



## Audit Committee

Notice of a Meeting, to be held in the Council Chamber, Civic Centre, Tannery Lane, Ashford, Kent TN23 1PL on Thursday, 27<sup>th</sup> June 2013 at 7.00 pm.

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The Members of this Committee are:-

Cllr. Clokie (Chairman)  
Cllr. Link (Vice-Chairman)  
Cllrs. Marriott, Michael, Shorter, Smith, Taylor, Yeo

**NB: Under the Council's Public Participation Scheme, members of the public can submit a petition to the Cabinet 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. <b>Apologies/Substitutes</b> – To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii)                             |                      |
| 2. <b>Declarations of Interest:-</b> To declare any interests which fall under the following categories, as explained on the attached document: | 1                    |
| a) Disclosable Pecuniary Interests (DPI)  |                      |
| b) Other Significant Interests (OSI)  |                      |
| c) Voluntary Announcements of Other Interests   |                      |
| See Agenda Item 2 for further details   |                      |
| 3. <b>Minutes</b> – To approve the Minutes of the Meeting of the Cabinet held on the 5 <sup>th</sup> March 2013                                 |                      |

### Part I – For Decision

4. Internal Audit Annual Report 2012/13
5. Annual Report of the Audit Committee 2012/13
6. Approval of Annual Governance Statement 2012/13
7. Governance and Risk – Grant Thornton's National Research Reports

8. Strategic Risk Review – Effective Workforce Planning

## **Part II – Monitoring/Information Items**

9. Local Audit and Public Accountability Bill
10. Grant Thornton's Audit Committee Update
11. Report Tracker and Future Meetings

DS/VS  
19<sup>th</sup> June 2013

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**Declarations of Interest (see also “Advice to Members” below)**

- (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 meeting for that item (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 meeting before the debate and vote on that item (unless a relevant Dispensation has been granted). However, prior to leaving, the Member may address the Committee in the same way that a member of the public may do so.

- (c) **Voluntary Announcements of Other Interests** not required to be disclosed under (a) and (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 either an OSI or in some cases a DPI].

**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](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/5962/2193362.pdf) plus the link sent out to Members at part of the Weekly Update email on the 3<sup>rd</sup> May 2013.
- (b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, and a copy can be found in the Constitution at <http://www.ashford.gov.uk/part-5---codes-and-protocols>
- (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.

## Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **5<sup>th</sup> March 2013**

### Present:

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

Cllrs. Michael, Smith, Wright, Yeo.

### Apologies:

Cllrs. Marriott, Taylor.

### Also Present:

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

Andy Mack - Grant Thornton.

## 350 Minutes

### Resolved:

**That the Minutes of the Meeting of this Committee held on the 4<sup>th</sup> December 2012 be approved and confirmed as a correct record.**

## 351 Future of the Fraud Investigation Team

The report followed on from previous reports and explained that various options for the future of the fraud investigation team had now been considered. It set out the background to the need to consider options and explained that the preferred option for the future was 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 could widen to other service areas. This approach was supported by Management Team. The proposal, if supported by the Committee and the Cabinet would need more work on the scope and the financial issues, although reasonable assumptions were made in the report.

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

- The Council could choose not to opt in to the Single Fraud Investigation Service (SFIS). The only obligation was to investigate Housing Benefit Fraud all the time that sat with the Council.

- 60/70% of the current workload was already around Tenancy Fraud so the recently approved Bill would make investigation easier by providing the new powers but would make little difference to the way the team was currently working. As the only one of the four MKIP Authorities with its own housing stock, Ashford would require a wider brief from its fraud team than the others.
- Issues of funding and costs were proposed to be looked at further in future reports should the principles in this report be agreed. For the purposes of this report certain assumptions had had to be made and it would be necessary to take a few months to see how the welfare reform system panned out before proper conclusions could be drawn. It was right to be cautious at this stage.
- The suggestion in the report was that an in-house fraud investigation service would report to the Section 151 Officer. The main desire of fraud investigation was to protect the Council's income streams and whilst there was a role for Internal Audit to look at corporate/internal fraud, levels at Ashford were low.
- There were possibilities for the Council in various areas/departments around growing a market place outside of the Council, but this was very much a longer term goal.

**Resolved:**

- That (i) the conclusions from the options review into the future of the Fraud Investigation Team be noted, and the preferred option for the Council to retain a corporate fraud investigation service be supported, with the intention of making the change from April 2014.**
- (ii) subject to the above, it be agreed 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).**

## **352 External Audit Plan**

Mr Mack introduced the first of four reports from the Council's external auditor. It set out the programme of work for the coming year in the three key audit areas (the accounts, value for money and grant certification). He was also pleased to advise that this year's proposed fee reflected a 40% reduction, though this depended on a number of factors being adhered to by the Council.

In response to questions about the Council's preparedness for meeting the demands of the fee assumption, the Deputy Chief Executive said he thought Management Team and Officers were up for the challenge. The Finance team was prepared, Officers had a good dialogue with External Auditors and understood their needs and approach, errors had been contained to an absolute minimum and some additional dedicated expertise had been brought in to assist with the close down of this years

accounts. He was confident the necessary paperwork and supporting certification could be delivered. A Member echoed these sentiments and said that the Finance section had demonstrated a dramatic improvement in recent years and he knew that they understood the expectations placed on them by External Audit.

In terms of the Audit Plan itself the following responses were given to questions/comments: -

- In terms of the Housing Revenue Account (HRA) the External Auditors did check the 'nuts and bolts' accounting and the value for money angle. The Chairman said he was concerned about some of the borrowing that was taking place, how many years it would take to pay that back and how it was scrutinised. This was something to perhaps discuss further outside of the meeting.
- Previously identified material weaknesses on journal entry controls had been responded to by the Finance Manager by way of a proposal to introduce a bi-monthly review of material journals and extracting and reviewing a report from the system.
- With regard to fraud risks associated with employee remuneration, Internal Audit undertook an annual payroll audit and the results of that work were shared with External Auditors.

**Resolved:**

**That the External Audit Plan be received and noted.**

### **353 External Audit Update**

Mr Mack explained that this report brought the Committee up to date on Grant Thornton's progress in delivering their responsibilities as the Council's External Auditors. The report also drew attention to emerging national issues and developments that may be relevant to the Council and a number of challenge questions in respect of those emerging issues which the Committee may wish to consider. Grant Thornton's reports 'Towards a Tipping Point?' and 'Improving Council Governance' (which was handed out to Members), would provide useful further reading. The Chairman said he had attended a recent seminar run at Grant Thornton's offices and he had found it extremely useful. One of the key questions he had taken away from the day was "to what extent can you accept the assurances you are being given?" and considered that should be in the forefront of the Committee's mind going forward.

The Chairman said that the challenge questions under the emerging issues and developments section of the report were key and, along with the two national reports from Grant Thornton, should probably form the basis of some standalone work. It was agreed that as this report had only just been released, the Committee should hold an additional informal session some time in April 2013 to discuss these matters. This would be held on a Friday afternoon some time after the Easter holidays, date TBC. Members were encouraged to keep hold of their papers.

**Resolved:**

**That the External Audit Update be received and noted.**

### **354 Certification of Grant Claims Annual Report**

The report summarised Grant Thornton's overall assessment of the Council's management arrangements in respect of the certification process for 2011/12 and drew attention to significant matters in relation to individual claims.

**Resolved:**

**That the report be received and noted.**

### **355 Assurance from Those Charged with Governance**

The report advised of the need for the Council's External Auditors to annually refresh their understanding of how the Committee gains assurance over management processes and arrangements. The Committee was therefore asked to respond to questions on how it oversaw management processes in a variety of specific areas and gained assurance on those matters. A Member wondered if this document should be discussed at the informal April session, along with options for further training/briefings etc. The original deadline for the response was the 31<sup>st</sup> March 2013, but Mr Mack said he would be happy to extend that until after the informal session if that is what Members wanted.

A Member asked about the Council's whistleblowing policy in relation to fraud and said he would like to know a little more about it as such policies did have a tendency to be 'put on a shelf' and forgotten about. The Deputy Chief Executive said the Council had a policy that had been used occasionally in the past, but no reports had been made in the last year. The Council wanted to refresh this policy and keep it 'live' and re-issue it to staff, reminding them of their rights under whistleblowing. It was expected that a revised whistleblowing policy would come to the next meeting of this Committee in June. In terms of external whistleblowing (on tenancy/benefit fraud etc), the Investigation & Visiting Manager said that this was encouraged and advertised by way of a hotline number and dedicated email address.

The Chairman said he had some ongoing apprehension about the companies the Council was proposing to set up, in relation to them being a going concern. The Deputy Chief Executive said this consideration would be fundamental in the creation of any company. It was beholden on the Directors to have a sustainable structure in place and for the Council to be asking those questions. In terms of the auditing of transactions between such companies, there would be governance arrangements in place around the structures and how the companies related to each other and because they were to be set up by the Council they would be consolidated within the overall accounts and be subject to the Council's own audit requirements.

**Resolved:**

**That a response on the necessary areas of assurance from the Chairman of this Committee be produced and provided to Grant Thornton.**

## **356 Presentation of Financial Statements**

The report advised that the Council was required to follow statutory guidance for the publication of its accounts and each year that guidance was reviewed and updated. The report looked at the impact of those updates on the Council's accounts for 2012/13. In addition, the report reviewed the lessons learnt from the accounts process for 2011/12. The Council had completed a review of its accounting policies that would be used for the production of the statement of accounts.

The Chairman said that in line with his earlier comments regarding scrutiny of the HRA he wondered if it was possible for there to be an audit review of HRA spend. He had concerns over the Farrow Court project for example where it seemed that the principle had been agreed without knowing where the money was going to come from. The Deputy Chief Executive said that this was not quite the case as whatever the HRA account wanted to do, had to fit within the overall HRA budget cap. In terms of the capital investment in Farrow Court, the principle had been agreed, but there was a need for a dedicated project group to work up the scheme and it would need to be signed off by the Leader and Deputy Chief Executive to ensure it was within the agreed affordability envelope. With regard to transparency/monitoring, such projects would be covered within the regular Budget Monitoring Reports and it would be important for Audit Committee Members to keep an eye on those. The role of an Audit Committee Member was to satisfy themselves that the risks associated with such projects were properly controlled and that the financial implications were being reported honestly and accurately, whereas the 'nuts and bolts' of projects would be discussed and agreed elsewhere. The Chairman said he accepted those comments, but there was concern that some Members could only get involved in such discussion after the event and when it was too late to pick up concerns.

In response to a question the Principal Accountant advised of the arrangements for revaluing the Council's assets, land and buildings. This was based on a five year rolling programme with major changes being picked up in a year end review each year and then adjusted.

**Resolved:**

**That the report be received and noted and the accounting policies for the 2012/13 accounts, as at Appendix A of the report, be approved.**

## **357 Strategic Risk Review**

The Head of Internal Audit Partnership introduced the report which informed Members of the current position regarding the Authority's strategic risks. A revised paragraph 10 to the report was tabled.



The Committee ran through the Management Action Plans for the risks one by one and the following comments were made: -

**Risk 1a – Economic Growth**

The proposal was to reduce this from a score of 5/3 (High/Severe) to 4/3 (Significant/Severe) but the Committee was not comfortable with this idea. The Chairman said he thought there could be a decline in average earnings if the Sevington Distribution Centre proposal went ahead as this could skew the overall figures. The Committee recommended that this score be left at 5/3.

**Risk 1b – Mix and Quality of Housing**

Noted and agreed to leave score at 4/3 (Significant/Severe).

**Risk 2 – Volatile Income Streams**

Noted and agreed to leave score at 6/3 (Very High/Severe).

**Risk 3a – Community Demands/Expectations**

The Committee expressed some concern that community demands and expectations were rising, in particular with regard to new developments coming on board. The Committee recommended that the score should be raised from a 3/2 (Low/Medium) to a 4/2 (Significant/Medium) in terms of the potential reputation risk to the Council. The Committee also considered that the Chilmington Green development and surrounding issues should be drawn out as a standalone risk within the register.

**Risk 3b – Consequences of Universal Credit**

Noted and agreed to leave score at 4/3 (Significant/Severe).

**Risk 4 – Opportunities for Localism**

Noted and agreed to leave score at 3/3 (Low/Severe).

**Risk 5 – Workforce Planning**

In response to a question the Deputy Chief Executive advised that the Council had a Leadership Succession Planning Programme in place to develop the Council's future Managers. This approach would continue to be developed. It was agreed to leave the score at 4/3 (Significant/Severe).

**Risk 6 – Members Skills, Capacity and Experience**

The proposal was to reduce this from a score of 3/2 (Low/Medium) to 2/2 (Very Low/Medium) but the Committee was not comfortable with this idea. Members said that at a time where there was to be a new Leader, potential new Cabinet Members and a number of recently elected Members, there were issues over skills, capacity and experience. A Member who was also Chairman of the Member Training Panel said that there was still an issue in getting Members to attend training/briefing sessions and whilst the Panel would be attempting to address this, it had been difficult to get the message across. Members agreed to discuss the particular issue of training/briefings for this Committee at its informal session in April. The Committee recommended that the score for Risk 6 be left at 3/2.

**Risk 7 – Business Plan**

Noted and agreed to leave score at 4/3 (Significant/Severe).

**Risk 8 - Housing**

Noted and agreed to leave score at 4/3 (Significant/Severe).

**Risk 9 – Infrastructure**

Noted and agreed to leave score at 6/3 (Very High/Severe).

**Resolved:**

- That**
- (i) the Strategic Risk Management Action Plans be received and noted.**
  - (ii) the Committee is satisfied with the action being taken to manage the Council's Strategic Risks.**
  - (iii) the risk scores be set as outlined above.**

**358 Annual Governance Statement – Progress on Remediating Highlighted Significant Areas of Governance**

The report was the latest update explaining progress against the one area for continued work in the Annual Governance Statement agreed at the September meeting of the Committee. The highlighted matter was a continuation of work to improve the Council's partnership governance arrangements following a review of the principles of good partnership governance during 2012.

**Resolved:**

**That the progress made in improving the Council's governance arrangements, with emphasis on the publishing of information related to the Ashford Locality Board be noted.**

**359 Internal Audit Operational Plan 2013/14**

The report set out the one-year Internal Audit Operational Plan for 2013/14 and asked the Committee to review and approve the Plan.

In response to a question about to what extent Internal and External Audit overlapped, the Head of Internal Audit Partnership said that the role was quite different. External Audit primarily focussed on the accounts and public assurance/accountability and whilst they did get involved in other things, they did not look at systems, operational controls and if the Council was achieving the stated objective of Members, in the same way Internal Audit did. Internal Audit did work with External Auditors and they needed to have faith in the work of Internal Auditors to provide assurance. Going back to previous conversations, without the work of Internal Audit it was likely that the External Audit fees would go up because they would have to do more of the background work.

**Resolved:**

**That the contents of the one year Internal Audit Operational Plan (as shown at Appendix 1 to the report) be approved.**

### **360 Public Sector Internal Audit Standards**

The report provided a summary of the new standards for the provision of Internal Audit within public sector organisations in the United Kingdom. The standards would be effective from 1<sup>st</sup> April 2013. The Committee was asked to note the new standards and the action that would be taken to implement them for the Mid Kent Audit Partnership, which included Ashford Borough Council. The Head of Internal Audit Partnership said that most of the points in the report were already happening at Ashford, but he intended to submit a 'matters arising' report on this to the next meeting of the Committee in June.

**Resolved:**

**That 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, be noted.**

### **361 Audit Committee – Future Work Programme**

**Resolved:**

**It was agreed that the potential development areas outlined in the report be discussed further at the informal session in April along with the possibilities for further training opportunities and restoring the pre-Committee briefing sessions.**

### **362 Report Tracker and Future Meetings**

**Resolved:**

**That subject to the additional items discussed during the Meeting, and any changes arising from the informal session in April, the report be received and noted.**

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



**Date:** **27 JUNE 2013**

**Report Title:** Internal Audit Annual Report 2012/13

**Report Author:** Brian Parsons

**Summary:** The report is provided in order to allow the Audit Committee to consider the work of the Internal Audit Team over the financial year 2012/13 and the opinion of the Head of Audit Partnership in relation to the Council's control environment, in the context of the Annual Governance Statement.

The Audit Committee must decide whether the outcomes of the Internal Audit work and the other matters referred to in this report provide evidence of a substantial level of internal control within the Authority, which supports the findings and conclusions shown in the Annual Governance Statement for 2012/13.

The Audit Committee must decide whether the matters referred to in the report provide evidence of an effective internal audit.

**Key Decision:** No

**Affected Wards:** Not applicable

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

- Note the Head of Audit Partnership's opinion that substantial reliance can be placed on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
- Note the results of the work of the Internal Audit Team over the period April 2012 to March 2013 as shown in Appendix A and that this is the prime evidence source for the Head of Internal Audit's opinion.
- Agree that the summary of the work and the other matters referred to in this report supports 'the opinion' and that the report can be used to inform the Annual Governance Statement for 2012/13.
- Note the improvements in control that occur as a result of the audit process.

- Agree that the contents of the report provide evidence of an effective internal audit.

<b>Policy Overview:</b>	Internal Audit is a statutory service under the Accounts and Audit Regulations 2011 which state that 'the body must undertake an adequate and effective internal audit of its accounting records and its system of internal control in accordance with the proper practices in relation to internal control' and 'must at least once in each year, conduct a review of the effectiveness of its internal audit'.
<b>Financial Implications:</b>	None directly
<b>Risk Assessment</b>	Internal audit is a review process which evaluates the adequacy of the controls that management has put in place to manage the risks to the achievement of objectives. An inadequate control environment would mean that significant risks exist but they are not being managed.
<b>Equalities Impact Assessment</b>	No
<b>Other Material Implications:</b>	None
<b>Background Papers:</b>	Internal Audit Reports
<b>Contacts:</b>	Brian.Parsons@ashford.gov.uk – Tel: (01233) 330442

**Report Title: Internal Audit Annual Report 2012/13**

**Purpose of the Report**

1. 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. A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector.
2. The principal objective of the Internal Audit Service is to examine and evaluate the adequacy of internal control within the various systems, procedures and processes that are operated by the Council. The results of the work allow an opinion to be formed on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.
3. The report allows Members to consider the outcomes of the work of the Internal Audit Team over the financial year 2012/13 and the opinion of the Head of Internal Audit in relation to the Council's framework of governance, risk management and control and whether the report can be used to inform the Annual Governance Statement for 2012/13.
4. The report provides an opportunity for the Audit Committee to assess the effectiveness of the Council's internal audit arrangements.

**Issue to be decided**

5. The report contains the Head of Audit Partnership's opinion that substantial reliance can be placed on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. Members are asked to:
  - Note the opinion, and the audit work that form the basis for the opinion
  - Agree that the opinion and that the report can be used to inform the Annual Governance Statement for 2012/13
  - Note the improvements in control that occur as a result of the audit process and agree that the contents of the report provide evidence of an effective internal audit service.

## **The Public Sector Internal Audit Standards**

6. A report on the new Public Sector Internal Audit Standards was provided to the Audit Committee meeting on 5<sup>th</sup> March 2013. The Standards became effective from 1 April 2013. This report has therefore been written to reflect the requirements which necessitate that:
  - The chief audit executive must confirm to the board, at least annually, the organisational independence of the internal audit activity.
  - 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.
  - Progress against any improvement plans, agreed following external assessment, must be reported in the annual report.

