

Report to: Audit Committee

Date: 15 March 2007

Report of: Head of Internal Audit &SDT

Report No:

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Report Title: **Audit Committee Annual Report 2006/07**

**Confidential /
Non Confidential:**

(**Non-Confidential**) This report does **not** contain information which warrants its consideration in the absence of the press or members of the public

Purpose: To review the work of the Audit Committee for 2006/07

Recommendations: Audit Committee is asked to:

(i) Consider and comment on the work undertaken by the committee.

and

(ii) Based upon the work undertaken endorse the assurance statement outlined in section 3 of this report.

Background Doc(s): Audit Committee Terms of Reference

1. INTRODUCTION:

The Audit Committee has been in existence for seventeen months and good practice recommends that the committee produce a report each year on its performance including how it has met its Term of Reference. The report should highlight the main areas that the committee has reviewed and any particular concerns or issues that it has addressed including:

- The financial position and financial reporting systems of the authority
- Any major breakdown in internal control that has led to a significant loss in one form or another.
- Any major weakness in the governance system that has exposed, or continues to expose, the authority to an unacceptable risk.

2. AUDIT COMMITTEE WORK PROGRAMME 2006/07:

The agreed core functions of the Audit Committee are to:

- Consider the effectiveness of the authority's risk management arrangements, the control environment, and associated anti fraud and corruption arrangements.
- Seek assurance that action is being taken on risk related issues.
- Be satisfied that the authority's assurance statements properly reflect the authority's risk environment and the actions needed to improve it.
- Approve internal audit's strategy, plan and monitor performance.
- Review summary internal audit reports and receive the annual report from the Head of Internal Audit and Service Development.
- Consider reports of external audit and inspection agencies.
- Ensure an effective relationship between internal and external audit and other relevant bodies.
- Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to issues raised by external audit.

The detailed Terms of Reference are attached at Appendix A to this report. These fall under 3 main headings; Audit & Risk, Regulatory Framework, Accounts.

Details of work done by the committee at its 6 meetings can be summarised under the main roles of the committee:

Audit & Risk:

Internal Audit:

- Consideration of the annual plans for 2005/06 and 2006/07 along with monitoring reports on progress.
- Review of the Annual Report of the Head of Internal Audit and Service Development.
- Review of Internal Audit against Code of Practice, including update reports.

- Results of national benchmarking.

External Audit:

- Audit Commission Code of Audit Practice
- Annual Inspection Plan 2005/06 and 2006/07, along with monitoring reports.
- External Audit reports on annual accounts.
- External Audit review of Medium Term Financial Strategy.

Risk:

- Bolton's risk management process
- Review of corporate risks
- Audit Committee involvement in corporate risks

Regulatory Framework:

- Use of Resources
- Statement on Internal Control – process and 2005/06 statement
- Review of Standing Orders
- Anti-fraud and Corruption Strategy
- Review of Financial Regulations
- Housing Benefits Inspection Team.

Accounts:

- Annual Statement of Accounts
- Statement on Internal Control
- Review of Medium Term Financial Strategy.

3. ASSURANCE STATEMENT:

Based upon the work undertaken the committee and the evidence that it has seen it should consider the following assurance:

Confirmation that the system of risk management in the authority is adequate in identifying risks and allowing the authority to understand the appropriate management of those risks;

And

Confirmation that there are no areas of significant duplication or omission in the systems of governance in the authority that have come to the committee's attention and not been adequately resolved.

4. CONCLUSIONS:

Since its establishment in October 2005 the Audit Committee has considered a wide range of issues within its Terms of Reference which give it a wide range of experience of the workings of the organisation. Based upon the work the committee is able to form a judgement on the systems in place within the council.

5. RECOMMENDATIONS:

Audit Committee is asked to:

- (iii) Consider and comment on the work undertaken by the committee.
and
- (iv) Based upon the work undertaken endorse the assurance statement outlined in section 3 of this report.

AUDIT COMMITTEE TERMS OF REFERENCE

Audit/Risk Activity
<ul style="list-style-type: none"> • Consider the effectiveness of the authority's risk management arrangements, the control environment, and associated anti fraud and corruption arrangements. • Seek assurance that action is being taken on risk related issues. • Be satisfied that the authority's assurance statements properly reflect the authority's risk environment and the actions needed to improve it. • Approve internal Audit's strategy, plan and monitor performance. • Review summary internal audit reports and receive the annual report from the Head of Internal Audit and Service Development. • Consider key reports of external audit and inspection agencies. • Ensure an effective relationship between internal and external audit and other relevant bodies. • To comment on the scope and depth of external audit work and to ensure it gives value for money. • To liaise with the Audit Commission over the appointment of the Council's external auditor.
Regulatory Framework
<ul style="list-style-type: none"> • To maintain an overview of the Council's Constitution in respect of contract procedure rules, financial regulations. • To consider the Council's arrangements for corporate governance so far as they relate to financial matters and agreeing necessary actions to ensure compliance with best practice. • To monitor the Council's compliance with its own and other published standards and controls.
Accounts
<ul style="list-style-type: none"> • To review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to issues raised by external audit. • To consider the Audit Commission's Report on the Statement of Accounts.