

Agenda Item No: 5
Report To: AUDIT COMMITTEE
Date: 26 JUNE 2014
Report Title: AUDIT COMMITTEE ANNUAL REPORT
Report Author: Ian Cumberworth



Summary:	This report sets out the Annual report of the activity of the Audit Committee for 2013/2014
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Key Decision: No

Affected Wards: All

Recommendations: **1. Audit Committee agree the content and the format of the Annual Committee report**

2. Audit Committee agree to provide the Annual Report to Full Council asking that the Report, setting out how the committee has effectively discharged its responsibilities is noted.

Policy Overview: Not Applicable

Financial Implications: Not Applicable

Risk Assessment No

Equalities Impact Assessment No

Other Material Implications: Not Applicable

Exemption Clauses:

Background Papers: Audit Committee Annual Report 2013/14

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Report Title: Audit Committee Annual Report 2013/14

Purpose of the Report

1. To provide members with an assurance on the work undertaken by the committee together with evidence of the effectiveness of the committee this will also feed into the Annual Governance statement

Background

2. The Audit Committee is required to monitor and obtain assurance on the control environment of the Council. The attached report sets out how the committee has achieved this aim.
3. The internal control environment comprises the whole network of systems and controls established to manage the Council, to ensure that its objectives are met. It includes financial and other controls, and 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 which will also be considered at Full Council.

Risk Assessment

5. Not Applicable

Equalities Impact Assessment

6. Not Applicable

Other Options Considered

7. An annual report is considered to be good practice therefore no other option could be recommended.

Consultation

8. The Committee has been consulted on the content and format of the Annual Audit Committee report.

Implications Assessment

9. Not Applicable

Handling

10. Not Applicable

Conclusion

11. Based on the coverage of the work undertaken by the committee it is working effectively and discharging its responsibilities.

Portfolio Holder's Views

12. Not Applicable

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Audit Committee Annual Report 2013/14

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Ashford Borough Council

Audit Committee Annual Report – 2013/14

Foreword by Cllr Paul Clokie Chairman of the Audit Committee



I am pleased to introduce the annual report of the Audit Committee, covering the year to 31 March 2014.

The Audit Committee is responsible for reviewing the Council's governance arrangements, both financial and non financial, (including the risk register) and seeks to obtain appropriate assurances in these areas.

This is the second Annual Report of the Audit Committee and I am pleased to confirm that the Committee, under my Chairmanship has continued to build on its strength and effectiveness over the past year.

As outlined in the body of this report, the Committee has been actively engaged with the Council's financial managers, internal auditors and external auditors (Grant Thornton).

The Committee has provided oversight and challenge to the Council's operations and internal control environment and provided robust scrutiny and challenge of the Authority's financial and project performance.

In carrying out its responsibilities, the Committee has continued to follow best practice and to become increasingly challenging of officers whilst always supporting them in their governance priorities.

I would like to thank all members who served on the Committee during 2013/14 and look forward to the continued support of members during the year ahead. My thanks also go to the Council officers who have supported the work of the Committee.

