

**ANNUAL REPORT ON THE
WORK OF
THE AUDIT COMMITTEE**

APRIL 2016

1. Introduction

1.1 This report covers the period April 2015 to March 2016 and outlines:-

- Information relating to the Audit Committee;
- The coverage of work undertaken by the Audit Committee;
- Key issues arising;
- Actions taken during the year, including training, to ensure the effectiveness of the Audit Committee; and
- Future planned work and challenges.

2. Background

2.1 The Audit Committee has been in place for a number of years. The Committee's terms of reference list the responsibilities and authorities delegated in the Council's Constitution, which comprise:

Internal control

- To consider and monitor the adequacy and effectiveness of the Authority's risk management and internal control environment and to make recommendations to full Council where necessary.

External audit

- To monitor the adequacy and effectiveness of the External Audit Service and respond to its findings.

Internal audit

- To support the Group Director Resources with his or her delegated responsibility of ensuring arrangements for the provision of an adequate and effective internal audit.
- To monitor the adequacy and effectiveness of the internal audit service and to receive and monitor an annual internal audit plan from the audit manager.
- To approve the Annual Statement of Accounts, including the Annual Governance Statement, and to recommend as necessary to the Governance Committee regarding the committee's responsibilities to monitor corporate governance matters generally.
- To monitor proactive fraud and corruption arrangements.

3. The Audit Structure (as at April 2016)

Audit Committee: Cllr Viddy Persuad (Chair)
Cllr Julie Wilkes (Vice Chair)
Cllr Frederick Thompson
Cllr Clarence Barrett
Cllr David Johnson
Cllr Graham Williamson

Internal Auditors: oneSource

External Auditors: Ernst & Young (EY)
Previously PricewaterhouseCoopers (PwC)

4. Audit Committee coverage

4.1 The Audit Committee has received the reports as set out in Appendix A. The coverage can broadly be categorised as regular and specific. More information on both is set out below.

4.2 Regular Work

The Committee has regularly reviewed:

- Progress against the audit plan and performance;
- Key findings/issues arising from each audit undertaken;
- Progress against implementation of the recommendations;
- Anti-fraud and corruption activity, including frauds investigated and outcomes;
- Treasury Management activity; and
- The Accounts closedown timetable and progress reports.

4.3 Specific Review / Reports

There were several during the year including a review and approval of:

- the Statement of Accounts;
- the Annual Governance Statement; and
- the Annual Audit Plan.

The Committee also received assurances via:

- Annual Report from Internal Audit that includes the Annual Assurance Statement; and
- The work of External Audit (PwC).

5. Key issues arising

5.1 Appendix B includes details of the audit assurances and recommendations provided for each audit area within the plan.

5.2 The Committee have been updated on the plans for the Audit, Risk and Fraud teams to be restructured in 2016/17 as part of the oneSource service integration and joining of the third partner.

6. Work to ensure effectiveness of Committee

6.1 The Committee has received dedicated training and awareness sessions on, the Statement of Accounts, Treasury Management and the Role of the Audit Committee and actions from the 2014/5 review of effectiveness. Details of training and attendance are included at Appendix C.

7. Priorities and work plan for the forthcoming year

7.1 The Audit Committee is currently planned to meet on four occasions over the next municipal year. There are specific reports planned throughout the year, running through a mix of quarterly progress reports and annual reviews of

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specific strategies and policies within the remit of the Committee, together with progress reports from the Council's external auditor.

- 7.2 Officers will continue to ensure all members on the Committee, and their nominated substitutes, are adequately trained.
- 7.3 The Committee will continue to oversee the effectiveness of the audit team and wider fraud resources as they become part of oneSource and in accordance with Public Sector Audit Standards Audit and Accounts Regulations 2015.
- 7.4 The Committee will focus on the Risk Management arrangements agreed in the revised Risk Management Policy and Strategy at the March 2015 Committee.
- 7.5 Fraud prevention and detection will continue to be high on the Audit Committees agenda going forward.
- 7.6 The Committee will continue to focus on ensuring Value for Money and challenging weak areas that have been highlighted by the work of Internal Audit.
- 7.7 A draft forward plan and training plan are detailed in Appendix D.