## **Proposal**

### **The Annual Internal Audit Report**

#### **Independence**

7. Internal Audit is provided through Mid Kent Audit, which is a shared service partnership between Ashford, Maidstone, Swale and Tunbridge Wells.
8. 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.
9. At Ashford Borough Council, the Head of Audit Partnership (HAP) has direct and unrestricted access to senior management and the Audit Committee. Reports to Heads of Service are issued in the name of the HAP who is responsible for the final content of the report.
10. The Head of Audit Partnership reports directly to the Audit Committee, the final content of the report being solely his prerogative. The HAP has free and unfettered access to the Chief Executive and the Chair of the Audit Committee.
11. Any potential threats to independence are managed at the individual auditors, engagement, functional and organisational levels.

12. Organisationally the Head of Audit Partnership reports to the Deputy Chief Executive who is a member of the Management Team. On no occasion has the Deputy Chief Executive or Management Team sought to restrict the scope of audit work or to change any report prepared by the HAP.
13. It is considered that Internal Audit is organisationally independent and fully meets the necessary standard for independence and objectivity.

### **The annual internal audit opinion**

14. It is the opinion of the Head of Audit Partnership that substantial reliance can be placed on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion covers the period from 1 April 2012 to date.
15. The opinion takes account of all related projects including the reliance on other assurance providers; principally Grant Thornton (and previously the assurance provided by the Audit Commission).
16. The opinion takes account of the risk, control and governance framework.
17. The evidence to support the opinion is contained within this report. The opinion and this report can be used by the Council to inform its governance statement.
18. The Annual Governance Statement has been compiled and appears elsewhere on the agenda for this meeting.
19. The Accounts and Audit Regulations 2011 also require that the Council 'must, at least once a year, conduct a review of the effectiveness of its internal audit'. It is considered that this report provides evidence of the effectiveness of internal audit and the Committee is therefore asked to treat consideration of this report as 'the review'.

### **Summary of the work that supports the opinion**

20. The opinion on the control environment is principally formed through the results of Internal Audit work during the financial year.
21. Eighteen audit projects were completed between April 2011 and March 2012 and are listed at Appendix A. Thirty-five auditor days were lost due to the secondment of an auditor to the Finance Section early in February. This is the equivalent of losing three audit projects during the year. It was not possible to fill the position (on a temporary basis) until April 2013.
22. This is 86% of the revised audit plan. The team also carry out a number of other audit functions and these are shown at the end of the appendix.
23. The appendix shows the control assurance for each audit. A table showing the definition of the respective control assurance opinions is shown in Appendix C.



24. Four of the audits did not include a control assurance assessment as it was not appropriate to the projects. These were work on the Audit Commission's National Fraud Initiative, an internal review of the Anti-Fraud and Corruption Policy and the work, which was carried out twice during the year, to validate the accuracy of the two Greenov claims.
25. The work of the Internal Audit Team has established that for the majority (79%) of the areas examined, satisfactory controls were in place at the time of the original audit.
26. Where weaknesses have been identified the appropriate Head of Service has, in most cases, since agreed the action to be taken to rectify those weaknesses.
27. The external auditors have been able to place reliance on the work of Internal Audit.

### **The results of external audit work during 2012/13**

28. The main part of the external auditor's work relates to the Council's financial accounts. The auditors will be considering the accounts for 2012/13 shortly. The External Auditor has not raised any issues with Internal Audit that would give concern in relation to the Council's internal controls.
29. The external auditor's Annual Audit Letter for 2011/12 (which was reported to the meeting of the Audit Committee on 4 December 2012), commented that 'The Council has good financial governance and sound arrangements for financial control'.

### **The Council's risk management arrangements**

30. The Council has a Strategic Risk Register in place which was agreed/adopted by the Cabinet on 8<sup>th</sup> November 2012. The creation of the Register was instigated by the Audit Committee.
31. The risks were identified through risk workshops involving senior management and senior Members.
32. The current register shows eleven risks, being:
  - Economic growth
  - Right mix of quality housing
  - Income streams
  - Community demands
  - Consequences of Universal Credit
  - Opportunities for Localism
  - Workforce planning
  - Members skills, capacity and experience
  - Business plan
  - Housing
  - Infrastructure

33. The risk management process requires that the allocated 'risk owners' must complete management action plans, which are subject to review and amendment every six months.
34. The risk register is a living document and is kept under review throughout the year and is amended when necessary to reflect changes in the risk environment.
35. The six monthly review report was brought to the Audit Committee meeting on 5 March 2013. The risk owners had proposed a number of changes to the risk scores whereby the scores would be reduced to reflect the action that they had taken. The Audit Committee did not accept that the risks had reduced and in one case, 'community demands', felt that the score should be increased. The Committee also considered that the Chilmington Green development and surrounding issues should be drawn out as a standalone risk within the register.
36. Management Team subsequently accepted and agreed the conclusions of the Audit Committee. A risk assessment for Chilmington Green is currently being developed.
37. Following the discussion at the informal meeting of the Audit Committee on the 19<sup>th</sup> April 2013, it is proposed that the highest risks on the register will be scheduled for discussion at future meetings of the Audit Committee, with the risk owner for the respective risk attending the meeting to explain the action that is being taken to manage the risk and to answer questions from Members.
38. Internal Audit takes the role of facilitators of the risk management process but do not have responsibility for the individual risks or for the corporate risk register.
39. Training was organised for service managers in May 2013 in order to provide risk awareness and allow them to incorporate risk management as an integral part of their service planning process.

### **The effectiveness of the internal audit process**

40. Heads of Service are required to respond to every audit report where recommendations are made, by completing an action plan which sets out the action that will be taken to address the audit recommendations. The response is assessed for adequacy; to ensure that the proposed actions are sufficient and that any weakness will be addressed within a reasonable period.
41. Three reports were issued during 2012/13 relating to areas where a 'limited' control assurance was assessed as being in place. The responsible Head of Service subsequently completed an action plan setting out comprehensive and timely actions to address the audit recommendations.
42. Internal Audit carries out a follow-up to each audit to ensure that the actions have been taken in practice.

43. Eleven follow-ups took place during 2012/13 as shown at Appendix B. The table also shows the improvements in control assurance (the direction of travel) that occur as a result of the audit process.
44. Based on the generally prompt and positive responses received from senior management and the results of follow-up work, it is considered that senior management is effective in resolving control weaknesses.
45. It is concluded that the internal audit process is effective.

### **Informing the Annual Governance Statement (AGS)**

46. The opinion of the Head of Internal Audit on the internal control environment is particularly relevant to the preparation of the Annual Governance Statement. In that context, it should be noted that there is only one report which has sufficient implications to be referred to in the AGS. This relates to procurement/contracts.

### **Performance of the internal audit function against its performance measures and targets**

47. During 2012/13 the internal audit function had two internal performance targets. The targets were:
  - Completion of the annual internal audit plan (90% target)
  - Achievement of customer care targets (85% positive response target)
48. The initial target for completion of audit projects within the internal audit plan for 2012/13 was 24 projects; however the target was reduced to 21 following the secondment of an auditor to the Finance Section.
49. In practice the number of projects completed during 2012/13 was 18, which is 86% of the revised target.
50. Customer surveys are issued to clients (service managers) following each internal audit, to assess satisfaction with the audit process. The responses have been very positive. Positive levels of satisfaction help to confirm that customer/clients value the service that they receive and the positive response therefore provides evidence of 'value for money'.
51. An annual survey of Chief Executives/Directors and Heads of Service is carried out across the four-way Internal Audit Partnership in order to obtain responses on the quality of the internal audit service. The most recent survey was carried out in June 2013.
52. The survey of the Chief Executives/Directors focuses on satisfaction with the overall service. Of the eleven responses received (which represents all of those in this category), the answers to the question 'Are you satisfied with the service that you receive from Internal Audit', five were 'satisfied' and six were 'very satisfied'.

53. The survey of Heads of Service produced twenty-one responses over the four way partnership of which eight were 'satisfied' with the service and eleven were 'very satisfied' (two responders did not answer this question).
54. The survey of Heads of Service is quite detailed and includes questions on the quality of the various elements of the audit process. The main purpose of the survey is to identify aspects of the service that can be improved. The detailed responses will therefore be very carefully reviewed over the coming months and action will be taken to introduce improvements where appropriate.

### **Statement on conformance with the Public Sector Internal Audit Standards (PSIAS) and the results of the quality assurance and improvement programme**

55. As stated earlier, the PSIAS has only been in place since 1 April 2013.
56. The PSIAS sets out the standards that the Internal Audit team has to comply with in order to meet the statutory requirement. A copy of the PSIAS has been provided to each auditor and each auditor has confirmed that they have 'read, understood and will work to the Public Sector Internal Audit Standards'.
57. The PSIAS requires that a Quality Assurance and Improvement Programme is in place. This requires both internal and external assessments. The internal assessments include ongoing monitoring of the performance of the internal audit activity, which is already in place, and 'periodic self-assessments or assessments by other persons within the organisation with sufficient knowledge of internal audit practices. CIPFA has recently published a 'Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards', which includes a checklist. It is intended to use the checklist to aid periodic self-assessments of conformance with the Standards.
58. The PSIAS also require that an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. It is intended to seek an external assessment later in the year. The proposals for doing so will be reported to a future meeting of the Audit Committee.
59. The implementation of the PSIAS on 1 April 2013 has meant that aspects of the current service arrangements need to be changed in order to ensure full compliance. It is intended that the necessary actions will be taken during the current financial year so that the service will fully comply by 31 March 2014 at the latest. In particular, Internal Audit is required to operate to an approved Charter. It is intended that a draft Charter will be prepared and brought to the meeting of the Committee in September for approval.

### **Assurance levels**

60. Internal Audit use 'assurance levels' or assurance statements to provide the overall audit opinion for the service or area that has been reviewed. The use of an assurance level is consistent with the requirement for managers (and Members) to consider the degree to which controls and processes can be

relied upon to achieve the objectives of the reviewed activity. There are four assurance levels, as set out at Appendix C. The consistent use of assurance levels allows a balanced view to be taken of the overall adequacy of control within the Council.

61. In the financial year 2012/13, a total of fourteen audit reports included an assurance assessment for the area that had been audited (four did not). The initial assurance assessments were categorised as follows:

	2012/13	Previous year
High	3	1
Substantial	8	12
Limited	3	2
Minimal	0	0
Not given	4	6
Total	18	21

62. The collective assurance level, which can be extracted from the audit work performed during 2012/13, provides considerable evidence to support the statutory Annual Governance Statement, with 79% of the reports having a positive assurance assessment identifying control assurance as 'substantial' or 'high' at the time of the audit.

### **Reporting of Internal Audit work to the Audit Committee**

63. Internal Audit work is reported at six-monthly intervals. An interim report, showing the first six months work of the financial year 2012/13, was provided to the Audit Committee meeting on 4 December 2012. A number of audit projects shown in the appendices have therefore already been brought to the attention of the Committee.

### **Other issues - Staffing**

64. The team of operational auditors comprises two staff. Each auditor is expected to complete twelve audit projects during the year.
65. Under the partnership arrangement, the extent of audit management for the Ashford audit service is the equivalent of 0.5 full time employees. The management resource is used for audit planning, review of audit reports, supervision, strategic management, risk management and reporting to the Audit Committee and to the Management Team.
66. The total staffing establishment for Internal Audit at Ashford is therefore 2.5 FTE. It is considered that this level of resources for Ashford is a 'de minimis' level and any reduction in resource would place the Council's statutory duty in doubt.

### **Risk Assessment**

67. Internal audit is a review process which evaluates the adequacy of the controls that management has put in place to manage the risks to the

achievement of objectives. An inadequate control environment would mean that significant risks exist but are not being managed.

## **Equalities Impact Assessment**

68. Not applicable.

## **Other Options Considered**

69. Internal Audit is a key component of the Council's internal control arrangements and its work informs the Annual Governance Statement. Members need to be aware of the control issues that have been identified by Internal Audit and the opinion of the Head of Internal Audit on the adequacy of the Council's control environment. No other options could be recommended.

## **Consultation**

70. Individual audit reports are provided to the respective Head of Service for consideration and implementation, with copies to the Deputy Chief Executive and the Chief Executive. The Head of Service is also made aware of the narrative that will be used to report the audit to the Audit Committee. Client views are sought generally in terms of the internal audit service and specifically in relation to individual audit reviews.

71. The Audit Manager undertakes an ongoing process of meeting with Heads of Service in order to establish their views and their perceptions of controls and risks. The results of this ongoing exercise helps to inform future audit plans,

## **Implications Assessment**

72. Internal Audit is a statutory requirement for local authorities. Internal Audit work can impact on staff in terms of issues arising from audit reviews. A substantial element of internal audit work is based around the review of financial systems and controls.

## **Handling**

73. The Audit Committee is asked to agree the recommendations contained in this report so that the Head of Internal Audit's opinion can be considered as part of the review of the Annual Governance Statement.

## **Conclusion**

74. The Head of Internal Audit has concluded that substantial reliance can be placed on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. This opinion covers the period from 1 April 2012 to date.

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## APPENDIX A

**Audit Title:** Car Parking - Enforcement

**Service:** Environmental Services

**Report Issued:** August 2012

**Audit Objectives:**

The key objectives were to ensure that:

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

**Key Findings:**

The Enforcement, Policy and Administrative Functions for Parking Enforcement are performed in accordance with the Traffic Management Act 2004.

The arrangements in place for the receipt and allocation of income provided a substantial level of control assurance.

There is a need to update agreements with bailiff companies, and correct the allocation of parking fine income (collected by bailiffs) between on-street and off-street parking codes.

**Level of Assurance:** Substantial

**Management Response Summary:** Management accepted all recommendations

**Proposed Date for Follow-up:** January 2013

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**Audit Title:** Private Sector Bonds/Homeless Prevention Payments

**Service:** Customer Homes & Property

**Report Issued:** September 2012

**Audit Objectives:**

The key objectives were to ensure that:

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



- The schemes for Private Sector Bonds and Homeless Prevention Payments are suitably monitored

**Key Findings:**

A number of standalone records are maintained to control the 'prevention fund' budget, therefore management need to ensure these records are regularly reconciled to the main eFinancials system, to ensure that the record incorporates all transactions.

The provision for the potential budget liability created in the Councils accounts should be reviewed to ensure that it is set at a realistic level to reflect the nature of the repayment profile.

While the Landlord Database records a basic level of financial information, there is no interface between this system and the debtor module, which would represent a monitoring process for the payments received. A report from the debtors system could be used to do this but this would in part be incomplete because the report would only include those 'live' accounts on the system, but not those accounts where no payment had been received but which nevertheless relate to 'active' bonds with an ongoing tenancy.

**Level of Assurance Issued:** Substantial

**Management Response Summary:** Awaiting management response

**Proposed Date for Follow-up:** TBA

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**Audit Title:** Trusts & Partnerships

**Service:** Cultural Services

**Report Issued:** September 2012

**Audit Objectives:**

The key objectives of the audit were to:

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

The Key Findings were:

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

**Level of control assurance in place:** Substantial

**Management Response Summary:** The three audit recommendations are accepted and will be implemented.

**Proposed Date for Follow-up:** June 2013

---

**Audit Title:** Anti Fraud & Corruption Policy

**Service:** Corporate review

**Report issued:** September 12

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

**Audit Objectives:**

The key objectives were:

- To review the Current legislation; Current policies and procedures in place/operation at the four partner authorities to determine that they meet the current requirements and standards
- To identify best practice and guidance from other local authorities and organisations that could be implemented across the partner sites.
- To identify effective processes for communication and promotion of policies.

**Key Findings:**

- The purpose of this review was to assist in developing a model policy that could be considered and adopted across the four partner authorities.
- The intention is to bring forward a suite of revised policies for consideration by the respective members later in the year.

**Level of Assurance Issued:** N/A

**Management Response Summary:** N/A

Note: It is proposed to bring forward a suite of revised policies to the September Audit Committee for consideration.

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**Audit Title:** Greenov –European funding  
**Service:** Planning & Development (Economic Development)  
**Report issued** August 12/March13

**Audit Objectives:**

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

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

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

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

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

**Key Findings:**

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

It was found that all claims were submitted on time. Payment to Ashford from the Lead Partner is expected later in the year.

The audit work included the need to resolve a number of outstanding issues from the previous claims made by Ashford's Future in order to ensure that Ashford Borough Council could optimise funding within the Greenov initiative.

Ashford Boroughs claim was subject to audit by the European auditors during the year, who confirmed their satisfaction with the standard of record keeping provided to support the Greenov claims. They reviewed the work undertaken of the First Level Controller (FLC) and confirmed that he is effectively discharging his responsibilities in relation to the claim scheme.

No report was issued – no response is required

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**Audit Title:** Section 106 Agreements

**Service:** Planning

**Report Issued:** August 2012

**Audit Objectives:**

The key objectives were:

- To establish and review the process for monitoring Section 106 agreements;
- To establish and review the means by which planning obligations are collected, recovered or obtained from developers;
- To establish and review the controls in place for releasing S106 monies and the use of developer receipts under the terms of S106 agreements;
- To establish the Council's arrangements ahead of the Community Infrastructure Levy being introduced;
- To establish the impact from developer requests to renegotiate existing section 106 agreements and how this process is managed.

**Key Findings:**

The Key Findings were:

The procedures for recording S106 obligations onto the ACCOLAID system continue to operate satisfactorily. Testing confirmed that obligations are correctly recorded and suitable procedures are in place to monitor trigger points and collect obligations. The review of a number of Section 106 Agreements noted that a reoccurring obligation being placed on new developments is for a carbon off-setting contribution, to be determined following assessment of the carbon emissions arising from the development. The potential monies collected under this obligation could be significant and it is recommended that a specific policy is implemented and approved to manage the future use of monies collected under this obligation.

The Section 106 Group is effective as the principal mechanism for ensuring that monies collected through the Section 106 process are appropriately used in accordance with the terms of the Section 106 agreement. The reports and records of the Section 106 Support Officer, which inform and support the discussion and decisions of the Group, were found to be accurate and sound.

The Council's arrangements for the implementation of the Community Infrastructure Levy were found to be satisfactory.

**Level of Assurance Issued:** Substantial

**Management Response Summary:** The two recommendations made are agreed and will be implemented.

**Proposed Date for Follow-up:** June 2013

---

**Audit Title:** CCTV/Telescan  
**Service:** Environmental Services  
**Report Issued:** December 2012

**Audit Objectives:**

The key objectives were to ensure that:

- Appropriate procedure notes are in place and training is provided.
- Applications for Telecare services are appropriately completed and agreements are entered into.
- Income and expenditure is appropriately accounted for.

**Key Findings:**

The Key Findings were:

Strong controls exist over the administrative arrangements governing the Telecare Service, which are underpinned by NSI (National Security Inspectorate) and TSA (Telecare Services Association) accreditation requirements. Officers employed within the Monitoring Centre are appropriately trained and licensed. Information packs are provided to potential customers with detailed information/agreements on the services offered and charges payable.

In relation to expenditure and income, it is difficult to fully report on the total cost of the Telecare Service as expenditure for the Ashford Monitoring Centre is not appropriately split between the CCTV and Telecare Budgets. Budgets should be logically apportioned between the two services so that they can be used to set fees.

