

Agenda Item No: 6
Report To: Audit Committee
Date: 30 June 2016
Report Title: Audit Committee Annual Report 2015/16
Report Author: Russell Heppleston – Deputy Head of Audit Partnership



Summary:	The 2015/16 annual report of the Audit Committee in discharging the responsibilities set out in the Council's constitution.
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Key Decision: NO

Affected Wards: All

Recommendations:

1. That the Audit Committee **agree** the Audit Committee Annual Report for 2015/16.
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: N/A

Financial Implications: N/A

Risk Assessment NO

Equalities Impact Assessment NO

Other Material Implications: N/A

Exemption Clauses: N/A

Background Papers: Audit Committee Annual Report 2015/16

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Report Title: Audit Committee Annual Report 2015/16

Purpose of the Report

1. The report outlines how the Audit Committee has effectively discharged its duties during 2015/16. The report provides assurance to the Council that important internal control, governance and risk management issues are being monitored and addressed by the Committee.
2. The report seeks to provide additional assurance to support the Annual Governance Statement.

Issue to be Decided

3. That the Audit Committee **agree** the Audit Committee Annual Report for 2015/16 attached in Appendix A.
4. 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.

Background

5. The Audit Committee is required to monitor audit activity (internal and external), review and comment on the effectiveness of the Council's regulatory framework and review and approve the Council's annual statements of accounts and scrutinise associated strategy and policy.
6. In line with best practice the Audit Committee has produced an annual report (Appendix A). This report sets out how the Committee has discharged its duties under its terms of reference during 15/16.

Risk Assessment

7. N/A

Equalities Impact Assessment

8. N/A

Other Options Considered

9. The production of an annual report is considered by CIPFA to represent best practice. The Committee has produced a report of this nature for a number of years.
10. No other options have been considered.

Consultation

11. A draft version of the report has been shared with the 2015/16 Audit Committee Chairman for comment.
12. Presentation and format of the report has been freshened up compared previous years, but the content follows the conventions established in previous years.

Implications Assessment

13. N/A

Handling

14. N/A

Conclusion

15. The conclusion as set out in the report (appendix A) is that the Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2015/16.

Portfolio Holder's Views

16. N/A

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Audit Committee

Annual Report 2015/16



Introduction by Chairman of Audit Committee

This report provides an overview of the Audit Committee's activity during the municipal year 2015/16.

I am pleased to report the continued good work of the Committee in providing an independent overview of the Council's governance. This role includes detailed consideration of the work of external and internal audit plus robust scrutiny and challenge of the Council's financial performance.

During 2015/16 the Committee met four times and was pleased to note, among the highlights, a further unqualified accounts and value for money opinion from our external auditors and a positive conclusion on the Council's control and governance from our internal auditors.

Once again during 2015/16 the Committee is grateful for the contributions of its members, as well as to those officers who support its work.



*Councillor Link
Audit Committee Chairman (2015/16)*

Introduction

Ashford Borough Council supports and understands the value and benefits of having an independent Audit Committee.

The Audit Committee is an essential check on the corporate governance framework; providing an independent and high-level overview of the internal control, governance and risk management for the Council.

The Committee monitors internal and external audit activity, reviews and comments on the effectiveness of the Council's regulatory framework and reviews and approves the Council's annual statements of accounts.

The Committee is independent from the Council's Executive and Scrutiny functions and has clear reporting lines and rights of access to discharge its responsibilities in line with its Terms of Reference (Appendix I). This includes direct access to the Council's Appointed Auditor and Head of Audit Partnership without the presence of other officers where appropriate.

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

Effective audit committees can bring many benefits to local authorities and these benefits are described in CIPFA's Audit Committees - Practical Guidance for Local Authorities as:

