



Report to: Audit Committee

Date: 26 June 2019

Report of: Head of Internal Audit & Risk Management

Report No:

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Report Title: ***Audit Committee Draft Workplan and Terms of Reference***

**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:

The Audit Committee is a key component of Bolton Council's governance and accountability framework. Its purpose is set out in the Council's Constitution and its responsibilities include oversight of the Council's internal audit, external audit and statutory financial reporting arrangements.

This report proposes areas of focus for the Audit Committee meetings in 2019/20 and to seek Committee approval for a revision to the Committee Terms of Reference; to ensure they reflect sector expectations and align with CIPFA guidance and Public Sector Internal Audit Standards.

Recommendations:

- Audit Committee review and approve proposed changes to the Committee Terms of Reference for onward consideration and approval by Council.
- Audit Committee consider and comment on the proposed work plan for 2019/20

**Background
Doc(s):**

Public Sector Internal Audit Standards
CIPFA Guidance on Audit Committees

1. Introduction

- 1.1. This report sets out proposed changes to the Audit Committee terms of reference areas and areas for inclusion in a proposed Audit Committee work programme for 2019/20. The two are linked as the Committee need to receive appropriate assurances through the programme to enable the responsibilities set out in the terms of reference to be discharged.

2. Terms of Reference

- 2.1. The annual officer review of the Audit Committee terms of reference proposes amendments to align with national changes in arrangements for the appointment and quality monitoring of external auditors (following the abolition of the Audit Commission) and to reflect expectations introduced through the Public Sector Internal Audit Standards.
- 2.2. This review has included feedback from the last External Quality Assurance review; the Public Sector Internal Audit Standards (PSIAS) self-assessment and a review of Committee Terms of Reference used in other local authorities.
- 2.3. The key changes are:
 - Removal of reference to the (now disbanded) Audit Commission and inclusion of reference to Public Sector Audit Appointments as the central organisation making appointments and overseeing the performance and quality of external auditors in local government.
 - Additions to clarify the arrangements in place to ensure the independence of the Head of Internal Audit and Risk Management (as the Chief Audit Executive) in line with PSIAS.
- 2.4. The current and refreshed terms of reference are provided at Appendix One and subject to Audit Committee approval, they will be submitted for approval as part of the ongoing process of review and refresh of the Council's Constitution

3. Work Programme

- 3.1. To support the Audit Committee in discharging responsibilities as set out in the terms of reference, a draft work programme as set out below has been developed and is provided for review and comment.

Meeting Month	Key Items	Owner
June 2019	Annual External Audit Plan 2019/20 Emergent Internal Audit Annual Plan 2019/20 Internal Audit Annual Opinion and Report 2018/19 Draft Annual Governance Statement 2018/19 Annual Counter Fraud Report and Policies Audit Committee Terms of Reference	External Audit Audit and Risk Audit and Risk Audit and Risk Director Director
July 2019	External Audit Report on the Accounts and VFM Final Statement of Accounts 2018/19 Treasury Management (Final) Finance Outturn Reports (Final – For Info / Context) Final Internal Audit Annual Plan 2019/20 Internal Audit Effectiveness and QAIP Internal Audit Q1 Reports – Progress and Assurance Internal Audit Q1 Reports – Audit Recommendations	External Audit Finance Finance Finance Audit and Risk Audit and Risk Audit and Risk Audit and Risk
November / December 2019	Annual Audit Letter Grants Certification Report Review of Code of Corporate Governance Treasury Management Strategy Internal Audit Q2 Reports – Progress and Assurance Internal Audit Q2 Reports – Audit Recommendations Annual Counter Fraud Report	External Audit External Audit Finance / Legal Finance Audit and Risk Audit and Risk Audit and Risk
January / February 2020	Risk Management Strategy and Risk Register Internal Audit Q3 Reports – Progress and Assurance Internal Audit Q3 Reports – Audit Recommendations Annual External Audit Plan Accounting Concepts and Policies, Critical Accounting Judgements and Key Sources of Estimation Uncertainty	Audit and Risk Audit and Risk Audit and Risk External Audit Finance

- 3.2. This work programme will be updated following feedback and reviewed at each future meeting to ensure it remains up to date and includes key reports required or requested by the Committee.

