

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **27th June 2011**

Present:

Cllr. Clokie (Chairman);
Cllr. Link (Vice-Chairman);
Cllrs. Marriott, Sims, Taylor, Wright.

Apologies:

Cllrs. Smith, Yeo.

Also Present:

Cllrs. Michael, Shorter

Deputy Chief Executive, Head of Internal Audit Partnership, Audit Partnership Manager, Revenues & Benefits Manager, Investigation & Visiting Manager, Senior Member Services & Scrutiny Support Officer

Andy Mack – Audit Commission.

46 Declarations of Interest

Councillor	Interest	Minute No.
Taylor	Code of Conduct – Personal but not Prejudicial – Had given his Portfolio Holder Views on these reports in advance of the Meeting	48, 51

47 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 21st April 2011 be approved and confirmed as a correct record.

48 Internal Audit Annual Report 2010/2011

The report considered the work of the Internal Audit Team over the financial year 2010/11 and the opinion of the Head of Internal Audit in relation to the Council's control environment, in the context of the Annual Governance Statement. It asked the Committee to decide whether the outcomes of the Internal Audit work and the other matters referred to in the report provided evidence of a substantial level of internal control within the Authority, which would support the findings and

conclusions shown in the Annual Governance Statement 2010/11. The Head of Internal Audit explained that it was his opinion that substantial reliance could be placed on the Council's control environment in terms of the overall adequacy of the controls and processes that were in place to achieve the objectives of the Council. The evidence to support that opinion was contained within the report. He asked Members to particularly take this point into account when considering the recommendations.

The Committee went through the report page by page and the following comments were made: -

- Better use of risk management and the embedding of risk management within the organisation were going to be vitally important. Risk management at Ashford Borough Council was underdeveloped and would be one of the key considerations of this Committee going forward.
- It would be important to have a complete refresh of the Strategic Risk Register and to make sure that all risks were taken into account before an opinion could be given on the adequacy of the systems.
- A Member asked about the Use of Consultants Review and it was explained that this went back a couple of years following queries raised by the Overview & Scrutiny Committee about the procurement arrangements for Consultants. A review led to a set of procedural guidelines and requested Internal Audit to do a follow-up review which concluded that the arrangements in place for engaging consultants had not become embedded within the organisation and were not being fully complied with. A further follow up report would be produced for the Overview & Scrutiny Committee (scheduled for the Autumn). Part of the problem was the varying definitions of 'consultant' and 'temporary staff' and there needing to be a better understanding of their basis of engagement. The resulting confusion meant that not all procurements for consultants went through the intended process, making it difficult to analyse spend. Perhaps the guidelines were too far reaching and the process needed to be made a bit more manageable. It was important to note though that strong controls were in place and consultants were being appointed properly.
- In response to a question it was explained that the process for ensuring audit recommendations were followed through involved: - asking the relevant Head of Service to complete an individual Action Plan explaining how they would tackle any identified actions; and then conducting a follow-up audit at a later date to go through the recommendations with the Head of Service and ask for evidence that action had been taken. If problems persisted there would then be a report back to this Committee with the Head of Service invited to come along and speak to the report.
- Data Protection and Freedom of Information were important points to consider within the Audit Plan and were reviewed as part of the three year programme of audits as compliance with these was a statutory requirement of the Council.

Resolved:

- That**
- (i) the Head of Internal Audit's opinion be noted that substantial reliance can be placed on the Council's control environment in terms of the overall adequacy and effectiveness of the controls and processes which are in place to achieve the objectives of the Council.**
 - (ii) it be noted that the only qualification to that opinion is the need to make better use of risk management and to embed risk management within the organisation.**
 - (iii) results of the work of the Internal Audit Team over the period April 2010 to March 2011 as shown in Appendix A to the report be noted and it be noted that this is the prime evidence source for the Head of Internal Audit's opinion.**
 - (iv) it be agreed that the outcomes of the work and the other matters referred to in the report provide evidence of a substantial level of internal control within the Council, which supports the findings and conclusions shown in the Annual Governance Statement for 2010/11.**
 - (v) the improvements in control that occurred as a result of the audit process be noted.**
 - (vi) the Committee considers that the Council's internal audit service is effective.**

49 Benefit Fraud Annual Report 2010/2011

The report provided a brief introduction to the work of the Benefit Fraud and Visiting Team and set out a summary of the Team's work for the financial year 2010/11. The Investigation & Visiting Manager introduced the report and explained that this would now be an Annual Report to the Committee every June. It would also attempt to highlight any future changes/challenges. The Chairman directed Members' attention to the Update Report which included a replacement paragraph 13 to the report and clarification over paragraph 27.

