

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**MUNICIPAL YEAR 2018/19**

<b>AUDIT COMMITTEE</b>  <b>17<sup>th</sup> September 2018</b>	<b>AGENDA ITEM NO. 5</b>
<b>REPORT OF THE GROUP DIRECTOR, CORPORATE &amp; FRONTLINE SERVICES</b>	<b>THE ROLE OF AUDIT COMMITTEE, INTERNAL AUDIT &amp; EXTERNAL AUDIT</b>  <b>INCORPORATING THE DRAFT WORKPLAN FOR 2018/19</b>

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**1. PURPOSE OF THE REPORT**

1.1 The purpose of this report is to:

- Provide Members with an overview of the role of the Audit Committee, Internal Audit and External Audit.
- Set out a draft Workplan for the 2018/19 municipal year (**Appendix 2**) to help enable the Committee to effectively fulfil its Terms of Reference and meet the requirements as included in the recently published CIPFA Practical Guidance Note 2018 (**Appendix 1**).

**2. RECOMMENDATIONS**

It is recommended that Members:

- 2.1 Consider the report and determine whether there are other areas / themes where further information is required to aid the effective discharge of Audit Committee's responsibilities.
- 2.2 Review and approve the draft workplan, subject to any amendments, for delivery during the 2018/19 municipal year.

### **3. REASONS FOR RECOMMENDATIONS**

- 3.1 To ensure Audit Committee has a balanced work plan alongside appropriate information and support to help enable the effective discharge of its responsibilities.

### **4. BACKGROUND INFORMATION**

- 4.1 To support the prominent role Audit Committee plays in reviewing and recommending improvements to the Council's governance, internal control and risk management arrangements, a formal approach is in place to report regular up dates to Committee and ensure its Members are provided with necessary information and support.
- 4.2 In line with the above, Audit Committee delivered its agreed workplan during 2017/18 that helped the Committee to form an opinion on the standard of internal control within the Council during this period. In parallel, the 5<sup>th</sup> June 2017 Committee meeting received an overview of the roles of Audit Committee, Internal Audit and External Audit.
- 4.3 The need therefore for Audit Committee Members to be kept fully up to date with new documentation and be provided with opportunities to refresh their knowledge and understanding of existing responsibilities are important and on-going requirements.

### **5. GOOD GOVERNANCE AND THE ROLES OF AUDIT COMMITTEE, INTERNAL AUDIT AND EXTERNAL AUDIT**

#### Good Governance

- 5.1 The overall aim of good governance is to ensure that:
- resources are directed in accordance with agreed policy and according to priorities;
  - there is sound and inclusive decision making; and
  - there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 5.2 Governance is defined in Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) as follows:
- *Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.*
  - *To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times.*

- 5.3 Good governance within Rhondda Cynon Taf is ultimately the responsibility of Full Council. Full Council is supported in this role by those with leadership roles and statutory responsibilities along with the accountability arrangements in place in the form of its structure of Committees.

#### Audit Committee

- 5.4 CIPFA's 'Audit Committees – Practical Guidance Note for Local Authorities & Police, 2018 Edition' states that:

- *The Audit Committee should play a key role in supporting the discharge of those responsibilities by providing a high-level focus on audit, assurance and reporting.*
- *Audit Committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.*
- *The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.*

- 5.5 A full copy of CIPFA's 'Audit Committees – Practical Guidance Note for Local Authorities & Police, 2018 Edition' has been provided at **Appendix 1**.

- 5.6 The Terms of Reference for the Council's Audit Committee is set out in Part 3 (section 4) of the Council's Constitution. It's overall statement of purpose is to:

*'.....monitor the adequacy of the risk management framework and the associated control environment; provide independent scrutiny of the authority's financial and non-financial 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.'*

#### The roles of Internal and External Audit

- 5.7 When discharging its role, the Audit Committee is supported by the work delivered by Internal Audit and, the appointed External Auditor, the Wales Audit Office. An overview of the roles of Internal Audit and External Audit will be provided to Audit Committee at the meeting.

## **6. DRAFT WORKPLAN 2018/19**

- 6.1 In line with the information included in Section 5, attached at **Appendix 2** is a copy of the draft workplan 2018/19. For Members information, the draft workplan sets out the Audit Committee's Terms of Reference together with a timetable for bringing key reports and information up dates before Committee for review and challenge.
- 6.2 In this way, the draft workplan 2018/19 aims to help Audit Committee to effectively discharge its role and has been compiled in consultation with the External Audit Manager and the Audit Committee Chairperson.

## **7. EQUALITY AND DIVERSITY IMPLICATIONS**

There are no equality and diversity implications as a result of the recommendations set out in the report.

## **8. CONSULTATION**

There are no consultation implications as a result of the recommendations set out in the report.

## **9. FINANCIAL IMPLICATION(S)**

There are no financial implications as a result of the recommendations set out in the report.

