

**Agenda Item No:** 5  
**Report To:** AUDIT COMMITTEE  
**Date:** 27 JUNE 2013  
**Report Title:** AUDIT COMMITTEE ANNUAL REPORT  
**Report Author:** Ian Cumberworth



<b>Summary:</b>	This report sets out the Annual report of the Audit Committee for 2012/2013
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**Key Decision:** No

**Affected Wards:** All

**Recommendations:**

- 1. Audit Committee agree the format and content of the Annual Audit Committee report**
- 2. That the Chairman of the Audit Committee provides the report to a meeting of the Full Council to demonstrate how the Committee has discharged its duties.**

**Policy Overview:** Not Applicable

**Financial Implications:** Not Applicable

**Risk Assessment** No

**Equalities Impact Assessment** No

**Other Material Implications:** Not Applicable

**Background Papers:** Audit Committee Annual Report 2012/13

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## **Report Title: Audit Committee Annual Report 2012/13**

### **Purpose of the Report**

1. A report has been prepared which sets out how the Audit Committee has discharged its duties during 2012/13. The report provides assurance to the Council that important governance issues are being monitored and addressed by the Committee. The report provides further evidence to support the findings of the Annual Governance Statement.

### **Background**

2. The Audit Committee is required to obtain assurance on the control environment of the organisation. The attached report sets out how the committee has sought to achieve this.
3. The internal control environment comprises the whole network of systems and controls established to manage the Council and to ensure that its objectives are met. It includes financial and other controls and the arrangements for ensuring the Council is achieving value for money from its activities
4. In accordance with best practice, the Committee has produced an Annual Report for subsequent provision to the Full Council.

### **Risk Assessment**

5. The Audit Committee's role includes the need to consider the effectiveness of the authority's risk management arrangements, including the control environment and associated anti fraud and anti-corruption activities.

### **Equalities Impact Assessment**

6. Not Applicable

### **Other Options Considered**

7. The production of an annual report is considered to be good practice. No other option could be recommended.

### **Consultation**

8. Members of the Committee have been consulted on the format and content of the Annual Audit Committee report.

### **Implications Assessment**

9. Not Applicable

## **Handling**

10. Not Applicable

## **Conclusion**

11. Based on the work undertaken by the Committee during 2012/13, it is concluded that the Committee is working effectively and is discharging its responsibilities.

## **Portfolio Holder's Views**

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# **Audit Committee Annual Report 2012/13**