**Level of Assurance Issued:** Substantial

**Management Response Summary:** Seven out of the nine recommendations have been agreed and will be implemented

**Proposed Date for Follow-up:** September 2013

---

**Audit Title:** ICT – Development

**Service:** ICT

**Report Issued:** December 2013

**Audit Objectives:**

The key objectives were to ensure that:

- IT Projects comply with Corporate IS/IT Strategies.
- The ownership and management of projects is clearly defined with an appropriate business case and project plan.
- Design, development, testing and implementation phases are clearly defined.

**Key Findings:**

The Key Findings were:

The IT Development Team have delivered projects in accordance with client requests and the clients/users were satisfied with the service provided. However, there is a need to strengthen documentation to support bespoke applications and interfaces to ensure the resilience of the service and the applications.

**Level of Assurance Issued:** Substantial

**Management Response Summary:** The recommendations are accepted and will be implemented accordingly.

**Proposed Date for Follow-up:** June 2013

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**Audit Title:** Payroll – Data Migration

**Service:** Corporate Personnel & Development

**Report Issued:** February 2013

**Audit Objectives:**

The key objectives were to:

- Establish that data was appropriately transferred between the Delphi Millennium and iTrent software.
- Establish that results from parallel running were properly reconciled and that any variances were appropriately rectified.
- Review the quality of Standing Data in the iTrent System

**Key Findings:**

The Key Findings were:

The data migration was correctly and accurately carried out. Two parallel payroll runs were completed on the Delphi and iTrent System to ensure that outputs from each system could be agreed. Testing at the time of the audit independently verified the accuracy of the 2<sup>nd</sup> parallel run reconciliation between Delphi and iTrent. This in turn provides assurance that iTrent has been appropriately configured to generate accurate payroll runs

The quality of the standing data in iTrent was reviewed as part of the audit. Some minor issues were identified and rectified immediately. Overall the quality of the data tested from iTrent was good.

**Level of Assurance Issued:** High

**Management Response Summary:** No recommendations were made

**Proposed Date for Follow-up:** N/A

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**Audit Title:** Dog Kennelling  
**Service:** Environmental Services  
**Report Issued:** February 2013

**Audit Objectives:**

The key objectives were

:

- To establish and evaluate the arrangements in place for the provision of kennelling services;
- To establish and evaluate the procedures in place for issuing, recording and enforcing fixed penalty notices

**Key Findings:**

The Key Findings were:

The kennelling arrangements operate without an agreement being in place to define the service provided. The arrangements have operated this way for a number of years and have not recently been market tested to ensure that they provide value for money.

Under the arrangements the Council pays for six kennels on a 'retainer' basis regardless of the number of kennels occupied. A review of the invoices from the kennelling provider shows an increase in the level of additional charges during the current financial year, arising from veterinary care and where alternative rates have been applied.

Very few fixed penalty notices (FPN) are issued in relation to dog fouling and littering offences. The current arrangements are adequate due to the small number of FPN's issued, however a more structured system would need to be implemented if the Council decided to direct resources in this area of environmental enforcement, which could result in a greater number of FPN being issued.

**Level of Assurance Issued:** Limited

**Management Response Summary:** Awaiting response from Management

**Proposed Date for Follow-up:** TBA

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**Audit Title:** Contract Procedure Rules - Compliance  
**Service:** Corporate review  
**Report Issued:** February 2013

**Audit Objectives:**

The key objectives were:

- To establish that Contract Procedure Rules are appropriately followed when procuring works goods and services on behalf of the Council.

- To establish that the new arrangements in place for engaging single source suppliers is being adhered to.
- To ensure that appropriate contracts are in place.

**Key Findings:**

The Key Findings were:

The Council's Contract Procedure Rules highlighted a number of references to information which is either no longer available, or procedures that are now obsolete.

Variations to contract procedures rules where exemptions were applied have not been reported consistently to the relevant committees therefore improvements in this process are required.

Contract Procedure rules should be reviewed in conjunction with the main users to ensure they remain fit for purpose. Any review should be followed by an education programme to ensure officers are aware of their obligations under the rules.

Arrangements for Single Supplier Sourcing have been significantly strengthened.

**Level of Assurance Issued:** Limited

**Management Response Summary:** The recommendations are accepted and will be implemented. The procurement strategy will be updated in order to ensure that it is properly supporting business plan objectives.

**Proposed Date for Follow-up:** TBA

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**Audit Title:** Rent Accounting/Arrears

**Service:** Customer Homes & Property

**Report Issued:** February 2013

**Audit Objectives:**

The key objectives were:

- To establish and evaluate the measures in place for the reduction and reporting of rent arrears.
- To establish that credit balances are appropriately refunded and write-offs are correctly processed.
- To establish whether the potential impact on the collection of rents arising from the government's welfare reforms has been identified and whether action is proposed to mitigate the effects.

**Key Findings:**

The Key Findings were:

The Council has a Rent Arrears Recovery Policy and an Arrears Management Policy in place to ensure that rent arrears are collected in a consistent and timely manner. Although the two policies are in place they were last formerly reviewed in 2009 and are therefore may be in need of updating



Credit Balances on rent accounts invariably result from timing differences between direct payments and the application of backdated benefits. However, at the time of review circa £250,000 credit balances (1800 cases) showed credit balances. A recommendation is made that those tenants with larger credit balances >£750 should be contacted to discuss whether the credit should be refunded or set against future rent payments.

There is a need to ensure prior authorisation before a debt is written off.

**Level of Assurance Issued:** Substantial

**Management Response Summary:** Seven out of the eight recommendations have been agreed and will be implemented

**Proposed Date for Follow-up:** January 14

---

**Audit Title:** Ward Member Grants

**Service:** Policy & Performance

**Report Issued:** March 2013

**Audit Objectives:**

The key objectives were:

- To ensure that the scheme has been clearly defined and communicated to Members;
- To ensure that payments have been correctly paid under the scheme and are properly accounted for.
- To ensure that all grant payments are properly supported by adequate records, documentation and evidence.

The audit set out to establish and evaluate the controls in place over the scheme and in particular, to consider compliance with the Scheme Guidance, grant applications, payments and budgetary control.

**Key Findings:**

The Key Findings were:

Audit testing of paid grant applications confirmed that grant funds had generally been allocated within the parameters of the scheme to the types of organisation set out in the Scheme Guidance. However, the audit identified several occasions where the Scheme Guidance should have been more closely followed and where opportunities exist to improve the controls in place.

**Level of Assurance Issued:** Limited

**Management Response Summary:** The seven recommendations made by the audit are accepted and will be implemented. Specifically, revised guidance will be issued and implemented after June Cabinet. Recommendations to more closely monitor the use of grant monies and the publication of paid grants on the Council's website are accepted and will be implemented.

**Proposed Date for Follow-up:** September 2013

**Audit Title:** Council Tax – Valuation, Liability & Billing

**Service:** Revenues & Benefits

**Report Issued:** April 2013

**Audit Objectives:**

The key objectives were:

- To establish whether all property valuations (new and amendments) are correctly updated on the Council Tax system;
- To establish if the correct Council Tax debit has been correctly calculated and applied to Council Tax accounts;
- To evaluate the arrangements for the timely and accurate billing of Council Tax.

**Key Findings:**

The Key Findings were:

- Arrangements for the exchange of information with the Valuation Office are secure and well documented.
- Regular reconciliations of the total banding information are carried out.
- Arrangements for main billing at the start of the year, following the determination of the Council Tax requirement, are well rehearsed and were found to be satisfactory.
- Checks are in place and routinely followed to independently validate decisions made by staff to suppress accounts

**Level of Assurance Issued:** High

**Management Response Summary:** N/A – No recommendations were made

**Proposed Date for Follow-up:** N/A

-----  
**Audit Title:** Creditor Payment System

**Service:** Finance

**Report Issued:** April 13

**Audit Objectives:**

The key objectives were:

- To assess the accuracy of creditors payments made during the financial year 2012/13 via data matching testing using IDEA and using data from the 2012/13 NFI exercise;
- To establish, evaluate and test the operation and effectiveness of the 'key controls' for the creditors system

The audit tested and evaluated the 'key controls' for the creditor's process, which included a review of:

- Separation of duties
- Setting up new suppliers and amendments to standing data
- Authorisation limits
- Payment Run (BACS and Cheque payments)

### **Key Findings:**

The Key Findings were:

The IDEA testing and the investigation of matches from the NFI provided positive assurance that accurate payments are made through the creditors processes.

Four recommendations were made relating to key controls:

- Operational procedure notes for the creditors process should be brought up to date
- An annual check should be carried out to ensure that 'authorised users' are correct.
- The arrangements for >£20k payments should be reviewed to ensure that multiple invoices to the same supplier which cumulatively exceed £20 k are subject to checking and authorisation.
- A cheque book should be maintained to replace the very low numbers of cheques which the Council continues to print.

**Level of Assurance Issued:** Substantial

**Management Response Summary:** Three of the four recommendations are accepted and will be implemented. The fourth recommendation relating to the arrangements for >£20k cheques is agreed in principal subject to some further research into the bank mandate limit and how this compares with other local authorities.

**Proposed Date for Follow-up:** October 2013

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**Audit Title:** Members Allowances

**Service:** Member Services/ICT

**Report Issued:** April 2013

### **Audit Objectives:**

The key objectives were:

- To ensure that Allowances and Expenses are claimed, processed and paid in accordance with the approved Members Allowance Scheme
- To ensure that payments made are authorised, correct and supported by appropriate documentation
- To determine whether current arrangements for reporting allowances and expenses are in accordance with prevailing regulatory requirements (such as open government & transparency frameworks)

## **Key Findings:**

The Key Findings were:

Allowances, Travel and Expenses are generally claimed, processed and paid in accordance with the approved Members Allowance Scheme

Payments made are not always authorised, however they are checked for completion, accuracy and that the correct rates are applied

The ICT element of the allowances scheme does not always operate in accordance with specific Scheme provisions, for example in relation to the provision of equipment and the consistent use of email addresses. Improvements could be made to streamline the scheme and the associated documentation, to improve the consistency of the authorisation process and the clarity of individual responsibilities.

Allowances and expenses are reported on the Council's website. The Scheme and out turn are easily located on the site, however Independent Remuneration Panel reports are more difficult to find.

**Level of Assurance Issued:** Substantial

**Management Response Summary:** A draft response has been prepared by the Head of Legal and Democratic Services; the response is subject to further input from the ICT team.

**Proposed Date for Follow-up:** TBA

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## **National Fraud Initiative (NFI)**

The NFI is a biennial data matching exercise (still) carried out by the Audit Commission. The Council is required to submit a broad range of data which is matched against other data sets that the Commission has obtained from a number of sources. Data sets include Benefits, Payroll, Creditors, Residents Parking Permits, Licensing, Insurance claims and Register of Electors.

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

Internal Audit continues to be the 'Key Contact' for the NFI and has responsibility for overseeing /co-ordinating the initiative, including monitoring the progress of investigations and ensuring the Authority complies with the Code of Data Matching.

It has been confirmed that the 2010/11 sets have been appropriately investigated and that the data sets for 2012/13 were uploaded via the secure portal within the scheduled timeframe, with appropriate steps put in place to investigate the data matches.

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## **Risk Management**

Internal audit is responsible for overseeing the development of Strategic Risk management within the authority. A fundamental review of the Councils Strategic Risk profile was undertaken in 2012 to create a new Strategic Risk Register. The Register was considered

and approved at the September 2012 Audit Committee and referred to November 2012 Cabinet for formal adoption.

The reports provided to the Audit Committee seek to provide assurance that Strategic Risks are being identified and appropriately managed within the organisation. The reports, outcomes and minutes can be used to inform the Annual Governance statement.

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**Examples of 'other work' include:**

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

**Follow up Reviews 2012/13**

No.	Follow up reviews carried out	Date of follow up report	Audit Assurance Level	Follow up assurance	Direction of Travel
1	ICT Access Controls	July 2012	Limited	Substantial	↑
2	Data Protection	July 2012	Limited	Substantial	↑
3	Building Control	July 2012	Substantial	Substantial	↔
4	Renovation Grants	August 2012	Substantial	Substantial	↔
5	Food Safety	June 2012	Substantial	Substantial	↔
6	Payroll	July 2012	Substantial	Substantial	↔
7	Gifts & Hospitality	July 2012	Substantial	High	↑
8	Insurance	June 2012	Substantial	Substantial	↔
9	Land Charges	September 2012	Substantial	Substantial	↔
10	Parking Income	August 2012	Substantial	Substantial	↔
11	Gypsy Sites	December 2012	Limited	Substantial	↑

## APPENDIX C

### Definitions of Assurance Levels

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

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

**Agenda Item No:** 5  
**Report To:** AUDIT COMMITTEE  
**Date:** 27 JUNE 2013  
**Report Title:** AUDIT COMMITTEE ANNUAL REPORT  
**Report Author:** Ian Cumberworth



<b>Summary:</b>	This report sets out the Annual report of the Audit Committee for 2012/2013
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**Key Decision:** No

**Affected Wards:** All

**Recommendations:**

- 1. Audit Committee agree the format and content of the Annual Audit Committee report**
- 2. That the Chairman of the Audit Committee provides the report to a meeting of the Full Council to demonstrate how the Committee has discharged its duties.**

**Policy Overview:** Not Applicable

**Financial Implications:** Not Applicable

**Risk Assessment** No

**Equalities Impact Assessment** No

**Other Material Implications:** Not Applicable

**Background Papers:** Audit Committee Annual Report 2012/13

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## **Report Title: Audit Committee Annual Report 2012/13**

### **Purpose of the Report**

1. A report has been prepared which sets out how the Audit Committee has discharged its duties during 2012/13. The report provides assurance to the Council that important governance issues are being monitored and addressed by the Committee. The report provides further evidence to support the findings of the Annual Governance Statement.

### **Background**

2. The Audit Committee is required to obtain assurance on the control environment of the organisation. The attached report sets out how the committee has sought to achieve this.
3. The internal control environment comprises the whole network of systems and controls established to manage the Council and to ensure that its objectives are met. It includes financial and other controls and the arrangements for ensuring the Council is achieving value for money from its activities
4. In accordance with best practice, the Committee has produced an Annual Report for subsequent provision to the Full Council.

### **Risk Assessment**

5. The Audit Committee's role includes the need to consider the effectiveness of the authority's risk management arrangements, including the control environment and associated anti fraud and anti-corruption activities.

### **Equalities Impact Assessment**

6. Not Applicable

### **Other Options Considered**

7. The production of an annual report is considered to be good practice. No other option could be recommended.

### **Consultation**

8. Members of the Committee have been consulted on the format and content of the Annual Audit Committee report.

### **Implications Assessment**

9. Not Applicable

## **Handling**

10. Not Applicable

## **Conclusion**

11. Based on the work undertaken by the Committee during 2012/13, it is concluded that the Committee is working effectively and is discharging its responsibilities.

## **Portfolio Holder's Views**

**Contact:** Ian Cumberworth Tel: (01233) 330442

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# **Audit Committee Annual Report 2012/13**



**ASHFORD**  
BOROUGH COUNCIL

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Draft

## Ashford Borough Council

### Audit Committee Annual Report – 2012/13

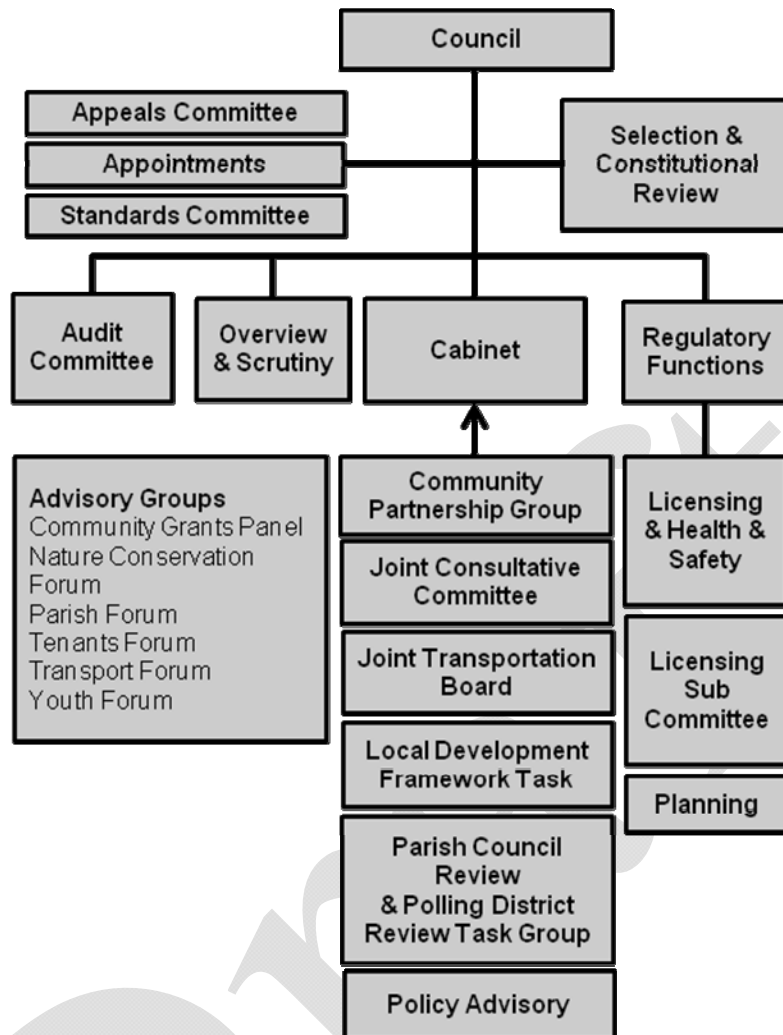
#### 1. Introduction

The Council established the Audit Committee as a full committee with effect from December 2006. Whilst there is currently no statutory obligation to have an Audit Committee, they are widely recognised as a core component of effective governance. In recent years there has been a significant amount of regulation and guidance issued on governance arrangements for private and public sector bodies, the common feature of governance arrangements being the existence of an Audit Committee:

Audit Committees differ from the Scrutiny Committees in that the role of scrutiny is to review policy and challenge whether the executive has made the right decisions to deliver policy goals. The Audit Committee, however, exists to provide **independent assurance** of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and affects the control environment, and oversight of the financial reporting process.

The Committee **is not a substitute for the executive function** in the management of internal or external audit, risk management, corporate governance, stewardship reporting, internal control or any other review or assurance function. It is the Committee's role to examine these functions, and to offer opinions or recommendations on the way the management of these functions is conducted.

## Ashford Borough Council – Committee structure 31<sup>st</sup> March 2013



There are many benefits to be gained from an effective Audit Committee. In fulfilling its role the committee will:

- raise greater awareness of the need for internal control and the implementation of audit recommendations;
- increase public confidence in the objectivity and fairness of financial and other reporting;
- reinforce the importance and independence of internal and external audit and any other similar review process (for example, providing a view on the Annual Governance Statement);
- Provide additional assurance to the Authority and its stakeholders through the results of its reviews.

