

# MID KENT AUDIT

## Memo on Swale BC Audit Committee Terms of Reference

Following the Committee meeting discussion in September 2017 we undertook a brief review of the Council's Audit Committee Terms of Reference. This considered two questions specifically:

- Does the Committee receive reports enabling it to cover the full breadth of its Terms of Reference as currently expressed?
- Does the Committee receive reports that do not fit neatly into its current Terms of Reference (and, if so, should the reports go elsewhere)?

### Current Terms of Reference Coverage

Ref	ToR Description	Work Programme	Comments
1(a)	Consider effectiveness of risk management	March	Single annual report. Other Mid Kent authorities have varying different approaches outlined below.
1(b)	... the control environment	June	Essentially, this is the Annual Governance Statement review. However, other authorities also share the Governance Framework and updates on matters arising.
1(c)	... antifraud & anticorruption arrangements	September	A partial examination, looking only at activities of the MK Compliance team. Although MKA do provide additional information in annual and interim reports, scope exists for a combined comprehensive summary.
2(a)	Action on risk related issues raised by auditors...		No such issues raised by internal or external audit, but could be ad hoc reports where needed by matters arising.
2(b)	... and inspectors		Requires clarification of Member expectation on the definition of 'inspectors' (see below).
3	Be satisfied on assurance statements, including SIC	June	Now known as the <i>Annual Governance Statement</i> the Council could seek to update its terminology.
4(a)	Approve IA Strategy & Plan	March	Potential to expand this clause to replace 'Strategy' with <i>Audit Charter</i> .
4(b)	... and monitor progress	June/Nov	Through interim and annual reports.

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Ref	ToR Description	Work Programme	Comments
5(a)	Review summary IA reports & main issues arising	June/Nov	Included within interim and annual reports.
5(b)	... and seek assurance on action	June/Nov	Incorporate within annual/interim IA reports but potential for additional ad hoc reporting on matters of particular interest (e.g. <i>Planning Enforcement</i> ).
6	Receive IA Annual Report	June	Potential to expand clause to include <i>Annual Audit Opinion</i> .
7(a)	Consider reports of external audit	Various	Potential to make this clause more specific to encompass the range of various EA reports (see listing in next section).
7(b)	... and inspection agencies		See below on definitions of 'inspection agencies'.
8(a)	Ensure effective relationships between EA, IA & inspectors		Committee saw IA/EA protocol in 2014 but no updates since. See also below on definitions of 'inspection agencies'.
8(b)	... ensure audit value promoted		Potential to include this within Committee's own annual reporting but not currently drawn out or emphasised within the work programme.
9(a)	Review financial statements	September	Will need to move to July in 2018
9(b)	... External auditors' opinion	September	Will need to move to July in 2018
9(c)	... Monitor management action on issues raised by EA		No substantial issues raised, but potential for recurring or ad hoc reporting on matters of interest to the Committee.
10	Approve Statement of Accounts	September	Will need to move to July in 2018
11	Present Report to the Executive	June	

## Questions to consider arising from this review

- What are the Committees expectations on which Inspectors or Regulators it should consider? Is this intended to cover all external assurance sources (e.g. Local Government Ombudsman, Health & Safety Executive, LGA Peer Reviews) or only insofar as they impact the assurance maps considered in developing IA/EA plans?

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- Does the Committee need a comprehensive report covering Antifraud across the Council or continue with the current approach of distinct reports from different services?
- How, if at all, does the Committee wish to expand its consideration of the risk framework from its current annual review.
- How, if at all, does the Committee wish to consider and document its role in ensuring the promotion of the value of audit?

## Current Reports Not Clearly within Terms of Reference

We note that all of these reports can be fairly considered under the more general headings of the Terms of Reference. For example, within the remit of considering the control environment (1) or external audit reports (7).

Paper	Timing	Comments
External Audit Fee Letter	June	All of these items could be considered within the umbrella heading of external audit reports (7). However, each has its own place and regular timing within the <i>Code of Audit Practice</i> so it may help to mention each separately.
External Audit Annual Plan	June	
External Audit Annual Letter	November	
Certification of Grant Claims	March	
Treasury Management Annual Report	September	Could be considered as part of the general control environment review (1). .
Treasury Management Mid-Year Review	November	

## Questions to consider arising from this review

- Does the Committee wish to expand and clarify its expectations on the content and nature of reports it expects from External Audit and the Council's Treasury Management function?