**ASHFORD**  
BOROUGH COUNCIL

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Draft

## Ashford Borough Council

### Audit Committee Annual Report – 2012/13

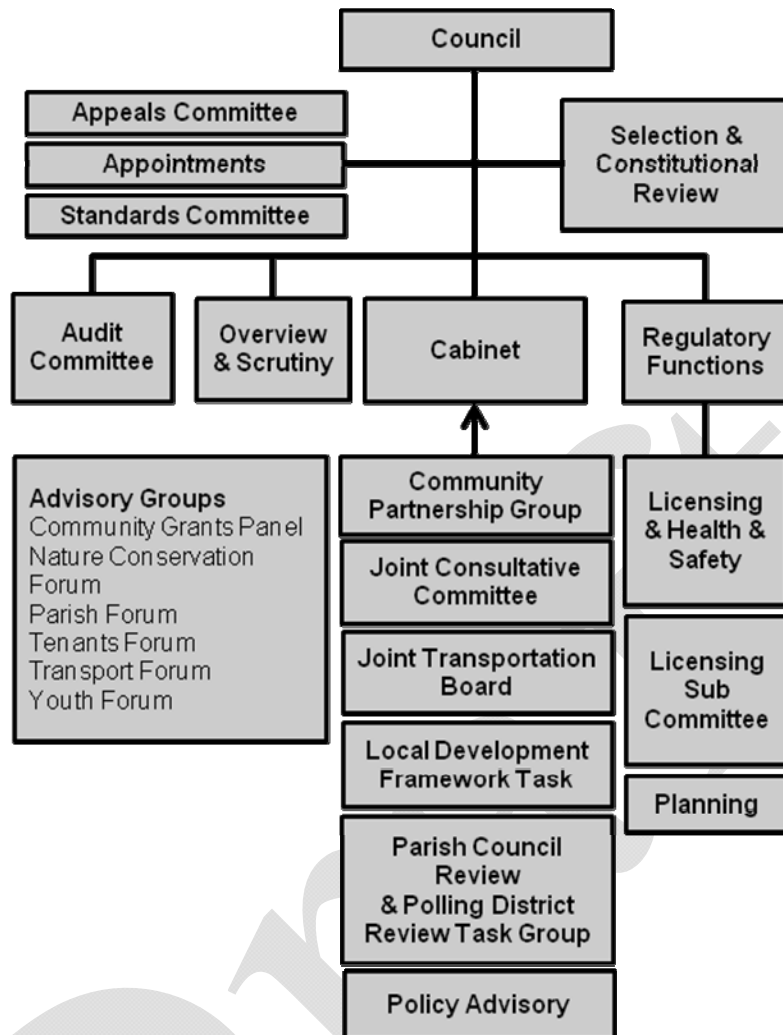
#### 1. Introduction

The Council established the Audit Committee as a full committee with effect from December 2006. Whilst there is currently no statutory obligation to have an Audit Committee, they are widely recognised as a core component of effective governance. In recent years there has been a significant amount of regulation and guidance issued on governance arrangements for private and public sector bodies, the common feature of governance arrangements being the existence of an Audit Committee:

Audit Committees differ from the Scrutiny Committees in that the role of scrutiny is to review policy and challenge whether the executive has made the right decisions to deliver policy goals. The Audit Committee, however, exists to provide **independent assurance** of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and affects the control environment, and oversight of the financial reporting process.

The Committee **is not a substitute for the executive function** in the management of internal or external audit, risk management, corporate governance, stewardship reporting, internal control or any other review or assurance function. It is the Committee's role to examine these functions, and to offer opinions or recommendations on the way the management of these functions is conducted.

## Ashford Borough Council – Committee structure 31<sup>st</sup> March 2013



There are many benefits to be gained from an effective Audit Committee. In fulfilling its role the committee will:

- raise greater awareness of the need for internal control and the implementation of audit recommendations;
- increase public confidence in the objectivity and fairness of financial and other reporting;
- reinforce the importance and independence of internal and external audit and any other similar review process (for example, providing a view on the Annual Governance Statement);
- Provide additional assurance to the Authority and its stakeholders through the results of its reviews.

## 2. Terms of reference and responsibilities

The Committee's detailed terms of reference are set out in the Council's Constitution and are based on the Chartered Institute of Public Finance and Accounting (CIPFA) model.;

### Audit Activity

1. The Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's Corporate Governance arrangements.
2. The summary of internal audit reports issued in the previous period.
3. Reports on the management and performance of the Audit Partnership Agreement.
4. Reports from the Head of Internal Audit on agreed recommendations not implemented within a reasonable timescale.
5. The External Auditor's Annual Management Letter and relevant reports.
6. Any detailed responses to the External Auditor's Annual Letter.
7. Specific reports as agreed with the External Auditor.
8. The scope and depth of external audit work and to ensure it gives value for money.
9. Liaison with the Audit Commission on the appointment of the Council's External Auditor.
10. The commissioning of work from internal and external audit.

### Regulatory Framework/Risk Management

11. An overview of the Council's Constitution in respect of Contract Procedure Rules and Financial Regulations.
12. The effective development and operation of financial management, risk management and those elements of corporate governance within the remit of the Audit Committee.
13. Council policies on "raising concerns at work" i.e. whistle-blowing in the context of the Anti-Fraud and Anti-Corruption Strategy and the Council's complaints process.
14. To recommend the Authority's Annual Governance Statement for approval to the Executive. (Minute No. 531/5/10).
15. The Council's compliance with its own and other published financial standards and controls.
16. The External Auditor's report on issues arising from the Audit of the Accounts.
17. The ability to refer matters to the Overview and Scrutiny Committee for their consideration (Minute No. 62/6/09).

