

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **1st February 2011**

Present:

Cllr. Taylor (Chairman);
Cllr. Ellison (Vice Chairman);
Cllrs. Feacey, Koowaree, Mrs Laughton, Link, Smith.

Apology:

Cllr. Wood.

Also Present:

Cllrs. Cowley, Davison, Packham

Deputy Chief Executive, Head of Internal Audit Partnership, Audit Partnership Manager, Finance Manager, Corporate Business Change & Efficiency Manager, Policy & Performance Officer, Senior Member Services & Scrutiny Support Officer.

Andy Mack – Audit Commission.

355 Election of Chairman

In the absence of the Chairman and with the Vice-Chairman due to arrive late, the Committee was informed that there was a need to elect a Chairman for this Meeting from the Members present. Upon his election the Chairman advised of a change to the order of business of the Meeting.

Resolved:

That Councillor Taylor be elected as Chairman for this Meeting of the Audit Committee.

356 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 14th December 2010 be approved and confirmed as a correct record.

357 Action Points from the Review of the Audit Committee by Local Government Improvement & Development (LGID)

The Chairman introduced the report and said that the informal session that had been held on the 19th January had been extremely useful in taking this issue forward. The six proposed action points were outlined in the report with comments against each one, and the Committee was asked to consider each one in turn.

Risk reports need enhancing

Members agreed that it was extremely important that the Committee was conscious of risks and risk management and this was not something that was allowed to slip.

Committee could expand its governance assurance role to cover partnerships

The Committee agreed this something that may currently be lacking and it was important that this was not allowed to “slip between two stalls”.

Audit Committee should produce an annual report of its activities and effectiveness

An annual report was agreed as a good tool to be able to inform colleagues and Officers what the Committee was doing. The format of this should be something for the new Audit Committee to decide after the Elections, but it was considered that any report should be as brief, succinct and to the point as possible.

Skills assessment and further development for Members

Members agreed this would be extremely important for the next Committee bearing in mind there could be a number of new Members. It was explained that this would not be about excluding individuals from being on the Committee if they did not have certain skills, but making sure that those who were put on to the Committee were as informed and supported as they could be. The idea of externally provided training was supported as was the continuation of the pre-Committee briefings which were considered invaluable.

Council could consider appointing co-opted non-voting Members

It was explained that this was being left for the new Committee to decide because they would have to work with the potential Members and it would be clearer what skill gaps there were once the new Committee was up and running. There were also process and constitutional issues to consider and these would be outlined in a report to be submitted to the Committee in April.

Greater promotion of the role of the Audit Committee across the Council

Members agreed it was important that everybody knew what both the Committee and Internal Audit did.

Resolved:

That the six Action Points above be agreed and moved forward.

358 Audit Commission's Proposed Audit Plan for the 2010/2011 Audit

The report from the District Auditor set out the proposed work plan and fee arrangement for the external audit covering 2010/11. Andy Mack explained that the plan contained two elements: - the audit of 2010/2011 Financial Statements; and the statutory Value for Money conclusion covering 2010/11. There was no other planned external audit activity. The financial statements audit would, in particular, examine the Council's compliance with the new International Financial Reporting Standards (IFRS), as well as further improvements made to the accounts and supporting processes recommended from the last audit. The report also outlined the proposed audit fee for the year of £139,500, which was a reduction of around £9,000 against the original estimate, and within the Council's proposed budget. He reminded the Committee of the need, as in previous years, to provide a written assurance regarding the Council's compliance with International Auditing Standards by 31st March 2011.

With regard to the future of the Audit Commission, Andy Mack explained that they were still awaiting draft legislation from CLG but the preferred option remained to become a staff run mutual organisation operating in the private sector. The future position should be clearer by March, but in the meantime they would continue to work with the Council as they had previously.

In response to questions Andy Mack said that the Council was working well in terms of preparing for IFRS. All matters appeared to be in hand and he was encouraged by what the Council was doing.

Members asked for their best wishes to be given to Debbie Moorhouse (Engagement Manager at the Audit Commission) ahead of her period of Maternity Leave.

Resolved:

That the District Auditor's proposed 2010/2011 Audit Plan be noted.

359 Presentation of Financial Statements

The Finance Manager introduced the report which followed on from the last item and explained that the Council was required to adopt International Financial Reporting Standards (IFRS). It updated on the progress being made for the transition to those new standards which was progressing well in all areas and was due to be reviewed by auditors during February. The key areas of focus were on embedded leases and lease arrangements for property and a key area of uncertainty was component accounting in the Housing Revenue Account, where further guidance was awaited. A new template for the statement of accounts incorporating the necessary changes had been produced. The general feeling at present, following meetings with auditors, appeared to be that the process and supporting papers were much improved and there was good progress towards adopting IFRS. With regard to the new template it was quite long (over 100 pages) so the Committee may wish to consider how it wanted to deal with the consideration of this.

Members considered that it would be beneficial if perhaps two Members were nominated to analyse the new template document with the Finance Manager and report back to the Committee, rather than all Members going through it. In terms of timing, the Finance Manager said that it would be better to do this as soon as possible to avoid going too far down a potentially wrong road. It was agreed that Councillors Smith and Taylor would take on this role. The Finance Manager said he would be pleased to email the template to any other Member who was interested.

In response to questions about the rigidity of all of the elements of IFRS the Finance Manager said that some elements were open to interpretation and Ashford's own circumstances could be applied where relevant. Andy Mack agreed and said that, particularly considering this was year one, there was room for common sense and, as with any system, there was a need to be flexible and pragmatic and consider materiality.

Resolved:

- That (i) **the report be received and noted.**
- (ii) **Councillors Smith and Taylor be nominated as lead Members to review the draft template and closing process, and report back to the Committee.**

360 Corporate Performance Report (to November 2010) and Direction of Travel

The Policy & Performance Officer introduced the report which measured the performance of the Council to the end of November 2010 and had been considered by the Executive in January 2011. Performance as measured by the current batch of external and internal indicators remained strong, although there were some indicators of short to medium-term pressures in areas directly related to external demand for services. The report also explained that the Council was current drawing up a reshaped Performance Management Framework, to demonstrate delivery of the Business Plan and to allow Management Team to actively consider any issues related to the internal running of the Council. He explained there would be a further update report in April and he was happy to take suggestions from Members about what information would be useful and how they would like to see information presented in future reports.

Resolved:

- That (i) **the performance of the Council between July and November 2010, as presented on the previously agreed exceptions basis, be noted.**
- (ii) **it be noted that the Executive are to receive full proposals on a new Performance Management Framework for the Council,**

incorporating those elements detailed in the Direction of Travel, in time for implementation from the 2011-12 financial year.

361 Annual Governance Statement – Progress on Remedy Exceptions for 2009-2010

The Policy & Performance Officer introduced the report which was the final quarterly update on the progress that had been made so far this year in remedying the governance exceptions in the Annual Governance Statement for 2009/10. The only remaining outstanding issue was Partnership Working and progress against this governance issue was noted. The Chairman considered that this issue was clearly on the radar of both Internal Audit and the Committee and was one that should not be lost sight of.

Resolved:

That the progress to date on resolving the governance exceptions identified in the 2009-2010 Annual Governance Statement be noted.

362 Report Tracker & Future Meetings

Resolved:

That the report be received and noted.

363 Date of Additional Meeting

It was explained that an additional Meeting of this Committee was required in April before the Elections, to round off this Committee's four-year cycle.

Resolved:

That an additional Meeting of this Committee be held on Thursday 21st April 2011.

Queries concerning these Minutes? Please contact Danny Sheppard:
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