## 2. Terms of reference and responsibilities

The Committee's detailed terms of reference are set out in the Council's Constitution and are based on the Chartered Institute of Public Finance and Accounting (CIPFA) model.;

### Audit Activity

1. The Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's Corporate Governance arrangements.
2. The summary of internal audit reports issued in the previous period.
3. Reports on the management and performance of the Audit Partnership Agreement.
4. Reports from the Head of Internal Audit on agreed recommendations not implemented within a reasonable timescale.
5. The External Auditor's Annual Management Letter and relevant reports.
6. Any detailed responses to the External Auditor's Annual Letter.
7. Specific reports as agreed with the External Auditor.
8. The scope and depth of external audit work and to ensure it gives value for money.
9. Liaison with the Audit Commission on the appointment of the Council's External Auditor.
10. The commissioning of work from internal and external audit.

### Regulatory Framework/Risk Management

11. An overview of the Council's Constitution in respect of Contract Procedure Rules and Financial Regulations.
12. The effective development and operation of financial management, risk management and those elements of corporate governance within the remit of the Audit Committee.
13. Council policies on "raising concerns at work" i.e. whistle-blowing in the context of the Anti-Fraud and Anti-Corruption Strategy and the Council's complaints process.
14. To recommend the Authority's Annual Governance Statement for approval to the Executive. (Minute No. 531/5/10).
15. The Council's compliance with its own and other published financial standards and controls.
16. The External Auditor's report on issues arising from the Audit of the Accounts.
17. The ability to refer matters to the Overview and Scrutiny Committee for their consideration (Minute No. 62/6/09).

✦ **Note:** The Overview and Scrutiny Committee has a similar provision to refer matters to the Audit Committee

### Delegations

18. The approval of the Annual Statement of Accounts in line with the statutory Requirements including those relating to the publishing deadlines
  - . Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the Audit that need to be brought to the attention of the Council.

### 3. Membership

The Audit Committee comprises of eight members. The current Committee met on four occasions in 2012/13. Committee agenda papers and minutes are available on the Council's website [www.ashford.gov.uk](http://www.ashford.gov.uk)

#### Current 2012/13 Audit Committee Members

**Cllr Clokie  
Chairman**



**Cllr Link  
Vice-Chairman**



**Cllr Wright**



**Cllr Smith**



**Cllr Taylor**



**Cllr Michael**



**Cllr Marriott**



**Cllr Yeo**





#### 4. Committee Attendance 2012/13

The Committee has been well supported throughout the year by both members and officers, and attendance records are set out in the table below.

Member/Officer	25/6/12	27/09/12	4/12/12	5/3/13
<b><u>Audit Committee Members 2012/13</u></b>				
Cllr Clokie (Chairman)	Y	Y	Y	Y
Cllr Link (Vice Chairman)	Y	A	A	Y
Cllr Taylor	Y	Y	A	A
Cllr Smith	A	Y	Y	Y
Cllr Marriott	Y	A	Y	A
Cllr Sims	Y	n/a	n/a	n/a
Cllr Michael	n/a	A	Y	Y
Cllr Wright	Y	A	Y	Y
Cllr Yeo	A	A	Y	Y
<b><u>Substitutes</u></b>				
Cllr Apps			Y	
<b><u>Officers</u></b>				
Deputy Chief Executive	Y	Y	Y	Y
Finance Manager	-	Y	-	-
Head of Internal Audit Partnership	Y	Y	Y	Y
Audit Manager	Y	Y	Y	A
Principal Accountant (Technical)	Y	Y	-	Y
Senior Member Services Officer	Y	Y	Y	Y
Investigations & Visiting Manager	Y	-	-	Y
Revenues & Benefits Manager	-	-	-	-
Senior Auditor	-	Y	-	-
Policy & Performance Officer	-	Y	-	-
Auditor	-	Y	-	-
<b><u>Audit Commission/Grant Thornton</u></b>				
Andy Mack	Y	A	Y	Y
Daniel Woodcock	-	Y	-	-
Debbie Moorhouse	-	Y	Y	-

Key: Y = Attendance, N = Non Attendance, A = Apologies Received, N/A = Not a Member

## 5. The Committee completed the following programme during 2012/13

Function/Issue	25/06/12	27/09/12	04/12/12	05/03/13
<b><u>INTERNAL AUDIT ACTIVITY</u></b>				
Operational Plan 2013/2014	-	-	-	Y
Public sector Internal Audit standards	-	-	-	Y
Annual Audit Committee report 2011/12	Y		-	-
Interim six monthly report 2012/2013	-	-	Y	
Annual Report 2011/12	Y	-	-	-
Internal Audit Progress report	-	-	Y	-
<b><u>EXTERNAL AUDIT ACTIVITY</u></b>				
Annual Fee Proposal	Y	-	Y	-
Certification of Grant Claims	-	-	-	Y
Progress Report/External Audit Update	Y	-	-	Y
Compliance with International Auditing Standards	Y	-	-	-
Audit Plan 2012/13 (Grant Thornton)	-	-	-	Y
Annual Audit Letter 2011/12	-	-	Y	-
<b><u>REGULARITY FRAMEWORK / INTERNAL CONTROL ARRANGEMENTS</u></b>				
Benefit Fraud Annual Report	Y	Y	-	-
Governance Statement action plan update	-	Y	-	Y
Future of Fraud Investigation Team				Y
Financial Statements				Y
Annual Governance Statement 2011/12	Y	Y	-	
Risk Management	Y	-	-	-
Strategic Risk Management Plans	-	Y	-	Y
Assurance from those charged with Governance				Y
Principles of Partnership Governance	-	Y	-	
<b><u>ACCOUNTS</u></b>				
Statement of accounts 2011/12		Y		
<b><u>FORWARD PLAN</u></b>				
Future Work Programme				Y
Tracker	Y	Y	Y	Y

### Induction Training

The Committee has also received other training/briefing sessions during the year prior to the commencement of the formal meetings on areas such as IT.

## 6. Assurance

The Audit Committee has considered the following areas to assist it in gaining assurance of the governance arrangements within the organisation as part of its annual work programme.

<b>Risk Management</b>
<ul style="list-style-type: none"><li>• <b>Consider the effectiveness of the Authority's risk management arrangements</b></li><li>• <b>Seek assurance that action is being taken on risk-related issues identified by auditors and inspectors</b></li></ul>

This has been achieved by:

- Establishing a member/officer working group to review and develop progress on the development of Strategic Risk management within the authority.
- Participated in development of a revised Risk Register which has resulted in the establishment of a new revised Strategic Risk register.
- Receiving progress reports on Strategic risk areas, considering individual risks and their categorisation, and influencing the format and presentation of risk reports;
- Receiving progress reports on internal and external audit issues.

<b>Internal Control assurance</b>
<ul style="list-style-type: none"><li>• <b>Consider the effectiveness of the Authority's control environment</b></li><li>• <b>Be satisfied that the Authority's assurance statements including the Annual Governance Statement properly reflect the control environment and any actions required to improve it</b></li></ul>

This has been achieved by:

- Considering the review of internal control for 2011/12 and agreeing the significant issues to be included in the Council's Annual Assurance Statement for 2011/12
- Approving the Authority's Annual Governance Statement for 2011/12 and the action plan to address significant improvements. These were incorporated into the Improvement Plan and actions have been monitored by the Committee throughout the year;
- Received and considered the Annual Fraud report

### **Audit Activity**

- **Approve (but not direct) Internal Audit's strategy; plan and monitor performance**
- **Review summary Internal Audit reports where they've received a 'limited' or 'minimal' assurance and seek assurances that action has been taken where necessary**
- **Receive the annual report of the Head of Internal Audit Partnership.**
- **Consider the reports of external audit and inspection agencies**
- **Ensure there are effective relationships between internal and external audit, and inspection agencies**

### **Internal Audit**

The Committee has:

- Considered and agreed the Internal Audit Plan for 2012/13;
- Received and considered the Head of Internal Audit Partnership Manager's Annual Report for 2011/2012, including the opinion on the Authority's control environment which was incorporated into the Annual Governance Statement;
- Received reports on the Internal Audit team's progress against the Plan;
- Received reports setting out the position regarding the agreement of audit reports and the assurance opinions provided for each review area;
- Considered and agreed the Internal Audit Annual Plan for 2013/14

### **External Audit**

The Committee has:

- Received and agreed the Annual Audit & Inspection Letter for 2011/12,
- Considered and agreed the Audit & Inspection Plan for 2012/13;
- Considered and agreed the certification of grant claim reports;
- Received progress reports on the action taken in response to external audit recommendations via the corporate improvement reports.
- Received progress reports on the abolition of the Audit Commission and the selection process/outcomes for the appoint of the new regional external auditors (Grant Thornton)

## Accounts

- **Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit**

The Committee has sought assurance by:

- Considering changes both to the format of the Accounts and the accounting policies used to prepare the accounts;
- Approving the Statement of Accounts for 2011/12 and later amendments;
- Receiving and considering the Annual Governance Report 2011/12, and agreeing the signing of the letter of representation by the Chairman of the Audit Committee, Deputy Chief Executive and the Leader of the Council;

## **7. Review of the Audit Committee's Effectiveness**

It is regarded as best practice to periodically review the Audit Committee's effectiveness. In 2011/12 the Audit Partnership commissioned a peer review (Government & Improvement & Development (LGID) to be undertaken on the four partners Audit Committees covering the following elements:

- Terms of Reference
- Internal Audit Process
- External Audit Process
- Membership
- Meetings
- Training
- Administration

The committee considered this report and agreed to consider a number of the recommendations, the summary set out below provide an update of the current position

### **Ashford Borough Council**

#### **Strengths**

- Well regarded chair and members
- Audit Committee has supported the Council to improve its financial position over the last three years
- Is now achieving greater independence
- Committee reviews its own effectiveness
- Committee well supported by officers
- Briefings are provided to Audit Committee members on topical issues
- Annual governance statement developed with member and officer Involvement

#### **Areas for Development**

- Risk reports need enhancing
- Committee could expand its governance assurance role to cover partnerships
- Audit Committee should produce an annual report of its activities and effectiveness
- Skills assessment and further development for committee members
- Council could consider appointing co-opted non-voting members
- Greater promotion of the role of the Audit Committee across the Council

## **8. Summary update**

In response to this report the committee has already taken steps to address some of the issues raised as part of this review. The attached table/appendices updates the position as at 31<sup>st</sup> March 2013 on progress made to implement the review recommendations. Progress made in the last year is set out in italics in the final column.

## ASHFORD BOROUGH COUNCIL – AUDIT COMMITTEE ACTION PLAN

N o.	Recommendation	Progress to Date	Comments/Current Position
1	To further explore the option of a co- opted Independent member sitting on the Audit Committee	Members determined to keep this option under review and consider this issue periodically to determine whether it would benefit the Committees needs. The constitution has been amended to allow the Committee to pursue this option at some future time if required.	<p>This option will continue to be reviewed by members to ensure that the needs of the Committee are effectively discharged. If it is determined at a future time that it would be beneficial to the Committee to appoint an independent (non elected) member appropriate action will taken to do so. <u>Update 31/3/13</u></p> <p><i>The committee will continue to keep this option under review however at the present time this option is unlikely to be taken forward.</i></p>
2	Produce the Audit Committees first annual report for 2010/2011	<i>The first Audit Committee Annual report was considered by the June (2011) Audit Committee and full Council in 2011. A similar report is to be published for the June 2012 meeting</i>	<p style="text-align: center;"><b>Implemented</b> <u>Update (31/3/13)</u> Subsequent reports have been generated for 2012 and <b>2013</b></p>
3	The Head of the Internal Audit Partnership will develop a training programme across the partnership authorities to ensure economies of scale and a co-ordinated training programme is delivered to Audit Committee members. to ensure they are appropriately equipped to discharge there responsibilities	Audit Committee induction training has been provided together with a number of other training opportunities which have been held prior to the Audit Committee meetings during the year (areas such as Governance/Accounts and Risk) via briefing sessions	<p>Implemented – Ongoing training will continue to be provided as when required.</p> <p style="text-align: center;"><u>Update (31/3/13)</u> <i>Audit Committee Members are to be requested to complete a training needs assessment questionnaire to assist in developing focused training/awareness initiatives for members.</i></p>
4	A report will be developed by the Head of Audit Partnership on the development of risk within Ashford Borough Council which will be brought forward for the committee for consideration	Officer member/working party established and risk workshops run to refresh the strategic risk register. Reports have been provided to Audit Committee members to update them on the progress being made; it is anticipated that the revised Strategic Risk register will come forward to this committee for consideration in the early part of the new financial year.	<p>Implemented – significant progress has been made with the support of the Audit Committee to develop a new Strategic Risk Register which should be formally adopted in the near future. <u>Update (31/3/13)</u> <i>In 2012 a revised Strategic Risk Register was established and adopted. Update reports have been considered by the Audit Committee to gain assurance that the risks are being</i></p>

			<i>appropriately managed and assessed. In addition members have agreed to examine one strategic risk in detail at each Audit committee meeting to gain ongoing assurance that the risk is being appropriately managed.</i>
5	<b>Committee could expand its governance assurance role to cover partnerships</b>	Members considered a report in March 2012 on Good Principles of Partnership Governance which will form the basis of a review of governance arrangements in key partnerships ABC is currently involved in.	<i>A report is proposed to be brought back to Audit committee in September 2012 with the results of this governance evaluation. <u>Update (31/3/13)</u> A report was brought back to Audit Committee in September 2012 setting out the governance arrangements in place in respect of key partnerships which were evaluated against Good Principles of Partnership Governance. <a href="https://secure.ashford.gov.uk/cgi-bin/committee/index.cfm?fuseaction=DocTrack.getAgendaDoc&amp;AgendaID=15102">https://secure.ashford.gov.uk/cgi-bin/committee/index.cfm?fuseaction=DocTrack.getAgendaDoc&amp;AgendaID=15102</a></i>
6	<b>Greater promotion of the role of the Audit Committee across the Council</b>	The Annual Audit Committee report is considered by full Council setting out the work programme covered in the previous year and the work programme for the forthcoming year. In addition the Committee has the ability to escalate issues if necessary via an Audit Committee member who also sits on Cabinet.	<b>Implemented</b>

### **Future Challenges**

The Audit Committee will continue with its existing duties whilst continually striving to achieve best practice where this is feasible and affordable.

The Chair of the Audit Committee attended a CIPFA Better Governance Forum Workshop / seminar on 'The Influential Audit Committee' on 16th January 2013. The workshop provided briefings on current developments relevant to the role of audit committees within public sector organisations.

A paper was considered at the March audit committee  
<https://secure.ashford.gov.uk/cgi-bin/committee/index.cfm?fuseaction=DocTrack.getAgendaDoc&AgendaID=15733>



In response to some of those issues raised the committee held a workshop to draw up an action plan to specifically address a number of issues that will form part of future work streams;

A number of actions have already been implemented.

- Audit Chair has met with the Chair of Overview & Scrutiny Committee to co-ordinate work programmes to explore opportunities to co-ordinate work streams.
- To ensure members gain assurance that Strategic Risks are being actively monitored and reviewed it was agreed that risk would be incorporated as a standing item on the committees agenda so that an opportunity is provided for a look more closely at a specific risk at each meeting (effective from June Committee)
- Pre Committee briefing sessions would be re-instated to enable members to be kept abreast of relevant /topical issues and provide relevant training opportunities. (effective from June Committee)

It is anticipated that further initiatives will be considered and developed into the forward plan for consideration

## 9. 2013/14 Work Programme

- The Committee faces a challenging year ahead and the Committee's detailed work programme for the forthcoming year is set out below.

Function/Issue	27/06/13	26/09/13	03/12/13	xx/03/14
<b><u>INTERNAL AUDIT ACTIVITY</u></b>				
Operational Plan 2014/15		-	-	X
Annual Report 2012/13	X	-	-	-
Audit Committee Annual Report 2012/13	X	-	-	-
Interim Report	-	-	X	-
Strategic Risk review	-	X	-	X
Strategic Risk - considered	X	X	X	X
<b><u>EXTERNAL AUDIT ACTIVITY</u></b>				
Audit Plan	-	-	-	X
Fee Proposal	X	-	-	X
Grant Claims	-	-	-	X
2012/13 Accounts & Governance statement		X	-	-
Audit Plan 2013/14	-	-	-	X
Audit Letter	-	-	X	-
<b><u>REGULARITY FRAMEWORK / INTERNAL CONTROL ARRANGEMENTS</u></b>				
Benefit Fraud – Annual Report	-	X	-	-
Governance statement	X	-	-	-
Governance Statement - Action Plan	-	X	X	X
Performance Compendium	-	X	-	-
<b><u>ACCOUNTS</u></b>				
Statement of Accounts 2012/13	X	-	-	-
<b><u>FORWARD</u></b>				
Tracker	X	X	X	X

**Agenda Item No:** 6  
**Report To:** **AUDIT COMMITTEE**  
**Date:** **27 June 2013**  
**Report Title:** **2012/2013 Annual Governance Statement**  
**Report Author:** Paul Naylor, Deputy Chief Executive



**Summary:**

Each year the council must produce and approve an Annual Governance Statement (AGS). AGS are designed to summarise for members and residents the council's approach to governance and show how the council fulfils the principles for good corporate governance in the public sector. The AGS needs to draw conclusions, based on evidence throughout the past year, about the effectiveness of the council's arrangements.

The AGS must be published alongside the council's formal audited financial statements, though need not be agreed at the same time. The full financial statement and the auditor's opinion will be considered by the committee in September. It is after that when the AGS is published along with the accounts.

This year's AGS builds on previous statements, providing updated information where needed. However, the format this year is changed to provide greater use of diagrams and bullet points to aid understanding and highlight key points. Its presentation and content take account of proper practice and guidance, and is designed this year to inject more of an 'Ashford BC' flavour including, for the first time, an introduction from the Leader.

Our governance arrangements are well-developed and pervade all that we do in a variety of forms, but they evolve. Its various components are subject to ongoing development, with principal developments summarised in the AGS.

Work to review significant governance issues highlighted last year progressed well. Following input from the Leader and others there are further developments needed and these are highlighted at the end of the draft.

In conclusion governance arrangements remain appropriate, effective and adaptive to change as circumstances dictate.

<b>Key Decision:</b>	NO
<b>Affected Wards:</b>	None in particular
<b>Recommendations:</b>	<b>The Audit Committee is asked to consider the draft 2012/2013 Annual Governance Statement and approve this to be signed by the Leader and Chief Executive as required by regulations.</b>
<b>Policy Overview:</b>	Good standards of corporate governance are essential in all organisations. The council's arrangements are longstanding, well-developed and continue to be effective, but adaptive to change in local circumstances. Our governance arrangements are generally regarded as strong and more so for the direction set by the Cabinet's adopted five-year business plan and associated frameworks and policies.
<b>Financial Implications:</b>	None
<b>Equalities Impact Assessment</b>	Not applicable for this report
<b>Other Material Implications:</b>	None
<b>Background Papers:</b>	None
<b>Contacts:</b>	Paul.naylor@ashford.gov.uk – Tel: (01233) 330436

## 2012/2013 Annual Governance Statement

### Leader's introduction

"As Leader I am pleased to introduce our annual governance report and to have this opportunity to provide some further context.

"Leadership and good governance go hand-in-hand in any successful organisation. Governance covers a wide range of issues and disciplines from business strategy, through to administrative procedures, decision-making protocols, internal conduct and working relations, community and stakeholder engagement, value for money assurances, and accounting and information systems. It is a complex web of behaviours and activities that as a whole will dictate the success of this council.

