



Audit Committee

Annual Report 2017/18



Introduction by Chairman of Audit Committee

The municipal year 2017/18 has been a year of change and continuing development for the Audit Committee, with me in my second year as Chairman and Councillor Barrett taking up the role of Vice Chairman. I am pleased to report the continued good work of the Committee in providing an independent review of the Council's governance.

During the year, I have built on my aim of broadening the range of contributions in the Committee. As a result officers have been presenting information to Members through a variety of means. For example, reports delivered by presentation, a covering report to help point Members towards the key considerations, and verbal updates from risk owners on strategic risks.

As a Committee, we have continued to offer robust challenge to officers, including engagement on specific areas such as recommendations from adverse internal audit reports, and the Risk Management Framework. We also noted, among the highlights, further unqualified opinions from our external auditors on our financial statements, value for money conclusion and benefits certification. Additionally, we received a positive conclusion from our internal auditors on the Council's internal control, governance and risk management.

Looking ahead to 2018/19 I am keen to embed development of the Committee, to focus our range of skills and experiences towards providing an ever more effective review of the Council's governance.

I also wish to express my thanks, supported by the Committee, to all the officers who contribute to and help us carry out our work.



Christopher Waters

*Councillor Waters
Audit Committee Chairman (2017/18)*

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.

Benefits

Effective audit committees can bring many benefits to local authorities:

- 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.

*CIPFA's Audit Committees
- Practical Guidance for
Local Authorities*

Meetings & Attendance

The Audit Committee met five times in 2017/18:

22 June 2017	5 December 2017
11 July 2017	20 March 2018
28 September 2017	

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

The Audit Committee is comprised of 8 Members whose attendance throughout 2017/18 was as follows:

Members	22 June	11 July	28 Sept	5 Dec	20 Mar
Cllr Waters (chair)	◆	◆	◆	◆	◆
Cllr Barrett (vice chair)	◆	◆	◆	◆	◆
Cllr Buchanan	◆	◆*	◆	◆	◆
Cllr Burges	◆*	◆	◆		◆*
Cllr Dyer		◆	**		
Cllr Shorter	◆		◆	◆	◆
Cllr Sims	◆		◆		◆*
Cllr Smith	◆			◆	
Cllr Suddards				◆	

* Attended by another Member acting as substitute

** Member of the Audit Committee up to July 2017 then attended as a visiting Member

The Audit Committee is supported by officers of the Council who regularly attended meetings, including:

- Director of Finance & Economy (Section 151)
- Head of Finance
- Head/Deputy of Audit Partnership
- Policy & Performance Manager / Head of Corporate Policy, Economic Development and Communications
- Compliance and DP Manager
- Senior Policy Performance & Scrutiny Officer

Further support was provided to the Committee, as required, from the other officers within the Council. For example, audit sponsors and strategic risk owners.

In addition, the Council's External Auditors (Grant Thornton) regularly attended meetings of the Audit Committee during 2017/18.

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 on, examined and reviewed the following:

Audit Activity
• Internal Audit Annual Report & Opinion
• Internal Audit Interim Report
• Internal Audit & Assurance Plan
• Property Management – Follow up of Internal Audit Findings
• Business Continuity Planning – Follow up of Internal Audit Findings
External Audit (Grant Thornton)
• External Audit Fee
• Annual Audit Letter
• External Audit Findings Report
• Certification of Grant Claims
• External Audit Progress Reports
• External Audit 2017/18 Audit Plan
Finance
• Financial Statements
• Statement of Accounts
• Corporate Enforcement & Investigations Team Annual Report
• Homes & Communities Agency 2016/17 Compliance Audit Programme
Governance
• Annual Governance Statement
• Annual Governance Statement – Progress of Remedying Exceptions
• Strategic Risk Management
• Risk Management Framework Update
• Audit Committee Report Tracker & Future Meetings

The work of the Committee during 2017/18 has resulted in recommendations which have enhanced the operation of the Committee and wider Council functions. In particular:

- Challenge and oversight on the implementation of recommendations arising from adverse audit opinions, specifically the Property Management and Business Continuity Planning internal audit reviews
- Agreed a programme of Member training to be provided during Audit Committee meetings
- Requested an Internal Audit Review of Management Team agendas

Terms of Reference

The business outlined above has been fulfilled in accordance with the Committees agreed Terms of Reference (detailed in Appendix I). The following table summarises those Terms and whether the Committee has fulfilled the functions outlined.

