

Audit committee

Date: Tuesday, 11 June 2019

Time: 16:30

Venue: Mancroft room, City Hall, St Peters Street, Norwich, NR2 1NH

Committee members:

Councillors:

Price (chair)

Driver

Giles

Lubbock

McCartney-Gray

Peek

Stutely

Youssef

For further information please contact:

Committee officer: Jackie Rodger

t: (01603) 212033

e: jackierodger@norwich.gov.uk

Democratic services

City Hall

Norwich

NR2 1NH

www.norwich.gov.uk

Information for members of the public

Members of the public and the media have the right to attend meetings of full council, the cabinet and committees except where confidential information or exempt information is likely to be disclosed, and the meeting is therefore held in private.

For information about attending or speaking at meetings, please contact the committee officer above or refer to the council's website



If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Agenda

		Page nos
9	Annual Report of the Audit Committee 2018-19	3 - 14

Purpose - To comment on the draft Annual audit committee report 2018-19.

Date of publication: **Friday, 07 June 2019**

Report to Audit committee
11 June 2019
Report of Director of business services
Subject Annual Audit Committee Report 2018-19

Item

9

Purpose

To comment on the draft Annual audit committee report 2018-19.

Recommendation

That the committee approves the content of the annual audit committee report and recommends that council adopts it.

Corporate and service priorities

The report helps to meet the corporate priority value for money services.

Financial implications

This report has no direct financial consequences.

Ward/s: All

Chair, audit committee: Councillor Price

Contact officers

Anton Bull, director of business services

01603 212326

Karen Watling, chief finance officer

01603 212440

Jackie Rodger, senior committee officer

01603 212033

Background documents

None

Report

1. On 11 March 2014, the audit committee resolved to approve new procedures for the audit committee in line with CIPFA guidance. In line with good practice the committee agreed to produce an annual report for council.
2. The attached annual report of the audit committee 2018-19 gives an opportunity for members of the committee to consider and comment on the report before it is presented to full council on 23 July 2019.
3. The report sets out the work of the audit committee over the last financial year. The committee has been effective in undertaking the functions set out in its terms of reference, in accordance with the council's procedure rules and the Accounts and Audit Regulations 2015.

Annual Report of the Audit Committee 2018-19

Introduction

This is the fourth annual report of the audit committee and advises the council of the work of the audit committee for the period of the civic year 2018-19.

Councillor Ben Price
Chair, audit committee

Councillor Keith Driver
Vice chair, audit committee

Background

1. This report covers the work of the audit committee for the financial and civic year 2018-19.
2. The council established an audit committee in 2007. Article 17, Audit committee, of the council's constitution sets out the terms of reference and procedures for the committee. A copy of Article 17 is appended to this report as Appendix A. The production of an annual report by the committee is considered to be good practice.
3. The members on the committee in 2019-20 were:-
 - Councillor Ben Price (chair)
 - Councillor Keith Driver (vice chair)
 - Councillor Ed Coleshill
 - Councillor David Fullman
 - Councillor Emma Hampton
 - Councillor Judith Lubbock
 - Councillor Jo Smith
 - Councillor Ian Stutely
4. Councillor Paul Kendrick, cabinet member for resources, attended all meetings of the committee.
5. The key officers who supported the audit committee were:
 - Karen Watling, chief finance officer and S151 officer
 - Hannah Simpson, strategic business partner (Deputy S151 officer)
 - Magen Powell, principal auditor (LGSS)
 - Neil Hunter, head of internal audit and risk management (LGSS)
 - Duncan Wilkinson, chief internal auditor (LGSS)
 - Laura McGillivray, chief executive
 - Anton Bull, director of business services
6. The engagement team of the external auditors (Ernst & Young LLP) is led by Mark Hodgson, with Sappho Powell, as the council's external audit manager. The external auditors attend meetings of the audit committee to present their reports and answer members' questions.
7. The committee monitors the fees paid by the council to the external auditors to ensure value for money.
8. The committee met five times during the civic year 2018-19 as follows:
 - 12 June 2018
 - 24 July 2018
 - 16 October 2018
 - 22 January 2019
 - 12 March 2019.
9. The information contained in this report is drawn from the minutes and reports considered at committee meetings held during the year. Agendas, reports and minutes for the meetings are available on the council's website:

10. The committee requests training as required. Training is not restricted to committee members and there is an open invitation for all members of the council to attend. The external auditors also host briefing sessions for members of local government audit committees in Cambridge and provide briefing notes which are circulated to members of the committee. The chair and vice chair have taken opportunities to attend briefing and networking sessions arranged by the external auditors for local government audit committee members and CIPFA and other external training courses.