"We are proud of our track record and place great importance on good governance to support our aims, but we recognise that governance arrangements must develop to keep up with the times and support our aims.

"We are a growing place, where quality of place, sustainable community development, and quality services are fundamental focus points for us. Working hard to secure improved economic prosperity over the long-term, and listening to and working with our community to improve the quality of the built environment are just two examples of our primary drivers. Supporting these are our aims to develop more entrepreneurial solutions to some of the issues we face, helping in particular with the need to grow the mix of housing needed. Also we will use these new approaches to provide alternative income sources to help mitigate the cuts in grant from central government, and reduce impacts on council taxpayers.

"As we navigate our way through changing, complex, but exciting times underpinning our aim for continued success is good governance. We take seriously the stewardship and advocacy responsibilities we have to our residents, and therefore it is important this council maintains the trust of its community. Our governance arrangements must help us to secure that trust.

"You will see this statement recognises the need for further governance evolution. I am committed to developing even greater transparency and accountability. For example this council will produce a readable and succinct annual report. Later this year we will consolidate our priorities to ensure they remain focused. The Chief Executive and I are working to align the organisation's cultural values to heighten focus, and as part of this we will review aspects of our decision-making and constitution to ensure they are fit for purpose."

Councillor Gerry Clarkson  
Leader of the Council

## **Scope of responsibility**

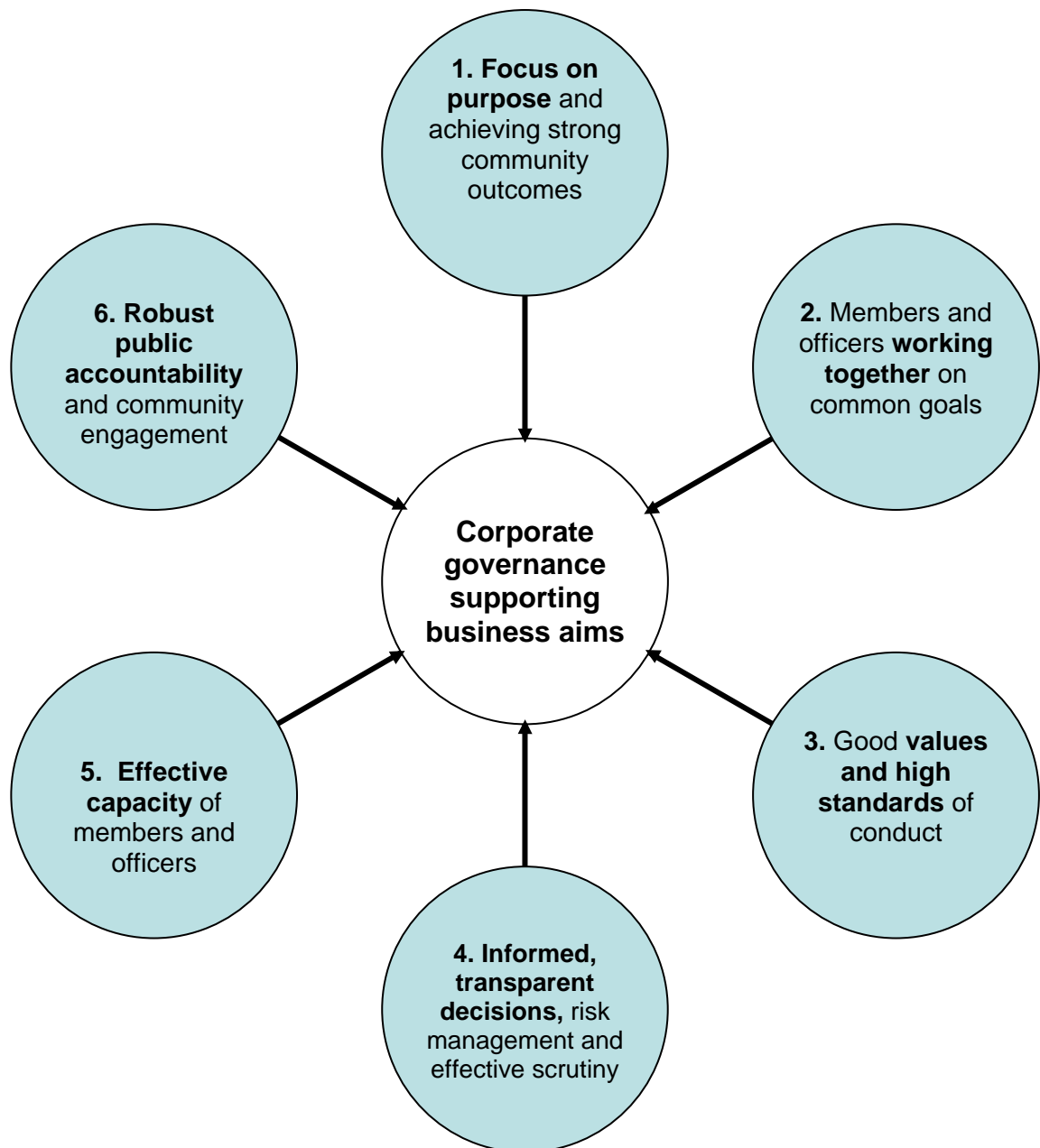
1. Ashford Borough Council is responsible for ensuring its decisions and business are conducted according to the law and proper standards. Further the council must ensure public money is safeguarded, properly accounted for, and that all resources are applied efficiently and effectively so the council gains best value for its residents and taxpayers.
2. Associated with this responsibility is the need for good governance. In 2007 the council adopted its Code of Corporate Governance which followed principles contained in national guidance.
3. In summary terms this Statement explains the council's governance arrangements, how they have directed decisions and services over the past year, and how the council has sought assurance its arrangements remain effective.
4. As governance arrangements must be regularly reviewed to ensure they remain fit for purpose there are changes to arrangements this Statement also reports.
5. Of note are those arising from the recent appointment of the new Leader of the Council, following the untimely passing of the former leader at the end of February 2013. These changes, some already carried out and others planned, are mentioned more fully in the Statement, and represent the continuing evolution of our governance arrangements.

## **Purpose of our governance framework**

6. Governance is a permanent but evolving feature of the council's work. It is designed to ensure members' and officers' roles in decision-making on policies and other matters are fair and transparent. Further the framework helps to ensure the council's business complies with relevant laws and regulations, and is directed by a clear focus on achieving important issues, including identifying and managing risks.
7. Governance is more than just a set of rules, and comprises:
  - The leadership and cultural values, systems and constitutional processes by which the council's work is directed and controlled
  - The ways through which the council engages with, leads and accounts to citizens individually and its community collectively.
8. Our governance helps, therefore, the council to understand progress and make comparison with others. It serves also to reduce exposure to material risks within the council's reasonable control, and protect the council when problems do occur.

9. As a public body transparency is most important. Good governance inspires public confidence. It provides the basis for public assurance that council decisions are taken for the right reasons, that quality of service is protected as far as is reasonable, and that public money is wisely and effectively spent. In these times of tight resources and uncertain economic conditions, risks are more obvious. Our governance helps to focus on key controls and those risks considered more critical to achieving the council's strategic goals.

### Our six core principles for good corporate governance



## **Principle 1 – Focus on purpose and achieving strong community outcomes**

“Preparing the business plan has been a journey for councillors and staff alike. When we embarked on it we were determined to find a way to focus on and deliver a new set of priorities which reflected both local and Government expectations...”<sup>1</sup>

10. The council has achieved focus for its services through its five-year business plan priorities created after extensive public consultation in 2010-2011. We are now in the third year of implementation. A longer-term guiding position statement was later adopted by the then cabinet in 2011<sup>2</sup> after some further consultation. Both have provided focus for the council's work. Because of developments in the wider economy, locally and changes to how government financially supports and incentivises councils a further refocusing of priorities is intended. This review follows from changes recently made to the Cabinet, which has expanded with new portfolios adopted.
11. Progress with business plan initiatives and service performance was reported to Cabinet through quarterly performance reports. These are publicly available and are also subject to regular scrutiny through the Overview and Scrutiny Committee.
12. You can access a copy of the business plan and the most recent monitoring report (to May 2013 Cabinet) from these links:
13. For staff, various internal communications are used to promote awareness, including the on-line monthly staff magazine and the Chief Executive's periodic service 'walk about' briefings.
14. An annual (public) report is also intended this year to further communicate the council's aims and progress.

## **Principle 2 – Members and officers working together on common goals**

“elected Members and Officers must work as one team for the benefit of the residents of the Borough rather than in the more traditional local government manner”<sup>3</sup>

15. As a statutory body the council's structures for decision-making, its rules and its processes are influenced by legislation and associated regulatory needs. A fundamental part of our governance, therefore, is our Constitution. An important aim of the Constitution is to reinforce the principle of members and officers working together and in partnership with others to achieve a common purpose.

<sup>1</sup> Business Plan 2011-2015, approved by Council, February 2011

<sup>2</sup> 'Ashford 2030 – A framework', Cabinet Position Statement, December 2011

<sup>3</sup> Cabinet Position Statement, December 2011



16. The constitution is a legal requirement and sets out how the council runs, how it should make decisions and the guidance it should follow to ensure these are efficient, transparent and accountable to local people. Some of these processes are needed by law, while others were chosen by the council.
17. It has several chapters, which set out the basic rules governing the council's business. More detailed procedures and codes of practice are set out in accompanying rules and protocols.
18. Parts of the constitution are periodically reviewed by a committee to ensure the council's arrangements are relevant to the current day. Thus changes are made as necessary to ensure our arrangements support effective performance of our responsibilities to residents and taxpayers, and fully support effective achievement of the council's aims.
19. There is a further comment on effectiveness of the constitution later in this statement.

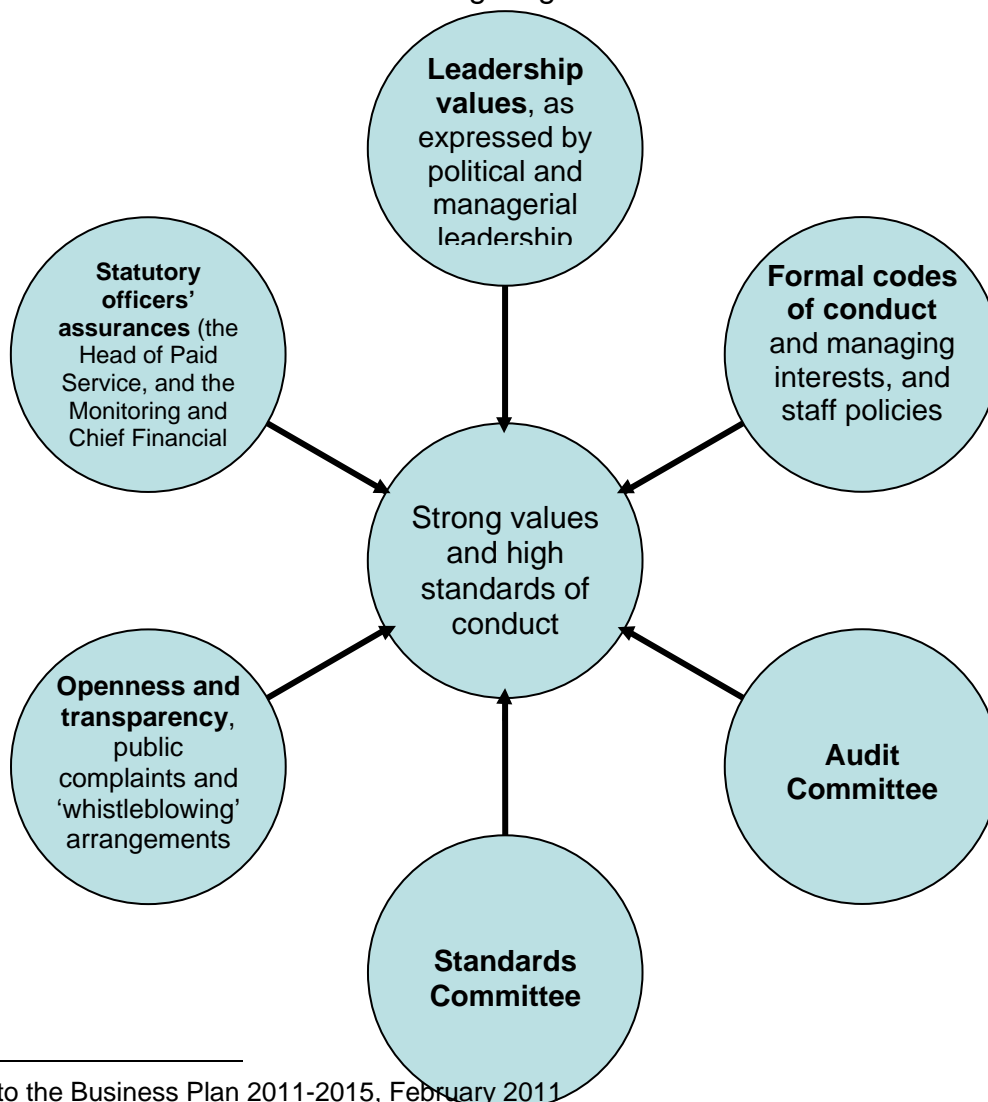
### The constitution's principal features



### Principle 3 – Good values and high standards of conduct

“We believe [our business plan] principles will underpin the ethos of the Council and the qualities and values we need within our organisation to make a fresh start and to realise our ambitions. We hope they will help provide clear direction and a solid foundation for the Council in difficult times. We have every confidence that we can meet the challenges ahead.”<sup>4</sup>

20. Aside from the Constitution, the council promotes strong values and expectations of high standards in a variety of ways. During 2012 the Council adopted a new ‘Localism Act’ Code of Conduct based upon an agreed Kent Model, drawn up by Monitoring Officers. This will be subject to periodic review. Further, we have a detailed ‘Good Practice Protocol’ for councillors when handling planning matters, which is under review to take account of more recent external guidance. Aside from these the council enforces the management of its expectations through various channels. The principal components are set out in the following diagram.



<sup>4</sup> Foreword to the Business Plan 2011-2015, February 2011

#### **Principle 4 – informed and transparent decisions, risk management, and effective scrutiny**

21. The Full Council is the ultimate place for decision-making particularly on new policy and the annual budget, but many other decisions by law are for the Cabinet to take. Our arrangements are all covered by the Constitution.
22. The Cabinet and other decision-making committees are held in public in an open style and through our public participation scheme members of the public can ask questions or present petitions. The Overview and Scrutiny Committee has, as one of its roles, the ability to hold the Cabinet to account for its decisions.
23. All member decisions across the formal and democratic decision-making process are published under statutory requirements. There is a presumption that information and decisions are taken in public, but occasionally (under access to information regulations) some information is regarded as 'exempt' and not published. However, the council aims as far as is possible to keep this type of information and decision to the minimum.
24. The council has continued its commitment to transparency and going beyond the minimum legislative requirements where suitable. Wherever possible, information is made readily available to the public through the 'transparency' section of the council's website.
25. Our approach to risk management at the strategic level is solid and follows a well-developed framework, and in the past year the risks themselves and the mitigation plans were completely reviewed. This review was supported by our risk management advisors. The Audit Committee will in the future more frequently consider the arrangements for individual strategic risks, so enhancing the assurance process. Risks to business plan project delivery has routinely been considered by the management team, and covered in briefings to cabinet members.

#### **Principle 5 – effective capacity of members and officers**

26. The council is committed to identifying and fulfilling the learning and development needs of members and officers.
27. For staff the past year has seen a particular focus on leadership and management development, as part of our ongoing workforce development programme. We are as a council committed to good standards of staff development, and our supporting policies and processes have helped maintain our Investors in People accreditation.

28. The council has a good track record of introducing new approaches to resolve service issues and achieve stronger outcomes. However, management recognises that in these even more challenging times we need a greater focus and agility to managing transformations to deliver positive change outcomes.
29. In this respect we are developing our staff commitment and skills, and adopting new approaches to develop more entrepreneurial approaches. The decision taken during last year to set up two council controlled companies, with associated member governance, is a component of this strategy.
30. Members' training needs are considered through a Member Training Panel. These needs are recognised as an important issue to develop and the issue is recognised as one of our strategic risks. Focusing on this is particularly important given the changes in external influences (the results of economic factors and government policies) and the breadth and complexity of some issues facing the council and its members.

#### **Principle 6 – robust public accountability and community engagement**

31. From the initial 'Have Your Say' borough-wide consultation in 2010-2011 that informed creating the current Business Plan, the council has continued to develop and improve its engagement arrangements.

"...it is self-evident that local communities are, and must remain, an integral partner of the Borough's growth programme and that all our communities must be given every opportunity and assistance to participate fully in helping to shape the Borough of the future."<sup>5</sup>

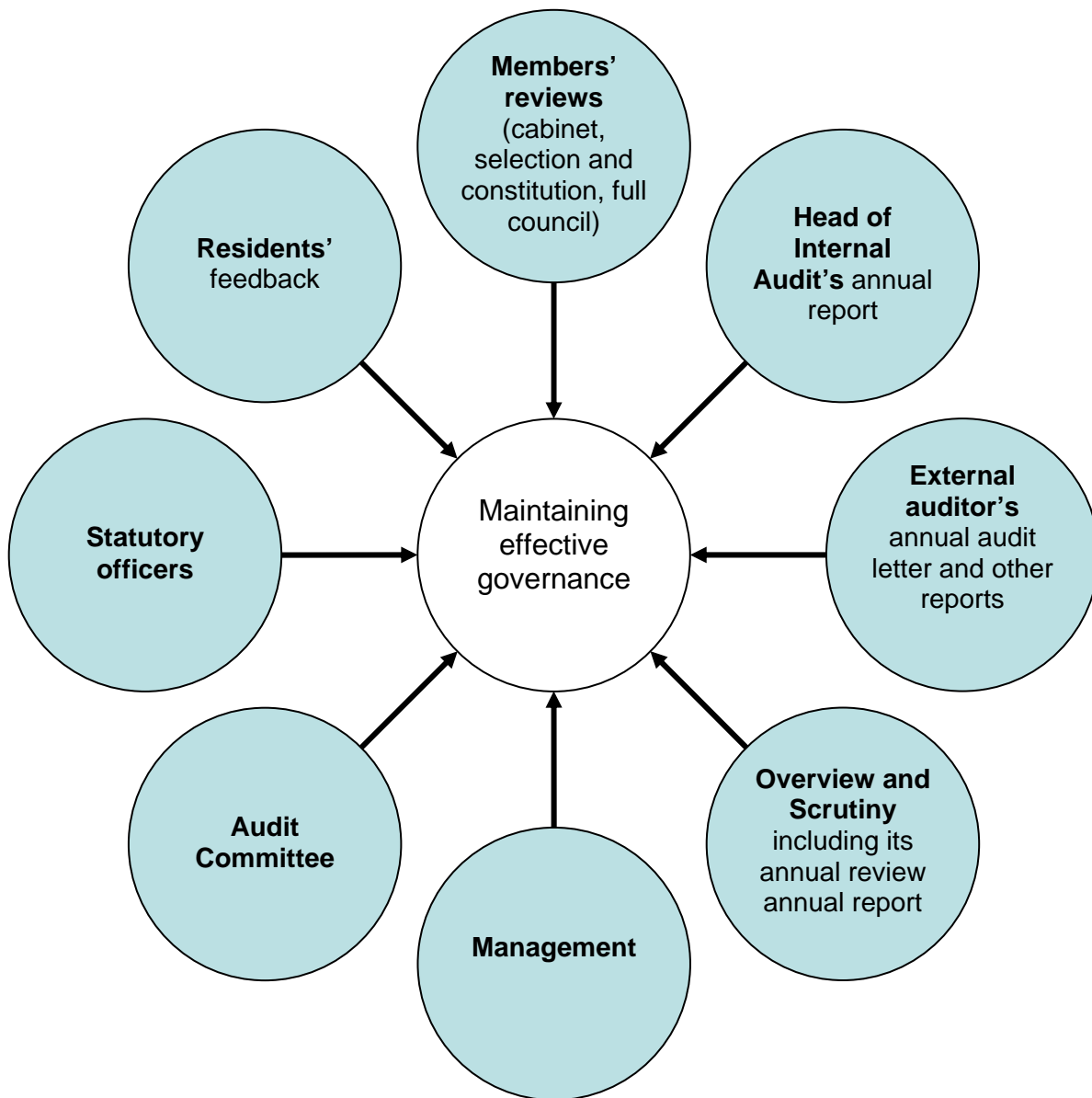
32. Our accountability emphasis and commitments to community engagement have been reinforced by a number of initiatives and procedural developments. These include:
  - Continuing to develop our transparency commitment
  - A complete refresh of the council's website
  - A new Consultation Portal that publicises current consultations
  - Implementation of procedures to accommodate the new community rights contained in the Localism Act
  - Implementing the review of the council's 'core strategy' (or Local Plan) including facilitating new approaches to community planning
  - Working with our parish councils to develop practical localism initiatives
  - Widening scope for councillors to promote and support community initiatives through a new ward member grant scheme
  - Annual reporting by councillors who are appointed as representatives on outside bodies

<sup>5</sup> Extract from the Cabinet's Position Statement, December 2011

## Is the framework effective?

### How we receive assurances

33. Each year the council has responsibility for conducting a review of the effectiveness of its governance framework, including the system of internal control. The principal components on which the review relies are summarised in the diagram below, with inputs occurring over the course of the year. Comments about each component are set out below.



