



Audit Committee

Notice of a meeting, to be held in the Council Chamber, Civic Centre, Tannery Lane, Ashford, Kent TN23 1PL on Tuesday 5th March 2013 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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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.

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- (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
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5962/2193362.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 4th December 2012

Part I – For Decision

4. Future of the Fraud Investigation Team
5. External Audit Plan – Grant Thornton
6. External Audit Update – Grant Thornton
7. Certification of Grant Claims Annual Report – Grant Thornton
8. Assurance from those Charged with Governance
9. Presentation of Financial Statements
10. Strategic Risk Review
11. Annual Governance Statement – Progress on Remediating Highlighted Significant Areas of Governance

12. Internal Audit Operational Plan 2013/14

13. Public Sector Internal Audit Standards

Part II – Monitoring/Information Items

14. Audit Committee – Future Works Programme

15. Report Tracker and Future Meetings

DS/AEH
25th February 2013

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **4th December 2012**

Present:

Cllr. Clokie (Chairman);

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

In accordance with Procedure Rule 1.2 (iii) Councillor Apps attended as Substitute Member for Councillor Taylor.

Apologies:

Cllrs. Link, Taylor.

Also Present:

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

Andy Mack, Debbie Moorhouse – Grant Thornton.

220 Minutes

The Chairman asked about the request at the last meeting that more information be included within Risk 9 – Infrastructure of the Risk Register Report, particularly around the implications of using Community Infrastructure Levy (CIL). The Head of Internal Audit Partnership explained that a more detailed return had been completed and submitted as part of the report to the Cabinet. He confirmed that he would circulate the action plan separately to Committee Members. There would also be a further update report on risk management as a whole to the next meeting of this Committee in March.

In terms of the Principles of Good Partnership Governance report, there was still an outstanding point on the transparency of Locality Board meetings. The Chairman asked about public access to meetings, agendas and minutes and the Deputy Chief Executive advised that he had asked for this to be raised at a Locality Board meeting in the New Year and he would come back to this Committee with a response after that.

Resolved:

That the Minutes of the Meeting of this Committee held on the 27th September 2012 be approved and confirmed as a correct record.

221 Annual Audit Letter 2011/12

The first of the two reports from the Council's external auditor was the annual letter to the Council covering their findings and opinions from the 2011/12 audit. Detailed findings were not repeated as they had been previously reported to the Committee but the letter restated the unqualified opinion on last year's accounts and the conclusion on efficiency and effectiveness. No matters were highlighted for further attention.

Resolved:

That the Annual Audit Letter 2011/12 be received and noted.

222 Planned Audit Fee 2012/13

The second of the reports from the Council's external auditor set out the auditor's proposed fee for the next audit. This was the first report since the change from the Audit Commission to Grant Thornton and was a formal statement of the position previously reported, confirming a fee reduction of 40%, which was now reflected in the Council's draft budget. Andy Mack said he wanted to assure the Committee that although the audit fee had reduced, the quality of the audit work would be maintained and hopefully improved. They would continue to work closely and productively with Officers and Members and they also now had access to other specialisms via Grant Thornton if those were needed. In terms of the things the Council could do to maintain its lower audit fee, as usual the expectations from the auditors were around things like producing a good quality set of accounts, good quality working papers, a good set of grant claims, an agreed schedule of releasing information and regular dialogue on emerging issues. The Council had established itself now as an Authority that had those good governance arrangements in place so there were no concerns on that front from Grant Thornton.

Resolved:

That the Planned Audit Fee Letter 2012/13 be received and noted.

223 Internal Audit – Interim Report

The Audit Partnership Manager introduced the report which provided details of the work of the Internal Audit team between April and September 2012. The Committee was asked to agree that the work showed evidence of an adequate and effective audit service.

A Member, who was also Chairman of the Council's Member Training Panel, said he wanted to highlight one of the findings of the Trusts and Partnerships audit. In his view the recommendation that basic governance training should be provided to Members who took on the role of a Trustee on behalf of the Council was very important and this was something he would like to take up via the Panel.

The Chairman opened the item up to questions/comments and the following responses were given: -

- At present the Council had not received the money for the two most recent claims for Greenov funding. The funding had been agreed but there had been a delay in the EU releasing the funds.
- The National Fraud Initiative (NFI) audit was biennial and that is why there were figures for 2010/11 and 2012/13.
- Auditing of the new waste contract would take place at a later date once the contract was up and running across the three Authorities. There had been stringent examination of the contract award and procurement process, but there should be some lee-way in allowing the contract to bed in and start operating. It would be scheduled in for future audit plans.
- In terms of the reviews of ICT Access Controls and Data Protection, these had initially received audit assurance levels of Limited but the assurance at the time of both follow up reports had been Substantial. Action plans had been drawn up on these and remedial action taken. Further details of the Council's access controls and data protection arrangements had been given in the presentation by the Head of Business Change & Technology before the last Audit Committee meeting.

Resolved:

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

224 Internal Audit Partnership – Progress Report

The Head of Internal Audit Partnership introduced the report which explained that the Partnership had been in place since April 2010 and a review had been carried out in order to identify progress to date against the original business objectives and the opportunities for further improvement and development. After two and a half years of operation it was important to reflect on the partnership. It had achieved all of the objectives set out in the original business case as well as making more specific achievements as a shared service. He also wanted to clarify that the comment in paragraph 12 of the report about Counter Fraud did not imply that any decision had been made on the future home for counter fraud activity. Traditionally, for many Local Authorities, Internal Audit had been a logical location for this, but Ashford had a number of options once the Government's welfare reforms took effect. The Deputy Chief Executive re-iterated this point and briefly outlined the options the Council had as he saw them. It was also explained that it was increasingly important for District Councils to have a strong system to identify Council Tax fraud, especially with the new system coming on board in April 2013. The Council needed to keep a close eye on the level of claimants for single persons discount and had already taken the decision to write to all current claimants to see if their claims were still valid. Extra

resources would be needed and it was pleasing to note that the County Council recognised their responsibilities to support the Districts in their fraud work, and particularly with this aspect, as it was in their own interests because they received such a high percentage of the Council Tax collected.

In response to a question from the Chairman, the Head of Internal Audit Partnership explained that the Partnership currently operated as four teams under four different employers and he was currently investigating whether working under one employer would be a more efficient and cost effective way forward. There would be questions of accommodation etc but this was how most partnerships worked and it was something that required further examination.

Resolved:

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

225 Report Tracker and Future Meetings

One amendment was made to the schedule of future meetings in that Grant Thornton would submit a progress report only on their plan of work ahead of the 2012/13 Audit to the next meeting in March, as the final plan would not be complete at that time. Arrangements would be made for Committee Members to see the final plan of work at some point between the March and June 2013 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.

Resolved:

That the report be received and noted.

Agenda Item No: 4
Report To: **AUDIT COMMITTEE**



Date: **5 MARCH 2013**

Report Title: **Future of the Fraud Investigation Team**

Report Author: Jo Fox, Investigation and Visiting Manager
Paul Naylor, Deputy Chief Executive

Summary: Following on from previous reports to the Committee various options for the future of the fraud investigation team have now been considered. The need to consider options is brought about by welfare reform changes, and connected with these is the government's intention that a new 'single fraud investigation service' operated by the Department for Work and Pensions (possibly fully from 2015) will investigate social security benefits, tax credits and Universal Credit (when commenced). Housing benefit is being abolished and a new housing cost element will be included in Universal Credit. Local authorities will therefore lose responsibility for housing benefit investigations. Councils will retain responsibility for investigating council tax, including council tax support, and will retain responsibility for other types of fraud investigations (such as housing tenancy fraud). In parallel with a review by the Mid Kent Audit Partnership, our own review has been carried out, and the conclusions are now reported. The preferred option for the future is for the council to retain a fraud investigation service, and for this to stand alone as a service within the council so that its scope can widen to other service areas. This is supported by the management team. The proposal, if supported by the Committee, and the Cabinet as this is also a service structure and budget issue, will need more work on the scope and the financial issues, as indicative only, but reasonable assumptions are made in the attached report.

Key Decision: Not relevant at this time.

Affected Wards: None specifically

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

1. consider the conclusions from the options review into the future of the Fraud Investigation Team, and support the preferred option for the council to retain a corporate fraud investigation service with the intention of making the change from April 2014.

2. subject to the above, agree that officers prepare a final proposal to include the scope in more detail, along with a further assessment of the financial impacts for consideration by this committee, before consideration by the Cabinet in due course(as the proposal has structural and financial implications).

Policy Overview: The Government is establishing a single fraud investigation service to handle the investigation of social security, tax credits and Universal Credit claims. The new service will take over responsibility from local authorities for their investigations into housing benefit claims. The council has a well performing investigation service with scope, and the need, to broaden its activity. Hence the need now to consider the future role of the team.

Financial Implications: This report is not seeking a decision over the financial impacts at this stage. These need more consideration as news of the government's transition to Universal Credit and its grant impacts becomes clearer. At present, and excluding internal recharges about 88% of the team's direct costs are funded from within the total housing benefit administration grant paid by DWP. This will reduce over time. The report makes assumptions about funding from 2014/2015, and makes the assumption that there is greater potential to achieve cost and reputation savings to the council corporately by retaining a fraud investigation service. If agreed in principle these assumptions will be further tested during the coming year, particularly drawing on experience of the new council tax support scheme. For this the principle of support for dedicated fraud investigation is agreed by the major precepting authorities; the details and funding support are to be finalised.

Risk Assessment The report highlights the risks to the council if the fraud investigation service is diluted when the single fraud investigation service is fully established.

Other Material Implications: There are no material staffing implications, unless the council decides not to expand the scope of activity and risk dilution of resources when the single fraud investigation service is fully established.

Background Papers: None

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Report Title: The Future of the Fraud Investigation and Visiting Team

Background

1. This report follows consideration of options for the future of the Fraud Investigation & Visiting Team, currently part of the Revenues and Benefits service, in the light of growing demand coupled with the potential loss of responsibility for housing benefit fraud work when this is transferred to the government's Single Investigation Fraud Service. This report should be read in conjunction with the Fraud Annual Report 2011/12 that was put to Audit Committee on 25th June 2012, and the Fraud Investigation Team update that was put to Audit Committee on 27th September 2012.
2. The main reasons to review the team and why now are: -
 - The introduction of The Single Fraud Investigation Service (SFIS) which was originally due to go live from April 2013, however put back and currently operating within 4 pilot authorities from 5th November 2012 for a minimum of 1 year. There is expectation within the DWP that this will be rolled out to all LA's from April 2014, but some recent correspondence may suggest an even later date. SFIS is an amalgamation of fraud teams within DWP, HMRC and LA's to investigate all welfare benefits.
 - The investigation part of the team has naturally evolved over the recent years to incorporate other areas of investigation, not just Benefit Fraud. A large area of our work is on Tenancy Fraud and this has the potential to expand further – indeed a bid in response to the government's social housing fraud programme has been made, which if successful could expand resources by two staff. Further our expertise is used council-wide on a more regular basis for criminal investigation work.
 - The MKIP Audit Partnership review – MKIP is currently reviewing the partnership and part of this is to consider whether counter fraud work should be brought within an Audit and Fraud partnership across the four authorities. Following some initial analysis, it became apparent that there are differences between Ashford and the MKIP Councils in terms of the emphasis for anti-fraud work, principally arising from Ashford being the only one of the four to have a housing stock. The MKIP senior management steering board is aware of Ashford's intentions to consider the option of an expanded stand-alone counter fraud team, though there would still remain a good business case for the other three councils to work in partnership on counter fraud activity. The Internal Audit team at Ashford will continue to have a positive working relationship with the Fraud Team.

SWOT analysis on options

Option	Strengths	Weaknesses	Opportunities	Threats
a) Devote more resources to tenancy fraud (including with RSLs) and other fraud investigation work such as council tax and business rates related	<ul style="list-style-type: none"> • Specialised Investigators • Reduction in Bed & Breakfast costs • Reduction in Housing waiting list 	<ul style="list-style-type: none"> • Reduced opportunities for career progression within ABC 	<ul style="list-style-type: none"> • Maximise revenue for Ashford Borough Council and Kent County Council 	<ul style="list-style-type: none"> • SFIS = Reduced staffing, threatening increased exposure to fraud. No capacity to deal with ad-hoc, high priority investigations.
b) Combine the Fraud team with another or other councils' fraud teams	<ul style="list-style-type: none"> • Specialist Investigators • Potential long term resilience within staffing – after training 	<ul style="list-style-type: none"> • Reduction in Management time • Less focus on Ashford Borough Council's priorities • No link to the visiting officers 	<ul style="list-style-type: none"> • Learning opportunities • ABC income increased or outgoings reduced due to shared management • Shared criminal legal advisors (all depends on which LA combining with) 	<ul style="list-style-type: none"> • Initial affect on performance and output • Increased cost if Manager unable to undertake court work due to lack of skill or time • Excessive time managing different priorities • Loss of focus on prevention for ABC = more focus on stats
c) As b above, but as part of the Mid-Kent Partnership	<ul style="list-style-type: none"> • Specialist Investigators • Potential long term resilience within staffing – after training 	<ul style="list-style-type: none"> • Reduction in Management time • Less focus on Ashford Borough Council's priorities • Managing 4 different focuses, budgets, 	<ul style="list-style-type: none"> • Learning opportunities • ABC income increased or outgoings reduced due to shared management • Shared criminal legal advisors (all depends 	<ul style="list-style-type: none"> • Initial affect on performance and output • Increased cost if Manager unable to undertake court work due to lack of skill or time • Excessive time managing

		<p>expectations and political commitments</p> <ul style="list-style-type: none"> • Resilience – a lot of hidden cost due to different employee contracts • No link to the visiting officers 	<p>on which LA combining with)</p>	<p>different priorities</p> <ul style="list-style-type: none"> • Loss of generic approach • Loss of focus on prevention for ABC = more focus on stats • Does Fraud naturally sit within Audit? • (eg: a London Borough Fraud & Audit Team were congratulated and criticised for the same investigation. An large fraud committed over a long period of time was uncovered by an investigator and on evaluation it was noted that there were areas of weakness that should have been picked up on a recent audit)
<p>d) To become a stand alone team within the Council and consider creating an arms-length staff mutual or company style arrangement to permit the development of an even wider focus</p>	<ul style="list-style-type: none"> • Specialist Investigators • Ashford Borough Council priorities remain high • High staff morale • Skills in place should the need for a high risk, speedy investigation arise • Investigation areas currently active to be maintained 	<ul style="list-style-type: none"> • Initial time investment by Management 	<ul style="list-style-type: none"> • Work with the private sector, starting with Housing Associations • Potential for income generation from external contracts • Flexibility to investigate all areas of Fraud, where necessary • Increase staffing with increased income 	<ul style="list-style-type: none"> • Risk to staff? Believe this has now been minimised?

			<ul style="list-style-type: none"> • Increased knowledge, ability and training in other areas of investigation 	
<p>e) See a transfer of resource to the Single Fraud Investigation Service and downsize the team and its work accordingly</p>	<ul style="list-style-type: none"> • Financial savings to ABC as loss of staff 	<ul style="list-style-type: none"> • Vulnerability and exposure to fraud • Loss of income to ABC and KCC • No resilience • Tenancy Fraud not investigated resulting in increased costs for B&B & Housing 	<ul style="list-style-type: none"> • <i>None for ABC or the staff</i> 	<ul style="list-style-type: none"> • High risk and potential high costs if fraud not investigated correctly • Criticism for removing a resource where the savings outweigh the cost – Tenancy Fraud • High costs to employ temps as and when required

Summary & Recommendation

3. Concluding on the options, based on the above and the details provided in the previous two reports it is recommended that during the financial year 2013-2014 the Investigation Team moves from being part of the Revenues & Benefits operational team to a corporate, stand-alone, Investigation Team, but maintaining reporting lines to the S151 Officer (the DCx). At a point in the future, once the new team's role is firmly established (also at a point when the team may have established itself as a provider of counter fraud work to registered social landlords) a review of the feasibility and viability of a creating an arms-length staff mutual or company could be considered to expand the reach of the service.
4. This option would see the Visiting Officers remain within Revenues and Benefits to deal with Council Tax, NNDR and Benefits matters. A close working relationship would continue.
5. This option enables the council to have its needs met from an investigation perspective, in particular maximising income from Council Tax, NNDR and reducing costs in Housing. It also very importantly mitigates future risk in this area by having specialist investigators available, whilst also providing the option to maximise income in the future.
6. This option ensures that Ashford are keeping staff that they have invested in and in turn have created an anti-fraud culture across the organisation, mitigated risks and pro-actively provided a number of successes. The team want to remain employees of Ashford Borough Council and I believe it would be a great loss to ABC if the staff were to be lost to SFIS. The impact of not having a fraud team would prove a great risk, with increased loss of direct income into the Council, also affecting the ability of the Section 151 Officer to fulfil all of his duties.
7. The options of working with MKIP or another Council have some strengths however following on from experience after a trial period working with Canterbury City Council the weaknesses and risks certainly outweigh any potential strengths or opportunities. The only strength, I believe, would be an initial reduction in salaries if it were a shared manager approach. (MKIP are currently undertaking some work in this area with a report to be produced at the end of Jan 13).
8. Ashford does stand alone when it comes to Fraud Investigation within Kent, even though we sit within Revenues & Benefits we have always been proactive and taken into account the affect on Ashford Borough Council as a whole with our decision making. This was shown, along with our forward thinking when Tenancy Fraud was highlighted as an issue by the Audit Commission and by the public within the borough. We worked hard on a Tenancy Fraud pilot with the Housing Department, building on working relationships, increasing our knowledge on legislation and gaining properties from fraudulent tenants to put to very good use. Each property would ordinarily have cost around 110k each to build. The team were also on hand to deal effectively and efficiently with a somewhat time bound investigation for Electoral Services.

9. Please note that the team is submitting a bid to CLG under its social housing counter fraud initiative. Funds totalling £..m are available nationally. With the team's expertise in this area the council should have good prospects of its bid being approved. The bid is made in partnership with four registered social landlord with about 2,000 properties locally. The bid is for £180,000 and would permit an expansion of housing tenancy counter fraud activity for a two-year period.
10. Members and Management Team have always supported the teams approach to prevention:- with it proven that prevention is not only better than detection but much more cost effective overall. The way the government record the statistics when comparing Local Authority Fraud Team's is on the number of cases investigated and those proven from detection. The team work very hard on prevention knowing that morally and economically for Ashford Borough Council and the taxpayer this is the correct way. I would urge everyone involved in the decision making on where the Investigation Team should sit to look at the bigger picture, to read the reports mentioned in my first paragraph in conjunction with any other reports and stats on options that are put forward.
11. The team should be a corporate fraud team, sit separately from any services to which they provide work for so as not to be influenced and stay neutral at all times. It should also be noted that the current service, Revenues and Benefits have been extremely flexible and at times have absorbed extra costs when the team have provided work for other services. As the administration grant reduces over the coming years, if the Investigation Team remain within Revenues & Benefits this will directly affect staffing levels, purely because the team take a corporate stance. The cost should be absorbed fairly across the Services.
12. The income and savings detailed below are a direct result of the team focusing on the needs and desires of Ashford Borough Council, a concentration on the overall impact for the borough. If there was a shift in direction by joining forces with other fraud teams this focus may well be lost and have a direct impact for Ashford with a loss of notional savings and in turn costing the Council more money.

Team costs and Income

- 2013/14 – funded by Administration Grant through Revenues and Benefits
- 20k annual income from Housing for Tenancy Fraud Investigations
- Additional 20k income from Housing for a specific Tenancy Fraud data matching project – temporary member of staff in post

Proposed 2014/15 (not including the social housing counter fraud bid to CLG)

**Total cost for the Investigation Team
(including oncosts, cars and recharges at 25%)** **£157,270**

Estimated income from Council Tax Support Grant	+ £ 60,000
Estimated income from Housing Benefit Grant	+ £ 40,000
Proposed increased income from Housing (currently re-active work, to include continuous Pro-active work in prevention)	+ £ 40,000
Total income	+ £140,000

Shortfall in income	- £17,270
Notional Savings (based on year 2011/2012)	+£200,729
Total income/notional savings from the team (conservative figures used)	+£183,459

13. Over the years 2014 to 2020 Housing Benefit notional savings will reduce as the caseload moves over to Universal Credit. During this period Council Tax Support savings will increase and due to the changes to NNDR from 01.04.13, (detailed at point 24 on Fraud Annual Report 25 June 2012) investigation in this area will have a direct impact not only maximising income but also increasing savings.
14. The above has not taken into account the work the team has provided to Electoral Services, the Community Safety Unit and other guidance on criminal investigations and I would propose that the shortfall in income, if still applicable in April 2014, be made up with direct recharges across the Council in line with the necessity to have the skills in place for prevention against Fraud and to deal with all detection when required or consideration for increased charges where notional savings are high, in particular Housing.
15. In addition to this the team will investigate working with Housing Associations and the private sector to maximise income and reduce costs where possible. The team are also well placed to provide training, guidance and investigate on behalf of other neighbouring authorities in Tenancy Fraud, Electoral Registration Fraud and other criminal investigations. This area will be explored.

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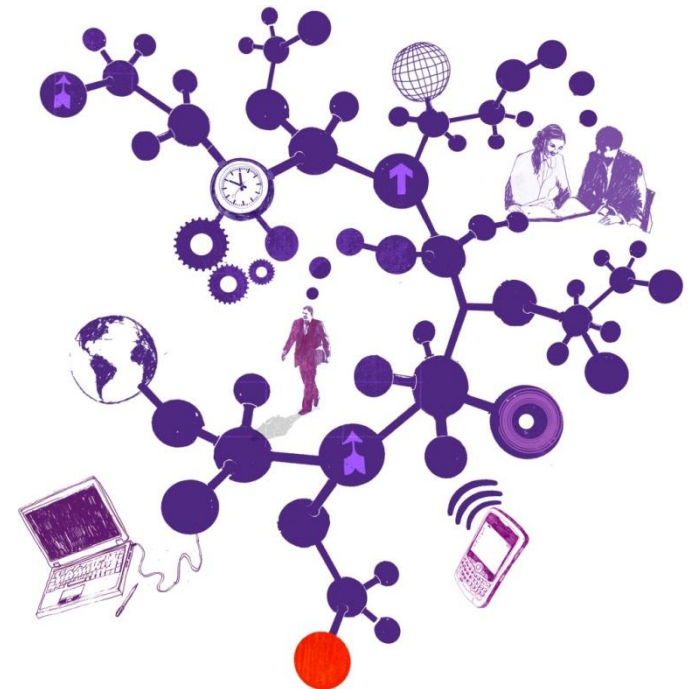
The Audit Plan for Ashford Borough Council

Year ended 31 March 2013

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Current economic climate

The Council has been subject to reduced income from services and there are continued reductions in funding from central government going forward.

2. The localism agenda

The Council is implementing localism plans with implications for how the Council is funded, these include:

- Local retention of business rates.
- Localisation of council tax support.
- Reform of the housing subsidy system.
- Implementation of the community infrastructure levy.

