

## Audit Committee

Minutes of a Meeting of the Audit Committee held in Committee Room No.2 (Bad Münstereifel Room), Civic Centre, Tannery Lane, Ashford on the **26<sup>th</sup> September 2013**.

### Present:

Cllr. Clokie (Chairman);  
Cllr. Link (Vice-Chairman);  
Cllrs. Marriott, Michael, Shorter.

### Apologies:

Cllrs. Smith, Taylor.

### Also Present:

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

Steve Golding, Laura Leka - Grant Thornton.

## 150 Minutes

### Resolved:

**That the Minutes of the Meeting of this Committee held on the 27<sup>th</sup> June 2013 be approved and confirmed as a correct record.**

## 151 Fraud Investigation Team

The paper updated the report of 5<sup>th</sup> March 2013 and advised of a number of factors influencing the creation of the Corporate Fraud Team. For several reasons the report recommended deferral of the creation of a stand-alone team with a wider corporate counter fraud focus. Most significantly was the ongoing delay to the Government's programme for the introduction of Universal Credit. The report recommended a further review in 2014. In introducing the report the Investigations & Visiting Manager advised that the Housing Department had agreed funding for the team's housing tenancy fraud work for 2014/15, so that showed confidence in the current collaborative working arrangements.

The Portfolio Holder said that the deterrent factor was just as important as the prosecution of benefit fraudsters. It was important to demonstrate that the Council did pursue fraudsters and if this deterred people from making false claims in the first place, unquantifiable savings could be generated above and beyond those generated from prosecution that the Council could document.

In response to a question the Investigations & Visiting Manager advised of corrections to the 'Successful Outcomes' columns of Appendix A to the report. The figures should be 11 for April – August 2013 and 23 for April 2012 – March 2013.

**Resolved:**

- That (i) **the move to create a Corporate Counter Fraud Team be deferred pending a further review and a report come back to the Committee during 2014.**
- (ii) **the performance figures provided be noted.**

## **152 Statement of Accounts 2012/13 and the External Auditor's Audit Findings**

The report presented the 2012/13 Statement of Accounts for approval. The External Auditor's report was also appended and Mr Golding was present to introduce this and take questions. The audit had identified four primarily presentational errors as detailed in the Auditor's report with no impact on the Council's financial position. The External Auditor had issued an unqualified opinion on the accounts. Once approved, the accounts would be published with an accompanying simple summary of the key facts and outcomes for the year.

Mr Golding introduced the audit findings report from Grant Thornton which outlined the key issues arising from their audit. The outstanding matters had all now been largely resolved and Andy Mack was willing to confirm the unqualified opinion on the accounts following receipt of the Chief Financial Officer's letter of representation. In terms of the key messages from the audit, Mr Golding said that the quality of the financial statements and working papers provided was of a good standard and the Officers should be complimented for this. There were no amendments arising from the audit which impacted on the Council's reported financial performance. Mr Golding said that in terms of transparency, there was concern that declaration forms in respect of related party transactions had not been received from four Councillors at the time of this year's audit. It was noted that there were still two forms outstanding, namely from Councillors Adley and Wright.

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

- The classification of developer contributions (Section 106 monies) had been changed in the accounts to be allocated to the relevant Services as soon as the money came in, rather than being held on the balance sheet until it was spent. This was in recognition of the Council's good administrative procedures in this regard whereby a designated Officer pro-actively monitored trigger points. Developer contributions were monitored annually by Internal Audit given the importance of this area to Ashford and Mr Golding re-iterated that this formed part of External Audit's specific audit programme too and they had been extremely impressed by the pro-active way this was managed at Ashford.

- The opinion on the effectiveness of internal control was required to be delivered by the Head of Internal Audit Partnership as part of his Annual report. This was reviewed by External Auditors but did not form part of their specific audit.
- The figures related to the estimated number of properties in the Council Tax Base were not whole numbers due to discount factors, conversions to number of Band D dwellings and timing of occupation.

The Chairman noted that this would be Steve Golding's last Audit Committee meeting after working with Ashford Borough Council during three spells dating back over 30 years. He thanked him for his dedicated and professional work and, on behalf of the Committee, wished him all the best for the future.

