

Sandwell Metropolitan Borough Council

18 October 2016

Annual Report of the Audit Committee 2015/16

1. Summary Statement

- 1.1 The Audit Committee was established by the Council in 2006 and its purpose is to:-
- provide independent assurance on the adequacy of the risk management framework and the associated control environment;
 - provide 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;
 - oversee the financial reporting process.
- 1.2 In pursuance of its actions for improvement identified in its self assessment exercise, the Committee approved the principle of producing an Annual Report.
- 1.3 The attached annual report highlights the major pieces of work undertaken by the Audit Committee during the 2015/16 Municipal Year.

Further details are attached for your information

2. Recommendation

- 2.1 That the Audit Committee Annual Report 2015/16, as now submitted, be received.

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3. Strategic Resource Implications

- 3.1 There are no strategic resource implications arising from this report. The implications for resources arising from any matters considered by the Committee are included within the relevant reports to the Committee and referred to in the main body of the Annual Report as necessary.

4. Legal and Statutory Implications

- 4.1 The Chartered Institute of Public Finance and Accountancy recognises Audit Committees as a core component of effective governance.
- 4.2 Part 3 of the Council's Constitution sets out the framework for the Audit Committee, specifying its terms of reference, general role and specific functions.

5. Implications for the Council's Scorecard Priorities

- 5.1 The Audit Committee work programme supports the development and progress of the Council's Scorecard Priorities.

6. Background Details

- 6.1 The Annual Report 2015/16 is attached.

Annual Report of the Audit Committee - 2015/16



1. Background

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

The key benefits of an Audit 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;
- raising awareness of the need for internal control and the implementation of audit recommendations.

2. Meetings

During 2015/16 the Committee met on the following dates:

- 23 July 2015
- 24 September 2015
- 21 January 2016
- 22 March 2016

3. The Committee's business

During the year the Committee conducted the following business:

Report to those Charged with Governance (ISA 260)

KPMG - Annual Audit Letter 2014/15

KPMG – Certificate of Grants and Returns Annual Report 2014/15

KPMG – External Audit Plan 2016/17

Internal Audit Annual Report

Internal Audit Progress Reports

Internal Audit Charter

Internal Audit Plan 2016/17

Review of the Effectiveness of Internal Audit

Review of the Role of Head of Audit in Public Sector Organisations

Annual Governance Statement - 2014/15

Annual Governance Statement Action Plan Update

Statement of Accounts - 2014/15

Audit Committee Annual Report - 2014/15

CIPFA Audit Committee Updates

Consultation on CIPFA/SOLACE – Delivering Good Governance in Local Government

Strategic Risk Register Updates

Selected Risk – School Place Planning

Counter Fraud Updates

Audit Committee – Self Assessment

Review of the Role of Chief Financial Officer in Local Government

Local Government Ombudsman Report

Work Programme

4. Conclusion

The Committee was able to confirm:

- That the system of internal control, governance and risk management in the council was adequate in identifying risks and allowing the council to understand the appropriate management of these risks.
- That there were no areas of significant duplication or omission in the systems of internal control, governance and risk management that had come to the Committee's attention, and had not been adequately resolved.

5. Sources of assurance

The Committee gained assurance in order to produce the above conclusion, from the following sources:

The work of Internal Audit

The Council's Internal Auditors gave the following opinion in their Annual Report for 2015/16:

"Based on the work undertaken during the year and the implementation by management of the recommendations made, Internal Audit can provide *reasonable assurance that the council has adequate and effective governance, risk management and internal control processes".

The work of the External Auditors

During the year the external auditors (KPMG) reported back to the Audit Committee on a number of occasions as detailed in section 4 above. No issues of any significant concern were raised.

The Annual Governance Statement

The Annual Governance Statement operated throughout the year ended 31 March 2016, and up to the date of the approval of the annual report and accounts. Based on the council's established risk management approach, the following issues were assessed as being significant for the purpose of the 2015/16 Annual Governance Statement. Over the coming year appropriate steps to address these matters and further enhance governance arrangements will be taken:

| |
|--------------------------------------------------|
| Children's Services |
| Resilience of the Medium Term Financial Strategy |
| Business Continuity Planning |
| Land Sales and other matters |
| Combined Authority |
| Sandwell Leisure Trust |
| Health and Social Care Reforms |

Risk Management

The Committee regularly receives and reviews the council's Corporate Risk Register, and assesses the assurance provided in order to demonstrate how risks are being mitigated. It may also, where required, call in individual risks for a more detailed review.

Land Sales and other matters

The Committee maintained an ongoing awareness that Gowling WLG were conducting an investigation into the above. Following the year-end a report was issued identifying a number of issues relating to the council's risk, governance and internal control environment, and member and officer conduct. The risk, governance and internal control matters are now being considered by the Audit Committee in order for the Committee to seek to gain assurance that the issues identified are being comprehensively and promptly addressed. The member and officer conduct matters are being dealt with separately by the Standards Committee and the council's Human Resource department respectively.

6. The Committee's main achievements

The Committee believes its key achievements during the year were:-

- Maintaining a good working relationship with the council's internal and external auditors.
- Maintaining an awareness of the likely changes to the appointment of external auditors through the Local Audit and Accountability Act.
- Reviewing the Committee's terms of reference in order to ensure they remain fit for purpose.
- Providing additional assurance through a process of on-going independent review.
- Raising the profile of internal control issues across the council and of the need to ensure that audit recommendations are implemented.
- Regular consideration and review of the council's risk register and accompanying assurance map and where appropriate the 'calling-in' of individual risks for further review.
- Maintaining a detailed focus on the actions being taken to combat fraud
- Building the skills and knowledge of Committee members through regular technical updates and the consideration of related guidance issued by CIPFA.
- The continued presence of an independent member as Vice-Chair in order to broaden the Committee's experience and independent view point. The
- Reviewing the Internal Audit Charter in line with the Public Sector Internal Audit Standards.