3. Delivery of major projects

The Council is delivering a number of major projects in line with the business plan such as improved recycling arrangements and a country park development and village at Conningbrook Lakes.

4. Developing commercial opportunities

The Council is establishing two wholly owned subsidiary companies for:

- Housing and regeneration; and
- Building consultancy.



Our response

We will review:

- How income assumptions have been incorporated into the medium term financial plan; and
- progress in delivering savings plans.

We will :

- determine whether the Council has assessed the risks and opportunities attached to the relevant schemes; and
- assess how their impact has been incorporated into medium term planning

We will review progress with delivering major projects.

We will review the action taken to:

- assess the risks and opportunities attached to the proposals; and
- ensure appropriate governance arrangements are put in place.

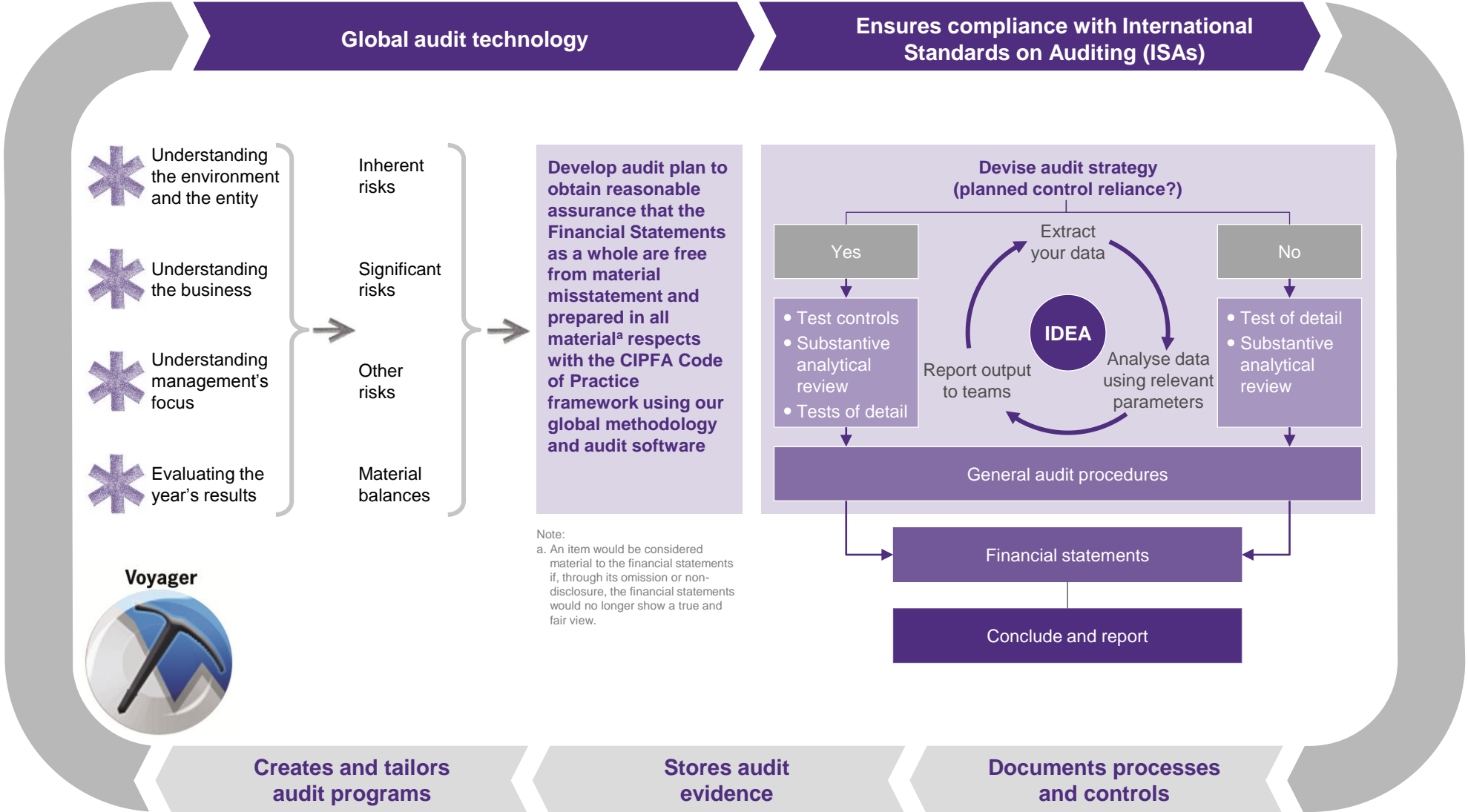
Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements					
<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Recognition of grant conditions and income • Self financing Housing Revenue Account 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement 2012/13 • Welfare reform Act 2012 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<p>4. Pensions</p> <p>Planning for the impact of 2013/14 changes to the Local Government pension Scheme (LGPS)</p>	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion • The Council completes grant claims and returns on which audit certification is required

Our response					
<p>We will ensure that:</p> <ul style="list-style-type: none"> • the Council complies with the requirements of the CIPFA Code of Practice through our substantive testing • grant income is recognised in line with the correct accounting standard 	<p>We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate</p>	<p>We will review:</p> <ul style="list-style-type: none"> • the arrangements the Council has in place for the production of the AGS • the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<p>We will discuss how the Council is planning to deal with the impact of the 2013/14 changes through our meetings with senior management</p>	<ul style="list-style-type: none"> • We will review the Council's performance against the 2012/13 budget, including consideration of performance against the savings plan • We will undertake a review of Financial Resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements • We will certify grant claims and returns in accordance with Audit Commission requirements

Our audit approach



An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Cost of services - operating expenses	Yes	Operating expenses	Medium	Other	Operating expenses understated	✓
Cost of services – employee remuneration	Yes	Employee remuneration	Medium	Other	Remuneration expenses not correct	✓
Costs of services – Housing & council tax benefit	Yes	Welfare expenditure	Medium	Other	Welfare benefits improperly computed	✓
Cost of services – Housing revenue	Yes	HRA	Medium	Other	Housing revenue transactions not recorded	✓
Cost of services – other revenues (fees & charges)	Yes	Other revenues	Low	None		✓
(Gains)/ Loss on disposal of non current assets	No	Property, Plant and Equipment	Low	None		×
Payments to Housing Capital Receipts Pool	No	Property, Plant & Equipment	Low	None		×
Precepts and Levies	No	Council Tax	Low	None		×

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Interest payable and similar charges	Yes	Borrowings	Low	None		✓
Pension Interest cost	Yes	Employee remuneration	Low	None		✓
Interest & investment income	No	Investments	Low	None		×
Return on Pension assets	Yes	Employee remuneration	Low	None		✓
Dividend income from Joint Venture	No	Revenue	Low	None		×
Impairment of investments	No	Investments	Low	None		×
Investment properties: Income expenditure, valuation, changes & gain on disposal	No	Property, Plant & Equipment	Low	None		×
Income from council tax	Yes	Council Tax	Low	None		✓
NNDR Distribution	Yes	NNDR	Low	None		✓
PFI revenue support grant & other Government grants	Yes	Grant Income ⁹	Low	None		✓
Capital grants & Contributions (including those received in advance)	Yes	Property, Plant & Equipment	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
(Surplus)/ Deficit on revaluation of non current assets	Yes	Property, Plant & Equipment	Low	None		✓
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Employee remuneration	Low	None		✓
Other comprehensive (gains)/ Losses	No	Revenue/ Operating expenses	Low	None		✗
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Low	None	PPE activity not valid	✓
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Low	None	Revaluation measurements not correct	✓
Heritage assets & Investment property	Yes	Property, Plant & Equipment	Low	None		✓
Intangible assets	No	Intangible assets	Low	None		✗
Investments (long & short term)	Yes	Investments	Low	None		✓
Debtors (long & short term)	Yes	Revenue	Low	None		✓
Assets held for sale	No	Property, Plant & Equipment	Low	None		✗
Inventories	No	Inventories	Low	None		✗
Cash & cash Equivalents	Yes	Bank & Cash	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Borrowing (long & short term)	Yes	Debt	Low	None		✓
Creditors (long & Short term)	Yes	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓
Provisions (long & short term)	Yes	Provision	Low	None		✓
Pension liability	Yes	Employee remuneration	Low	None		✓
Reserves	Yes	Equity	Low	None		✓

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>Work planned:</p> <ul style="list-style-type: none"> • Review and testing of revenue recognition policies • Performance of attribute testing on material revenue streams
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of prior year accounting estimates, judgments and decisions made by management <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of year end accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Operating expenses understated	<ul style="list-style-type: none"> • Identification and walkthrough of controls • Testing of key controls 	<ul style="list-style-type: none"> • Update of key controls for quarter four transactions • Perform additional attribute testing as required • Cut-off testing
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> • Identification and walkthrough of controls • Testing of key controls 	<ul style="list-style-type: none"> • Update of key controls for quarter four transactions • Perform additional attribute testing as required • Cut-off testing
Employee remuneration	Remuneration expenses not correct	<ul style="list-style-type: none"> • Identification and walkthrough of controls • Testing of key controls 	<ul style="list-style-type: none"> • Update of key controls for quarter four transactions • Perform additional attribute testing as required • Proof in total of employee remuneration • Review of pension disclosures and • Review of officers and members remuneration
Welfare Expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> • Identification and walkthrough of controls 	<ul style="list-style-type: none"> • Reconciliation of benefits expenditure per the financial statements to underlying records • Completion of core testing for certification of the housing and council tax benefit scheme
Housing Rent Revenue Account	Revenue transactions not recorded.	<ul style="list-style-type: none"> • Identification and walkthrough of controls • Testing of key controls 	<ul style="list-style-type: none"> • Complete analytical review of rental income • Update of key controls for quarter four transactions • Cut-off testing

Results of interim audit work

Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered:

- the effectiveness of the internal audit function
- internal audit's work on the Council's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- a review of Information Technology (IT) controls

	Work performed	Conclusion/ Summary
Internal audit	We are reviewing internal audit's overall arrangements against the CIPFA Code of Practice. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council	We are currently finalising this work and will report any matters arising to the next meeting. We continue to liaise closely with regard our work plans and will use the work of internal audit where appropriate to supplement the assurance gained from our own work.
Walkthrough testing	Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements.	No significant issues were noted and in-year internal controls were observed to have been implemented in accordance with our documented understanding.

Results of interim audit work (continued)

	Work performed	Conclusion/ Summary
Review of information technology (IT) controls	Our information systems specialist is performing a high level review of the general IT control environment, as part of the overall review of the internal controls system.	We are currently finalising this work and will report any matters arising to the next meeting.
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have identified a material weaknesses which may adversely impact on the Council's control environment or financial statements.	<p>As the accounting system is currently set-up, any member of finance or exchequer services can raise a journal. There are no limits on the value of journals to be raised and no authorisation is required. The following mitigating controls are in place:</p> <ul style="list-style-type: none"> • security access controls within the e-financials system ; and • Monthly monitoring by budget holders to identify any unexplained variances. <p>The lack of authorisation increases the risk that mistakes are not identified and rectified in a timely manner. We appreciate there are a significant number of journals raised during the year. However, we recommend the finance manager completes an evidenced review of all material journals either on a monthly basis or at the year end. Alternatively, officers investigate the opportunity for internal audit to provide further assurance in this area through periodic review of a sample of journals through the year.</p>

Value for Money

Introduction

The Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

2012/13 VfM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review. These will be agreed in advance and presented to Audit Committee.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Code criteria

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

We will consider whether the Council is prioritising its resources with tighter budget

Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control.

Specifically we will review:

- the medium term financial plan including the assumptions made;
- 2012/13 financial performance; and
- progress against savings plans.

Logistics and our team



Date	Activity
12/12/2013	Planning meeting
14/01/2013	Interim site work
05/03/2013	The audit plan presented to Audit Committee
01/07/2013	Year end fieldwork commences
30/07/2013	Audit findings clearance meeting
26/09/2013	Audit Committee meeting to report our findings
27/09/2013	Sign financial statements and VfM conclusion
15/10/2013	Issue Annual Audit Letter

Our team

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Fees and independence

Fees

	£
Council audit	79,515
Grant certification	12,700
Total	92,215

Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The finance manager completes an evidenced review of all material journals either on a monthly basis or at the year end. Alternatively, officers investigate the opportunity for internal audit to provide further assurance in this area through periodic review of a sample of journals through the year.	High	The Finance manager recognises that there would be a benefit from introducing a bi-monthly review of material journals, a report will be extracted from the system and reviewed	April 2013 Finance Manager



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Audit Committee Update for Ashford Borough Council

Year ended

31 March 2013

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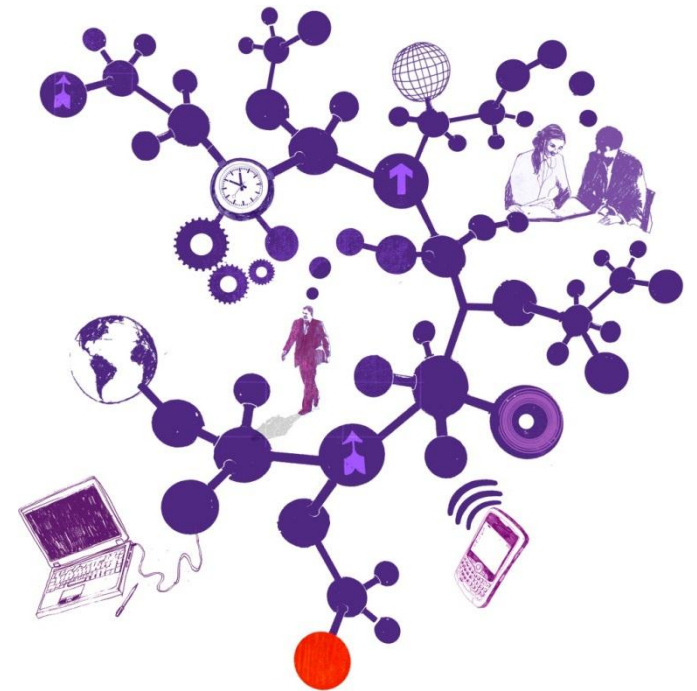
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications - 'Local Government Governance Review 2012', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at 5 March 2013

Work	Planned date	Complete?	Comments
<p>2012-13 Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2012-13 financial statements.</p>	March 2013	Yes	To be presented to the March 2013 Audit Committee
<p>Interim accounts audit</p> <p>Our interim fieldwork visit will include the following:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • update understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January to April 2013	Ongoing	<p>There are currently no matters arising which require reporting to members other than those set out in the Audit Plan.</p> <p>As part of our interim work we are required to obtain certain assurances from those charged with governance these are the subject of a separate item on the agenda.</p>
<p>2012-13 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2012-13 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July to September 2013		

Progress at 5 March 2013

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2012/13 VFM conclusion comprises:</p> <ul style="list-style-type: none"> • An initial risk assessment; • A detailed risk assessment focusing on the two specified criteria, that the organisation has: <ul style="list-style-type: none"> ○ Proper arrangements in place for securing financial resilience; and ○ Robust systems and processes to manage effectively financial risks and opportunities and to secure a stable financial position that enables it to continue to operate for the foreseeable future. <p>We will:</p> <ul style="list-style-type: none"> • provide the vfm conclusion at the same time as our opinion on the financial statements; and • Report our findings in the key issues memorandum and financial resilience report 	<p>January to September 2013</p>		<p>Following our initial risk assessment our work will specifically focus on:</p> <ul style="list-style-type: none"> • The medium term financial plan; • 2012/13 financial performance; and • Progress made with savings plans.

Emerging issues and developments

Accounting and audit issues

Implications of the Local Government Finance Act 2012

The Local Government Finance Act 2012 has now been given Royal Assent. The Act has amendments in two areas of local government finance:

- Council tax support will now be localised and local authorities will be responsible for implementing their own council tax reduction schemes.
- 50% of the non domestic rates collected locally will be retained by the local authority. Billing authorities will pay over a share to central government and proportionate shares to their precepting bodies.

In December 2012, CIPFA issued a consultation on proposed amendments to the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom for the implications of business rates retention schemes. In summary, the changes are to account for business rates in a similar way to council tax. The Comprehensive Income and Expenditure Statement will need to show amounts collectible by each authority. Debtors/creditors will be recognised when these amounts do not match the actual amounts paid by each billing authority over to preceptors and government. The Collection Fund adjustment account will be used for accounting for the differences. Top-ups and tariffs and the safety net and levy will be recognised as grant income or expenditure. Individual authorities in a pool will need to account for their share of income and expenditure debtors/creditors as stipulated in any agreement made by individual authorities in the pool.

Challenge questions:

- Do you know your key risks?
- Have officers ensured the financial impact is fed into medium term financial plans?
- Have officers undertaken modelling of future business rates growth?
- Have officers given due consideration to pooling?
- Have officers considered the possible impact on council tax collection rates if they do reduce benefit entitlement in line with the funding reduction?
- Has your Finance Manager reviewed the proposed amendments to the 2013/14 Code and assessed the potential impact?

Emerging issues and developments

Accounting and audit issues

CIPFA consultation on Service Reporting Code of Practice 2014/15: Adult Social Care Service Expenditure Analysis (England only)

In January, CIPFA issued a consultation on the proposed changes to the Adult Social Care Service Expenditure Analysis. The proposed changes are for a complete revision to the mandatory lines and these have been based on work done by the Health and Social Care Information Centre.

The closing date for responses is 28 February 2013.

Accounting for joint arrangements

IAS 31 classified joint ventures into jointly controlled operations, jointly controlled assets and jointly controlled entities. Under IFRS 11 both jointly controlled operations and jointly controlled assets are classified as joint operations.

Under IAS 31 members of jointly controlled entities were permitted to use proportionate consolidation or equity accounting to account for their interests in the jointly controlled entity's assets, liabilities, revenue and expenses. Under IFRS 11 the ability to use proportional consolidation for interests in joint ventures is no longer permitted. Equity accounting is required.

Last year, Grant Thornton published a flyer 'Accounting for joint arrangements by local authorities under IFRS 11' to highlight the changes being introduced by IFRS 11 'Joint arrangements' compared to IAS 31 'Interests in joint ventures' for 2013/14.

Challenge question:

- Have officers considered the impact of these new arrangements?
- Are you clear on the issues arising for the Authority ?

Emerging issues and developments

Accounting and audit issues

Provisions

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the criteria for recognising a provision is that there is:

- a current obligation as a result of a past event;
- a transfer of economic benefit is probable; and
- a reliable estimate of the liability can be made.

We wish to highlight the following matters to you for consideration where a provision may be required:

- Mutual Municipal Insurance – the Scheme of Arrangement was triggered in November 2012, therefore it is now virtually certain that there will be a transfer of economic benefit. If this liability has not been discharged by 31 March 2013, we would expect local authorities to recognise a creditor or, if the timing or amount of the payment is uncertain, a provision in their financial statements.
- Redundancy costs –the recognition point for termination benefits fall under IAS 19 'Employee Benefits'. This is generally earlier than the IAS 37 recognition criteria for restructuring which requires that a valid expectation has been raised in those affected. The requirement in IAS 19 is that the entity is 'demonstrably committed'.

Challenge question:

- Has your Finance Manager considered the need for additional provisions for the above matters?

Emerging issues and developments

Grant Thornton

'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities '

In December 2012, Grant Thornton published 'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities'. This financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls to provide a summary update on how the sector is coping with the service and financial challenges faced. The report provides a summary of the key issues, trends and good practice emerging from the review. The report can be accessed at <http://www.grant-thornton.co.uk/en/Publications/2012/Towards-a-tipping-point/>

Challenge questions:

- Have you considered the findings of the report?
- Are there any issues that relate to your authority and what action are you going to take?

Emerging issues and developments

Local government guidance

'Auditing the Accounts 2011/12' report

In December, the Audit Commission published 'Auditing the Accounts 2011/12'. The report summarises the results of auditors' work on the financial statements of both principal and small bodies. The key finding in the report is that bodies have improved the quality and timeliness of their financial reporting in 2011/12.

Challenge questions:

- Has your Finance Manager identified the key risks for the authority in preparing the 2012/13 financial statements?
- Has your Finance Manager produced a robust and adequately resourced timetable for the production and submission of its 2012/13 financial statements?
- Has this been discussed and agreed with the External Auditors?

'Striking a balance: improving councils' decision making on reserves'

In December, the Audit Commission published 'Striking a balance: improving councils' decision making on reserves.' The report covers the findings from research undertaken by the Audit Commission on the level of reserves that councils hold and the decisions councils make on them.

The report encourages English councils to focus more attention on their reserves. It suggests that management should be providing more comprehensive information on reserves to elected members and councils should provide greater clarity on the reasons for holding reserves. The report includes questions for elected members that will help them in their decision making and scrutiny roles.

Challenge questions:

- Are your officers providing you with the right information about reserves?
- Have you considered the findings of the report and identified where actions are required?

Emerging issues and developments

Local government guidance

'Tough Times: Councils' financial health in challenging times'

In November, the Audit Commission published 'Tough times 2012: Councils' financial health in challenging times.' This is the second report it has produced looking at how councils are dealing with the issues from the Spending Review and focuses on the financial health of councils.

The report finds that councils generally delivered on their planned savings, however, auditors reported that signs of financial stress were visible.

Challenge question:

- Have you considered the findings of the report and any actions required?

'Protecting the public purse 2012'

In November, the Audit Commission published 'Protecting the public purse 2012: Fighting fraud against local government'. The report provides the results of the Audit Commission's annual survey of English local government bodies. It finds that local government bodies are targeting their investigative resources more efficiently and effectively. Local government bodies detected more than 124,000 cases of fraud in 2011/12 totalling £179m. It also reports that new frauds are emerging in areas such as business rates, Right to Buy housing discounts and schools.

The report includes a checklist for those charged with governance to use to review their counter-fraud arrangements.

Challenge questions:

- Have you considered the findings of the report?
- Are there any issues that could relate to your authority and how are these being dealt with?
- Have you reviewed your existing arrangements for tackling fraud?

If you have any fraud queries, talk to your audit manager to see how Grant Thornton could help.



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Ashford Borough Council

Certification work report 2011/12

February 2013

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1 Executive Summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 We have certified four claims and returns for the financial year 2011/12 relating to expenditure of £89 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 It should be noted that all work reported in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore represent the results of your previous auditors work.
- 1.7 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	All claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	Overall the Council is performing well. A qualification letter was issued in relation to the Housing and Council Tax Benefit Scheme and the return amended by £28.
Supporting working papers	Supporting working papers for all claims and returns were good, which enabled certification within the deadlines.

