

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

21 June 2010

### Joint Report of the Chief Internal Auditor and the Chairman of the Audit Committee

#### Part 1- Public

#### Matters for Recommendation to Council

#### 1 ANNUAL REPORT ON THE WORK OF THE AUDIT COMMITTEE 2009/10

##### Summary

This report informs Members of the work carried out by the Audit Committee during 2009/10 as part of the overall Corporate Governance process of the Council. It recommends that this report is presented to Council in accordance with Best Practice identified by CIPFA.

#### 1.1 Background

- 1.1.1 The Audit Committee was set up using guidance set out in the CIPFA publication "Audit Committees: Practical Guidance for Local Authorities".
- 1.1.2 The role of the Audit Committee is contained within the Council Constitution **[Annex 1]** and conforms with the CIPFA Guidance "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".

#### 1.2 Audit Committee Considerations 2009/10

- 1.2.1 The Audit Committee has been given an overview of the work of the Internal Audit Section throughout 2009/10. This process commenced when the Internal Audit Plan for 2009/10 was presented to the Committee in June 2009. Members were also given details of how the plan had been subject to consultation with Management and had been referred to the District Auditor to ensure that duplication of effort was avoided.
- 1.2.2 At the same meeting Members received the Annual Report of the Chief Internal Auditor which was used as evidence to support the conclusions of the Annual Governance Statement. Along with other evidence the Audit Committee endorsed the Annual Governance Statement for 2008/09.

- 1.2.3 Throughout the year Members have been given update reports on the outcomes of audits including the opinions given, outcome of recommendations made and satisfaction of managers with the audits undertaken.
- 1.2.4 An additional piece of work reported to Members in June 2009 was the result of a peer review of the Internal Audit Section carried out by Gravesham District Council. This review concluded that the requirements of the CIPFA Code of Practice for Internal Audit were being met and resulted in a few minor recommendations to the service that were promptly implemented.
- 1.2.5 Members have also considered the Risk Management Strategy of the Council and this has included a revised reporting process aimed at giving Members greater information on direction of risk and any red zone risks that have been identified.
- 1.2.6 The Risk Management reporting has continued to be supported by the regular reporting on the outcomes insurance claims made against the Council together with any action taken to reduce further risk.
- 1.2.7 Members were also asked to consider the Statement of Accounts 2008/09 with the supporting documentation. Members were give explanations of required accounting practices and the construction of the accounts prior to recommending their endorsement.
- 1.2.8 Members were also asked to approve the Annual Governance Statement to accompany the accounts. They were provided with the evidence to support the conclusions made within the statement before approving it's content.
- 1.2.9 The Audit Committee has also received all reports issued by the District Auditor and has been able to question the Audit Manager on their content as he has attended the Audit Committee meetings.
- 1.2.10 The Treasury Management Strategy is also regularly reported upon with Members being updated on investment returns and any other related issues. Members were also given a training session on Treasury Management identifying the areas that they should be monitoring and their role in the process.
- 1.2.11 As part of the overall governance process Members carry out regular reviews of the policies aimed at supporting this process. This includes Anti-Fraud Policies, Confidential Reporting Code, Risk Management Strategy amongst others. Members were also informed about the introduction of Netconsent software which was introduced to ensure that staff are required to read and understand these relevant policies in order to use the Council IT systems.
- 1.2.12 The Committee undertook a review of itself against the CIPFA publication "Audit Committees - Practical Guidance For Local Authorities". The outcome of this review was reported through the Audit Committee.

1.2.13 One of the recommendations contained within this publication was that the work of the Audit Committee should be presented annually to full Council. There is therefore a recommendation contained within this report for it to be presented to Council.

1.2.14 With the increasing concerns nationally of increases in fraud and corruption there was consideration given to further publications. These were CIPFA "Managing the Risk of Fraud" and the Audit Commission "Protecting the Public Purse". Both of these publications contained checklists that the Committee reviewed and scored. Some of the areas identified were the responsibility of other Committees and Advisory Boards but the overall conclusion of these reviews was that the areas identified in the checklists were covered by the Council.

### **1.3 Legal Implications**

1.3.1 There is no legal requirement to have an Audit Committee although it is considered best practice by both the Audit Commission and CIPFA.

### **1.4 Financial and Value for Money Considerations**

1.4.1 The regular reporting to the Audit Committee ensures that an awareness of Corporate Governance remains a high priority reducing the risk of fraud and error.

### **1.5 Risk Assessment**

1.5.1 The Audit Committee considers the outcome of all audits, risk management reports, reports from the District Auditor as well as considering evidence to support the Annual Governance Statement. All of these considerations assist risk management to operate effectively.

### **1.6 Conclusion**

1.6.1 The Audit Committee has met the requirements of the aims and objectives as set out in the Constitution and continues to provide an independent review of the Council's overall Corporate Governance process.

### **1.7 Recommendation**

1.7.1 Members are asked to consider the contents of this report and **recommend** that it is presented to full Council as a record of the independent review of the Council's overall Corporate Governance process.

Background papers:

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Audit Committee reports

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