



Audit Committee

Notice of a Meeting, to be held in the Council Chamber, Civic Centre, Tannery Lane,
Ashford, Kent TN23 1PL on Thursday 26th June 2014 at 7.00 pm.

The Members of this Committee are:-

Cllr. Clokie (Chairman)
Cllr. Link (Vice-Chairman)
Cllrs. Buchanan, 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)

***Members are reminded that Rich Clarke, the Head of Audit Partnership, will be giving a briefing on 'Understanding and Using Risk Appetite' between 6.00 pm and 6.45 pm. This will be for Members only**

Agenda

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Nos. |
|---|----------------------|
| 1. Apologies/Substitutes – To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii) | |
| 2. Declarations of Interest:- 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. Minutes – To approve the Minutes of the Meeting of this Committee held on the 18 th March 2014 | |

Part I – For Decision

4. Internal Audit Annual Report 2013/14
5. Audit Committee Annual Report 2013/14
6. Internal Audit 2014/15 Reporting Refresh



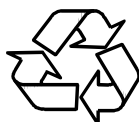
7. Annual Governance Statement 2013/14
8. Anti-Fraud and Corruption Strategy – Suite of Policies
9. 2013/14 Financial Statements – Letters of Assurance to External Auditors

Part II – Monitoring/Information Items

10. Annual Fraud Report 2013/14
11. External Auditor’s Work Programme and Scale of Fees 2014/15
12. Report Tracker and Future Meetings

DS/AEH
18th June 2014

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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/240134/Openness_and_transparency_on_personal_interests.pdf plus the link sent out to Members at part of the Weekly Update email on the 3rd May 2013.
- (b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, with revisions adopted on 17.10.13, 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 **18th March 2014**.

Present:

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

Apology:

Cllr. Marriott.

Also Present:

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

Andy Mack, Lisa Robertson - Grant Thornton.

368 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 3rd December 2013 be approved and confirmed as a correct record.

369 The Local Code of Corporate Governance

The Policy & Performance Officer introduced the report and advised that the Council had produced its own Local Code of Corporate Governance back in 2008. The publication of and updated CIPFA and SOLACE Delivering Good Governance Framework in late 2012, together with an acknowledgement within the 2012/13 Annual Governance Statement, made it timely for Ashford to refresh its own local code. The report summarised the changes in governance since the Council last agreed a Local Code, and the impact of this on the Council's Local Code. The report also sought agreement to an updated Local Code of Corporate Governance for 2014.

The Portfolio Holder said he welcomed the updated document and was pleased to see references in the report to the new ways the Council was operating (service delivery through trading companies etc.)

The Chairman said that paragraph 25 of the report needed to be amended to make it clear that the earlier interaction over Cabinet reports related to Cabinet Members only and not all Members.

Resolved:

- That (i) the changes in governance, both externally and internally, since the 2008 Local Code was agreed, be noted.**
- (ii) the new Local Code of Corporate Governance for 2014 be agreed.**

370 Certification of Grant Claims – Annual Report

Mrs Robertson introduced the report which summarised Grant Thornton's overall assessment of the Council's management arrangements in respect of the certification process for 2012/13 and drew attention to significant matters in relation to individual claims.

Members asked if there was any provision to enable the auditors to decide that where errors were so minor in the overall scheme of things that there was no value in pursuing them. Considering the sums involved (errors of £26 and £727 from an overall expenditure of £84.2m) it did seem excessive that the Council had been rated as amber for accuracy of claim forms. Mrs Robertson advised that this was an area where the guidance was set by the Government and was not based on materiality or controls and any error no matter how small had to be marked as such. Mr Mack added that the External Auditors were similarly frustrated by the lack of flexibility and would be sympathetic to the Council making representations to the relevant Government department on this matter.

In response to a question about the certification fees Mrs Robertson advised that the fee was set centrally by the Audit Commission. They had set an indicative scale fee based on 2010/11 certification fees for each audited body. An additional fee variation had also been proposed and agreed with Officers to reflect the additional work that had to be undertaken on the housing benefit claim.

Resolved:

That the report be received and noted.

