



Audit Committee

Notice of a meeting, to be held in the Council Chamber, Civic Centre, Tannery Lane, Ashford, Kent TN23 1PL on Tuesday 4th December 2012 at 7.00 pm

The Members of this Committee are:-

Cllr. Clokie (Chairman)

Cllr. Link (Vice-Chairman)

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

NB: Under the Council's Public Participation Scheme, members of the public can submit a petition to the Executive if the issue is within its terms of reference or ask a question or speak concerning any item contained on this Agenda (Procedure Rule 9 refers)

Agenda

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Nos.

1. **Apologies/Substitutes** – To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii)
2. **Declarations of Interest (see “Advice to Members” overleaf)**
 - (a) Disclosable Pecuniary Interests (DPI) under the Localism Act 2011 relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares a DPI in relation to any item will need to leave the Council Chamber for the whole of that item, and will not be able to speak or take part (unless a relevant Dispensation has been granted).

- (b) Other Significant Interests (OSI) under the Kent Code of Conduct as adopted by the Council on 19 July 2012, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares an OSI in relation to any item will need to leave the Council Chamber before the debate and vote on that item (unless a relevant Dispensation has been granted). However, prior to leaving, the Member may address the Committee in the same way that a member of the public may do so.

- (c) Voluntary Announcements of Other Interests not required to be declared under (a) or (b), i.e. announcements made for transparency reasons alone, such as:
- membership of outside bodies that have made representations on agenda items, or
 - where a Member knows a person involved, but does not have a close association with that person, or
 - where an item would affect the well-being of a Member, relative, close associate, employer, etc, but not his/her financial position

[Note: an effect on the financial position of a Member, relative, close associate, employer, etc; OR an application made by a Member, relative, close associate, employer, etc, would both probably constitute an OSI].

Advice to Members on Declarations of Interest:

- (a) Government Guidance on DPI is available in DCLG's Guide for Councillors, at <http://www.communities.gov.uk/documents/localgovernment/pdf/2193362.pdf>
- (b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, and a copy can be found with the papers for that Meeting.
- (c) If any Councillor has any doubt about the existence or nature of any DPI or OSI which he/she may have in any item on this agenda, he/she should seek advice from the Head of Legal and Democratic Services and Monitoring Officer or from other Solicitors in Legal and Democratic Services as early as possible, and in advance of the Meeting.

3. **Minutes** – To approve the Minutes of the Meeting of this Committee held on the 27th September 2012

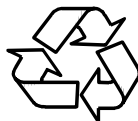
Part I – For Decision

4. Annual Audit Letter 2011/12
5. Planned Audit Fee for 2012/13
6. Internal Audit Interim Report
7. Internal Audit Partnership – Progress Report

Part II – Monitoring/Information Items

8. Report Tracker and Future Meetings

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Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **27th September 2012**

Present:

Cllr. Clokie (Chairman);

Cllrs. Smith, Taylor

Apologies:

Cllrs. Link, Michael, Wright, Yeo

Andy Mack – Audit Commission

Also Present:

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

Debbie Moorhouse, Daniel Woodcock – Audit Commission.

146 Declarations of Interest

Councillor	Interest	Minute No.
Smith	Voluntarily announced an 'Other Interest' as he drew and received added years for a Local Government Pension	149

147 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 25th June 2012 be approved and confirmed as a correct record.

148 2011/12 Annual Governance Statement (Updated Including Supplementary Statement on Financial Management Arrangements)

The report elaborated on the current contents of the Annual Governance Statement agreed by this Committee in June, specifically in relation to the role of the Chief Finance Officer in the wider governance of finance issues.

It was confirmed that the Statement was a snapshot of the position at the end of 2011/12. There had obviously been other developments since it had originally been published and they would be reflected in next year's Statement. These particular updates had been made in response to points raised by the Council's External Auditors.

Resolved:

That the updated Annual Governance Statement be approved.

149 Statement of Accounts 2011/12 and the District Auditor's Annual Governance Report

The report presented the 2011/12 Statement of Accounts for approval. The District Auditor's report was also appended and the External Auditors were present at the meeting to take questions. The audit had identified a few minor presentational errors as detailed in the report. The District Auditor had issued an unqualified opinion on the accounts. Once approved, the accounts would be published with an accompanying simple summary of the key facts and outcomes for the year.

The Finance Manager introduced the report and explained that the audit of the accounts had now been completed by the External Auditors. Officers had been pleased with how the audit had gone and he outlined one change that had been made to the Statement in relation to Municipal Mutual Insurance.

Debbie Moorhouse introduced the Audit Commission's Annual Governance Report and updated that all of the work necessary to issue their assurance statement had now been completed and she could formally confirm that their opinion remained as 'unqualified' on both the Statement of Accounts and Value for Money conclusion. The ongoing improvement in the process had continued this year in terms of assistance from Officers and the quality of the working papers and she hoped that those good working relationships would continue in the future.

In response to a question about misstatements and corrected errors, the Finance Manager explained that this was where certain figures may have needed to be adjusted into different columns, but it had not affected the bottom line figures on the balance sheet. It was often a question of a difference of interpreting definitions between Officers and the External Auditors.

There was some concern about the difficulty of getting certain Members to return their Related Party Transaction Forms. This was something that seemed to happen every year and the point had really been laboured by Officers. Perhaps there should be further discussions about how to ensure this happened in the future.

Members were keen to praise Officers as the standard of presentation of the accounts had risen steadily over the last three years and this year was no exception. Credit should go to all involved.