The Terms were reviewed as part of the 2016/17 Audit Committee Annual Report. The Committee concluded that the Terms of Reference were up to date and no revisions were made.

Audit Activity	Fulfilled by Committee?
1. Head of Internal Audit Annual Report and Opinion	✓
2. Internal Audit reports summary	✓
3. Management and performance of Audit Partnership Agreement	✓
4. Reports on agreed Internal Audit recommendations	✓
5/6. External Auditor's Annual Management Letter	✓
7. External Auditor reports	✓
8. Scope and depth of external audit work	✓
9. Appointment of the Council's External Auditor	✓
10. Commissioning of work from internal and external audit	✓
Regulatory Framework / Risk Management	Fulfilled by Committee?
1. Overview of Contract Procedure Rules and Financial Regulation	✓
2. Development and operation of elements of corporate governance within the remit of the Audit Committee	✓
3. Council policies on "raising concerns at work"	Policy approved 2015/16 Assurance obtained on how matters raised are handled
4. Annual Governance Statement	✓
5. Financial standards and controls	✓
6. External Auditor's report from Audit of the Accounts	✓
7. Ability to refer matters to the Overview and Scrutiny Committee	No referrals were made but the ability remains

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 for 2016/17 which concluded that the Council was operating a 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 emerging risks. On request the Committee have been provided with regular progress updates on the implementation of audit recommendations from adverse audit opinions.
The Internal Audit plan for 18/19 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.
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 challenge prior to approving the statements of accounts and financial statements in July 2017.
Assurance is obtained from the Annual Governance Statement which the Committee reviews and approves. The statement is produced following a review of the Council's governance arrangements and includes actions address any significant governance issues identified. The Committee receives updates on progress towards remedying these issues throughout the year.
The Committee has received regular updates on the Council's strategic risk management arrangements, and provided challenge to the action for mitigating the risks.
While the Committee received a report on fraud investigations it received no updates 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. The Committee did however seek and obtain assurances on matters raised by a member of the public.

Member Development

In June 2017 the Committee agreed a programme of development briefings to be conducted within each Committee meeting. Members continue to show desire to continually develop their knowledge and skills.

The training delivered in 2017/18 is outlined below:

Briefing Topic	Delivered in
Reviewing the Statement of Accounts	June 2017
Strategic Risk Management	September 2017
Audit Planning	December 2017

The table below sets out a proposal for a programme of updates and briefings that could be delivered during 2018/19. The programme themes 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 could be added, including those of more specific local interest, or skills / knowledge development in line with CIPFA's recent position statement 2018 (see appendix II). Any of these development briefings can be added or adapted at the request of the Committee.

Briefing theme	Potential specific topics
Role of internal and external audit	<ul style="list-style-type: none"> ○ Differences in internal/external audit role ○ Assuring effective external audit ○ External auditor appointment
Internal Audit Standards	<ul style="list-style-type: none"> ○ How standards are set and monitored ○ Specific work on IA conformance
Assurance on value for money	<ul style="list-style-type: none"> ○ How external audit assess VfM conclusion ○ Measuring value for money in local government ○ Data quality and performance measurement
Reviewing the Annual Governance Statement	<ul style="list-style-type: none"> ○ The AGS within the Council's governance ○ Specific topics within the AGS ○ Comparative review of AGS across local government
Countering Fraud	<ul style="list-style-type: none"> ○ Whistleblowing ○ Investigative practice ○ Fraud risks and the Councils response ○ Governance polices
Treasury Management*	<ul style="list-style-type: none"> ○ Investment and borrowing options for local authorities ○ Prudential Code ○ Financial outlook for local authorities

* This training is delivered every 4 years by Arlingclose (last delivered September 2015)

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 2017/18.

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.