

## **Summary Sheet**

### **Council Report:**

Audit Committee – 30 July 2018.

### **Title:**

Audit Committee Annual Report 2017/18

### **Is this a Key Decision and has it been included on the Forward Plan?**

No

### **Strategic Director Approving Submission of the Report:**

Judith Badger (Strategic Director of Finance and Customer Services)

### **Report Author(s):**

David Webster (Head of Internal Audit)

### **Ward(s) Affected:**

All wards

### **Executive Summary:**

The purpose of the Annual Report 2017/18 is to bring together in one document a summary of the work undertaken by the Audit Committee. The Chartered Institute of Public Finance and Accountancy (CIPFA) has issued guidance to local authorities to help ensure that audit committees operate effectively. The guidance recommends that audit committees should report annually on how they have discharged their responsibilities. A copy of the draft annual report of this audit committee is attached at Appendix 1. A copy of the Audit Committee's Terms of Reference is included in Appendix 1 for information.

### **Recommendation:**

#### **The Audit Committee is asked to**

- a. Note the production of the Audit Committee Annual Report 2017/18.**
- b. Consider and approve the draft report prior to its submission to the Council.**

### **Background Papers:**

Relevant reports presented to the Audit Committee and minutes of the meetings of the Audit Committee.

**Consideration by any other Council Committee, Scrutiny or Advisory Panel:**

No

**Council Approval Required:**

No

**Exempt from the Press and Public:**

No

**Title:****Audit Committee Annual Report****1. Recommendations****The Audit Committee is asked to:**

- **Note the production of the Audit Committee Annual Report 2017/18.**
- **Consider and approve the draft report prior to its submission to the Council.**

**2. Background**

- 2.1 The Audit Committee is responsible for overseeing the Council's corporate governance, audit and risk management arrangements. The Committee is also responsible for approving the Statement of Accounts and the Annual Governance Statement. The Committee's specific powers and duties are set out in section 9 of the Constitution under the Terms of Reference of the Audit Committee. A copy of the Terms of Reference is attached at Appendix 2 for information.
- 2.2 Audit Committees are a key component of corporate governance and provide an important source of assurance about the organisation's arrangements for managing risk, maintaining an effective control environment, and reporting on financial and other performance.
- 2.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) issued guidance to local authorities to help ensure that audit committees are operating effectively. The guidance recommends that audit committees should report annually on how they have discharged their responsibilities.

**3. Work undertaken during 2017/18**

- 3.1 The Audit Committee has met on five occasions in the year to 31 March 2018, in accordance with its programme of work.
- 3.2 During this period the Committee has assessed the adequacy and effectiveness of the Council's risk management arrangements, control environment and associated counter fraud arrangements through regular reports from officers, the internal auditors and the external auditors. The Committee has sought assurance that action has been taken, or is otherwise planned, by management to address any risk related issues that have been identified during the period. The Committee has also sought to ensure that effective relationships continue to be maintained between the internal and external auditors, and between the auditors and management.
- 3.3 The specific work undertaken by the Committee is set out in Appendix 1.

**4. Options considered and recommended proposal**

- 4.1 This report is presented to enable the Audit Committee to fulfil its responsibility for reporting on how they have discharged their duties.

## **5. Consultation**

5.1 None.

## **6. Financial and Procurement Implications**

6.1 There are no direct financial or procurement implications arising from this report.

## **7. Human Resources Implications**

7.1 There are no direct implications for HR arising from this report.

## **8. Implications for Children and Young People and Vulnerable Adults**

8.1 There are no direct implications for Children and Young People and Vulnerable Adults arising from this report.

## **9. Equalities and Human Rights Implications**

9.1 There are no direct Equalities or Human Rights implications arising from this report.

## **10. Accountable Officer(s):**

David Webster (Head of Internal Audit).