Resolved:

- That**
- (i) the District Auditor's Annual Governance Report be received and noted.**
 - (ii) the basis upon which the accounts have been prepared (Going Concern) be agreed.**
 - (iii) the audited 2011/12 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 Chief Financial Officer's Letter of Representation to the District Auditor be approved.**

150 Strategic Risk Register – Management Action Plans

The report set out the draft Strategic Risk Register and the Action Plans which had been completed by the respective 'risk owners'. The Committee was asked to note the Action Plans and confirm that it was satisfied with the actions that were being taken to manage the Council's strategic risks. The Chairman directed Members' attention to the Addendum Paper which included two minor amendments to the report.

The Portfolio Holder said he was a lot more comfortable about the risk management situation than he was a year ago. The Council appeared to be much more aware of risks and he was pleased that a structure had been put in place to monitor these regularly.

The Committee considered the report and the following comments were made: -

- The 'bedroom tax' was a Government policy that would come into effect on the 1st April 2013. It would mean all Housing Authorities, including this Council, would have to more closely consider under occupation in tenancies under registered social housing.
- There was lots of work going on across the Authority on workforce and succession planning and the development of some of that would be seen by Members very soon.

- The risks around Localism and not taking the Localism Agenda forward as a Local Authority were interesting. It would be important to ensure that Parish Councils understood the full implications of some of the elements of Localism and that Central Government's intentions around Localism were clear and understood by all parties.
- There should be more information included within Risk 9 – Infrastructure. If the Risk Register was to mean anything it should be easy to understand for Members and Officers alike. Most action plans had provided detailed and sufficient information, but this Risk needed more elaboration around the implications of using Community Infrastructure Levy (CIL) to secure the facilities needed if the right funding was not available at the right time.

The Chairman thanked Officers for the report and looked forward to the next update in six months.

Resolved:

- That**
- (i) the strategic risk management action plans be received and noted.**
 - (ii) the Committee is satisfied with the action being taken to manage the Council's strategic risks.**
 - (iii) the risk score for Risk 6 should be amended from 4/2 to 3/2.**

151 Principles of Good Partnership Governance – Six Month Review

The review followed a report to the Committee in April which set out the principles of good governance that the Council would expect all key operational partnerships to generally adhere to. The need for the review was highlighted in the 2010/11 Annual Governance Statement and was carried over to the 2011/12 Statement. Assurance had been given that over 90% of the principles set out in the governance framework were being exhibited already by the partnerships, whilst none of the gaps identified were considered of immediate risk to the partnerships as a whole.

The Committee considered the report and the following comments were made: -

- There was concern about the Ashford Locality Board and the transparency of the meetings when no minutes and agendas were available for all Members to see. It was explained that the Ashford Locality Board was still in its infancy and had still not yet fully devised its forward programme of work and it was expected that when it had, accessibility to minutes etc would improve. It was very much a work in progress with ABC and KCC working together. It was accepted though that the Board was not compliant with that part of the framework at present. The Chairman considered it important that any

decisions being made on behalf of the Council at these types of meetings should come back to Members.

- The report was a work in progress and it was accepted that there were areas where further evidence was needed to justify some of the 'yes' responses.

Resolved:

That progress with the review of operational partnerships be noted.

152 Fraud – Follow up Report

The update report followed on from questions raised at the last meeting of the Committee and in subsequent discussions with some Members about the 'value for money' of the Council's fraud function. It also considered the options under consideration for the future given that Government had announced that a Single Fraud Investigation Service (SFIS) was being established in tandem with the introduction of Universal Credit and other welfare reforms.

The Chairman said it would be useful for the Committee to know what a SFIS might take on and what it was likely to achieve. The Deputy Chief Executive replied that it was difficult to tell at the moment. He would be happy to share the information the Council had received so far in terms of the Department for Work and Pensions' plans for the future, but that was limited and he was not sure anyone could answer those questions fully at this stage.

Resolved:

That the report be received and noted

153 Report Tracker and Future Meetings

The Chairman asked Committee Members to make a note of the dates of meetings for the next year and to make sure they were in diaries.

Post Meeting Note: These are confirmed as: - 4th December 2012; 5th March 2013; 24th June 2013; and 26th September 2013 - all at 7pm in the Council Chamber.

Resolved:

That the report be received and noted.

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Agenda Item No: 4
Report To: **AUDIT COMMITTEE**
Date: **4 DECEMBER 2012**



Report Title: **External Auditor's Reports: Annual Audit Letter 2011-2012 and Planned Audit Fee 2012-2013**

Report Author: Andy Mack (former Audit Commission District Auditor, and now Engagement Lead, Grant Thornton UK – the council's external auditor)

Paul Naylor, Deputy Chief Executive (covering summary)

Summary:	<p>This summary introduces two reports from our external auditor.</p> <p>The first is the external auditor's annual letter to the council that covers his findings and opinions from the 2011-2012 audit. Detailed findings are not re-stated as these will have been reported previously to the committee. The letter restates the unqualified opinion on last year's accounts and the conclusion on efficiency and effectiveness. There are no matters being highlighted for any further attention.</p> <p>The second letter sets out the auditor's proposed fee for the next audit. This is a formal statement of the position previously reported, confirming a fee reduction of 40%, which is now reflected in the council's draft budget.</p> <p>Andy Mack and his colleagues will be present at the meeting to introduce the reports and take questions.</p>
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Key Decision: No

Affected Wards: None specifically

Recommendations: **The Audit Committee is asked to note the two reports, after making any comments it feels are appropriate.**

Policy Overview: The council is by law subject to external audit, which, therefore, forms a very necessary part of the statutory governance framework for councils. From November 2012 the Audit Commission outsourced all of its audit work and from that date the responsibility is being carried out by Grant Thornton UK LLP.