APPENDIX A

AUDIT COMMITTEE AGENDA ITEMS - FROM APRIL 2015 TO DATE

June 2015

- Closure of Accounts Timetable 2014/15
- Fraud Progress Report
- Internal Audit Progress Report
- Payments to Contractors (Road and Pavement Defects) 2014/15
- Outstanding Audit Recommendations
- Annual Governance Statement
- Annual Audit report
- Training Plan for Audit Committee
- Forward Plan of the Audit Committee
- Audit Plan for 2015/16
- Anti-Fraud and Corruption Strategy
- Urgent Business

September 2015

- Approval of Annual Statement of Accounts 2014/15
- Report to those charged with Governance
- Response to Auditors' Report to those charged with Governance
- Head of Internal Audit Quarter 1 Progress Report
- Update Corporate Risk Register
- Anti-Fraud and Corruption Strategy
- Annual Governance Statement
- Urgent Business

December 2015

- Annual Audit Letter 2014/15
- Internal Audit Progress Report – Quarter 2
- Corporate Governance Update
- Risk Management Update
- Urgent Business
- Semi-Annual Treasury Report 2015/16

March 2016

- Closure of Accounts Timetable 2015/16
- Accounting Policies 2015/16
- 2014/15 Audit report of Grant Claims and Returns
- Internal Audit Draft Plan and Strategy
- Combined Internal Audit and Assurance Update Quarter 3
- Update Corporate Risk Register
- Review of Risk Management Policy
- Urgent Business
- Treasury Management Update Quarter 3

APPENDIX B

AUDIT COMMITTEE SPECIFIC ASSURANCES

The table below shows the reports submitted to Audit Committee during the municipal year and identifies the title of the audit and shows the audit opinion given. The audit opinion options are:

- **Full:** There is a sound system of control designed to achieve the system objectives and the controls are being consistently applied.
- **Substantial:** While there is a basically sound system, there are limitations that may put some of the system objectives at risk, and/or there is evidence that the level of non-compliance with some of the controls may put some of the system objectives at risk.
- **Limited:** Limitations in the systems of control are such as to put the system objectives at risk, and/or the level of non-compliance puts the system objectives at risk.
- **No Assurance:** Control is generally weak, leaving the system open to significant error or abuse, and/or significant non compliance with basic controls leaves the system open to error or abuse.

The table also shows the number of recommendations made and the category. Recommendations are categorised into three priority levels which indicate the level of risk the identified weakness poses on the control environment. The key below defines these priorities.

- **High:** Fundamental control requiring implementation as soon as possible.
- **Medium:** Important control that should be implemented.
- **Low:** Pertaining to best practice.

Report	Assurance	Recommendations			
		High	Med	Low	Total
Systems Audit					
Waste Contract Management	Substantial	1	1	1	3
Council Tax	Full	0	0	0	0
Housing Benefit	Full	0	0	0	0
Members Allowance Payments	Limited	1	0	0	1
Service Charges	Substantial	2	2	2	6
Manor Green Pupil Referral Unit	Nil	17	11	0	28
Payroll	Substantial	0	0	0	0
Pensions	Substantial	0	0	0	0
Budgetary Control	Substantial	0	0	0	0
Accounts Payable	Substantial	2	0	0	2
Accounts Receivable	Substantial	3	0	0	3
Responsive Maintenance	Substantial	1	6	0	7
ID Smart Cards	Substantial	N/A	N/A	N/A	N/A
Service Manager (Transactional Services)	Limited	2	4	1	7
Tenant Incentive Scheme	Limited	1	6	0	7
Off Site Storage	Limited	3	3	0	6
i-Procurement	Substantial	0	1	0	1