Work of the committee

11. As set out in the committee's terms of reference, the committee:
 - (a) considers and approves the annual statement of accounts;
 - (b) ensures that the financial management of the council is adequate and effective;
 - (c) reviews the council's system of internal control and agrees the annual governance statement for inclusion in the statement of accounts;
 - (d) ensures that the council has an adequate and effective internal audit function;
 - (e) makes recommendations to cabinet or council on matters within the remit of the committee.
12. The work programme for the committee is cyclical and follows a similar pattern as previous years. The work programme for the forthcoming civic year 2019-20 is attached to this report at Appendix B.

Annual Statement of Accounts

13. The chair signed off the Annual Statement of Accounts on 24 July 2018, having considered it in detail at the committee's June meeting. The external auditors' opinion, as set out in the public facing Annual Audit Letter 2017-18, and reported to the committee at its meeting on 16 October 2019, was that the signing off of the Statement of Accounts for 2017-18 by the new deadline of 31 July 2018 was a significant achievement by all concerned.
14. The external auditors identified that the council's commercial activity was a significant risk due to the council's increasing activity in this area. The council's increasing reliance on income from fees and charges, commercial activities and reserves to provide council services rather than total reliance on council tax, business rates and government grants against a background of uncertainty of public funding, business rates and the effect of Brexit to the national economy is an increased risk which has been considered and raised at several meetings over the year. Members have sought reassurance about the level of reserves identified in the medium term financial strategy to protect the council from risks and to ensure that services could continue.

Financial Management of the Council

15. The external auditors seek confirmation from the chair each year requesting confirmation of the council's management processes and arrangements. Councillor Price, as chair of the committee, responded to this letter and copies of the letter will be made available to members of the committee.

Reviews the council's system of internal control and agrees the annual governance statement for inclusion in the annual statement of accounts

16. The committee received the annual internal audit opinion for 2017-18 at its meeting on 12 June 2018. The chief internal auditor's opinion on the basis of the audit work undertaken during 2017-18 was to award a good level of assurance and this was consistent with the previous years. This report formed part of the evidence for the Annual Governance Statement submitted with the statement of accounts 2017-18. The chair and members of the committee were satisfied that the internal audit team had conducted their work with due diligence.

Ensures that the council has an adequate and effective internal audit function

17. The committee agrees the internal audit work plan at its March meeting for the forthcoming financial year and monitors the performance of the internal audit team at each meeting.
18. Following the meeting held on 24 July 2018, the chief executive and corporate leadership team agreed that the chair and any interested members of the committee wanting further details of internal audits may have access to internal audit's reports to managers.

Makes recommendations to cabinet or council on matters within the remit of the committee

19. The committee receives and comments on the corporate risk register on an annual basis. A review of the corporate risk register is currently underway and the committee has asked that it receives regular updates during this process.
20. The chair requested that an internal audit report was taken as an urgent item at the meeting of the committee on 12 March 2019, to enable the committee to ask questions of the cabinet members and officers concerned. The committee was satisfied that the actions had been agreed and would be reviewed by internal audit in 6 months' time.

Conclusion

21. The committee has been effective in undertaking the functions set out in its terms of reference, in accordance with the council's procedure rules and the Accounts and Audit Regulations 2015.

Draft

ARTICLE 17 – AUDIT COMMITTEE

Membership

1. Membership of the audit committee shall comprise 8 members appointed by council.
2. The chair of the committee shall be elected by council and the vice-chair shall be appointed by the committee.

Terms of reference

3. The audit committee shall -
 - (a) undertake the council's financial responsibilities in the manner set out:
 - (i) in the council's audit committee procedure rules as produced from time to time by the chief finance officer; and
 - (ii) in the Accounts and Audit Regulations 2015;
 - (b) consider and approve the annual statement of accounts;
 - (c) ensure that the financial management of the council is adequate and effective;
 - (d) ensure that the council has a sound system of internal control which facilitates the effective exercise of the council's functions and which includes arrangements for the management of risk;
 - (e) review annually the council's system of internal control and agree an Annual Governance Statement for inclusion in the statement of accounts;
 - (f) ensure that the council has an adequate and effective internal audit function;
 - (g) have power to make recommendations to cabinet or council on any matter within its remit.

