

South Essex Homes Limited

Report of the Head of Internal Audit and
the Director of Finance

to

The Audit Committee

on

16 May 2016

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Agenda Item No.

Audit Committee Annual Report 2015/16

Confidential

1 Purpose of Report

1.1 To provide the Audit Committee with an assessment of:

- its compliance with relevant good practice guidance on the operation and effectiveness of Audit Committees
- whether it has:
 - seen sufficient evidence during the year to be able to give a view on the accuracy of the Annual Governance Statement
 - successfully discharged its role as set out in its Terms of Reference for 2015/16.

2 Recommendations

2.1 The Audit Committee:

- **accepts the performance and effectiveness assessments outlined in the report and the recommendations made for further action (Appendices 2 and 3)**
- **reports to the Board that it has successfully delivered the requirements of its Terms of Reference in 2015/16**
- **recommends that the Board approves the Annual Governance Statement.**

3 Background

The Audit Committee's Role

3.1 The purpose of an audit committee is to provide to those charged with governance, independent assurance on the:

- adequacy of the risk management framework and internal control environment
- integrity of the financial reporting and annual governance processes.

Source: CIPFA: Audit Committees, Practical Guidance for Local Authorities and Police 2013

Operating Arrangements and Effectiveness of the Audit Committee

3.2 The Audit Committee operates under Terms of Reference that are reviewed regularly and approved by the Board. In 2015/16, they reflected the requirements of the relevant CIPFA Guidance and were supported by an annual work programme.

3.3 Membership is reviewed annually. In 2015/16, it consisted of four Board Members including one that had 'recent relevant financial experience' although not someone who is a qualified accountant for most of the year. The new Chair is a qualified accountant.

3.4 Members receive training when a specific need is identified.

Future training needs are discussed with Members as part of the annual performance assessment process, during committee meetings or directly with auditors as issues arise.

The Audit Committee has also been provided with briefings or information papers on relevant current issues as they have arisen during the year e.g. CIPFA Better Governance Forum newsletters.

3.5 Good practice recommends that the Audit Committee:

- meets at least four times a year, which it did, with meetings being timed to enable it to deal with specific elements of its remit
- is able to meet privately and separately with the external auditor and the Head of Internal Audit, which it also has done during the year.

The Audit Committee reports to the Board following each meeting by the submission and adoption of its minutes.

3.6 In order for the Audit Committee to operate effectively it requests:

- attendance of key officers, both internal and external to the company
- that reports be presented to it by officers and auditors regarding the activities that fall within its remit.

The schedule of attendance was presented to the Audit Committee which demonstrates:

- full compliance with the quorate requirements
- key officers regularly attended meetings as requested
- other officers attended as necessary to present specific reports
- relevant senior officers also attended to respond to any questions arising from Internal Audit reports presented to the Audit Committee.

3.7 Audit Committee performance assessment demonstrates that it **has a high level of compliance** with the good practice guidance which covers its operating arrangements.

The Audit Committee's Terms of Reference will be amended during 2016/17 to include working with others to support ethical values and reviewing the arrangements to achieve those values.

- 3.8 The Audit Committee was also able to evidence that it **has been effective in supporting improvement and added value to the company** in areas covered by its work programme.

Given the change in membership during 2015/16, some training will be provided on the Audit Committee's role, particularly in relation to approving the Annual Governance Statement.

During 2016/17, action will also be taken to:

- produce a Value for Money Strategy and assessment against the HCA requirements
- assess the company's compliance with the refreshed, national Fighting Fraud Locally Strategy
- develop an approach to assessing the effectiveness of the company's ethical governance arrangements.

- 3.9 Therefore, it is possible to conclude that the Audit Committee has complied with recognised good practice guidance on the operation and effectiveness of Audit Committees, throughout the year.

Progress made in implementing improvement opportunities identified is reported to the Audit Committee at its October or January meeting each year.

Annual Governance Statement

- 3.10 On an annual basis, the Audit Committee is required to consider the Annual Governance Statement (AGS) and decide whether to recommend its adoption to the Board.

It is then provided to Southend-on-Sea Borough Council (the Council) for inclusion in its AGS.

- 3.11 In order for the Audit Committee to be able to give a view on the AGS, it needs to satisfy itself that:

- it has received sufficient evidence during the year covering all areas of its responsibility
- the AGS reflects its understanding of how the company's risk management, control and governance framework has operated throughout the year.

- 3.12 A summary was presented to the Audit Committee of the reports presented to it during 2015/16 compared to its key areas of responsibility as outlined in its Terms of Reference. This demonstrates that it has received relevant information in all these areas, setting out both expectations and actual performance in delivering them.

- 3.13 The Managers Assurance Statements give an indication on how services are generally applied against the key governance arrangement required by the Company. They are currently being completed by Service Managers and will be evidenced and assured by the Corporate Services Manager. The information will be completed in advance of the Board Meeting on 25th July, 2016 to support the recommendation to agree the Annual Governance Statement.

- 3.14 Finally, the Audit Committee also received the company's Annual Governance Statement for 2015/16. This reflected the evidence outlined above, including the Head of Internal Audit's Opinion, the external auditor's opinion and other appropriate independent assurances.

4 Diversity and Equal Opportunities

- 4.1 None

5 Risk

- 5.1 Without an effective Audit Committee, the company is at risk of not obtaining ongoing assurance as to the robustness of its risk management, control and governance arrangements.

An ineffective system of internal control potentially puts the delivery of company services and objectives at risk.

6 Financial Implications

- 6.1 None

7 Resident Consultation

- 7.1 None

8 Background Paper

- 8.1
- CIPFA: Audit Committees, Practical Guidance for Local Authorities and Police 2013

9 Appendices

None