## **10. LEGAL IMPLICATIONS OR LEGISLATION CONSIDERED**

- 10.1 The Local Government (Wales) Measure 2011, Chapter 2 section 81 states:

### ***'Local authorities to appoint audit committees***

1. *A local authority must appoint a committee (an "audit committee") to:*
  - a. *review and scrutinise the authority's financial affairs,*
  - b. *make reports and recommendations in relation to the authority's financial affairs,*
  - c. *review and assess the risk management, internal control and corporate governance arrangements of the authority,*
  - d. *make reports and recommendations to the authority on the adequacy and effectiveness of those arrangements,*
  - e. *oversee the authority's internal and external audit arrangements, and*
  - f. *review the financial statements prepared by the authority.*

2. *A local authority may confer on its audit committee such other functions as the authority considers suitable to be exercised by such a committee.*
3. *It is for an audit committee to determine how to exercise its functions.*

**11. LINKS TO CORPORATE AND NATIONAL PRIORITIES AND THE WELL-BEING OF FUTURE GENERATIONS ACT.**

**THE COUNCIL'S CORPORATE PLAN PRIORITIES**

- 11.1 The work of the Council's Audit Committee aims to support the delivery of the priorities contained within the Council's Corporate Plan – *The Way Ahead*, in particular 'Living Within Our Means' through ensuring that appropriate governance arrangements are in place to effectively manage resources.

**WELL-BEING OF FUTURE GENERATIONS ACT**

- 11.2 The Sustainable Development Principles, in particular Prevention, can be applied to the systematic reviews undertaken in order to provide assurance that risks to the achievement of objectives are being managed.

**12. CONCLUSION**

- 12.1 The workplan set out at **Appendix 2** of this report provides a plan for the 2018/19 municipal year to allow the Committee to manage and discharge its role in accordance with its Terms of Reference.

**Other Information:-**

***Relevant Scrutiny Committee***  
**Not applicable.**

***Contact Officer*** – Marc Crumbie

**LOCAL GOVERNMENT ACT 1972**

**AS AMENDED BY**

**THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL**

**AUDIT COMMITTEE**

**17<sup>th</sup> September 2018**

**THE ROLE OF AUDIT COMMITTEE, INTERNAL AUDIT & EXTERNAL  
AUDIT, AND INCORPORATING THE DRAFT WORKPLAN FOR 2018/19**

**REPORT OF THE GROUP DIRECTOR, CORPORATE & FRONTLINE  
SERVICES**

Author: Marc Crumbie (Head of Internal Audit & Procurement Development  
Programmes)

**Item: 5**

**Background Papers**

None.

Officer to contact: Marc Crumbie

## Appendix 2 – Audit Committee’s workplan linked to its Terms of Reference.

### Statement of Purpose

The purpose of the Audit Committee is to monitor the adequacy of the risk management framework and the associated control environment; provide independent scrutiny of the authority’s financial and non-financial 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.

### Terms of Reference

As a key element of new arrangements for corporate governance, designed to ensure openness, integrity and accountability, the Committee will assist the Authority in discharging its responsibility for ensuring financial probity, without taking any action which might prejudice it. The Committee will:-

		12/07/2018	17/09/2018	05/11/2018	17/12/2018	04/02/2019	25/03/2019	29/04/2019
A	At the first meeting of the Audit Committee following the Council’s Annual General Meeting the Audit Committee shall appoint the Chair of the Audit Committee (who cannot be a member who belongs to a group with Members in the Executive but can be a lay member) and appoint the Vice-Chair of the Audit Committee.	X	X					
B	Review and recommend for certification the Annual Governance Statement			X DRAFT Local Code of Corporate Governance, incorporating an overview of the 7 Principles	X Receive an update in respect of progress made to implement the proposals for improvement			X Draft AGS 2018/19

		12/07/2018	17/09/2018	05/11/2018	17/12/2018	04/02/2019	25/03/2019	29/04/2019
					contained within the 2017/18 Annual Governance Statement			
C	Review, approve and ensure the co-ordination of the Annual Internal Audit Plan for the coming financial year						X Receive an overview of the sources of assurance in place across the Council (The Council's 'Assurance Map')  X Draft Internal Audit Plan 2019/20	
D	Review, scrutinise and issue reports and recommendations in relation to the Authority's financial affairs, and providing the opportunity for direct discussion with the auditor(s) on these			X Receive an overview of the governance arrangements in place in respect of the Council's core financial systems: Treasury Management function.				



