

DRAFT



**SUBJECT: AUDIT COMMITTEE
 ANNUAL REPORT 2017/18**

**DIRECTORATE: Resources
MEETING: Audit Committee
DATE: May 2018
DIVISION/WARDS AFFECTED: All**

1. **PURPOSE**

To present the Chair of the Council's Audit Committee's Annual Report for 2017/18.

2. **RECOMMENDATION(S)**

On behalf of the Audit Committee I submit this annual report for 2017/2018 for consideration by the Council. I believe that it shows that, over this period, the Committee has fulfilled its role as defined in terms of reference.

The report shows that the workings of the Committee continue to be both valuable and productive and that it provides assurance to the Council regarding the Committee's activities in the effective governance of financial affairs and other matters by the Authority.

3. **REASONS**

3.1 The Council's Audit Committee has responsibility for ensuring that there are procedures in place to guarantee the adequacy and effectiveness of financial control and corporate governance arrangements.

The terms of reference are:

- To review and scrutinize the Authority's financial affairs
- To make reports and recommendations in relation to the Authority's financial affairs
- To review and assess the risk management, internal control and corporate governance arrangements of the Authority
- To make reports and recommendations to the Authority on the adequacy and effectiveness of those arrangements

- To oversee the Authority's internal and external audit arrangements
- To review the financial statements prepared by the Authority

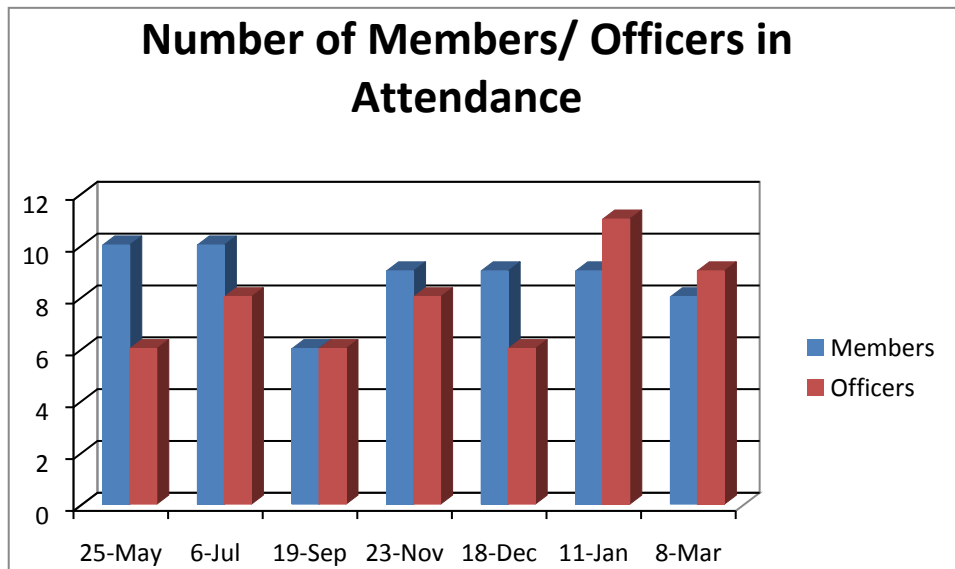
3.2 The Committee consists of 11 councillors and includes one lay member (co-opted) who is not a councillor. During 2017/18, the lay member was the Chair of the Audit Committee, as in previous years. The Committee's main responsibilities include:

- Approving the internal audit strategy, plan & performance
- Review internal audit reports and seek assurances of change where required
- Consider the reports of external audit and inspection agencies
- Consider the effectiveness of the Authority's risk management arrangements
- Maintain an overview of the Council's Constitution in respect of contract procedure rules and financial regulations
- Make recommendations, as appropriate, to Cabinet and Council on any matters reported through the Audit Committee.

3.3 The terms and conditions of the Audit Committee are set out in the Council's Constitution amended and agreed by Council in September 2014 which are in accordance with the Local Government (Wales) Measure (2011).

3.4 The Audit Committee is supported by Democratic Services with the Head of Finance and Chief Internal Auditor in attendance at all meetings. External Audit (The Wales Audit Office) are invited to all meetings. During 2017/18 the Council's Audit Committee formally met 7 times, with all meetings being quorate. The Wales Audit Office was represented at 6 meetings.

Audit Committee meetings 2017/18
25 th May 2017
6 th July 2017
19 th September 2017
23 th November 2017
18 th December 2017
11 th January 2018
8 th March 2018



3.5 Regular reports were received and endorsed by the Audit Committee throughout the year. All Members contributed to the challenge process where officers were held to account for improving identified systems weakness. Members contributed positively to the process and took the responsibility of being on the Audit Committee seriously.

3.6 A standard agenda item for the Audit Committee is an Action List, where named officers are responsible for updating the Committee on previous matters discussed or questions raised. This ensures appropriate responses are received and accepted by the Committee on issues they felt were important enough to challenge and hold officers to account.

Terms of Reference: To oversee the Authority's internal and external audit arrangements

3.7 Reports were received and considered from the Wales Audit Office (WAO). MCC officers were asked to provide responses where appropriate, and Members of the Committee sought assurances on the process of External Audit. Papers presented included:

- Savings Planning and MCC management response
- Good Governance when Determining Significant Service Changes and MCC management response
- Draft and Audited Statement of Accounts 2016/17
- WAO Audit of Financial Statements 2016/17
- Annual Improvement Report 2016/17
- Audit of Monmouthshire County Council's Assessment of 2016/17 Performance
- Review of Asset Management
- Joint Progress Report Statement of Accounts Refinements
- Information Management Review
- 2018 Audit Plan
- Certification of Grants and Returns 2016/17
- Audited Trust Funds Accounts (Welsh Church Fund and Monmouthshire Farm School Endowment Trust Fund)

3.8 The Internal Audit Outturn reports and the annual plans for 2017/18 and 2018/19 were presented to and endorsed by the Committee. Members challenged the performance of the Internal Audit Team and robustness of the planned work in order to satisfy themselves that they were being provided with adequate assurances on the adequacy of the Council's internal control environment and that public money was being used effectively, efficiently and economically. Members challenged the information provided to ensure continual improvement.