The way forward

- 1.8 We have made two recommendations to address the findings arising from our certification work at Appendix C.
- 1.9 Implementation of the agreed recommendations will assist the council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

- 1.10 We would like to take this opportunity to thank Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

December 2012

2 Results of our certification work

Key messages

- 2.1 We have certified four claims and returns for the financial year 2011/12 relating to expenditure of £89 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
Total claims/returns		4		6		
Number of claims submitted on time	100%	4	100	6	100	→
Number of claims certified on time	100%	4	100	6	100	→
Number of claims certified with amendment	0%	1	25	4	67	↑
Number of claims certified with qualification	0%	1	25	1	17	→

- 2.3 This analysis of performance shows that:
- all claims continue to be submitted to audit on time and were certified within the required deadline.
 - The number of claims certified with amendment has been reduced as both the Housing Finance Base Data Return and Pooling of Housing Capital Receipts did not require amendment in 2011/12.
 - The Housing and Council Tax Benefit Scheme was qualified in both years, this is consistent with a number of Councils and the nature of errors arising did not lead to a significant amendment to the claim.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.

- 2.5 Where we have identified significant matters or opportunities for improvement in the compilation of claims and returns, these are summarised below and recommendations are included in the action plan at Appendix C.
- 2.6 Your previous auditors, the Audit Commission, charged a total fee of £23,405 against an indicative budget of £37,000 for the certification of claims and returns in 2011-12. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

Certification of Housing Benefit and Council Tax Benefit Claim

- 2.7 A qualification letter was submitted and the claim amended by £28. The following issues are areas for improvement in 2012/13:

Reconciliation of benefit granted to paid

- 2.8 The Authority uses the Northgate Benefit software. The software supplier provides a method for the Authority to reconcile benefit granted to benefit paid per the benefit software. The benefit granted figures in the claim form and the benefit granted figures used in the reconciliation differed by £451 resulting in the claim form being understated.

Calculation of earned income

- 2.9 Testing of the initial sample of 40 cases identified one case where the gross income was incorrectly input for the calculation of earned income. Errors calculating earned income can result in under/overpayments being made and therefore an additional sample of 40 cases were tested and a further two errors identified.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Role	2011/12	2010/11
Engagement lead	£345	£345
Manager	£195	£195
Senior auditor	£125	£125
Other staff	£95	£95

B Details of claims and returns certified for 2011-12

Claim or return	Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	41,680,647	Yes	28	Yes	17,709	20,557	Although fewer errors were identified, a higher skill mix resulted in a higher fee for the certification of this return.
National non-domestic rates return	41,847,197	No	0	No	1,869	1,021	
HRA Subsidy	4,603,600	No	0	No	2,858	863	Fewer errors identified in 2011/12
Pooling of Housing Capital Receipts	1,143,088	No	0	No	624	517	
Planning and reporting to those charged with Governance					1,240	447	Fewer claims certified and fewer issues identified in 2011/12.
Total	89,274,532		28		27,617	23,405	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing Benefit and Council Tax Benefit Claim	Follow up reconciliation differences with Northgate on a timely basis to avoid the claim being under/overstated.	M	The reconciliation discrepancy in 2011/12 was investigated by Northgate but not resolved - they considered it to be an isolated issue. We have been running reconciliations throughout 2012/13 and the spreadsheet is reconciling as normal, so we do not anticipate any issues in 2012/13.
Housing Benefit and Council Tax Benefit Claim	Remind staff of the need to correctly input income figures in the calculation of earned income to avoid under/overpayments being made.	M	Inputting correct income figures is standard practice, and staff are reminded of the need to correctly input income figures. Due to the sheer volume of transactions the occasional error may happen, however staff are trained and experienced and such errors will be rare.

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30 January 2013

Dear Councillor Clokie

Ashford Borough Council Financial Statements for the year end 31 March 2013 - Understanding how the Audit Committee gains assurance from management

To comply with International Auditing Standards, each year we need to refresh our understanding of how the Audit Committee gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me with your responses to the following questions.

- 1 How does the Audit Committee oversee management's processes in relation to:
 - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
 - identifying and responding to the risk of breaches of internal control
 - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
 - communicating to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the codes of conduct)?
- 2 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 3 How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?
- 4 Are you aware of any actual or potential litigation or claims that would affect the financial statements?

Chartered Accountants

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In order to facilitate your response please find attached at Appendix 1 a copy of information provided by management relating to the matters set out above. Please could you provide a response by 31 March 2013 and please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Andy Mack
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For Grant Thornton UK LLP

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Appendix 1 - Informing the audit risk assessment for Ashford Borough Council

Year end

31 March 2013

Andy Mack

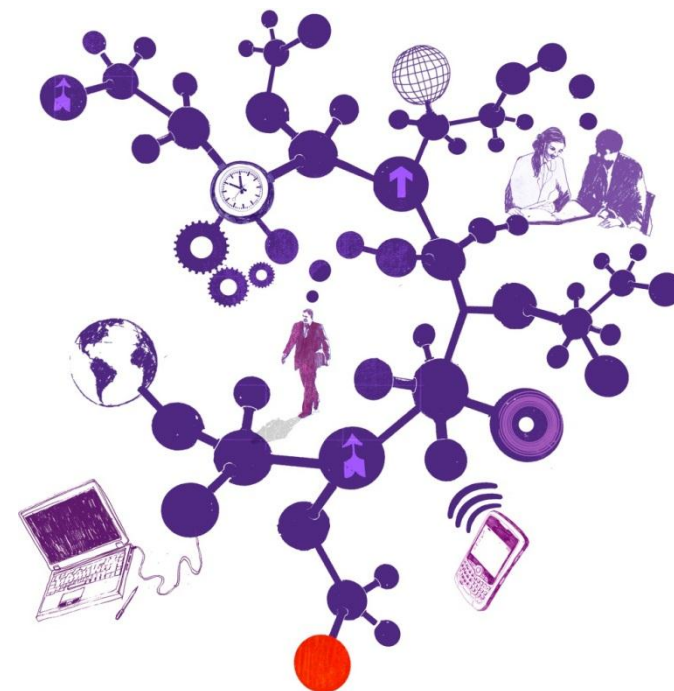
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between auditors and the Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Audit Committee's oversight of the following areas:

- fraud
- laws and regulations
- going concern.

This report includes a series of questions on each of these areas and the response we have received from the Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

Fraud

Issue

Matters in relation to fraud

ISA(UK&I)240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud
- process for identifying and responding to risks of fraud, including any identified specific risks
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from the Council's management.

Fraud risk assessment

Question	Management response
<p>Has the Council assessed the risk of material misstatement in the financial statements due to fraud? What are the results of this process?</p>	<p>Yes. The critical financial systems are the subject of routine review through either internal audit or external audit, including grant claims that result. The assessment of risk, therefore, follows as a product of this review work. No risks of material misstatements due to fraud were highlighted.</p>
<p>What processes does the Council have in place to identify and respond to risks of fraud?</p>	<p>The council has a comprehensive system of internal controls, and associated operating procedures and guidelines by which operations are then the subject of internal audit scrutiny according to risk-based judgements. The council's position on fraud and counter fraud activity is governed by policy arrangements that are communicated to staff, and supported and enforced through management responsibility, and the work of the internal audit team, and our internal fraud investigation team. Protocols to handle alleged fraudulent activity and its investigation are also stated, these protocols require notification to senior officers, including the statutory officers, and the Audit Committee.</p>
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>None has been identified specifically relating to the financial statements. However, and simply to highlight our abilities, a significant electoral fraud involving postal voting was identified, following a 2011 local election, and investigated by our fraud investigation team, before handover to the police. This investigation led to a successful prosecution.</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively? If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>As mentioned in a response above, the council does have comprehensive internal control procedures, which are reviewed and developed to fit changing circumstances. Internal audit's review work over the year in question, and continuing, shows substantial assurance is given to the effectiveness of the control environment.</p>

Fraud risk assessment (continued)

Question	Management response
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>There is a wide scope activity relating to the financial reporting process. At lower levels of transaction handling and reporting our internal controls operate to ensure compliance and proper accounting and reporting are maintained. During the process of translating transactions into the financial statements and other reports, this is overseen by the Finance Manager and his team; scrutiny within the team is also maintained. As Section 151 officer I will also scrutinise financial reporting and the financial statements. So the assurance is that our internal controls, the associated routine checks that surround these, plus the various divisions of responsibilities to authorise and scrutinise, plus the professional ethical codes to which professional officers are obligated are designed and serve to remove inappropriate influence within the reporting process. Both internal and external audit work also contributes to eliminate the potential for material override of controls.</p>
<p>Are there any areas where there is a potential for misreporting override of controls or inappropriate influence over the financial reporting process?</p>	<p>For similar reasons to the above the answer here is 'no'.</p>
<p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud? What arrangements are in place to report fraud issues and risks to the Audit Committee?</p>	<p>The Audit Committee has the responsibility for oversight of the council's internal controls, governance, risk management, and counter-fraud arrangements. This oversight is exercised through development of specific policies and procedures (for example the Audit Committee has in the past year steered a complete review of the council's strategic risks and the development of appropriate mitigation plans), and the communication of policies and procedures through the council's various internal communications channels. Operational oversight is exercised through management and the specific role of the internal audit team, and our dedicated counter-fraud team (this team's core focus is benefit fraud, but has developed a growth in focus in other areas, most notably housing tenancy fraud). Accountability to the Audit Committee for operational oversight is through the regular reporting of review outcomes to the committee. Structured annual reviews of governance, and counter-fraud activity are embodied in the committee's annual cycle, with specific reports therefore submitted, such as the Annual Governance Statement, the Annual Fraud Report, and the Annual Internal Audit Report. Specifically on fraud, the council has in place an Anti-Fraud and Corruption Strategy (and operational reporting protocol) supported by a 'whistleblowing' policy, a money laundering policy, and the council's complaints procedures. These protocols provide for notification of any fraud activity to be reported to the Audit Committee.</p>

Fraud risk assessment (continued)

Question	Management response
How does the Council communicate and encourage ethical behaviour of its staff and contractors?	Communication is achieved through the internal publication of counter-fraud policies and procedures, and occasional staff briefings. These are also published on the council's website. Contracts have anti-fraud clauses and refer to the whistleblowing arrangements, and the whistleblowing policy and procedures are required to be appended to contracts. All new staff entrants are introduced to the procedures. A complete refresh of our intranet is now underway and this provides the opportunity to give even more prominence to these policies and procedures. The whistleblowing policy is due to be updated, and it is a requirement that it is submitted to each member of staff on an annual basis. Finally, the council has well-developed hospitality and declaration of interest procedures for staff and members. Hospitality and declarations arrangements together with the authorisation arrangements are now on-line, and details published on our transparency page of the council's website.
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	The council has a 'whistleblowing' policy, and it has been used occasionally in the past. No reports were made in the last year. The policy is being updated and as stated it is a requirement that it is submitted to staff each year.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	Related party relationships or transactions are annually documented through declarations that members and staff are required to provide.
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2012?	There were no instances of internal fraud or fraud affecting council services directly. I have previously mentioned an electoral fraud that was identified and successfully dealt with, this however did not arise from any internal activity of the council.

Laws and regulations

Issue

Matters in relation to laws and regulations

ISA(UK&I)250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that the Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?</p>	<p>Formally the council's statutory Monitoring Officer and Chief Financial Officer have responsibilities to ensure compliance and report on any non-compliance or potential non-compliance by the council. There were no circumstances that gave rise to a need for either officer to exercise any statutory reporting. Both statutory officers are supported by professional staff (including internal audit) and the many processes designed to ensure compliance with the law. The statutory officers (or their nominees) are represented at Management Team, and contribute to the scrutiny of all reports for decision by members to ensure there is compliance. The approach is thorough depending on the issues and risks involved. For example the recent introduction (developed during 2012-2013) of a localised council tax support scheme by the council probably had more detailed scrutiny for compliance than in many other places, all to ensure our non-compliance risk, and risk of challenge was minimised. Other services, for example the Personnel Service and the Planning Service, are also responsible for ensuring compliance and triggering the development of new arrangements when needed. Regular training and updates for staff on new law, and emerging new law, is carried out across services. Our approach to new legislation is also thorough, with legal and non-legal staff contributing to ensure that important new legislation is understood by decision-makers (members and officers), and that appropriate policies and supporting procedures are developed. Here we may cite as an example, a very thorough approach to the various requirements of the Localism Act where our work to ensure compliance was worked through officer and member task groups, before recommendations for new arrangements made to cabinet.</p>
<p>How does management gain assurance that all relevant laws and regulations have been complied with?</p>	<p>Through the processes outlined above.</p>

Impact of laws and regulations (continued)

Question	Management response
How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	The Committee is responsible for approving the Annual Governance Statement. The AGS draws together the council's governance and compliance procedures and the material outcomes of review work in the year. The AGS relies on input by the statutory officers and others, including the head of internal audit. It is through this process that once each year the Committee carries out a formal review. During each year the committee will receive advice and reports from officers on risks and any material non-compliance issues; but as far legal non-compliance is concerned there were none reported during the past year.
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2012, or earlier with an on-going impact on the 2012/13 financial statements?	No
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	The Head of Legal and Democratic Services (also the Monitoring Officer) has primary responsibility for identifying and managing litigation and claims against the council. Each year in drawing up the financial statements an assessment is made of whether risks associated with such actions are highlighted as contingent risks or liabilities, or to be satisfied that such risks are otherwise covered through the council's reserves. Similarly insurance risks are assessed.
Is there any actual or potential litigation or claims that would affect the financial statements?	One specific action is highlighted in the financial statements relating to the Stour Leisure Centre; this has been the subject of regular reporting in the accounts since the potential for action by the council was first raised.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	None for the council.

Going concern

Issue

Matters in relation to going concern

ISA(UK&I)570 covers auditor responsibilities in the audit of financial statements relating to management's use of the going concern assumption in the financial statements.

The going concern assumption is a fundamental principle in the preparation of financial statements. Under this assumption entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

The code of practice on local authority accounting requires an authority's financial statements to be prepared on a going concern basis. Although the Council is not subject to the same future trading uncertainties as private sector entities, consideration of the key features of the going concern provides an indication of the Council's financial resilience.

As auditor, we are responsible for considering the appropriateness of use of the going concern assumption in preparing the financial statements and to consider whether there are material uncertainties about the Council's ability to continue as a going concern that need to be disclosed in the financial statements. We discuss the going concern assumption with management and review the Council's financial and operating performance.

Going concern considerations have been set out below and management has provided its response.

Going concern considerations

Question	Management response
Does the Council have procedures in place to assess the Council's ability to continue as a going concern?	Yes, the ongoing and regular reviews of the council's financial position and its position over the medium term are the processes through which assurance and actions plans are developed to ensure the council continues to operate as a going concern.
Is management aware of the existence of other events or conditions that may cast doubt on the Council's ability to continue as a going concern?	Management and members are well aware of the risks to the council's financial position, but through risk and longer term financial planning the council is managing very well the impacts and potential impacts of these risks.
Has management reported on going concern to the Audit Committee?	Not specifically other than as part of the annual financial statements, though in the context of the Committee's responsibilities for risk management and governance, the committee is well aware of 'going concern' issues for the council and had adopted suitable strategies to ensure risks are highlighted and managed.
Are the financial assumptions in that report (e.g. future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Council throughout the year?	In short 'yes'. The point of the medium term financial plan review, which supports the business plan is to ensure the council's operational and strategic plans are consistent with resources potentially available.



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Agenda Item No: 9
Report To: **Audit Committee**
Date: 05 March 2013
Report Title: Presentation of Financial Statements
Report Author: Maria Nunn – Principal Accountant
Ben Lockwood – Finance Manager



Summary: The Council is required to follow statutory guidance for the publication of its accounts. Each year, this guidance is reviewed and updated. This report will look at the impact of these updates on the Council's accounts for 2012/13. In addition, the report reviews on the lessons learnt from accounts process for 2011/12.

The Council has completed a review of its accounting policies that will be used for the production of the statement of accounts

Key Decision: No

Affected Wards: None specifically

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

- **Note the report**
- **Approve the accounting policies for the 2012/13 accounts. (Appendix A)**

Financial Implications: None

Risk Assessment This report covers updates to The Code (Code of Practice on Local Authorities Accounting) – if the council fails to implement the changes correctly there is a risk of audit issues and reputational risk.

Equalities Impact Assessment No

Other Material Implications: None

Background Papers: Draft Closing Timetable 2012/13

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Ben.lockwood@ashford.gov.uk – Tel: (01233) 330540

Report Title: Presentation of Financial Statements

Purpose of the Report

1. To update members on the progress of the production of the Statement of Accounts 2012/13 (the Statement) and how changes are to be managed and implemented.

Issue to be Decided

2. Members are asked to note the report and 2012/13 Statement of Account changes.

Background

3. The Council is required to produce an annual statement of accounts for the financial year ending the 31 March. These are then audited by the Council's external auditor and an opinion issued by the end of September.
4. This year there are a few changes to the Code (Code of Practice on Local Authorities Accounting) for incorporation into the final accounts for 2012/13.

Audit Wrap Up and Closing Timetable

5. Officers met with the audit team to discuss any issues that had arisen in the closing process for 2011/12 in the autumn and have included the lessons learnt into the closing timetable and approach for 2012/13.
6. Overall officers and auditors were happy with both the audit process and happy with the working relationship. Holding regular update meetings through the audit is important and needs to be maintained for 2012/13 closing period.
7. The 2012/13 Accounts will be the first set of statements that will be audited under the new audit arrangements. The Audit Commission have appointed Grant Thornton to be our auditors and whilst there are a number of personnel that have transferred with the contract it is anticipated that there will be a different audit approach with a greater reliance on substantive testing rather than controls testing. Officers have liaised with the auditors as details of the audit approach have been
8. This report also considers the findings of the Audit Commission as set out in the Annual Governance Report considered by this Committee on 27 September 2012.
9. The Audit of the 2012/13 accounts will commence on 1 July for three to four weeks, with Grant Thornton commencing their planning work on 24 June and have requested a copy of the accounts on that date. They are due to audit the Whole of Government Accounts return in August.
10. Officers have completed a draft closing timetable that is currently being reviewed by the Accountancy team. The key deadlines are:

- service revenue accounts and Collection Fund closed by 19 April
- balance sheet codes closed by 10 May
- a draft statement by 31 May

11. This is consistent with previous timetables and is considered achievable.

Accounting Changes for 2012/13

12. There are no major changes to the Code this year. Updates refer mainly to clarifications in the code in a number of areas where there was previously a degree of uncertainty. With the exception of implications resulting from HRA self-financing in 2011/12.

13. the updates cover:

- Conceptual Framework
- Management Commentary (further guidance for the completion of the explanatory forward),
- Financial Instruments, - updating disclosure notes
- Carbon Reduction Commitment, (not applicable to this authority)
- Exit Packages,
- Loans and Advances
- Non Current Assets
- Joint Ventures

14. These either have no significance for this Council or are not considered material at this stage.

15. A review of the Council's accounting policies has been undertaken and a copy of the proposed policies to be applied for 2012/13 is attached at appendix A for approval. There are no major changes to the policies but they have been refined and updated with any duplication has been removed.

Housing Revenue Account

16. The accounts for 2012/13 marks the commencement of the new self-financing regime for the Housing Revenue Account (HRA) in England, which was introduced by means of the Localism Act 2011 and the suite of self-financing determinations issued by the Department for Communities and Local Government (CLG) on 1 February 2012.

17. The Council had to undertake additional borrowing to fund the impact of these determinations, the Council has adopted the two pool approach to housing debt with the costs of loans associated with the reforms being charged directly to the HRA. Where the loans and investments cannot be identified directly the interest charged and earned will be applied to the HRA through the use of the Item 8 Credit and Debit calculations.

18. There is currently a five year dispensation from component accounting for the HRA which means that depreciation can still be calculated. Depreciation is the process where capital costs (such as the acquisition and enhancement of

Council Dwellings) are charged to the Housing Revenue Account. For many years, local authorities have been allowed to use the Major Repairs Allowance (calculated from Housing Subsidy) as a 'proxy' for depreciating Council Dwellings. Now that Housing Subsidy is no longer in operation, there are transitional arrangements applying for a five-year period – during which time depreciation has to follow 'proper practice'. For this Council, no changes are anticipated until the end of the transitional period.

19. In addition, as Members have previously been advised, Housing Subsidy is no longer receivable or payable.

Audit Recommendations for 2012/13 Accounts

20. The Commission made two recommendations in their Action Plan following the audit of 2011/12:
 - Ensure the Annual Governance Statement meets the requirement of the Code of Practice on Local Authority Accounting on an annual basis;
 - Review the process for annual Member declarations to ensure that all declarations are received for consideration of any related party disclosures.
21. The Annual Governance Statement is being drafted to comply fully with the Code of Practice, as previously advised.
22. In relation to Related Party Disclosures, as well as requesting returns from Councillors and officers, a review will be completed of the information being held for the 'declaration of pecuniary interests' and the declaration of interests system for officers.

Risk Assessment

23. For the 2012/13 Statement of Accounts there are few changes to the format of the statement and material changes to accounting policy. Therefore the risks are considered to be low.

Consultation

24. Members are asked to note the changes to the final accounts process.

Conclusion

25. The accounting updates have been reviewed and amendments have been made to the accounting policies which brings the Council in-line with requirements.

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Draft Accounting Policies

Accounting Policies

1. General Principles

The Statement of Accounts is prepared on an income and expenditure basis in accordance with the 'Code of Practice on Local Authority Accounting in the United Kingdom 2012/13' and the 'Service Reporting Code of Practice 2012/13'.

2. Accounting Concepts and Conventions

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of assets.

The Going Concern basis has been selected for the preparation of these accounts based on the assumption that the Council will operate for the foreseeable future.

Qualitative characteristics are the attributes that make the information provided within this statement of accounts useful to users (IASB Framework, paragraph 24). The IASB Framework sets out the four principal qualitative characteristics of financial statements, which have been adopted by the Code:

- understandability
- relevance
- reliability
- comparability

The Code also includes consideration of materiality as a qualitative characteristic, although the Framework considers it as a subsidiary concept of relevance.

3. Accruals of Income and Expenditure

With the exception of the Cash Flow Statement, and its Notes, and the Collection Fund, the Statement of Accounts is presented on an accruals basis. The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the Statement of Accounts for the year in which those effects are experienced, and not in the year in which the cash is actually received or paid. In particular: fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services; interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. Where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet; where it is doubtful that debts will be settled, the balance of debtors is written down, and a charge made to revenue for the income that might not be collected. Notwithstanding this policy, some transactions are not accrued because they are of little value and, therefore, are not material to the understanding of these accounts.

Bills for Council Tax and Business Rates are recorded as issued at 31st March and no attempt is made to accrue for bills due but not processed at the year-end.

4. **Estimation Techniques**

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses, and changes in reserves. Details of where these are used are contained in the relevant Note to the Accounts. Where a change in an estimation technique is material, an explanation is provided of the change and its effect on the results for the current period.

