

Annual Report of the Audit Committee  
2016/17

# 1. Background

The Audit Committee was established by the Fire Authority in January 2008. Its purpose is to provide:

- independent assurance on 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.

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.
- Raising awareness of the need for internal control and the implementation of audit recommendations.

The Terms of Reference for the Committee can be found at Appendix A of this report.

# 2. Meetings

During 2016/17 the Committee met on the following dates:

- 25 July 2016
- 5 September 2016
- 14 November 2016
- 16 January 2017
- 27 March 2017
- 12 June 2017

	25/07/16	5/09/16	14/11/16	16/01/17	27/03/16	12/6/17
Councillor T Singh	√	√	√	√	<b>X</b>	√
Councillor Aston	√	√	√	√	√	<b>X</b>
Councillor B Singh		√	√	√	√	<b>X</b>
Councillor Idrees		√	√	√	√	√
Councillor P Singh	<b>X</b>	√	√	√	<b>X</b>	<b>x</b>
Councillor Barrie (Sub)	√				√	
Councillor Sealey	<b>X</b>	√	<b>X</b>	√	√	√
Councillor Barlow (Sub)			√		√	
Councillor Mottram (Sub)					√	√
Councillor Cartwright (Sub)						√
Mr M Ager	<b>X</b>	√	<b>X</b>	√	√	<b>X</b>

## 4. The Committee's business

During the year the Committee conducted the following business:

Governance Statement – 2016/17	CIPFA Audit Committee Updates
Corporate Risk – Regular Updates	Updates on Topical, Legal and Regulatory Issues
Audit Committee Annual Report – 2016/17	Treasury Management Annual Report – 2015/16 (and Mid-Year Review)
Audit Committee – Terms of Reference Review	Monitoring Policies on Raising Concerns at Work – Whistleblowing Policy
Audit Committee – Self Assessment of Good Practice	Arrangement for the Appointment of External Auditors
Audit Committee Work Programme	Breach of Disclosure Regulations
Statement of Accounts 2016/17	

External Audit Plan 2016/17

External Audit Findings Report

External Audit – Annual Audit Letter 2015/16

External Audit – Audit Committee Updates

External Audit – Communication with the Audit Committee

Internal Audit Annual Report - 2016/17

Internal Audit Progress Reports

Internal Audit Charter – Annual Review

Internal Audit Plan – 2017/18

Notification of Submission of the Annual Scheme Return to the Pension Regulator

The Pension Regulator – Public Service Governance Survey

Minutes of the Pensions Board

## 5. Conclusion

The Committee was able to confirm:

- That the system of internal control, governance and risk management in the Authority was adequate in identifying risks and allowing the Authority 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.

## 6. Sources of assurance

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

### **The work of Internal Audit**

The Internal Auditors gave the following opinion in their Annual Report for 2016/127:

*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 Fire Authority has adequate and effective governance, risk management and internal control processes. \*We are pleased to report that this is an unqualified opinion and the highest level of assurance available to Audit Services. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide is reasonable assurance that there are no major weaknesses in the Authority's governance, risk management and control processes".*

### **The work of the External Auditors**

During the year the external auditors (Grant Thornton) 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 Governance Statement**

The Governance Statement operated throughout the year ended 31 March 2017 and up to the date of the approval of the annual report and accounts. The systems to ensure the management of the risks have been shown to be sound.

## **Risk Management**

The Committee regularly receives and reviews the Authority's Corporate Risk Register, and assesses the assurance provided in order to demonstrate how risks are being mitigated.

## **7. The Committee's main achievements**

The Committee believes its key achievements during the year were:

- Continuing to build a good working relationship with the Authority's external auditors Grant Thornton.
- Receiving and reviewing a number of useful sector updates from the external auditors.
- Following the final abolition of the Audit Commission, continuing to maintain 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 Authority and of the need to ensure that audit recommendations are implemented.
- Regular consideration and review of the Authority's Risk Register and accompanying assurances.
- 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 in order to broaden the Committee's experience and independent view point.

## Terms of Reference for the Committee

Terms of Reference were reviewed in order to ensure that they remained fit for purpose, and that they reflected guidance provided in the Chartered Institute of Public Finance and Accountancy (CIPFA) Audit Committees – Practical Guidance for Local Authorities 2013 Edition:

### **Statement of purpose**

Our Audit Committee is a key component of the Authority'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 Authority'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 Authority's framework of governance, risk management and control.

To consider the Authority's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.

To consider the Authority's framework of assurance and ensure that it adequately addresses the risks and priorities of the Authority.

To monitor the effective development and operation of risk management in the Authority.

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 Authority 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;
- 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.
- The opinion on the overall adequacy and effectiveness of the Authority'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 (Grant Thornton)**

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 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 Authority.

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 Authority 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.

## **Pension Board**

To have delegated responsibility as Scheme Manager for making decisions in the management and administration of the firefighters' pension schemes. The pensions board assists the Audit Committee in the role as Scheme Manager to secure compliance with regulations relating to Governance and Administration.

To submit its minutes and Annual Report to the Authority.