		12/07/2018	17/09/2018	05/11/2018	17/12/2018	04/02/2019	25/03/2019	29/04/2019
E	Review, scrutinise and issue reports and recommendations on the appropriateness of the Authority's risk management, internal control and corporate governance arrangements, and providing the opportunity for direct discussion with the auditor(s) on these		X Arrangements in place to support schools	X Receive an overview of the Council's Insurance Function, in particular how it supports the Council's Risk Management arrangements.	X Updated Risk Management Strategy  X An overview of the term 'Internal Control Environment' incorporating a case study – Agile Working	X An overview of Risk Management arrangements in place in respect of 'Projects'  X An overview of the Public Services Network (PSN) audit, along with the reported outcomes.		X An overview of the governance arrangement in place in respect of Partnerships
F	To receive reports on the performance of the Internal Audit Service throughout the year particularly in relation to matters of financial probity and corporate governance	X Standard Performance Report & Finalised Assignments	X Standard Performance Report & Finalised Assignments	X Standard Performance Report & Finalised Assignments	X Standard Performance Report & Finalised Assignments	X Standard Performance Report & Finalised Assignments	X Standard Performance Report & Finalised Assignments  X Draft Audit Charter 2019/20	X Standard Performance Report & Finalised Assignments
G	Oversee the Authority's audit arrangements (both internal and external)		X Role of Audit Committee, Internal Audit & External Audit. Incorporating the DRAFT Workplan for				X Audit Committee Annual Report, incorporating a self assessment against the	

		12/07/2018	17/09/2018	05/11/2018	17/12/2018	04/02/2019	25/03/2019	29/04/2019
			2018/19				CIPFA 2018 Practical Guidance Note.	
		When relevant, receive an update in respect of the work taking place to deliver a Regional Internal Audit Shared Service with effect from 1 <sup>st</sup> April 2019						
H	Review and comment on the Authority's certified draft financial statements before their approval by Council	X DRAFT Statement of Accounts						X Provide an overview of the accounting polices that must be complied with when compiling the Council's Draft 2018/19 Statement of Accounts
I	To receive and consider the Head of Internal Audit's Annual Report and opinion on the level of assurance it can give over the Authority's governance arrangements and associated internal control environment						X Internal Audit End of Year Performance Report (incorporated into the Head of Internal Audit Annual Report)	
J	To receive and consider reports of the External Auditor in relation to matters of financial probity and corporate governance and	As and when relevant final reports are provided to the Council by its External Regulators these will be reported to Audit Committee. These reports will be provided to ensure that they can be used when forming an opinion at the end of the financial year in respect of the Council's overall governance arrangements.						

		12/07/2018	17/09/2018	05/11/2018	17/12/2018	04/02/2019	25/03/2019	29/04/2019
	providing the opportunity for direct discussion with the auditor(s) on these	X WAO Workplans for 2018/19		X Detailed Report on the Financial Statements Audit 2017-18		X Financial Audit Plan		
K	Act as a point of arbitration, where senior officers of the Authority are unable to agree significant audit report recommendations	As and when required.						
L	Receive ad hoc reports on any significant matters involving fraud, theft or other appropriate matters in breach of the Authority's Financial Procedure Rules and Contract Procedure rules, as part of the development of an anti-fraud culture			X Receive an overview of the National Fraud Initiative, along with an update on the work delivered by the Corporate Fraud Team.			X Anti-Fraud, Bribery & Corruption - Annual Report 2018/19  X Whistleblowing - Annual Report 2018/19	
M	To receive reports in relation to proposed changes to the Authority's Contract Procedure Rules and Financial Procedure Rules and where deemed appropriate, recommend their approval to Council				X Updated Financial Procedure Rules			
N	Promote and review any measures designed to raise the profile of probity within the					X Receive the outcomes of the		

		12/07/2018	17/09/2018	05/11/2018	17/12/2018	04/02/2019	25/03/2019	29/04/2019
	Authority					staff survey, specifically in relation to awareness of the Council's Whistleblowing & Anti-Fraud Arrangements.		
O	Consider national reports, for example, from the Wales Audit Office, of relevance to the work of the Authority	As and when relevant final reports are provided to the Council by its External Regulators these will be reported to Audit Committee. These reports will be provided to ensure that they can be used when forming an opinion at the end of the financial year in respect of the Council's overall governance arrangements.						
P	Agree, where Committee Members deem it appropriate, that a matter arising from a written report to a Committee which requires further clarification may be either dealt with by a request for a written commentary from the appropriate Group Director, or by that Group Director or their senior representative, attending to answer questions in person on that specific matter. Alternatively, the Audit Committee can refer the matter to the relevant Scrutiny Committee.	As and when required						
Q	The committee may require members and officers of the Authority to attend before it to answer questions. Such members and officers have a	As and when required						

		<b>12/07/2018</b>	<b>17/09/2018</b>	<b>05/11/2018</b>	<b>17/12/2018</b>	<b>04/02/2019</b>	<b>25/03/2019</b>	<b>29/04/2019</b>
	duty to comply but are not obliged to answer any questions that may be refused in court proceedings in England and Wales. The Committee may invite other persons to attend the meeting.							