<b>Members/The Leader</b>	<p>During the course of the year the Cabinet, the Selection and Constitution Committee and other committees at various times made appropriate decisions to evolve our governance arrangements. Of particular importance are the changes made more recently by the council's new leader and his plans for a deeper review of certain constitutional matters to ensure these are effective. These concern the need to reinforce and further develop the principle of inclusivity of approach, and the need for appropriate arrangements for delegations. Further, it is considered logical the council should now review its original Code of Corporate Governance (2007) given that circumstances have moved on over the past six years.</p>
<b>Management</b>	<p>Management team has particularly maintained an organisation focus on implementing the business plan and budget, and both have proceeded well and effectively. Staff policies have been reviewed and adjusted to ensure they remain fit for purpose, and a very effective senior leadership programme implemented.</p>
<b>External Audit</b>	<p>A positive assurance to the council was received through the auditor's 2011-2012 Annual Audit Letter presented in December 2012. Also reinforced by positive comments reported to the Audit Committee in March relating to the council's preparations for the 2012-2013 financial statements. At the same meeting the auditors discussed helpful advice regarding some national themes relating to governance that the Audit Committee has since considered.</p>

<p><b>Internal Audit</b></p>	<p>A professional, independent and objective internal audit service is one of the key elements of good governance, as recognised throughout the UK public sector. The principal objective of the Internal Audit Service is to examine and evaluate the adequacy of internal control within the various systems, procedures and processes that are operated by the Council. The results of the work allow an opinion to be formed on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.</p> <p>The Head of the Internal Audit Partnership concludes that substantial assurances may be placed on the council's internal controls. One matter, however, is raised for attention concerning procurement arrangements. It is acknowledged that internal procedures have developed, but the advice is the council should ensure it has a relevant procurement strategy that best fits and supports its business plan objectives.</p>
<p><b>Overview and Scrutiny Committee</b></p>	<p>The Committee has carried out a full programme of review work, including effective scrutiny of budget, and has reported its annual report to Cabinet, with no material governance issues noted.</p>
<p><b>Audit Committee</b></p>	<p>The Committee was again fully active during the year reviewing a range of governance issues, including progress with risk management and partnerships' accountability (previously raised as governance areas for review). The Committee has recently agreed to implement some changes to its approach that will further its own effectiveness. Included among these is a discussion with the Leader and the Overview and Scrutiny Committee chairman with a view to agreeing the respective inputs from both committees that may add increased benefit to delivery of the council's principal objectives.</p>
<p><b>Statutory Officers</b></p>	<p>Both the Monitoring Officer and the Chief Financial Officer (CFO) report they consider their respective statutory responsibilities for assurance are satisfactorily supported by appropriate organisational arrangements. The council is satisfied therefore that its arrangements for the CFO allow the role to comply with the CIPFA 2010 statement on the role of the CFO in local government<sup>6</sup>.</p>

<sup>6</sup> Reported more fully as part of the 2011-2012 Annual Governance Statement, Audit Committee, September 2012

<b>Residents</b>	There was no general survey of residents during the past year. However, over the year most services have taken account of residents' feedback as part of their own survey work or specific consultations regarding service development. We have maintained well-developed complaints and feedback arrangements, and central co-ordination of handling matters referred by residents from time-to-time to the local government ombudsman.
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### **Areas of significant governance for review**

34. Following on from the above the following areas of review are highlighted:

- a) The Leader's wish there be a refocusing of council priorities and further cultural development to consolidate the direction that is currently set out in the business plan and Cabinet's previous position statement
- b) The Leader's proposal for a further review of some aspects of the constitution to reinforce the principle of inclusivity and to clarify delegations
- c) Production of an annual report
- d) Updating the 2007 Code of Corporate Governance
- e) Procurement strategy review

### **Conclusion**

35. This full Statement has taken account of the CIPFA/SOLACE 'proper practice' statutory guidance (Delivering Good Governance in Local Government) and has set out a summary of the council's governance framework and directly addressed the issue of its effectiveness. Generally these arrangements work well for the council and allow it to uphold good standards of accountability and effectiveness. As can be anticipated in times that are particularly challenging for all councils there is a need to ensure that our arrangements continue to evolve so they remain fit for purpose. This is the aim of the five issues highlighted in the previous section in which the Cabinet, the Audit Committee and all members and management will take an interest over the coming months.

Cllr Gerry Clarkson  
Leader of the Council

John Bunnett  
Chief Executive



**Agenda Item** 7

**Report To:** **Audit Committee**

**Date:** **27 June 2013**

**Report Title:** **Governance and Risk – Grant Thornton’s national research reports**

**Report Author:** Paul Naylor (Deputy Chief Executive)

**Summary:** At the last formal meeting of the Committee in March members heard from our external auditors (Grant Thornton) of two national reports they had issued that were of particular relevance and interest to the committee and the council. These were subsequently considered at an informal meeting at the end of April. Summaries of the reports and the conclusions from the informal meeting are now reported. The committee is being asked to endorse a number of actions designed to further evolve both the committee’s role in governance and the council’s arrangements more generally.

**Key Decision:** Not applicable

**Affected Wards:** None specifically

**Recommendation:** **The Committee is asked to support the conclusions, set out in the table at Paragraph 6, and to recommend the various actions to the Council, which respond to issues raised in our external auditor’s national research projects on governance and risk.**

**Policy overview** The council’s governance arrangements are fundamentally important to its success and ensuring strong accountability to residents and other stakeholders. Elsewhere on this agenda the committee will consider its annual governance review report. The conclusions in this report complement that report also.

**Financial implications** None arise from this report

<b>Risk assessment</b>	The national reports specifically address issues of risk, and the conclusions from members' informal review and now reported are designed to further strengthen the council's governance and the approach to managing strategic and service risks.
<b>Equalities impacts</b>	None specifically arise
<b>Other material implications</b>	None specifically arise
<b>Background papers</b>	None
<b>Contact</b>	<a href="mailto:Paul.naylor@ashford.gov.uk">Paul.naylor@ashford.gov.uk</a> – Tel 01233 330436

## **Report: Governance and Risk – Grant Thornton’s national research reports**

### **Introduction**

1. At the last formal meeting of the Committee members heard from our external auditors (Grant Thornton) of two national reports they had issued that were of particular relevance and interest to the committee and the council, as they focused on governance and risk relating to the challenging climate increasingly councils face.
2. The two papers were subsequently considered at an informal meeting of the Committee at the end of April. Links to the full papers are provided below:
  - a) ‘Improving council governance, a slow burner’, *Grant Thornton UK, February 2013* ([http://www.grant-thornton.co.uk/Global/Publication\\_pdf/Local-Government-Governance-Review-2013.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/Local-Government-Governance-Review-2013.pdf))
  - b) ‘Towards a tipping point’ - *Summary findings from our second year of financial health checks of English local authorities, Grant Thornton UK, December 2012* ([http://www.grant-thornton.co.uk/Global/Publication\\_pdf/towards-tipping-point-report.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/towards-tipping-point-report.pdf))
3. It is important to understand the reports reflect findings from national survey work, and are not, therefore, necessarily reflecting the position for an individual council.
4. Both reports are of relevance to the Committee’s work, and include some interesting and significant findings.
5. Summaries of both reports were presented to the informal meeting and are re-presented on this agenda. Access to the full reports is provided via the document links above.

### **Action points from the informal meeting**

6. Several key points to develop the Committee’s effectiveness and the council’s governance came out of the meeting. These are summarised below:

Issue	Conclusion	Action
<b>Question of non-elected member(s) representation on the committee</b>	Members concluded that this question should be re-visited after the 2015 election, and therefore by a new administration	No action therefore recommended at this time
<b>Aligning audit committee work and overview and scrutiny work to support council's priorities</b>	Accepted the committee should develop its role to further support the council achieving its strategic objectives – see the next point concerning risk management. Also considered there should be a discussion with the chairman of the Overview and Scrutiny Committee to establish the potential for stronger alignment of the two committees work.	The chairs of this committee and the Overview and Scrutiny Committee have since met and there was agreement for a stronger alignment of work to support helping the council to achieve its overall priorities. For the O and S Committee it was viewed by its chairman as providing welcomed opportunities for productive reviews for the benefit of members generally. Discussion to be held with the Leader and further ideas shaped.
<b>Audit Committees role in strategic risk management</b>	Agreed the committee should more frequently discuss the position regarding the identified strategic risks, with the various risk owners.	This action is starting with this committee, and subject to review it would be the intention for each meeting to consider a specific risk(s).
<b>Medium Term Financial Plan Risk</b>	In view of the 'tipping point' report, members felt it necessary to review the strategic risks concerning the medium term financial plan.	The Deputy Chief Executive was asked to bring forward a report to this meeting.
<b>Annual Governance Statement</b>	Its presentation needed to be addressed, as well as ensuring it adequately reflected governance matters needing attention.	These points have been addressed in the draft annual governance statement included elsewhere on the agenda.

<b>Annual Report</b>	Members concluded the council should produce an annual report that is web-enabled.	This is to be taken forward, given also the Leader's similar commitment for such a report.
<b>Developing members' awareness</b>	<p>Concluded that pre-committee briefings should take place routinely before each Audit Committee, to provide opportunities for briefings and discussion of topical matters.</p> <p>It was also concluded that the Head of the Audit Partnership should circulate a 'skills matrix' to committee members to help determine members' needs.</p>	<p>A programme is being developed.</p> <p>The H of AP has this in hand.</p>

### Conclusion

- Grant Thornton's two national reports and members' informal discussion in April have helped to identify further enhancements to this committee's role and work, which should help to maintain our strong focus on corporate governance. Some actions have already been carried out, with the committee seeing the product of this in the Annual Governance Report, and the item on a specific risk for this agenda. Other actions will follow over the course of the next few months.

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## **Report to Audit Committee – 27 June 2013**

### **Summary of Grant Thornton's national research report – 'Improving council governance'**

#### **Introduction**

1. Earlier this year our external auditors (Grant Thornton UK plc) published their annual review of governance in local government. Their report formed part of Grant Thornton's wider analysis of UK governance practice, and complements reviews on companies in the FTSE 350, the NHS and charities. Within the total suite of reports, Grant Thornton aim to help organisations improve their governance by learning from other sectors and their peers.
2. The summary that follows was considered at an informal meeting of the Audit Committee in April, and considered alongside another Grant Thornton national report ('tipping point') which is summarised in the next paper on the agenda.
3. Actions recommended from the informal meeting covering both reports are set out in the covering action plan.

#### **Executive Summary**

4. Grant Thornton's findings were the result of a survey of 64 council leaders and comparison to their own analysis of 153 councils' financial statements and Annual Governance Statements (AGS). The context for the review and its recommendation is the enduring period of lasting financial and policy change, and demographic pressures that councils must work within and face.
5. The report is presented with two principal themes:
  - public facing governance (through formal documents such as the accounts and the AGS)
  - behind the scenes of governance (focusing on leadership tone, people issues, cultures, process and the roles of Audit and Scrutiny committees).
6. The report contains the following key messages for councils:
  - Effective, embedded governance is essential to meet the challenges ahead, if stakeholder support is to be maintained
  - Effective governance inspires public confidence in a council's ability to make the right decisions, and use public money wisely

- The public face of governance is represented by its formal documents, its general approach to publicity, its on-line access to information and access to information arrangements generally.
- Despite council leaders feeling positive about their councils governance arrangements, Grant Thornton's research suggest some underlying concerns need tackling. For example, a significant number of respondents accept that some of the important public facing documents (the accounts) unsurprisingly are technically complex and simply not designed to embrace wider public understanding.
- Annual reporting by councils is not common. Web-enabled annual reports are seen by Grant Thornton as a potential means to carry simple and effective messages about progress, performance and outcomes to residents at large, and, therefore, currently a missed opportunity.
- In dealing with the financial challenges, councils should shift governance emphasis from ensuring compliance to promoting effectiveness and getting greater value from governance and decision-making arrangements

### ***'The public face of governance'***

7. There are many conduits for public contact and accountability, but the research findings suggest there remains much scope for communications improvement (to local people and stakeholders)
  - Councils should reflect on their various media arrangements ensuring arrangements are not opaque, hard to navigate, are outward facing, and well-aligned to achieving strategic goals
  - Councils should make the most of the opportunities presented by important public documents such as: the annual accounts (with particular emphasis on the explanatory foreword), and the AGS.
  - Councils should occasionally test public and stakeholder reaction to published material
  - Grant Thornton sees that modern web-enabled annual reports can boost transparency, confidence, and accountability.

### ***'Behind the scenes of governance'***

8. Published statements are the visible, potentially high-profile face of council governance, but as important to effective governance are a council's people, its culture and the style of processes it adopts.

- In good governance arrangements the entire organisation is aligned to understanding and achieving strategic goals, effectively and ethically
- Leaders (political and managerial) set the tone from the top
- Where cultures are not aligned, leaders must have skills to bring lasting change
- Governance arrangements, scrutiny, audit, and risk management need to support achievement of strategic objectives and complement each other
- Councils must ensure governance is fit for purpose and with councils having limited resources ensure that effort is focused on areas of greatest need and risk

### **Messages from Grant Thornton's findings**

9. Grant Thornton found significant disparities between the positivity of survey responses from leaders and the desk research. In particular Grant Thornton highlight:
  - The final product of year-end statements (particularly the AGS) is typically a distinct year-end exercise, not well integrated into continuing governance reviews
  - Leaders potentially understate the significance of their own role for driving performance
  - Members are underdeveloped as councils are typically not investing enough in member development
  - Despite councils understanding they alone can't solve all the problems they face, a significant number of survey respondents (councils) were unclear about a council's role and responsibility when working in partnership

### **Public facing governance - In more detail**

10. This section contains more detailed observations from the research on the documents that make up the formal public face of governance.

#### *The Accounts*

11. Routinely criticised as being impenetrable, but survey responses also suggest councils feels they have made great strides to improve understanding (Grant Thornton question this understanding)



12. Engaging with all those with an interest in the council is critical if they (residents and other stakeholders) may understand council performance and give feedback
13. Declutter the financial statements. Start early with an officer review. Ensure significant matters get the right emphasis with less detail for less significant matters. Have a non-accountant review draft content and ask 'is it necessary to include this information?' Ensure disclosures are up-to-date, remove duplication, and use a glossary to help understanding and lessen detail in the main content.

#### *Explanatory forewords (EFs) to the financial statements*

14. Grant Thornton appears critical of forewords that only meet minimum requirements.
15. Improvements to EFs would arise from: use of plain English, use of graphs and charts, focus on outcomes, and less technical content. Explaining the significant issues, provide a clear view of the financial position, and give a clear view of risks and doubts including effects of the economic climate.

#### *Annual Governance Statements (AGS)*

16. The findings suggest that AGS are typically composed at the end of the financial cycle, without involving all stakeholders
17. Councils' AGS should be more individualistic and avoid sticking slavishly to model AGS formats (treat these as guidance only). AGS should link to the key corporate and strategic council objectives. Preparation of the AGS should be a shared effort between members and officers with governance responsibilities. Ensure AGS are clear and honest. Involve performance officers in the production. Audit Committees role should be to ensure that significant governance issues are properly highlighted and reviewed.

#### *Annual reports*

18. Grant Thornton strongly encourages councils to produce web-enabled annual reports.
19. Ensure they are user-focused and focused on the council's key objectives and outcomes. Annual report production and publication need not wait for receipt of audited financial statements (timeliness is more important)

#### **Behind the scenes of governance – in more detail**

20. Organisational effectiveness will be weakened if the leadership and people culture is not encouraging of good governance arrangements. No amount of redesign will necessarily fix weaknesses in cultures.

21. Governance needs strong alignment to key council strategic objectives and that this is also reflected in the work of audit and scrutiny committees. Grant Thornton feels the role of governance in securing strategic objectives is lacking in full understanding.
22. Again devote time and resources to developing members' capacity and skills. Lead from the top to set the right the tone.

### ***Audit committees***

23. Grant Thornton's research suggests there is less certainty that audit committees are effective to changing risks. This may be linked to profile, though they suggest the sheer scale and complexity of the challenges facing councils can hinder effectiveness if committees are not adequately focused and supported.
24. Audit committee members need suitable skills, expertise and independence of mind to fulfil their role.
25. Important that a committee's work is planned and designed to support achievement of key council objectives.
26. Committees should agree what decides 'reasonable assurance'.
27. Committees should ask themselves 'are we achieving our objectives effectively and adding value to the council?'

### ***Scrutiny committees***

28. Again scrutiny work should be designed to support achievement of councils' key strategic objectives.
29. Scrutiny should be robust, explore choices and be able to recommend difficult choices.
30. Scrutiny role should be unambiguous, be more strategic and its members be trained and developed.

### ***Risk management***

31. Grant Thornton has some doubt that councils' risk management arrangements are embedded within organisations.
32. Strategic risks typically will now include (but be limited to) the impacts of: legislative and national policy change (including the finance regime), welfare reform, managing the intensity of change, demographic risks, joint working and partnering, and localism.

33. Without risk being supported by a corporate risk management role (typically the case in districts) it is perhaps more challenging to embed good risk management principles. Such absence at corporate level may therefore hinder development of a strong and effective risk culture (a culture that knows how to be aware of risks, take measured decisions, and is open to tolerating suitable levels of risk).