Financial Implications: The planned audit fee of £92,515 for the 2012-2013 is fully covered in the draft budget. Providing audit risks and demands remain stable, the fee is fixed at this level for five years. This means Grant Thornton UK will absorb all inflationary impacts.

Contacts: Paul.naylor@ashford.gov.uk – Tel: (01233) 330436

3 October 2012

Members
Ashford Borough Council
Civic Centre
Tannery Lane
Ashford
TN23 1PL

Direct line 0844 798 2846
Email a-mack@audit-
commission.gov.uk

Dear Member

Ashford Borough Council: Annual Audit Letter 2011/12

I am pleased to submit my Annual Audit Letter which summarises the findings from my 2011/12 audit of Ashford Borough Council.

Financial statements

On 27 September 2012 I presented my Annual Governance Report to the Audit Committee outlining the findings of my audit of the Council's 2011/12 financial statements. I will not replicate my detailed findings in this letter.

On 28 September 2012 I:

- issued an unqualified opinion on the Council's 2011/12 financial statements;
- concluded that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources; and
- certified completion of the audit.

The financial statements submitted for audit were complete and supported by comprehensive electronic working papers. Officers have worked hard to improve the internal consistency of the statements and internal quality control of the accounts has been strengthened. The accounts were prepared to a sound standard overall.

Under the Audit Commission framework I consider the Council's arrangements to prioritise its resources and ensure that it has a stable financial position. The Council has good financial governance and sound arrangements for financial control. It continues to strengthen its financial planning to ensure it is well-placed to address the financial pressures it faces over the medium term. The Council takes a strategic approach to setting priorities and achieving cost cuts through improved efficiency and productivity.

Closing remarks

I have discussed and agreed this letter with the Chief Executive and Deputy Chief Executive. This has been another challenging year for all who work in local government. I wish to thank the Audit Committee, senior management and the finance team for the positive and constructive approach they have taken to my audit.

Yours sincerely

Andy Mack
District Auditor

Agenda Item No: 5
Report To: **AUDIT COMMITTEE**
Date: **4 DECEMBER 2012**



Report Title: **External Auditor's Reports: Annual Audit Letter 2011-2012 and Planned Audit Fee 2012-2013**

Report Author: Andy Mack (former Audit Commission District Auditor, and now Engagement Lead, Grant Thornton UK – the council's external auditor)

Paul Naylor, Deputy Chief Executive (covering summary)

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The first is the external auditor's annual letter to the council that covers his findings and opinions from the 2011-2012 audit. Detailed findings are not re-stated as these will have been reported previously to the committee. The letter restates the unqualified opinion on last year's accounts and the conclusion on efficiency and effectiveness. There are no matters being highlighted for any further attention.

The second letter sets out the auditor's proposed fee for the next audit. This is a formal statement of the position previously reported, confirming a fee reduction of 40%, which is now reflected in the council's draft budget.

Andy Mack and his colleagues will be present at the meeting to introduce the reports and take questions.

Key Decision: No

Affected Wards: None specifically

Recommendations: **The Audit Committee is asked to note the two reports, after making any comments it feels are appropriate.**

Policy Overview: The council is by law subject to external audit, which, therefore, forms a very necessary part of the statutory governance framework for councils. From November 2012 the Audit Commission outsourced all of its audit work and from that date the responsibility is being carried out by Grant Thornton UK LLP.

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Contacts: Paul.naylor@ashford.gov.uk – Tel: (01233) 330436

Mr John Bunnett
Chief Executive
Ashford Borough Council
Civic Centre
Tannery Lane
Ashford
TN23 1PL

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP
T +44 (0)20 7383 5100
www.grant-thornton.co.uk

7 November 2012

Dear John

Planned audit fee for 2012/13

We are delighted to have been appointed by the Audit Commission as auditors to the Council and look forward to providing you with a high quality external audit service for at least the next five years. We look forward to developing our relationship with you over the coming months, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

For 2012/13, the Commission has independently set the scale fee for all bodies. The Council's scale fee for 2012/13 is £79,515, which compares to the audit fee of £132,500 for 2011/12, a reduction of 40%.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/scaleoffees1213.

The audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Our fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13. It covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of

- resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VFM conclusion and a separate report of our findings will be provided.

Our planning to date has not identified any additional work which we are required to undertake to support our VFM conclusion. We will continue to assess the Council's arrangements and discuss any additional work required during the year.

Certification of grant claims and returns

The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee for certification of grant claims and returns for the Council is £12,700. This assumes that no additional testing will be required.

