

**Agenda Item No:**

**Report To:** Council

**Date:** 16<sup>th</sup> July 2015

**Report Title:** AUDIT COMMITTEE ANNUAL REPORT 2014/15

**Report Author:** Rich Clarke



<b>Summary:</b>	The 2014/15 annual report of activity of the Audit Committee in discharging the responsibilities set out for it in the Council's constitution
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**Key Decision:** No

**Affected Wards:** All

**Recommendations:** That the Council receive and note the Annual Report.

**Policy Overview:** Not Applicable

**Financial Implications:** Not Applicable

**Risk Assessment** No

**Equalities Impact Assessment** No

**Other Implications:** Not Applicable

**Exemptions :**

**Background Papers:** Audit Committee Annual Report 2014/15

**Contacts:** rich.clarke@midkent.gov.uk – Tel: (01233) 330442

**Report Title: Audit Committee Annual Report 2014/15**

**Purpose of the Report**

1. To provide Members with assurance on the work and effectiveness of the Audit Committee.

**Background**

2. The Audit Committee must monitor and obtain assurance on the Council's control environment. The attached report sets out how the Committee has undertaken that task.
3. The internal control environment is the network of systems and controls established to manage the Council and ensure it meets its objectives. It includes financial and other controls, and arrangements for ensuring the Council achieves value for money.
4. In line with best practice the Committee has produced an Annual Report.

**Risk Assessment**

5. Not applicable.

**Equalities Impact Assessment**

6. There are no proposals made in the report that require an equalities impact assessment.

**Other Options Considered**

7. Production of an annual report is considered by CIPFA and others to represent good practice. No other options have been considered.

**Consultation**

8. The Committee has previously been consulted on the format and content of its annual report, and this version follows the conventions established in previous years.

**Implications Assessment**

9. Not Applicable

**Handling**

10. Not Applicable

**Conclusion**

11. Based on the report presented, the Committee is satisfied it operates effectively.

**Portfolio Holder's Views**

12. Not Applicable

**Contact:** Rich Clarke Tel: (01233) 330442

**Email:** [richard.clarke@ashford.gov.uk](mailto:richard.clarke@ashford.gov.uk) or [rich.clarke@midkent.gov.uk](mailto:rich.clarke@midkent.gov.uk)

**Audit Committee  
Annual Report 2014/15**



**ASHFORD**  
BOROUGH COUNCIL

## Introduction

The Council established the Audit Committee as a full committee from December 2006. Although there is no statutory obligation for a local authority to have an Audit Committee, they are widely recognised across public and private sectors as a core component of effective governance.