**ROTHERHAM METROPOLITAN  
BOROUGH COUNCIL**

**AUDIT COMMITTEE ANNUAL REPORT  
2017/18**

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## **1. INTRODUCTION**

- 1.1** While there is no statutory obligation to have such an arrangement, Audit Committees are widely recognised as a core component of effective governance and therefore reflect good practice. RMBC's Audit Committee is properly constituted and as such is given sufficient authority and resources by the Council. In effect, the Committee has the right to obtain all the information it considers necessary and to consult directly with senior managers. In line with best practice the Audit Committee can report its observations and concerns directly to the Council.
- 1.2** A local authority has a duty to ensure that it is fulfilling its responsibilities for adequate and effective internal control, risk management and governance, as well as the economy, efficiency and effectiveness of its activities. The Audit Committee has a key role in overseeing and assessing the internal control, risk management and corporate governance arrangements and advising the Council on the adequacy and effectiveness of those arrangements.
- 1.3** This role is reflected in the committee's Terms of Reference which are given in Paragraph 4 below.
- 1.4** The Audit Committee has six Members:
- Councillor Ken Wyatt – Chair
  - Councillor Bob Walsh – Vice Chair
  - Councillor Allen Cowles
  - Councillor Sarah Allen (April Meeting)
  - Councillor Sue Ellis (April Meeting)
  - Councillor Simon Evans (July meeting onwards)
  - Councillor Stuart Sansome (July meeting onwards)
  - Bernard Coleman

## **2 SUMMARY OF WORK UNDERTAKEN IN 2017/18.**

The Audit Committee completed the following during 2017/18

### **2.1 EXTERNAL AUDIT**

Received and considered the external auditor's annual audit letter in respect of the 2016/17 audit year. The Committee was pleased to note that the external auditors had given an unqualified value for money audit opinion and an unqualified opinion on the financial statements. They also stated that the Narrative Report was consistent with their understanding and that the Annual Governance Statement was consistent with their understanding and compliant with the CIPFA/SOLACE framework on good governance in local authorities.

Received and considered the external auditor's plan for the audit of the 2017/18 financial statements and the review of the Council's arrangements for securing value for money.

Received and considered the detailed results of the external auditor's work in relation to the audit of the 2016/17 financial statements of the Council. The Committee was pleased to note that the auditors had given an unqualified audit opinion with no audit adjustments necessary other than presentational changes, and an unqualified value

for money conclusion stating that the Council has made proper arrangements to ensure it took properly-informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Received and considered the external auditor's report on Grant returns and certification work. The Committee was pleased to note that unqualified opinions had been given on all three grants audited..

Held an informal private meeting with the external auditors to discuss their work.

## **2.2 INTERNAL AUDIT**

Continued to oversee the internal audit arrangements for the Council. This included approving changes to the Internal Audit Charter.

Received and considered the results of internal audit work performed in respect of each Directorate. Monitored the progress made by management during the period to address identified control weaknesses.

Received and approved the Internal Audit Plan for 2017/18. The plan ensures that limited internal audit resources are prioritised towards those systems and areas which are considered to be the most risky or which contribute most to the achievement of the Council's corporate objectives.

Monitored the delivery of the annual Internal Audit plans through regular update reports presented by the Head of Internal Audit. Reviewed variations to the audit plans which were considered necessary to reflect new or changed Council priorities.

Monitored the performance of the Internal Audit team through regular update reports.

Received and considered the Annual Report of the Head of Internal Audit for 2016/17 which provided an overall opinion on the Council's control environment. The Committee noted that the work of internal audit is primarily focused on those areas which represent the highest risk for the Council. The Head of Internal Audit confirmed that the Council overall had an adequate and effective framework of governance, risk management and control but with caveats around specific areas and improvements during the year.

Received and considered the results of the internal assessment against Public Sector Internal Audit Standards and the implementation of the Quality Assurance and Improvement Plan.

Held an informal private meeting with the Head of Internal Audit to discuss the work of the internal auditors.

## **2.3 ANTI FRAUD AND CORRUPTION**

Received and considered updates to the Anti-Fraud and Corruption Policy and Strategy and the Anti-Money Laundering Policy and Strategy.

