

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **14th December 2010**

Present:

Cllr. Taylor (Chairman);
Cllrs. Davison, Feacey, Link, Smith

In accordance with Procedure Rule 1.2 (iii) Councillor Davison attended as Substitute Member Councillor Mrs Laughton.

Apologies:

Cllrs. Ellison, Mrs Laughton.

Also Present:

Cllrs. Mrs Hawes, Mrs Hicks.

Deputy Chief Executive, Head of Internal Audit Partnership, Audit Partnership Manager, Finance Manager, Senior Member Services & Scrutiny Support Officer.

Eamon Lally – Local Government Improvement & Development.

Andy Mack, Debbie Moorhouse – Audit Commission.

308 Election of Chairman

In the absence of the Chairman and Vice-Chairman 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.

309 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 27th September 2010 be approved and confirmed as a correct record.

310 Review of the Audit Committee by Local Government Improvement & Development (LGID)

Eamon Lally of Local Government Improvement & Development (LGID) introduced the report which explained that LGID had been commissioned by the Council to undertake a peer review of the Audit Committee. The review was jointly commissioned by Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils and included interviews and discussions with Councillors, Officers and partners. The objective for the review was to allow each Audit Committee to be benchmarked against examples of best practice and thereby help the Committee to become more effective in undertaking its functions. The report included a summary of the review across the four Authorities and broke the findings down into more specific reviews of each Audit Committee. The Committee was asked to consider the LGID report and identify the actions to be taken in relation to the report's findings and conclusions.

In terms of the specific review of the Ashford Committee, Eamon Lally said they had been impressed with the enthusiasm of the Chairman and Members for the Audit Committee work and that they were well regarded. The Committee was well supported by Officers and seemed to have the support of Senior Managers which was important. The Audit Committee had supported the Council to improve its financial position over the last three years and was also now achieving greater independence. Other positives were that the Committee reviewed its own effectiveness and that pre-Committee briefings were provided to Committee Members on topical issues. Ashford's Annual Governance Statement was also developed with Member and Officer involvement.

With regard to some of the areas for development for Audit Committees in general, the first was a real opportunity to expand on existing good practice by keeping up to date with the pace of change of service delivery (partnership working, joint ventures etc.) The Committee could also perhaps expand its governance assurance role to cover partnerships in more detail. There were risks associated with partnership working and this was something that needed to be reflected more in the work of all Audit Committees. There was perhaps also a need for more technical training for Committee Members. The topical briefing sessions at Ashford were good, but in terms of the more specialist development Members did seem to be left a little bit to their own devices and there may be opportunities for joint training across the four Authorities to make it more cost effective.

With particular regard to Ashford, it was suggested that the Committee should produce an annual report of its activities and effectiveness. It would be a way of celebrating achievements and keeping track of issues. There were examples from the other three Councils in the Audit Partnership to draw upon. Another key point to consider was the possibility of appointing co-opted non-voting Members to the Committee. It was seen as good practice and an opportunity to acquire independence, challenge and useful skills and experiences from other sectors. Other areas for development included enhancement of risk reporting and a greater promotion of the role of the Audit Committee across the Council.

Eamon Lally concluded by saying that he hoped Members had found the results of the review useful and that the picture drawn was considered reflective of the Ashford Audit Committee. The Chairman said that the report felt very reflective and was extremely useful. There was a lot in this report and he considered it would be very important to consider the points made and generate some genuine action points to take forward. Something that had concerned him for some time now was that following the May Elections there were bound to be changes to the membership of the Committee and potentially none of the Members may return. If that was the case, all of their knowledge would be lost and the new Audit Committee would have to start from scratch. This report and the actions coming out of it could act as a starting point for the new Committee. In terms of timing, there was only one Meeting of the current Committee left before the Elections and that was on the 1st February 2011. Perhaps there was a need to meet informally with Officers, and perhaps the Chair and Vice-Chair of Overview & Scrutiny, at some point in January 2011 so that firm recommended action points could be submitted to and approved by the Committee in February 2011. Areas for consideration would inevitably be the remit of the Committee and the overlap with others in terms of governance issues, the role of the Governance Management Board, and the potential appointment of a co-opted non-voting Member. This approach was agreed and Eamon Lally said that Officers from LGID would be happy to help facilitate that session if that was wanted.

In response to a question about co-opted Members, it was explained that this would be an interested member of the local community and a traditional application process (with an advert, job description, interviews etc) would need to be undertaken. Tunbridge Wells had received some good quality candidates for their positions (including an ex-Auditor and former member of an NHS Audit Committee) so suitable candidates were out there.

Resolved:

- That**
- (i) the report from Local Government Improvement & Development be received and noted.**
 - (ii) an informal session be set up in January 2011 between Committee Members, Officers, and perhaps the Chair and Vice-Chair of Overview & Scrutiny, to identify actions to be taken in relation to the report's findings and conclusions and with a view to reporting these back to the 1st February 2011 Audit Committee Meeting.**

311 Closure of the 2007/08 – 2009/10 Audits

The report from the District Auditor explained that he had now fully considered the representations made by a local elector on past years accounts and felt that the audits for 2007/08 – 2009/10 which had been held open, could now be closed. Within the District Auditor's report he asked for a letter of representation to be drafted in respect of the accounts for the last financial year. There had been two matters to report to the District Auditor since the financial statements were approved and these were included in the Deputy Chief Executive's draft formal letter of representation annexed to the report. These matters related to recent decisions in connection with Ashford's Future and related party transactions.