5. **Costs of Internal Support Services**

All costs of management and administration are fully allocated to services, including Corporate Democratic Core/Non Distributed Costs. The basis of allocation used for the main costs of management and administration are outlined below:

Cost	Basis of Allocation
Accounting and other services	Budgeted time spent by staff, as predicted by budget managers
Legal services	Actual time spent by staff, as recorded on time recording systems
Administrative Buildings	Area occupied
IT support of corporate financial systems	Actual direct costs (hardware costs etc.) plus cost of estimated staff resources
Network / PC support	Per capita
Executive Support, Call Centre, Customer Contact Centre and Printing	Actual use, as recorded by monitoring systems
Internal Audit	Per audit plan
Payroll and Personnel Costs	Per capita
Debtors and Creditors	Per transaction

Any non-material balances on management or administrative accounts at the year-end remain within service expenditure in the Comprehensive Income and Expenditure Statement.

6. **Council Tax and National Non-Domestic Rates**

The Council is a billing authority and, as such, is required to bill local residents and businesses for Council Tax and National Non-Domestic (Business) Rates. The Council collects Council Tax, on behalf of the major precepting authorities - Kent County Council, Kent Police Authority, and Kent Fire Authority, and National Non-Domestic (Business) Rates which is paid into a national pool for redistribution to all local authorities. Parishes are local precepting authorities and their precepts are included in the Demand on the Collection Fund of this Council.

These accounts only show the amount owed to/from taxpayers in respect of Council Tax demanded by this Council. Amounts owing to/from taxpayers for Council Tax for major precepting authorities are shown as net debtors or creditors on the balance sheet. Similarly, the accounts only show the net

debtor or creditor in respect of the net amount of National Non-Domestic (Business) Rates received and paid over to the national pool.

The amount shown as Council Tax income in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement represents the amount of Council Tax due to this Council for the year. Where this includes an adjustment for the surplus/deficit to be taken into account in a future financial year, this adjustment is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account.

7. Charges to Revenue

Services, Support Services, and Trading Accounts are debited with amounts to record the cost of holding non-current assets used in the provision of services. These amounts include the annual provision for depreciation, certain revaluation gains/losses and impairment losses and the amortisation of intangible assets. The amounts are subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account so that they do not impact on the amounts required from local taxation.

Capital charges made to the Housing Revenue Account are the amounts as determined by statutory provision.

External interest payable is debited in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement and amounts set aside from revenue for the repayment of external loans are charged to the General Fund Balance in the Movement in Reserves Statement.

8. Revenue Expenditure Funded from Capital Under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a Fixed Asset. The purpose of this is to enable it to be funded from capital resources rather than being charged to the General Fund and impact upon Council Tax. These items are generally grants and expenditure on property not owned by the Council.

Such expenditure is charged to Cost of Services in the Comprehensive Income and Expenditure Statement but subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

9. Government Grants and Contributions

Grants received are accrued and credited to the Comprehensive Income and Expenditure Statement when the income is recognised. Revenue Grants specific to a particular service will be shown against the service expenditure line. General Revenue Grants, in the form of Revenue Support Grant and the contribution from the National Non-Domestic Rate Pool, and Capital Grants are credited and disclosed separately in the Taxation and Non-specific Grant Income line in the Comprehensive Income and Expenditure Statement.

Capital Grants and Capital Contributions will subsequently be transferred through the Movement in Reserves Statement to the Capital Adjustment Account or the Grants Unapplied Account, if expenditure has not been incurred.

If conditions have not been met, grants will be held as a creditor (Grants received in advance) on the Balance Sheet until conditions are met or grants are repaid.

10. **VAT**

VAT is accounted for separately and is not included in the Income and Expenditure Account, whether of a capital or revenue nature. Input VAT, which is not recoverable from HM Revenue and Customs, will be charged to Service Revenue Accounts, or added to capital expenditure as appropriate. The Council's partial exemption status is reviewed on an annual basis.

11. **Heritage Assets**

Heritage assets are carried at valuation (e.g. insurance valuation) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon. Valuations are determined by the insurance valuation, or where not available the historical cost. Although there are no prescribed minimum periods for review, the assets will be reviewed in line with the insurance policy and material changes will be incorporated into the accounts. A de-minimis level has been set at £10,000 for heritage assets based on the method of valuation above.

12. **Assets Held for Sale (Current Assets)**

These assets have been declared surplus to the Council's operational requirements, are being actively marketed for disposal and have an estimated sale date within twelve months of the balance sheet date. They are reported on the balance sheet date at the lower of the carrying amount or the fair value (market value) of the asset less the costs to sell the asset. Assets available for sale are not subject to depreciation.

13. **Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will benefit the Council for more than one financial year.

An intangible asset is initially measured at cost but will be revalued where the fair value of the asset differs significantly from its carrying value. The depreciable amount is amortised over its useful economic life to the relevant service line in the Comprehensive Income and Expenditure Statement but subsequently reversed through the Movement in Reserves Statement to the Capital Adjustment Account

14. **Investment Property**

Investment property is property (land and/or buildings) held solely to earn rental income, or for capital appreciation, or both.

Investment property is initially recognised at cost, but is subject to valuation at fair value at the end of each accounting period. Any loss or gain on revaluation is recognised in the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement but is subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

Depreciation is not charged against investment property.

15. **Property, plant and equipment**

15.1. **Recognition**

All expenditure on the acquisition, creation, or enhancement of these assets is capitalised on an accruals basis.

15.2. **Definition**

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services; for rental to others; or for administrative purposes, and expected to be used during more than one period.

The category is split into seven sub categories.

- Council Dwellings;;;
- Other Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;
- Infrastructure Assets;
- Community Assets;
- Surplus Assets;
- Assets under Construction.

The Accounting policy for each type of asset is detailed below:

15.3. **Council dwellings**

These are held on the balance sheet at fair value but discounted to allow for the Existing Use Value for Social Housing (EUV-SH).

An annual valuation is carried out by a qualified surveyor in accordance with the latest guidance issued by the Royal Institute of Chartered Surveyors (RICS) as at 1 April. Material changes will be reflected in the Accounts if they arise after the valuation.

15.4. **Other Land and Buildings**

These are held on the balance sheet at cost with revaluations happening throughout a 5 year period. All property and land will be valued at least once within the 5 year cycle.

The valuations are carried out by a qualified surveyor in accordance with the latest guidance issued by RICS on fair value for existing use, unless it is felt the property is of a specialist nature where depreciated replacement cost may be used. Items of plant that are functional to the operation of a building are included in the valuation for that building unless they of a material value and component accounting are applied (see below).

All buildings are subject to straight-line depreciation over their estimated useful life, which depends on the asset type. In accordance with recognised accounting practice, land is not depreciated.

IFRS requires the consideration of componentisation for material items of property, plant and equipment, where they are of a material financial nature or have significantly differing life expectancies. The Council has set a minimum asset value of £1,000,000 and a component size of at least 10% of the value.

15.5. **Vehicles, Plant, Furniture and Equipment**

These are recognised in the balance sheet at cost and are subject to straight-line depreciation over the expected life of the asset.

15.6. **Infrastructure Assets**

These are recognised in the balance sheet at cost and are subject to straight-line depreciation over the expected life of the asset.

15.7. **Community Assets**

These are defined as Assets that the local authority intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and allotments. These assets are held on the balance sheet at historic cost and are not subject to revaluation or depreciation.

15.8. **Assets under Construction**

This covers assets currently not yet ready for operational purposes. The Council does not depreciate nor revalue assets under construction.

15.9. **Valuations**

Increases in valuations are matched by credits to the Revaluation Reserve to recognise revaluation gains. However, where the increased valuation follows a previous reduction in the carrying value below its historic cost, gains would be credited to the service expenditure in the Comprehensive Income and Expenditure Statement to reverse the loss previously charged to a service. The Revaluation Reserve contains revaluation gains recognised since 1st April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. On revaluation, accumulated depreciation is written out.

15.10. **Depreciation**

Depreciation on assets with a finite useful life, in line with International Financial Reporting Standards (IAS 16), is calculated on a straight-line basis according to the following policy:

- All assets with a finite useful life are depreciated on a straight-line basis over the asset life. The life of buildings is reviewed as part of the asset revaluation. The life of vehicles, plant and equipment is generally taken to be five years, unless evidence exists to support a longer or shorter life.
- Newly acquired assets are depreciated in year one; assets in the course of construction are not depreciated until they are ready for use.

For Council Dwellings, the Code allows authorities to use the Major Repairs Allowance as a proxy for depreciation for a five year period beginning in 2012/13. Council Dwellings are revalued annually. Other HRA land and property are valued as above.

15.11. **Impairment of Non-current Assets**

A review for impairment of a non-current asset, whether carried at historical cost or valuation, is carried out at year-end to ascertain whether events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Examples of events and changes in circumstances that indicate impairment may have been incurred include:

- a significant decline in the asset's fair value during the period;
- evidence of obsolescence or physical damage to the asset;
- a significant adverse change in the statutory or other regulatory environment in which the authority operates;
- a commitment by the authority to undertake a significant reorganisation.

In the event that an impairment is identified, the value will either be written off to the Revaluation Reserve where sufficient reserve levels for that asset exist, or written off to Service Expenditure through the Comprehensive Income and Expenditure Statement where the carrying value falls below the historic value of the asset. Any impairment at the balance sheet date is shown in the notes to the core financial statements, along with the name, designation and qualifications of the officer making the impairment. If the impairment is identified on an Investment Property, the value is written out to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

15.12. Gains or Losses on Disposal of Fixed Assets

When an asset is disposed of or de-commissioned, the carrying value of the asset and any receipts from the sale, together with the costs of disposal, are shown on the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement which, therefore, bears a net gain or loss on disposal.

Where the receipt is in excess of £10,000, it is appropriated to the Capital Receipts Reserve, via the Movement in Reserves Statement, where it can be used for any approved capital purpose, e.g. for new capital investment. The carrying value of the disposed asset is appropriated to the Capital Adjustment Account from the Movement on Reserves Statement. Costs of disposal remain on the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

On disposal, any revaluation gains for the asset, held in the Revaluation Reserve, are transferred to the Capital Adjustment Account.

16. Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease. A definition of a lease includes hire purchase arrangements.

16.1. Finance Leases

As lessee, the Council shall recognise finance leases as assets and liabilities at amounts equal to the fair value of the property or, if lower, the present value of the minimum lease payments.

Minimum lease payments are apportioned between the finance charge (interest) and the reduction of the outstanding liability. The finance charge is calculated so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The Council recognises an asset under a finance lease in the balance sheet at an amount equal to the net investment of the lease.

Assets recognised under a finance lease are depreciated; the depreciation policy for leased assets is consistent with the policy for other Property, plant and equipment. Where it is not certain that ownership of the asset will transfer at the end of the lease, the asset is depreciated over the shorter of the lease term and its useful economic life. After initial recognition, assets

recognised under a finance lease are subject to revaluation in the same way as any other asset.

As lessor, the Council derecognises the asset and show this as a long term debtor. Lease rentals receivable are apportioned between a charge for the acquisition of capital (applied to write down the lease debtor) and finance income – which is credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The Code required this income to be treated as a capital receipt and, therefore, it is reversed out via the movement in Reserves Statement to the Capital Receipts Reserve. For finance leases that existed at 31st March 2010, regulations allow adjustment to be made transferring the capital receipt into the General Fund Balance.

16.2. Operating Leases

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the benefits received by the Council.

16.3. Embedded Leases

These are assets, which although not owned by the Council, are used primarily by the authority for service provision. An example of this would be vehicles used by the Council's Street Cleansing and Refuse and Recycling Collection contractor. In this case an estimated value for the vehicles has been used along with a leased term in line with the contract period.

Where this applies, assets are recognised in the balance sheet at the Net Book Value and offset by a Deferred Liability. The lease charge then forms part of the contract payment on behalf of these vehicles, on a straight-line basis over the life of the asset.

17. Current Assets and Liabilities

17.1. Short term Debtors and Creditors

With exception set out above (policy no 2), the Revenue and Capital accounts of the Council are maintained on an accruals basis in accordance with the Code and other relevant IASs. That is, sums due to or from the Council during the year are included, whether or not the cash has actually been received or paid in the year.

17.2. Inventories

Stocks are inventories that held at the price paid and this is a departure from the requirements of the Code and ISA 2, which requires stocks to be shown at actual cost or net realisable value if lower. The effect of the different treatment is immaterial given the low stock levels held.

17.3. Impairment Allowance for Bad and Doubtful Debts

The figure shown in the Statement of Accounts for debtors is adjusted for bad debts. This allowance is recalculated annually by applying a percentage factor to the debt in each age category that is unlikely to be collectable. Known un-collectable debts are written off.

18. Contingent Assets and Contingent Liabilities

Contingent assets are not recognised in the Statement of Accounts. They are disclosed by way of notes if the inflow of a receipt or economic benefit is

probable. Such disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

Contingent liabilities are not recognised in the accounting statements. They are disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits. For each class of contingent liability, the nature of the liability is disclosed together with a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

19. **Short term and long term Provisions**

The Council sets aside provisions for specific liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. The value of the provision must be the best estimate of the likely liability or loss. When utilised, the payment is charged to Provisions and not to Service Expenditure.

20. **Reserves**

The Council holds Usable and Unusable Reserves. Usable Reserves give the Council discretion to meet expenditure without having a direct impact on Council Tax. In contrast, Unusable Reserves do not give the Council such discretion and are kept to manage the accounting processes for non-current assets, financial instruments and employee benefits.

Usable Reserves are created when the Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. These reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. No expenditure is charged directly to a reserve but is charged to the service revenue account within the Comprehensive Income and Expenditure Statement; this is then offset by a reserve appropriation within the Movement in Reserves Statement. The exception is amounts required for the repayment of external loans and for financing capital expenditure from revenue sources. Where this applies, amounts are appropriated from the General Fund Balance in the Movement in Reserves Statement.

The General Fund Balance acts as a working contingency to meet unforeseen and unforeseeable costs including those relating to emergencies. Earmarked reserves, such as the repairs and renewals reserve, are for specific purposes. The Capital Receipts Reserve can only be used for certain statutory purposes such as financing capital expenditure.

The Major Repairs Reserve is required by statutory provision to be set up in relation to the Housing Revenue Account.

21. **Employee Benefits**

Three categories of employee benefits exist, under IAS 19 and IPSAS 25 Employee Benefits, as detailed below.

21.1. **Benefits payable during employment**

- a) Short-term employee benefits arise during a financial year or are those due to be settled within 12 months of the year-end. They include wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense for services in the year employees render service to the Council.
- b) Benefits earned by current employees but payable twelve months or more after the end of the reporting period such as, long-service leave or jubilee payments and long-term disability benefits.

Where considered of a material nature these are accrued.

In 2012/13, no accrual was made for any benefits earned by current employees but payable after the balance sheet as they are considered to be immaterial.

21.2. Termination benefits including Exit Packages

This covers costs that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. These are often lump-sum payments, but also include enhancement of retirement benefits; and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.

In the event of notice of termination being served on an employee, the costs of redundancy are accrued to the year that the notice is served, but other costs will be charged to the year they are incurred. These costs are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement where the Council is demonstrably committed to the termination of employment.

21.3. Post-employment benefits

This not only covers pensions, but would include other benefits payable post-employment such as life insurance and medical care. These types of benefit are not offered to staff at this Council.

As part of the terms and conditions of employment of its employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Code requires the Council to account for this benefit at the time that employees earn their future entitlement. The amount charged to the Comprehensive Income and Expenditure Statement for employees pensions is in accordance with IAS19 Retirement Benefits, subject to the interpretations set out in the Code. This is accounted for in the following ways:

- Pension liabilities, attributable to the Council, are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees etc.

- Liabilities are discounted to their value at current prices, using a discount rate of 4.6% based on the indicative rate of return.
- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;
 - Unitised securities – current bid price;
 - Property – market value.
- The change in net pensions liability is analysed into six components:
 - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service where employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non Distributable Costs.
 - Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is debited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
 - Expected return on assets – the annual investment return on the fund assets attributable to the Council, based on the average expected long term return. This is credited to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.
 - Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or actions that reduce the expected future service or actuarial benefits of employees - debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non Distributable Costs.
 - Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the assumptions have been updated - debited to the Comprehensive Income and Expenditure Statement.

Under IAS 19, the Council recognises, as an asset or liability, the surplus/deficit in pension costs calculated in accordance with the standard. This surplus/deficit is the excess/shortfall of the value of assets when compared to the present value of the pension liabilities. Where the contributions paid into the Pension Fund do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from the Pension Reserve together with any Actuarial gains/losses. The difference between the recognised net pension liability and the amounts attributed to this Council in Kent County Pension Fund are shown in the Balance Sheet as Pensions Liability and this is offset by the Pensions Reserve (an adverse balance).

The Local Government Pension Scheme, applicable to this Council, is administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets over the average future working life of its employees.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The latest formal valuation of the Kent County Pension Fund was at 31 March 2013 and changes to contribution rates as a result of that valuation will take effect from 1 April 2014.

22. Financial Instruments

The Code has significant disclosure requirements relating to Financial Instruments (e.g. loans and investments). They relate to the identification of the various types of Financial Instruments, gains and losses arising from transactions during the year, comparative valuation statements, and the assessment of risks associated with holding Financial Instruments. Detailed disclosure of the Council's holding of Financial Instruments is included in Note XX on page XX.

22.1. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The reconciliation of amounts charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed in the Movement in Reserves Statement by a transfer to or from Unusable Reserves (Financial Instruments Adjustment Account).

22.2. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments, but are not quoted in an active market; and,
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

22.3. Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event and payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (where specific) or to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement.

22.4. **Available-for-sale Assets**

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value.

Values are based on the following principles:

- instruments with quoted market prices – the market price;
- other instruments with fixed and determinable payments – discounted cash flow analysis; and;
- equity shares with no quoted market prices – independent appraisal of company valuations.

Changes in fair value are balanced by an entry in the Available-For-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. Subsequently, this entry is reversed in the Movement in Reserves Statement and debited/credited to the Available-for-Sale Reserve. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event and payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

22.5. **Credit Risk**

The Code requires Authorities to estimate the “Fair Value” of their Financial Instruments and compare them with the carrying amounts which appear on the Balance Sheet. The Fair Value estimate will include the future discounted cash flows associated with the Council’s Financial Instruments as at 31 March 2013 and should reflect prevailing interest rates as at that date. Full details of this disclosure are included Note XX on page XX.

The Code identifies the following three types of risk associated with Financial Instruments:

- (a) Credit risk relates to the possibility of counterparties defaulting on their financial obligations;
- (b) Liquidity risk relates to the possibility of funds being unavailable to meet financial commitments;
- (c) Market risk relates to possible exposure to adverse interest rate movements, or changes in other market conditions e.g. foreign exchange rates.

The Code requires Authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in Note XX on page XX.

The Code's disclosure requirements in relation to credit risk are equally applicable to outstanding debtors. Note XX on page XX includes an age analysis of overdue debtors at the balance sheet date. In addition to this a provision for bad debts is also included in the Statement of Accounts (Statement of Accounting Policies 17.3).

23. **Cash and Cash Equivalents**

Cash and Cash Equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and are shown on the balance sheet at their nominal value, these include investments that can be accessed immediately without incurring a penalty, such as call accounts. Cash and Cash Equivalents are shown net of any bank overdraft that form part of the Council's cash management.

24. **Private Finance Initiative (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available fixed assets, needed to provide the services, passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as the ownership of the fixed assets will pass to the Council at the end of the contract at no charge, the Council carries the fixed assets used under the contract on the balance sheet.

The original recognition of these fixed assets was balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets. The stock is recognised at market value less the EUV-SH factor and additions are measured at cost as per the contractor model. Lifecycle costs are accounted for when they occur.

Fixed assets recognised on the balance sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators will be analysed into the following elements:

- Fair value of the services received during the year;
- Finance charge – an interest charge on the balance sheet liability;
- Payment towards the liability.

25. **Group Accounts**

Local Authorities are required to consider all their interests in subsidiaries, associated companies and joint ventures and to prepare a full set of group financial statements where they have material interests, thereby providing a complete picture of the Authority's control over other entities.

This Council has undertaken an exercise examining all its partnership arrangements and workings with other undertakings, and has determined that it has no interests in subsidiaries, associated companies or joint ventures, however please refer to Note **XX** for the winding up of Ashford Future Company.

26. **Exceptional Items and Prior Year Adjustments**

Exceptional items are included in the cost of the service to which they relate, or on the face of the Comprehensive Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item is given within the notes to the accounts.

Prior Year Adjustments arise as a result of a change in accounting policies or to correct a material error. When either of the circumstances applies, the Council will show the extent of the adjustment in a table reconciling the adjusted opening and closing balances and/or comparative amounts shown for a prior period.

27. **Events after the Balance Sheet Date**

Where an event occurs after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date, the amounts in the Statement of Accounts and any affected disclosures should be adjusted.

Where an event occurs after the Balance Sheet date and is indicative of conditions that arose after the Balance Sheet date the amounts recognised in the Statement of Accounts should not be adjusted but a disclosure made including:

- the nature of the event;
- an estimate of the financial effect.

Events after the Balance Sheet date should be reflected up to the date when the Statement of Accounts is authorised for issue.

Agenda Item No: 10
Report To: **Audit Committee**
Date: 5 March 2013
Report Title: Strategic Risk Review
Report Author: Ian Cumberworth, Internal Audit Manager



Summary:	This report informs members of the current position regarding the authority's strategic risks
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Key Decision: No

Affected Wards: N/A

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

1 Note the strategic risk management action plans

2 Confirm that it is satisfied with the action that is being taken to manage the Council's strategic risks

3 Agree the reassessment of the risk score in relation to 1a 'Economic Growth' from 5/3 (High /Severe) to 4/3 (Significant/Severe) and risk number 6 'Members skills, capacity and experience' 3/2 (Low /Medium) to 2/2 (Very Low/Medium)

Policy Overview: The Strategic Risk Register provides a means of monitoring the risks to the delivery of the Council's strategic objectives and for ensuring that appropriate action is taken to manage them.

Financial Implications: None directly

Risk Assessment Risk is the basis of the report

Equalities Impact Assessment No

Other Material Implications: None

Background Papers: None

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Report Title: Strategic Risk Review

Purpose of the Report

1. The report sets out the current Strategic Risk position, reflecting the recent risk refresh exercise, which was undertaken in February 2013. Management Action Plans have been updated and amended to reflect the action currently being taken to manage the risks
2. The Audit Committee is responsible for ensuring the effective development and operation of risk management. The Committee therefore needs to be satisfied with the action that is being taken to manage the Council's strategic risks

Issue to be Decided

3. Audit Committee is asked to
 - Note the strategic risk management action plans
 - Confirm that it is satisfied with the action that is being taken to manage the Council's strategic risks
 - Agree that risks 1a 'Economic Growth', and risk 6 'Members skills capacity and experience' have been appropriately reassessed in terms of the revised risk score.