Billing schedule

Our fees are billed quarterly in advance. Given the timing of our appointment we will raise a bill for two quarters in December 2012 with normal quarterly billing thereafter. Our fees will be billed as follows:

Main Audit fee	£
December 2012	39,757.50
January 2013	19,878.75
March 2013	19,878.75
Grant Certification	
June 2013	12,700
Total	92,215

Outline audit timetable

We will undertake our audit planning and interim audit procedures during December and January. Upon completion of this phase of our work we will issue our detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VFM conclusion will be completed in July 2013 and work on the whole of government accounts return in September 2013.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January to February	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VFM.
Final accounts audit	July to Sept 2013	Report to those charged with governance	This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance.
VFM conclusion	Jan to Sept 2013	Report to those charged with governance	As above
Financial resilience	Jan to Sept 2013	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2013	Opinion on the WGA return	This work will be completed alongside the accounts audit
Annual audit letter	October 2013	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	July to December 2013	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2012/13:

	Name	Phone Number	E-mail
Engagement Lead	Andy Mack	02077283299	Andy.L.Mack@uk.gt.com
Engagement Manager	Debbie Moorhouse	02077283326 07880 456189	Deborah.Moorhouse@uk.gt.com
Audit Executive	Laura Leka	01293 554083	Laura.Leka@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in

the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner (paul.dossett@uk.gt.com) .

Yours sincerely

Andy Mack
For Grant Thornton UK LLP

CC Paul Naylor, Deputy Chief Executive

Agenda Item No: 6
Report To: Audit Committee
Date: 4 December 2012
Report Title: Internal Audit – Interim Report
Report Author: Brian Parsons – Head of Audit Partnership



Summary:	The report provides details of the work of the Internal Audit team between April and September 2012. The Audit Committee is asked to agree that the work shows evidence of an adequate and effective audit service.
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Key Decision: No

Affected Wards: N/A

Recommendations: **The Audit Committee is asked to:-**

Agree that the audit process is working effectively and that management is taking the necessary action to implement agreed audit recommendations.

Policy Overview: The audit process helps to ensure that the risks to the delivery of strategic and operational objectives are managed by having adequate controls in place.

Financial Implications: There are no direct financial implications.

Risk Assessment Yes

Equalities Impact Assessment No

Other Material Implications: Legal: Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2011.

Background Papers: The various audit reports referred to in the appendices

Contacts: Brian.Parsons@ashford.gov.uk – Tel: (01233) 330442

Report Title: Internal Audit – Interim Report

Purpose of the Report

1. The Interim Report is principally intended to inform Members of the work of the Internal Audit team during the first half of the financial year. The Annual Report, in June 2013, will provide a more detailed review of Internal Audit work and will include an assessment of the adequacy of the Council's overall control environment, in support of the Annual Governance Statement.

Issue to be Decided

2. The Committee is asked to agree that the work of the Internal Audit team (shown at Appendix A) provides continuing evidence of an adequate and effective internal audit service, and that the committee is satisfied with the management actions in respect of audit recommendations.

Background

3. The principal objective of the Internal Audit team is to examine and evaluate the adequacy of internal control within the various systems, procedures and processes that are operated by the Council.
4. Internal Audit is a statutory service under the Accounts and Audit Regulations 2011, which state that the Council *'must undertake an adequate and effective internal audit of its accounting records and its system of internal control in accordance with the proper practices in relation to internal control'*.
5. The adequacy of the internal control environment is a key governance issue. Therefore, the Audit Committee needs to be satisfied with the audit arrangements and to be aware of the issues arising from audit work.
6. Within its Terms of Reference the Audit Committee needs to consider 'the summary of internal audit reports issued in the previous period'. The Audit Committee needs to be satisfied that the audit process is working efficiently and that management is taking the necessary action to implement agreed audit recommendations.
7. Six, full, planned audit projects were completed between April and September 2012. In addition a number of other pieces of 'consultancy work' were carried out. The audits and the other work are shown at Appendix A.
8. In addition, four audits were 'in progress' at 30 September, being audits of: Telecare; Section 106 Agreements and CIL; ICT Development, and Contract Procedure Rules. These audits and other audit work programmed for the second half of 2012/13 will be reported to the Audit Committee in July 2013.
9. The output during the first six months of the financial year is always substantially lower than for the second half year. This is because April is used to finalise and issue reports for work which was carried out in the previous

financial year and because audit staff tend to take much of their annual leave during the first half year, thereby reducing the number of productive days for that period. It is anticipated that annual targets for output will be met by the end of the financial year.

10. The emphasis during the second part of the year will be strongly based around delivering the remainder of the planned audit work. Considerable management attention will be directed to ensuring that targets are met and that the audit plan is achieved.
11. Each audit report includes an assurance statement in terms of the adequacy of controls. The definitions for the assurance assessments are shown at Appendix B.
12. A follow-up to each report is completed, usually three to six months after the date of issue of each original report. The follow-up allows the adequacy of controls to be re-assessed after the recommendations have been implemented. A summary of the follow-up assessments completed during the period is included at the end of Appendix A. All of the follow-ups have confirmed that controls assurance has either been maintained or increased since the original audit.

Risk Assessment

13. Internal Audit considers the adequacy of the controls over risk within all of the services and systems that are reviewed.
14. The Audit Committee needs assurance that risks are being identified and managed.

Equalities Impact Assessment

15. Not applicable.

Other Options Considered

16. The Audit Committee needs to have an awareness of the work of Internal Audit in the context of its Terms of Reference. Therefore, no other option is appropriate.

Consultation

17. The respective Head of Service is consulted on the content of all Internal Audit reviews and is provided with a report setting out the detailed audit findings and recommendations. In addition, a copy of every Internal Audit report is provided to the Chief Executive and the Deputy Chief Executive

Implications Assessment

18. Financial: There are no direct financial implications.

19. Legal: Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2011.

Conclusion

20. The report provides details of the work of the Internal Audit team between April and September 2012 and contains evidence of an adequate and effective audit service.
21. The work of the team will be directed more specifically to achieving the audit plan in the second half of the financial year.
22. Although Internal Audit has identified some areas where improvements in controls are required, the relevant Head of Service has taken, or will be taking, the necessary action to improve controls.

