1. **Details of Recommendations**

To note the work of the Audit Committee in respect of providing independent assurance over the governance, risk management and the system of internal control in operation at the Council.

### If the recommendations are adopted, how will residents benefit?

<table>
<thead>
<tr>
<th>Benefits to residents and reasons why they will benefit, link to Values</th>
<th>Dates by which they can expect to notice a difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Audit activity provides independent assurance to the Chief Executive, Members and Senior Officers on the adequacy of the internal control environment in Hounslow Council. This aids Members and Officers in ensuring that we are continually learning from experience.</td>
<td>Ongoing Assurance</td>
</tr>
</tbody>
</table>

2. **Report Summary**

2.1 While there is not a statutory obligation to have an Audit Committee, such arrangements are widely recognised within the public sector, as a core component of effective governance, and therefore reflect good practice. London Borough of Hounslow’s Audit Committee is properly constituted and, as such, is given sufficient authority and resources by the Council. In effect, the Committee has the right to obtain all the information if considers necessary and to consult directly with senior managers. In line with best practice from both the public and private sectors, the Audit Committee can report its observations and concerns directly to Cabinet / Council.

2.2 A local authority has a duty to ensure that it is fulfilling its responsibility for adequate and effective internal control, risk and governance, as well as the economy, efficiency and effectiveness of its activities. The Audit Committee
The Audit Committee has a key role in overseeing and assessing the internal control, risk management, and corporate governance arrangements and advising the Council on the adequacy and effectiveness of these arrangements.

2.3 Good corporate governance requires independent, effective assurance about the adequacy of financial management and of management arrangements for achieving the organisation’s objectives. These responsibilities require an independent and challenging approach.

2.4 The Audit Committee has fulfilled the task of providing this assurance by undertaking the following key activities in accordance with the requirements of the Terms of Reference for the Committee, as outlined in Appendix 1 attached to this report:

2.4.1 **Oversight of Internal and External Audit**

The Audit Committee oversees the activity of both the internal audit activity delivered by the Audit and Investigations Shared Service and KPMG the External Auditors. This activity assists in the role of monitoring the internal control, governance arrangements and risk management of the Council’s operations. Throughout the year the Committee has reviewed internal and external audit plans, challenged internal and external audit performance and received progress updates.

The Audit Committee is satisfied that both Internal and External Audit is effective and add value to the Council.

2.4.2 **Prevention and Detection of Fraud and Corruption**

The Council operates with a zero tolerance policy towards fraud and corruption. The Audit & Investigation Shared Service carries out a wide range of investigations which concentrate on the broad range of fraud risk faced by the council.

During 2015/16, the Audit Committee has received reports and monitored the effectiveness of the Council’s policies and procedures to prevent and detect fraud and corruption. The Committee has further monitored the performance of the Shared Service in delivering their risk based proactive counter fraud plan, whilst also receiving updates on the development service. This includes noting that the shared service obtained the necessary accreditation to undertake Financial Investigations under the Proceeds of Crime Act during the financial year.

The Audit Committee is satisfied with the effectiveness of the Shared Service performance and the fraud results obtained.

2.4.3 **Risk Management**

The Audit Committee are responsible for the review and approval of the risk management framework within the Council. The Committee has monitored the effectiveness of the Council’s risk management policy during the year, receiving quarterly updates on the risks and mitigations contained within the Corporate Risk Register. In addition, the Committee has received individual
presentations on risks held in departmental risk registers. The Committee has provided challenge to officers around the key risks to the Council.

2.4.4 Approval of Accounts

The Audit Committee approved the Council’s annual statement of accounts in September 2015. In particular, the Committee considered whether appropriate accounting policies had been followed and whether there were concerns arising from the external audit of the financial statements that needed to be brought to the Council’s attention. As part of this process, members considered the external auditor’s annual report to those charged with governance (ISA 260) on issues arising from the external audit of the accounts. Having reviewed the annual statement of accounts and noting that an unqualified External Audit opinion has been provided, the Committee was satisfied that the most appropriate accounting policies had been actioned.

2.4.5 Corporate Governance

The Audit Committee oversaw the production of the Council’s Annual Governance Statement for 2014/15 and approved it as part of the statement of accounts. In addition the Committee has overseen the production of the 2015/16 draft Annual Governance Statement and will approve this in September 2016.

2.4.6 Meetings and Attendance

The Committee meets four times per year, usually in June, September, December and February.

