

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

MUNICIPAL YEAR 2019/20

<p>AUDIT COMMITTEE</p> <p>15th July 2019</p>	<p>AGENDA ITEM NO. 4</p>
<p>REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES</p>	<p>THE ROLE OF AUDIT COMMITTEE, INCORPORATING THE DRAFT WORKPLAN FOR 2019/20</p>

Author: Mark Thomas (Head of Regional Internal Audit Service)

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.
- Set out a draft Workplan for the 2019/20 municipal year to help enable the Committee to effectively fulfil its Terms of Reference and meet the requirements in the CIPFA Practical Guidance Note 2018.

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 2019/20 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 2018/19 that helped form an opinion on the standard of internal control within the Council during this period. In parallel, the 17th September 2018 Committee meeting received an overview of the roles of Audit Committee, Internal Audit and External Audit.
- 4.3 The need 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 The Terms of Reference for the Council's Audit Committee is set out in Part 3 (section 4.) of the Council's Constitution. Its overall statement of purpose is to:

"...provide independent assurance to the Members of Rhondda Cynon Taf County Borough Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Rhondda Cynon Taf County Borough Council's governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place".

Internal and External Audit

- 5.6 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. A more detailed overview of the roles of Internal Audit and External Audit will be provided at a future Audit Committee meeting.

6. DRAFT WORKPLAN 2019/20

6.1 In line with the information included in Section 5, attached at **Appendix 1** is a copy of the draft workplan 2019/20. 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. Where further proposed workplan areas are identified, these will be reported to Audit Committee for consideration and, if deemed appropriate, incorporated into the plan of work for 2019/20.

6.2 The draft workplan 2019/20 aims to help Audit Committee to effectively discharge its role. Further discussions will take place with relevant parties to identify any further items that could added to the work programme. The timing of when some reports are presented could be subject to change.

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 draft workplan set out at **Appendix 1** of this report provides a plan for the 2019/20 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 – Mark Thomas

LOCAL GOVERNMENT ACT 1972

AS AMENDED BY

THE LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

RHONDDA CYNON TAF COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

15th July 2019

**THE ROLE OF AUDIT COMMITTEE, INCORPORATING THE DRAFT
WORKPLAN FOR 2019/20**

REPORT OF THE DIRECTOR OF FINANCE AND DIGITAL SERVICES

Author: Mark Thomas (Head of Regional Internal Audit Service)

Item: 4

Background Papers

None.

Officer to contact: Mark Thomas

Appendix 1 – Audit Committee’s workplan linked to its Terms of Reference.

<p>Statement of Purpose</p> <p>The Audit Committee is a key component of Rhondda Cynon Taf County Borough Council’s corporate governance. It provides independent and high level focus on the audit, assurance and reporting arrangements that underpin good governance and financial standards.</p> <p>The purpose of the Audit Committee is to provide independent assurance to the Members of Rhondda Cynon Taf County Borough Council of the adequacy of the risk management framework and the internal control environment. It provides independent review of Rhondda Cynon Taf County Borough Council’s governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It oversees internal audit and external audit, helping to ensure efficient and effective assurance arrangements are in place.</p>
<p>Terms of Reference</p> <p>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:-</p>

		10/6/2019	15/07/2019	16/09/2019	05/11/2019	17/12/2019	04/02/2020	23/03/2020	27/04/2020
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						

		10/6/2019	15/07/2019	16/09/2019	05/11/2019	17/12/2019	04/02/2020	23/03/2020	27/04/2020
B	To review the Annual Governance Statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account Internal Audit's opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control.					X Receive an update in respect of progress made to implement the proposals for improvement contained within the 2018/19 Annual Governance Statement (AGS)			X Draft AGS 2019/20
C	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 for managing Corporate Risks				
D	To review the assessment of fraud risks and potential harm to the Council from fraud and corruption and to monitor the counter-fraud strategy, actions and resources.				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 2019/20 X Whistleblowing - Annual Report 2019/20	

		10/6/2019	15/07/2019	16/09/2019	05/11/2019	17/12/2019	04/02/2020	23/03/2020	27/04/2020
E	To review the governance and assurance arrangements for significant partnerships or collaborations.								
F	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	
G	To approve the Internal Audit Charter.								X Updated Audit Charter 2020/21
H	Review, approve and ensure the co-ordination of the Annual Internal Audit Plan for the coming financial year								X Draft Internal Audit Plan 2020/21
I	To make appropriate enquiries of both management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations and to consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of								X Internal Audit End of Year Performance Report (incorporated into HIA Annual Report)

		10/6/2019	15/07/2019	16/09/2019	05/11/2019	17/12/2019	04/02/2020	23/03/2020	27/04/2020
	internal auditing of the Head of Internal Audit. To approve and periodically review safeguards to limit such impairments.								
J	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 Finalised Assignments	X Standard Performance Report & Finalised Assignments	X Finalised Assignments	X Standard Performance Report & Finalised Assignments	X Finalised Assignments	X Standard Performance Report & Finalised Assignments	X Finalised Assignments	X Internal Audit End of Year Performance Report
K	To contribute to the Quality Assurance Improvement Programme and in particular, to the external quality assessment of Internal Audit that takes place at least once every five years.	As and when required							
L	To provide free and unfettered access to the Audit Committee Chair for the Head of Internal Audit, including the opportunity for a private meeting with the Committee.	As and when required							
M	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								X Internal Audit End of Year Performance Report (incorporated into HIA)

		10/6/2019	15/07/2019	16/09/2019	05/11/2019	17/12/2019	04/02/2020	23/03/2020	27/04/2020
	arrangements and associated internal control environment								Annual Report)
N	Act as a point of arbitration, where senior officers of the Authority are unable to agree significant audit report recommendations	As and when required.							
O	To receive and consider reports of the External Auditor in relation to matters of financial probity and corporate governance and providing the opportunity for direct discussion with the auditor(s) on these	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. * The timing of these reports may be subject to change.							
				X *WAO detailed report on the Financial Statements Audit 2018/19			X *WAO Audit Plan for 2019/20		
P	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.							
Q	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 a core financial system				

		10/6/2019	15/07/2019	16/09/2019	05/11/2019	17/12/2019	04/02/2020	23/03/2020	27/04/2020
R	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 policies that must be complied with when compiling the Council's Draft Statement of Accounts
S	Oversee the Authority's audit arrangements (both internal and external)		X Role of Audit Committee, Incorporating the DRAFT Workplan for 2019/20	X Role of Internal & External Audit	X Receive an update in respect of the work of Regional Internal Audit Service			X Audit Committee Annual Report, incorporating a self assessment against the CIPFA 2018 Practical Guidance Note.	
T	Promote and review any measures designed to raise the profile of probity within the Authority						X Receive a progress update on the outcomes of the 2018/19 staff survey, in relation to awareness of the Council's Whistleblowin g & Anti-Fraud Arrangements		

		10/6/2019	15/07/2019	16/09/2019	05/11/2019	17/12/2019	04/02/2020	23/03/2020	27/04/2020
U	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							
V	The committee may require members and officers of the Authority to attend before it to answer questions. Such members and officers have a 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.	As and when required							