

Audit Task Group – 20 March 2018

Notes

Present: Cllr Richard Britton, Cllr Stewart Dobson, Cllr Tony Jackson and Cllr Graham Wright

Also Present: Michael Hudson – Director of Finance and Procurement, Frank Cain – Head of Legal Services, Henry Powell – Senior Scrutiny Officer and Stuart Figini – Democratic Services Officer.

1. Apologies

There were no apologies.

2. Constitution

The Task Group considered the wording and made suggested amendments to the following sections of the Constitution concerning the roles of the Audit Committee, the Overview and Scrutiny Management Committee and the Financial Task Group:

a. Part 3 – Paragraph 2.8 – Audit Committee

Suggested amendments:

- i. Reverse the entries for Internal Audit Activity and External Audit Activity.
- ii. First bullet point and second line of Internal Audit Activity - to add the words 'and subsequent changes thereto' after the words 'audit plan ...'.
- iii. First bullet point and second Line of Regulatory Framework - to add the words 'and performance', after the words 'governance, risk ...'.
- iv. Second bullet point and second line of Regulatory Framework – to add the words 'including the arrangements for partnership governance' after the words 'review the supporting evidence ...'.
- v. Second bullet point and first line of Financial Management and Accounts – to add the words 'including the accounting policies' after the words 'statement of accounts ...'.
- vi. Third bullet point and second line of Financial Management and Accounts – to add the words 'including consideration of the external auditor's assessment on Value for Money and appropriate actions flowing from that.'

b. Part 9 – Paragraph 3 – Audit Committee, Overview and Scrutiny Management Committee, Select Committees and the Financial Planning Task Group

Suggested amendments:

- i. Amend the title to read, ‘Audit Committee and Overview and Scrutiny Management Committee’.
 - ii. Paragraph 3.1
 - First line – add the letter ‘B’ after Section B of Part 3 ...’.
 - Third line – remove the words, ‘incorporating Scrutiny Select Committees and the Financial Task Group’.
 - iii. Paragraph 3.2
 - First and second lines - to remove references to the Scrutiny Select Committee and the Financial Planning Task Group, and for the first two lines to read, ‘The Audit Committee and Overview and Scrutiny Management Committee report...’
 - Third line – to add the words, ‘ the Terms set out in paragraph 3.1 above.’
 - To remove the six bullet points
 - iv. Paragraph 3.3
 - To remove the last sentence of the paragraph.
- c. Part 2 – Article 6 and Protocol 11
- Amend Article 6 to include particular reference to the Overview and Scrutiny Management Committee considering financial matters, so that it is consistent with the wording of relevant finance responsibilities detailed in Protocol 11.
 - Remove the words ‘process and soundness of information’ from column 6 of rows 2, 3 and 4 of Protocol 11, and a reference made at the end of Protocol 11 to Article 6 for further information on processes and the reliability of information.
 - Consider improvements to general referral processes between the Overview and Scrutiny Management Committee and the Audit Committee and vice versa.
 - Consider the attendance of ex-officio member of the Overview and Scrutiny Management Committee at Audit Committee meetings and vice versa.

Action:

- i) That the Director of Finance and Procurement, Head of Legal Services and Senior Scrutiny Officer be authorised to consider Article 6 and Protocol 11 further in light of the comments detailed above at 2 c, and that their comments be circulated to the Task Group members for approval.
- ii) That the Constitution Focus Group be asked to consider the proposed amendments, as detailed above and at Appendices 1 and 2 attached to these notes.

Audit Task Group – Current Wording

Constitution - Part 3 – Section B – Functions of Committees, Cabinet and Council

2.8 Audit Committee

Composition

The size of the Audit Committee and appointments to it will be determined by Council.

Appointments will be made having regard to rules on political

proportionality.

The Audit Committee will exclude members of the Cabinet. The Leader of the Council or the cabinet member responsible for finance and governance is a non-voting member of the Committee.

Substitute members will be permitted in accordance with Part 4 of this

Constitution.