It is recognised that on one occasion the committee was not quorate. However, changes have been made to ensure in future the committee maintains quoracy.

2.4.7 Treasury Management

The Committee is responsible for reviewing and scrutinising the Treasury Management Strategy and Policies prior to the Strategy being formally approved and adopted by Cabinet and the Council.

3.0 Improvements to the Audit Committee’s Effectiveness

3.1 The Audit Committee is committed to continuous improvement and completed a self-assessment against the CIPFA Good Governance Guide, noting the areas where considered improvements could be made. One such improvement adopted was to provide an annual report on the work of the committee to Cabinet and / or Full Council, which further asks the question as to whether the role and purpose of the committee is understood across the council?

3.2 The Audit Committee recognises however the importance placed on continuing to develop as a committee and commits to attending a programme of training to cover topics to include; treasury management, risk management, external audit, accounting regulations, internal audit and investigations. The first training session is being held in September 2016, brings together the
three audit committees currently supported by the Shared Service and will be facilitated by PriceWaterhouseCoopers.

3. **Reason for Decision and Options Considered**
   3.1 It is good practice for the Chair of the Audit Committee to provide an annual report in respect of the work and effectiveness of the audit committee.
   3.2 To conclude, the Audit Committee is satisfied that the Council’s systems of internal control, governance and its risk management arrangements are sufficient to manage the achievements of its objectives.
   3.3 I would like to thank all Members and Officers who have been involved in the work of the Audit Committee throughout this municipal year.

4. **Key Implications**
   4.1 As set out in the body of the report.

5. **Financial Details**
   5.1 **Financial Impact**
   
   There are no direct financial implications arising from this report. This report provides a summary on the activities and effectiveness of the Committee and therefore this does not present any implications for the Council’s Finances.

   5.2 **Comments of the Director for Strategic Finance and Corporate Services**
   
   Incorporated in the report.

6. **Legal Details**
   6.1 This report does not by itself present any legal implications for the Council.

7. **Value for Money**
   7.1 Not applicable

8. **Sustainability Impact Appraisal**
   8.1 Not applicable.

9. **Risk Management**
   9.1 Not applicable

10. **Links to Council Priorities**
   10.1 Efficient use of council resources.

11. **Equalities, Human Rights and Community Cohesion**
   
   No direct implications arising.
12. Staffing/Workforce and Accommodation implications
   None.

13. Property and Assets
   None.

14. Any Other Implications
   14.1 None.

15. Consultation
   15.1 None.

16. Timetable for Implementation
   16.1 None

17. Appendices
   17.1 Appendix 1 – Audit Committee Terms of Reference

18. Background Information
   None
Appendix 1 – Audit Committee Terms of Reference

(A) Financial Reporting

1. Consideration of any reports from the Council’s external Auditors on issues arising from the audit of the Council’s annual accounts.

(B) Risk management and internal control

1. Receive reports on the Council’s arrangements for assessing and managing significant business risks.
2. Receive reports on the approach to be adopted to assess the effectiveness of internal control.
3. Consider the action plans arising from the annual effectiveness review.
4. Consider the Council’s arrangements for the adequacy of fraud and corruption.
5. Receive reports on the outcomes of any significant investigations or anti fraud initiatives.
6. Approve financial management policies and strategies eg, anti fraud and corruption policy

(C) External Audit

1. Consider the Annual Audit Plan.
2. Receive the Annual Audit and Inspection Letter (this will also be presented at the Cabinet and received by Overview and Scrutiny and the Borough Council).
3. Receive significant external audit reports and management action plans.

(D) Internal Audit

1. Receive the Strategic and Annual Internal Audit plans.
2. Receive periodic reports from the Head of Internal Audit on developments that affect the internal audit service eg, new guidelines from CIPFA, progress on the delivery of the annual internal audit plan and the response to recommendations.
3. Receive the annual report and opinion of the Head of Internal Audit.

(E) Regulatory, compliance and ethical matters

1. Receive reports on emerging regulatory and compliance issues relating to financial management and accounting issues.

(F) Communications and reporting

1. To provide regular reports to the Cabinet and Borough Council on the Committee’s work.
2. To make recommendations to the Cabinet and Borough Council on the adoption of specific policies and procedures.
(G) Maintaining and reviewing effectiveness

1. To annually review the activities of the Committee.

(H) Accounts

1. To consider and approve the annual statement of accounts on behalf of the council.