✦ **Note:** The Overview and Scrutiny Committee has a similar provision to refer matters to the Audit Committee

### Delegations

18. The approval of the Annual Statement of Accounts in line with the statutory Requirements including those relating to the publishing deadlines
  - . Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the Audit that need to be brought to the attention of the Council.



### 3. Membership

The Audit Committee comprises of eight members. The current Committee met on four occasions in 2012/13. Committee agenda papers and minutes are available on the Council's website [www.ashford.gov.uk](http://www.ashford.gov.uk)

#### Current 2012/13 Audit Committee Members

**Cllr Clokie  
Chairman**



**Cllr Link  
Vice-Chairman**



**Cllr Wright**



**Cllr Smith**



**Cllr Taylor**



**Cllr Michael**



**Cllr Marriott**



**Cllr Yeo**



#### 4. Committee Attendance 2012/13

The Committee has been well supported throughout the year by both members and officers, and attendance records are set out in the table below.

Member/Officer	25/6/12	27/09/12	4/12/12	5/3/13
<b><u>Audit Committee Members 2012/13</u></b>				
Cllr Clokie (Chairman)	Y	Y	Y	Y
Cllr Link (Vice Chairman)	Y	A	A	Y
Cllr Taylor	Y	Y	A	A
Cllr Smith	A	Y	Y	Y
Cllr Marriott	Y	A	Y	A
Cllr Sims	Y	n/a	n/a	n/a
Cllr Michael	n/a	A	Y	Y
Cllr Wright	Y	A	Y	Y
Cllr Yeo	A	A	Y	Y
<b><u>Substitutes</u></b>				
Cllr Apps			Y	
<b><u>Officers</u></b>				
Deputy Chief Executive	Y	Y	Y	Y
Finance Manager	-	Y	-	-
Head of Internal Audit Partnership	Y	Y	Y	Y
Audit Manager	Y	Y	Y	A
Principal Accountant (Technical)	Y	Y	-	Y
Senior Member Services Officer	Y	Y	Y	Y
Investigations & Visiting Manager	Y	-	-	Y
Revenues & Benefits Manager	-	-	-	-
Senior Auditor	-	Y	-	-
Policy & Performance Officer	-	Y	-	-
Auditor	-	Y	-	-
<b><u>Audit Commission/Grant Thornton</u></b>				
Andy Mack	Y	A	Y	Y
Daniel Woodcock	-	Y	-	-
Debbie Moorhouse	-	Y	Y	-

Key: Y = Attendance, N = Non Attendance, A = Apologies Received, N/A = Not a Member

## 5. The Committee completed the following programme during 2012/13

Function/Issue	25/06/12	27/09/12	04/12/12	05/03/13
<b><u>INTERNAL AUDIT ACTIVITY</u></b>				
Operational Plan 2013/2014	-	-	-	Y
Public sector Internal Audit standards	-	-	-	Y
Annual Audit Committee report 2011/12	Y		-	-
Interim six monthly report 2012/2013	-	-	Y	
Annual Report 2011/12	Y	-	-	-
Internal Audit Progress report	-	-	Y	-
<b><u>EXTERNAL AUDIT ACTIVITY</u></b>				
Annual Fee Proposal	Y	-	Y	-
Certification of Grant Claims	-	-	-	Y
Progress Report/External Audit Update	Y	-	-	Y
Compliance with International Auditing Standards	Y	-	-	-
Audit Plan 2012/13 (Grant Thornton)	-	-	-	Y
Annual Audit Letter 2011/12	-	-	Y	-
<b><u>REGULARITY FRAMEWORK / INTERNAL CONTROL ARRANGEMENTS</u></b>				
Benefit Fraud Annual Report	Y	Y	-	-
Governance Statement action plan update	-	Y	-	Y
Future of Fraud Investigation Team				Y
Financial Statements				Y
Annual Governance Statement 2011/12	Y	Y	-	
Risk Management	Y	-	-	-
Strategic Risk Management Plans	-	Y	-	Y
Assurance from those charged with Governance				Y
Principles of Partnership Governance	-	Y	-	
<b><u>ACCOUNTS</u></b>				
Statement of accounts 2011/12		Y		
<b><u>FORWARD PLAN</u></b>				
Future Work Programme				Y
Tracker	Y	Y	Y	Y

### Induction Training

The Committee has also received other training/briefing sessions during the year prior to the commencement of the formal meetings on areas such as IT.