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Report	Assurance	Recommendations			
		High	Med	Low	Total
Service Manager - ICT	Substantial	0	2	0	2
Pupil Place Planning	Substantial	0	0	0	0
Follow Up Audit					
Housing Rents	Substantial	N/A	N/A	N/A	N/A
TMO's	Substantial	N/A	N/A	N/A	N/A
Gas Safety (Home Ownership)	Substantial	N/A	N/A	N/A	N/A
Manor Green PRU Follow Up	Nil	N/A	N/A	N/A	N/A
Long Term Sick	Substantial	N/A	N/A	N/A	N/A
Members Allowance Payments	Full	N/A	N/A	N/A	N/A
Computer Audit					
Malware	Substantial	N/A	N/A	N/A	N/A
Release of Software Follow Up	Substantial	N/A	N/A	N/A	N/A
3rd Party Connection	Limited	6	3	0	9
Schools Audit					
Ardleigh Green Infant School	Full	0	1	3	4
Ardleigh Green Junior School	Substantial	1	4	4	9
Corbets Tey School	Full	0	0	1	1
Crowlands Primary School	Substantial	0	2	2	4
Elm Park Primary School	Substantial	2	2	1	5
Hilldene Primary School	Substantial	0	5	1	6
Hylands Primary School	Substantial	2	7	1	10
La Salette RC Primary School	Substantial	0	3	2	5
Nelmes Primary School	Substantial	1	6	6	13
Parklands Infants School	Substantial	0	3	3	6
Rainham Village Primary	Full	0	2	6	8
Scargill Junior School	Substantial	1	4	3	8
Scotts Primary School	Substantial	1	0	4	5
St Josephs RC Primary School	Substantial	2	6	4	12
St Peters RC Primary School	Full	0	1	3	4
St Ursulas RC Infants School	Substantial	0	6	5	11
Suttons Primary School	Substantial	1	2	1	4
The James Oglethorpe Primary School	Substantial	2	2	5	9
The RJ Mitchell Primary School	Substantial	1	3	2	6
Whybridge Infant School	Substantial	0	5	2	7

APPENDIX C

AUDIT COMMITTEE MEMBERS TRAINING / AWARENESS

Timescale	Session	Coverage	Attendance
September	Finance	Statement of Accounts	Cllr Viddy Persuad Cllr Julie Wilkes Cllr Clarence Barrett Cllr Frederick Thompson Cllr Graham Williamson
December	Finance	Treasury Management	Cllr Viddy Persuad Cllr Julie Wilkes Cllr Clarence Barrett Cllr Frederick Thompson
March	Audit	Role of the Audit Committee	Cllr Viddy Persaud Cllr Julie Wilkes Cllr Clarence Barrett Cllr David Johnson Cllr Graham Williamson

APPENDIX D

AUDIT COMMITTEE – FORWARD PLAN / TRAINING

FORWARD PLAN	AGENDA ITEM	PLANNED TRAINING
June 2016	<ul style="list-style-type: none"> • Internal Audit Annual report 2015/16 • Annual Governance Statement 2015/16 • Committee Forward Plan • Member Training Plan • Accounts Closure Update • Treasury Management Annual Report 	Review of Training Needs for Year & Horizon scanning
September 2016	<ul style="list-style-type: none"> • Annual Statement of Accounts • Report to those charged with Governance • Response to Auditors Report to those charged with Governance • Assurance Progress Report • Treasury Management Update Q1 	Accounts
November 2016	<ul style="list-style-type: none"> • Annual Audit Letter • Closure of Accounts Timetable • Assurance Progress Report • Governance Update • Annual Review of Fraud & Corruption • Annual Review of Risk Management • Treasury Management Update Q2 	Fraud Risks
March 2017	<ul style="list-style-type: none"> • 2015/2016 Audit Report of Grant Claims and Returns • External Audit Plan 2016/2017 • Update of Corporate Risk Register • Internal Audit Draft Plan and Strategy. • Internal Audit Charter and Terms of Reference • Assurance Progress Report Q3 • Annual Review of Audit Committee Effectiveness • Treasury Management Update Q3 • Closure of Accounts Timetable 2016/17 • Accounting policies 2016/17 	Procurement
May 2017	<ul style="list-style-type: none"> • Assurance Progress Report Q4 • Treasury Management Update Q4 • Outstanding Audit Recommendations • Annual Report of Audit Committee 	Risk Management