371 Annual Governance Statement – Progress on Remediating Exceptions

The report was the latest update of progress against the areas for continued work which were included in the Annual Governance Statement agreed by the Committee in June 2013. 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 2008 Code of Corporate Governance; and a procurement strategy review. The Policy & Performance Officer explained that following the agreement of the updated Code of Corporate Governance earlier at this

meeting, three of the five areas had now been completed, with work on the review of the constitution and the production of an annual report to continue.

Resolved:

That the Committee note the progress to date on resolving the governance exceptions identified in the 2012/2013 Annual Governance Statement.

372 Presentation of Financial Statements

In accordance with Procedure Rule 9.3 Mr Relf, a local resident had applied to speak on this item and to a letter he had referred to the Council's External Auditor. He said he was concerned about the annual accounts of the Council and wanted to bring some issues that he thought were relevant to the attention of the Committee. He referred to the TV programme 'Benefits Street' and the benefits debates that were held while the series was running. He was aware that during one of the Council's benefit fraud initiative weeks 15 claimants had been picked at random and eight had been found to be incorrect (overpayment or fraudulent claims). He considered this gave an indication that benefit fraud in Ashford was approximately 50% of the total paid out yearly. Being a service provider himself, Mr Relf said he considered there was a prolific amount of fraud going on. He commented on the income of the Council's Benefit Fraud department which he thought only just covered the running costs. He also said that at the last Council meeting he had been told that 2000 people had not returned their electoral registration forms, which was a legal requirement and meant that many people would not be on the Electoral Roll, which he assumed was due to benefit fraud. Mr Relf said if recorded data was kept more up to date and correct, money could be saved on fraudulent benefit claims. He therefore said he would like to object to the Council's accounts on the grounds of departmental failures. He referred to other projects the Council was involved in when he thought more money could be made available to tackle benefit fraud in a constructive way thus making more money available to be spent on more meaningful projects for the people of Ashford. He said he was more than willing to meet with any member of the Audit Team to point out specific individuals and residences that contained omissions on the Electoral Register.

Mr Mack thanked Mr Relf for his comments. He explained that the Council's Statement of Accounts would be published around the 30th June after which Grant Thornton's audit work would take place, with a report back to this Committee in September. It was therefore not possible to accept an objection to the accounts at this stage, but he had received Mr Relf's comments in writing and he would be in touch with him at the appropriate time to address the points he had raised.

The Principal Accountant introduced the report which advised that the Council was required to follow statutory guidance for the publication of its accounts. Each year the guidance was reviewed and updated. The report looked at the impact of these updates on the Council's accounts for 2013/14. In addition, the report reviewed the lessons learnt from the accounts process for 2012/13. She also advised that the Council had completed a review of its accounting policies that would be used for the production of the statement of accounts.

A Member said he was disappointed that the non-return of related party declaration forms by Councillors was still an issue. Was it not possible to 'name and shame'? The Chairman asked to be advised of any outstanding forms before the April Council meeting so it could be mentioned when moving the Minutes. The Deputy Chief Executive said Officers would look at ways of combining data from other forms and potentially giving Members less to fill in, but advised that there were differences between this and other Interests forms.

Resolved:

That the report be received and noted and the accounting policies for the 2013/14 accounts appended to the report be approved.

373 Financial Statements for Year Ended 31st March 2014 – Assurance Statement

The Deputy Chief Executive tabled a letter from Grant Thornton advising of the need for the Council's External Auditors to annually refresh their understanding of how both the Audit Committee and Management Team gained assurance over management processes and arrangements. He apologised for not circulating anything in advance of the meeting. The response to Grant Thornton needed to give a full reply to each of the points raised in their letter and would be quite similar in content to last year's response. He asked if the Committee were happy for him to draft a response, in consultation with Members by email and then return to Grant Thornton. Members said they would be happy with this approach.

Resolved:

That the Deputy Chief Executive produce the Audit Committee response letter, in consultation with Committee Members.

374 Strategic Risk Management – Six Monthly Update

The report set out the current position in respect of the Council's strategic risk management arrangements.