AUDIT COMMITTEE PROCEDURE RULES

The audit committee will carry out its terms of reference in accordance with the following:

Corporate governance

1. Review the effectiveness of internal control across the council and the adequacy of actions taken to address any weaknesses or control failures.
2. Consider the adequacy and effectiveness of the council's arrangements for the identification and management of the organisation's business risks; including the risk management policy, strategy and risk register.
3. Receive and consider regular reports on the risk environment and associated management actions.
4. Review and ensure the adequacy of the council's anti-fraud and corruption policy and strategy and the effectiveness of their application.
5. Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.
6. Review, consider and agree the AGS including the adequacy of the corporate governance framework and improvement action plan contained within it.
7. Receive periodic updates on improvement actions taken.

Internal and external audit

8. Approve the internal audit charter.
9. Approve and monitor delivery of the internal audit strategy.
10. Consider, endorse and monitor delivery of the internal audit annual work programme, including any significant in-year changes to the programme or resource requirements.
11. Ensure adequate resourcing of the internal audit function, approving any significant additional consulting services requested from internal audit not already included in the internal audit annual work programme.
12. Receive and consider the annual internal audit report and opinion on behalf of the council.
13. Oversee the annual review of the effectiveness of the system of internal audit, to include the performance of the internal audit function, compliance with standards and delivery of improvement actions.
14. Contribute to the external quality assessment of internal audit that takes place every five years.
15. Commission work from internal and external audit and consider the resulting reports.
16. Comment on the scope and depth of external audit work and ensure it gives value for money.
17. Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
18. Seek assurance that action has been taken to implement the recommendations arising from the findings of significant audit and inspection work.

Statement of accounts

19. Discuss the annual audit plan for the audit of the financial statements with external audit.
20. Consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
21. Review and approve the annual statement of accounts, including subsequent amendments on behalf of the council.

Referred powers

22. Consider and make recommendations on all matters described above.
Recommendations relating to all paragraphs except 9 – 10 and 12 – 21 shall be made to the cabinet and chief finance officer. Recommendations relating to paragraphs 9 – 10 and 12 – 21 shall be made to the chief finance officer.

Accountability arrangements

23. Report to those charged with governance on the committee's findings, conclusions and recommendations concerning the effectiveness of their governance, risk management and internal control frameworks, financial reporting arrangements and internal and external audit functions.
24. Report to full council on the committee's performance in relation to the terms of reference and effectiveness of the committee in meeting its purpose.

Work Plan for the Audit Committee 2019-20

Please note that the schedule of meetings listed below follows a broad pattern. Risk Management procedures and regular reports from Internal Audit will be covered in all meetings.	
June/July	The items scheduled for this meeting focus on the draft annual accounts.
September	The items scheduled for this meeting are centred around the final sign off of the audited annual accounts.
November	The items scheduled for this meeting reflect completion of the year's cycle.
January	The items scheduled for this meeting principally reflect the planning of the internal and external audit cycles.
March	The items scheduled for this meeting reflect the progress that has been made on the interim audit and the year end accounts procedures.

Date of committee Deadline for reports*	Suggested Items		
	Regular Items	Notes	Pre-Committee training (if required)
Tue 11 Jun 19 Deadline Fri 31 May 19	Draft annual governance statement Draft statement of accounts 2018-19 Annual report on internal audit and fraud 2018-19 Annual report of the audit committee 2018-19		
Tue 23 Jul 19 Deadline Fri 12 Jul 19	Annual governance statement 2018-19 - approval Audited statement of accounts 2018-19 – approval Audit results report 2018-19 Internal audit quarter 1 update		
Tue 15 Oct 19 Deadline Fri 4 Oct 19	Annual audit letter 2018-19 Risk management report Internal audit quarter 2 update 2019-20		
Tue 21 Jan 20 Deadline Fri 10 Jan 20	Internal audit quarter 3 update 2019-20 External audit plan 2019-20 Certification of claims and returns annual report 2019-20		
Tue 10 Mar 20 Deadline Fri 28 Feb 20	Draft internal audit plan 2019-20 Corporate risk management report		