A Member said that the previous Audit Committee had received a Pre-Committee briefing from the Investigation & Visiting Manager on the whole issue of fraud and it had been extremely useful in understanding the issue. He hoped that this presentation could be repeated for the new Committee at some stage this year.

A Member asked about training in fraud and how much had been carried out across the relevant Council departments. The Investigation & Visiting Manager said that the Council focussed on prevention rather than detection after the event and that was reflected in the training. Every fraud that was stopped from entering the system reduced the likelihood of an overpayment occurring that would need to be recovered. All relevant Council staff were trained in fraud awareness depending on their role,

ranging from general awareness to in depth mock investigations and interviews, and this was undertaken on an annual basis. In 2010/11 training had also been provided to PCSO's and Community Wardens.

In response to a question about constant improvement of detection systems, the Investigation & Visiting Manager mentioned the National Fraud Initiative and Housing Benefit Matching Service data matching exercises and said that these were both useful tools. There was a balance to this though as the Council did have a duty to pay benefits within a certain timescale. The current payment times were four weeks for new applicants and seven days for a change in circumstance.

With regard to the general direction of travel, the Investigation & Visiting Manager said Ashford was doing well within the resources available. The Government had announced that from April 2013 there would be one Single Fraud Investigation Service to investigate all benefit fraud. This would comprise of Department of Work & Pensions, HMRC and all Local Authorities. As a result the Council was trying to keep resources at a realistic minimum and utilise resources from across the organisation through more in depth cross departmental working because the exact details of this new arrangement and how it would affect the Council were still unclear. The Investigation & Visiting Team had just completed a six month pilot into tenancy and homeless application fraud. 15 cases were looked at and 8 had proved to be fraudulent. It was considered that this was an area Members should be aware of as social housing was highlighted by the public during the recent SIMALTO resident consultation exercise and was now one of the areas included in the Five Year Business Plan.

It was agreed that future Annual Reports would include year on year figures for the basis of comparison and monitoring. There were targets around the number of sanctions and prosecutions each year and records went back a number of years, so the information was readily available.

Resolved:

That the report be received and noted.

50 Audit Committee Annual Report 2010/11

The report set out the Annual Report of the activity of the Audit Committee for 2010/11. It was noted that following this meeting the Report would go on to be received and noted by the Full Council.

The Committee went through the report page by page and the following comments were made: -

- The content and format of the report were agreed as a good basis going forward.

- In terms of the Assurance section of the report under Audit Activity, the first bullet point should be expanded to include the words “by considering reports and following through on recommendations”.
- In terms of skills development for Committee Members, it was agreed that the 6pm Pre-Committee briefings should continue as they would help to up skill Members both generally and on topical issues. The Head of Internal Audit said he would also submit a report on a future training and development programme for Members. It was agreed that the previously scheduled Meeting date of 6th September should be kept in the diary as a training evening to expand on some of the issues covered at the first Induction Session.
- The areas for development within the report had come out of an external peer review of the Audit Committee. Members wondered if there should be some firmer milestones against these in terms of when and how they would be addressed and it was agreed that these should be fleshed out a bit more to show that the Committee was responding to the points raised.

Resolved:

- That (i) subject to the comments above, the content and format of the Annual Audit Committee Report be agreed.**
- (ii) the Annual Report be provided to the Full Council, asking that the Report, setting out how the Committee has discharged its responsibilities, be noted.**

51 Annual Governance Statement 2010/11

The report explained that each year the Council must produce an Annual Governance Statement that summarised the approach to governance, demonstrated how its approach fulfilled the principles for good corporate governance in the public sector, and drew a conclusion about the effectiveness of its governance arrangements. The Statement was submitted for the Audit Committee to approve on behalf of the Council. The draft had been submitted to the Chairs of the relevant Council Committees and the Leader of the Council. The report highlighted just two areas of significance for ongoing review: - the emerging new approaches to local partnership working and the need to ensure that good principles of corporate governance were adopted in the design of these arrangements. The Chairman directed Members’ attention to the Update Report which included an insertion to the Statement after Paragraph 18 (Standards Committee).