Background

4. As part of the authority's governance arrangements, the Council is required to manage risks effectively; this report sets out the current position with regard to strategic risks.
5. In 2012 the risk register was subject to a fundamental review with the support of Zurich Municipal and reports were provided to Audit Committee and Cabinet accordingly.
6. The risk register is a living document and is kept under review throughout the year. It is amended when necessary to reflect changes in the risk environment. Risk reports are required to be considered by the Audit Committee during the year.
7. **Appendix 1** shows the current risk profile of the strategic risks within the organisation, each identified risk has been scored onto the risk matrix. The shaded top right hand area of the matrix represents the authority's highest risks. At present, eight risks sit within this area
8. Each Strategic risk has been assessed and detailed action plans developed. Named senior managers have been assigned responsibility for the risks. The Council currently has eleven 'active' strategic risks. The detailed management action plans are set out in **Appendix 2**.

9. To assist members in identifying amendments/changes to the action plans since the last report was considered by the Audit Committee in September 2012 and Cabinet in November, amendments are shown in italics
10. The Council's eleven key risks are set out below. The table shows the movement in risk scores since they were last considered by Audit Committee and Cabinet.

	<u>Corporate Strategic Risk (CSR)</u>	<u>Target Score</u>	<u>Score as at September 2012</u>	<u>Movement</u>	<u>Current score February 2013</u>
1a	Economic Growth	3/2	5/3	↓	4/3
1b	Right mix of quality housing	3/3	4/3	↔	4/3
2	Income Streams	5/2	6/3	↔	5/3
3a	Community Demands	2/2	3/2	↔	3/2
3b	Consequences of Universal Credit	3/3	4/3	↔	5/3
4	Opportunities for Localism	2/3	3/3	↔	3/3
5	Workforce Planning	2/3	3/3	↔	3/3
6	Members skills, capacity & experience	2/2	3/2	↓	2/2
7	Business Plan	3/3	4/3	↔	4/3
8	Housing	3/3	4/3	↔	4/3
9	Infrastructure	5/3	6/3	↔	6/3

11. As a result of the risk review, nine risk scores have remained unchanged however two risk scores have been revised. Members are asked to consider whether they are satisfied that sufficient progress has been made to confirm that the scores for these risks should be amended. A brief narrative is included below, setting out the basis as to why the risks should be rescored.
- **CSR 1a Economic Growth** has been changed from **5/3 High/Severe to 4/3 Significant /Severe**. The risk has been amended, as evidence since the start of the recession shows that Ashford has an extra 4% of people in employment compared to the Kent average. At the same time unemployment at 2.6% remains below the Kent average of 3%. While there is no basis for complacency, the risk of a lack of economic growth per-se seems less than when the risk register was first produced. More evidence is needed on the nature of jobs created and the average salary levels as a long term qualitative indication of progress; however the risk owner considers that it is appropriate to amend the risk in light of the above information.
 - **CSR 6 Members skills, capacity & experience** has been amended from **3/2 Low/ Medium to 2/2 Very Low/Medium** therefore this risk has reached its target score. The amendment has been made to reflect that the substantive actions previously recommended have now been actioned.

Background

- 10 The 'risk owners' are senior managers whose role makes them best placed to manage the identified risk. The Management Action Plan shows the risk and the risk owner, the current risk score and the target score, a description of the risk and the 'vulnerability' i.e. the context for the risk. The 'current risk score' incorporates a traffic light approach (red, amber, green) to reflect where the risk appears on the risk matrix. The consolidated risk matrix is shown at **Appendix 1**.
- 11 The completed action plans are shown at **Appendix 2**. The detailed action plans show:
- The action/control that is already in place – these are the controls that already mitigate the potential effect of the risk
 - Whether the action/control is adequate to address the risk
 - The further action that needs to be taken to adequately manage the risk
 - Critical success factors – how we will know that the risk is being Addressed
 - Review frequency – how often the risk management action needs to be Reviewed
 - Key dates – the key dates affecting the management of the risk

Risk Assessment

- 13 The Council is a complex organisation responsible for many £millions of public expenditure. It is also a tax collector and a landlord receiving substantial levels of income. The actions of the Council have a major impact on the community for which it is responsible. It is therefore vital that the strategic risks to the Council's objectives are identified and properly managed.
- 14 Risks where managed correctly, are not necessarily undesirable. Riskier models of delivery can often be the most innovative and effective. The key to setting a positive risk appetite is the knowledge that the organisation is able to manage risks effectively.

Other Options Considered

15. The Audit Committee is responsible for ensuring the effective development and operation of risk management. The Committee therefore needs to be satisfied that the action taken to manage risks is adequate. No other option could be advocated.

Consultation

- 16 The creation and review of the strategic risk register has been the subject of considerable consultation. The current report has been considered by Management Team

Implications Assessment

- 17 A strategic risk register with proper arrangements in place for monitoring the management of the risks, should be seen as a vital element of the Council's governance/strategic management arrangements

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Management Action Plan Risk 1a Economic Growth Risk Owner Richard Alderton

Likelihood	6				
	5			1a	
	4			1a	
	3				
	2				
	1				
		1	2	3	4
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
1a	4444//3 High/Severe	3/2 Low/Medium	Risk of lack of economic growth in the borough / lack of facilitation of job creation / an inappropriate balance of jobs leading to a decline in average earnings
Vulnerability: The Council needs to work with and influence developers, businesses and other agencies to ensure that the right mix of housing, infrastructure and investment in the borough is delivered.			

<u>Action/controls already in place</u>	<u>Adequacy of action/control to address risk</u>	<u>Required management action/control</u>	<u>Responsibility for action</u>	<u>Critical success factors (outcome)</u>	<u>Review Frequency</u>	
<p>Promotion of economic development through dedicated ED team; planning – allocations <u>and 'business friendly' seervice</u>, site negotiations and approvals; media and marketing activities</p>	<p>Adequate but further progress sensitive to levels of staff and other resource available</p>	<p>Continued focus on 'economy-first' approach across the Council <u>and the Unit's own priority approach to business activity</u>. Strategic audit of current approach and re-assessment of economic development capacity <u>has resulted in funding for increased ED staff capacity.</u> , priorities and R resource levels <u>need to be kept under reviews for major applications handling.</u></p>	<p>Richard Alderton for Management Team</p>	<p>Identify additional actions to promote economic activity -promote those that exist already</p>	<p>3 months</p>	
<p>Range of partnership activity with the Locality Board, Locate in Kent, Homes and Communities Agency and others</p>	<p>Adequate</p>	<p><u>Maintain commitment to joint working. Regular meetings are held to review progress and stimulate action with the HCA. Locality Board needs to address collective impact that can be applied to economic objectives. Regular working with LIK continues.</u></p>	<p>John Bunnett</p>	<p>Clarify objectives and help drive achievement of priorities</p>	<p>3 months</p>	
<p>Specific initiatives such as Portas funding; deferred developer contributions; broadband access to rural areas; GREENOV support for sustainable energy sector; etc</p>	<p>Adequate <u>and injection of new ED staffing resources will help future progress.</u> but <u>quality of achievements sensitive to levels of staff and other resource available</u></p>	<p><u>Clarify a realistic set of objectives across key areas so that priorities can be agreed and key areas targeted</u> Maintain commitment to joint working(e.g. the Town Team); continue to apply market sensitive approach to deferred contributions (e.g. Charter House); maintain commitment to GREENOV project and continue successful promotion of rural broadband project. take stock and agree a set of site and topic specific objectives and identify clear responsibilities for each</p> <p>Clarify a realistic set of objectives across key areas so that priorities can be agreed within resources available – identify opportunities that could be taken with increased resources</p>	<p>Andrew Osborne</p>	<p>Concentrate resources on priorities and apply any extra to new opportunities</p>	<p>3 months</p>	<p>[Milestones/deadlines]</p>

**Management Action Plan
Richard Alderton**

Risk 1b Mix and quality of housing

Risk Owner

Likelihood	6				
	5				
	4			1b	
	3				
	2				
	1				
		1	2	3	4
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
1b	4/3 Significant/ Severe	3/3 Low/Severe	Risk of failure to get the right mix and quality of housing – fail to get the right units in the right places
Vulnerability: The Council needs to work with and influence developers, businesses and other agencies to ensure that the right mix of housing, infrastructure and investment in the borough is delivered.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
SPD adopted to drive space standards and quality environments	Adequate	Continued vigilance in application of the SPD and approach to high quality urban design. <u>The market has generally responded positively and reports to Committee routinely address this issue.</u>	Lois Jarrett	High quality <u>living conditions</u> development and community building	Annual	[Milestones/deadlines]
<u>Implications of policy relaxations and deferred payments needs to be kept under review</u>	<u>Adequate</u>	<u>Schemes negotiated on viability grounds are reducing the supply of affordable housing – the impact needs to be kept under review (and balanced against the high levels of delivery over the last decade).</u>	<u>Richard Alderton</u>	<u>Adequate mix of housing delivered to address needs as far as possible</u>	<u>Annual</u>	
Masterplans to help shape density plans and help quality place-making, including new focus on garden city principles	Adequate	Programme of awareness raising for officers and members on garden city principles to help refine current approach; <u>member reviews of completed development underway; specific approach being taken at Chilmington Green which will be taken forward in phase masterplans.</u>	Richard Alderton	Understanding and support for clear set of development objectives <u>to drive high quality living environments and 'place-making'.</u>	3 months	

Management Action Plan Risk 2 Volatile Income Streams Risk Owner Paul Naylor

Likelihood	6			2	
	5				
	4				
	3				
	2				
	1				
		1	2	3	4
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
2	6/3 Very High/ Severe	5/2 High/Medium	Risk that key income streams are volatile and significantly adversely affected by the changing legislative and economic environment
Vulnerability: The Council's income streams are vulnerable to a number of factors including new legislation e.g. localising support for Council Tax, local collection of business rates, new homes bonus and also adverse economic conditions e.g. impacting on the return on investments.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
1. Regular income monitoring through budget management 2. development of data sets that inform usage and demand trends as part of financial management 3. more strategic corporate data sets that has pan-service ownerships that acts as a predictive modelling tool for positions on major income flows (business rates, council tax, new homes bonus, parking etc) 4. Flexible financial and service management ability to adjust priorities or to take corrective actions 5. Robust medium term financial and service planning, informed by reasonable data and assumptions Keeping up-to-date with legislative reforms and how this impacts on income levels and having actions in place (for example council tax support scheme)	Good Good Developing Good Good foundation to build on with current MTFP arrangements	1. Keep process under scrutiny to ensure works smoothly and any risks highlighted at the earliest reasonable opportunity 2. Refine the corporate data set needed for more strategic pan-service discussion, and then set up short review discussions bi-monthly as minimum 3. Keep financial management controls and procedures under review to ensure decision-making protocols are appropriate if circumstances change 4. Ensure management team and members are well briefed on the importance of managing income opportunity and risk, as central to the operation and funding for the council – this will require some special briefings on financial and welfare reforms and how they impact corporately 5. MTFP processes to develop accordingly <i>Overall – One of the largest risks to the budget (changes in welfare reform and Universal Credit) have had extensive consultation, with implementation from April. Public briefings are ongoing. Critically, the budget for 2013-14 has also been agreed.</i>	BL and PN BL and PN BL BL BL	Across all points, success would be measured through: <ul style="list-style-type: none"> Ideally good predictions leading to good plans and not too many surprises Well informed organisation External acknowledgement of good methods, for example from external auditors 	Across all points. PN and BL to review progress and effectiveness with MT, portfolio holder and MTFP Task Group on quarterly basis.	Initial work to be completed late autumn 2012

Management Action Plan Risk 3a Community demands/expectations

Risk Owner John Bunnett

Likelihood	6				
	5				
	4				
	3		3a		
	2				
	1				
		1	2	3	4
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
3a	3/2 Low/ Medium	2/2 Very Low/Medium	Risk that <u>the Council fails to fully understand levels of demand / fails to manage expectations / fails to remain relevant to the local community</u>
<p>Vulnerability: The Council is managing a reducing resource base at a time when the needs of the community are increasing e.g. people are living longer and many young people are not able to access employment. This is heightened by factors such as adverse economic conditions, and the introduction of the Universal Credit. There are also high expectations as to what the Council can deliver.</p>			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
<ul style="list-style-type: none"> ■ Gathered core financial assistance to the Voluntary and Community Sector under the Single Grants Gateway, ensuring that funding aligns with the corporate priorities of the council ■ Developed role for a number of officers (see 4) to address the unique needs of a number of local communities ■ Large-scale community consultations are integral to the review of the Core Strategy ■ The council actively engages with community groups such as the Parish Forum and Kent Associations of Local Councils (KALC) ■ Gaining a stronger corporate picture of local economic, demographic and social factors to incorporate into more detailed policy-setting ■ Used existing and new partnerships to reach out and understand better the needs of local communities ■ Consulting / Implementing a new Council Tax Benefit scheme to comply with government policy ■ Begun implementation of wider Welfare Reform agenda. 	<p>Adequate but under continued pressure</p> <p>Adequate but need reviewing</p> <p>Good</p> <p>Good</p> <p>Adequate but improving</p> <p>Adequate</p> <p>Good</p> <p>Good</p>	<p><i>Consultation on new Discretionary Rate Relief policy complete, with a new policy to be agreed by Cabinet in April</i></p> <p>Annual review against the effectiveness of these arrangements to be completed during 2013.</p> <p>Continue to liaise with residents and community representatives over any substantive changes to council operations</p> <p>No uniform solution will be imposed on the unpunished area. Instead, individual aspirations of each Forum will be discussed with the council to agree ways forward.</p> <p>Agree a single set of Principles to govern any further work with communities (see 4) – this is improving, with particular focus on the Core Strategy Review.</p> <p>Extensive consultation completed and implementing from April. Public briefings are ongoing</p>	<p>Policy Team</p> <p>Paul Naylor</p> <p>Richard Alderton</p> <p>Kirsty Hogarth / Michelle Byrne</p> <p>Nicholas Clayton</p> <p>Policy Team</p> <p>Paul Naylor</p> <p>Paul Naylor</p>	<ul style="list-style-type: none"> ■ Lack of substantive objections to upcoming policy changes ■ New governance structure in urban area ■ New Business Rate Scheme agreed 	<p>Annually</p>	<p>Many are ongoing, organic projects rather than milestone [Milestones/deadlines]</p>

Management Action Plan Risk 3b Consequences of Universal Credit

Risk Owner Paul Naylor

Likelihood	6				
	5				
	4			3b	
	3				
	2				
	1				
		1	2	3	4
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
3b	4/3 Significant/ Severe	3/3 Low/Severe	Risk that the Council fails to anticipate <u>the consequences of the introduction of the Universal Credit</u> / fails to fully prepare and manage the budget consequences
Vulnerability: The Council is managing a reducing resource base at a time when the needs of the community are increasing e.g. people are living longer and many young people are not able to access employment. This is heightened by factors such as adverse economic conditions, and the introduction of the Universal Credit. There are also high expectations as to what the Council can deliver.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
<p>1. Proactive involvement with government departments and other local authorities to understand and also help to inform development of UC.</p> <p>2. Internal working group to assess service and resident impacts</p> <p>3. Planned briefings for Management Team and involvement of members in service action planning</p> <p>4. Planed engagement with the voluntary and community sector to help develop action plans</p> <p>5. Intention to consider resource impacts and make recommendations accordingly</p> <p>6. Local communications strategy and plans in draft</p> <p>7. Already working with KCC on customer service and social fund transfer issues</p> <p>8. Particular attention to housing service and customer impacts, and therefore need for service, resource and policy change</p> <p>9. Intention to engage with the private rented sector, and to engage with younger people regarding awareness raising and signposting for assistance</p>	<p>Very well as the engagement gives ABC opportunities not open to many and provides some 'early warnings'.</p> <p>Officer working group established and working well, but needs now to engage in briefing and involving members.</p> <p>Foundation for VCS engagement established</p> <p>Capacity to do all that could be done will be challenging, so some prioritising needed.</p> <p>Platforms for engaging with tenants and private rented sector are present.</p>	<p><u>OVERALL - Extensive consultation completed and UC implementing from April. Public briefings are ongoing</u></p> <p>Internal officer group to summarise all the issues and options into summary reports for MT and members (establish a task group following consultation with cabinet)</p> <p>Use the VCS engagement to inform service options and action planning – <u>work ongoing to discuss relationship between council and the VCS</u></p> <p>Consider extent the council should and can enhance the VCS and its capacity to respond. – <i>as above</i></p> <p>Use the assessments to inform MTFP resource planning</p> <p>Take communications plans to members for consideration and then implement agreed plans - consider resource needs – <u>completed and implementation work now ongoing</u></p> <p>Agree with KCC the operation of the social fund and additional staff need</p> <p>Agree with KCC the service consequences for the Gateways and resources needed</p> <p>Continue to engage in national and representative group processes (such as the Local Government Delivery Council, the UC Impact Assessment Group, and the UC Operational Assessment Group - for all three ABC is in a privileged position as representing district councils), and learn from the pilot councils.</p> <p>Use the various consultation platforms we have to engage with residents and other stakeholders</p>	<p>Internal Officer Welfare Reform Working Group to oversee this plan, but then to transfer oversight to member task group.</p>	<p>UC is not a council reform, but a reform that will impact on many residents, who may well turn to the council for support in a number of ways, or to the VCS for advice and support.</p> <p>Success of UC is dependent on government and its design of the system.</p> <p>Success for the council will mean:</p> <p>* being well informed and transferring this to residents and other stakeholders</p> <p>* being seen to be supportive where possible* minimising disruption to affected residents where feasible</p> <p>* good contingency plans</p>	<p>Ongoing throughout the UC development programme to late 2013 and then beyond to full operation post 2015 - this is a long term issue</p>	<p>[Milestones/deadlines]</p>

Management Action Plan Risk 4 Opportunities for Localism Risk Owner John Bunnett

Likelihood	6				
	5				
	4				
	3			4	
	2				
	1				
		1	2	3	4
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
4	3/3 Low/ Severe	2/3 Low/Severe	Risk of failing to continue to recognise opportunities for localism for the community / fail to take a clear leadership role/fail to be consistent around managing opportunities.
Vulnerability: It becomes a risk that the Council is not seen to facilitate the localism agenda in a constructive way, whilst ensuring that appropriate emphasis is attributed to the agenda.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
<ul style="list-style-type: none"> ▣ Officers assigned to 5 areas(Parishes) with particular local issues to help break down barriers and facilitate change ▣ Piloted a number of localism initiatives, such as the parish handyman scheme ▣ Increased the local influence and accountability of Ward Members through a local grant scheme ▣ Fully complied with the government's transparency agenda ▣ Taken a collaborative offer-member approach to implementing new community rights as set out in the Localism Act (Community Right to Challenge and Bid) ▣ Maintain a focus on the rural aspects of localism, as laid out in the Ashford 2030 framework ▣ Taken steps to begin addressing the unique challenges to localism posed by the unparished urban area ▣ Neighbourhood Planning and other instruments brought in by government 	<p>Adequate but need reviewing</p> <p>Adequate but need reviewing</p> <p>Good</p> <p>Good</p> <p>Good</p> <p>Good</p> <p>Adequate and ongoing</p> <p>Good</p>	<p>Review of this work due to be completed during 2013</p> <p>Develop key guiding principles for any further implementation of localist measures, or substantive community engagement e.g. financial assistance, procurement and long-term contractual obligations</p> <p>Review of grants is currently ongoing and officers will report in Q1 of the new financial year</p> <p>Ongoing – officers will feed in to any government consultations which come out</p> <p>Ensure that implementation is successful</p> <p>New Homes Bonus and Community Infrastructure Levy allow the council to begin addressing community needs, including rural.</p> <p>Awaiting government regulations regarding making parishing easier.</p> <p>Ongoing management and community liaison – Neighbourhood Planning has already begun in Wye.</p>	<p>Policy Team</p> <p>Policy Team</p> <p>Policy Team</p> <p>Paul Naylor</p> <p>Nicholas Clayton</p> <p>Management Team</p> <p>Paul Naylor</p> <p>Richard Alderton</p>	<p>Set of principles to underpin all further discussions related to the localism agenda</p>	<p>6-monthly</p>	<p>3 months for agreed principles [Milestones/deadlines]</p>

Management Action Plan

Risk 5 Workforce Planning

Risk Owner

Michelle Pecci

Likelihood	6				
	5				
	4			5	
	3				
	2				
	1				
		1	2	3	4
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
5	4/3 Significant/ Severe	3/2 Low/Medium	Risk of a lack of effective workforce planning / risk that key managers / staff leave and no obvious replacements are found.
<p>Vulnerability: The Council needs to develop a more flexible workforce and in doing so assess what skills are required to meet current and future needs. It also needs to undertake effective succession planning to avoid being over reliant on key managers / staff who are leading the delivery and implementation of the Council's strategic plan.</p>			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
Some isolated succession plans are in place to deal with short term specific service based risks.	Adequate some improvement needed	<p>Succession plans at service level- services will be supported in identifying posts that are key risks and potential successors and development needs during 2012 and 2013. This will become a process that needs monitoring and reviewing in light of turnover to maintain currency.</p> <p>NB- in light of the volume of projects in CH&P team this will be the first service to be supported in formalising a longer term approach to service succession</p>	Personnel & Development and Services	All services have identified key posts and where there are no successors	Ongoing updates in response to people/role changes. Annual formal review	End Q2 first draft of CH&Ps available

		Delivery of a leadership development programme in early 2013 will mark the commencement of a formal approach to succession planning at senior management level. This approach will inform general management succession planning for the council.	Personnel & Development	Delegates, and the organisation are able to explain how their work had been positively impacted by the leadership programme	Course Evaluation throughout programme , formal review of impact of overall programme by December 2013.	Autumn 2012 delegates selected
Generic working is being implemented in areas where this risk has been identified as part of a general acceptance of the changing nature of the skills required within specific disciplines.	Adequate some improvement needed	Greater formalised generic and flexible working across teams and services. The introduction of the 'Eyes and Ears' reporting tool will open up opportunities for more flexible working practices.	Business Change and Technology	Improved responsiveness to customers, better use of resources.	Monthly as part of corporate project monitoring	April 2013
		More stringent job description review at recruitment stage to look for opportunities to introduce more flexible roles.	All Managers and Personnel & Development	All opportunities to improve flexibility of roles taken.	On going	Ongoing
		Skills audit which identifies current skills base and future skills requirements. This will inform a development needs analysis that will be delivered through the training budget. NB Immediate/short term Learning & Development needs are identified annually during the appraisal process and this process.	Personnel & Development and Services	Critical skills identified and development plans in place to address gaps	Annually as part of appraisal reviews	October 2012 proposal to MT on recommended method of audit

