

# TONBRIDGE & MALLING BOROUGH COUNCIL

## AUDIT COMMITTEE

20 June 2011

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

#### Part 1- Public

#### Matters for Recommendation to Council

#### **1 ANNUAL REPORT ON THE WORK OF THE AUDIT COMMITTEE**

##### **Summary**

**This report summarises the work carried out by the Audit Committee during 2010/11 and forms part of the overall Corporate Governance process of the Council. It is recommended that this report is presented to Council in accordance with best practice as identified by CIPFA guidance.**

#### **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".
- 1.1.3 This report summarises the work of the Audit Committee during 2010/11 in order to provide evidence of the role of the Audit Committee in fulfilling the requirements of the CIPFA guidance.

#### **1.2 Internal Audit**

- 1.2.1 The annual internal audit plan was presented to the Audit Committee at the meeting of June 2010. An explanation was given of how the plan was produced and how it was intended to give Members assurance of the internal control environment of the Council.
- 1.2.2 Throughout the year Members have been given regular updates on the progress of work against the plan and the outcomes of audit reviews in the form of an audit

opinion. These opinions give Audit Committee Members an assessment of the internal control environment.

- 1.2.3 The reports also give details of recommendations made and at the end of the year Members are given a summary of progress of how these recommendations have been progressed. Where any recommendations are rejected Members are given details of why they are rejected and what impact the Internal Auditor considers that this rejection would have. However, at the time of writing this report there had not been any rejections in 2010/11. Due to timing there are some action plans still to be returned.
- 1.2.4 Where action plans have not been returned there are controls in place for auditors to send out reminders and escalate the requests. All recommendations made are followed up by the auditors to ensure implementation has taken place as agreed.
- 1.2.5 Coverage of the audit plan is an indication to Members that the level of audit review is sufficient to form an opinion on the internal control environment. All of the high priority audits were completed. Based upon this work the Chief Internal Auditor gave an opinion that the Council maintained an adequate and effective internal control environment. This evidence has been used to support the Annual Governance Statement approved by Members.
- 1.2.6 Members were also asked to consider the revision of the Internal Audit Charter. This document sets out how Internal Audit will undertake their work and how they will comply with the CIPFA Code of Practice for Internal Audit. The document was endorsed by the Audit Committee.

### **1.3 Treasury Management**

- 1.3.1 Members have regularly received the Treasury Management Monitoring Report and have been kept up to date with progress of the Council's investments. In addition they were able to question officers on the rationale behind the investment strategy.
- 1.3.2 The Committee also considered the Treasury Management Practices which had been created and maintained in accordance with the CIPFA Code of Practice for Treasury Management. After debating the documents the Committee recommended that these practices were adopted.

### **1.4 Accounts and Accounting Practices**

- 1.4.1 Members were informed of the introduction of the International Financial Reporting Standards and how these impacted on the Councils accounts preparation.
- 1.4.2 Members of the Audit Committee received regular reports on all accounting issues and regular updates on how the Medium Term Financial Strategy was affected. Members were able to receive sufficient information on the accounts for 2009/10

to recommend acceptance of the Annual Governance Statement for 2009/10 and to commend the Statement of Accounts to the General Purposes Committee.

- 1.4.3 In order to assist with understanding the accounts some training was given on the Statement of Accounts in June 2010.

## **1.5 Governance Issues**

- 1.5.1 The Audit Committee reviewed the strategies relating to Corporate Governance and following consideration of these documents recommended endorsement of them. These documents were the Anti-Fraud Policy, Benefits Anti-Fraud Policy, Anti Money Laundering Policy and the Confidential Reporting Code.

- 1.5.2 All of these documents form the basis of the corporate governance culture of the Council and are regularly reviewed and circulated.

## **1.6 Risk Management**

- 1.6.1 The Committee received regular updates on the Risk Management process in place at the Council. This included updates on the progress of risk register updates with specific attention being focussed on any "red zone" risks. Members were given an explanation of why these risks were considered to be "red zone" and what action had been taken to mitigate them.

- 1.6.2 Regular reports are received by Members of any insurance claims made against the Council and these reports outline the circumstances of the claims and any action taken as a result of receiving them.

- 1.6.3 The Committee reviewed the revised Risk Management Strategy and recommended to full Council that it was adopted.

## **1.7 External Auditors**

- 1.7.1 The Council's external auditors attended all of the Audit Committee meetings and presented their reports to Members. Members were able to ask questions on their reports and review them in depth.

## **1.8 Internal Audit Partnership**

- 1.8.1 Members of the Audit Committee were informed that following the resignation of the Audit Manager a partnership agreement was entered into with Gravesham Borough Council for the provision of a shared Audit Manager.

- 1.8.2 Members have been kept informed on how this partnership has worked and how best practices from both authorities have been identified and implemented. Members have also been kept updated in any changes in working practices as a result of the partnership.

## **1.9 Overall Governance**

1.9.1 From the work undertaken and reported to the Audit Committee, Members have been informed of the evidence to support the Annual Governance Statement and to be able to satisfy themselves that the Council has a sound system of internal control.

## **1.10 Legal Implications**

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

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

1.11.1 An effective Audit Committee will carry out an independent review of the overall Corporate Governance process of the Council. The work of the Audit Committee has enabled this review to take place and has contributed to a sound internal control environment.

## **1.12 Risk Assessment**

1.12.1 The Audit Committee has continued to monitor the overall risk management process of the Council and ensure that a satisfactory system of risk management is in place.

## **1.13 Equality Impact Assessment**

1.13.1 This report is a summary of the work of the Audit Committee and any equality issues are dealt with in the source reports to the Committee.

## **1.14 Recommendations**

1.14.1 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:

contact: David Buckley

Audit Committee Reports 2010/11

David Buckley  
Chief Internal Auditor

Mark Rhodes  
Former Chairman of the Audit Committee

<b>Screening for equality impacts:</b>		
<b>Question</b>	<b>Answer</b>	<b>Explanation of impacts</b>
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community?	No	This is a summary document only
b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality?	No	Any equality issues are dealt with in individual reports presented to the Audit Committee
c. What steps are you taking to mitigate, reduce, avoid or minimise the impacts identified above?		

*In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above.*