## 6. Assurance

The Audit Committee has considered the following areas to assist it in gaining assurance of the governance arrangements within the organisation as part of its annual work programme.

<b>Risk Management</b>
<ul style="list-style-type: none"><li>• <b>Consider the effectiveness of the Authority's risk management arrangements</b></li><li>• <b>Seek assurance that action is being taken on risk-related issues identified by auditors and inspectors</b></li></ul>

This has been achieved by:

- Establishing a member/officer working group to review and develop progress on the development of Strategic Risk management within the authority.
- Participated in development of a revised Risk Register which has resulted in the establishment of a new revised Strategic Risk register.
- Receiving progress reports on Strategic risk areas, considering individual risks and their categorisation, and influencing the format and presentation of risk reports;
- Receiving progress reports on internal and external audit issues.

<b>Internal Control assurance</b>
<ul style="list-style-type: none"><li>• <b>Consider the effectiveness of the Authority's control environment</b></li><li>• <b>Be satisfied that the Authority's assurance statements including the Annual Governance Statement properly reflect the control environment and any actions required to improve it</b></li></ul>

This has been achieved by:

- Considering the review of internal control for 2011/12 and agreeing the significant issues to be included in the Council's Annual Assurance Statement for 2011/12
- Approving the Authority's Annual Governance Statement for 2011/12 and the action plan to address significant improvements. These were incorporated into the Improvement Plan and actions have been monitored by the Committee throughout the year;
- Received and considered the Annual Fraud report

### **Audit Activity**

- **Approve (but not direct) Internal Audit's strategy; plan and monitor performance**
- **Review summary Internal Audit reports where they've received a 'limited' or 'minimal' assurance and seek assurances that action has been taken where necessary**
- **Receive the annual report of the Head of Internal Audit Partnership.**
- **Consider the reports of external audit and inspection agencies**
- **Ensure there are effective relationships between internal and external audit, and inspection agencies**

### **Internal Audit**

The Committee has:

- Considered and agreed the Internal Audit Plan for 2012/13;
- Received and considered the Head of Internal Audit Partnership Manager's Annual Report for 2011/2012, including the opinion on the Authority's control environment which was incorporated into the Annual Governance Statement;
- Received reports on the Internal Audit team's progress against the Plan;
- Received reports setting out the position regarding the agreement of audit reports and the assurance opinions provided for each review area;
- Considered and agreed the Internal Audit Annual Plan for 2013/14

### **External Audit**

The Committee has:

- Received and agreed the Annual Audit & Inspection Letter for 2011/12,
- Considered and agreed the Audit & Inspection Plan for 2012/13;
- Considered and agreed the certification of grant claim reports;
- Received progress reports on the action taken in response to external audit recommendations via the corporate improvement reports.
- Received progress reports on the abolition of the Audit Commission and the selection process/outcomes for the appoint of the new regional external auditors (Grant Thornton)

## Accounts

- **Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit**

The Committee has sought assurance by:

- Considering changes both to the format of the Accounts and the accounting policies used to prepare the accounts;
- Approving the Statement of Accounts for 2011/12 and later amendments;
- Receiving and considering the Annual Governance Report 2011/12, and agreeing the signing of the letter of representation by the Chairman of the Audit Committee, Deputy Chief Executive and the Leader of the Council;

## 7. Review of the Audit Committee's Effectiveness

It is regarded as best practice to periodically review the Audit Committee's effectiveness. In 2011/12 the Audit Partnership commissioned a peer review (Government & Improvement & Development (LGID) to be undertaken on the four partners Audit Committees covering the following elements:

