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Subject	Audit Committee Annual Report 2014/15
<p>RECOMMENDATIONS: that the Audit Committee</p> <ol style="list-style-type: none"> 1. Note the progress against the 2014/15 work plan 2. Review the terms of reference and consider whether any amendments are required and whether the audit functions of the Committee, as set out, were effectively discharged during 2014/15. 3. Approve the work plan for 2015/16. 	

1. Background

- 1.1 At its meeting of 26 June 2014, the Audit Committee approved its terms of reference and agreed a work plan to cover the period from September 2014 to June 2015.
- 1.2 The Appendices to this report show:
 - Appendix A:** Work Plan 2014/15
 - Appendix B:** proposed Work Plan 2015/16
 - Appendix C:** the Audit Committee's terms of reference as agreed in Sept 2012

2. Review of the year 2014/15

- 2.1 The Committee met in September and November 2014 and March and June 2015 to fulfil the work plan that had been agreed for 2014/15. The role of the Audit Committee relates to the ongoing proper administration of the Council, the understanding and management of risk and the maintenance of effective control mechanisms. These are largely independent of the policies of the day and, as such, most of the work of the Committee is regular and routine but vital to the continued health and survival of the Council. The reports considered by the Committee and the terms of reference (ToR) covered by each are set out below.

Review & Scrutiny of Financial Statements (ToR 2.3,4,5)

2.2 The bulkiest items considered by the Committee during the year were the Annual Accounts. The Statement of Accounts 2013/14 was received in June 2014, initially at an “informal” workshop session on 19th June, then formally at the scheduled meeting on 26th June. The purpose of the “informal” session was to give the members of the Committee a chance to consider and comment on the Accounts whilst there remained sufficient time, before the 30th June deadline, for any suggested changes to be incorporated in the version handed over to Audit. Subsequently, the Committee received the External Auditor’s unqualified opinion in September 2014 alongside a report on Audit Findings. The 2013/14 Annual Audit letter was presented to the Committee in November 2014. In June 2015, the cycle was completed with the presentation of the pre-audit Statement of Accounts for 2014/15.

Treasury Management (ToR 9)

2.3 To enable the Committee to scrutinise the Council’s Treasury Management strategy and functions, the Annual Report on Treasury Management for 2013/14 was presented in September 2014 demonstrating compliance with the Prudential Indicators. A mid-year progress report on Treasury Management was received in November 2014. The Treasury Management Strategy for 2015/16 was presented to the March 2015 meeting of the Committee, accompanied by an update on Treasury and economic matters from the Council’s advisers, CAPITA.

Internal Audit (ToR 6,7,8)

2.4 The Committee received a report, at each of its meetings, from our internal auditors, Baker Tilly. This updated the Committee on the progress against the Audit Plan highlighting the various projects that have been completed in the quarter, the general findings and the recommendations. The picture for the whole year is summarised in the Internal Audit Annual Report. This concludes, based on the reports produced in the year, that the Council’s governance, risk management and control environment are sound. This is consistent with the opinion delivered in previous years. Finally, the Internal Audit plan for 2015/16 was considered at the March 2015 meeting.

2.5 In particular, Baker Tilly recommended that the Council’s work in the area of Procurement be monitored more closely by the Audit Committee going forward. The importance of Procurement had increased following new legislation, both national and European, the Government’s Transparency Code and the requirement to introduce Electronic Tendering processes. An annual review of Procurement has therefore been included in the Audit Committee’s plan of work.

Counter Fraud (ToR 11)

2.6 In November 2014, the Committee received a presentation from Consultants ITS who had been commissioned to produce a fraud risk assessment for the Council. The work was at an early stage but the consultant, Mike Neumann, talked in general terms about fraud risks in Councils.

2.7 The Committee had expressed concern at a previous meeting about the impact of the Government’s initiative to form a central counter-fraud service for benefit fraud (SFIS) and the proposal to transfer the Council’s counter-fraud resource into that service. This could potentially leave the Council with no counter-fraud resource. The ITS review had been commissioned to enable the council to determine the best way forward in protecting against corporate fraud. His findings will form part of a report on the proposed solution for combatting corporate fraud in the Council.

2.8 The Council has worked in partnership with the County and other Districts and Boroughs to develop a joint, counter-fraud initiative. A successful bid has been made to central

government to fund this initiative.

Annual Risk Management Report (ToR 10)

2.9 An annual report was received by the Committee in March 2014.

Review of the Code of Corporate Governance

2.10 The Audit Committee received an annual report on how the standards of corporate governance in the Council measure up against the Council's code at its March 2014 meeting.

Contract Standing Orders and Financial Regulations (ToR 12)

2.11 The terms of reference include a responsibility to maintain an overview of the Council's Contract Standing Orders and Financial Regulations. This was overtaken by a wider review of the whole Constitution which was presented to all members at February's Council Meeting. Revised Contract Standing Orders and Financial Regulations were included within the new Constitution

3. Work Plan 2015/16

3.1 Appendix B contains the proposed work plan for 2015/16, setting out the various reports to be received by the Committee over the annual cycle of the next four meetings.

4. Corporate Implications

4.1 Legal Implications

The operation of the Audit Committee is a key statutory duty of the Council.

4.2 Financial and Risk Implications

Finance implications are contained within the report itself.

4.3 Equalities Implications

There are no equalities implications as a direct consequence of this report.

4.4 Employment Issues

There are no employment implications in this report.

4.5 Sustainability Issues

There are no sustainability implications in this report.