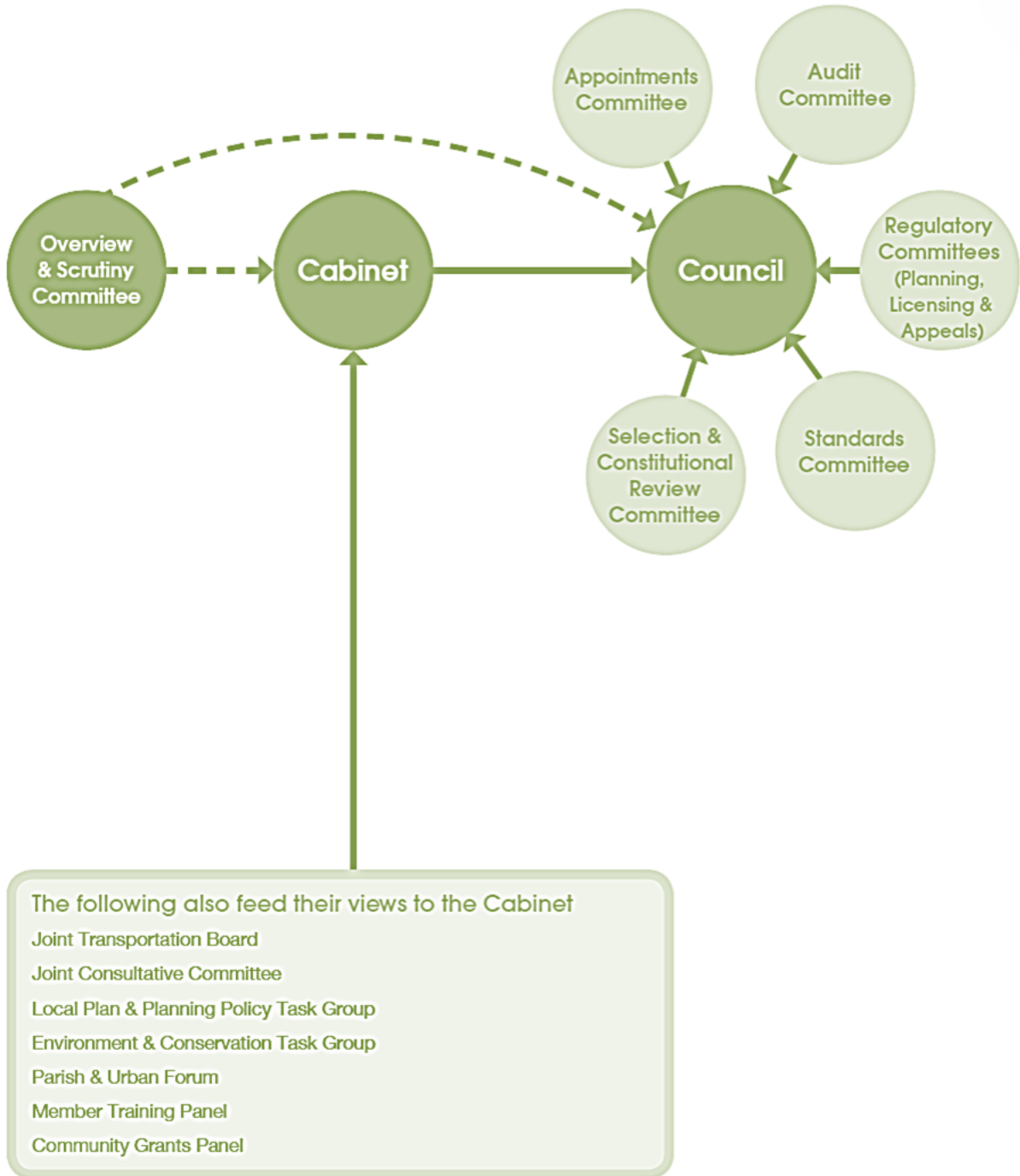
- Increased public confidence in the objectivity and fairness of Council financial and other reporting.
- Reinforcing the importance and independence of internal and external audit and similar review processes.
- Providing additional assurance through the process of independent review and challenge.
- Increasing emphasis and awareness of internal control, governance and risk management.

Statement of Purpose

The purpose of an Audit Committee is 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 weakens the control environment, and to oversee the financial reporting process.

Audit Committee Terms of Reference

Ashford Borough Council Committee Structure



Membership

The Audit Committee comprised of 8 Members:

- Cllr Link (Chairman)
- Cllr Waters (Vice Chairman)
- Cllr Buchanan
- Cllr Chilton
- Cllr Powell
- Cllr Shorter
- Cllr Smith
- Cllr White

Meetings & Attendance

The Audit Committee met four times in 2015/16:

- 30 June 2015
- 29 September 2015
- 1 December 2015
- 15 March 2016

On all occasions the Committee was well attended and able to fulfil its duties.