Management Action Plan

Risk 6 Members skills, capacity, experience Risk Owner Terry Mortimer

Likelihood	6				
	5				
	4				
	3		6		
	2		6		
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
6	3/2 Low/ Medium 2/2 Very Low/Medium	2/2 Very Low/medium	Risk that Members don't have the skills, capacity, experience required to respond effectively to the changing agenda / Risk of a lack of an effective training and capacity building process in place / Risk of a lack of assessment of skills.
<p>Vulnerability: Members are being asked to make decisions against a backdrop of an increasingly complex local government agenda e.g. new legislation, new ways of working, commercial opportunities etc. This is at a time when a number of new Members have joined the Council.</p>			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key Dates
1. All key decisions by Members are taken with the benefit of professional advice from Officers.	Adequate	Ongoing provision of professional advice	Management Team	Successful outcomes from decisions	Ongoing	Ongoing
2. The Council has a dedicated Member Training Panel of eight elected members supported by senior officers which reports to Cabinet as required. The principal role of the Panel is to develop the post-election training and induction programme every four years to ensure new and returned Councillors are kept fully up to date on important Local Government and ABC issues. Councillors elected mid-term in by-elections also receive all written material provided as part of the normal induction process, and some specialist training e.g. on planning matters is also offered.	Adequate but some minor adjustments possible.	Raise profile of Member Training Panel by formally constituting it within ABC Constitution and introducing an agreed programme of regular meetings and annual reports to review training issues. <i>Annual meeting report in May/June looking back over the preceding year which will be reported onto Cabinet</i>	TM and KF	Report <i>taken</i> to Selection and Constitutional Review Committee <i>December 2012 and formal terms of reference for panel incorporated into constitution.</i>	Annually	Annual meeting of Panel and development of the 4-yearly Induction programme.
3. The effectiveness of induction training and wider ongoing individual member training needs are reviewed after the first year to establish whether Members consider they require particular further training etc.	Adequate but some minor adjustments possible.	Introduce an agreed programme of regular meetings and annual reports to review training issues (<i>see 2 above</i>)	TM and KF	Report to Member Training Panel - implement suggested improvements	Annually	Annual meeting of Panel and development of the 4-yearly Induction programme
4. ABC has a dedicated budget of £15K over the four year period to fund external training costs for members.	Adequate	Maintain current budget level	TM and KF	Adequate training provided from budget	Annually as part of budget setting process	Sept of each year

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key Dates
5. The most significant and high-profile potential risk in terms of Members lacking the necessary skills for decision-making arises in the field of town planning. In order to address this issue, ABC has a strict rule which requires all Councillors who sit on the Planning Committee (including substitutes) to have first undertaken specialist training on planning and probity matters.	Adequate	Continued, ongoing training to reflect changes in legislation and planning guidance.	TM & KF (and RA)	Number of successful planning appeals against decisions of the Planning Committee	Ongoing	N/A
6. ABC provides an IT allowance for every Councillor which supports the provision of good quality software to facilitate good communications and access to all relevant news and information services on the Internet.	Adequate	Ongoing provision of IT support.	TM & KF (and RN)	Provision of satisfactory service to Members	Annually as part of budget setting process	Sept of each year
7. Weekly electronic newsletters and media updates are provided to all Councillors which include links to enable Members to access relevant up-to-date material. (recent initiative)	Adequate	Maintain regular Members Update	TM & KF	Provision of satisfactory service to Members	After six months	N/A
8. Regular Officer briefings are held for all Councillors on a range of matters including major planning issues, ethical conduct, risk management procedures, major strategic projects etc.	Adequate	All Senior Manager to maintain briefings and updates as necessary	Management Team	Provision of satisfactory service to Members	Ongoing	N/A

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key Dates
9. All Service Heads hold regular Portfolio Holder briefings with their Portfolio Holder (and lead members where relevant) and Committee Chairmen to ensure he/she is up to date on all key issues relating to the Service/Committee.	Adequate	Continue regular briefings	Service Head & Management Team	Provision of satisfactory service to Members	Ongoing	N/A

Management Action Plan

Risk 7 Business Plan

Risk Owner

John Bunnett

Likelihood	6				
	5			7	
	4				
	3				
	2				
	1				
		1	2	3	4
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
7	4/3 High/ Severe	3/3 Low/Severe	Risk of an ongoing lack of effective prioritisation of <u>the Business Plan</u> from members and officers.
Vulnerability: It becomes a perception that the Business Plan is not a living document and that there is a lack of effective prioritisation from members and officers – they find it hard to say ‘no’ and therefore new priorities are competing with existing priorities for resources.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
<ul style="list-style-type: none"> ■ Business Plan summary document available publically on the website ■ Monthly update report on Business Plan presented and discussed at Management Team, alongside savings schedule from Finance ■ Updating on the Business Plan represents a cornerstone of the Chief Executive's staff briefings, as well as other internal communications. ■ Ongoing dialogue within management team and with cabinet members to focus on priorities ■ Quarterly performance report to members, Parish councils and residents (via website) 	<p>Adequate</p> <p>Good</p> <p>Good</p> <p>Adequate</p> <p>Good</p>	<p>Comprehensive service planning process to ensure BP priorities are reflected and acknowledged in individual services</p> <p>Annual report on current achievement and future areas of focus; including a commitment to ensure completion of the business plan by 2015.</p> <p><i>Policy Team working on aligning</i> Business Plan Priorities, Ashford 2030, Core Strategy Review and other strategic documents. <i>This will feed in to service planning</i></p> <p><i>The final quarterly performance monitoring report will include annualised data, and a refresh of service performance information is planned before 2013/14 reporting begins.</i></p>	<p>Policy Team</p> <p>John Bunnett / Communications</p> <p><i>Kirsty Hogarth</i></p> <p>Nicholas Clayton</p>	<p>Service Planning documents</p> <p>Report to Management Team on a strategic overview</p> <p>Content of next staff briefings</p>	<p>Annually</p>	<p>All before next review [Milestones/deadlines]</p>

Management Action Plan

Risk 8 Housing

Risk Owner

Tracey Kerly

Likelihood	6				
	5				
	4			8	
	3				
	2				
	1				
		1	2	3	4
		Impact			

Risk Number	Current Risk Score	Target Risk Score	Description
8	4/3 Significant/ Severe	3/3 Low/Severe	Risk of failing to manage the <u>housing landlord role and the demands for housing.</u>
<p>Vulnerability: The Council is a major landlord and has recently taken on a significant loan in order to gain complete control of the 'landlord account'. There are considerable demands on the housing waiting list and a requirement to meet the housing needs of an expanding population and an ageing demographic. The government's welfare reforms will have a number of impacts on the housing service. There are risks inherent in the delivery of the solutions to meet demand and maintain a good and effective housing service.</p>			

<p>HRA Business plan priorities addresses aging population, energy efficiency, adaptations, and environmental improvements.</p> <p>Resources within the HRA are reviewed and matched to areas of pressure. Business reviews are undertaken twice yearly with each CHAP's manager.</p> <p>Planned maintenance programme re-balanced as income levels change</p> <p>Control of the loans to manage the debt are shared between Finance and HRA and loans fixed for varying periods to maximise use of debt</p>		<p>Under occupation will be addressed as part of the 5 year renewal and larger properties will be released for waiting list applicants.</p> <p>Options to support those under occupying to take in Lodgers to occupy vacant bedroom space.</p> <p>Targeted communications and regular communications.</p> <p>Increasing/improving sheltered housing schemes, opportunity to manage the needs of the aging population and encouraging downsizing.</p> <p>More energy efficient homes to gives tenants more affordability.</p> <p>4 year maintenance plan issued and may require communicating changes should income levels drop significantly.</p> <p>Regular review with the Head of accountancy.</p>	<p>Bob Smart</p> <p>Chris Tillin</p> <p>Tracey Kerly</p>	<p>More available family units to let.</p> <p>Less single people seeking housing</p> <p>older tenants taking up cash incentive to move to smaller homes.</p> <p>Some changes already as a result of interest rate movements</p>	<p>Customer satisfaction rates in the high 90's for responsive repairs, planned maintenance and general satisfaction.</p> <p>At least quarterly</p>	
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Management Action Plan

Risk 9 Infrastructure

Risk Owner

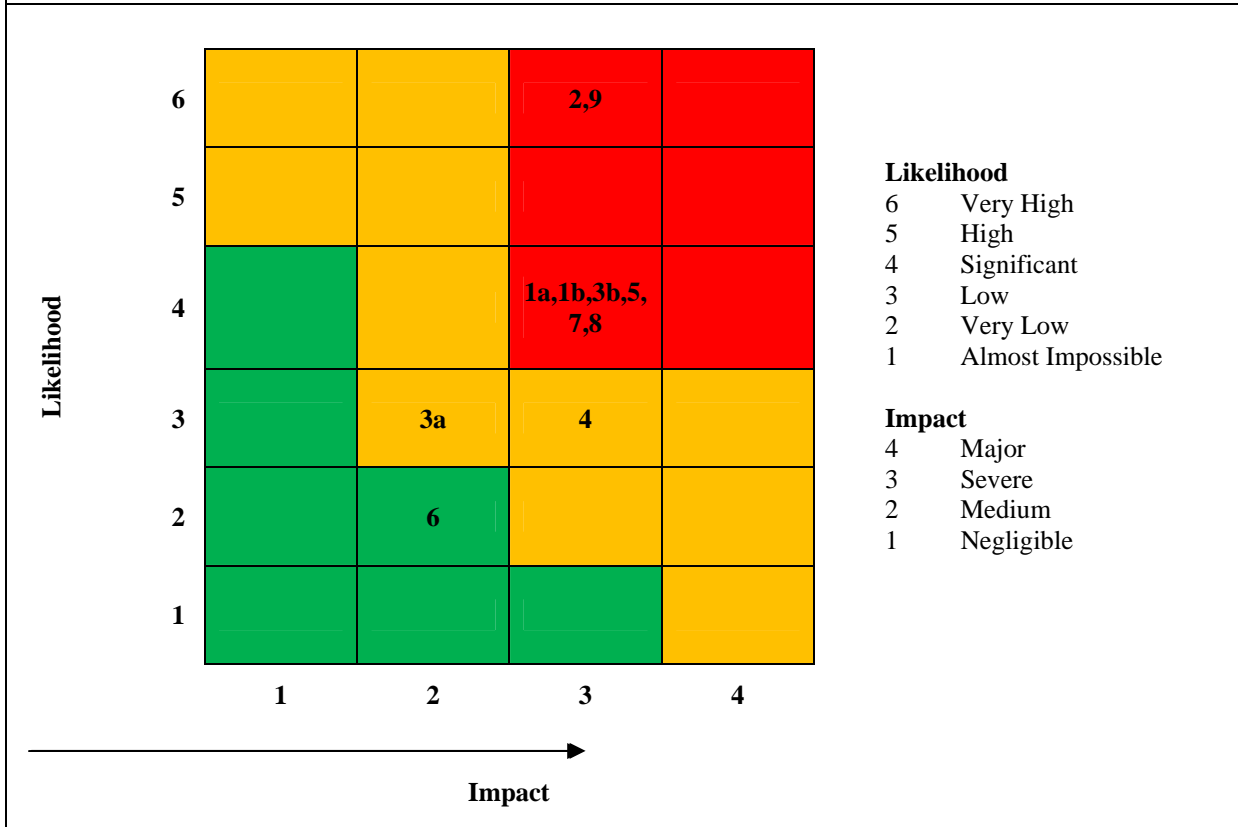
Richard Alderton

Likelihood	6			9	
	5				
	4				
	3				
	2				
	1				
		1	2	3	4
	Impact				

Risk Number	Current Risk Score	Target Risk Score	Description
9	6/3 Very High/ Severe	5/3 High/Severe	Risk of not having the right funding at the right time for the right infrastructure / Risk of over focussing on physical infrastructure at cost of social infrastructure.
Vulnerability: The Council is planning the timely implementation of infrastructure in a volatile funding context / difficult economic climate.			

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control	Responsibility for action	Critical success factors (outcome)	Review frequency	Key dates
Monitoring of use of s106 to secure contributions to deliver essential infrastructure	Adequate	This annual process will be widened to include an assessment of the strategic commitments that exist to repay transport infrastructure at J9/ 10 of the M20 through the Regional Infrastructure Fund and South of Ashford Transport Study	Lois Jarrett	Clear picture of level of commitments and impact on other requirements	Annual to Cabinet – June cycle	[Milestones/deadlines]
Review of transition from s106 funding to Community Infrastructure Levy/ s106 and the implications	Required	Report needed to Planning Task Group to prompt debate on this.	Simon Cole	Agreed position and way forward based on good understanding of the issues	Jan <u>Spring</u> 2013	
Preparation of infrastructure plan and process for prioritising provision	Required	Underway – to be discussed with Planning Task Group and partner agencies	Richard Alderton/ Simon Cole	Explicit, agreed plan to enable clear decision making and spend of CIL	Spring 2013	
Preparation of draft CIL 'charging schedule' as a basis for consultation, submission and independent examination.	Required	Underway - to be discussed with Planning Task Group and then formally agreed by the Council – <u>linked to timing of the Core Strategy review</u>	Simon Cole	Robust basis for rolling out CIL and collecting future contributions	Spring 2013	
<u>Work with private sector and other agencies to seek to secure improved motorway access at junction 10A – NSIP process currently underway</u>	<u>Adequate</u>	<u>Developer led process underway – full assessment of capacity and other related implications needed in response to the NSIP process</u>	<u>Richard Alderton/ Lois Jarrett</u>	<u>Acceptable solution achieved that can be funded and delivered</u>	<u>Ongoing</u>	

**ASHFORD BOROUGH COUNCIL
STRATEGIC RISK PROFILE February 2013
RISK MATRIX**



Risk No	Strategic Risk	Score
1a	Economic Growth	4/3 Significant/Severe
1b	Mix & Quality of Housing	4/3 Significant/Severe
2	Volatile Income Streams	6/3 Very High/Severe
3a	Community Demand & Expectations	3/2 Low/Medium
3b	Consequences of Universal Credit	4/3 Significant/Severe
4	Localism	3/3 Low/Severe
5	Workforce Planning	4/3 Significant /Severe
6	Members skills, capacity & experience	2/2 Very Low/Medium
7	Business Plan	4/3 Significant/Severe
8	Housing	4/3 Significant/Severe
9	Infrastructure	6/3 Very High/Severe

Agenda Item No: 11
Report To: **AUDIT COMMITTEE**



Date: **5 MARCH 2013**

Report Title: **2011-2012 Annual Governance Statement – progress on remedying highlighted significant areas of governance**

Report Author: Paul Naylor, Deputy Chief Executive

Summary:

This short paper follows on from the report to the September meeting of the committee and explains progress against the one area for continued work which was included in the Annual Governance Statement agreed by the committee at the September meeting. This highlighted matter: continued work to improve the council's partnership governance arrangements following a review of the principles of good partnership governance during 2012.

Key Decision: Not applicable

Affected Wards: None specifically

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

- 1. Note progress made in improving the council's governance arrangements, with emphasis on the publishing of information related to the Ashford Locality Board.**

Policy Overview: Good standards of corporate governance are essential in all organisations. The council's arrangements are longstanding, well-developed and generally are found to be effective. The annual governance statement is the opportunity to review any need for change or further work. Areas highlighted are important to consider in the context of a changing policy and operating landscape, given legislative change and downward pressures on resources.

Financial Implications: None

Risk Assessment The annual review of the governance statement amounts to an assessment of the adequacy of the council's overall arrangements to the management of governance and risk.

Equalities Impact Assessment Not applicable to this report

Other Material Implications: None

Background Papers: 2010-2011 Annual Governance Statement

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nicholas.clayton@ashford.gov.uk – Tel. 01233 330208

**Report Title: 2011- 2012 Annual Governance Statement –
progress on remedying highlighted significant
areas of governance**

Purpose of the report

1. To explain progress with reviewing the one area of significant governance highlighted by the 2011-2012 annual governance statement.

Issue to decided

2. Members are being asked to note progress.

Significant areas of governance requiring review

3. One area were highlighted in the June 2010-2011 Annual Governance Statement as continuing to need work in relation to a wider review of good partnership principles during 2012.

A) *Improving the council's partnership governance arrangements*

Progress: The 2012 review of good governance principles related to the council's strategic partnerships highlighted the overall status of governance arrangements, whilst identifying areas where further progress was needed to improve effectiveness and openness. In particular, the current arrangements for the publication of minutes and agendas of the Ashford Locality Board were seen to be in need of review.

A paper was submitted to the meeting of the Ashford Locality Board on 23rd January 2013 detailing arrangements for publication schemes by some other Locality Boards around Kent. The Ashford Locality Board felt that, in terms of openness and transparency, it would probably be beneficial to publish the agendas and minutes of the Board, but that KCC should be tasked with further research prior to confirmation that this will happen.

Contact: Paul Naylor, Deputy Chief Executive
Nicholas Clayton, Policy and Performance Officer

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Nicholas.clayton@ashford.gov.uk

Agenda Item No: 12
Report To: Audit Audit Committee
Date: 5 March 2013
Report Title: Internal Audit Operational Plan 2013/14
Report Author: Brian Parsons - Head of Audit Partnership



Summary:	The report sets out the one-year Internal Audit operational plan for 2013/14 and asks that the Audit Committee review and approve the Plan.
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Key Decision: NO

Affected Wards: N/A

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

Review and approve the contents of the one-year operational Internal Audit plan (shown at Appendix 1)

Policy Overview: Not applicable

Financial Implications: None directly

Risk Assessment Yes

Equalities Impact Assessment No

Other Material Implications: Legal: The Accounts and Audit Regulations 2011 place a statutory duty on the Council to 'undertake an adequate and effective internal audit of its accounting records and its system of internal control'.

Background Papers: None

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

Report Title: Internal Audit Operational Plan 2013/14

Purpose of the Report

1. The report sets out (at Appendix 1) the one-year operational Internal Audit plan for the financial year 2013/14 and asks that the Audit Committee review and approve the plan.
2. The purpose of the report is to meet the requirements of the Public Sector Internal Audit Standards (effective from 1 April 2013) in relation to audit planning; and to help to discharge the Section 151 officer's responsibility for financial control; and to inform Management / Members of the planned audit work to be undertaken in 2013/14.

Issue to be Decided

3. A risk based internal audit operational plan has been produced to meet the requirements of the Accounts and Audit Regulations 2011 in accordance with the Public Sector Internal Audit Standards.
4. The Audit Committee is asked to review and approve the Plan.

Background

5. The Committee previously received a report on the three-year Internal Audit Strategic Plan at its meeting on 28 September 2011. The report explained the process for the creation of the three-year plan and the elements that were considered in deciding its content.
6. The strategic plan set out the proposed work of the Internal Audit team for the three financial years, 2011/12, 2012/13 and 2013/14. The Audit Committee approved the plan.
7. The approved strategic plan has been used as the basis for the operational work programme for 2013/14 shown at Appendix 1. However, the plan has been amended to take account of the changed risks that the Council faces compared to 2011 and to reflect issues or concerns raised more recently by management.
8. The Accounts and Audit Regulations 2011 place a statutory duty on the Council to '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'. The 'proper practices' for internal audit are defined as being those which are set out in the Public Sector Internal Audit Standards, which have been set for local government by CIPFA in collaboration with the Chartered Institute of Internal Auditors. The new standards are effective from 1 April 2013.

9. The Code of Practice requires the Head of Internal Audit to establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisations goals.
10. The Head of Internal Audit is required to review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.
11. The Standards state that the Head of Internal Audit must communicate the internal audit plans to senior management and the 'board' (the Audit Committee) for review and approval.

Preparation of the operational plan

12. The majority of the work of Internal Audit is identified in the three-year strategic audit plan which takes full account of organisational objectives and priorities. The operational plan is largely an extract from the strategic plan updated to reflect changed priorities and new risk areas.
13. The plan gives specific consideration to:
 - the arrangements for the prevention of fraud and corruption
 - corporate governance
 - compliance with legislation/changes in legislation
 - compliance with codes of conduct
 - compliance with constitutional rules (e.g. Financial Rules, Contract Rules)
 - the 'national agenda'
 - coordinating work, or at least as much as is practical, with the external auditors to ensure that best use is made of audit resources, and:
 - coordinating work with the other three teams that form the Mid Kent Audit Partnership
14. The plan seeks to:
 - provide sufficient coverage of the control environment to allow conclusions to be drawn on its effectiveness
 - give adequate coverage to allow the external auditors to place reliance on the work of Internal Audit
 - add value and improve the organisation's operations
 - help the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Plan

15. The plan (Appendix 1) shows the projected internal audit work for 2013/14.
16. The plan currently shows a total of 24 audit projects, which is based on the available auditor resources.
17. The Plan has been prepared on a risk basis. This has involved scoring each of the potential audit subjects in terms of materiality, inherent risk and control

risk, taking into account changes to systems, revised management arrangements, and past history.

18. The actual time spent on the audit depends on the complexity of the subject, the scope of the work, the quality of the systems and documents that will be examined, the helpfulness of the staff that we need to work with and the issues that arise during the audit. In general terms it takes longer to audit a subject where poor controls are in place.
19. The resources available to Internal Audit consist of two full-time operational auditors, supported operationally by an Audit Manager for two days of the week, and strategically by the Head of Audit Partnership.
20. Each auditor is expected to complete twelve projects each year. The Audit Manager works closely with the auditors to ensure that productive time is maximised.
21. The Plan is flexible in the sense that a new audit topic can be added in the future, subject to the deletion of one of the planned audits.
22. The majority of the time of the Ashford auditors is spent on Ashford audit projects; however they also work on other partnership sites where it is efficient to do so. This is reciprocated on a quid-pro-quo basis.
23. The Internal Audit Plan for Ashford is sovereign. However, where possible it has been aligned with the Audit Plans for Maidstone, Swale and Tunbridge Wells to facilitate the sharing of audit work programmes and to allow the movement of auditors between sites.
24. The plan sets out the audit work that will be carried out in relation to the key financial systems; Council Tax and Council Tax Support, Business Rates, General Ledger, Creditor Payments, Debts Receivable, Rents and Rent Arrears, and Payroll. The financial materiality of these systems and the expectations of the external auditors dictate that these systems are reviewed annually.
25. The plan goes on to set out the other service areas that will be subject to an internal audit; some of which have little or no financial risk but are subject to regulatory, legal, technological or reputation risk. These subjects may be reviewed annually or biennially or triennially depending on their risk profile.

Reporting the work

26. A written report is provided to the respective Head of Service on completion of each audit project. The Internal Audit report sets out the findings, conclusions and recommendations arising from the audit. A copy of every report is provided to the Deputy Chief Executive (Section 151 Officer) and the Chief Executive.
27. Heads of Service are required to complete an action plan setting out how they will address the recommendations. The action plan is assessed for adequacy by the Audit Manager.

28. A follow-up is carried out approximately six months after the original report was issued to establish whether the proposed action has been implemented in practice. The results of the follow-up are reported in writing to the respective Head of Service, with copies to the Deputy Chief Executive and the Chief Executive.
29. If the initial report identifies that only minimal or limited controls are in place and the Head of Service fails to respond adequately or if it is found that the agreed action has not been taken at the time of the follow-up, the matter will be reported to the next meeting of the Audit Committee. The Head of Service will be invited to attend the meeting to explain the action that will be taken to address the control weaknesses.
30. The outcomes from Internal Audit reviews are reported to the Audit Committee twice a year. An Interim Report is prepared to show the results of work in the first half of the financial year; this is reported to the Committee in December. The Annual Internal Audit report shows the work for the complete financial year and is reported to the Committee in June to support the Annual Governance Statement. The annual report contains the opinion of the Head of Audit Partnership on the adequacy of the Council's control environment.