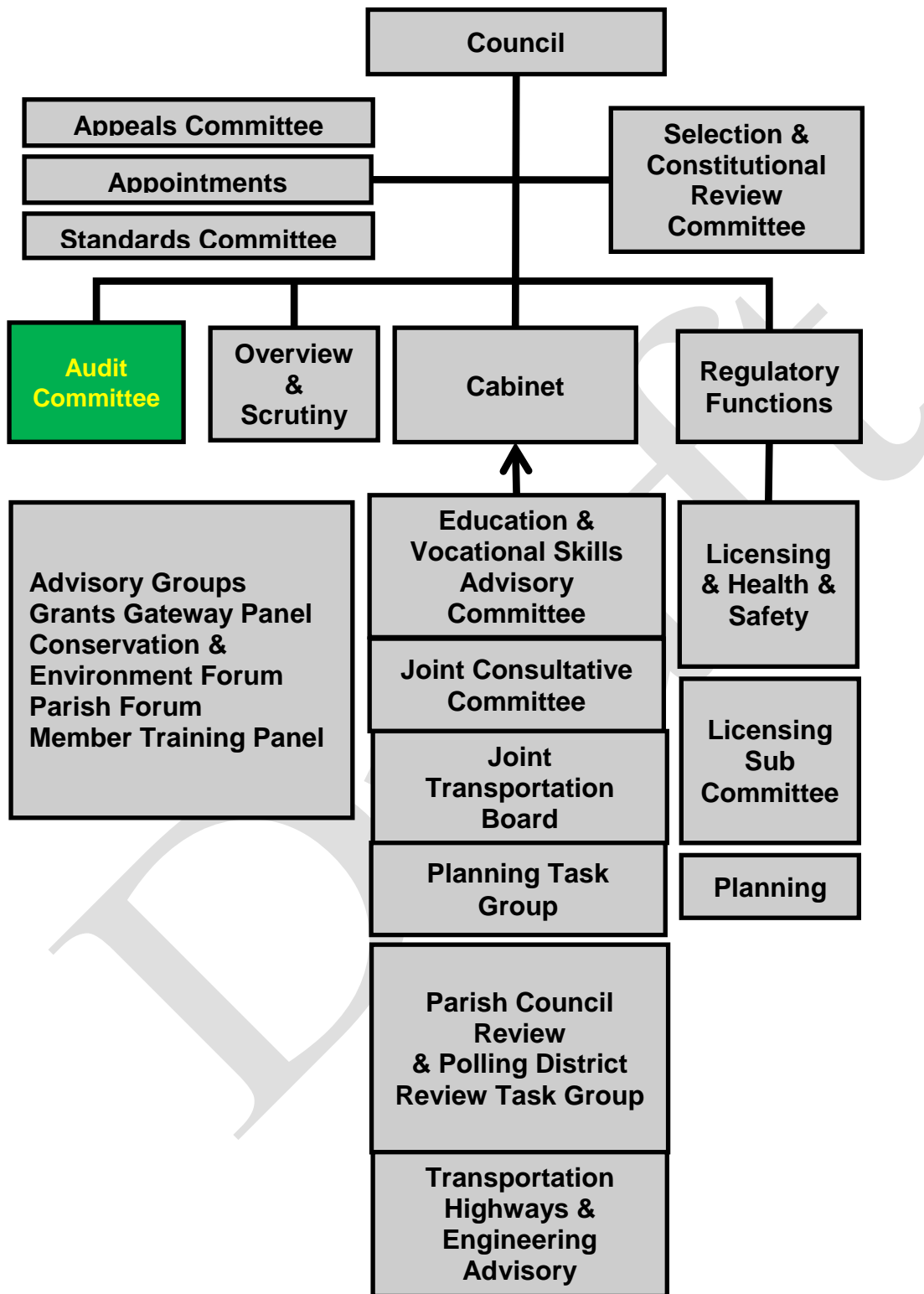
In looking forward to 2014/15 and beyond, and given the continued financial pressures facing the Council, the importance of an effective Audit Committee remains critical. Along with my fellow members I look forward to meeting those challenges.

1. Introduction

The Council established the Audit Committee as a full committee from December 2006. While there is currently no statutory obligation to have an Audit Committee, such bodies 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 effective Audit Committee:

Audit Committees differ from 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 their management.



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 2013/14. Committee agenda papers and minutes are available on the Council's website www.ashford.gov.uk

Current 2013/14 Audit Committee Members

**Cllr Clokie
Chairman**



**Cllr Link
Vice-Chairman**



Cllr Shorter



Cllr Smith



Cllr Taylor



Cllr Michael



Cllr Marriott



Cllr Yeo



4. Committee Attendance 2013/14

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	27/6/13	26/09/13	3/12/13	18/3/14
<u>Audit Committee Members</u>				
Cllr Clokie (Chairman)	Y	Y	Y	Y
Cllr Link (Vice Chairman)	Y	Y	Y	Y
Cllr Taylor	Y	A	Y	Y
Cllr Smith	Y	A	Y	Y
Cllr Marriott	Y	Y	Y	A
Cllr Shorter	Y	Y	A	Y
Cllr Michael	Y	Y	Y	Y
Cllr Yeo	Y	-	A	-
<u>Visiting members</u>				
Cllrs Britcher , Chilton & Wright	Y			
<u>Officers</u>				
Deputy Chief Executive	Y	Y	Y	Y
Finance Manager	-	-	Y	-
Head of Internal Audit Partnership	Y	Y	Y	Y
Audit Manager	Y	Y	Y	Y
Principal Accountant (Technical)		Y	-	Y
Senior Member Services Officer	Y	Y	Y	Y
Investigations & Visiting Manager		Y	-	
Incoming Head of Internal Audit Partnership	-	-	-	Y
Senior Auditor	-	Y	-	-
Policy & Performance Officer	-	-	-	Y
Head of Communications & Technology				Y
<u>Grant Thornton</u>				
Director			Y	Y
Manager	Y	Y	Y	Y