- Terms of Reference
- Internal Audit Process
- External Audit Process
- Membership
- Meetings
- Training
- Administration

The committee considered this report and agreed to consider a number of the recommendations, the summary set out below provide an update of the current position

### Ashford Borough Council

#### Strengths

- Well regarded chair and members
- Audit Committee has supported the Council to improve its financial position over the last three years
- Is now achieving greater independence
- Committee reviews its own effectiveness
- Committee well supported by officers
- Briefings are provided to Audit Committee members on topical issues
- Annual governance statement developed with member and officer Involvement

#### Areas for Development

- Risk reports need enhancing
- Committee could expand its governance assurance role to cover partnerships
- Audit Committee should produce an annual report of its activities and effectiveness
- Skills assessment and further development for committee members
- Council could consider appointing co-opted non-voting members
- Greater promotion of the role of the Audit Committee across the Council

## 8. Summary update

In response to this report the committee has already taken steps to address some of the issues raised as part of this review. The attached table/appendices updates the position as at 31<sup>st</sup> March 2013 on progress made to implement the review recommendations. Progress made in the last year is set out in italics in the final column.

## ASHFORD BOROUGH COUNCIL – AUDIT COMMITTEE ACTION PLAN

N o.	Recommendation	Progress to Date	Comments/Current Position
1	To further explore the option of a co- opted Independent member sitting on the Audit Committee	Members determined to keep this option under review and consider this issue periodically to determine whether it would benefit the Committees needs. The constitution has been amended to allow the Committee to pursue this option at some future time if required.	<p>This option will continue to be reviewed by members to ensure that the needs of the Committee are effectively discharged. If it is determined at a future time that it would be beneficial to the Committee to appoint an independent (non elected) member appropriate action will taken to do so. <u>Update 31/3/13</u></p> <p><i>The committee will continue to keep this option under review however at the present time this option is unlikely to be taken forward.</i></p>
2	Produce the Audit Committees first annual report for 2010/2011	<i>The first Audit Committee Annual report was considered by the June (2011) Audit Committee and full Council in 2011. A similar report is to be published for the June 2012 meeting</i>	<p style="text-align: center;"><b>Implemented</b> <u>Update (31/3/13)</u> Subsequent reports have been generated for 2012 and <b>2013</b></p>
3	The Head of the Internal Audit Partnership will develop a training programme across the partnership authorities to ensure economies of scale and a co-ordinated training programme is delivered to Audit Committee members. to ensure they are appropriately equipped to discharge there responsibilities	Audit Committee induction training has been provided together with a number of other training opportunities which have been held prior to the Audit Committee meetings during the year (areas such as Governance/Accounts and Risk) via briefing sessions	<p>Implemented – Ongoing training will continue to be provided as when required.</p> <p style="text-align: center;"><u>Update (31/3/13)</u> <i>Audit Committee Members are to be requested to complete a training needs assessment questionnaire to assist in developing focused training/awareness initiatives for members.</i></p>
4	A report will be developed by the Head of Audit Partnership on the development of risk within Ashford Borough Council which will be brought forward for the committee for consideration	Officer member/working party established and risk workshops run to refresh the strategic risk register. Reports have been provided to Audit Committee members to update them on the progress being made; it is anticipated that the revised Strategic Risk register will come forward to this committee for consideration in the early part of the new financial year.	<p>Implemented – significant progress has been made with the support of the Audit Committee to develop a new Strategic Risk Register which should be formally adopted in the near future. <u>Update (31/3/13)</u> <i>In 2012 a revised Strategic Risk Register was established and adopted. Update reports have been considered by the Audit Committee to gain assurance that the risks are being</i></p>