**Resolved:**

- That**
- (i) the Appointed Auditor's Audit Findings be received and noted.**
  - (ii) the basis upon which the accounts have been prepared (Going Concern) be agreed.**
  - (iii) the audited 2012/13 Statement of Accounts be approved.**
  - (iv) the Chairman of the Committee sign and date the accounts as approved by the Council, as required by Section 10(3) of the Accounts and Audit Regulations 2003.**
  - (v) the Chief Financial Officer's Letter of Representation to the Appointed Auditor be approved.**

### **153 Annual Governance Statement 2012/13 – Progress on Remediating Exceptions**

The report explained progress against the areas for continued work which were included in the Annual Governance Statement agreed by the Committee at the last Meeting in June. It highlighted the following matters: - the Leader's wish that there be a refocusing of Council priorities and further cultural development to consolidate the direction that was currently set out in the business plan and Cabinet's previous position statement; the Leader's proposal for a further review of some aspects of the constitution to reinforce the principle of inclusivity and to clarify delegations; production of an Annual Report; updating the 2007 Code of Corporate Governance; and a procurement strategy review. These would all be ongoing matters for 2013/14.

**Resolved:**

**That the progress to date on resolving the governance exceptions identified in the 2012/13 Annual Governance Statement be noted.**

## 154 Strategic Risk Review – Six Monthly Update

The report set out the position in respect of the Council's Strategic Risk Management arrangements. Tabled at the meeting were the coloured appendices for the risks which had been omitted from the original Agenda papers due to a printing error.

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

- It was important to bear in mind that the majority of items on the Strategic Risk Register were of longer term consequence and it was hoped that the report highlighted that there was suitable and appropriate mitigation in place. This did not mean that the items should not continue to be routinely monitored, but many of the matters would continue to remain as risks because they involved matters out of the Council's direct control (economic factors etc.)
- An additional risk regarding the Chilmington Green development had been discussed at the Committee's informal Meeting in April and that would be added to the register once the outline planning application had been considered. It was noted that the risks here for the Council were more reputational than financial.
- The risks around a failure of IT systems were operational and contained within the Head of Business Change & Technology's own service risk plan rather than the Strategic Risk Register. A complete IT failure would also be covered within the Council's Disaster Recovery and Business Continuity Plans. The Cabinet Member for the Service said he had asked questions about this and had a reasonable degree of confidence in the plans. Testing of these Plans was also covered within the Internal Audit work plan. The Chairman said they always had the option of calling the Head of Business Change & Technology to a meeting to explain to the Committee how that risk was being managed.
- There was an extensive action plan and lots of work going on to inform residents about Universal Credit and Social Size Criteria. The Council Tax & Welfare Reform Task Group was gaining a lot of information and shaping the Council's response to the issues, but, as a Local Authority, there was only so much Ashford Borough Council could do in responding to this.
- With regard to Risk 2 – Volatile Income Streams, the risk plan had been re-worded to include a high level summary of the main risks to the Council with regard to strategic income. There would be an important report going to the Cabinet shortly explaining some more detail into the Government announcements of the summer and the knock on affects for Government Grants, Business Rates etc. and how the Council was going to deal with those.
- It was agreed that the Housing Revenue Account should be included within Risk 2 – Volatile Income Streams in future reports.

**Resolved:**

- That**
- (i) the strategic risk management arrangements in place for 2013/14 be noted.**
  - (ii) the Committee is satisfied with the action that is being taken to manage the Council's strategic risks.**
  - (iii) the Housing Revenue Account should be included within Risk 2 – Volatile Income Streams in future reports.**

## **155 Internal Audit Charter**

The Head of Audit Partnership introduced the report which asked the Committee to consider and approve the Internal Audit Charter - a requirement of the new Public Sector Internal Audit Standards (PSIAS). The report also updated the Committee on: - the external quality assessment of Internal Audit (which was also a requirement of PSIAS); the proposal for the creation of 'One Team One Employer'; the possible extension by a further four years of the current collaboration agreement for the Audit Partnership; and the proposed arrangements for the recruitment of a new Head of Audit Partnership. He further advised that the same report was being considered by the Audit Committees at the other Authorities in the Partnership and Tunbridge Wells had considered that the Charter should contain an additional section on value for money and the role Internal Audit played in monitoring and identifying value for money. It was proposed that this be added as an addendum to the Charter once it had been to each of the four Audit Committees.