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

5. The Committee completed the following programme during 2013/14

Function/Issue	27/06/13	26/09/13	03/12/13	18/03/14
<u>INTERNAL AUDIT ACTIVITY</u>				
Operational Plan 2014/2015	-	-	-	Y
Public sector Internal Audit standards- External assessment	-	-	-	Y
Annual Audit Committee report 2012/13	Y	-	-	-
Interim six monthly report 2013/2014	-	-	Y	-
Annual Report 2012/13	Y	-	-	-
Internal Audit Partnership	-	Y	Y	-
Internal Audit Charter	-	Y	-	-
<u>EXTERNAL AUDIT ACTIVITY</u>				
Certification of Grant Claims	-	-	-	Y
Progress Report/External Audit Update	Y	-	Y	Y
Audit Plan 2012/13 (Grant Thornton)	-	-	-	Y
Annual Audit Letter 2012/13	-	-	Y	-
Internal Audit / External Audit Protocol	-	-	-	Y
<u>REGULARITY FRAMEWORK / INTERNAL CONTROL ARRANGEMENTS</u>				
Benefit Fraud Report	-	Y	-	-
Governance Statement action plan update	-	Y	-	Y
Grant Thornton Governance Risk –national study	Y	-	-	Y
Financial Statements	-	-	-	Y
Annual Governance Statement 2012/13	Y	-	Y	-
Risk Management – Action plan	Y	-	-	-
Strategic Risk Management Plans	Y	Y	-	Y
IT Continuity arrangements	-	-	Y	-
Local Code of Corporate Governance	-	-	-	Y
Local Audit & Public Accountability Bill	Y	-	-	-
<u>ACCOUNTS</u>				
Statement of accounts 2012/13	-	Y	-	-
<u>FORWARD PLAN</u>				
Tracker	Y	Y	Y	Y

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.

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

This has been achieved by:

- Receiving progress reports on Strategic risk areas, considering the movements in individual risks and their categorisation, and influencing the format and presentation of risk reports;
- Receiving progress reports on internal and external audit issues.

Internal Control assurance
<ul style="list-style-type: none">• Consider the effectiveness of the Authority's control environment• 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

This has been achieved by:

- Considering the review of internal control for 2012/13 and agreeing the significant issues to be included in the Council's Annual Assurance Statement for 2012/13
- Approving the Authority's Annual Governance Statement for 2012/13 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
<ul style="list-style-type: none">• Approve (but not direct) Internal Audit's strategy and 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:

- Received and considered the Head of Internal Audit Partnership Manager's Annual Report for 2012/2013, 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;
- Received a report from an external assessor to provide assurance that Internal Audit comply with Public Sector Internal Audit Standards (PSIAS)
- Considered and agreed the Internal Audit Annual Plan for 2014/15

External Audit

The Committee has:

- Received and agreed the Annual Audit & Inspection Letter for 2012/13,
- Considered and agreed the Audit & Inspection Plan for 2013/14;
- 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.

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 2012/13 and later amendments;
- Receiving and considering the Annual Governance Report 2012/13, 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

In partnership with its External Auditors, and with the support of Officers, the Audit Committee has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues. It is concluded therefore, that the Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties for 2013/14.

8. 2014/15 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	26/06/14	25/09/14	02/12/14	tbc/03/15
<u>INTERNAL AUDIT ACTIVITY</u>				
Operational Plan 2015/16		-	-	X
Annual Report 2013/14	X	-	-	-
Audit Committee Annual Report 2013/14	X	-	-	-
Interim Report	-	-	X	-
Strategic Risk review	-	X	-	X
Strategic Risk - considered			X	X
<u>EXTERNAL AUDIT ACTIVITY</u>				
Audit Plan	-	-	-	X
Fee Proposal	X	-	-	X
Grant Claims	-	-	-	X
2013/14 Accounts & Governance statement		X	-	-
Audit Plan 2013/14	-	-	-	X
Audit Letter	-	-	X	-
<u>REGULARITY FRAMEWORK / INTERNAL CONTROL ARRANGEMENTS</u>				
Benefit Fraud – Annual Report	-	X	-	-
Governance statement	X	-	-	-
Governance Statement - Action Plan	-	X	X	X
Performance Compendium	-	X	-	-
<u>ACCOUNTS</u>				
Statement of Accounts 2013/14	X	-	-	-
<u>FORWARD PLAN</u>				
Tracker	X	X	X	X