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Date	29 th June 2017

Subject	Audit Committee Annual Report 2017/18
<p>RECOMMENDATIONS: that the Audit Committee</p> <ol style="list-style-type: none"> 1. Note the progress against the 2016/17 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 2016/17. 3. Approve the work plan for 2017/18. 	

1. Background

1.1 At its meeting of June 2016, the Audit Committee approved its terms of reference and agreed a work plan to cover the period from September 2016 to June 2017.

1.2 The Appendices to this report show:

Appendix A: Work Plan 2016/17

Appendix B: proposed Work Plan 2017/18

Appendix C: the Audit Committee's terms of reference as agreed in Sept 2012

2. Review of the year 2016/17

2.1 The Committee met in September and November 2016 and March and June 2017 to fulfil the work plan that had been agreed for 2016/17. 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 item considered by the Committee during the year was the Annual Statement

of Accounts. The Statement of Accounts 2015/16 was received in June 2016 and considered at an “informal” workshop session in June 2016 before being formally received at the 30 June meeting. The purpose of the informal session was to give the members of the Committee an increased opportunity to consider and question the Accounts. Subsequently, the Committee received the External Auditor’s unqualified opinion in September 2016 alongside a report on Audit Findings. The 2015/16 Annual Audit letter was presented to the Committee in November 2016. In June 2017, the cycle was completed with the presentation of the pre-audit Statement of Accounts for 2016/17, once again preceded by an “informal” session.

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 2015/16 was presented in September 2016 demonstrating compliance with the Prudential Indicators. A mid-year progress report on Treasury Management was received in November 2016. The Treasury Management Strategy for 2017/18 was presented to the March 2017 meeting of the Committee.
- 2.4 The Committee timetable caused a slight problem, in that Full Council approval of the Strategy and the Prudential Indicators is required before implementation on 1st April each year. There was no Council meeting scheduled between the date of the Audit Committee and the end of the financial year. The Council therefore provisionally approved the Strategy subject to later, detailed scrutiny at Audit Committee. The timetable has been amended for 2018 so that the correct order for consideration, with Audit Committee recommending to Council, can be restored.

Internal Audit (ToR 6,7,8)

- 2.5 The Committee received a report, regularly at its meetings, from our internal auditors, RSM UK. 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 which is presented as part of the 29th June agenda. This concludes, based on the reports produced in the 2016/17 year, that the Council’s governance, risk management and control environment are generally sound. This is consistent with the opinion delivered in previous years.
- 2.6 The Internal Audit plan for 2017/18 was considered at the March 2017 meeting. Some concerns were raised relating to the relationship between this plan and the Council’s risk register at the March meeting. Neither report was approved at that time and both are on the 29th June 2017 agenda to be reconsidered.
- 2.7 RSM UK has recommended that the Council’s work in the area of Procurement be monitored more closely by the Audit Committee. The importance of Procurement has increased following new legislation, both national and European, the Government’s Transparency Code and the requirement to introduce Electronic Tendering processes. A regular review of Procurement has therefore been included in the Audit Committee’s plan of work.
- 2.8 The Internal Auditor’s Annual Report has highlighted a lack of progress on Procurement in relation to staff guidance, governance and contract compliance. The service has been stretched in the last year by the Council’s increase in large-scale capital activity and long-term absence in the service. Steps have recently been taken to strengthen the service by appointing additional temporary support and streamlining the structure to bring Legal and Financial Procurement expertise closer together. An update will be provided in November to the Audit Committee.

- Counter Fraud (ToR 11)
2.9 In November 2016, the Committee received a presentation from the manager of the Fraud & Investigation Team as part of the annual review of counter fraud activity.
- Annual Risk Management Report (ToR 10)
2.10 An annual report was received by the Committee in March 2017 building on an All-Member Seminar on the topic shortly beforehand. The report has since been revised to incorporate the issues raised in the seminar and is re-presented on the 29th June Agenda
- Review of the Code of Corporate Governance
2.11 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 2017 meeting.
- Contract Standing Orders and Financial Regulations (ToR 12)
2.12 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 the February 2015 Council Meeting. Revised Contract Standing Orders and Financial Regulations were included within the new Constitution
- Overview of the Terms of Reference
2.13 At the September Committee, a table was prepared for the information of the Audit Committee members, setting out each of the Terms of Reference with the planned reports mapped against them. This provided assurance to the Committee that the Terms of Reference were being adequately addressed. The report also incorporated an update on the current issues in each area.

3. Work Plan 2017/18

- 3.1 Appendix B contains the proposed work plan for 2017/18, 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.

AUDIT COMMITTEE WORK PLAN 2016/17 – as approved in June 2016

September 2016	External Auditor's Annual Governance Report and Audit Opinion on 2015/16 Statement of Accounts (ToR 2,3,4,5)
	Internal Audit Progress Report 2016/17 (ToR 6,7,8)
	Internal Audit Annual Report (deferred from June 2016)
	Treasury Management Annual Report 2015/16 (ToR 9)
November 2016	Report on the performance of Procurement (ToR 13)
	Combatting corporate fraud (ToR 11)
	External Auditor's Annual Audit Letter 2015/16
	Internal Audit Progress Report 2016/17 (ToR 6,7,8)
	Treasury Management Mid Year Monitoring Report 2016/17 (ToR 9)
March 2017	Internal Audit Progress Report 2016/17 (ToR 6,7,8)
	Internal Audit Strategy 2017/18 (ToR 6,7,8)
	Treasury Management Strategy 2017/18 (ToR 9)
	Corporate Governance – report on annual review
	Annual Risk Management Report 2016/17 (ToR 10)
June 2017	Audit Committee Annual Report 2016/17 (ToR 1)
	Draft Statement of Accounts and Annual Governance Statement 2016/17 (ToR 2,3,4,5)
	External Audit Plan, 2016/17 Accounts (ToR 2,3,4,5)
	Annual Internal Audit Report 2016/17 (ToR 6,7,8)

(ToR = Terms of Reference)

PROPOSED AUDIT COMMITTEE WORK PLAN 2017/18

September 2017	External Auditor's Annual Governance Report and Audit Opinion on 2016/17 Statement of Accounts (ToR 2,3,4,5) Internal Audit Progress Report 2017/18 (ToR 6,7,8) Treasury Management Annual Report 2016/17 (ToR 9)
November 2017	Report on the performance of Procurement (ToR 13) Combatting corporate fraud (ToR 11) External Auditor's Annual Audit Letter 2015/16 Internal Audit Progress Report 2017/18 (ToR 6,7,8) Treasury Management Mid Year Monitoring Report 2017/18 (ToR 9)
Feb 2018	Internal Audit Progress Report 2017/18 (ToR 6,7,8) Internal Audit Strategy 2018/19 (ToR 6,7,8) Treasury Management Strategy 2018/19 (ToR 9) Corporate Governance – report on annual review Annual Risk Management Report 2017/18 (ToR 10)
June 2018	Audit Committee Annual Report 2017/18 (ToR 1) Draft Statement of Accounts and Annual Governance Statement 2017/18 (ToR 2,3,4,5) External Audit Plan, 2017/18 Accounts (ToR 2,3,4,5) Annual Internal Audit Report 2017/18 (ToR 6,7,8)

(ToR = Terms of Reference)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE
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(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.