

Agenda Item 7

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Subject	Audit Committee Annual Report 2018/19 and Work Plan 2019/20
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Recommendations

That the Audit Committee

1. Notes the progress against the 2018/19 work plan
2. Reviews the terms of reference and consider whether any amendments are required.
3. Approves the work plan for 2019/20

Executive Summary

This report reviews the 2018/19 work plan, the proposed work plan for 2019/20 and the terms of reference for the Audit Committee.

The Appendices to this report are as follows:

Appendix A: Work Plan 2018/19

Appendix B: the Audit Committee's terms of reference

Appendix C: proposed Work Plan 2019/20

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 May 2018, the Audit Committee approved its terms of reference and agreed a work plan to cover the period from July 2018 to May 2019.

2.0 Review of the year 2018/19

- 2.1 During 2018/19 the Committee met in May, July, September, November, February and March to fulfil the work plan that had been agreed. The approved work plan for

2018/19 is included at Appendix A.

Audit Committees were scheduled for July, November, February and May. 2018/19 was the first year where there was no March meeting of the Audit Committee scheduled. It was not possible to accommodate some of the planned reports into this schedule and therefore a March meeting of the Audit Committee took place and the items scheduled for the May meeting of the Audit Committee were either brought forward to March or deferred until July.

- 2.2 All reports in the approved work plan were presented to Audit Committee. The timing of presentation of some of the reports varied as follows:

Report	Schedule in Work Plan	Actual date of report	Reason for difference
Final Statement of Accounts and Annual Governance Statement 2017/18	July 2018	July 2018 and September 2018	The statement of accounts and annual governance statement was presented to Audit Committee in July, but as the final audit findings report was not available the committee deferred the decision. The report was then brought to a Special Audit Committee in September and approved.
Audit Committee Annual Report 2018/19	May 2019	July 2019	Items scheduled to go to the May meeting of the Audit Committee were either allocated to an earlier meeting or deferred to the July meeting.
Draft Statement of Accounts and Annual Governance 2018/19	May 2019	June 2019	The statutory deadline for producing the draft accounts is the 31-May. An informal meeting of the Audit Committee was arranged in June 2019 to provide an induction session for new Audit Committee Members and to give the Audit Committee an opportunity to discuss the draft accounts.
External Audit Plan 2018/19	May 2019	March 2019	Items scheduled to go to the May meeting of the Audit Committee were either allocated to an earlier meeting or deferred to the July meeting.
Annual Internal Audit Report 2018/19	May 2019	February 2019	Items scheduled to go to the May meeting of the Audit Committee were either allocated to an earlier meeting or deferred to the July meeting.

Report	Schedule in Work Plan	Actual date of report	Reason for difference
Internal Audit Progress Report 2018/19	May 2019	July 2019	Items scheduled to go to the May meeting of the Audit Committee were either allocated to an earlier meeting or deferred to the July meeting.

2.3 In addition to the reports on the approved work plan, the following were also presented to Audit Committee:

- Provision of Internal Audit Services
- Annual Report on Procurement
- Draft Accounting Policies 2018/19

2.4 Provision of Internal Audit Services

The purpose of the report was to seek approval to enter into the Joint Working Agreement to receive internal audit services from Southern Internal Audit Partnership for a period of 4 years from 1 April 2019 based on the evaluation of options by the East Surrey Internal Audit Consortium.

The Council's existing contract for the provision of Internal Audit services was due to expire in March 2019. A process of market testing and due diligence had been undertaken by the East Surrey Internal Audit Consortium to assess the available options and to identify a preferred provider.

2.5 Annual Report on Procurement

The Internal Auditors recommended that the Audit Committee should receive an annual update on the performance of the Council's procurement function.

The report provided an overview of the legislative environment and an update on the governance of the procurement function. It also set out how for the year ended 2017/18 the procurement function had performed against each performance indicator and reported progress to date against the recommendations set out in the July 2017 Internal Audit Report. It also provided an update on procurement risk.

This was the first of the annual update reports and this item will be included in the annual work plan, going forward.

2.6 Draft Accounting Policies 2018/19

There is a requirement of the CIPFA Code for the draft accounting policies to be presented to the relevant committee for noting, and for MVDC, this is the Audit Committee. This item will be included in the annual work plan, going forward.

3.0 Audit Committee terms of reference

3.1 Each year, the Audit Committee are given an opportunity to review the terms of reference, and these are included at Appendix B.

4.0 Proposed Audit Committee work plan for 2019/20

4.1 The proposed work plan for the coming year is included at Appendix C.

Financial Implications

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

Legal Implications

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

3.0 Corporate Implications

Monitoring Officer's commentary

The Monitoring Officer confirms that all relevant legal implications have been taken into account.

S151 Officer's commentary

The S151 Officer confirms that all relevant financial risks and implications have been considered in this report.

Risk Implications

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

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

Audit Committee Work Plan 2018/19

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

(ToR = Terms of Reference)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

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.
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.
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.
9. To scrutinise the Council's Treasury Management strategy and functions.
10. To scrutinise the Council's risk management arrangements.
11. To scrutinise the Council's corporate counter fraud arrangements.
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.

Proposed Audit Committee Work Plan 2019/20

Timing	Report	Terms of Reference
25 July 2019	Audit Committee Annual Report 2018/19 and Work Plan 2019/20	1 to 13
	Internal Audit Progress Report	1, 6, 7, 8
	Draft Annual Governance Statement 2018/19	1, 3, 4, 5
	Audited Statement of Accounts and Letter of Representation 2018/19 and Audit Findings Report from the External Auditors	1, 2, 3, 4, 5
	Treasury Management Outturn Report 2018/19	1, 9
Late October / early November	Annual Audit Letter from the External Auditors 2018/19	1, 2, 4, 5
	Internal Audit Progress Report	1, 6, 7, 8
	Treasury Management Mid-Year Monitoring Report 2019/20	1, 9
	Annual Counter Fraud Report	1, 11
Late January / early February	Corporate Governance Progress Report	1, 3
	Internal Audit Progress Report	1, 6, 7, 8
	Treasury Management Strategy 2020/21 (covers treasury management, capital and asset investment)	1, 9, 13
Late March	Internal Audit Plan 2020/23 and Charter 2020/21	1, 6, 7, 8
	Internal Audit Progress Report	1, 6, 7, 8
	Annual Risk Management Report	1, 10
	Annual Report on Procurement	1, 10, 13
	External Audit Progress Report and Sector Update for year ending 31st March 2020	1, 2
	Certification of Housing Benefit Subsidy Claim 2018/19	1, 2
	External Audit Plan for the audit of the 2019/20 statement of accounts	1, 4, 5
	Draft Accounting Policies for the 2019/20 statement of accounts	1, 4, 5
	Audit Committee Annual Report 2019/20	1 to 13

The Chair of Audit Committee has proposed that during 2019/20 a review of the following topics and any associated policies should be undertaken: capital reserves and capital projects, treasury management and KPIs.

In addition to the above meetings there would be an induction session for newly appointed Audit Committee Members in June each year.