programme.

Reasons for recommendations

- a,b c. At its meeting on 19 March 2009 (i), the Committee resolved that the Chair should produce an annual report, with specified content. The Council's external auditors, PKF (now BDO), had recommended these developments as best practice for adoption by the Council as part of the improvements arising from the Use of Resources assessment for 2007/08.
- d. To ensure that we understand the new responsibilities, and to ensure that the current review of the Constitution is informed by the views of the committee.
- e. To ensure that we understand the guidance, and continue to conform to that guidance.

Annual Report on the work of the Audit Committee and the Audit and Standards Committee 2012/13

Background

1. The Audit Committee was established in 2001 to provide independent assurance as to the adequacy of the Council's arrangements for internal control, risk management and corporate governance. A key role for the Audit Committee is the monitoring of the plans, work and effectiveness of the Council's Internal Audit service. In 2012, the Audit Committee was merged with the Standards Committee to form the Audit and Standards Committee. This report covers the work of the last meeting of the Audit Committee in June 2012, and the four meetings of the Audit and Standards Committee held in 2012/13.
2. The Committee received no Standards related matters, so the merging of the two Committees had limited practical effect during the year, except for the change of members described in paragraph 8 below.
3. The Committee conforms to the best practice identified in CIPFA's "Audit Committees – Practical Guidance for Local Authorities" (ii) and operates in accordance with the Remit of the Audit and Standards Committee which is set out in Part 11, Section 4 of the Council's Constitution (iii).
4. The Council has adopted the CIPFA Code of Practice on Treasury Management. In December 2009, CIPFA updated the Code of Practice, with one of the key changes being an emphasis on the need for every local authority to nominate a body to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. Cabinet decided that this scrutiny role should be performed by the Audit Committee, and the Committee received regular reports on treasury management during 2012/13.

Training

5. Members of the Committee attended a Treasury Management training session provided by the Council's treasury consultants Arlingclose on 15 October 2012. A similar session will be offered to members during 2013/14.

Membership of the Committees

6. The Audit Committee comprised seven councillors, with the quorum set at four. The Chair of the Committee was elected from the non Cabinet members of the Council's minority group. At the May 2012 meeting, it was confirmed that Councillor Ian Eiloart would be the Chair of the Audit Committee for 2012/13. Councillor Eiloart had been a member of the Audit Committee since May 2009.
7. Councillors John Stockdale, Michael Chartier, and Ian Eiloart from the minority group, and Ian White, Jacqueline Harrison-Hicks, Benjamin Warren, and Cyril Sugarman from the majority group served on the Audit Committee.
8. With the merging of the two Committees, Cllr Carolyn Lambert replaced Cllr Stockdale, and Cllrs Eileen Russell, Paul Franklin, and Job Harris replaced Cllrs White, Harrison-Hicks and Warren. A single substitution was made on 27 September 2012, when Cllr Ian

White substituted for Cllr Russell.

9. The Committee maintains a pool of members who have expressed willingness to serve as substitutes, but any member of Council who is not a member of Cabinet may do so.
10. Up to three co-opted non voting Town/Parish members may participate in Standards matters, but not Audit matters. As noted in paragraph 2 above, there have been no Standards related matters referred to the Committee and therefore no co-opted members attended the Committee.

Meetings of the Committees

11. The Committee normally meets five times per year. During 2012/13, the meetings held were: on 29 June 2012, 27 September 2012, 3 December 2012, 28 January 2013, and 18 March 2013.

Table 1: Reports presented to the Committee

Report	June	Sept	Dec	Jan	Mar	Source
Annual Report on the work of the Audit Committee 2011/12		XX				CHAIR
Annual Report on Internal Audit Performance and Effectiveness	XX					AUD
Annual Report on the Council's Systems of Internal Control	XX					AUD
Interim Report on the Council's Systems of Internal Control	XX	XX	XX	XX	XX	AUD
Strategic Partnership Governance	XX					AUD
Code of Corporate Governance Update	XX					AUD
Statement of Accounts 2011/12 Annual Financial Report	XX	XX				FIN
Report on Treasury Management Activity	XX	XX	XX	XX	XX	FIN
Annual Audit Fee Letter	x-					BDO
Annual Governance Statement		XX				AUD
Annual Governance Report		XX				AUD
Internal Audit Benchmarking Report			x-	-x		AUD
Annual Audit Letter			XX			BDO
Summary of external audit fee outturn			x-			BDO
Annual Treasury Management Strategy Statement and Investment Strategy				XX		FIN
Report on Grant Claim Certification				XX		BDO
Audit Plan 2012/2013				x-	-x	BDO
Strategic Audit Plan					XX	AUD
Changes to the Public Sector Internal Audit Standards +					-x	AUD
Housing and Council Tax Benefit QA +					-x	AUD

+ The last two reports were additional to the regularly scheduled reports.

Key to sources

CHAIR - the Chair of the Committee

AUD - Internal: Director of Finance. Contact officer is the Head of Audit and Performance.

FIN - Internal: Director of Finance. Contact officer is the Head of Finance.

BDO – Our external auditors (formerly PKF).

'-x' report was received at this meeting in 2012/13, but not the previous year.

'x-' report was received at this meeting in the previous year, but not 2012/13

'xx' report was received at this meeting in both years.

