

# **Audit Committee**

## **Annual Report**

**2019/20**

# Statement from the Chairman

As the Chair of the Audit Committee, it is my pleasure to introduce the annual report, providing an overview of the Committee's activity during the Municipal Year 2019/20.

This year so far has presented big challenges for the Council following the Covid-19 pandemic, but we have continued throughout to focus our attention on issues we have faced as a Council from a risk, control, and governance perspective. This report looks back and gives us opportunity to reflect on the activity and achievements of the Committee between April 2019 to March 2020.

The Audit Committee continues to make progress in terms of discharging its responsibilities to provide independent assurance on the adequacy of the Council's risk management framework and the associated control environment, and in providing robust scrutiny and challenge of the authority's financial performance.

During 2019/20 the Committee met five times and I was pleased to note, among the highlights, a further unqualified accounts opinion and value for money conclusion from our external auditors, similarly a sound opinion from our internal audit annual opinion. We have continued to keep our focus on key risks facing the Council as reported through the risk management framework. In addition, we have been pleased to play our part in the External Quality Assessment of our internal audit partnership, who have been assessed as working in 'full conformance' with professional audit standards.

I would like to take this opportunity to thank the Members and Officers that have supported the Committee over the last year. Their professionalism, integrity, and openness have helped us to discuss, challenge and debate key issues and agree solutions and improvements where appropriate to do so.

Cllr. Krause – Audit Committee Chairman

# Purpose of the Committee

The Audit Committee operates in accordance with the [Audit Committees, Practical Guidance for Local Authorities](#). This guidance was updated in 2018 and is published by the Chartered Institute of Public Finance (CIPFA). This guidance defines the purpose of an Audit Committee as:

*“Audit Committees are a key component of an authority’s governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.*

*The purpose of an Audit Committee is to provide those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.”*

The Committee is independent from other executive management and the Cabinet, 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 Auditors and Head of Audit Partnership without the presence of other Officers, where appropriate.

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 not a substitute for the management function in relation to 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.

# Membership & Meetings

Table 1: Members of the Audit Committee for 2019/20 were:

Members
Cllr. Krause (Chairman)
Clr. Link (Vice-Chairman)
Cllr. Hayward
Cllr. Mulholland
Cllr. Shorter
Cllr. C Suddards
Cllr. Wright

Table 2: Committee Meeting Dates and Councillor Attendance

Meeting Dates and Attendance					
	18/06/2019	30/07/2019	01/10/2019	03/12/2019	17/03/2020
Cllr. Krause (Chairman)	Present	Present	Present	Present	Present
Clr. Link (Vice-Chairman)			Present	Present	Present
Cllr. Hayward	Present	Present	Present		Present
Cllr. Mulholland	Present	Present	Present	Present	
Cllr. Shorter	Present	Present		Present	
Cllr. Smith	Present	Present	Present	Present	
Cllr. C Suddards	Present	Present	Present	Present	Present
Cllr. Wright	Present	Present		Present	Present
Also Present					
Cllr. Bell (Portfolio Holder)	Present	Present	Present		
Cllr. Campkin	Present		Present		
Cllr. Chilton	Present				
Cllr. Spain	Present				
Cllr. Ward	Present				
Cllr. Ovenden				Present	

The Committee is supported throughout the year by senior officers and managers of the Council who are regularly present. Those in attendance include the Director of Finance & Economy, Head of Finance and IT, Head of (and Deputy Head of) Audit Partnership, Compliance and Data Protection Manager, Senior Accountant, Accountancy Manager, Head of Community Safety and Wellbeing and Member Services.

In addition, the Council's External Auditors (Grant Thornton) regularly attended meetings of the Audit Committee during 2019/20.

Continued Member development is key to the effective operation of the Audit Committee. During 2019/20, the Committee members were offered a development session on "The Role of the Audit Committee". Reports are often presented interactively to the Committee to encourage development of subject matter and to stimulate challenge and debate.

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

# Activity

Over the course of the year the Committee considered, examined, and made decisions on the following areas within its Terms of Reference:

<b>Internal Audit Activity</b>	<b>Frequency</b>
Internal Audit Report and Opinion	
Internal Audit Interim Report	
Internal Audit Charter	
Internal Audit Assurance Plan 20/21	
<b>Finance Activity</b>	
Statement of Accounts	
Financial Statements	
<b>External Audit Activity</b>	
External Audit Report	
External Audit Findings	
Letters of assurance to external auditors	
Annual Audit Letter	
Certification of Grant Claims – Annual Letter	
External Audit Progress Report	
External Audit Work Plan for Ashford Borough Council 2019	
<b>Governance Activity</b>	
Corporate Risk Register	
Annual Governance Statement	
Annual Report - Investigation & Enforcement Support Team	

KEY: Annual  Periodically 

# Sources of Assurance

In drawing our conclusion this year, to how we have discharged our duties as a Committee, we have considered assurance from the following sources:

## **The work undertaken by our Internal Audit Partnership**

- The Council received an unqualified Annual Opinion 19/20 from the Head of Audit Partnership. This opinion considers the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control arrangements for the Council.
- Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils and has kept the Committee updated on the outcomes of internal audit work throughout the year.
- The Internal Audit plan for 2020/21 included a breakdown of internal audit assurance work 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.

