

<b>Strategic Management Team Lead Officer</b>	Nick Gray, Deputy Chief Executive
<b>Authors</b>	Mr Kay, Chief Accountant Jane Nottage, Risk Management and Performance Manager
<b>Telephone</b>	Mr Kay : 01306 879374 Jane Nottage : 01306 879188
<b>Email</b>	jane.nottage@molevalley.gov.uk
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<b>Subject</b>	Audit Committee Annual Report 2018/19
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### Recommendations

That the Audit Committee:

1. Notes the progress against the 2017/18 work plan
2. Reviews 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 2017/18
3. Approves the work plan for 2018/19

### Executive Summary

This report reviews the 2017/18 work plan, the proposed work plan for 2018/19 and the terms of reference for the Audit Committee.

### Corporate Priority Outcomes

#### Environment

- There are no issues directly relevant to this report.

#### Prosperity

- There are no issues directly relevant to this report.

#### Community Wellbeing

- There are no issues directly relevant to this report.

## 1.0 Background/Introduction

1.1 At its meeting of June 2017, the Audit Committee approved its terms of reference and agreed a work plan to cover the period from September 2017 to June 2018.

1.2 The Appendices to this report are as follows:

**Appendix A:** Work Plan 2017/18

**Appendix B:** proposed Work Plan 2018/19

**Appendix C:** the Audit Committee's terms of reference

## **2. Review of the year 2017/18**

2.1 The Committee met in June, September and November 2017 and February and March 2018 to fulfil the work plan that had been agreed for 2017/18. 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. Due to the change in the Statutory deadline for accounts production to the end of May (compared with June in 2016/17) in 2017/18 going forward this review process is harder to achieve prior to publication of the accounts. The reports considered by the Committee and the terms of reference (ToR) covered by each are set out below.

### **Review and Scrutiny of Financial Statements (ToR 2,3,4,5)**

2.2 The most substantial item considered by the Committee during the year was the Annual Statement of Accounts. The Statement of Accounts 2016/17 was received in June 2017 and considered at an informal workshop session in June 2017 before being formally received at the 30<sup>th</sup> June Committee meeting. The purpose of the informal session was to give the members of the Committee a full opportunity to consider and question the Accounts. Subsequently, the Committee received the External Auditor's unqualified opinion in October 2017 alongside a report on Audit Findings. The 2016/17 Annual Audit letter was presented to the Committee in November 2017. The timetable for the production of the accounts for 2017/18 has been changed requiring production by the 31<sup>st</sup> May 2018. This brought forward the submission of the draft Audit Plan for 2017/18 to the February 2018 meeting.

### **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 2016/17 was presented in September 2017 demonstrating compliance with the Prudential Indicators. A mid-year progress report on Treasury Management was received in March 2018 together with the Treasury Management Strategy for 2018/19 meeting of the Committee. The Asset Investment Strategy was approved by Council in February 2018 which was fed into the Treasury Management Strategy for 2018/19.

### **Internal Audit (ToR 6,7,8)**

2.4 The Committee received regular reports from our internal auditors, RSM UK. This updated the Committee on the progress against the Audit Plan 2017/18 highlighting the audits that have been completed since previously reported to Audit Committee, 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 31 May 2018 agenda. This concludes, based on the reports produced in the 2017/18 year, that the Council's governance, risk management and control environment are generally sound. This is consistent with the opinion delivered in previous years.

2.5 The Internal Audit plan for 2018/19 was considered and approved at the March 2018 meeting.

### **Counter Fraud (ToR 11)**

2.6 In November 2017, 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 2018. At that meeting the Committee confirmed that they were satisfied with the risk management arrangements.
- 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 2018 meeting. The Committee noted that good progress had been made against the Annual Governance Statement action plan for 2017/18.
- 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.
- Differences to 2018/19 work programme
- 2.10 As a result of the AIS ToR 13 has been added which will result in further oversight of Mova Property Ltd which is being used to deliver the AIS strategy.

### **Financial Implications**

All relevant financial implications have been taken into account in the report.

