

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **28th September 2011**

Present:

Cllr. Clokie (Chairman);
Cllr. Link (Vice-Chairman);

Cllrs. Mrs Bell, Marriott, Mortimer, Smith.

In accordance with Procedure Rule 1.2 (iii) Councillors Mrs Bell and Mortimer attended as Substitute Members for Councillors Taylor and Sims respectively.

Apologies:

Cllrs. Sims, Taylor, Wright, Yeo.

Also Present:

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

Andy Mack, Lynn Clayton – Audit Commission.

148 Declarations of Interest

Councillor	Interest	Minute No.
Smith	Code of Conduct – Personal but not Prejudicial – He drew and received added years for a Local Government Pension	150

149 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 27th June 2011 be approved and confirmed as a correct record.

150 Statement of Accounts 2010/11 and the District Auditor's Annual Governance Report

The report presented the 2010/11 Statement of Accounts for approval. The District Auditor's Annual Governance Report was also appended. The Chairman called upon Mr Mack to introduce his section of the report.

Mr Mack said that the headlines from his Annual Governance Report were positive and he would be issuing an unqualified opinion on the final accounts. This was clearly a good outcome for the Council. In terms of the Financial Statements, the Council had risen to the challenge and worked hard during the year to respond to the requirements of the new International Financial Reporting Standards (IFRS), had shared information well in advance of year end which enabled review of the work at an early stage, and had produced a good set of papers that had stood up well to scrutiny. Any amendments made had been of a technical nature only and had not altered the reported financial performance. Improvements made last year had continued into this year and congratulations and credit should go to the Officers involved. With regard to the second element of his report, the Value for Money Conclusion, Mr Mack confirmed that he would also be issuing an unqualified opinion. This related to the Council having proper arrangements to secure economy, efficiency and effectiveness in its use of resources, as well as good financial governance and sound arrangements for financial control now and in the medium term. This was particularly pleasing bearing in mind the obvious challenge of tighter reins in the public sector due to the current harsh economic climate.

The Chairman wished to place on record his thanks to Ben Lockwood, Maria Nunn and their staff for the way they had prepared this year's accounts and dealt with the introduction of IFRS. The success of the papers and positive outcome of the audit had been largely down to their hard work and the Committee was very grateful to them.

The Chairman directed the Committee's attention to a tabled paper which explained that the final audit review had highlighted some amendments to the Cash Flow Restatement (and associated notes) and the Financial Instruments note. Revised pages were attached to the paper.

The Committee went through the Statement of Accounts itself section by section and the following comments were made: -

- Officers had encountered difficulties in obtaining reliable information on Housing Revenue Account (HRA) Bad Debt due to a systems problem. As a result they had taken a judgment view and left the position as it was last year, rather than estimating. Therefore, they accepted the Auditor's view that it had been overstated. The Finance Manager said he was confident that the systems problem would be rectified with IT shortly and be fine for next year. The Chairman asked to be kept up to date with this position in future update reports. Regarding Bad Debt in general, when these were written off against a provision, they were kept track of although they were written out of the system.
- The conditions to be met under the accounting code regarding assets for sale had not held up the sale of any Council Houses. These were just about accounting and did not affect valuations or sales.
- PFI liabilities had come back on to the balance sheet last year and there was further explanation to the background of this in last year's report as well as at

Note 29 of this year's Statement. The Finance Manager said he would be happy to speak to Members more about this outside of the meeting should they so wish.

- The tables from page 109 of the Statement would be amended before final publication so that the columns were headed up in thousands.

Resolved:

- That
- (i) **the basis upon which the accounts have been prepared (Going Concern) be agreed.**
 - (ii) **the Post Balance Sheet Event be noted.**
 - (iii) **the audited 2010/11 Statement of Accounts be approved.**
 - (iv) **the Chairman of the Committee sign and date the accounts as required by Section 10(3) of the Accounts and Audit Regulations 2003 as approved by the Council.**
 - (v) **the District Auditor's Annual Governance Report be received and noted.**
 - (vi) **the Chief Financial Officer's Letter of Representation to the District Auditor be approved.**

151 Internal Audit Strategic Plan 2011/12 – 2013/14

The report set out the three year Internal Audit Plan and asked that the Committee consider and approve the plan. The Head of Internal Audit explained that the Plan was prepared using a risk based approach and based on the resources available. It was flexible in the sense that a new audit topic could be added in the future, however this would be subject to the deletion of one of the other planned audits and it was anticipated that this would occur on a reasonably frequent basis over the period of the Plan. The Audit Partnership Manager would be contacting the individual Heads of Service to discuss the plan of audit work and potential amendments.