The Chairman said that the Committee had asked that the Chilmington development be included as a standalone risk within the register, but this had not yet happened. The Deputy Chief Executive advised that the Committee's previous discussions on this had been held confidentially and as the issue was still quite sensitive it was not yet correct to include this publically within the Register. He would take advice about when was the right time, but assured the Members it would be included in the future and that Officers were discussing this and related issues and risks routinely on a weekly and sometimes daily basis.

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

Risk 1a – Economic Growth

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

Risk 1b – Mix and Quality of Housing

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

Risk 2 – Volatile Income Streams

The proposal was to reduce this from a score of 6/3 (Very High/Severe) to 5/2 (High/Medium). The Chairman said he still had concerns over the risks associated with the Council having to borrow significant amounts of money. The Portfolio Holder said it was a question of judgment. All loans were entered into with full due diligence and the new Trading and Enterprise Board would provide extra checks and balances to those already in place. The Deputy Chief Executive said it had been his proposal to reduce this score. Whilst not denying that the financial context was difficult, or that the risk was high, the Council now had in place a number of formal and informal processes to manage the risks and whilst the Council could not change the financial context he felt there was now a better understanding of it and a clear understanding of the risks and of the actions needed, with a number already actioned. The Committee agreed to reduce the score to 5/2 (High/Medium).

Risk 3a – Community Demands

Noted and agreed to leave score at 3/2 (Low/Medium).

Risk 3b – Consequences of Welfare Reform

The proposal was to reduce this from a score of 4/3 (Significant/Severe) to 3/3 (Low/Severe). The Deputy Chief Executive said there was actually a good account to present here, with an awful lot of work undertaken on Council Tax Support and Welfare Reform. There was still considerable uncertainty over Universal Credit so it remained a risk, but he felt as a Council they were preparing for it well. The Portfolio Holder said the key was that the Council had been pro-active throughout which had enabled Members and Officers a better understanding of these issues and to be able to make informed decisions in the future. The Committee agreed to reduce the score to 3/3 (Low/Severe).

Risk 4 – Opportunities for Localism

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

Risk 5 – Workforce Planning

The proposal was to reduce this from a score of 4/3 (Significant/Severe) to 3/3 (Low/Severe) as good foundations were now set with a clear focus. In response to a question the Deputy Chief Executive advised that given the management age profile, this was chiefly about succession planning and developing a more flexible workforce with the appropriate skills and capacity to tackle a more complex future context. The Committee agreed to reduce the score to 3/3 (Low/Severe).

Risk 6 – Members Skills, Capacity and Experience

The Chairman said that this was an area where he considered there were still issues. There was some discussion about the overall member training budget and whether it was sufficient and the Portfolio Holder said that the question was a fair one, but any budget should be based on need rather than simply arbitrarily

increasing it. A number of courses had been held internally, led by both Council Officers and external providers and money was available for external courses if appropriate. Plans were also already underway for the induction arrangements for the new Council in 2015. The Committee re-iterated that they would like to continue their tradition of the pre-Audit Committee briefings. Given tonight's discussion a future session of understanding risk appetite and risk management was considered useful. The Committee agreed to leave the score at 3/2 (Low/Medium)

Risk 7 – Business Planning

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

Risk 8 - Housing

The proposal was to reduce this from a score of 4/3 (Significant/Severe) to 3/3 (Low/Severe). The Deputy Chief Executive explained that this related chiefly to the risk within the HRA of managing the debt from the significant loan the Council had taken on (relating to the statutory housing subsidy buyout), along with the impacts of welfare reform. A year ago this had been a very sizeable issue, but there were now appropriate safeguards and processes in place to manage and consider the implications of the debt for the HRA's long term business plan, including Overview & Scrutiny routinely reviewing the HRA. The Committee agreed to reduce the score to 3/3 (Low/Severe).

Risk 9 – Infrastructure

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

Resolved:

- That (i) **the changes to the strategic risk scores in terms of 'likelihood' and 'impact' as noted above be agreed.**
- (ii) **the actions that are being taken to manage the risks as shown in the appendix to the report be noted and the Committee confirms that it is satisfied with the actions.**

375 Internal Audit Operational Plan 2014/15

The Head of Audit Partnership introduced the report which set out the one year Internal Audit Operational Plan for 2014/15 and asked that the Committee review and approve the plan. He explained that the plan had been prepared in consultation with Heads of Service and there would be ongoing dialogue with them throughout the year. He also took the opportunity to introduce Rich Clarke who would be taking over as the Head of Audit Partnership from 1st April 2014 following his retirement. The Chairman welcomed Rich to Ashford and his new role.