			<p><i>appropriately managed and assessed.</i></p> <p><i>In addition members have agreed to examine one strategic risk in detail at each Audit committee meeting to gain ongoing assurance that the risk is being appropriately managed.</i></p>
5	<p><b>Committee could expand its governance assurance role to cover partnerships</b></p>	<p>Members considered a report in March 2012 on Good Principles of Partnership Governance which will form the basis of a review of governance arrangements in key partnerships ABC is currently involved in.</p>	<p><i>A report is proposed to be brought back to Audit committee in September 2012 with the results of this governance evaluation.</i></p> <p><i><u>Update (31/3/13)</u></i></p> <p><i>A report was brought back to Audit Committee in September 2012 setting out the governance arrangements in place in respect of key partnerships which were evaluated against Good Principles of Partnership Governance.</i></p> <p><i><u><a href="https://secure.ashford.gov.uk/cgi-bin/committee/index.cfm?fuseaction=DocTrack.getAgendaDoc&amp;AgendaID=15102">https://secure.ashford.gov.uk/cgi-bin/committee/index.cfm?fuseaction=DocTrack.getAgendaDoc&amp;AgendaID=15102</a></u></i></p>
6	<p><b>Greater promotion of the role of the Audit Committee across the Council</b></p>	<p>The Annual Audit Committee report is considered by full Council setting out the work programme covered in the previous year and the work programme for the forthcoming year. In addition the Committee has the ability to escalate issues if necessary via an Audit Committee member who also sits on Cabinet.</p>	<p><b>Implemented</b></p>

### **Future Challenges**

The Audit Committee will continue with its existing duties whilst continually striving to achieve best practice where this is feasible and affordable.

The Chair of the Audit Committee attended a CIPFA Better Governance Forum Workshop / seminar on 'The Influential Audit Committee' on 16th January 2013. The workshop provided briefings on current developments relevant to the role of audit committees within public sector organisations.

A paper was considered at the March audit committee  
<https://secure.ashford.gov.uk/cgi-bin/committee/index.cfm?fuseaction=DocTrack.getAgendaDoc&AgendaID=15733>

In response to some of those issues raised the committee held a workshop to draw up an action plan to specifically address a number of issues that will form part of future work streams;

A number of actions have already been implemented.

- Audit Chair has met with the Chair of Overview & Scrutiny Committee to co-ordinate work programmes to explore opportunities to co-ordinate work streams.
- To ensure members gain assurance that Strategic Risks are being actively monitored and reviewed it was agreed that risk would be incorporated as a standing item on the committees agenda so that an opportunity is provided for a look more closely at a specific risk at each meeting (effective from June Committee)
- Pre Committee briefing sessions would be re-instated to enable members to be kept abreast of relevant /topical issues and provide relevant training opportunities. (effective from June Committee)

It is anticipated that further initiatives will be considered and developed into the forward plan for consideration

## 9. 2013/14 Work Programme

- The Committee faces a challenging year ahead and the Committee's detailed work programme for the forthcoming year is set out below.

Function/Issue	27/06/13	26/09/13	03/12/13	xx/03/14
<b><u>INTERNAL AUDIT ACTIVITY</u></b>				
Operational Plan 2014/15		-	-	X
Annual Report 2012/13	X	-	-	-
Audit Committee Annual Report 2012/13	X	-	-	-
Interim Report	-	-	X	-
Strategic Risk review	-	X	-	X
Strategic Risk - considered	X	X	X	X
<b><u>EXTERNAL AUDIT ACTIVITY</u></b>				
Audit Plan	-	-	-	X
Fee Proposal	X	-	-	X
Grant Claims	-	-	-	X
2012/13 Accounts & Governance statement		X	-	-
Audit Plan 2013/14	-	-	-	X
Audit Letter	-	-	X	-
<b><u>REGULARITY FRAMEWORK / INTERNAL CONTROL ARRANGEMENTS</u></b>				
Benefit Fraud – Annual Report	-	X	-	-
Governance statement	X	-	-	-
Governance Statement - Action Plan	-	X	X	X
Performance Compendium	-	X	-	-
<b><u>ACCOUNTS</u></b>				
Statement of Accounts 2012/13	X	-	-	-
<b><u>FORWARD</u></b>				
Tracker	X	X	X	X