Portfolio Holder's Views

23.

24.

Contact: Brian Parsons (Tel: 01233 330442)

Email: brian.parsons@ashford.gov.uk

Appendix A

1. Audit Title: Car Parking - Enforcement

Service: Environmental

Report Issued: August 2012

Audit Objectives:

The key objectives of the audit were to ensure that:

- the Council's Parking Enforcement activities are carried out in accordance with Part 6 of the Traffic Management Act 2004
- income from the payment of Penalty Charge Notices is correctly accounted for
- appropriate agreements are in place with the Councils bailiffs which include performance monitoring arrangements

Key Findings:

- The enforcement, policy and administrative functions for Parking Enforcement are performed in accordance with the Traffic Management Act 2004. Furthermore, the arrangements in place for the receipt and allocation of income provide a substantial level of control assurance.
- There is a need to update agreements with bailiff companies, and to amend the accounting arrangements for parking fine income (collected by bailiffs) to correctly differentiate between on-street and off-street parking codes.

Level of control assurance in place: Substantial

Management Response Summary: Management accepted all of the recommendations.

Proposed Date for Follow-up: January 2013

2. Audit Title: Private Sector Bonds/Homeless Prevention Payments

Service: Customer Homes & Property

Report Issued: September 2012

Audit Objectives:

The key objectives of the audit were to ensure that:

- Private Sector Bonds and Homeless Prevention Payments schemes are appropriately set out and defined;
- To ensure, through audit testing, that transactions made under the schemes for Private Sector Bonds and Homeless Prevention Payments are correct and appropriately supported;
- The schemes for Private Sector Bonds and Homeless Prevention Payments are suitably monitored

Key Findings:

- A number of standalone records are maintained to control the 'prevention fund' budget, therefore management should ensure these records are regularly reconciled to the main eFinancials system to ensure that the record is complete and incorporates all transactions.
- The provision for the potential liability created in the Councils accounts should be reviewed to ensure that it is set at a realistic level to reflect the nature of the payment profile for bonds
- There is no interface between the Landlord database records and the debtor's module therefore management should seek to undertake a reconciliation between the systems to ensure all active bonds with an ongoing tenancy are accounted for.

Level of control assurance in place: Substantial

Management Response Summary: Awaiting management response

Proposed Date for Follow-up: TBA

3. Audit Title: Trusts & Partnerships

Service: Cultural Services

Report Issued: September

Audit Objectives:

The key objectives of the audit were to:

- Identify the trusts that the Council has a relationship with
- Establish the Council's main responsibilities and liabilities in relation to the trusts and how these are managed
- Establish and evaluate arrangements for measuring performance of the trusts and how these meet the Council's objectives
- Evaluate Governance arrangements

Key Findings:

The Key Findings were:

- A register of trusts is maintained by Cultural Services which sets out the main responsibilities and liabilities of the Council.
- Agreements are in place between the Authority and trusts.
- There is a need to periodically review each arrangement to ensure that it continues to support the service objectives/Council priorities.
- Basic governance training should be provided to those Members that take on the role of a Trustee on behalf of the Council.

Level of control assurance in place: Substantial

Management Response Summary: awaiting management response

Proposed Date for Follow-up: TBA

4. Audit Title: Anti Fraud & Corruption Strategy

Service: Corporate

Report issued September 2012

This is one of four work streams being carried out by the four audit teams within the Audit partnership. The other topics are 'whistle blowing', money laundering and risk management. Each work stream seeks to identify best practice and policies/strategies that can be implemented across the four Councils. The intention is to bring forward a suite of revised policies for consideration by the respective Councils.

Audit Objectives:

The key audit objectives were:

- To review the current legislation; current policies and procedures in place/operation at the four partner authorities to determine whether they meet current requirements and standards

- To identify best practice and guidance from other local authorities and organisations that could be implemented across the partner sites.
- To identify effective processes for communication and promotion of policies.

Key Findings:

- Aspects of the policies remain sound however they are in need of updating to reflect current legislation and most notably the Bribery Act 2011
- Awareness of the Anti- fraud and Corruption Policy could be improved both by way of training or promotion on the intranet/internet
- In future these policies should be subject to regular review to ensure they remain fit for purpose.

Level of Assurance Issued: Management Response Summary: N/A

5. Audit Title	Greenov –European funding (Intereg)
Service:	Planning & Development (Economic Development)
Report issued	August 2012

Background

The GREENOV project aims to develop the economic opportunities for sustainable renovation in North West Europe by stimulating the innovation capacity of Small Medium Enterprises working in the field. This will be done by developing a cluster, one of the most effective tools for competitiveness and economic development, thereby multiplying and diversifying opportunities in the market.

The partners (12) identify technologies, know-how and best practices in the field of sustainable renovation, and carry out investments utilising Greenov funding to stimulate the market and raise awareness among decision-makers and inhabitants.

Renovations of existing buildings include insulation works, double glazing, ventilation, etc. to improve energy efficiency which has immediate effects on climate change. Improvements to indoor air quality, re-use/recycling and other sustainability issues, including safety and accessibility, are also included. The project provides job opportunities in the building sector at the local level.

Ashford Borough Council took over responsibility for the Greenov project from Ashford's Future in autumn 2011 and to-date, Greenov funding has been utilised for energy efficiency initiatives in St Mary's Church and the Gateway building.