4.6 Consultation

There are no consultation issues in this report.

APPENDIX A

AUDIT COMMITTEE WORK PLAN 2014/15

September 2014	External Auditor's Annual Governance Report and Audit Opinion on 2013/14 Statement of Accounts (ToR 2,3,4,5) Internal Audit Progress Report 2014/15 (ToR 6,7,8) Treasury Management Annual Report 2013/14 (ToR 9)
November 2014	External Auditor's Annual Audit Letter 2013/14 Internal Audit Progress Report 2014/15 (ToR 6,7,8) Treasury Management Mid Year Monitoring Report 2014/15 (ToR 9)
March 2015	Internal Audit Progress Report 2013/14 (ToR 6,7,8) Internal Audit Strategy 2014/15 (ToR 6,7,8) Review of Contract Standing Orders and Financial Regulations Annual Counter Fraud Report 2014 (ToR 11) Treasury Management Strategy Report 2015/16 (ToR 9) Annual Risk Management Report 2014/15 (ToR 10) Corporate Governance – report on annual review External Audit Plan, 2014/15 Accounts (ToR 2,3,4,5)
June 2015	Audit Committee Annual Report 2014/15 (ToR 1) Draft Statement of Accounts and Annual Governance Statement 2014/15 (ToR 2,3,4,5) Annual Internal Audit Report 2014/15 (ToR 6,7,8)

(ToR = Terms of Reference)

APPENDIX B

PROPOSED AUDIT COMMITTEE WORK PLAN 2015/16

September 2015	External Auditor's Annual Governance Report and Audit Opinion on 2014/15 Statement of Accounts (ToR 2,3,4,5)
	Internal Audit Progress Report 2015/16 (ToR 6,7,8)
	Annual Internal Audit Report 2014/15 (ToR 6,7,8)
	Treasury Management Annual Report 2014/15 (ToR 9)
	Report on the performance of Procurement (ToR 13)
	Combatting corporate fraud (ToR 11)
November 2015	External Auditor's Annual Audit Letter 2014/15
	Internal Audit Progress Report 2015/16 (ToR 6,7,8)
	Treasury Management Mid Year Monitoring Report 2015/16 (ToR 9)
March 2016	Internal Audit Progress Report 2015/16 (ToR 6,7,8)
	Internal Audit Strategy 2016/17 (ToR 6,7,8)
	Annual Counter Fraud Report 2016 (ToR 11)
	Treasury Management Strategy Report 2016/17 (ToR 9)
	Corporate Governance – report on annual review
	Annual Risk Management Report 2014 (ToR 10)
June 2016	Audit Committee Annual Report 2015/16 (ToR 1)
	Draft Statement of Accounts and Annual Governance Statement 2015/16 (ToR 2,3,4,5)
	External Audit Plan, 2015/16 Accounts (ToR 2,3,4,5)
	Annual Internal Audit Report 2015/16 (ToR 6,7,8)

(ToR = Terms of Reference)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

(SEPTEMBER 2012)

The Council will appoint an Audit Committee to discharge the Audit functions conferred on the Council as follows:-

Key Responsibility

1. To provide the Council with:
 - independent assurance of the adequacy of the risk management framework and the associated control environment;
 - independent scrutiny of the authority's financial and non-financial activities and 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.

Primary action: to produce an annual report on the Committee's work, for Council, (June).

External Reporting

2. To consider the reports of external audit and other inspection agencies and to seek assurances that action is being taken on risk related issues identified.
3. To be satisfied that the authority's assurance statements, including the Statement of Corporate Governance and Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
4. To review and scrutinise the financial statements, external auditors' opinion and reports to members and monitor management action in response to the issues raised by external audit.
5. To oversee the implementation of the Accounts and Audit Regulations 2003/533 (as amended or replaced) including the Statement of Accounts and the Council's Statement of Accounting Policies.

Primary actions: to receive the Council's draft unaudited accounts for the previous year, (June);
to receive the External Auditor's plan for the audit of those accounts, (June);
to receive the External Auditor's Annual Governance Report and audit opinion on those accounts, (September);
to approve the Council's final annual accounts for the previous year, (September);
To receive the External Auditor's Annual Audit Letter, (November).

Internal Audit

6. To approve the Council's internal audit strategy and work plans, and to monitor performance against the agreed strategy.
7. To review internal audit reports and the main issues arising, and to seek assurance that appropriate actions have been taken where necessary.
8. To review the effectiveness of Internal Audit.

Primary actions: to receive annually, the draft audit strategy/plan for the coming year, (March);
to receive three quarterly updates on delivery against the current year plan, (September, November, March);
to receive annually the statutory report of the Head of Internal Audit, (June).

Treasury Management

9. To scrutinise the Council's Treasury Management strategy and functions.

Primary actions: to receive an annual Treasury Management Strategy report, for the following year, (November);
to receive a Treasury Management Mid-Year Monitoring report, identifying performance against the Strategy, (November);
to receive a Treasury Management Annual Report, setting out performance for the previous year, (September).

Risk Management

10. To scrutinise The Council's risk management arrangements.

Primary actions: to receive an annual Risk Management Report, (March)

Counter Fraud

11. To scrutinise the Council's corporate counter fraud arrangements.

Primary action: to receive an annual Counter Fraud Report, (March)

Other

12. To maintain an overview of the Council's Contract Standing Orders and Financial Regulations.

13. To consider other matters as referred to the Committee by the Chief Executive or Section 151 Officer.

Primary action: to receive ad hoc reports, as appropriate.

