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| Date | 30 th June 2016 |

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| Subject | Audit Committee Annual Report 2015/16 |
| <p>RECOMMENDATIONS: that the Audit Committee</p> <ol style="list-style-type: none"> 1. Note the progress against the 2015/16 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 2015/16. 3. Approve the work plan for 2016/17. | |

1. Background

1.1 At its meeting of June 2014, the Audit Committee approved its new terms of reference and agreed a work plan to cover the period from September 2014 to June 2015. In June 2015, a further review was carried out and a forward work plan agreed.

1.2 The Appendices to this report show:

Appendix A: Work Plan 2015/16

Appendix B: proposed Work Plan 2016/17

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

2. Review of the year 2015/16

2.1 The Committee met in September and November 2015 and March and June 2016 to fulfil the work plan that had been agreed for 2015/16. 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 2014/15 was received in June 2015 and considered again at an “informal” workshop session in September 2015. The purpose of the informal session was to give the members of the Committee an increased chance to consider and understand the Accounts. Subsequently, the Committee received the External Auditor’s unqualified opinion in September 2015 alongside a report on Audit Findings. The 2014/15 Annual Audit letter was presented to the Committee in November 2015. In June 2016, the cycle was completed with the presentation of the pre-audit Statement of Accounts for 2015/16.
- 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 2014/15 was presented in September 2015 demonstrating compliance with the Prudential Indicators. A mid-year progress report on Treasury Management was received in November 2015. The Treasury Management Strategy for 2016/17 was presented to the March 2016 meeting of the Committee. Special consideration was given to the possibility of borrowing in 2016/17, which is envisaged in the Strategy, and an all-member seminar was held prior to the meeting to allow full discussion involving all interested members.
- Internal Audit (ToR 6,7,8)
- 2.4 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. This concludes, based on the reports produced in the 2015/16 year, that the Council’s governance, risk management and control environment are generally sound. This is consistent with the opinion delivered in previous years. Finally, the Internal Audit plan for 2016/17 was considered at the March 2016 meeting.
- 2.5 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 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 and the first review, together with consideration of a draft Procurement Policy, took place in November 2015.
- Counter Fraud (ToR 11)
- 2.6 In November 2015, 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)
- 2.7 An annual report was received by the Committee in March 2016.
- Review of the Code of Corporate Governance
- 2.8 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 2016 meeting.

Contract Standing Orders and Financial Regulations (ToR 12)

- 2.9 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

3. Work Plan 2016/17

- 3.1 Appendix B contains the proposed work plan for 2016/17, 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 2015/16 – as approved in June 2015

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|----------------|---|
| 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)

PROPOSED AUDIT COMMITTEE WORK PLAN 2016/17

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|----------------|--|
| 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)

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.