



Coventry City Council

# 9.2

## Public report

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**Report to**

Council

19 September, 2006

**Report of**

Scrutiny Board 1 (Draft for consideration on 27 June, 2006)

**Title**

Annual Report of Scrutiny Board 1 as the Council's Audit Committee

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**1 Purpose**

The Terms of Reference for Scrutiny Board 1 require the Board to carry out responsibilities appropriate to an audit committee, including those defined by the Audit Commission, to ensure good stewardship of the Council's resources, while respecting the need for decisions to be taken by the Executive (that is, Cabinet and Cabinet Members).

As part of its role, Scrutiny Board 1 is required to report annually to full Council on its work as an audit committee.

**2 Recommendations**

To note the activity of Scrutiny Board 1 as the Council's Audit Committee during 2005-06 recorded in this report.

**3 Activity of the Board as the Council's Audit Committee**

**3.1 Internal Audit Activity**

During the year, Scrutiny Board 1 received the following reports in respect of the Council's Internal Audit Service:

- In June 2005, the Board received the Internal Audit Annual Report for 2004/05. This report had two main focuses:
  - To summarise the Council's Internal Audit Activity for the period April 2004 to March 2005 against the agreed Internal Audit Plan for 2004/05.

- To provide Scrutiny Board 1 with the Internal Audit Managers opinion on the overall adequacy and effectiveness of Coventry City Council's internal control environment for the financial year 2004/05.

Based on the work of Internal Audit in 2004/05, the Internal Audit Manager concluded that; 'Reasonable assurance can be provided that there is a generally sound system of internal control designed to meet the organisation's objectives'.

- In line with the reporting requirements of Scrutiny Board 1, quarterly reports have been received summarising the Council's Internal Audit activity. These reports were received in September 2005, November 2005 and February 2006. The reports have changed from their traditional focus on performance data only and now provides:
  - A summary of the key findings from a sample of high profile audit work carried out in the quarter for consideration by the Board. This has enabled the Board to gain more understanding of how Internal Audit can contribute to the improvement of Council services.
  - Assurance that management have implemented agreed audit recommendations on a timely basis.
  - Updates on developments aimed at enhancing the quality of service provided to the Council

The Internal Audit Annual Report (including 4<sup>th</sup> Quarter performance) for 2005/06 is to be reported to Scrutiny Board 1 in June 2006.

- In March 2006, the Internal Audit Operational Plan for 2005/06 was approved by Scrutiny Board 1. This builds upon the Internal Audit Strategy approved in April 2005 and continues to focus resources away from a traditional finance focus to a more risk based approach with clear links with the Council's objectives as reflected in its Corporate Plan for 2004/05 to 2006/07.

### 3.2 External Audit Activity

During the year, reports have been received from the Council's previous external auditors, PriceWaterhouseCoopers, and the Council's new external auditors, the Audit Commission. Details of reports received in 2005/06 are documented below:

- In October 2005, the Board received the Auditors Statement of Auditing Standards (SAS) 610 report on the 2004/05 Statement of Accounts following the completion of the annual audit by the Council's appointed auditors, PriceWaterhouseCoopers. The Board considered the report prior to the Cabinet, therefore having the opportunity to pass on any comments/recommendations. The report was approved by Cabinet later on the same day.
- In January 2006, The Board considered 2 reports:
  - The Joint External Audit and Inspection letter for 2004 / 2005. This paper summarised the issues of significance drawn out by the work of the External Auditors and the Audit Commission's Inspectors.
  - The report of the Audit Commission as the Council's new external auditors, on the Council's Best Value Performance Plan 2005/06. The auditors had concluded that *"Coventry City Council has prepared and published its Best Value Performance Plan in all significant respects in accordance with section 6 of the Local*

*Government Act 1999 and statutory guidance issued by the Government".* They had, once again, issued the Council with an unqualified report.

Once again, the Board considered these report prior to the Cabinet , therefore having the opportunity to pass on any comments/recommendations. The Board at its February 2006 meeting received a report from the Audit Commission of its review of the Council's Internal Audit Service. The auditors concluded that "Internal Audit complies in most respects with the CIPFA Code of Practice for Internal Auditors and their work is to a standard that we can rely on to inform our conclusions".

### **3.3 Other Audit Activity**

In addition to the activity of both internal and external audit, the following audit activity was undertaken in 2005/06:

- Given that the membership of the Board changed significantly in 2005/06, a training session was held in September 2005 facilitated by the Council's Internal Audit Manager and the Audit Manager from PriceWaterhouseCoopers, aimed at giving members (especially new members) more knowledge of the role of audit. The session covered the following areas:
  - The changing role of Audit Committees resulting from the impact of the Corporate Performance Assessment.
  - Role of Internal Audit
  - Role of External Audit
  - Statement on Internal Control
  - SAS610
- Linked to the developments around the role of Audit Committees, the Board in February 2006 received a report from Councillor Lee and the Council's Internal Audit Manager on a conference organised by the CIPFA Better Governance Forum on Audit Committees.
- To improve governance arrangements around the area of risk management, the quarterly review of the Council's corporate risk register has now been incorporated into the audit work programme of this Board. This item was considered at the Board's January 2006 meeting.

## **4. The Year Ahead**

The Corporate Performance Assessment of Use of Resources and CIPFA guidance have both highlighted the need for local authorities to establish more effective ways of considering audit issues. It is intended that the Board will appoint an Audit Sub-Group early in 2006/2007 for the purpose of examining audit issues, thereby providing greater emphasis on this area of work. It is intended that the Sub-Group will not only carry out the core functions of monitoring internal and external audit but will also consider the effectiveness of risk management and other areas of the internal control environment.

It is also intended to develop an ongoing training programme for members to ensure that they increase both their knowledge around the key roles and responsibilities of Audit Committees and developments impacting on the work of both internal and external audit.