4. Recommendations

- 4.1. Audit Committee are requested to review and approve the proposed revised terms of reference as attached at appendix one and to consider and comment on the proposed work programme for 2019/20

Appendix One

Bolton Council Audit Committee Terms of Reference (Current)

1. To consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements.
2. To seek assurance that action is being taken on risk related issues.
3. To be satisfied that the Authority's assurance statements properly reflect the Authority's risk environment and the actions needed to improve it.
4. To approve Internal Audit's strategy, plan and monitor performance.
5. To review summary internal audit reports and receive the annual report from the Head of Internal Audit and Service Development.
6. To consider key reports of external audit and inspection agencies.
7. To ensure an effective relationship between internal and external audit and other relevant bodies.
8. To comment on the scope and depth of external audit work and to ensure it gives value for money.
9. To liaise with the Audit Commission over the appointment of the Council's external auditor.
10. To maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations.
11. 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.
12. To monitor the Council's compliance with its own and other published standards and controls.
13. To approve the Council's statement of accounts, income and expenditure and balance sheet under the Accounts and Audit Regulations 2011.
14. 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.
15. To consider the Audit Commission's Report on the Statement of Accounts.
16. To receive on behalf of the Council reports from Audit on the Council's financial affairs and final accounts.
17. To submit an Annual Report to the Council
18. The Quorum for the meeting shall be three.

Bolton Council Audit Committee Terms of Reference (Proposed)

Purpose

The main purpose of the Committee is to obtain assurance over the Council's corporate governance and risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.

Governance

Review the Council's corporate governance arrangements including consideration of the Code of Corporate Governance.

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.

To consider the effectiveness of the Council's risk management arrangements including reviewing the Risk Management Strategy and Policy; and the Corporate Risk Register.

Review the assessment of fraud risks and potential harm to the Council from fraud and corruption including oversight of key anti-fraud policies and monitoring of the counter-fraud strategy.

Financial Reporting

Review and approval of the annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

Consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts and monitor the Council's response to individual issues of concern identified.

Approve the Council's Statement of Accounts and associated governance and accounting policy documents in accordance with the Accounts and Audit Regulations 2015.

External Audit

Support the independence of external audit through consideration of the external auditor's annual assessment of its independence and review of any issues raised by Public Sector Audit Appointments (PSAA).

Consider the external auditor's annual audit plan, annual audit letter, relevant reports and the report to those charged with governance.

Advise and recommend on the effectiveness of relationships between external and internal audit and other inspection agencies or relevant bodies.

Internal Audit

Oversee and provide assurance to the Council on the provision of an effective internal audit service and the main issues arising from Internal Audit work. In particular undertake the duties of the Board as set out in Public Sector Internal Audit Standards (PSIAS) as follows:

- Approve the Internal Audit Charter
- Approve the risk-based internal audit plan, including internal audit's resource requirements, including any significant changes, the approach to using other sources of assurance and any work required to place reliance upon those other sources.
- Receive confirmation from the Head of Audit and Risk Management with regard to the organisational independence of the internal audit activity and make appropriate enquiries of management and the Head of Audit and Risk Management to determine whether there are inappropriate scope or resource limitations.
- Provide free and unfettered access to the Audit Committee Chair for the Head of Audit and Risk Management, including the opportunity for a private meeting with the Committee.
- Consider any impairments to independence or objectivity arising from additional roles or responsibilities outside of internal auditing of the Head of Audit and Risk Management. To approve and periodically review safeguards to limit such impairments.
- Receive the results of the Quality Assurance and Improvement Plan annually and the external quality assessment of internal audit that takes place at least once every five years.
- Receive communications from the Head of Audit and Risk Management on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. To include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the Committee.
- Consider the Head of Audit and Risk Management's annual opinion and report.
- Seek assurance on the adequacy of management's responses to internal audit advice, findings and recommendations in the form of implementation of agreed action plans

Treasury Management

To monitor the performance of the Treasury Management function including:

- approval of / amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations; and
- approving the selection of external service providers and agreeing terms of appointment.

Reporting

To submit an Annual Report to the Council

Quorum

The Quorum for the meeting shall be three.