Received and considered the Anti-Fraud Annual Report, detailing performance by each type of fraud and the work undertaken as part of the National Fraud Initiative.

Received and considered updates on completed fraud investigations as part of the Internal Audit Progress Report.



## **2.4 RISK MANAGEMENT**

Continued to oversee the Council's risk management arrangements and strategy.

Reviewed the progress made by the Council to identify and address corporate risks. This included consideration of the Strategic Risk Register.

Assessed the adequacy and effectiveness of each Directorate's risk management arrangements through consideration of the risks and mitigating actions identified in each Directorate's Risk Register. Presentations were received from Strategic Directors and Cabinet Members on their approach to risk management.

The Chair of the Audit Committee met with the Independent Health Check team in February 2018. Their report to the Commissioners included the following:-

*"The Audit Committee contributes confidently to ensuring that risks are properly considered and managed. The approach taken by the Audit Committee is well developed. The Committee emphasises realism and full transparency in risk management and could be considered an exemplar in this regard."*

## **2.5 CORPORATE GOVERNANCE**

Considered changes to the Code of Corporate Governance prior to approval. The Code reflects the core principles and requirements of the CIPFA/SOLACE 'Delivering Good Governance in Local Government Framework'.

Considered and approved the Annual Governance Statement for 2016/17 of the Council. The Statement had been updated so that it aligned with the new corporate governance principles and framework. The Committee also reviewed the progress made by management to address significant issues identified in the 2015/16 Annual Governance Statement.

Received and considered the relationship between the Audit Committee and Overview and Scrutiny, resulting in the adoption of a protocol for the referral of issues between the Audit Committee and the Overview and Scrutiny Management Board.

Produced its own Prospectus for 2017/18 detailing the work to be undertaken by the Committee during the year.

## **2.6 FINANCE**

Considered and approved the Statement of Accounts for 2016/17 for the Council.

Received and considered a report on the Code of Practice on Local Authority Accounting 2017/18. The principle change was in the timetable for the closure of the accounts, which needed to be published in draft form by 31<sup>st</sup> May 2018 and finalised by 31<sup>st</sup> July 2018.

Continued to review the Council's Treasury Management arrangements. This included reviewing the Annual Treasury Management Report for 2016/17 which covered the actual Prudential Indicators, and the Mid-Year update which included changes to the Investment Strategy for 2018/19.

## **2.7 OTHER**

Received and considered updates on progress made to implement recommendations arising from external inspections.

Received and considered a report on the Council's use of surveillance and acquisition of communication data powers under the Regulation of Investigatory Powers Act 2000 (RIPA). There had been no usage of these powers by the Council during 2016/17.

Received an inspection report from the Office of Surveillance Commissioners in respect of the Council's arrangements to secure compliance with the statutory provisions which govern the use of covert surveillance. The Committee was pleased to note that the Council's arrangements for RIPA were as good as the best found in other local authorities.

## **3 TRAINING**

The Committee receives training or a briefing before each meeting. During 2017/18 these included the Statement of Accounts, Treasury Management, the Code of Corporate Governance and Risk Management.

## **4. TERMS OF REFERENCE**

The Council has established an Audit Committee comprising five non-executive members of the Council. The Committee will be attended by a representative of the Council's external auditors as well as senior officers of the Council. The Committee's remit is:–

- to consider all issues relating to audit matters, both internal and external;
- to monitor and review the effectiveness of risk management systems, including systems of internal control;
- to consider the preparation and monitoring of the internal audit plan;
- to consider summary reports of each internal audit and value for money study undertaken;
- to consider the external audit plan;
- to consider reports from the external auditor, including value for money, systems and final accounts audits;
- to review and monitor the performance of internal audit;
- to review and monitor the anti-fraud strategy and initiatives;
- to ensure the receipt of 'Best Value' from all audit resources;
- to review and monitor corporate governance matters in accordance with audit guidelines.

The Audit Committee will consider the external auditor's annual report on the Council's statement of accounts income and expenditure and will also consider the SAS 610 report from the external auditor. However, the external auditor's management letter will be presented to the full Council.