

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **6th December 2011**

Present:

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

Cllrs. Marriott, Sims, Smith, Taylor, Wright, Yeo.

Apology:

Cllr. Michael.

Also Present:

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

Andy Mack, Lynn Clayton – Audit Commission.

232 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 28th September 2011 be approved and confirmed as a correct record.

The Chairman advised of a change to the order of business of the Meeting.

233 Annual Audit Letter 2010/11

Mr Mack introduced the District Auditor's Annual Audit Letter covering the external audit for the 2010/2011 financial year. The letter was the public report on the findings of the past year's Audit. It covered two main areas: - the Council's Financial Statements; and the Council's arrangements to achieve value for money in its use of resources.

With regard to the Accounts the District Auditor had issued an unqualified opinion which was particularly pleasing given the pressures of the complex new International Financial Reporting Standards. The Council had made great strides in its financial reporting over the last couple of years. In terms of value for money, an unqualified conclusion had also been issued. No significant internal control weaknesses had been identified and consequently there were no recommendations in the letter for specific actions by the Council. The District Auditor had also commented favourably on the Council's approach to priority setting for business and financial planning, so it was a good positive report all round. On future challenges, following on from the

Chancellor's recent Autumn Budget Statement, the financial landscape would continue to be difficult for Local Authorities for the next few years so it would be important to keep a close eye on the challenges flowing from Central Government reforms and to note that the challenge will be an ongoing one.

The Chairman said that he viewed the proposed change to the current method of financing the Housing Revenue Account (HRA) an outstanding risk and asked Mr Mack for his views on this. Mr Mack said he agreed and this was twofold in terms of the operational issue and cash flow impact of enormous amounts of money changing hands, as well as the decisions for the Council around its debt portfolio. He knew discussions about this were already underway however and he had no immediate concerns about the Council's ability to deal with it. The Deputy Chief Executive also explained that a lot of work had already been undertaken by both Finance and Housing Officers on this and there would be a major report to Cabinet in the New Year explaining the Council's strategy. The Council was conscious of the risks in this area and risk management more generally within the HRA over the next few years.

A Member asked about reserves and the comments in the report recommending that the Council maintained reserves at a certain level. He understood that the Council was looking to implement various invest to save projects which may see reserves at lower levels in the future and wondered what Mr Mack's view on that would be. Mr Mack responded that it was obviously a matter for each Council to decide. Some Councils were happy to run with much lower reserves than others, but it was a risk, particularly at a time of great economic uncertainty as at present so he would urge caution about running them too low.

The Chairman wished to place on record the Committee's thanks to the Accounting Team for their hard work in preparing this year's Financial Statements.

Resolved:

That the Committee note the District Auditor's Annual Audit Letter covering the 2010/11 financial year.

234 Protecting the Public Purse 2011: Fighting Fraud Against Local Government

The report asked the Committee to note the recently published report from the Audit Commission, 'Protecting the Public Purse', and note that a future report would be provided to the Committee setting out the Council's arrangements for fighting fraud. That report would attempt to pick up on the points raised in this report as well as whether the Council had sufficient resources to deal with those points. The Head of Internal Audit Partnership said that in his view the Council did, but they may need to be re-aligned. In terms of the national picture, he considered that some of the reported figures were alarmingly high. Internal staff fraud and procurement fraud were increasing, which was not entirely surprising in a time of recession. Within the report Ashford Borough Council had been highlighted as an example of good practice in terms of its work to tackle housing tenancy fraud which was a pleasing public endorsement of the Council's Investigations & Visiting Team.

Mrs Clayton said that it was important to point out that in terms of internal and procurement fraud, this Council had suffered none and there had been a relatively modest total of £147,000 in Housing Benefit and Council Tax fraud.

A Member asked about the staffing levels and the reputational risk of fraud to the Council. He understood there were changes in the offing for the Fraud Team and these were uncertain times but he did want to be re-assured for the future. The Deputy Chief Executive said that the transition to Universal Credit would mean that the responsibility for benefit fraud would transfer to Job Centre Plus and the Department for Work and Pensions. However there was scope for the Officers to work more broadly considering the issue of Housing Tenancy Fraud and all whistleblowing cases would still need to be covered. Also, perhaps a dedicated Fraud Officer could join the Internal Audit Team in the future. Therefore there was a desire to retain some sort of core anti-fraud resource within the Council. The Committee supported doing everything possible to retain the Officers in the current team.