In accordance with Procedure Rule 9.3 Mr Relf, a local resident, attended and spoke on this item. He asked for clarification over the term 'capital commitments' in a note to the accounts and whether this referred to money that was due on a contract. In particular, Mr Relf referred to a £150,000 commitment for Stour Centre Retention in the 2008/09 Accounts. The Finance Manager explained that the items in this note were generally where money was due, however if this related to a retention sum then the actual amount may be changed due to negotiations over defects etc. Mr Relf also asked about the Stour Centre Reserve which had been set up to fund fluctuations in transitional operating costs of the Stour Centre and, since the Centre was now fully functional, had now been set aside for the future replacement of equipment. If this was the case why had £500,000 already been spent on the Centre in the three years it had been open? If substantial amounts of money were coming out of the reserves he thought the public deserved to know how it was being spent. The Deputy Chief Executive said he would attempt to answer the question but would provide Mr Relf and the Committee Members with a fuller answer in writing. When the Stour Centre redevelopment had first been proposed a provision had been made to deal with the potential fluctuation of costs due to the part closure of the Centre during the construction work. The Council had been able to manage this in a different way without resorting to reserves. As the reserve had not been called upon it had now been set aside to help pay for the future replacement of plant and equipment that had been installed in the Centre.

Mr Relf also wanted to speak about the Council's Anti-Fraud and Corruption Strategy and how that stood in the light of the cuts to Local Government Budgets. He understood that £4m was fraudulently claimed in Housing and Council Tax benefits and he also understood that the Council's Investigations & Visiting Manager had already admitted there were not enough resources available to check all claims against the electoral register. As a small businessman it concerned him that this was leaving the Council open to fraud, particularly with potentially less staff. The Chairman said that there was obviously no limit to the activity that could be undertaken to check such things, but unfortunately there was not the money or resources to do everything.

The Chairman said it was welcome news that the last three sets of Accounts could now be closed in terms of the District Auditor's formal role.

Resolved:

That the District Auditor's report be noted and the Deputy Chief Executive's letter of representation annexed to the covering summary of the report be endorsed.

312 Annual Audit Letter 2009/2010

The District Auditor's Annual Audit Letter covering the external audit for the 2009/2010 financial year was presented. Andy Mack introduced the item and said that overall this had been a good year for the Council in terms of its financial management and governance arrangements and he hoped the report reflected that. The Council had produced a good set of accounts and working papers and it had led

to a straight forward audit process. Credit was due to the Deputy Chief Executive, Finance Manager and their team. There had also been an unqualified opinion in terms of the Council's value for money arrangements. Despite difficult economic circumstances the Council had been able to increase balances and reserves and this was a promising sign for the future.

In terms of the Audit Commission's own future Andy Mack reminded Members of Government's decision to abolish the Commission by 2012. Various options had been explored with the CLG including the potential to establish a staff owned mutual organisation operating in the private sector and specialising in not for profit audit work. This was the preferred option and he said he would keep the Committee updated with developments at future Meetings.

The Chairman said he could only echo the positive comments about the Finance Team and considered that the Council's financial management and the way it was presented had been transformed.

Resolved:

That the District Auditor's Annual Audit Letter for the 2009/2010 financial year be noted.

313 Annual Governance Statement – Progress on Remediating Exceptions for 2009/10

The report provided Members with an update on the progress that had been made so far this year in remediating the governance exceptions in the Annual Governance Statement. The Deputy Chief Executive ran through the four issues one by one and reported that good progress was being made on each one.

The Chairman noted the good progress and said that Partnership Working seemed to be a recurring theme in many different reports at present and something the Committee would need to concentrate on in the future because of the associated risks.

Resolved:

That the progress to date on resolving the governance exceptions identified in the 2009/10 Annual Governance Statement be noted.

314 Ashford Growth Agenda – Strategic Risks

The Head of Internal Audit Partnership introduced the report which had originated from a piece of Internal Audit work on the governance, programme management, accounting and administrative arrangements for Ashford's Future, particularly bearing in mind the Council's role as Accountable Body for Growth Area Funds. Amongst other things the Internal Audit Report recommended a full risk assessment be carried out given the impact of the recession and the likelihood of future announcements of government cutbacks. That full risk assessment had been

completed and was set out in this report, however it had to be noted that events had rather overtaken this report as the assessment was completed prior to the recent actions to both review the growth strategy and to begin to wind down the Ashford's Future Company. Once the company had been wound down during 2011, a stock take would be undertaken and there would be a need to have a fresh look at risk management at that stage. A full report setting out risk management arrangements for the Council more generally would come to the next Committee in February 2011, so this report should hopefully provide some assurances, but be considered as largely for information at this time. The findings of the exercise would inform future decisions.

In response to a question the Deputy Chief Executive explained that the general ownership of risk had been discussed at Management Team but it was too soon to get too specific on ownership at this stage and it would be a collective Management Team decision. In terms of Ashford's growth agenda the issue was not just about the Ashford's Future Company but the changing context with increased local delivery and democratic control and the emerging Local Enterprise Partnerships.

Resolved:

That the strategic risk assessment completed in respect of Ashford's Future be noted and the outcomes be used to inform the development of future arrangements for the delivery of growth in Ashford.

315 Report Tracker & Future Meetings

It was confirmed that the following extra item would be added to the Tracker for the next Meeting on the 1st February 2011: -

- Approval of Action Points from the Review of the Audit Committee by Local Government Improvement & Development (following informal meeting in January).

Resolved:

That subject to the comments above, the report be received and noted.

316 Seasons Greetings

The Chairman wished everyone present a very Merry Christmas and prosperous New Year.

Queries concerning these Minutes? Please contact Danny Sheppard:
Telephone: 01233 330349 Email: danny.sheppard@ashford.gov.uk
Agendas, Reports and Minutes are available on: www.ashford.gov.uk/committees