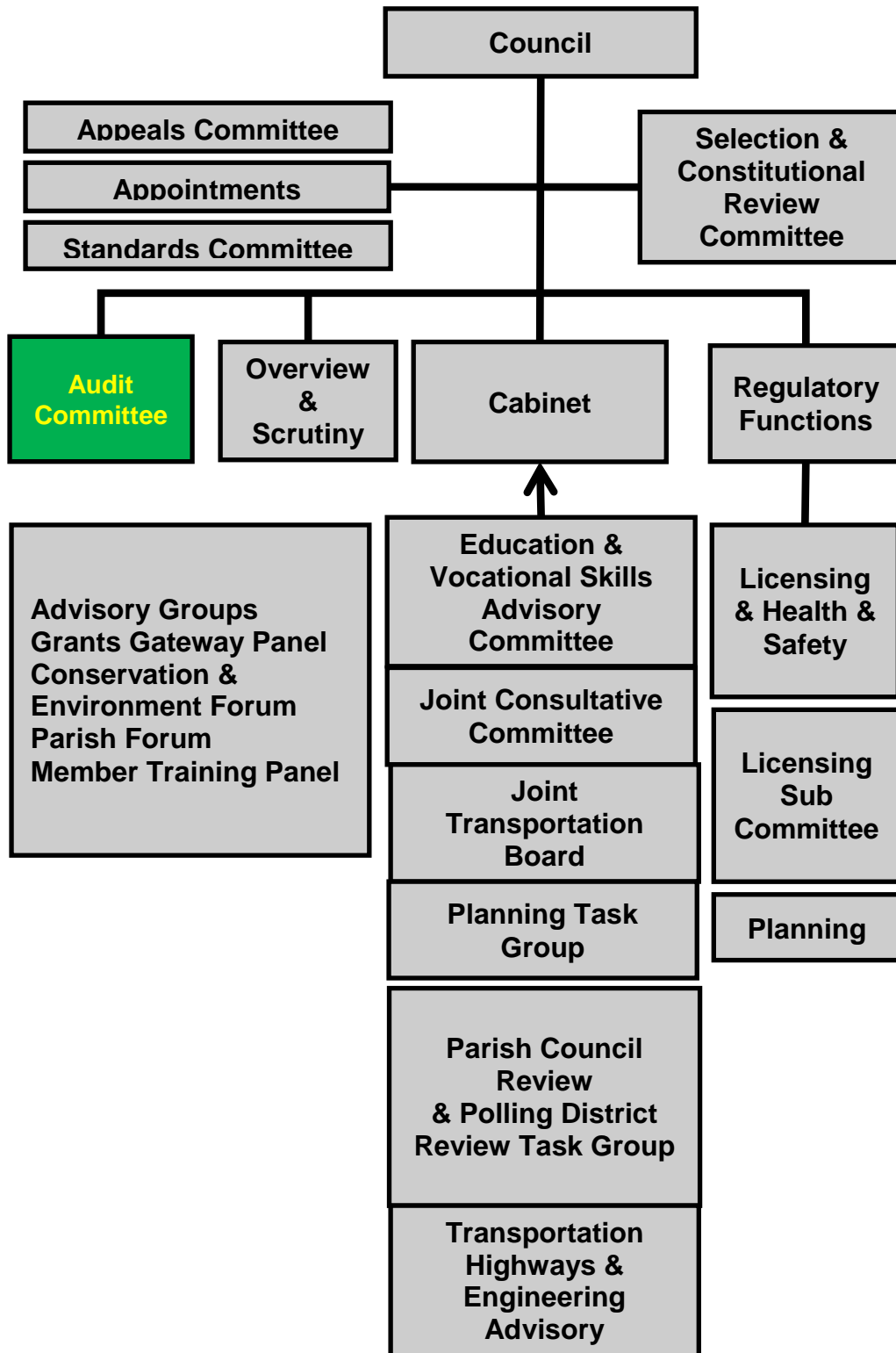
Audit Committees differ from Scrutiny Committees in that the role of scrutiny is to review policy and challenge whether the executive has made the right decisions to deliver policy goals. The Audit Committee, however, exists to provide **independent assurance** of the adequacy of the risk management 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.

Ashford Borough Council – Committee structure 31 March 2015



## **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**

- The Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activity and the level of assurance it gives.
- The summary of internal audit reports issued in the previous period.
- Reports on the management and performance of the Audit Partnership Agreement.
- Reports from the Head of Internal Audit on agreed recommendations not implemented within a reasonable timescale.
- The External Auditor's Annual Management Letter and relevant reports.
- Any detailed responses to the External Auditor's Annual Letter.
- Specific reports as agreed with the External Auditor.
- The scope and depth of external audit work and to ensure it gives value for money.
- Liaison with the Audit Commission<sup>1</sup> on appointment of the Council's External Auditor.
- The commissioning of work from internal and external audit.

### **Regulatory Framework/Risk Management**

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

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<sup>1</sup> The Audit Commission was abolished on 31 March 2015, and this responsibility passed to PSAA Ltd

- The ability to refer matters to the Overview and Scrutiny Committee for their consideration (Minute No. 62/6/09)<sup>2</sup>.

### **Delegations**

- 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.

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<sup>2</sup> Similarly, the Overview and Scrutiny Committee may refer matters to the Audit Committee



## Membership

The Audit Committee comprises of eight members and met four times during the municipal year 2014/15. Committee agenda papers and minutes are available on the Council's website [www.ashford.gov.uk](http://www.ashford.gov.uk)

