

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

18 June 2012

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

Part 1- Public

Matters for Recommendation to Council

1 ANNUAL REPORT ON THE WORK OF THE AUDIT COMMITTEE

Summary

This report summarises the work considered by the Audit Committee to provide an independent overview of the Corporate Governance processes in place within 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 2011/12 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 Members will be aware that there were a number of changes to the audit planning process that were introduced for 2011/12. The Council introduced an annual internal audit plan which not only set out the work for the year but also identified in which quarter the work was scheduled to be undertaken. This plan was presented and endorsed by this Committee at the meeting of June 2011.
- 1.2.2 Members were given an explanation was given of how the plan was produced as well as other changes in working practice designed to support the overall assurance process.

1.2.3 Throughout the year Members have been given regular updates on the progress of work against the plan and a summary of the outcomes of audit reviews. These outcomes form the evidence of the overall opinion of internal control used in the Annual Governance Statement.

1.2.4 The Internal Audit Charter sets out how the section will operate and comply with the CIPFA Code of Practice for Internal Audit. Members were also asked to review the revision of the Charter. The document was endorsed by the Audit Committee.

1.3 Treasury Management

1.3.1 One of the responsibilities of the Audit Committee is to the Council's investment parameters and to review and recommend adoption of the Treasury Management Strategy Statement and Annual Investment Strategy in accordance with the CIPFA Code of Practice for Treasury Management.

1.3.2 The Strategy Statement for 2011/12 was considered and reviewed by Members at the meeting of January 2011. Following the adoption of this Strategy by Full Council Members were given regular updates of compliance with the Strategy and investment outcomes.

1.4 Accounts and Accounting Practices

1.4.1 Members were informed of how the International Financial Reporting Standards impacted on the preparation of the Council's accounts.

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 2010/11 to recommend acceptance of the Annual Governance Statement for 2010/11 and to commend the Statement of Accounts to the General Purposes Committee.

1.4.3 The Director of Finance gave an assurance that these practices were complied with as part of the presentation of accounts. This declaration was endorsed by Members.

1.5 Governance Issues

1.5.1 The Audit Committee regularly reviews the strategies relating to Corporate Governance. These documents are 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. Any significant breaches of them are reported to the Audit Committee and form part of the evidence contained within the Annual Governance Statement.

- 1.5.3 The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation. Governing is about how local government bodies ensure they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.
- 1.5.4 The Annual Governance Statement was considered by Members of this Committee and endorsed at the meeting in April 2012.
- 1.5.5 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.

1.6 Compliance with Auditing Standards

- 1.6.1 Audit Committee and Management Team are required to confirm that they have complied with the requirements of Auditing Standards. This confirmation is provided by responding to a set of questions provided by the external auditors.
- 1.6.2 Evidence was provided to support the responses and the Committee was able to confirm compliance and recommend to General Purposes Committee (which Committee has shared responsibility for confirmation with the Audit Committee) that the standards had been complied with.

1.7 Risk Management

- 1.7.1 The Committee received regular updates on the Risk Management process in place at the Council. This included updates on the progress of risk register reviews with specific attention being focussed on any "red zone" risks. Members are given an explanation of why these risks were considered to be "red zone" and what action had been taken to mitigate them.
- 1.7.2 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.
- 1.7.3 The Committee reviewed the revised Risk Management Strategy and the results of the review were recommended to full Council and it was adopted in July 2011.

1.8 External Auditors

- 1.8.1 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.

1.9 Internal Audit Partnership

1.9.1 Members have received regular reports on the progress of the partnership and changes in working practices that have taken place to implement the best practice from both organisations.

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 Minutes 2011/12

Councillor Mark Davis
Chairman Of Audit Committee

David Buckley
Chief Internal Auditor

Screening for equality impacts:		
Question	Answer	Explanation of impacts
a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against	No	This is a summary document only

Screening for equality impacts:		
Question	Answer	Explanation of impacts
different groups in the community?		
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?		Not applicable

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.