12. At the respective meetings, attendance including substitutes was 4(6), 6(4), 5(4 of 5), 6(6), and 5(6): the previous year's figures are reported in brackets for comparison. Last year, I reported that all seven unsubstituted absences were from the majority group. This year, I have to report that eight of the nine absences for which substitutes were not provided were from the majority group. One particular member of the majority group failed to attend a single meeting. Full attendance records can be seen on the Council's web site at <http://cmispublic.lewes.gov.uk/Public/CommitteeDetails.aspx?committeeID=221>
13. Before each meeting, the Chair spoke with the Head of Audit and Performance or the Principal Audit Manager, and the Head of Finance; chiefly to highlight questions that might be asked in Committee.
14. At each meeting the Committee receives an interim report on the Council's Systems of Internal Control, with the June meeting also receiving the annual internal control report for the financial year that ended in the preceding March. At each June meeting there is also an annual report on Internal Audit Performance and Effectiveness. Other reports are presented to cover regular items in the financial and control cycle or to deal with specific current issues. Reports to meetings are detailed in Table 1, in the same order that they appeared in my report last year.
15. During the year, the Committee received 27 reports, as it did in the previous year. Two additional reports were received: a report on Changes to the Public Sector Internal Audit Standards, and a report on Quality Assurance Checks Applied to Applications for Housing and Council Tax Benefit. With the former, we adopted a new charter for internal audit. The latter was requested by the Committee, to address questions arising from an earlier report.
16. Each Committee meeting was attended by the Head of Audit and Performance (David Heath) or the Principal Audit Manager (Bob Allen). The Head of Finance (Steve Jump) attended each meeting. Other Council finance officers attended as appropriate to report on financial and control issues. A Senior Manager from the Council's external auditors BDO (formerly PKF) attended each meeting.
17. Each Committee meeting was also attended by a Committee Officer (Abi Blanshard), to whom we are indebted for keeping an accurate record of our meetings.

Table 2: Attendance of officers and external auditors at meetings.

	June	Sept	Dec	Jan	Mar
Director of Finance		x			
Head of Finance	x	x	x	x	x
Head of Audit and Performance	x	x	x		
BDO	x	x	x	x	x
Principal Accountant - Projects		x			
Principal Audit Manager				x	x

Statement of the Audit and Standards Committee’s opinion on the effectiveness of Internal Audit.

18. The Audit and Standards Committee has noted the separate report on Internal Audit Performance and Effectiveness 2012/13 (iv) that was presented to the Committee meeting of June 2013. The Committee endorses the conclusions of the report that the Internal Audit service achieves its aim, objectives and expected outcome, operates in accordance with the Internal Audit strategy that was approved by the Committee and meets best practice standards including compliance with the CIPFA Code of Practice.

Statement of the Audit and Standards Committee’s opinion on the Council’s Internal Control Environment and Risk Management arrangements

19. As noted above, the Committee received regular interim and annual reports that include detailed assessments of the Council’s internal control environment and the arrangements for risk management and corporate governance. These reports, supported by regular briefings from the Head of Audit and Performance, enabled the Committee to maintain proper oversight of the arrangements for internal control.

20. The Committee endorses the opinion of the Head of Audit and Performance that the overall standards of internal control and risk management are satisfactory. This opinion is based on the work of Internal Audit, other internal reviews and external assurance bodies, and the Council’s work on risk management. The risk management process has identified that most risks are mitigated by the effective operation of controls or other measures. Whilst recommendations have been made to improve procedures and controls in some areas, there were no instances in which internal control problems created significant risks for Council activities or services. In most cases managers have addressed the control issues since the respective audits, and within those recommendations not yet implemented there are no issues that create significant risks for the Council.

Term of Reference

21. I have reviewed the committee’s terms of reference. Although the terms of reference sometimes fail to distinguish between powers and duties, I believe that we have discharged all of the duties outlined, and complied with the terms of reference in all respects.

22. In addition, we have used the power to commission work when we asked for a detailed report on Quality Assurance Checks Applied to Applications for Housing and Council Tax Benefit.

Audit and Standards Committee activities for 2013/14

23. It is anticipated that the scope and content of the Committee's activities will remain broadly similar to those in 2012/13.

Financial Implications

24. There are no additional financial implications from this report.

Sustainability Implications

25. There are no significant effects as a result of these recommendations. However, the audits that we oversee help to ensure that the Council's sustainability goals are met.

Risk Management Implications

26. If the Committee had not ensured proper oversight of the adequacy and effectiveness of the Council's systems of assurance, governance and internal control there would have been a risk that key aspects of the Council's control environment did not comply with best practice standards.

Equalities Screening

27. I have given due regard to equalities issues and, as this is an internal report with no key decisions, screening for equalities is not required.

Background documents

- i. Report to Committee: Changes to Audit Committee Reporting... 19 March 2009:
<<http://s.coop/xir7>>
- i. CIPFA's "Audit Committees-Practical Guidance for Local Authorities":
<<http://s.coop/xirb>>
- ii. The constitution of Lewes District Council: <<http://s.coop/xira>>
- iii. **Annual Report on Internal Audit Performance and Effectiveness 25 June 2012:**
<<http://s.coop/1sxbq>>