### **How does Ashford BC compare?**

34. First it should be said that our external auditors in the last few years have consistently recognised this council's governance arrangements as one of its strengths. This, however, is no reason to be complacent about the findings from Grant Thornton's work, for its context, that of challenging years ahead, presents obvious challenges for this council. Nevertheless, with our track record we have a good foundation on which to build and improve further where needed.

### ***On the formal documents***

35. Ashford BC is most likely aligned with the councils in the past which produce formal documents (the statement of accounts, the explanatory foreword, and the annual governance statement) following formal (including statutory) guidance and past guidance from external audit.
36. Our formal **statements of accounts** are complex and lengthy despite our efforts to declutter these in recent years (only to see large pages of text substituted with new text following the full adoption of international financial reporting standards).
37. Our **explanatory foreword** has received attention more recently. We have sought to make this more informative. However, it is recognised there is more that could be done to reflect the particular emphasis and individualism suggested by Grant Thornton.
38. Our **annual governance statement** has reflected formal advice, but is typical of councils' formal documents and probably. We had a formal procedure to prepare the first two AGS in consultation with officers and members with responsibility for governance issues, though this was not used in preparing more recent statements. The real issue, although a fresh approach to presentation will help, is ensuring governance considerations that occur routinely (for example risk management, partnership governance, performance, audit assurance work etc), are seen as part of a wider governance context.

39. On **annual reports** this council has not produced one for some years, though does yearly report on progress and performance in various unconnected formats. A worry that a lack of public interest in a corporate annual report would not justify the effort has been suggested as a reason for this position. However, it's accepted that annual reporting should be seen as a positive opportunity, and an opportunity to draw succinctly together the work on business plan and service performance that is a feature of corporate and service work.

### ***On the behind scenes of governance***

40. We start from a good governance foundation. However there is more to do to develop people's understanding of its real scope (not simply being confined to internal controls and formal reporting) so there is greater appreciation for how strong governance aids effective achievement of organisation goals.
41. Our audit committee arrangements have developed a good reputation with our external auditors for the council's public-facing work on governance matters. However, it would be fair to say the challenges ahead mean more focus is needed on members' and officers' skills development.
42. The committee's work is not aligned with that of scrutiny, or vice versa, though this has not drawn adverse comment from our external auditors and has not been seen as a particular issue in the past.
43. On risk management the committee has started and now set up a new strategic risk management approach. Reviewing this is an important part of the committee's work, but it needs to ensure that its work on this is seen as a contribution to supporting organisational goals, rather than an end in itself.

### **Issues to consider**

44. There are several issues that flow from Grant Thornton's report and related other work.
- a) *Where should the audit committee have influence and impact?*
45. It was suggested that audit committees should give further thought to whether the committee is working effectively and whether it is able to support achievement of organisation goals in several different ways. Does the Committee wish to give more consideration to this issue, possibly by using a self-assessment process? Is better alignment of scrutiny and audit committees' work to organisational goals needed, and if so how best is this approached?

b) *Keeping up-to-date with risk and governance issues*

46. There are several new legislative and regulatory changes affecting risk and governance, and trends in such aspects as counter fraud. The Committee may wish to consider how it can best be made aware of the relevant issues on a continuing basis?

c) *The formal documents*

47. The Audit Committee receives the AGS with periodic updates on reviews of any significant issues at subsequent meetings. But how could the Committee achieve even stronger focus on governance issues throughout the course of a year so the AGS is recognised as the final product of review work? How should the Committee get assurance for the Council about the various parts of the Statement?

48. Does the Committee support the aim to produce a web-enabled annual report with the aim this is a seamless product of other performance review work?

d) *Risk Management and assurance*

49. The Audit Committee needs to receive assurance on risks. 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?

e) *Independent Audit Committee Member*

50. Some local authority audit committees have sought to appoint an independent, non-voting member to provide added technical skills to the Committee, for example to help with the approval of the Council's accounts. There has been debate about this by the committee in the past and of the pros and cons. However, the ability for the committee to appoint one or more co-opted non-voting independent (unelected) members remains if it so wishes. Does the committee feel it wishes to follow this route? If so, are there particular skills that are sought to enhance the effectiveness of the committee? Before reaching a conclusion it sensible to consult the Leader of the Council for his view.

## **Report to Audit Committee – 27 June 2013**

### **Summary of Grant Thornton's national research report – 'Towards a tipping point?'**

#### **Introduction**

1. In the face of continuing financial austerity to at least 2017 and possibly beyond, Grant Thornton's second review of financial health in local government provides important messages and advice to help councils cope through these challenging times.
2. This paper summarises Grant Thornton's report, focusing on the key findings and messages. It provides a commentary from officers of how this council compares, and then presents some key issues for consideration and discussion.

#### **Context**

3. Grant Thornton's findings are against the background of the largest planned cut in public spending since the 1920s, following a lasting period of growth in local government spending between 1997 and 2007 of nearly 50%. But councils do not just face significant funding cuts. They face also:
  - Increasing demands for some services and advice (for example, welfare reform related),
  - Reduced demand for some paid-for services (for example planning and parking),
  - Managing the service impacts of changing demographics, and demands of localism and the potential opening of service provision to others (for example community groups, and the voluntary sector).
4. In other words, a complex world, with many interplays and of course risks, as well as opportunities.

#### **What makes up a tipping point?**

5. Any or a combination of the following may mean a council has reached a position of 'a new and irreversible development' and one with longer term and adverse effects:
  - A local authority is no longer able to fulfil some its statutory duties, leading to legal challenges or protest

- A Section 151 Officer (the statutory chief financial officer) is forced to issue a statutory report as a council is unable to set a balanced budget, or because of its decisions or external factors is unable to work within prudent levels of reserves, or has the characteristics of an organisation unable to adequately meet its liabilities
  - Industrial unrest that becomes persistent because of workforce policy changes
  - A failure(s) of major suppliers or contractors leading to significant disruption
  - An inability to adequately address the longer-term position
  - Incremental, but smaller multiple effects that build to a larger critical adverse mass.
6. Not all councils of course will be facing these types of risks to the same level. Only a small number are considered most at risk at this stage (not this council we hasten to add, but one small district council elsewhere in the country is claimed to be 'unviable'). Whether some councils are immune is more questionable. However, the research suggests that councils' believe a tipping point is on the horizon.

### **The key themes of the report**

7. Understanding and managing a council's position so it reduces the potential for a tipping point to arise focuses on four themes, as set out below. The report includes a suggested self-assessment checklist, linked to a simple RAG (red, amber, green) rating (our own self-assessment is included below).
- a) **Key indicators of performance** – related to the balance sheet (for example liquidity and borrowing exposure), workforce related (for example absence rates, turnover, vacancies, age profiles), reserves, and progress against financial targets
  - b) **Strategic financial planning** – how thorough is the MTFP and how robust are the underlying assumptions? How well linked to business and service planning is the MTFP? Is the MTFP and service and budget planning responsive to change?
  - c) **Strength of financial governance** – engagement with and support by leadership and management, accuracy of reporting to members

- d) ***strength of financial controls*** – performance against budgets and savings plans, internal and external audit findings
7. Grant Thornton's report discusses each of these risks and the research findings in turn. In summary the findings, taken overall, suggest most councils have improved managing risks since the 2010-2011 review, though as will be seen in one or two areas improvement has been less certain.
  8. On key financial performance indicators councils are treating financial challenges seriously, with councils checking important data and a number introducing key performance indicators into the MTFP planning for the first time in 2011-2012.
  9. On financial governance over 90% of councils were considered to have robust governance arrangements in place. This theme did however highlight the adequacy, accuracy and timeliness of financial reporting as a potential risk, as it is critical to effective monitoring and decision-making.
  10. On financial controls, although the research highlighted an overall improvement against the first survey in 2010-2011, it was the theme that highlighted more concern. Particular issues were: the stretch on finance staff capacity, increasing budgetary responsibilities for service managers, ensuring accurate and timely budget savings delivery reporting including giving clear information where alternative savings have been proposed or carried out against predetermined savings proposals.
  11. On strategic financial planning, this was the one area that saw a fall in overall ratings between 2010-2011 and 2011-2012 and reflects the increasing difficulty councils face in planning against an uncertain climate. Councils are advised they should apply more sensitivity testing to their assumptions and build strategies around more than one scenario. They cite foundation trusts in the NHS as a model.

#### **How does Ashford BC compare?**

12. As explained above Grant Thornton's review assessed some authorities against key themes each split into subcategories.
13. A desktop self-assessment following the structure of Grant Thornton's review has been completed by officers and gives a first view of the council's current position.



Theme	Sub-Category	Self Assessment
Key indicators of financial performance	Liquidity (the ability to meet liabilities as they fall due)	<b>Green</b> – no formal ratio of liquidity has been set, however the Council has current assets of £23.3m against Current liabilities of £16.7m giving a positive and healthy ratio of 1.39.
	Borrowing (gearing and leverage can be assessed in a number of ways).	<p><b>Amber:</b> Long-term borrowing of £120m (including HRA debt) and long-term assets of £254m, giving a gearing ratio of 47.2%. This provides one measure of ‘gearing’, but then needs to be seen alongside a measure of annual interest cost to annual tax and rent revenues. Both measures are designed to show whether an organisation has greater exposure to adverse interest rate variations.</p> <p>Notional depreciation of General Fund assets in the statutory accounts is about £2.25m annually, but the MTFP is only providing for new borrowing to fund repairs and renewals of £0.5m, suggesting a growing backlog of property maintenance which is recognised by the management team having proposed actions to use the MTFP borrowing facility to address the position for the next five years.</p>
	Workforce	<b>Green:</b> overall levels of sickness and absence are good (for 2011/2012 5 days average per fte, for 2012/2013 data are not yet complete but it is predicted to be slightly higher). These averages include long-term sickness, and are favourably below public sector averages. Nevertheless, it is recognised there is greater organisational strain because of workloads, with some signs of stress – this has been the subject of consideration by the Overview and Scrutiny Committee, which continues to monitor the position.
	Performance against budget	<b>Green:</b> performance has been good with small underspends being delivered.
Reserve balances	<p><b>Amber:</b> Total unearmarked reserves exceed the council’s minimum working level of 7% of net revenue spend, by a healthy margin.</p> <p>However, the scale of earmarked reserves (for a</p>	

		whole variety of risks including legal claims) acts as a potential constraint.
Strategic financial planning	Focus of the Medium Term Financial Plan	<b>Amber:</b> The Council has a good track record of focusing on the medium term with its financial planning, with robust scrutiny of assumptions a feature of the work. Nevertheless, the financial challenges ahead, particularly from 2015 and beyond, need a greater focus and early planning to achieve challenging budget targets in an orderly and confident fashion.
	Adequacy of planning assumptions	<b>Green:-</b> overall this has been done well with assumptions being reasonably accurate.
	Scope of the MTFP and links to annual planning	<b>Amber:</b> better use needs to be made to the data on service demands and activities that are held by services, but also service planning needs to reflect the MTFP forecasts to identify the actions necessary to respond to the challenges identified.
	Review processes	<b>Green:</b> the plan is regularly and continually reviewed.
	Responsiveness of the plan	<b>Green:</b> the MTFP model is responsive and can be flexed with changes in assumptions.
Financial governance	Understanding the financial environment	<b>Green:</b> Generally this has been understood and responded to, however CSR2013 will bring another wave of change and this will need to be considered and responded to.
	Executive and member engagement	<b>Green:</b> There has been good engagement throughout the medium term planning process
	Performance management of budgets	<b>Green:</b> generally issues are identified early and appropriate action is taken.
	Accuracy of committee/cabinet reporting	<b>Green:</b> The budget monitoring report transitioned to quarterly reporting and has worked well. The delays in government announcements in 2012 delayed reporting the MTFP in the autumn which was not ideal.
Financial	Performance	<b>Green:</b> this is good however a new focus on

controls	management of budgets	business rate collection, tax base and key income and expenditure areas will allow reporting to be adapted and management information to be created.
	Performance against savings plans	<b>Green:</b> The savings plan is being delivered and where necessary alternative savings are being identified.
	Key financial accounting systems	<b>Green:</b> systems are established and function effectively.
	Finance department resourcing	<b>Amber:</b> Consideration is being given to the resourcing levels in light of the finance changes and necessary work and the team is currently managing one long-term sickness absence, plus a maternity leave. Action has been taken to compensate and further action is intended to achieve an overall increase in capacity.
	Internal audit arrangements	<b>Green:</b> risk based approach has been adopted. Corporate risk register has been developed and is being monitored.
	External audit arrangements	<b>Amber:</b> this is the first year of Grant Thornton being the external auditors, this calls for a new approach which will need to be understood and responded too. We have confidence in our external auditors and in our ability to preserve standards, but because this is the first year of the transition with some doubt about how, in reality audit work will compare to previously, we have cautiously given this an 'amber' rating.

### Issues to consider

- 14 The 'tipping point' report is useful in encouraging councils to sharply focus on financial and organisational risks, and will help shape our approaches to risk management and monitoring for the future. To focus discussion on some of the more key issues, four points are set out below.
  - a) The Government has now started its next spending review (CSR2013) which will settle government department funding levels from 2015 and beyond, and, therefore, funding levels for councils. It is widely expected that this will result in a further 20-25% cut in funding. How will this impact on the assessment above and what are the key areas that need to be monitored to ensure that a tipping point is not reached?

- b) The Council has a 5-year business plan, which is at the beginning of its 3<sup>rd</sup> year. A review of assumptions is now underway and will be discussed with the management team, portfolio holder and cabinet by the late spring/early summer. This will lead to changed assumptions about future years' budget gaps and the need, therefore, to plan for further budget bridging measures. In process terms the review and scrutiny of the MTFP as well as the proposals for next year's budget should be a feature of the work of the budget scrutiny task group.
- c) Does the Audit Committee consider it has a role in improving understanding around strategic financial planning, bearing in mind the role of the committee is principally to focus on approaches to risk management and testing assurances?
- d) In the light of the tipping point report are there new risks that need to be introduced into the corporate risk register? Or is it felt that risks are already covered, but the tipping point report provides advice about how the council may add more detailed considerations into its risk planning?

**Agenda Item No:** 8

**Report To:** **AUDIT COMMITTEE**

**Date:** **27 JUNE 2013**

**Report Title:** **Strategic Risk Review – Effective Workforce Planning**

**Report Author:** Deputy Chief Executive (covering summary) and  
Head of Personnel and Development



**Summary:**

The Audit Committee has the governance responsibility to oversee risk management and to ensure the council's approach is robust so risks to it achieving important objectives are understood, evaluated and that suitable mitigation plans are in place.

At the informal meeting in April members considered our external auditor's national research findings on governance and risk management, and in particular issues about the role of audit committees.

One of members' conclusions was the Audit Committee should more routinely have oversight of individual risks. Workforce planning is one of our strategic risks and this may seem to provide an opportunity to discuss its background and the mitigation plan. The Head of Personnel and Development will be present for this item.

**Key Decision:** Not applicable

**Affected Wards:** None specifically

**Recommendations:** **The Audit Committee is asked to consider the workforce planning strategic risk.**

**Policy Overview:** The management of strategic risk is an important part of our overall governance and focuses on assisting the council to achieve its core priorities.

**Financial Implications:** None arising from this report

**Risk Assessment** The whole report is about risk management

**Equalities Impact Assessment** Not applicable

**Other Material Implications:** None

**Background Papers:** None

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**Report Title: Strategic Risk Review –  
Effective Workforce Planning**

**Introduction**

1. The Audit Committee has the governance responsibility to oversee risk management and to ensure the council's approach is robust so risks to it achieving important objectives are understood, evaluated and that suitable mitigation plans are in place.
2. Last year the risk management approach was updated. This had support from our risk management advisers (Zurich Municipal) and from the management team and members, including the Audit Committee.
3. The work resulted in an updated set of strategic risks and associated mitigation plans. Cabinet approved these last November and the Audit Committee considered the plans again at its last formal meeting in March.
4. At the informal meeting in April members considered our external auditor's national research findings on governance and risk management, and in particular issues about the role of audit committees. One of members' conclusions was the Audit Committee should more routinely have oversight of individual risks so the committee may play a more direct role in contributing to helping the council achieve its priorities. Members' recommended that fuller discussion of each strategic risk take place over the course of the annual cycle.
5. This meeting will consider the plan associated with the strategic risk of upholding development of effective workforce planning.

**Background to the 'workforce planning' strategic risk**

6. This is one of the strategic risks considered important to include in the council's strategic risk register. Risks placed in the register resulted from a review in 2012 carried out by senior managers and members, aided by our risk management advisers, Zurich Municipal.
7. Workshops and one-to-one discussions aimed at highlighting common agreement about risks that could affect delivery of the council's core priorities.
8. Risks were identified using a framework that invited consideration against external and internal influences (for example: political, economic, social, citizen focused, legislative, managerial, physical etc).
9. Once identified risks were assessed using an approach to consider likelihoods and impacts using varying scales.
10. Once a risk was assessed it was placed on 'the risk matrix' – a two-dimensional chart summarising an agreed position for each risk.

11. Risk that fall below a certain threshold (an agreed tolerance) are not taken forward as strategic risks for action planning and overseeing, but remain as risks for management to consider.
12. Against the backcloth of achieving its critical objectives during a challenging period of time for this and all councils, upholding effective workforce planning was an agreed strategic risk.
13. Although this council has good workforce management arrangements and up-to date policies, and enjoys good employer and employee working relations, nevertheless there are risks.
14. In our aim to develop cultures and supporting staff abilities that are flexible and to respond to demand-led service change, with greater efficiency and speed, the workforce risk was documented as:
15. "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 avoid being over reliant on key managers and staff who are responsible for leading the delivery and implementation of the councils strategic plan [and the change programme]".
16. Management Team and members considered workforce risk plan should focus on two issues:
  - Succession planning and developing a strategic response to this need
  - Building a greater generic method operation to deliver important 'best service resources allow' business plan priorities
17. The Head of Personnel and Development owns this risk and will be present at the meeting to discuss the plan.

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**Agenda Item No:**

**Report To:                   AUDIT COMMITTEE**

**Date:                           27 JUNE 2013**

**Report Title:                Local Audit and Accountability Bill – FOR INFORMATION**

**Report Author:             Deputy Chief Executive (cover summary only)**



**Summary:** Government in May introduced its Local Audit and Accountability Bill that has now had its second reading in the House of Lords. A summary of the Bill from the Local Government Association, including its own views on behalf of local government LGA members, is attached. Among other things the Bill will bring about final closedown of the Audit Commission and introduce the requirement that councils must then procure their own external audit including the requirement for at least an independent (non-elected panel) to make recommendations on this to the council. The Bill also makes other provisions that tighten the council tax referendum principles, provide the Secretary of State with an ability to determine if a council's publicity is contravening a publicity code (the Secretary of State is particularly concerned about some councils' competing with local newspapers).

**Key Decision:** Not applicable

**Affected Wards:** None specifically

**Recommendations:** This item is for information.

**Financial Implications:** The Bill, once it has completed its path through the parliamentary process will become law later this year. Amendments are anticipated. As the Bill contains several different aspects it will lead to various effective dates. The timing of councils' requirement to procure external audit is unclear, but we must presume will follow from the end of the present outsourced contracts (in our case to Grant Thornton) which run until 2017 at the earliest.