Risk Assessment

31. The Internal Audit operational plan sets out a series of projects for 2013/14 to examine the adequacy of the controls that the individual Head of Service has put in place to manage a very broad range of risks to the delivery of strategic and operational objectives.

Equalities Impact Assessment

32. None

Other Options Considered

33. There is a requirement under the Public Sector Internal Audit Standards that the Head of Internal Audit should prepare a risk-based plan to determine the priorities of the internal audit activity. There are no alternative options.

Consultation

34. The Strategic Internal Audit Plan, from which the operational plan is largely drawn, was provided to Management Team and to the meeting of the Audit Committee in September 2011.
35. There is an ongoing process of dialogue with Heads of Service in relation to Internal Audit work including meetings between the Audit Manager and the respective Head of Service to discuss the plan of audit work relative to their area of responsibility. These discussions inevitably lead to amendments to the plan.

36. Before any actual audit work commences, the respective Head of Service is consulted on the timing, scope and objectives of the audit project.

Implications Assessment

37. The Internal Audit plan has been prepared to take account of the corporate plan priorities, together with the systems in place to deliver the priorities and manage the risks to their delivery.

Handling

38. The operational plan will provide the majority of the work of the Internal Audit Team over the forthcoming financial year. The auditors will be allocated audit projects in line with the agreed plan

Conclusion

39. The Accounts and Audit regulations 2011 place a statutory duty on the Council to 'undertake an adequate and effective internal audit of its accounting records and its systems of internal control in accordance with the proper practices in relation to internal control'.
40. The Head of Audit Partnership is satisfied that completion of the attached operational audit plan for 2013/14 will meet the statutory duty and will allow the risks to the achievement of the Council's operational and strategic objectives to be reviewed.

Portfolio Holder's Views

41.

42.

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DRAFT INTERNAL AUDIT PLAN 2013/2014

	Subject	Department	Comments	Audit Day allocations
1	Courtside	Cultural & Project Services	Operations	12
2	Building Control (incorporating trading entity)	Planning & Development	Financial System Review	15
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Agenda Item No: 13
Report To: Audit Audit Committee
Date: 5 March 2013
Report Title: Public Sector Internal Audit Standards
Report Author: Brian Parsons - Head of Audit Partnership



Summary: The report provides a summary of the new standards for the provision of internal audit within public sector organisations in the United Kingdom. The standards are effective from 1 April 2013. The Audit Committee is asked to note the new standards and the action that will be taken to implement them for the Mid Kent Audit Partnership, which includes Ashford Borough Council.

Key Decision: NO

Affected Wards: N/A

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

Note the new Public Sector Internal Audit Standards and the action that will be taken to implement them for the Mid Kent Audit Partnership, which includes Ashford Borough Council.

Policy Overview: Not applicable

Financial Implications: None directly

Risk Assessment Yes

Equalities Impact Assessment No

Other Material Implications: Legal: The Accounts and Audit Regulations 2011 place a statutory duty on the Council to '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'. The 'proper practices' are those contained in the Public Sector Internal Audit Standards.

Background Papers: None

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Report Title: Public Sector Internal Audit Standards

Purpose of the Report

1. The report provides a summary of the new Internal Audit Standards, which are effective from 1 April 2013. The Audit Committee is asked to note the new standards and the action that will be taken to implement them for the Mid Kent Audit Partnership, which includes Ashford Borough Council.

Issue to be Decided

2. The Public Sector Internal Audit Standards apply to all internal audit service providers in the UK, whether in-house, shared service or outsourced. The standards set out what is required from the internal audit service. The Audit Committee needs to be aware of the standards and what the Council should expect from Internal Audit. The Committee is therefore asked to note the new standards and the actions that will be taken to implement them.

Background

3. After more than a year of development, the Public Sector Internal Audit Standards were launched in December. They will come into effect on April 1, providing a consistent framework for internal audit services across the UK public sector.
4. The PSIAS were issued by the 'Relevant Internal Audit Standard Setters' in the sector – CIPFA, the Treasury, the Department of Health and the Scottish, Welsh and Northern Ireland governments.
5. A consistent framework has obvious benefits for partnership working, and for internal auditors who work across the different parts of the public sector. The standards are also designed to drive improvement, leading to better public financial management.
6. This ground-breaking development is based on the Institute of Internal Auditors' *International Standards, Definition of Internal Auditing and Code of Ethics*, which form the core of the PSIAS. The new standards will replace the existing ones in local government, central government and the NHS, including the *CIPFA Code of Practice for Internal Audit in Local Government*.
7. The first noticeable difference compared with the previous CIPFA standards (The Code of Practice for Internal Audit in the UK) is the distinctive look and feel of the PSIAS: individual standards are numbered with subsections and the additional public sector requirements and interpretations are displayed in separate, additional boxes. This allows for amendments without disturbing the flow of the standards.

8. Another difference, especially for local government, is the terminology. For example, the PSIAS use the term 'chief audit executive', the description used internationally, rather than 'head of internal audit' or 'chief internal auditor', which are more common in the UK. The PSIAS also makes regular reference to 'the board'; for the Council this is the Audit Committee.
9. Another change/amendment is the requirement for an internal audit 'charter', which must formally define the purpose, authority and responsibility of the internal audit activity, as well as the nature of consulting services and the terms 'board' and 'senior management'. It will also cover arrangements for avoiding conflicts of interest if internal audit carries out any non-audit activities. The Internal Audit Service at Ashford already has an Internal Audit Charter in place, which was previously approved by the Audit Committee. However, it will be necessary to amend the charter to bring it into line with the PSIAS.
10. There is no longer a requirement to produce an audit strategy. Instead, a risk-based plan must incorporate or be linked to a strategic or high-level statement. This should set out how the internal audit service will be provided and developed in accordance with the charter and how it will link to the organisation's objectives and priorities.
11. The quality of the service will also need to be rigorously checked under the Quality Assurance and Improvement Programme. The QA&IP requires ongoing internal assessments of all aspects of internal audit activity, as well as an external assessment at least once every five years. The QA&IP is designed to assess the efficiency and effectiveness of internal audit as well as identify opportunities for improvement.
12. The chief audit executive will have to include a statement on the results of the QA&IP in an annual report.
13. The internal assessments can be divided into two parts. The first will be monitoring the department's activity, in much the same way as under current quality review procedures. The other will comprise 'periodic' self-assessments or assessments carried out by other officers in the organisation, who will have to have sufficient knowledge of internal audit practices.
14. External assessments will need to be carried out by qualified and independent assessors or assessment teams from outside the organisation. They can be undertaken as a full external evaluation or a self-assessment with independent external validation and cannot be carried out on a rolling basis.
15. *CIPFA's Local Government Application Note for the PSIAS*, due out in March, will include a full PSIAS checklist to assist local authorities with both internal and external assessments.

Definition of 'internal auditing'

16. The PSIAS contain a revised definition of internal auditing:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

17. This replaces the previous CIPFA definition (which is now redundant):

Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

18. The most obvious differences are the inclusion within the new standards of the words:

- 'consulting activity',
- 'adding value and improving an organisation's operations'
- 'bringing a systematic disciplined approach', and
- 'to evaluate the effectiveness of risk management, control and governance processes.

19. These differences represent a change of emphasis for public sector internal audit which will now align public sector audit with the private sector, but with additional requirements for the public sector where necessary and appropriate. The PSIAS are very much based on the international standards of the Chartered Institute of Internal Auditors, representing a shift to a specialist institute for internal audit in the public sector from CIPFA, which is a respected, authoritative and very important organisation for the public sector but which professionally has traditionally had a much stronger emphasis on finance and accountancy, rather than internal audit.

Action to be taken to implement the Public Sector Internal Audit Standards

20. A copy of the new standards has been provided to each auditor in the Internal Audit Partnership. A short presentation, providing a summary of the changes was made to the meeting of the Audit Partnership team on 17 January 2013. The auditors will be asked to sign a statement to confirm that they have read and understand the PSIAS.
21. A revised internal audit charter will be prepared by the Head of Internal Audit Partnership, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. The revised internal audit charter will be discussed with senior management and provided to the Audit Committee for final approval.
22. The Head of Audit Partnership will confirm, on an annual basis, the organisational independence of the internal audit activity. This will occur as part of the Annual Internal Audit report to the Audit Committee.

23. The internal audit quality control process will be amended to reflect the new arrangements for 'due professional care' and the requirement for a 'quality assurance and improvement programme'.
24. Arrangements will be put in place for an external assessment of the service every five years by a qualified, independent assessor or assessment team from outside the organisation.
25. Progress against any improvement plans, agreed following external assessment, will be reported in the annual report to the Audit Committee.
26. Instances of non-conformance to the standards will be reported to the Audit Committee. More significant deviations will be considered for inclusion in the annual governance statement.
27. Where the Head of Internal Audit Partnership believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences will be brought to the attention of the Audit Committee.
28. Other than the specific matters referred to above, it is considered that the Mid Kent Internal Audit Partnership already operates to PSIAS. This is not surprising as the partnership has always set good professional standards for its work and for a number of years has embraced the standards of the Chartered Institute of Internal Auditors and has encouraged audit staff to study for the IIA qualifications.

Risk Assessment

29. A failure to meet the Public Sector Internal Audit Standards would significantly reduce the reliance that can be placed on the work of Internal Audit.

Equalities Impact Assessment

30. None

Other Options Considered

31. The Accounts and Audit Regulations 2011 place a statutory duty on the Council to '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'. The 'proper practices' are those contained in the Public Sector Internal Audit Standards. There is no other option for the Council than to adopt the PSIAS.

Consultation

32. The Public Sector Internal Audit Standards are a statutory requirement. Prior to their creation, the 'Relevant Internal Audit Standard Setter' consulted widely with the public sector on the standards.

Implications Assessment

33. A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.

Handling

34. The actions that are to be taken to implement the PSIAS will be reported to future meetings of the Audit Committee.

Conclusion

35. The Accounts and Audit regulations 2011 place a statutory duty on the Council to 'undertake an adequate and effective internal audit of its accounting records and its systems of internal control in accordance with the proper practices in relation to internal control'.
36. The adoption and implementation of the Public Sector Internal Audit Standards will meet the statutory requirement and will set clear and measurable standards for the provision of the internal audit service.
37. A complete copy of the Standards is attached as an Appendix.

Portfolio Holder's Views

38.

39.

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Public Sector Internal Audit Standards

Applying the IIA International Standards to
the UK Public Sector

Issued by the Relevant Internal Audit Standard Setters:



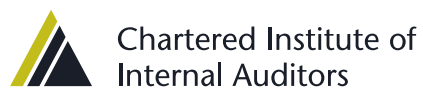
Llywodraeth Cymru
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In collaboration with:



Public Sector Internal Audit Standards

Applying the IIA International Standards to
the UK Public Sector

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SECTION 1

Introduction

A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.

This document is therefore addressed to Accounting Officers, Accountable Officers, board and audit committee members, heads of internal audit, internal auditors, external auditors and other stakeholders such as chief financial officers and chief executives.

Framework overview

The Relevant Internal Audit Standard Setters (RIASS)¹ have adopted this common set of Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. The PSIAS encompass the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing (including interpretations and glossary).

Additional requirements and interpretations for the UK public sector have been inserted in such a way as to preserve the integrity of the text of the mandatory elements of the IPPF.

The overarching principle borne in mind when all potential public sector interpretations and/or specific requirements were considered was that only the minimum number of additions should be made to the existing IIA Standards. The criteria against which potential public sector requirements were judged for inclusion were:

- where interpretation is required in order to achieve consistent application in the UK public sector
- where the issue is not addressed or not addressed adequately by the current IIA Standards, or
- where the IIA standard would be inappropriate or impractical in the context of public sector governance (taking into account, for example, any funding mechanisms, specific legislation etc).

At the same time, the following concepts were also considered of each requirement or interpretation being proposed:

- materiality
- relevance
- necessity, and
- integrity (the additional commentary does not cause inconsistency elsewhere).

¹ The Relevant Internal Audit Standard Setters are: HM Treasury in respect of central government; the Scottish Government, the Department of Finance and Personnel Northern Ireland and the Welsh Government in respect of central government and the health sector in their administrations; the Department of Health in respect of the health sector in England (excluding Foundation Trusts); and the Chartered Institute of Public Finance and Accountancy in respect of local government across the UK.

Wherever reference is made to the International Standards for the Professional Practice of Internal Auditing, this is replaced by the PSIAS. Chief audit executives are expected to report conformance on the PSIAS in their annual report.

Purpose of the PSIAS

The objectives of the PSIAS are to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

Additional guidance is a matter for the RIASS.

Scope

The PSIAS apply to all internal audit service providers, whether in-house, shared services or outsourced.

All internal audit assurance and consulting services fall within the scope of the Definition of Internal Auditing (see section 3). The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control. Consulting services are advisory in nature and are generally performed at the specific request of the organisation, with the aim of improving governance, risk management and control and contributing to the overall opinion.

The Code of Ethics promotes an ethical, professional culture (see section 4). It does not supersede or replace internal auditors' own professional bodies' Codes of Ethics or those of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.

In common with the IIA IPPF on which they are based, the PSIAS comprise Attribute and Performance Standards. The Attribute Standards address the characteristics of organisations and parties performing internal audit activities. The Performance Standards describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be evaluated. While the Attribute and Performance Standards apply to all aspects of the internal audit service, the Implementation Standards apply to specific types of engagements and are classified accordingly:

- Assurance (A) and
- Consulting (C) activities.

The Standards employ terms that have been given specific meanings that are included in the Glossary.

Key governance elements

Within the PSIAS, the terms 'board' and 'senior management' need to be interpreted in the context of the governance arrangements within each UK public sector organisation, as these arrangements vary in structure and terminology between sectors and from one organisation and the next within in the same sector.

It is also necessary for the chief audit executive to understand the role of the Accounting or Accountable Officer, Chief Financial Officer, chief executive, the audit committee and other key officers or relevant decision-making groups as well as how they relate to each other. Key relationships with these individuals and groups are defined for each internal audit service within its charter.

Applicability

The Relevant Internal Audit Standard Setters for the various parts of the UK public sector are shown below, along with the types of organisations in which the PSIAS should be applied.

SECTOR / RELEVANT INTERNAL AUDIT STANDARD SETTER	Central Government	NHS	Local Government
CIPFA			<p>UK Local authorities.</p> <p>England & Wales only The Office of the Police & Crime Commissioner, constabularies, fire authorities, National Park authorities, joint committees and joint boards in the UK.</p> <p>Scotland only Strathclyde Partnership for Transport.</p>
HM Treasury	<p>UK* Government departments and their executive agencies and non-departmental public bodies.</p>		
Department of Health		<p>England Clinical Commissioning Groups. NHS Trusts.</p>	

SECTOR / RELEVANT INTERNAL AUDIT STANDARD SETTER	Central Government	NHS	Local Government
Scottish Government	<p>Scotland</p> <p>The Scottish Government, the Crown Office and Procurator Fiscal Service, Executive Agencies and non-ministerial departments, non-departmental public bodies, the Scottish Parliament Corporate Body and bodies sponsored / supported by the Scottish Parliament Corporate Body.</p>	<p>Scotland</p> <p>NHS Boards, Special NHS Boards, NHS Board partnership bodies in the public sector (eg joint ventures, Community Health Partnerships etc), NHS Board subsidiaries.</p>	
Welsh Government	<p>Wales</p> <p>The Welsh Government, National Assembly for Wales and Welsh Government sponsored bodies including commissioners.</p>	<p>Wales</p> <p>Health Boards and Trusts.</p>	
Northern Ireland Assembly: Department of Finance and Personnel (NI)	<p>Government departments, executive agencies, non-ministerial departments, non-departmental public bodies, NI health and social care bodies and other relevant sponsored bodies.</p>		

* Unless the body falls under the jurisdiction of the devolved governments.

Definition of Internal Auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

SECTION 4

Code of Ethics

Public sector requirement

Internal auditors in UK public sector organisations (as set out in the Applicability section) must conform to the Code of Ethics as set out below. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The purpose of The Institute's Code of Ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about risk management, control and governance.

The Institute's Code of Ethics extends beyond the definition of internal auditing to include two essential components:

Components

- 1 Principles that are relevant to the profession and practice of internal auditing;
- 2 Rules of Conduct that describe behaviour norms expected of internal auditors. These rules are an aid to interpreting the Principles into practical applications and are intended to guide the ethical conduct of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others. 'Internal auditors' refers to Institute members and those who provide internal auditing services within the definition of internal auditing.

Applicability and Enforcement

This Code of Ethics applies to both individuals and entities that provide internal auditing services. For Institute members, breaches of the Code of Ethics will be evaluated and administered according to The Institute's Disciplinary Procedures. The fact that a particular conduct is not mentioned in the Rules of Conduct does not prevent it from being unacceptable or discreditable and therefore, the member liable to disciplinary action.

Public sector interpretation

The 'Institute' here refers to the IIA. Disciplinary procedures of other professional bodies and employing organisations may apply to breaches of this Code of Ethics.

1 Integrity

Principle

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Rules of Conduct

Internal auditors:

- 1.1 Shall perform their work with honesty, diligence and responsibility.
- 1.2 Shall observe the law and make disclosures expected by the law and the profession.
- 1.3 Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation.
- 1.4 Shall respect and contribute to the legitimate and ethical objectives of the organisation.

2 Objectivity

Principle

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements.

Rules of Conduct

Internal auditors:

- 2.1 Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgement.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3 Confidentiality

Principle

Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Rules of Conduct

Internal auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

4 Competency

Principle

Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services.

Rules of Conduct

Internal auditors:

- 4.1 Shall engage only in those services for which they have the necessary knowledge, skills and experience.
- 4.2 Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3 Shall continually improve their proficiency and effectiveness and quality of their services.

Public sector requirement

Internal auditors who work in the public sector must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*, information on which can be found at www.public-standards.gov.uk

Standards

Attribute Standards

1000 Purpose, Authority and Responsibility

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.

Interpretation:

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation, including the nature of the chief audit executive's functional reporting relationship with the board; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities. Final approval of the internal audit charter resides with the board.

Public sector requirement

The internal audit charter must also:

- define the terms 'board' and 'senior management' for the purposes of internal audit activity;
- cover the arrangements for appropriate resourcing;
- define the role of internal audit in any fraud-related work; and
- include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.

1000.A1

The nature of assurance services provided to the organisation must be defined in the internal audit charter. If assurances are to be provided to parties outside the organisation, the nature of these assurances must also be defined in the internal audit charter.

1000.C1

The nature of consulting services must be defined in the internal audit charter.

1010 Recognition of the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* in the Internal Audit Charter

The mandatory nature of the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* must be recognised in the internal audit charter. The chief audit executive should discuss the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards* with senior management and the board.

1100 Independence and Objectivity

The internal audit activity must be independent and internal auditors must be objective in performing their work.

Interpretation:

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the board. This can be achieved through a dual-reporting relationship. Threats to independence must be managed at the individual auditor, engagement, functional and organisational levels.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional and organisational levels.

1110 Organisational Independence

The chief audit executive must report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities. The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.

Interpretation:

Organisational independence is effectively achieved when the chief audit executive reports functionally to the board. Examples of functional reporting to the board involve the board:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit budget and resource plan;
- receiving communications from the chief audit executive on the internal audit activity's performance relative to its plan and other matters;
- approving decisions regarding the appointment and removal of the chief audit executive;
- approving the remuneration of the chief audit executive; and
- making appropriate enquiries of management and the chief audit executive to determine whether there are inappropriate scope or resource limitations.

Public sector requirement

The chief audit executive must report functionally to the board. The chief audit executive must also establish effective communication with, and have free and unfettered access to, the chief executive (or equivalent) and the chair of the audit committee.

Public sector interpretation

Governance requirements in the UK public sector would not generally involve the board approving the CAE's remuneration specifically. The underlying principle is that the independence of the CAE is safeguarded by ensuring that his or her remuneration or performance assessment is not inappropriately influenced by those subject to audit. In the UK public sector this can be achieved by ensuring that the chief executive (or equivalent) undertakes, countersigns, contributes feedback to or reviews the performance appraisal of the CAE and that feedback is also sought from the chair of the audit committee.

1110.A1

The internal audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results.

1111 Direct Interaction with the Board

The chief audit executive must communicate and interact directly with the board.

1120 Individual Objectivity

Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest.

Interpretation:

Conflict of interest is a situation in which an internal auditor, who is in a position of trust, has a competing professional or personal interest. Such competing interests can make it difficult to fulfil his or her duties impartially. A conflict of interest exists even if no unethical or improper act results. A conflict of interest can create an appearance of impropriety that can undermine confidence in the internal auditor, the internal audit activity and the profession. A conflict of interest could impair an individual's ability to perform his or her duties and responsibilities objectively.

1130 Impairment to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

Interpretation:

Impairment to organisational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations, such as funding.

The determination of appropriate parties to which the details of an impairment to independence or objectivity must be disclosed is dependent upon the expectations of the internal audit activity's and the chief audit executive's responsibilities to senior management and the board as described in the internal audit charter, as well as the nature of the impairment.

1130.A1

Internal auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous year.

1130.A2

Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by a party outside the internal audit activity.

1130.C1

Internal auditors may provide consulting services relating to operations for which they had previous responsibilities.

1130.C2

If internal auditors have potential impairments to independence or objectivity relating to proposed consulting services, disclosure must be made to the engagement client prior to accepting the engagement.

Public sector requirement

Approval must be sought from the board for any significant additional consulting services not already included in the audit plan, prior to accepting the engagement.

1200 Proficiency and Due Professional Care

Engagements must be performed with proficiency and due professional care.

1210 Proficiency

Internal auditors must possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities.

Interpretation:

Knowledge, skills and other competencies is a collective term that refers to the professional proficiency required of internal auditors to effectively carry out their professional responsibilities. Internal auditors are encouraged to demonstrate their proficiency by obtaining appropriate professional certifications and qualifications, such as the Certified Internal Auditor designation and other designations offered by The Institute of Internal Auditors and other appropriate professional organisations.

Public sector requirement

The chief audit executive must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

1210.A1

The chief audit executive must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1210.A2

Internal auditors must have sufficient knowledge to evaluate the risk of fraud and the manner in which it is managed by the organisation, but are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

1210.A3

Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

1210.C1

The chief audit executive must decline the consulting engagement or obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

1220 Due Professional Care

Internal auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

1220.A1

Internal auditors must exercise due professional care by considering the:

- Extent of work needed to achieve the engagement's objectives;
- Relative complexity, materiality or significance of matters to which assurance procedures are applied;
- Adequacy and effectiveness of governance, risk management and control processes;
- Probability of significant errors, fraud, or non-compliance; and
- Cost of assurance in relation to potential benefits.

1220.A2

In exercising due professional care internal auditors must consider the use of technology-based audit and other data analysis techniques.

1220.A3

Internal auditors must be alert to the significant risks that might affect objectives, operations or resources. However, assurance procedures alone, even when performed with due professional care, do not guarantee that all significant risks will be identified.