The Committee went through the report page by page and the following comments were made: -

- The issues of risk awareness and risk management were again raised. Analysis of the Council’s approach to these would be an important part of the Committee’s work this year. There would be a need to drill down into this in

more detail and perhaps a Sub-Group would need to be set up to undertake this work. The Chairman considered it was possible for staff to 'over risk manage' and he did not want to suppress innovative ideas, so it would be important to get the right balance. The Head of Internal Audit advised that the September Meeting would receive a report outlining proposals for dealing with risk management.

- From a governance perspective Members considered it important to ensure that sound principles of good governance and accountability for decision making were developed for new styles of partnership working and Localism generally. This was particularly relevant given the plans for an Ashford Locality Board. Perhaps the Community Partnership Group would be the best place for discussions about structures and detail to take place, although with this Committee's remit it too would wish to consider and advise on governance principles in this new context.
- Future Statements should contain an assessment of the Council's compliance with external requirements regarding data security and Freedom of Information. It was agreed that these two additional paragraphs would be circulated to Committee Members electronically so that they could be added to this year's Statement.
- Report authors should avoid using split infinitives in the future.

Resolved:

That subject to the comments above the 2010/11 Annual Governance Statement be approved.

52 Communities & Local Government (CLG) Consultation – Future of Local Public Audit - Response

The report outlined a final draft response to the consultation following discussion at both the April Meeting of this Committee and with the previous Chairman of the Committee. The current Chairman said that he had been involved in further discussion about the response recently and he thought a good outcome had been reached. The Committee was asked to endorse the final draft response so it could be submitted to the CLG before the close of the consultation on the 30th June 2011.

Resolved:

That the Committee endorse the draft response about the future of local external audit attached to the report and that it be reported to the CLG before the close of the consultation on the 30th June 2011.

53 Annual Audit Fee Letter 2011/12

The Chairman directed Members attention to the tabled papers which included two additional reports submitted by the Audit Commission. The first of these explained

that in April the District Auditor submitted his fee proposal for external audit work relating to the financial year 2011/12 to the Chief Executive. A copy of the fee letter was attached for Members to consider. Overall, the Audit and Inspection fee proposal was £169,525 which included a fee for specific grant claims authorisation. The work plan and fee proposal had been discussed with senior management.

In response to a question about what the Council could do to help the Audit Commission and in return reduce the audit fee, Mr Mack said it was a relevant question and in reality the Council was already doing a number of things in this regard. There had been a step change in the quality of the Council's financial management in the last two years. Good financial systems, a good set of accounts and early warnings of complex issues had all contributed to this and were demonstrated by a reduction of £7000 this year, bringing the fees in at £20,000 under the Council's original budget. The fee was still slightly above the Kent average but Mr Mack said he would continue to keep the fee under review and committed to reporting back to the Committee on this issue later in the financial year.

Resolved:

That the Audit Commission's Audit Fee Proposal for 2011/12 be agreed.

54 Letter of Assurance – Compliance with International Standards for Auditing

Mr Mack introduced the second of the additional reports which explained that the Chairman of the Audit Committee had been asked by the External Auditor to provide a letter giving the necessary assurances that those charged with governance had exercised oversight of various processes relating to the management of fraud and other breaches of internal control. A draft of that letter was appended to the report for the Committee to agree and this would be evidence that the External Auditor would take into account when considering his opinion on the Council's financial statements. A similar assurance had been sought from, and given by, the Deputy Chief Executive on behalf of Management.

Resolved:

That the content of the draft letter to the Audit Commission to provide assurance in respect of International Auditing Standards be agreed.

55 Report Tracker and Future Meetings

The Chairman directed Members attention to the tabled papers which advised that the next Meeting of the Committee had been moved from the 6th September to the 28th September. As discussed earlier, the 6th September would be kept as a date for a potential training session.

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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:
Telephone: 01233 330349 Email: danny.sheppard@ashford.gov.uk
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