

TONBRIDGE & MALLING BOROUGH COUNCIL

AUDIT COMMITTEE

17 June 2013

Joint Report of the (Former) 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 records the work of the Audit Committee for the year 2012/13 to provide an independent overview of the Corporate Governance processes in place within the Council. It is recommended that this report is presented to the 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 2012/13 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 Audit Plan for 2012/13 was presented and approved by Members of the Audit Committee at the meeting of 10 April 2012. The report accompanying the plan explained an audit needs assessment had been undertaken in order to arrive at the risk based plan.
- 1.2.2 Members of the Audit Committee have been given updates of how the plan progressed throughout the year and any changes to the plan were agreed by

Members. The outcomes of the work completed were reported to Members within these update reports.

- 1.2.3 The outcome of this work and supporting evidence enabled the Chief Internal Auditor to report to the 8 April 2013 meeting of this Committee that his opinion was that **“the Council has maintained an adequate and effective internal control environment.”**

1.3 Public Sector Internal Auditing Standards (PSIAS)

- 1.3.1 Members were informed at the meeting of 28 January 2013 that new standards for Internal Audit were being introduced from 1 April 2013. Members agreed to adopt them for the provision of Internal Audit within the Council.

- 1.3.2 These standards have now been supported by a guidance note produced by CIPFA. The guidance note contains a checklist to assess compliance with the new standards and this will be completed and presented to Members of this Committee later in the year.

1.4 Fraud Investigation

- 1.4.1 The responsibility for overseeing fraud investigation is split between Audit Committee and the Finance and Property Advisory Board (now the Finance, Innovation and Property Advisory Board) which specifically receives reports on Benefit related fraud.
- 1.4.2 Regular reports on Benefit fraud investigation have been given to the Finance and Property Advisory Board. With the proposed introduction of a Single Fraud Investigation Service by the Department for Work and Pensions the role of the investigation team is changing. They have already started investigating Housing related fraud and will use their skills to investigate Council Tax and internal fraud in the future.
- 1.4.3 Members were informed of the outcome of one internal investigation into corrupted data given to an external body. The data has been examined in detail and a majority of the corrupted data has been corrected.

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 of 8 April 2013.
- 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 Treasury Management

- 1.6.1 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 .
- 1.6.2 The Strategy Statement for 2012/13 was considered and reviewed by Members at the meeting of 23 January 2012. Following the adoption of this Strategy by Full Council Members were given regular updates of compliance with the Strategy and investment outcomes.

1.7 Accounts and Auditing Practices

- 1.7.1 Members were informed of how the International Financial Reporting Standards impacted on the preparation of the Council's accounts.
- 1.7.2 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 2011/12 to recommend acceptance of the Annual Governance Statement for 2011/12.
- 1.7.3 The Director of Finance & Transformation gave an assurance that these practices were complied with as part of the presentation of accounts. This declaration was endorsed by Members.

1.8 Risk Management

- 1.8.1 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.

1.8.2 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.

1.8.3 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 2012.

1.9 External Auditors

1.9.1 The Council's external auditors attended all of the Audit Committee meetings and presented their reports to Members.

1.9.2 Members were able to ask questions on these reports and review them in depth.

1.9.3 Members were kept informed on the abolition of the District Audit Service and the appointment of Grant Thornton as the external auditors. The external auditors have also explained how the approach to external auditing will be affected and what Members can expect from the new appointment.

1.10 Internal Audit Partnership

1.10.1 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.

1.11 Legal Implications

1.11.1 Compliance with the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom was identified by the Accounts and Audit Regulations 2011 as "providing a proper internal audit function". It is considered that the Code was complied with and that the Council had a proper internal audit function in place.

1.11.2 Compliance with PSIAS is required from 1 April 2013 by the Accounts and Audit Regulations 2011.

1.12 Financial and Value for Money Considerations

1.12.1 Besides a legal requirement to have an effective and proper internal audit function in place a sound corporate governance environment will encourage best practice to foster. The Audit Committee has continued to provide an independent review in order to ensure that an effective control environment exists.

1.13 Risk Assessment

1.13.1 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 with action being taken to minimise the impact of risk where practical.

1.14 Equality Impact Assessment

1.14.1 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.

1.15 Recommendations

1.15.1 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 2012/13

Councillor Mark Davis
Former 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 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?		N/A

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.