1220.C1

Internal auditors must exercise due professional care during a consulting engagement by considering the:

- Needs and expectations of clients, including the nature, timing and communication of engagement results;
- Relative complexity and extent of work needed to achieve the engagement's objectives; and
- Cost of the consulting engagement in relation to potential benefits.

1230 Continuing Professional Development

Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development.

1300 Quality Assurance and Improvement Programme

The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

Interpretation:

A quality assurance and improvement programme is designed to enable an evaluation of the internal audit activity's conformance with the *Definition of Internal Auditing* and the *Standards* and an evaluation of whether internal auditors apply the *Code of Ethics*. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

1310 Requirements of the Quality Assurance and Improvement Programme

The quality assurance and improvement programme must include both internal and external assessments.

1311 Internal Assessments

Internal assessments must include:

- Ongoing monitoring of the performance of the internal audit activity; and
- Periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices.

Interpretation:

Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools and information considered necessary to evaluate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

Periodic assessments are conducted to evaluate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*.

Sufficient knowledge of internal audit practices requires at least an understanding of all elements of the International Professional Practices Framework.

1312 External Assessments

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The chief audit executive must discuss with the board:

- The form of external assessments;
- The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest; and
- The need for more frequent external assessments.

Interpretation:

External assessments can be in the form of a full external assessment, or a self-assessment with independent validation.

A qualified assessor or assessment team demonstrates competence in two areas: the professional practice of internal auditing and the external assessment process. Competence can be demonstrated through a mixture of experience and theoretical learning. Experience gained in organisations of similar size, complexity, sector or industry and technical issues is more valuable than less relevant experience. In the case of an assessment team, not all members of the team need to have all the competencies; it is the team as a whole that is qualified. The chief audit executive uses professional judgment when assessing whether an assessor or assessment team demonstrates sufficient competence to be qualified.

An independent assessor or assessment team means not having either a real or an apparent conflict of interest and not being a part of, or under the control of, the organisation to which the internal audit activity belongs.

Public sector requirement

The chief audit executive must agree the scope of external assessments with an appropriate sponsor, eg the Accounting/Accountable Officer or chair of the audit committee as well as with the external assessor or assessment team.

1320 Reporting on the Quality Assurance and Improvement Programme

The chief audit executive must communicate the results of the quality assurance and improvement programme to senior management and the board.

Interpretation:

The form, content and frequency of communicating the results of the quality assurance and improvement programme is established through discussions with senior management and the board and considers the responsibilities of the internal audit activity and chief audit executive as contained in the internal audit charter. To demonstrate conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*, the results of external and periodic internal assessments are communicated upon completion of such assessments and the results of ongoing monitoring are communicated at least annually. The results include the assessor's or assessment team's evaluation with respect to the degree of conformance.

Public sector requirement

Progress against any improvement plans, agreed following external assessment, must be reported in the annual report.

1321 Use of Conforms with the International Standards for the Professional Practice of Internal Auditing

The chief audit executive may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance and improvement programme support this statement.

Interpretation:

The internal audit activity conforms with the International Standards when it achieves the outcomes described in the *Definition of Internal Auditing*, *Code of Ethics* and *International Standards*.

The results of the quality assurance and improvement programme include the results of both internal and external assessments. All internal audit activities will have the results of internal assessments. Internal audit activities in existence for at least five years will also have the results of external assessments.

1322 Disclosure of Non-conformance

When non-conformance with the *Definition of Internal Auditing*, the *Code of Ethics* or the *Standards* impacts the overall scope or operation of the internal audit activity, the chief audit executive must disclose the non-conformance and the impact to senior management and the board.

Public sector requirement

Instances of non-conformance must be reported to the board. More significant deviations must be considered for inclusion in the governance statement.

Performance Standards

2000 Managing the Internal Audit Activity

The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organisation.

Interpretation:

The internal audit activity is effectively managed when:

- The results of the internal audit activity's work achieve the purpose and responsibility included in the internal audit charter;
- The internal audit activity conforms with the *Definition of Internal Auditing* and the *Standards*; and
- The individuals who are part of the internal audit activity demonstrate conformance with the *Code of Ethics* and the *Standards*.

The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

2010 Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

Interpretation:

The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.

Public sector requirement

The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

2010.A1

The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.A2

The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.

2010.C1

The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

2020 Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

2030 Resource Management

The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

Interpretation:

Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.

Public sector requirement

The risk-based plan must explain how internal audit's resource requirements have been assessed.

Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.

2040 Policies and Procedures

The chief audit executive must establish policies and procedures to guide the internal audit activity.

Interpretation:

The form and content of policies and procedures are dependent upon the size and structure of the internal audit activity and the complexity of its work.

2050 Coordination

The chief audit executive should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimise duplication of efforts.

Public sector requirement

The chief audit executive must include in the risk-based plan the approach to using other sources of assurance and any work required to place reliance upon those other sources.

2060 Reporting to Senior Management and the Board

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan. Reporting must also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board.

Interpretation:

The frequency and content of reporting are determined in discussion with senior management and the board and depend on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board.

2070 External Service Provider and Organisational Responsibility for Internal Audit

When an external service provider serves as the internal audit activity, the provider must make the organisation aware that the organisation has the responsibility for maintaining an effective internal audit activity.

Interpretation:

This responsibility is demonstrated through the quality assurance and improvement programme which assesses conformance with the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards*.

2100 Nature of Work

The internal audit activity must evaluate and contribute to the improvement of governance, risk management and control processes using a systematic and disciplined approach.

2110 Governance

The internal audit activity must assess and make appropriate recommendations for improving the governance process in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the organisation;
- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the organisation; and
- Coordinating the activities of and communicating information among the board, external and internal auditors and management.

2110.A1

The internal audit activity must evaluate the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities.

2110.A2

The internal audit activity must assess whether the information technology governance of the organisation supports the organisation's strategies and objectives.

2120 Risk Management

The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.

Interpretation:

Determining whether risk management processes are effective is a judgment resulting from the internal auditor's assessment that:

- Organisational objectives support and align with the organisation's mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the organisation's risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across the organisation, enabling staff, management and the board to carry out their responsibilities.

The internal audit activity may gather the information to support this assessment during multiple engagements. The results of these engagements, when viewed together, provide an understanding of the organisation's risk management processes and their effectiveness.

Risk management processes are monitored through ongoing management activities, separate evaluations, or both.

2120.A1

The internal audit activity must evaluate risk exposures relating to the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

2120.A2

The internal audit activity must evaluate the potential for the occurrence of fraud and how the organisation manages fraud risk.

2120.C1

During consulting engagements, internal auditors must address risk consistent with the engagement's objectives and be alert to the existence of other significant risks.

2120.C2

Internal auditors must incorporate knowledge of risks gained from consulting engagements into their evaluation of the organisation's risk management processes.

2120.C3

When assisting management in establishing or improving risk management processes, internal auditors must refrain from assuming any management responsibility by actually managing risks.

2130 Control

The internal audit activity must assist the organisation in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

2130.A1

The internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organisation's governance, operations and information systems regarding the:

- Achievement of the organisation's strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations and programmes;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

2130.C1

Internal auditors must incorporate knowledge of controls gained from consulting engagements into the evaluation of the organisation's control processes.

2200 Engagement Planning

Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations.

2201 Planning Considerations

In planning the engagement, internal auditors must consider:

- The objectives of the activity being reviewed and the means by which the activity controls its performance;
- The significant risks to the activity, its objectives, resources and operations and the means by which the potential impact of risk is kept to an acceptable level;
- The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model; and
- The opportunities for making significant improvements to the activity's governance, risk management and control processes.

2201.A1

When planning an engagement for parties outside the organisation, internal auditors must establish a written understanding with them about objectives, scope, respective responsibilities and other expectations, including restrictions on distribution of the results of the engagement and access to engagement records.

2201.C1

Internal auditors must establish an understanding with consulting engagement clients about objectives, scope, respective responsibilities and other client expectations. For significant engagements, this understanding must be documented.

2210 Engagement Objectives

Objectives must be established for each engagement.

2210.A1

Internal auditors must conduct a preliminary assessment of the risks relevant to the activity under review. Engagement objectives must reflect the results of this assessment.

2210.A2

Internal auditors must consider the probability of significant errors, fraud, non-compliance and other exposures when developing the engagement objectives.

2210.A3

Adequate criteria are needed to evaluate governance, risk management and controls. Internal auditors must ascertain the extent to which management and/or the board has established adequate criteria to determine whether objectives and goals have been accomplished. If adequate, internal auditors must use such criteria in their evaluation. If inadequate, internal auditors must work with management and/or the board to develop appropriate evaluation criteria.

Public sector interpretation

In the public sector, criteria are likely to include value for money.

2210.C1

Consulting engagement objectives must address governance, risk management and control processes to the extent agreed upon with the client.

2210.C2

Consulting engagement objectives must be consistent with the organisation's values, strategies and objectives.

2220 Engagement Scope

The established scope must be sufficient to satisfy the objectives of the engagement.

2220.A1

The scope of the engagement must include consideration of relevant systems, records, personnel and physical properties, including those under the control of third parties.

2220.A2

If significant consulting opportunities arise during an assurance engagement, a specific written understanding as to the objectives, scope, respective responsibilities and other expectations should be reached and the results of the consulting engagement communicated in accordance with consulting standards.

2220.C1

In performing consulting engagements, internal auditors must ensure that the scope of the engagement is sufficient to address the agreed-upon objectives. If internal auditors develop reservations about the scope during the engagement, these reservations must be discussed with the client to determine whether to continue with the engagement.

2220.C2

During consulting engagements, internal auditors must address controls consistent with the engagement's objectives and be alert to significant control issues.

2230 Engagement Resource Allocation

Internal auditors must determine appropriate and sufficient resources to achieve engagement objectives based on an evaluation of the nature and complexity of each engagement, time constraints and available resources.

2240 Engagement Work Programme

Internal auditors must develop and document work programmes that achieve the engagement objectives.

2240.A1

Work programmes must include the procedures for identifying, analysing, evaluating and documenting information during the engagement. The work programme must be approved prior to its implementation and any adjustments approved promptly.

2240.C1

Work programmes for consulting engagements may vary in form and content depending upon the nature of the engagement.

2300 Performing the Engagement

Internal auditors must identify, analyse, evaluate and document sufficient information to achieve the engagement's objectives.

2310 Identifying Information

Internal auditors must identify sufficient, reliable, relevant and useful information to achieve the engagement's objectives.

Interpretation:

Sufficient information is factual, adequate and convincing so that a prudent, informed person would reach the same conclusions as the auditor. Reliable information is the best attainable information through the use of appropriate engagement techniques. Relevant information supports engagement observations and recommendations and is consistent with the objectives for the engagement. Useful information helps the organisation meet its goals.

2320 Analysis and Evaluation

Internal auditors must base conclusions and engagement results on appropriate analyses and evaluations.

2330 Documenting Information

Internal auditors must document relevant information to support the conclusions and engagement results.

2330.A1

The chief audit executive must control access to engagement records. The chief audit executive must obtain the approval of senior management and/or legal counsel prior to releasing such records to external parties, as appropriate.

2330.A2

The chief audit executive must develop retention requirements for engagement records, regardless of the medium in which each record is stored. These retention requirements must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.

2330.C1

The chief audit executive must develop policies governing the custody and retention of consulting engagement records, as well as their release to internal and external parties. These policies must be consistent with the organisation's guidelines and any pertinent regulatory or other requirements.

2340 Engagement Supervision

Engagements must be properly supervised to ensure objectives are achieved, quality is assured and staff are developed.

Interpretation:

The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. The chief audit executive has overall responsibility for supervising the engagement, whether performed by or for the internal audit activity, but may designate appropriately experienced members of the internal audit activity to perform the review. Appropriate evidence of supervision is documented and retained.

2400 Communicating Results

Internal auditors must communicate the results of engagements.

2410 Criteria for Communicating

Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations and action plans.

2410.A1

Final communication of engagement results must, where appropriate, contain internal auditors' opinion and/or conclusions. When issued, an opinion or conclusion must take account of the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

Interpretation:

Opinions at the engagement level may be ratings, conclusions or other descriptions of the results. Such an engagement may be in relation to controls around a specific process, risk or business unit. The formulation of such opinions requires consideration of the engagement results and their significance.

2410.A2

Internal auditors are encouraged to acknowledge satisfactory performance in engagement communications.

2410.A3

When releasing engagement results to parties outside the organisation, the communication must include limitations on distribution and use of the results.

2410.C1

Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the client.

2420 Quality of Communications

Communications must be accurate, objective, clear, concise, constructive, complete and timely.

Interpretation:

Accurate communications are free from errors and distortions and are faithful to the underlying facts. Objective communications are fair, impartial and unbiased and are the result of a fair-minded and balanced assessment of all relevant facts and circumstances. Clear communications are easily understood and logical, avoiding unnecessary technical language and providing all significant and relevant information. Concise communications are to the point and avoid unnecessary elaboration, superfluous detail, redundancy and wordiness. Constructive communications are helpful to the engagement client and the organisation and lead to improvements where needed. Complete communications lack nothing that is essential to the target audience and include all significant and relevant information and observations to support recommendations and conclusions. Timely communications are opportune and expedient, depending on the significance of the issue, allowing management to take appropriate corrective action.

2421 Errors and Omissions

If a final communication contains a significant error or omission, the chief audit executive must communicate corrected information to all parties who received the original communication.

2430 Use of Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing

Internal auditors may report that their engagements are conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*, only if the results of the quality assurance and improvement programme support the statement.

2431 Engagement Disclosure of Non-conformance

When non-conformance with the *Definition of Internal Auditing*, the *Code of Ethics* or the *Standards* impacts a specific engagement, communication of the engagement results must disclose the:

- Principle or rule of conduct of the *Code of Ethics* or Standard(s) with which full conformance was not achieved;
- Reason(s) for non-conformance; and
- Impact of non-conformance on the engagement and the communicated engagement results.

2440 Disseminating Results

The chief audit executive must communicate results to the appropriate parties.

Interpretation:

The chief audit executive is responsible for reviewing and approving the final engagement communication before issuance and deciding to whom and how it will be disseminated.

2440.A1

The chief audit executive is responsible for communicating the final results to parties who can ensure that the results are given due consideration.

2440.A2

If not otherwise mandated by legal, statutory, or regulatory requirements, prior to releasing results to parties outside the organisation the chief audit executive must:

- Assess the potential risk to the organisation;
- Consult with senior management and/ or legal counsel as appropriate; and
- Control dissemination by restricting the use of the results.

2440.C1

The chief audit executive is responsible for communicating the final results of consulting engagements to clients.

2440.C2

During consulting engagements, governance, risk management and control issues may be identified. Whenever these issues are significant to the organisation, they must be communicated to senior management and the board.

2450 Overall Opinions

When an overall opinion is issued, it must take into account the expectations of senior management, the board and other stakeholders and must be supported by sufficient, reliable, relevant and useful information.

Interpretation:

The communication will identify:

- The scope including the time period to which the opinion pertains.
- Scope limitations.
- Consideration of all related projects including the reliance on other assurance providers.
- The risk or control framework or other criteria used as a basis for the overall opinion.
- The overall opinion, judgment or conclusion reached.

The reasons for an unfavourable overall opinion must be stated.

Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion; and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

2500 Monitoring Progress

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.

2500.A1

The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

2500.C1

The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

2600 Communicating the Acceptance of Risks

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organisation, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.

Interpretation:

The identification of risk accepted by management may be observed through an assurance or consulting engagement, monitoring progress on actions taken by management as a result of prior engagements, or other means. It is not the responsibility of the chief audit executive to resolve the risk.

Glossary

Add Value

The internal audit activity adds value to the organisation (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management and control processes.

Adequate Control

Present if management has planned and organised (designed) in a manner that provides reasonable assurance that the organisation's risks have been managed effectively and that the organisation's goals and objectives will be achieved efficiently and economically.

Public sector definition: Assurance Framework

This is the primary tool used by a board to ensure that it is properly informed on the risks of not meeting its objectives or delivering appropriate outcomes and that it has adequate assurances on the design and operation of the systems in place to mitigate those risks.

Assurance Services

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.

Public sector definition: Audit Committee

The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.

Board

The highest level of governing body charged with responsibility to direct and oversee the activities and management of the organisation. Typically, this includes an independent group of directors (eg a board of directors, a supervisory board or a board of governors or trustees). If such a group does not exist, the 'board' is the head of the company or agency. 'Board' may refer to an audit committee to which the governing body has delegated its authority.

Charter

The internal audit charter is a formal document that defines the internal audit activity's purpose, authority and responsibility. The internal audit charter establishes the internal audit activity's position within the organisation; authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Chief Audit Executive

Chief audit executive describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards*. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title of the chief audit executive may vary across organisations.

Code of Ethics

The *Code of Ethics* of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing and Rules of Conduct that describe behaviour expected of internal auditors. The *Code of Ethics* applies to both parties and entities that provide internal audit services.

The purpose of the *Code of Ethics* is to promote an ethical culture in the global profession of internal auditing.

Compliance

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organisation. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Consulting Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Control

Any action taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment

The attitude and actions of the board and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Control Processes

The policies, procedures and activities that are part of a control framework, designed to ensure that risks are contained within the level of risk that an organisation is willing to accept.

Engagement

A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives

Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Opinion

The ratings, conclusions or other descriptions of results of an individual internal audit engagement based upon the procedures performed, relating only to those aspects within the objectives and scope of the engagement.

Engagement Work Programme

A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider

A person or firm outside of the organisation that has special knowledge, skill and experience in a particular discipline.

Fraud

Any illegal act characterised by deceit, concealment or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organisations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

Public sector definition: Governance Statement

The mechanism by which an organisation publicly reports on its governance arrangements each year.

Impairment

Impairment to organisational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel and properties and resource limitations (funding).

Independence

The freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Information Technology Controls

Controls that support business management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure and people.

Information Technology Governance

Consists of the leadership, organisational structures and processes that ensure that the enterprise's information technology supports the organisation's strategies and objectives.

Internal Audit Activity

A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organisation's operations. The internal audit activity helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

International Professional Practices Framework

The conceptual framework that organises the authoritative guidance promulgated by The IIA. Authoritative Guidance is comprised of two categories (1) mandatory and (2) endorsed and strongly recommended.

Public sector interpretation

Only the mandatory elements apply for the purposes of the Public Sector Internal Audit Standards.

Public sector interpretation: International Standards for the Professional Practice of Internal Auditing

The Public Sector Internal Audit Standards take the place of the International Standards where applicable.

Must

The *Standards* use the word must to specify an unconditional requirement.

Objectivity

An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

Overall Opinion

The overall ratings, conclusions or other descriptions of results provided by the chief audit executive addressing, at a broad level, governance, risk management and control processes of the organisation. An overall opinion is based on the results of a number of individual engagements and other activities for a specific time interval.

Risk

The effect of uncertainty on objectives. An effect is a deviation from the expected and may be positive or negative. Risk is often expressed in terms of a combination of the consequences of an event and the associated likelihood of occurrence.

Risk Appetite

The level of risk that an organisation is willing to accept.

Risk Management

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

Should

The *Standards* use the word should where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Standard

A professional pronouncement promulgated by the Internal Audit Standards Board that delineates the requirements for performing a broad range of internal audit activities and for evaluating internal audit performance.

Technology-based Audit Techniques

Any automated audit tool, such as generalised audit software, test data generators, computerised audit programmes, specialised audit utilities and computer-assisted audit techniques (CAATs).

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Report To: Audit Audit Committee
Date: 5 March 2013
Report Title: Audit Committee – Future Work Programme
Report Author: Brian Parsons - Head of Audit Partnership



Summary:	The Audit Committee is asked to consider a number of potential development areas for inclusion in the Future Work Programme.
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Key Decision: NO

Affected Wards: N/A

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

Agree which, if any, of the issues which are set out in the body of the report should be prioritised, scheduled and added to the Future Meetings Programme for reports or actions over the period of the programme

Policy Overview: Not applicable

Financial Implications: None directly

Risk Assessment Yes

Equalities Impact Assessment No

Other Material Implications: None

Background Papers: None

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Report Title: Audit Committee – Future Work Programme

1. The Audit Committee Chairman attended a CIPFA Better Governance Forum workshop/seminar on 'The Influential Audit Committee' on 16th January 2013.
2. The workshop provided briefings on current developments relevant to the role of audit committees within public sector organisations. A summary of some of the areas covered is set out below. Members may wish to discuss and consider whether any of these subject areas should be prioritised, scheduled and added to the Future Meetings Programme.
 - **Public Sector Internal Audit Standards** – A report on the new standards is included as an agenda item for this evenings meeting.
 - **Assurance** – the Audit Committee needs to receive assurance on risks and various aspects of governance. Who should provide the assurance and how much reliance can be placed on it? Is the Committee satisfied with the assurance that it receives or is there a need to develop a more comprehensive assurance framework?
 - **Where should the audit committee have influence?** – it was suggested that audit committees should give further thought to whether the committee is working effectively and whether it is able to support the improvement of the organisation in a number of different ways. This could involve a self assessment, consideration of the scope of the audit committee's role and reviewing the existing terms of reference. Does the Committee wish to give consideration to this issue, possibly through the use of a self assessment process?
 - **Keeping up to date with risk and governance issues** – the workshop highlighted a number of relatively recent key issues, including the implications of the Local Government Finance Act, Information Commission sanctions, and Fraud developments. The Committee may wish to give consideration to how it can best be made aware of the relevant issues?
 - **The Annual Governance Statement** – the Audit Committee receives an annual report on the AGS. However the AGS will be changing this year. How can the Committee get assurance on behalf of the Council in relation to the various elements of the Statement?
 - **Independent Audit Committee Member** – a number of Local Authority Audit Committees have sought to appoint an independent, non voting member to provide additional technical skills to the Committee, for example in terms of the annual approval of the Council's accounts. The Committee has already been given the ability to appoint one or more Co-opted Non-Voting Independent Members if it so wishes. (Minute No. 477/5/11 refers). Does the now wish to take action to recruit an Independent Member and if so, what skills are sought to enhance the effectiveness of the Committee.

3. Member's views in relation to the topics shown above and any other areas that may increase the influence and effectiveness the Audit Committee are sought. However, in doing so the Committee needs to consider the impacts on officer time of reporting back on these issues and may therefore wish to prioritise the areas of interest and spread any requirements for reports over the period of the Future Meetings Programme.

Recommendation

That the Committee agree which, if any, of the issues set out in the body of the report should be prioritised, scheduled and added to the Future Meetings Programme for reports or actions over the period of the programme.

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Audit Committee - Future Meetings

Date 27/06/2013			
Publish by 19/06/13			
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	

Date 04/03/2014			
Publish by 24/02/14			
Reports to Management Team by 20th February		Council 24/04/13	
1	Grant Thornton's Progress Report Ahead of 2013/2014 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 2014/15	BP	
7	Report Tracker for Future Meetings	DS	

25/2/2013