Whilst agreeing with the point about value for money, the Chairman said he also considered Overview & Scrutiny could also be doing more work of this type.

**Resolved:**

- That**
- (i) the Internal Audit Charter appended to the report be approved, subject to the addition of Internal Audit's role in monitoring and identifying value for money.**
  - (ii) it be noted that an external quality assessment of the conformance of Internal Audit to the Public Sector Internal Audit Standards will be carried out in January 2014.**
  - (iii) it be noted that it is proposed to adopt a one employer model for the Internal Audit Service.**
  - (iv) it be noted that it is proposed to extend the Internal Audit shared service agreement to 31<sup>st</sup> March 2019.**
  - (v) it be noted that a timetable has been put in place for the recruitment of a new Head of Audit Partnership.**

## **156 Mid Kent Audit Partnership – Evolution to ‘One Team One Employer’**

The report gave a background to both the historical and current arrangements for the Internal Audit Partnership and proposed converting the Partnership to a ‘One Team One Employer’ model, subject to full consultation with, and agreement by, this Council's Cabinet and the agreement of the other three Councils in the Partnership. The issue had been presented by way of a client perspective from the Deputy Chief Executive on behalf of the Council as well as a more detailed report from the Head of Audit Partnership. The report further advised that moving to a ‘One Team One Employer’ model would in no way alter the operational governance arrangements for the Partnership. Each Council was represented by a Senior Officer on the Operational Board and that Board had oversight of the operational management on behalf of the four Councils. The Head of Audit Partnership updated the Committee that the reports had been considered by the Joint Consultative Committee (JCC) earlier that day and they had endorsed the proposals as an acceptable way forward.

The Chairman said he was fully supportive of the proposals and pleased to note that JCC had no objections.

A Member asked about the basis for charging by agreeing a number of ‘audit days’ and asked if there was any inherent risk that if initial estimates were wrong, there may be cost implications and the quality of audit may suffer. The Deputy Chief Executive said that there may be a risk but it would be more related to the general environment rather than anything else. The number of days required would be a product of what this Committee signed off as their audit need. As it got more complex for Ashford and Local Government more generally to respond to Government reforms, it would become a more challenging agenda for Internal Audit. Considering issues such as strategic projects and this Council as a stakeholder would require particular skills and this may mean audit requirements may have to be increased, even if there were the same or fewer risks involved. The Head of Audit Partnership said there would be an open book charging policy with each Council only paying for the number of audit days it required.

With regard to questions about the Partnership potentially considering selling auditor days outside in a more commercial way, the Head of Audit Partnership advised that this would only go as far as the four partners wanted it to. It was a Partnership owned by the four Councils and it was a decision for them if they wanted his successor to explore this route. It was right to point out though that there were opportunities. They were working to the same standards as all other public sector organisations so there may be opportunities to do work for other public sector clients for example, but only if it did not impact adversely on the core work for the four Councils. In his opinion it was more about ‘dipping a toe’ into the market to see if work was out there, but he understood the concern.

The Chairman asked about the original Partnership Agreement and the right to veto. He was concerned that one Authority could be ‘out-voted’ by the other three on major decisions. The Deputy Chief Executive said a Collaboration Agreement was in place to provide a governance framework for the Partnership and that would remain

under any new model. He was Ashford's representative on the Operational Board and at present if one Council did not want to do something, it did not go ahead. In his view any new Collaboration Agreement should stick to that principle. The Committee proposed an additional recommendation that the Chairmen of the four Audit Committees should be consulted on the new Collaboration Agreement.

**Resolved:**

- That**
- (i) the Committee is supportive of the proposal to evolve the Internal Audit Partnership to a 'One Team One Employer' model and that this view should be expressed to the Cabinet when the matter is considered in October.**
  - (ii) it be noted that the matter is the subject of full consultation with staff and their representatives across the four Councils.**
  - (iii) the Chairmen of the four Audit Committees in the Partnership should be consulted on the new Collaboration Agreement.**

## **157 Report Tracker and Future Meetings**

The Committee agreed that before the next Meeting on the 3<sup>rd</sup> December 2013 there should be a pre-Committee briefing at 6pm from Arlingclose, the Council's Treasury Management Advisors. This would be on current treasury management thinking and should be opened up to all Members.

**Resolved:**

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

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