

Report to: Audit Committee

Date: 28th June 2013

Report of: Deputy Chief Executive

Report No:

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Report Title: **Audit Committee Annual Report 2012/13**

**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 2012/13

Recommendations:

Audit Committee is asked to:

- (i) Consider and comment on the work undertaken by the committee in 2012/13

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
Audit Committee Work Programme.
Audit Committee reports 2012/13

1. INTRODUCTION:

1.1. The Audit Committee has been in existence since October 2005 and good practice recommends that the committee produces 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 2012/13:

2.1. 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 Risk.
- 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.

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

2.3. Details of the work done by the committee during 2012/13 are shown at Appendix B summarised under the main roles of the committee.

2.4. Since the establishment of the committee in 2005 it has matured well and the level of debate and challenge has developed. The reports received by committee in 2012/13 clearly indicate that there has been thorough coverage of the committee's terms of reference and that the committee is providing rigorous challenge.

- 2.5. Lots of good practice guidance exists for audit committees across all sectors and attached at Appendix C is an assessment of Bolton's Audit Committee against the standard for local authorities issued by the Chartered Institute of Public Finance and Accountancy. This review shows a very high level of compliance.

3. ASSURANCE STATEMENT:

- 3.1. Based upon the work undertaken by the committee and the evidence that it has seen it should consider the following assurance statement for 2012/13:

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:

- 4.1. During 2012/13 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:

- 5.1. 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.

AUDIT COMMITTEE TERMS OF REFERENCE

<u>Audit/Risk Activity</u>
<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.
<u>Regulatory Framework</u>
<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.
<u>Accounts</u>
<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. <ul style="list-style-type: none"> ● To consider the Audit Commission's Report on the Statement of Accounts.

APPENDIX B

<p>AUDIT & RISK:</p> <p>Internal Audit:</p> <ul style="list-style-type: none"> • Internal Audit Annual Report 2011/12 • Internal Audit Reports March to June 2012 • Internal Audit Reports June 2012 to September, 2012 • Internal Audit Interim Report 2012/13 • Internal Audit Recommendations Follow up • Internal Audit Reports September to December 2012 • Public Sector Internal Audit Standards • Internal Audit Charter • Internal Audit Reports December 2012 to March 2013 • Internal Audit Plan 2013/14. <p>Risk:</p> <ul style="list-style-type: none"> • Risk Management and Corporate Risks 2013/14 	<p>Meeting:</p> <p>June 2012</p> <p>June 2012</p> <p>Sept 2012</p> <p>Dec 2012</p> <p>Dec 2012</p> <p>Dec 2012</p> <p>March 2013</p> <p>March 2013</p> <p>March 2013</p> <p>March 2013</p> <p>March 2013</p> <p>March 2013</p>
<p>REGULATORY FRAMEWORK:</p> <ul style="list-style-type: none"> • Treasury Management Outturn Report for 2011/12 • Annual Governance Statement 2011/12 • Treasury Management 1st Quarter Monitoring Report • Annual Audit Letter 2011/12 • Treasury Management 2nd Quarter Monitoring Report for 2012/13 • Treasury Management and Investment Strategies for 2013/14 to 2015/16 • Treasury Management 3rd Quarter Monitoring Report for 2012/13 • Treasury Management 3rd Quarter Monitoring Report for 2012/13 	<p>June 2012</p> <p>June 2012</p> <p>Sept 2012</p> <p>Dec 2012</p> <p>Dec 2012</p> <p>March 2013</p> <p>March 2013</p>
<p>ACCOUNTS:</p> <ul style="list-style-type: none"> • Statement of Accounts • Statement of Accounts 2011/12 • Report to those Charged with Governance 2011/12 	<p>June 2012</p> <p>Sept 2012</p> <p>Sept 2012</p>
<p>EXTERNAL AUDIT:</p> <ul style="list-style-type: none"> • Overview of the Work of External Audit • External Audit Plan 2011/12 • Certification of Grants and Returns 2011/12 • External Audit Plan 2012/13 	<p>June 2012</p> <p>June 2012</p> <p>March 2013</p> <p>March 2013</p>