A Member said whilst welcoming some of the success stories, he still believed there were cases of fraud that were reported but were considered “too difficult” to pursue. Therefore he could not agree that there was zero tolerance or exactly the right approach to fraud as stated within the report. Both the Chairman and Cabinet Member said they would be extremely concerned if this was the case and urged the Member to report anything like this to the Head of Service and Cabinet Member.

The Chairman said he would welcome a follow up to this report at the next Meeting of the Committee. The Cabinet Member said the checklist at Appendix 1 should be used to assist any follow ups and keep the Committee on track.

Resolved:

That the publication by the Audit Commission, ‘Protecting the Public Purse’ be noted and a report be provided to a future meeting of the Committee setting out the Council’s arrangements for fighting fraud.

235 Risk Management

The report advised that the Committee had received a report at its last Meeting which set out an approach and strategy for risk management. The Committee had accepted the proposals and set up a Task Group to agree the areas of risk to be covered, the format of presentation and the timetable. The Task Group met on the 18th November 2011 and agreed there was a need to move quickly and create an up-to-date, comprehensive Strategic Risk Register. A report had therefore been placed on the agenda for the Cabinet on the 8th December seeking approval to commence the process.

The Chairman thanked Members who had attended the Task Group Meeting and said that the feeling had been that staff should not be dissuaded from taking risks but they had to be identified and managed properly. Perhaps in the past the Council had been too risk averse which could stifle initiative, but it would be important to understand where and why risks should be taken. That is why it was important to

produce a new Risk Register and this would be done with the help of Zurich in the New Year. As he saw it there were three major risk areas at present which were: -

- The Council's capital investments
- The overspends on the three major KCC backed road projects
- Changes to the current method of financing the HRA.

In response to a question the Chairman said that in terms of governance it was this Committee that took the role of 'risk committee' and it therefore needed to receive reports relating to risk. He hoped that the Committee would shortly see a draft of the type of update report they would receive including a traffic light system or similar illustrating progress.

Resolved:

That the actions that have been set in train by the Risk Management Task Group be endorsed.

236 Internal Audit: Six-Month Interim Report

The report provided details of the work of the Internal Audit Team between April and September 2011. The Committee was asked to agree that the work provided continuing evidence of an adequate and effective audit service.

The Chairman mentioned the Use of Consultants review that had recently been considered by the Overview & Scrutiny Committee, where Members had been concerned that action had not been taken quickly enough following the initial audit review. The Deputy Chief Executive explained that in response to this, a report had been prepared for the Cabinet on the 8th December 2011 regarding revisions to contract standing orders which sought to simplify the definition and engagement process of any commissioned works and to put proper management procedures in place. The historical problem had been that the use of the word 'Consultant' had been misleading as it did not always refer to someone being engaged as a specialist, but perhaps just as temporary or agency staff.

Resolved:

That it be agreed that the report continues to provide evidence of an effective internal audit arrangement, and that management is taking the necessary action to implement audit recommendations.

237 Annual Governance Statement – Progress on Remediating Exceptions

The report outlined progress against the two areas for further work included in the Annual Governance Statement agreed by the Committee in June 2011. The two highlighted matters were: - a need for a review of the Council's risk management approach; and the need to review principles relating to partnership governance.

In response to a question from the Chairman it was advised that the Task Group to consider the draft partnership principles had not yet met, but they were hoping to arrange a meeting before Christmas. The Members of this Group were Councillors Link, Marriott and Smith.

Resolved:

- That (i) the progress with plans to address the Council's risk management approach be noted.**
- (ii) it be noted there has been a delay with commencing discussions in relation to draft partnership principles and that this item will now be considered at the next meeting of this Committee following discussions with the nominated Task Group.**

238 Date of Next Meeting

Resolved:

That the next Meeting of this Committee be held on Tuesday 6th March 2012 (previously 7th February).

239 Report Tracker and Future Meetings

It was confirmed that a number of further items would be added to the agenda for the next meeting on the 6th March 2012 and these would be added to the Future Meetings Tracker.

Resolved:

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

Queries concerning these Minutes? Please contact Danny Sheppard:
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