The Audit and Governance Committee is supported by senior officers of the Council who are regularly present at meetings, including:

- Deputy Chief Executive (Section 151)
- Head of Finance (Deputy Section 151)
- Director – Law & Governance
- Head of Audit Partnership & Deputy Head of Audit Partnership
- Policy and Performance Manager
- Counter Fraud Manager

In addition, the Council's External Auditors (Grant Thornton) attended each meeting of the Audit Committee during 2015/16.

All of the Audit Committee agenda papers and minutes are available on the Council's [website](#).

Business

During the year the Audit Committee has commented, examined and reviewed the following:

Audit Activity
• Internal Audit Annual Report
• Internal Audit Interim Report
• Internal Audit Plan
• Internal Audit Charter
• Weak and Poor Assurance Reporting
• Safeguarding – Internal Audit Findings
• Data Protection – Internal Audit Findings
• Strategic Risk Management
• Future of Local Public Audit
External Audit (Grant Thornton)
• Planned Audit Fee
• Annual Audit Letter
• External Audit Findings Report
• Certification of Grant Claims
• Progress Report
• Audit Committee Update
Finance
• Financial Statements
• Statement of Accounts
• Annual Governance Statement
• Annual Governance Statement – Progress of Remedying Exceptions
• Annual Reports on reserves and Balances
Governance
• Reporting for ABC Companies
• Fraud Annual Report
• Independent Audit Review of the Affordable Housing Programme
• Audit Committee Report Tracker and Future Meetings

Sources of Assurance

In drawing a conclusion for the year, the Audit Committee gained assurance from the following sources:

The work of Internal Audit

The Head of Audit Partnership issued an unqualified Head of Audit Opinion in 2014/15 which concluded that the Council was operating an effective sound system of internal control, governance and risk management. Throughout the year the Committee has been kept up to date with delivery of the Internal Audit plan, implementation of audit recommendations, and has been kept aware of any emerging risks.

The Internal Audit plan for 16/17 included a breakdown of internal audit assurance for the coming year, and the Committee were given the opportunity to comment on the work of internal audit prior to endorsing the plan for delivery.

Adverse audit opinions have been presented to the Committee and at request, have been provided with regular progress updates on the implementation of audit recommendations. Specifically the Committee has considered the responses to the Safeguarding and Data Protection audits.

The Committee has continued to show its support to the Internal Audit team throughout the year, and has recognised the role, responsibility and authority of the service within the Audit Charter which was updated and agreed by the Committee in March 2016.

The Committee has received regular updates on the Council's strategic risk management arrangements.

The work of External Audit (Grant Thornton)

The external auditors report back to the Audit Committee providing regular updates on their programme of work. During the year, the External Auditors presented an unqualified value for money conclusion and an unqualified opinion on the financial statements.

The Audit Committee has provided effective challenge to the External Auditors as appropriate and gained assurance from the reports and updates provided during the year.

Finance & Governance Reports

The Committee provided robust challenge prior to approving the statements of accounts and financial statements in September 2015.

The Committee specifically gains assurance from the Annual Governance Statement which is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

The statement is produced following a review of the council's governance arrangements and includes actions address any significant governance issues identified. The Committee reviewed and approved the 2014/15 Annual Governance Statement.

Conclusion

The Audit Committee, in partnership with the Council's Internal and External Auditors, and with the support of Officers has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues.

The Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2015/16.

Terms of Reference & Responsibilities

The purpose of an Audit Committee is 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 weakens the control environment, and to oversee the financial reporting process (Minute No. 408/12/06 refers).

To consider/monitor or advise the council as appropriate upon:-

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

1. An overview of the council's Constitution in respect of Contract Procedure Rules and Financial Regulations.
2. The effective development and operation of financial management, risk management and those elements of corporate governance within the remit of the Audit Committee.
3. 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.
4. To recommend the Authority's Annual Governance Statement for approval to the Executive. (Minute No. 531/5/10).
5. The council's compliance with its own and other published financial standards and controls.
6. The External Auditor's report on issues arising from the Audit of the Accounts.
7. 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

To exercise the powers and duties of the council relative to:-

1. 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.