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

- It was important External Audit could place reliance on the work of Internal Audit and that the controls work Internal Audit did ahead of the external audit work provided that assurance.

- Internal Audit did not look at the budget papers or the MTFP in any great depth. This was more for External Audit in terms of its value for money assurance, with the Cabinet, supported by the Deputy Chief Executive and the finance team responsible for ongoing management.
- It was confirmed that in the event of minimal or limited controls being found, that the Head of Service would be expected to attend the next meeting to explain what action would be taken to address the control weaknesses.
- The total of 24 audit projects in the plan was based on available auditor resources and it was important to prioritise work where the risks were higher and where they could add value.
- The number of audit days allocated to each subject in the plan was an estimate and these could vary in practice.

Resolved:

That the contents of the one year Internal Audit Operational Plan 2014/15 (shown at Appendix 1 to the report) be approved.

376 Internal Audit – External Quality Assessment against Public Sector Internal Audit Standards

The Head of Audit Partnership introduced the report which set out the results of the External Quality Assessment of conformance by Internal Audit against the Public Sector Internal Audit Standards and the responses from the Incoming Head of Audit Partnership to the recommendations made by the assessors. The report provided assurance to the Committee that Internal Audit was meeting the vast majority of the standards and that full conformance could be achieved. The Head of Audit Partnership said he was pleased with the outcome. The process had involved both the Chairman and the Deputy Chief Executive and a lot of time and effort had been put in, but it was considered worthwhile and provided a good platform for the new Head of Audit Partnership and the future of Mid Kent Audit.

The Portfolio Holder said he was happy with the report and pleased to see reference to 'risk appetite' as he considered the understanding of risk would be key for the Council going forward and for its future success. It also fit well with the suggestion for a future briefing on the subject.

Continuing with the theme of risk management, the Vice-Chairman asked how the recommendation to reflect upon how this could be applied in operational areas could be taken forward in practice. The Head of Audit Partnership said in his view Heads of Service should undertake an annual risk process, perhaps discussing with staff what they wanted to achieve in a year and the risks that may impact that. It could then be kept under review throughout the year and, if done properly, needn't be bureaucratic.

The Committee considered that the results of the assessment reflected a good achievement on behalf of Internal Audit and asked that their congratulations be recorded.

Resolved:

That the outcomes of the External Quality Assessment and the action that would be taken to ensure full conformance be noted.

377 Internal Audit – External Audit Protocol

The report advised that a protocol had been developed in order to set out the key principles and procedures underpinning the working relationship between Mid Kent Audit and the Council's External Auditors Grant Thornton. The protocol was attached as Appendix 1 to the report.

Resolved:

That the protocol between Internal Audit and External Audit be noted.

378 Grant Thornton's Audit Plan and Audit Committee Update

Mr Mack introduced the two reports from Grant Thornton which were designed to bring Members up to date with their progress as the Council's External Auditor and to outline their programme of work for the coming months. The reports contained a number of questions for Members to consider and the covering report produced by the Council sought to add some context to those issues. Mr Mack drew particular attention to the austerity work that would continue with difficult times remaining ahead and the latest with the Local Audit and Accountability Act and the ability for Councils to choose their External Auditors in the future.

In response to a question the Deputy Chief Executive advised that the good practice checklist proposed by Grant Thornton on 'Tipping Point' had been completed last year and brought to the Committee and they would consider when it was appropriate to do so again, either to the Committee or a pre-Committee briefing session.

Resolved:

That Grant Thornton's Audit Plan and Audit Committee Update be received and noted.

379 Report Tracker and Future Meetings

Resolved:

That the report be received and noted.