3.9 Reports presented for consideration included:

- Internal Audit (IA) Reports on Unfavourable Audit Opinions
- IA Outturn Report on 2016/17
- IA Plan 2017/18 and 2018/19 (draft)
- IA Quarterly Progress Reports
- Contract Procedure Rules and Exemptions
- Implementation of Internal Audit Recommendations

Terms of Reference: To review and assess the risk management, internal control and corporate governance arrangements of the Authority

3.10 The Committee continues to have an opportunity to comment on and shape the Annual Governance Statement before it is included with the finalised Annual Statement of Accounts.

3.11 A report on the Whole Authority Complaints, Comments and Compliments 2016/17 was considered and accepted in January 2018.

3.12 During the year, the Policy and Performance Manager provided reports for the Committee's consideration. These were:

- An overview of the Council's Performance Management arrangements
- Progress reports on WAO Proposals for Improvement
- Progress on implementing the Well Being of Future Generations Act
- Strategic Risk Assessment

3.13 In September MCC managers provided the Committee with an account of the Authority's revised information strategy.

3.14 In November the Head of Operations provided the Committee with a report on the implementation of the Action Plan with regard to Kerbcraft approved by Council in March 2017 and an account of the performance measures which were in place.

3.15 The Chief Internal Auditor presents six monthly progress reports on previously issued unfavourable audit opinions. The intention of these reports is to provide assurance to the Committee that previously identified system weaknesses have been appropriately addressed and improvements made by

the operational managers. Where unsatisfactory or very little progress had been made by the operational manager then the Committee, via the Chairman, will invite the operational manager and relevant Head of Service to attend the Audit Committee where Members will hold them to account for future improvements. In accordance with this policy, the Council will want to note the following:

- The Head of Operations attended the meeting held on 6 July to answer question regarding IA findings in the management of car parking income.
- Following a second unfavourable audit opinion on the management of Events (presented in November 2017 as a follow up to a report issued in March 2017) the Committee first considered the issues at the meeting of 23 November and subsequently at a special meeting held on 18 December. Officers attended both meetings and answered Committee members' questions and provided further information. Detailed information is exempt from public disclosure on grounds provided in accordance with Schedule 12A of the Local Government Act 1972 – Exemption from Disclosure of Documents.
- Officers from the Children and Young People Directorate attended the Committee meeting of 8 March 2018 to answer questions on IA recommendations which had not been implemented across a number of schools.

3.16 The Audit Committee also received a six monthly update from the Chief Internal Auditor on applications for exemptions from the Council's Contract Procedure Rules. The Contract Procedure Rules exist to ensure that the Authority operates a fair, consistent and effective procurement policy to procure works, goods and services on behalf of the Council and to minimise allegations of fraud and corruption against managers. Although exemptions are permissible, Members were given the opportunity to challenge officers where they felt the reasons given were not justifiable. The Council may wish to note the following:

- An application was made for exemption for work described as 'Extension to contract with Alan Griffiths for construction work, phase 2 of the Abergavenny Public Realm scheme' with a value given as £300,000. IA notified the Committee that the correct procedures did not appear to have been followed. The Committee asked the responsible officer to attend to appraise the committee of the need for the exemption and to reassure the Committee that no significant breach of procurement rules had occurred.
- Similarly, the Committee asked the responsible officer to attend as there were concerns about work described as 'Parsons Brinkerhoff used as part of the Consultancy Framework Service. MCC has been using their Geotechnical services for a number of issues on the A466' with a value of £37,000.'
- Committee concerns about work described as 'Redesign work to establish new Abergavenny Community Hub at Town Hall' (£99,600) were resolved through correspondence.

Terms of Reference: To review the financial statements prepared by the Authority

3.17 The Committee is asked to consider the Council's Statement of Accounts prior to and following the external audit of them; the draft accounts were presented in July with the final audited accounts in September. In addition the Committee received the annual accounts of Monmouthshire County Council Welsh Church Act Fund and the Monmouthshire Farm School Endowment Trust Fund.

3.18 The Treasury Outturn Report 2016/17 was presented and noted by the Committee in July with a mid year Treasury Report for 2017/18 presented in November.

3.19 Treasury Strategy (including strategy for investment of resources) was the subject of papers presented to the Committee in January 2018.

3.20 The Committee receives quarterly reports on the monitoring of reserves.

Committee Training and Development

3.21 As a new Audit Committee was constituted in 2017, training in finance and auditing procedures became an important part of the Committee's activities, both for new and continuing Members. During 2017/18 the following activities took place:

- Introductions to the Audit Committee and the role of Internal and External Audit, Performance and Risk Management, provided by MCC finance officers (May)
- Self assessment by Committee Members on Skills Levels was carried out prior to the November meeting at which:
- Treasury Management Training was provided to members by the treasury consultants Arlingclose (November)

4 RESOURCE IMPLICATIONS

None.

5 CONSULTEES

Chief Internal Auditor.

6 RESULTS OF CONSULTATION:

Report agreed.

7 BACKGROUND PAPERS

Audit Committee Minutes 2017/18

8 AUTHOR AND CONTACT DETAILS

Philip White, Chair, on behalf of the Audit Committee