### **Legal Implications**

There are no legal implications arising as a direct result of this report.

## **2.0 Corporate Implications**

### **Monitoring Officer commentary**

The relevant legal implications have been taken into account

### **S151 Officer commentary**

The s151 Officer confirms that all relevant financial risks and implications have been considered in this report.

### **Risk Implications**

The risk implications are that the statutory deadlines for final accounts are not met and are being mitigated by adequate planning and resourcing.

### **Equalities Implications**

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

### **Employment Issues**

There are no employment implications in this report.

### **Sustainability Issues**

There are no sustainability issues in this report

### **Consultation**

There are no consultation issues in this report

**Communications**

There are no communication issues in this report

**Background Papers**

None

## APPENDIX A

### AUDIT COMMITTEE WORK PLAN 2017/18 – as approved in June 2017

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)

## APPENDIX B

### PROPOSED AUDIT COMMITTEE WORK PLAN 2018/19

July 2018	Final Statement of Accounts and Annual Governance Statement 2017/8 (ToR 2,3,4,5)
	External Auditor's Annual Governance Report and Audit Opinion on 2017/18 Statement of Accounts (ToR 2,3,4,5)
	Internal Audit Progress Report 2018/19 (ToR 6,7,8)
	Treasury Management Annual Report 2017/18 (ToR 9)
	Asset Investment: 2017/18 Financial Statement for relevant AIS companies (ToR 13)
November 2018	Annual Counter Fraud report (ToR 11)
	External Auditor's Annual Audit Letter 2016/17
	Internal Audit Progress Report 2018/19 (ToR 6,7,8)
	Treasury Management Mid Year Monitoring Report 2018/19 (ToR 9)
	Asset Investment: 2018/19 Month 6 Financial Statement for relevant AIS companies (ToR 13)
Feb 2019	Internal Audit Progress Report 2018/19 (ToR 6,7,8)
	Internal Audit Strategy 2019/20 (ToR 6,7,8)
	Treasury Management Strategy 2019/20 (ToR 9, 13)
	Corporate Governance – report on annual review 2018/19
	Annual Risk Management Report 2018/19 (ToR 10)
	Annual Asset Investment Strategy 2019/20 (ToR 13)
May 2019	Audit Committee Annual Report 2018/19 (ToR 1)
	Draft Statement of Accounts and Annual

	Governance Statement 2018/19 (ToR 2,3,4,5)
	External Audit Plan, 2018/19 Accounts (ToR 2,3,4,5)
	Annual Internal Audit Report 2018/19 (ToR 6,7,8)
	Internal Audit Progress Report 2018/19 (ToR 6,7,8)

(ToR = Terms of Reference)

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE<sup>1</sup>**

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

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, (May)].
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, (May);
  - To receive the External Auditor's plan for the audit of those accounts, (May);
  - To receive the External Auditor's Annual Governance Report and audit opinion on those accounts, (July);
  - To approve the Council's final annual accounts for the previous year, (July);
  - To receive the External Auditor's Annual Audit Letter, (November).
  - To receive an Annual Update on Corporate Governance (February)
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.

<sup>1</sup> 'Primary Actions' have been added in to the Terms of Reference to show reporting to Audit Committee



8. To review the effectiveness of Internal Audit.

Primary actions:

- To receive annually the statutory report of the Head of Internal Audit, (May).
- To receive regular updates on delivery against the current year plan, (July, November, February, May);
- To receive annually, the draft audit strategy/plan for the coming year, (February).

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

Primary actions:

- To receive a Treasury Management Annual Report, setting out performance for the previous year, (July);
- To receive a Treasury Management Mid-Year Monitoring report, identifying performance against the Strategy, (November);
- To receive an annual Treasury Management Strategy report, for the following year, (February).

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

Primary action:

- To receive an annual Risk Management Report, (February).

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

Primary action:

- To receive an annual Counter Fraud Report, (November).

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

13. To receive reports on the business plans, corporate governance, risk management and financial performance of any companies set up pursuant to the Asset Investment Strategy, including six monthly financial statements.

14. 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.