This initiative will continue to be funded by the EU until 2014, therefore the First Level Controller and audit work will be undertaken by Internal Audit, and will continue to attract a fee income for the Council.

The total value of the two most recent claims from the Council was 583,147 euros.

Audit role

The audit work consisted of acting as the First Level Controller (FLC) compiling and reviewing the documents and the calculations relating to the claims that were submitted to the Lead Partner during 2012/13. Failure to sign off claims within specified timeframes could result in funds being withheld from the European Lead partner. It was found that all claims

were submitted on time. Payment from the Lead Partner is expected later in the year. The work included the need to resolve a number of outstanding issues from the previous claims made by Ashford's Future in order to ensure that Ashford Borough Council could optimise funding within the Greenov initiative.

Level of Assurance Issued: Management Response Summary: N/A

6. National Fraud Initiative (NFI)

Background

The NFI is a biennial data matching exercise carried out by the Audit Commission. The Council is required to submit a broad range of data, which is matched against other data-sets that the Commission has obtained from a number of sources. Data-sets provided by the Council include Benefits, Payroll, Creditors, Residents Parking Permits, Licensing, Insurance claims and Register of Electors. The cost of the exercise is £2,200 although this does not include staff costs required to investigate the output data.

Audit Objectives

The audit review sought to confirm that data matches from the 2010/2011 were being appropriately investigated and that the new data sets had been submitted for the 2012/13 Initiative.

Audit role

Internal Audit continue to be the ' Key Contact' for the NFI exercise which has responsibility for overseeing /co-ordinating the initiative including monitoring progress of investigations and ensuring the Authority complies with the Code of Data Matching. We are able to provide assurance that the 2010/11 sets have been appropriately investigated and that the data sets for 2012/13 were uploaded via the secure portal within the scheduled timeframe. The output from these matches is expected in March 2013.

Risk Management

Internal Audit is responsible for coordinating the development of Strategic Risk management within the authority. A fundamental review of the Councils strategic risk was undertaken earlier this year to create a new Strategic Risk register. This was considered and approved at the September Audit Committee and referred to November Cabinet for formal adoption.

In future, regular reports will be provided to Audit Committee and Cabinet showing how the identified risks are being managed.

Examples of other work include:

- Review and opinion on the draft proposal for the creation of a Building Control Company
- Advice and guidance on the need to strengthen Parking Services cumulative income reconciliation
- Advise various departments on data retention requirements for documentation

Follow up Reviews undertaken between April – September

No.	Follow up reviews carried out	Date of follow up report	Audit Assurance Level	Follow up assurance	Direction of Travel
1	ICT Access Controls	July	Limited	Substantial	↑
2	Data Protection	July	Limited	Substantial	↑
3	Building Control	July	Substantial	Substantial	↔
4	Renovation Grants	August	Substantial	Substantial	↔
5	Food Safety	June	Substantial	Substantial	↔
6	Payroll	July	Substantial	Substantial	↔
7	Gifts & Hospitality	July	Substantial	High	↑
8	Insurance	June	Substantial	Substantial	↔
9	Land Charges	September	Substantial	Substantial	↔
10	Parking Income	August	Substantial	Substantial	↔

Appendix B

Definitions of Assurance Levels

Our opinion on the adequacy and effectiveness of controls for an audited activity is shown as an **assurance level** within four categories. The use of an **assurance level** is more consistent with the requirement for managers (and Members) to consider the degree to which controls and processes can be relied upon to achieve the objectives of the reviewed activity. The assessment is largely based on the adequacy of the controls over risks but also includes consideration of the adequacy of controls that promote efficiency and value for money. The definitions of assurance levels are provided below:

Controls Assurance Level	Summary description	Detailed definition
Minimal	Urgent improvements in controls or in the application of controls are required	<p>The authority and/or service is exposed to a significant risk that could lead to failure to achieve key authority/service objectives, major loss/error, fraud/impropriety or damage to reputation.</p> <p>This is because key controls do not exist with the absence of at least one critical control or there is evidence that there is significant non-compliance with key controls.</p> <p>The control arrangements are of a poor standard.</p>
Limited	Improvements in controls or in the application of controls are required	<p>The area/system is exposed to risks that could lead to failure to achieve the objectives of the area/system under review.</p> <p>This is because, key controls exist but they are not applied, or there is significant evidence that they are not applied consistently and effectively.</p> <p>The control arrangements are below an acceptable standard.</p>
Substantial	Controls are in place but improvements would be beneficial	<p>There is some limited exposure to risk which can be mitigated by achievable measures. Key or compensating controls exist but there may be some inconsistency in application.</p> <p>The control arrangements are of an acceptable standard.</p>
High	Strong controls are in place and are complied with	<p>The systems/area under review is not exposed to foreseeable risk, as key controls exist and are applied consistently and effectively.</p> <p>The control arrangements are of a high standard.</p>

Agenda Item No: 7
Report To: Audit Committee
Date: 4 December 2012
Report Title: Internal Audit Partnership – Progress Report
Report Author: Brian Parsons – Head of Audit Partnership



Summary: The Internal Audit Partnership with Maidstone, Swale and Tunbridge Wells has been in place since April 2010.

A review has been carried out in order to identify progress to date against the original business objectives and the opportunities for further improvement and development.

Key Decision: No

Affected Wards: N/A

Recommendations: **The Audit Committee is asked to:-**

Note the progress made by the Internal Audit Partnership and the actions that are proposed to further improve and develop the service.