### 2014/15 Audit Committee Members

**Cllr Clokie  
Chairman**



**Cllr Link  
Vice Chairman**



**Cllr Marriot  
(member until 9/14)**



**Cllr Michael**



**Cllr Smith**



**Cllr Buchanan**



**Cllr Shorter**



**Cllr Yeo  
(member until 3/15)**



**Cllr Sims  
(member from  
12/14)**



**Cllr Britcher  
(member from  
3/15)**



## Committee Attendance 2014/15

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	26 Jun 14	25 Sep 14	2 Dec 14	3 Mar 15
<b><u>Audit Committee Members</u></b>				
Cllr Clokie (Chairman)	Present	Present	Present	Present
Cllr Link (Vice Chairman)	Present	Apologies	Apologies	Present
Cllr Marriott (until 9/14)	Present	-	-	-
Cllr Michael	Present	Present	Substituted	Substituted
Cllr Smith	Present	Apologies	Present	Present
Cllr Buchanan	Apologies	Present	Apologies	Present
Cllr Shorter	Apologies	Absent	Substituted	Present
Cllr Yeo (until 3/15)	Substituted	Present	Present	-
Cllr Sims (from 12/14)	-	-	Present	Present
Cllr Britcher (from 3/15)	-	-	-	Apologies
<b><u>Substitute Members</u></b>				
Cllr Chilton (for Cllr Yeo)	Present	-	-	-
Cllr Mrs Dyer (for Cons. vacancy)	-	Present	-	-
Cllr Davey (for Cllr Michael)	-	-	Present	Present
Cllr Galpin (for Cllr Shorter)			Present	-
<b><u>Other Members</u></b>				
Cllr Galpin	Present	Present	(sub, above)	Present
<b><u>Officers</u></b>				
Deputy Chief Executive	Present	Present	Apologies	Present
Head of Audit Partnership	Present	Present	Present	Present
Head of Personnel & Development	Present	-	-	-
Audit Partnership Manager	Present	Present	Present	Present
Head of Finance	-	Present	Present	Present
Finance Manager	Present	-	-	-
Principal Accountant	-	Present	-	Present
Policy & Performance Manager	Present	-	-	Present
Investigations Manager	Present	-	-	-
Senior Auditor	Present	-	-	-
Funding & Partnerships Officer	Present	Present	Present	-
Senior Member Services Officer	Present	Present	Present	Present
<b><u>External Audit (Grant Thornton)</u></b>				
Andy Mack	Present	Present	-	-
Lisa Robertson	Present	-	Present	Present

Emily Hill	-	-	Present	Present
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**The Committee completed the following programme during 2014/15**

<b>Issue</b>	<b>26 Jun 14</b>	<b>25 Sep 14</b>	<b>2 Dec 14</b>	<b>3 Mar 15</b>
<b><u>Internal Audit Activity</u></b>				
Internal Audit Annual Report 2013/14	X	-	-	-
Reporting Refresh 2014/15	X	-	-	-
Internal Audit Interim Report	-	-	X	-
Internal Audit Plan 2015-2019	-	-	-	X
Internal Audit Charter 2015/16	-	-	-	X
<b><u>External Audit Activity</u></b>				
Letter of Assurance 2013/14	X	-	-	-
Work Programme & Fees 2014/15	X	-	-	-
Auditor's Findings Report 2013/14	-	X	-	-
Annual Audit Letter 2013/14	-	-	X	-
Progress Report	-	-	X	X
Certification of Grant Claims 2013/14	-	-	-	X
<b><u>Regularity Framework/Internal Control Arrangements</u></b>				
Audit Committee Report 2013/14	X	-	-	-
Annual Governance Statement 2013/14	X	-	-	-
Anti-Fraud & Corruption Policies	X	-	-	-
Annual Fraud Report 2013/14	X	-	-	-
AGS: Progress on Remedial Action	-	X	X	X
Strategic Risk Management Update	-	X	-	X
Consultation on Public Audit	-	X	-	-
<b><u>Accounts</u></b>				
Statement of Accounts 2013/14	-	X	-	-
Accounting Policies 2014/15	-	-	-	X

The Committee has also sought to maintain and update its knowledge by commissioning a series of briefings on areas of current interest, taking place immediately before each meeting and open to all Members. During 2014/15 these briefings covered:

- Risk Management (June 2014)
- Business Rates Localisation and Appeals (September 2014)
- Procurement (December 2014)
- Counter Fraud (March 2015)

## 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:

- Receiving progress reports on Strategic risk areas, considering progress on individual risks;
- 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 2013/14 and agreeing the significant issues to be included in the Council's Annual Assurance Statement for 2013/14
- Approving the Authority's Annual Governance Statement for 2013/14 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 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's Annual Report for 2013/2014, 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 2015-2018
- Reviewed the refreshed internal audit reporting framework.

### **External Audit**

The Committee has:

- Received and commented upon the Annual Audit Letter for 2013/14,
- Considered and commented upon the Audit Plan for 2014/15;
- Considered and commented upon the certification of grant claim report for 2013/14;

- Received progress reports on the action taken in response to external audit recommendations via the corporate improvement reports.

<b>Accounts</b>
<ul style="list-style-type: none"><li>• <b>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</b></li></ul>

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 2013/14;
- Receiving and considering the Annual Governance Report 2013/14, 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;

### **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 2014/15.