A Chairman asked if, bearing in mind Ashford's individual circumstances, Section 106 Agreements (including Community Infrastructure Levy) should be audited more regularly than once every three years. The Audit Partnership Manager said that bearing in mind it was happening in year two of this three year plan he would ensure it occurred again in year one of the next plan (i.e. it would happen at two yearly intervals).

Resolved:

That the three-year strategic Internal Audit Plan (shown at Appendix 1 of the report) be approved.

152 Risk Management – Approach and Strategy for Taking Forward Risk Management at Ashford

The Head of Internal Audit introduced the report which explained that the Council's Annual Governance Statement had highlighted the need for the Council to put improved risk management arrangements in place. The report proposed that he be allocated responsibility for progressing the risk arrangements and included a proposed way forward however, the speed at which some aspects of risk management could be progressed would be affected by the limited resources available. It was an important issue and the approach would be a positive one, but it was also important to be simple and practical and not to create a risk management 'industry'. The Head of Internal Audit explained that the responsibility for ensuring that there were adequate arrangements within the Council for risk management rested with Management Team and the Cabinet. The proposed role for him within the arrangements was to facilitate the risk management process, promote risk management within the organisation and report periodically on the adequacy of the arrangements. The Committee was asked to endorse the proposed approach.

A Member said he was keen that the Committee was involved in the risk management process at the outset rather than later on. It was agreed that the management of the risks themselves should be left to the Officers, but it was considered that the Committee should at least examine what the risks were in the first place and have an input into their prioritisation.

Although at a Member level the Cabinet was responsible for ensuring there were adequate risk management arrangements in place, this Committee reported directly to Council and the Chairman and other Members were keen to retain this independence from the Cabinet in terms of its overview of risk management. The Committee agreed it would set up a small Task Group to examine the Council's current strategic risks and go through the items one by one to add a layer of monitoring. A report on the findings could then go up to Council via the next meeting of the full Audit Committee.

In response to a question the Head of Internal Audit explained that under the terms of the Council's insurance contract with Zurich, the company provided an annual allowance for risk management work which must be 'spent' on Zurich's products. This annual allowance was £10,000. The Council currently had £15,000 in its risk management budget, with a further £10,000 to come at the date of renewal, 1st October 2011.

Over the longer term the Committee said they would like to begin receiving update reports on the Risk Register again, perhaps once every six months with a traffic light system illustrating progress. This would help provide an ongoing assurance.

Resolved:

That the proposed arrangements for risk management be endorsed subject to the following additional points: -

- (i) **A small Task Group of Members be set up to examine the Council's current strategic risks and go through the items one by one to add a layer of monitoring. A report on the findings could then go up to Council via the next meeting of the full Audit Committee.**
- (ii) **Over the longer term the Committee would like to begin receiving update reports on the Risk Register, perhaps once every six months with a traffic light system illustrating progress.**

153 Annual Governance Statement – Progress on Remediating Exceptions

The Deputy Chief Executive introduced the report which explained that following approval of the Annual Governance Statement for 2010/11 there were two important areas for review. These were: - the need to refresh the Council's risk management arrangements and the need to review governance principles for partnership working in the light of the developing localism theme. The report outlined the progress on the plans to cover those two areas.

The Chairman said that as the issue of risk management had been discussed as part of the previous agenda item, there was a need for the Committee to decide what it wanted to do with regard to partnership working. An initial set of draft principles was annexed to the report and whilst they would not be an exact science for each individual partnership, they did provide a starting point. The Chairman proposed that a small group of Members be detailed to work with Officers on the development of partnership governance proposals over the autumn period and bring a report back to the Committee in December 2011.

Resolved:

- That**
- (i) **the Committee be regularly informed of progress with the review of the Council's risk management approach.**
 - (ii) **a small group of Members liaise with Officers on the development of partnership governance principles over the autumn period 2011.**

154 Report Tracker and Future Meetings

Following discussions earlier at the meeting it was confirmed that two further items would be added to the agenda for the next meeting on the 6th December, namely: - Feedback on the Strategic Risk Register; and Partnership Governance Proposals.

The Senior Member Services & Scrutiny Support Officer reported that the requested Members briefing from the Investigations & Visiting Team on the Future of Fraud would happen at 6pm on Tuesday 25th October (before the Overview & Scrutiny Committee at 7pm). All Members would receive an invite.

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Resolved:

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

Queries concerning these Minutes? Please contact Danny Sheppard:
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