Policy Overview: N/A

Financial Implications: None

Risk Assessment YES

Equalities Impact Assessment NO

Other Material Implications: None

Background Papers: Report to Executive 14 January 2010 – 'Internal Audit Partnership'.

Contacts: Brian.Parsons@ashford.gov.uk – Tel: (01233) 330442

Report Title: Internal Audit Partnership – Progress Report

Purpose of the Report

1. Ashford Borough Council is a partner in the shared Internal Audit service with Maidstone, Swale and Tunbridge Wells Borough Councils.
2. The partnership is regularised through a five-year collaboration agreement signed by the four parties.
3. The Internal Audit partnership is currently at the mid point of the five year agreement and this report has been prepared to make the Committee, as a key stakeholder, aware of the progress made since the partnership started in 2010 and the issues that are relevant to the future delivery of the service.

Issue to be Decided

4. The Committee is asked to note the progress made by the Internal Audit Partnership and the actions that are proposed to further improve and develop the service.

Background

5. The four-way Internal Audit Partnership between Ashford, Maidstone, Swale and Tunbridge Wells has been in place since April 2010.
6. The Audit Committee considered a report on the proposed partnership at its meeting on 15 December 2009 and recommended 'that the creation of a four-way Internal Audit Partnership between Ashford, Maidstone, Swale and Tunbridge Wells be endorsed'.
7. The Executive meeting on 14 January 2010 agreed that 'Ashford Borough Council form an Internal Audit Partnership with Maidstone, Swale and Tunbridge Wells Borough Councils in accordance with the aims and structure that are set out in the Business Case'.
8. Since that time the Internal Audit Partnership has achieved all of the objectives that were set out in the business case, which include:
 - The provision of a good quality, robust Internal Audit service tailored to the needs of each Authority but utilising best practice from the four Councils.
 - A more efficient service provided at less cost that fully meets the standards contained in the statutory Code of Practice
 - Improved Resilience
 - Introduction of consistent (best practice) approaches to audit work
 - Auditors who have a broad experience having worked for the four partner authorities and who are able to draw on good practice identified during audit work.

- Development opportunities for audit staff, within a larger audit service, providing a more attractive option for staff seeking a career in Internal Audit
- A savings of £120k across the partnership compared with the previous annual aggregate cost.

9. In addition and more specifically, during the two and a half years since the partnership was created, the shared service has:

- Reduced costs by a further £14,000 at Ashford and by £28,000 at Swale by ceasing the use of audit contractors to supplement the in-house teams.
- Implemented a common Audit IT system (Team Mate) at all four partnership sites. The system allows the sharing of work programmes, including audit briefs and reports. Enhancements to the system have allowed work to be monitored and reviewed remotely by the Audit Managers.
- Implemented a Sharepoint site, which is accessible by the four teams and provides a common library of audit information and allows the teams to be kept up-to-date on current developments in audit, as well as being aware of the work that the other auditors are carrying out.
- Implemented a brand - 'Mid Kent Audit'. The brand is used in all correspondence and in reports.
- Implemented a standard audit process with a common procedure manual.
- Implemented common performance targets and a formalised performance monitoring process.
- Improved the quality and consistency of audit reports.
- Improved the quality and coverage of audit reports to the respective Audit Committees
- Taken on the responsibility for risk management at Ashford and helped to create a Strategic Risk Register; implemented a meaningful risk management process at Swale and maintained the risk management arrangements at Maidstone and Tunbridge Wells
- Implemented quarterly partnership meetings, which includes a training element and updates on audit practice, as well as facilitating an information exchange between the auditors.
- Trained the auditors in the use of IDEA (Interactive, Data Extraction and Analysis) to facilitate the interrogation and analysis of electronic data as part of audit work.
- Provided training to Audit Committee members
- Introduced an 'Annual Audit Committee Report', which sets out the work of the Committee and allows the Chairman to provide the report to Full Council. These factual reports are initially compiled by the Audit Managers and then agreed with the Audit Committee Chairman. The reports are based on the Tunbridge Wells model, which has been in place for a number of years.

- Achieved very positive feedback from 'clients', being the respective Heads of Service, Directors and Chief Executives.

Mid Term Review

10. Earlier this year, following the two year anniversary of the commencement of the audit partnership, the Head of Partnership was asked to prepare proposals for the 'future shape of the partnership'; for the continuing improvement and development of the service to ensure that the partnership remains robust and well placed to meet future challenges.
11. A discussion document was provided to a meeting of the 'key clients' for the audit service at the four Councils on 6 July 2012. The 'key clients' characterise a board for the service in accordance with the collaboration agreement. The members of the officer board are the chief officers who the Head of Audit Partnership reports to at each Council; being Paul Naylor (Deputy Chief Executive) for Ashford, Alison Broom (Chief Executive) for Maidstone, Mark Radford (Director for Corporate Services) for Swale and Lee Colyer (Head of Finance and Governance) for Tunbridge Wells.
12. The officer board commented positively on the achievements of the Partnership in meeting the objectives that were set out in the original business case and in delivering a range of improvements since the partnership came into being. All confirmed that they are very happy with the partnership and keen to support its future development. It was agreed that the need to continue to provide a good quality internal audit service is the basis for the partnership and this must remain the core objective but that there are opportunities to develop the service further in relation to:

Risk Management

The officer board considered that, generally, risks for the four authorities are increasing. In terms of the respective roles for internal audit/risk management, it was considered that risk (and governance) expertise needs to be developed further within the partnership. The Head of Audit Partnership should give further consideration to the arrangements for risk management to establish how resources can best be used to support the risk management role.

