

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

ANNUAL REPORT TO COUNCIL 2008/09

1. Introduction

- 1.1 This is the first Annual Report of the Audit Committee to Council and covers the period May 2008 to June 2009. It is intended that this report to Council will detail the areas of work covered by the Audit Committee to demonstrate its effectiveness in meeting its' Terms of Reference and, in particular, will give background to the process behind the Audit Committee's recommendation of the Statement of Accounts for 2008/09 which is dealt with on the agenda for the meeting on 15 June 2009.
- 1.2 In May 2008 the Audit Committee appointed Councillor Horne as chairman, Councillor Warner as vice-chairman, other Members of the Audit Committee, who were appointed at the Annual Meeting held on the 14th May 2008 were, Councillors Butler, Parr and Nelson-Gracie.
- 1.3 The purpose of the Audit Committee, as agreed by Council, is to provide independent assurance of the adequacy of the Risk Management Framework and the associated control environment, independent scrutiny of the Authorities 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.
- 1.4 The Audit Committee's Terms of Reference is as follows:-
 - a) Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
 - b) Seek assurances that action is being taken on risk related issues identified by Auditors and Inspectors;
 - c) Be satisfied that the Authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it;
 - d) Approve (but not direct) Internal Audit's strategy, plan and monitor performance;

- e) Review summary Internal Audit reports and the main issues arising, and seek assurance action has been taken where necessary;
 - f) Receive the Annual Report of the Head of Internal Audit;
 - g) Consider the reports of External Audit and inspection agencies;
 - h) Ensure that there are effective relationships between External and Internal Audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
 - i) Review the financial statements, External Auditor's opinion and reports to Members, and monitor management action in response to the issues raised by External Audit.
- 1.5 The work of the Audit Committee during the above period has involved ten meetings and the work programme can be summarised as follows:-
2. Audit Commission
- 2.1 During the above period, the Audit Committee has received and considered the following reports from the Audit Commission:-
- a) Audit and Inspection Plan 2007/08;
 - b) Annual Audit and Inspection letter 2006/07;
 - c) Annual Governance Statement 2007/08;
 - d) Report on Use of Resources;
 - e) Review of Internal Audit Partnership;
 - f) Report on Data Quality;
 - g) Annual Audit and Inspection letter 2007/08;
- 2.2 All of the above reports have been exceedingly positive in the Audit Commission's view of this Authority. For Use of Resources the score achieved was four out of four, for data quality a similar score was received and the review of the Internal Audit Partnership was very positive in that the Audit Commission accepted that the Internal Audit Partnership met and exceeded the expected targets.
- 3 Reports from Internal Audit

- 3.1 The Audit Committee has received a number of reports on the work of Internal Audit as follows:-
- a) Internal Audit Annual Report for 2007/08;
 - b) An annual review of the effectiveness of Internal Audit for 2007/08;
 - c) A six monthly interim report on the work of Internal Audit for 2008/09;
 - d) Internal Audit Annual Report on work for 2008/09;
 - e) The annual review of the effectiveness of Internal Audit for 2008/09.
- 3.2 All of these reports have demonstrated the wide-ranging work of Internal Audit and has given the Audit Committee assurance that there is a high level of internal control working within the Authority and that, in the main, level of assurance from audit work is Substantial. In most cases where the level of assurance is Limited the Audit Committee has and will continue to monitor these to ensure that improvements are made.
- 3.3 In addition to the work of the Internal Audit team, the Audit Committee has agreed to a report extending the partnership arrangements with Ashford and has, subject to concerns over the future of Risk Management being addressed, supported the proposed extension of partnership working to the four Authorities in the Mid Kent Improvement Partnership.

4 Corporate Governance

- 4.1 The Audit Committee has considered reports on Corporate Governance as follows:-
- a) Local Code of Corporate Governance in May 2008;
 - b) The Annual Governance Statement for 2007/08, which was incorporated into the Statement of Accounts;
 - c) The Local Code of Corporate Governance dated May 2009;
 - d) The Annual Governance Statement to be incorporated into the Statement of Accounts for 2008/09.
- 4.2 These Statements and other work undertaken by the Audit Committee has given the assurance that this Authority has extensive

arrangements for good Corporate Governance and that any areas of work identified to improve the arrangements are actioned by the Authority.

- 4.3 Consideration of Corporate Governance is undertaken with a view to advising both Cabinet and Council of their findings and any comments on Corporate Governance would initially be passed to Cabinet for consideration and action. There are no issues that the Audit Committee needs to draw to the attention of Council.

5 Statement of Accounts

- 5.1 During the period in question, the Audit Committee has recommended the Statement of Accounts to Council for 2007/08 and, on the 15 June 2009 will recommend the Accounts for 2008/09.
- 5.2 The Audit Commission, in its Annual Governance Statement to the Audit Committee in September 2008 noted that their audit opinion on the accounts was unqualified and that no material errors had been identified.

6 Risk Management

- 6.1 The Audit Committee have reviewed strategic and operational risk management arrangements in November 2008 and December 2008 and have also reviewed business continuity arrangements in December 2008.
- 6.2 In addition, the Committee gave detailed consideration to the strategic risks relating to workforce planning and project management.

7 Review of Effectiveness

- 7.1 During the above period, the Audit Committee, in May 2008, reviewed its progress against a check list provided by CIPFA.
- 7.2 During the course of 2008/09, the chairman has had a number of informal discussions with chairman of other Audit Committees to identify best practice and possible future joint discussions.
- 7.3 In December 2008 the Committee considered a programme of future meetings and agreed, with Cabinet, that some reports, which previously went to Cabinet first, would in future come to Audit Committee first. The intention is that the Cabinet would have the benefit of Audit Committee comments which would enhance overall arrangements.

7.4 In March 2009, the Audit Committee agreed a programme of further development for 2009/10, including the production of this annual report, which is intended to further enhance the effectiveness of the Audit Committee.

8 Other Areas of Work

8.1 The Audit Committee have considered a number of other issues during the year including the review of contracts, standing orders and purchasing guide, pension funding and Comprehensive Area Assessment. The Committee considered the Self Assessment for the Use of Resources, an element of the Comprehensive Area Assessment, and, in addition, organised a Seminar, to which all Members were invited, from the Audit Commission on this important issue.

9 Conclusions

9.1 The Audit Committee has had a very busy and effective year in addressing the issues identified in its Terms of Reference.

9.2 In broad terms the Council has effective arrangements for Corporate Governance, Risk Management and arrangements for the production of the Statement of Accounts.

9.3 The Audit Committee's effectiveness during the year has increased as it becomes more mature and the work programme agreed will further enhance these arrangements.

9.4 On the basis of the work done during year, and the specific assurances received by the Audit Committee by the Finance Team, it is appropriate that the Audit Committee should recommend the Statement of Accounts for 2008/09 to Council at its meeting on the 15 June 2009.

Signed
Councillor John Horne
Chairman of Audit Committee