Role and Function

The Audit Committee will be responsible for:

- Internal Audit Activity:
 - To approve the terms of reference and strategy for internal audit, and the annual internal audit plan;
 - To monitor and review the effectiveness of internal audit to ensure compliance with statutory requirements;
 - To consider the Head of Internal Audit's annual report and opinion, and a summary on internal audit activity and the level of assurance it provides on the Council's corporate governance arrangements;
 - To consider specific internal audit reports as requested, and monitor the implementation of agreed management actions.
- External Audit Activity:
 - To receive and comment on the external audit plan;
 - To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance;
 - To comment on the scope and depth of external audit work and to ensure it gives value for money;
 - To monitor the implementation of management actions arising from external audit work.
- Regulatory Framework:
 - To monitor and review the effective development and operation of corporate governance, risk management and internal control, and to receive progress reports as required;
 - To oversee the process for production of the annual governance statement (AGS), to review the supporting evidence, and to approve the draft AGS;

- To monitor the development and implementation of the Council's anti-fraud and corruption policy and strategy.
- Financial Management and Accounts
 - To ensure the Council's arrangements for financial management are adequate and effective, and are regularly reviewed;
 - To review and approve the annual statement of accounts;
 - To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Audit Task Group Proposed Wording

Constitution - Part 3 – Section B – Functions of Committees, Cabinet and Council

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Role and Function

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- External Audit Activity:
 - To receive and comment on the external audit plan;
 - To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance;
 - To comment on the scope and depth of external audit work and to ensure it gives value for money;
 - To monitor the implementation of management actions arising from external audit work.
- Internal Audit Activity:
 - To approve the terms of reference and strategy for internal audit, the annual internal audit plan and subsequent changes thereto;
 - To monitor and review the effectiveness of internal audit to ensure compliance with statutory requirements;
 - To consider the Head of Internal Audit's annual report and opinion, and a summary on internal audit activity and the level of assurance it provides on the Council's corporate governance arrangements;
 - To consider specific internal audit reports as requested, and monitor the implementation of agreed management actions.
- Regulatory Framework:
 - To monitor and review the effective development and operation of corporate governance, risk and performance management and internal control, and to receive progress reports as required;
 - To oversee the process for production of the annual governance statement (AGS), to review the supporting evidence, including the arrangements for partnership governance, and to approve the draft AGS;
 - To monitor the development and implementation of the Council's anti-fraud and corruption policy and strategy.

- Financial Management and Accounts
 - To ensure the Council's arrangements for financial management are adequate and effective, and are regularly reviewed;
 - To review and approve the annual statement of accounts, including the accounting policies;
 - To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts, including considering the external auditor's assessment on Value for Money and appropriate actions flowing from that

Audit Task Group – Current Wording

Constitution – Part 9

3. Audit Committee, Overview and Scrutiny Management Committee, Select Committees and the Financial Planning Task Group

3.1 The financial responsibilities of the Audit Committee are set out at Section B of Part 3 of this constitution. The financial responsibilities of the Overview and Scrutiny Management Committee (incorporating Scrutiny Select Committees and the Financial Planning Task Group) are set out at Article 6 of Part 2 of this constitution. These committees are responsible for influencing and scrutinising Cabinet decisions before and after they have been implemented, and for holding the Cabinet to account.

3.2 The Audit Committee, Overview and Scrutiny Management Committee, Scrutiny Select Committees and the Financial Planning Task Group report to the Cabinet or the Full Council in relation to matters concerning:

- Financial and other internal control systems;
- Financial irregularities and losses;
- Internal and External Audit;
- Performance information, including performance indicators;
- Best Value Reviews of cross cutting services;
- Risk management

3.3 These committees have the right of access to information they consider necessary as set out in Part 5 of the constitution and can consult directly with internal and external auditors. The committees are responsible for reviewing the external auditor's reports and the annual audit letter and internal audit's annual report.

Audit Task Group Proposed Wording

Constitution – Part 9

3. Audit Committee and Overview and Scrutiny Management Committee
3.1 The financial responsibilities of the Audit Committee are set out at Section B of Part 3B of this constitution. The financial responsibilities of the Overview and Scrutiny Management Committee (are set out at Article 6 of Part 2 of this constitution. These committees are responsible for influencing and scrutinising Cabinet decisions before and after they have been implemented, and for holding the Cabinet to account.

3.2 The Audit Committee and Overview and Scrutiny Management Committee report to the Cabinet or the Full Council in relation to matters concerning the Terms set out in paragraph 3.1 above.

3.3 These committees have the right of access to information they consider necessary as set out in Part 5 of the constitution and can consult directly with internal and external auditors.