Counter Fraud

It was agreed that Internal Audit is the natural future home for counter fraud activity; with the majority of the existing Benefit Fraud staff due to transfer at some point to the Department of Work and Pensions under the government's welfare reforms. Further work will be carried out by the Head of Audit Partnership to establish the 'business case' for the retention of some fraud staff to deal with counter fraud work, particularly in relation to Council Tax evasion.

Value for Money

It was agreed that Internal Audit should develop a methodology for adding a consistent 'value for money element' to the standard audit approach. The Head of Audit Partnership will therefore research and identify an appropriate method/system. This may require some financial investment and some training for the auditors in the chosen methodology. The expectation is that this will allow Internal Audit, as part of its regular, routine audit work, to identify aspects/areas for a more in depth review (by others) where appropriate.

Business Model for the delivery of the service

The reasons for implementing the current business model and structure (four teams – four employers) in 2010 were acknowledged by the board; however the majority of the partnerships that have been created since that time have been based on the 'one employer – one team' model. It was agreed that the 'one employer' model contains a number of advantages over the current partnership structure and that further work needs to be done in order to quantify the cost advantages/disadvantages and the potential efficiency improvements. The Head of Audit Partnership will therefore carry out further research, including contacting other Heads of Audit Partnership to establish alternative models. He will then be required to prepare a report setting out the options for creating a 'one employer' partnership. It was agreed that, as the partnership is not 'trading', an Arms Length Company model was not a suitable option at the present time but that it may be appropriate to give further attention to that model if and when the partnership has developed a suitably large customer base.

13. The Head of Partnership is currently working on these potential service developments and will report back to the officer board in January 2013. Any proposed changes to the structure or cost of the service will be subject to the agreement of each Council. The respective Audit Committees will be consulted and kept fully informed.
14. Members are asked to note the progress made by the Internal Audit Partnership and the actions that have been agreed to further improve and develop the service.

Risk Assessment

15. The role of Internal Audit is to evaluate the adequacy of the arrangements that management has put in place to control the risks to the delivery of the Council's strategic and operational objectives.
16. The Internal Audit service needs to remain relevant, focused, professional and effective in order to fulfil its role. The ongoing development of the service provides the means for managing those risks to the service.

Equalities Impact Assessment

17. Not applicable.

Other Options Considered

18. The report is provided in order to make the Committee aware of the development of the service. As key stakeholders this is essential and no other option could be recommended.

Consultation

19. The appropriate Chief Officers from each of the partner Councils have discussed and agreed the direction of the service. All staff within the audit partnership have been kept informed of the discussions and the agreed actions.

Implications Assessment

20. There are no implications arising from the report at this stage. Any subsequent proposed changes to the structure or cost of the service will require the agreement of each Council. The respective Audit Committees will be consulted and kept fully informed.

Conclusion

21. The four-way Internal Audit Partnership between Ashford, Maidstone, Swale and Tunbridge Wells has now been in place for more than two and a half years. It has achieved all of the objectives that were set out in the business case, which Members considered in late 2009 and early 2010. Since that time, the service has continued to be improved.
22. In difficult, challenging times the service needs to continue to develop to ensure that it remains robust and well placed to meet future challenges.

Portfolio Holder's Views

23.

24.

Contact: Brian Parsons, Head of Audit Partnership – 01233 330442

Email: brian.parsons@ashford.gov.uk

Audit Committee - Future Meetings

Date 05/03/2013			
Publish by 25/02/13			
Reports to Management Team by 21st February		Council 18/04/13	
1	Grant Thornton's Proposed Audit Plan for the 2012/2013 Audit	Gr Th	
2	Certification of Grant Claims – Annual Report	Gr Th	
3	Presentation of Financial Statements	MN	
4	Strategic Risk Management – 6 Monthly Update	BP	
5	Annual Governance Statement – Progress on Remedying Exceptions	PN	
6	Internal Audit Operational Plan 2013/14	BP	
7	Report Tracker for Future Meetings	DS	

Date 24/06/2013			
Publish by 14/06/13			
Reports to Management Team by 13th June		Council 18/07/13	
1	Benefit Fraud Annual Report 2012/13	Jo Fox	
2	Internal Audit Annual Report 2012/13	BP	
3	Annual Report of the Audit Committee 2012/13	BP/IC	
4	Approval of Annual Governance Statement	PN	
5	Annual Audit Fee Letter 2013/14	Gr Th (cover by PN)	
6	Compliance with International Standards for Auditing – Letter of Assurance	BP	
7	Report Tracker for Future Meetings	DS	

Date 26/09/2013			
Publish by 18/09/13			
Reports to Management Team by 12th September		Council 17/10/13	
1	Annual Governance Statement – Progress on Remedying Exceptions	PN/NC	
2	Statement of Accounts 2012/13 and the District Auditor's Annual Governance Report	AComm (cover by PN/BL)	
3	Strategic Risk Management – 6 Monthly Update	BP	
4	Report Tracker & Future Meetings	DS	

Date 3/12/2013			
Publish by 25/11/12			
Reports to Management Team by 21st November		Council 12/12/13	
1	Annual Governance Statement – Progress on Remedying Exceptions	PN	
2	Annual Audit Letter 2012/13	AComm (cover by PN)	
3	Internal Audit Interim Report	IC	
4	Internal Audit Partnership – Progress Report	BP	
5	Report Tracker & Future Meetings	DS	

26/11/2012