## **Finance and Governance information**

- The Committee reviewed and provided challenge on the annual accounts prior to approval and publication and received financial updates throughout the year.
- The Annual Governance Statement supported the overall conclusion of the Head of Audit Annual Opinion, with actions identified for improvements. The Committee reviewed the Annual Governance Statement and provided challenge prior to approving it. The Committee specifically gained assurance from this document, as it explains the processes and procedures in place to enable the Council to carry out its functions effectively.
- The Committee provided oversight of the corporate risks facing the Council and has been custodian of key risk issues including Brexit (this has now been moved to Cabinet for ongoing monitoring).
- The Investigation & Enforcement Support Team annual report was brought to the attention of the committee for review and was received and noted.

## **The work of our External Auditors – Grant Thornton**

- The External Auditors presented an unqualified opinion for the Councils financial statements and value for money conclusion for 2019/20.
- The Committee provided effective challenge to the External Auditors and gained assurance from the reports and updates provided by Grant Thornton during the year.

# Members Development

The table below sets out a proposal for a programme of updates and briefings that could be delivered over the course of the next few years, in part reviving a practice of the Committee in previous years. The Committee regularly receives professional briefings during each meeting, often taking the form of a presentation via PowerPoint rather than just as a standard narrative report.

The programme themes below are derived from areas recommended to be of interest to Audit Committees by CIPFA's Better Governance Forum, as adapted to the specific terms of reference at Ashford. Other areas, including those of more specific local interest, could be added or adapted on demand.

Briefing theme & potential specific topics	Suggested timing / format
<b>Reviewing an audit plan</b> <ul style="list-style-type: none"> <li>○ Member roles in relation to internal audit</li> <li>○ Ensuring effective internal audit</li> <li>○ Performance measures in audit</li> </ul>	Possible <b>Spring 2020</b> to align with the audit plan approval and delivered as part of the agenda item
<b>Role of internal and external audit</b> <ul style="list-style-type: none"> <li>○ Differences in internal/external audit role</li> <li>○ Assuring effective external audit</li> <li>○ External auditor appointment</li> </ul>	Possible webinar style briefing or recording to include the outcomes of the Redmond review of Local Audit quality.
<b>Internal Audit Standards</b> <ul style="list-style-type: none"> <li>○ How standards are set and monitored</li> <li>○ Specific work on IA conformance</li> </ul>	Not a priority given the recently published outcomes of the External Quality Assessment of the audit partnership
<b>Assurance on value for money</b> <ul style="list-style-type: none"> <li>○ How external audit assess VfM conclusion</li> <li>○ Measuring value for money in local government</li> <li>○ Data quality and performance measurement</li> </ul>	Potentially examine in <b>Summer 2020/21</b> if there are changes to National Audit Office Approach
<b>Risk Management</b> <ul style="list-style-type: none"> <li>○ Risk appetite</li> <li>○ Specific strategic and operational risks</li> <li>○ Risk management strategy</li> <li>○ Local government risk outlook</li> </ul>	Possibly webinar style briefing or 'deep dive' recorded and made available to Members as risk is a regular item on the Committee agenda
<b>Reviewing the Annual Governance Statement</b> <ul style="list-style-type: none"> <li>○ The AGS within the Council's governance</li> <li>○ Specific topics within the AGS</li> <li>○ Comparative review of AGS across local government</li> </ul>	Possibly <b>Summer 2021</b> to align with AGS approval and delivered as part of the meeting agenda
<b>Countering Fraud</b> <ul style="list-style-type: none"> <li>○ Whistleblowing</li> <li>○ Investigative practice</li> <li>○ Fraud risks and the Councils response</li> <li>○ Governance polices</li> </ul>	Possible <b>Autumn 2021</b> to align with the annual fraud report. Delivered as part of the agenda.
<b>Understanding local authority accounts</b> <ul style="list-style-type: none"> <li>○ General understanding of accounts</li> <li>○ Specific update/annual issues</li> <li>○ Comparative review of LG accounts</li> </ul>	Annual briefing to accompany the accounts approval, usually scheduled the meeting before to focus on key issues or changes to Standards.
<b>Treasury Management</b> <ul style="list-style-type: none"> <li>○ Investment and borrowing options for local authorities</li> <li>○ Prudential Code</li> <li>○ Financial outlook for local authorities</li> </ul>	<b>Spring 2021.</b> Usually delivered every 4-5 years by the Council's treasury management advisors.

**As part of preparing these briefings for the year, Members are asked to pick the sessions they would like to see scheduled over the year.**

## **Conclusion**

The Audit Committee, in partnership with the Council's Internal and External Auditors, and with the support from 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 2019/20 as set out in the respective minutes.

## 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.