Further advice about the Bill and its implications will be presented nearer the time it becomes law.

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# Local Government Association (LGA) briefing: Local Audit and Accountability Bill, House of Lords

## Second Reading

Wednesday 22 May 2013



The Local Audit and Accountability Bill will extend the council tax referendum provisions introduced in the Localism Act, enshrine the legal status of the local authority publicity code and introduce a new regime for the auditing of public bodies (the Bill abolishes the Audit Commission and creates a framework where councils will have to establish an independent auditor appointment panel in order to appoint their own auditors).

### LGA key messages

- The Local Audit and Accountability Bill extends the council tax referendum provisions introduced in the Localism Act (clause 39). **The LGA opposes the inclusion of a centrally imposed limit** because local elections are the opportunity for people to pass judgement on their council.
- The Bill gives the code of recommended practice on local authority publicity statutory underpinning (clause 38). It provides the Secretary of State with the power to direct a local authority regardless of whether that authority is complying with the code to which these powers relate.
- **These are wide ranging powers that allow central government to interfere with, dictate to and second guess councils. There is no evidence that council publications are competing unfairly with local newspapers and therefore no need for the existing code to be put into primary legislation.**
- The Bill abolishes the existing audit regime and the Audit Commission (clause 1). The Government's commitment to cutting back on external inspection and assessment has undoubtedly helped councils and saved money.
- National procurement of audit is the most efficient way for councils to procure auditors. The recent tendering exercise by the Audit Commission delivered savings to councils of £250m. Sufficient flexibility should be retained in the Bill to allow national procurement to continue.
- Clause 34 gives powers to the National Audit Office (NAO) to conduct studies into the 'economy, efficiency and effectiveness' of local government'. **We are concerned about the potential for "mission creep" by the NAO given the absence of any constraints or limits regarding the total number of studies per year.**
- However, the new requirement on the National Audit Office (NAO) to consult with relevant parties on any studies into the economy, efficiency and effectiveness of local and health authorities is welcome and something the LGA has called for.

# Briefing

For further information please contact  
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## Council Tax

- Clause 39 extends the council tax referendum provisions introduced in the Localism Act to include levying bodies such as Waste Disposal Authorities, Integrated Transport Authorities, Pension Authorities and Internal Drainage Boards.
- Local government has endured the steepest reductions over the current Spending Review with 33 per cent cuts in real terms. The current financial position of many councils is unsustainable in the medium to long term. Including increases in levies set by outside bodies in the calculation of council tax referendum limits adds further uncertainty to council finances and could lead to further reductions in essential local services.
- The LGA opposes a centrally imposed limit on council tax levels as the cycle of local elections is the democratic and proper place for people to pass judgment on their council.
- As currently drafted the Bill (clause 39 (15)) could allow the Secretary of State to retrospectively impose a different referendum limit on authorities where their council tax increase for 2013-14 would have been excessive under the new definition, but not under the current definition. This is not fair on those authorities who have taken decisions in good faith based on the legislation in place at the time.
- Local government in England is subject to a variety of different levying arrangements, covering significant regionally important issues such as transport and drainage, as well as a wide range of more local issues. There is enormous scope for perverse outcomes which may be difficult to resolve under this framework. For example, an internal drainage board needing to take emergency action to manage flood risk may be denied the capacity to do so by the outcome of a referendum. There may also be a risk that infrastructure projects that support economic growth could be at risk because of these measures.
- **Given these concerns, the LGA is calling for the Government to remove clause 39 from the Bill.**

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## Publicity Code

- Clause 38 will give the Publicity Code statutory underpinning. It also provides the Secretary of State with the power to direct a local authority regardless of whether or not they are complying with the code. These are very wide ranging powers.
- Moreover, clause 38 is unnecessary as there is no evidence that council publications are competing unfairly with local newspapers and by the Government's own admission there are very few councils not complying with their existing recommendations.

- Clause 38 (5) gives the Secretary of State the power to ‘make a direction to an authority whether or not the Secretary of State thinks that the authority is complying with the code to which it relates’. This is an incredibly wide ranging power that gives central government the ability to interfere with the business of a council regardless of whether or not they are breaking any part of the code of conduct. **The Government should state why they need a blanket provision of this sort and why the policy objective cannot be achieved through the use of existing legislation.**
- Local authorities are currently required by section 4(1) of the Local Government Act 1986 *to have regard* to the contents of the Publicity Code in coming to any decision on their publications. Section 6 of the Act defines publicity as ‘any communication in whatever form, addressed to the public at large or a section of the public.’ Should the Secretary of State have reason to believe that a local authority has failed to comply with their statutory obligation to have regard to the Code, then he is able to intervene by seeking judicial review against the local authority. **So far the Secretary of State has not said why this existing power is not enough.**
- Councils support the commercial newspaper industry by paying them £26 million a year to publish statutory notices. When you take into account total spend, including general advertising, **councils are spending nearly £44 million per year with the commercial newspaper industry.** The current legislation which requires councils to publish statutory and other notices in local newspapers should be repealed at the earliest opportunity. These notices do not represent value for money with 84 per cent of councils stating that there are more cost-effective ways to communicate with residents.
- The majority of councils produce newsletters because they are the most cost effective way of reaching a high proportion of residents. 79 per cent of council publications reach 90 per cent or more of the local population. Just one per cent of local newspapers reach 90 per cent or more.
- Before the Government changes the status of the current code, it should set out the evidence for this decision. **An independent review should be undertaken to establish what, if any, impact council publications have on local newspapers.**

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### **Local government audit**

#### **Appointment of Auditors**

- Part 3, clauses 7 to 16 set out the process by which councils and health bodies should appoint their auditors. Clause 9 requires councils to appoint an independent audit panel (further details are in schedule 4) and provides a duty for audit appointments to be made on the basis of advice given by this panel. Such a duty unnecessary and impracticable. It should be amended as eligibility requirements in Schedule 5 will be sufficient to ensure the professional integrity and independence of potential auditors.
- Furthermore, councils already operate within a complex regime of existing safeguards and controls designed to guarantee regularity and propriety;

including the requirement to set balanced budgets. In addition, all the indications are that councils will have considerable practical difficulties finding enough suitably knowledgeable independent local people willing to serve in this capacity.

### **Procurement of local audit**

- National procurement of external audit is the most efficient way of procuring audit at the best possible cost to local councils. The recent tendering exercise by the Audit Commission delivered savings to councils of £250m. Sufficient flexibility should be retained in the Bill to allow national procurement to continue. This is because the financial climate in which local government is operating has changed dramatically since these proposals were originally announced three years ago.
- In making their contribution to deficit reduction, councils are dealing with severe financial restraint whilst at the same time delivering high quality services to their residents. Councils are therefore keen to “lock in” the significant savings by extending the current audit contracts and retaining the possibility for further national procurement.
- Moreover, **the proposals in the current Bill to enable local appointment will lead to *increased costs*** because:
  - The total cost of councils individually procuring audit will be significantly higher than a single central national procurement process.
  - The prices achieved by individual appointment of external audit would be higher overall than what we already know is achievable through national procurement.
- Amending the Bill to allow for national procurement does not imply Ministerial agreement to the approach. It simply demonstrates a willingness to keep the option available for the future and recognition that alternative options may become more attractive in the future.

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### **The National Audit Office**

- Clause 34 gives powers to the National Audit Office (NAO) under the guise of the Comptroller and Auditor General to conduct studies into the ‘economy, efficiency and effectiveness with which relevant authorities have used their resources’.
- The potential for ‘mission creep’ by the NAO and the absence of any constraints or limits regarding the total number of studies per year in the Bill is alarming. **There should be a statutory limit on the number of studies the NAO carries out each year as these are often burdensome for councils.**
- The NAO should be precluded in the Bill from replicating the Audit Commission’s value for money studies programme because, as the Government rightly acknowledges, improvement and efficiency is something best delivered by the sector itself.

- The new requirement on the National Audit Office (NAO) to *consult* with relevant parties on any studies into the economy, efficiency and effectiveness of local and health authorities is welcome and something the LGA has called for.

# Audit Committee Update for Ashford Borough Council

**DRAFT**

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

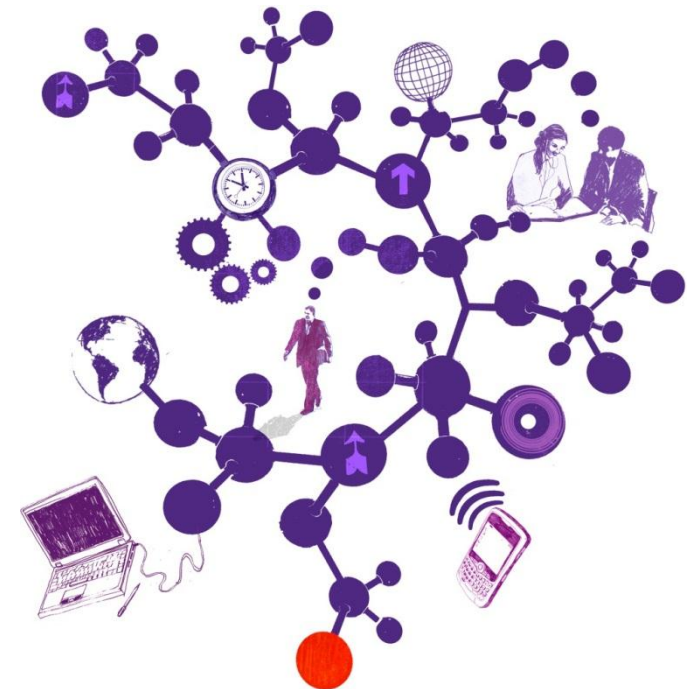
**Year ended 31 March 2013**

27 June 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 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 district 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](http://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 2013', 'Towards a tipping point?', 'The migration of public services', '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 27 June 2013

Work	Planned date	Complete?	Comments
<p><b>2012-13 Accounts Audit Plan</b> 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	Presented to the March 2013 Audit Committee
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the <i>Council's</i> control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	January to June 2013	Ongoing	<p>We have now substantially completed our interim work except for the work on the proposed vfm conclusion which will continue until we sign our opinion.</p> <p>There are currently no matters arising which require reporting to members at this stage.</p>
<p><b>2012-13 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2012-13 financial statements</li> <li>• proposed opinion on the <i>Council's</i> accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	July to September 2013	Outstanding	

## Progress at 27 June 2013

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

# Emerging issues and developments

## Accounting and audit issues

### LAAP Bulletin 96: Closure of the 2012/13 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued LAAP Bulletin 96. The bulletin provides further guidance and clarification to complement CIPFA's 2012/13 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- a reminder that authorities should tailor CIPFA's example financial statements to meet their own reporting needs in order to give a true and fair view of their own financial position and performance
- the need for billing and precepting authorities to disclose their share of non-domestic rate appeals liabilities that transferred to them on 1 April 2013
- accounting for carbon reduction commitment (CRC) energy efficiency scheme assets
- accounting for the transfer of public health reform in 2013/14.

Challenge question:

- Has your Finance Manager reviewed the guidance and assessed the potential impact for your financial statements?

# Emerging issues and developments

## Accounting and audit issues

### Code of Practice on Local Authority Accounting in the United Kingdom 2013/14

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2013/14. The main changes to the Code include:

- amendments for the requirements of the localisation of business rates in England
- amendments to how 'other comprehensive income' is presented in the Comprehensive Income and Expenditure Statement. These changes follow the June 2011 amendments to IAS 1 Presentation of Financial Statements.
- amendments to how authorities should account for the cost of employees. This is as a result of the June 2011 amendments to IAS 19 Employee Benefits and include amendments to the classification, recognition, measurement and disclosure of local authority pension costs. This is accounted for as a prior period adjustment which means that the figures for previous years will need to be restated.
- clarifications and improvements of the Code as a result of the CIPFA/LASAAC post-implementation review of IFRS on issues such as:
  - the recognition and measurement of property, plant and equipment – in particular, paragraph 4.1.2.35 of the Code now requires items within a class of property, plant and equipment to be revalued simultaneously. The Code does permit a class of assets to be revalued on a rolling basis provided the revaluation is completed within a short period and provided the revaluations are kept up to date.
  - leases and lease-type arrangements (for example where lease rentals are charged at peppercorn rents)
  - service concession (PFI/PPP) arrangements in relation to assets under construction and intangible assets
  - the recognition of non-current assets held for sale
- amendments relating to deferred tax which may be applicable to authorities with group accounts. These follow amendments to IAS 12 Income Taxes issued in December 2010.

The Code also notes that guidance on the adoption of IFRS 13 Fair Value accounting and on accounting for schools has been deferred to the 2014/15 Code.

Challenge questions:

- Is your Finance Manager aware of the changes to the 2013/14 Code and assessed the potential impact?
- In particular, has your Finance Manager consulted:
  - your actuary to ensure you will have the information you need to restate amounts relating to pensions from previous years
  - your valuer to ensure that your revaluation programme complies with the new requirements for property, plant and equipment?

# Emerging issues and developments

## Accounting and audit issues

### Internal audit – practice case studies

The NAO and the Institute of Internal Auditors have released a set of case studies, available on the NAO website, illustrating some of the key principles of effective internal auditing, taken from a range of public and private sector organisations (including British Telecom, Department for Work and Pensions, EDF). These cover the following areas:

- applying internal audit resources
- scope of internal audit
- auditing projects
- the relationship with the audit committee
- risk-based internal audit
- evaluating internal audit

Examples of the practical advice these case studies provide are:

- 'ensure that the internal audit function has the right development practices and the right mix of people'
- 'internal audit must check its own performance'
- 'look at the range and depth of assurance that is being provided to management from other assurance providers within the organisation: this will reduce the duplication and free up resources to provide deeper assurance in other areas'
- 'make sure that internal audit's work is aligned to management's view of risk: the function may be focussing on the wrong issues if it does not understand management's risk priorities'
- 'review whether senior management and the business share the same view of risk – highlight where differences occur to ensure that the right risks and controls are targeted in the audit plan'
- 'consider carrying out a benchmarking review with a similar sized organisation in the same industry sector to compare and contrast approaches to internal audit and resourcing'

See - <http://www.nao.org.uk/report/internal-audit-in-practice-case-studies/>

Challenge question:

- How can you drive more organisational value from internal audit?

# Emerging issues and developments

## Grant Thornton

### Use of Outsourced IT Services

Over the past few years, there has been an increasing move to outsourcing IT services to third parties within the Local Government sector. This has accelerated over the last year as a result of need to drive efficiencies across the public sector.

Two recent incidents have highlighted the need to carry out proper due diligence and ensure the correct contractual and technical provisions are in place when signing agreements with third parties:

- a major IT service provider, who offered a wide range of services including Network, Communications and Data Centre Management, recently went into administration. This created significant uncertainty for their clients in terms of on-going business as usual requirements as well as access to data. At one point clients were asked to make additional payments in order to gain access to their critical data.
- a large NHS Trust had a failure of its hard disk drive containing its financial data. On contacting the supplier responsible for taking back ups, it became evident that no data back ups had been taken in the preceding 6 months and therefore the client had lost 6 months of data. As a result, the system had to be restored to the last back up date and the data recreated. This was a time consuming and expensive exercise, and has impacted on the financial audit work where additional procedures will have to be performed.

Both of these incidents highlight the risks involved when outsourcing services. Organisations with critical data who run their own data centres would have normally considered the risks associated with a failure of an IT service (or an entire data centre) and would have taken steps to mitigate these risks. Companies who outsource the performance of key services still retain responsibility for their operating and regulatory requirements, and for ensuring that the control environments supporting their business processes are operating effectively, regardless of who is managing them.

Challenge question:

- Are you happy that your ICT Operations Manager has procedures in place to monitor and manage risks of outsourced IT services?

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

# Emerging issues and developments

## Local government guidance

### 2010/11 Whole of Government Accounts

The following reports have been published on the audited 2010/11 Whole of Government Accounts (WGA):

- Public Accounts Committee (PAC) issued its 2010/11 WGA report - PAC has recommended that HM Treasury should do more to use WGA accounts to inform decision making and also drew attention to the need for the preparation and audit of WGA to be timelier.

See - <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmpublicacc/867/867.pdf>

- DCLG published an unaudited consolidated account for English Local Government 2010/11 - the information is high-level, focussing on the consolidated statement of revenue and expenditure, the consolidated statement of financial position and the consolidated statement of changes in taxpayers' equity. There is no breakdown of line items and no comment on cash flows, commitments and off balance sheet liabilities. However, the document does provide links to more detailed local government finance statistics.

See - <https://www.gov.uk/government/publications/whole-of-government-accounts-for-local-government-2010-to-2011>

Challenge question:

- Has your Finance Manager considered these reports and any lessons for the authority?
- Has your Finance Manager produced a robust and adequately resourced timetable for the production and submission of 2012/13 WGA returns?

### Governance statements

The National Audit Office has published 'Fact Sheet: Governance Statements: good practice observations from our audits' providing: insight and commentary on the first year of Governance Statement reporting observations on good practice “challenge questions” for those whose role it is to oversee and scrutinise an organisation's Governance Statement.

See - <http://www.nao.org.uk/report/governance-statements-previously-statement-on-internal-control-3/>

Challenge questions:

- How do you plan to make your Annual Governance Statement be more transparent and relevant to your authority?
- Have you used the challenge questions in the fact sheet to help inform your review of the Annual Governance Statement?



# Emerging issues and developments

## Local government guidance

### Openness and transparency on personal interests - A guide for councillors

In March, DCLG published 'Openness and transparency on personal interests - A guide for councillors'.

This guide provides guidance to councillors about how to be open and transparent about their personal interests now that new standards arrangements have been introduced by the Localism Act 2011.

See - <https://www.gov.uk/government/publications/openness-and-transparency-on-personal-interests-guidance-for-councillors>

Challenge question:

- What has your authority done to improve awareness of openness and transparency requirements for councillors?



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**Audit Committee - Future Meetings**

<b>Date 26/09/2013</b>			
<b>Publish by 18/09/13</b>			
<b>Reports to Management Team by 12<sup>th</sup> September</b>		<b>Council 17/10/13</b>	
1	Fraud Annual Report 2012/13	Jo Fox	
2	Annual Governance Statement – Progress on Remedying Exceptions	PN/NC	
3	Statement of Accounts 2012/13 and the District Auditor's Annual Governance Report	AComm (cover by PN/BL)	
4	Strategic Risk Management – 6 Monthly Update	IC	
5	Whistleblowing Policy	BP	
6	Anti Fraud and Corruption Policy	BP	
7	Money Laundering Policy	BP	
8	Public Sector Internal Audit Standards – Matters Arising	BP	
9	Report Tracker & Future Meetings	DS	

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

<b>Date 04/03/2014</b>			
<b>Publish by 24/02/14</b>			
<b>Reports to Management Team by 20<sup>th</sup> February</b>		<b>Council 24/04/13</b>	
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	

<b>Date 26/06/2014</b>			
<b>Publish by 18/06/14</b>			
<b>Reports to Management Team by 12<sup>th</sup> June</b>		<b>Council 17/07/14</b>	
1	Internal Audit Annual Report 2013/14	BP/IC	
2	Annual Report of the Audit Committee 2013/14	IC	
3	Approval of Annual Governance Statement 2013/14	PN	
4	Report Tracker for Future Meetings	DS	

19/6/2013