380 Brian Parsons

The Chairman advised that this was the last Audit Committee Meeting for Brian Parsons, Head of Audit Partnership, before his retirement. On behalf of the Committee he said he would like to thank Brian for all his hard work in guiding the Committee and the Internal Audit Partnership throughout the years. He wished him well in his retirement. Brian said he had enjoyed his nine years working with Ashford and was thankful for the good working relationship he had enjoyed with both Officers and Members.

DS

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Agenda Item No: 4

Report To: **AUDIT COMMITTEE**

Date: **26 JUNE 2014**

Report Title: Internal Audit Annual Report 2013/14

Report Author: Rich Clarke



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 2013/14 and the opinion of the Head of Audit Partnership in relation to the Council's control environment.

The Audit Committee must decide whether it is satisfied that an effective internal audit service operated at the Council during 2013/14.

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 as shown in Appendix A and that this is the prime evidence source for the Head of Internal Audit's opinion.
- Agree that the contents of the report provide evidence of effective internal audit operating at the Council during 2013/14.

Policy Overview: 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'.

Financial Implications: None directly

Risk Assessment Internal audit is a key component of the Council's assurance process which, among other purposes, comments on the effectiveness of the broader risk assessment work undertaken at the authority. If the Committee is not satisfied that an effective internal audit service operated during 2013/14 it must consider what implications that conclusion has for the assurance it requires on the Council's risk assessment processes.

Equalities Impact Assessment No

Other Material Implications: None

Background Papers: Internal Audit Reports

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MID KENT AUDIT

**Internal Audit
Annual Report
2013/14**

**Ashford Borough
Council**



ASHFORD
BOROUGH COUNCIL

Report Title: Internal Audit Annual Report 2013/14

Purpose of the Report

1. The purpose of the report is to meet the Head of Internal Audit annual reporting requirements set out in the Public sector Internal Audit Standards (the standards). The report also informs Audit Committee members of the Head of Audit Partnerships annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control, which can be used to inform the Annual Governance Statement 2013/14.
2. The Standards, in particular Standard 2450: Overall Opinions, direct that annual report must incorporate:
 - The annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
 - A summary of the work completed 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.

Background

3. The Council's internal audit service is provided by Mid Kent Audit as a partnership between Swale, Maidstone, Ashford and Tunbridge Wells Borough Councils. The four way partnership has been in operation since 2010, with Ashford also part of the preceding two way partnership with Maidstone beginning in 2005.
4. The overall scope of the Council's audit service is set out in advance within our annual internal audit plan. The Council's Audit Committee agreed our 2013/14 audit plan at its meeting on 5 March 2013.
5. We have completed the audit work set out in that plan, subject to minor modifications in year in response to prevailing risks and needs of the Council, in accordance with mandatory standards and good practice contained within the Standards.

Proposal

The Annual Internal Audit Report

6. In summary, I am satisfied the Council can place substantial assurance on the system of control in operation during 2013/14. Furthermore I am satisfied that the corporate governance framework complies in all significant respects with the best practice guidance issued by CIPFA/SOLACE. Finally, I am satisfied that the Council's risk management processes are effective. I ask the Audit Committee to note these opinions and that they will inform the Council's Annual Governance Statement.
7. The Annual Internal Audit Report 2013/14 and summaries of work completed that support the overall opinions summarised above.

Introduction

8. Internal auditing is an independent and objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Definition of Internal Audit – PSIAS 2013)
9. Authority for Internal Audit is provided by the Accounts and Audit Regulations 2011 (with subsequent amendments), which requires the Council to undertake an adequate and effective internal audit of its accounting records and its systems of internal control in accordance with the 'proper practices'. From 1 April 2013 the 'proper practices' are the Public Sector Internal Audit Standards (the "Standards") which replaced the Code of Practice for Internal Audit in Local Government in the UK.
10. From 2013/14 onwards, the Head of Audit Partnership must provide an annual internal audit opinion and report timed to support the annual governance statement. In accordance with the Standards the annual report must incorporate:
 - a) An annual internal audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
 - b) A summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies); and
 - c) A statement on conformance with the UK Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme.
11. In addition, the Head of Audit Partnership must confirm to the Audit Committee at least annually, the organisational independence of internal audit activity.

Independence:

12. Mid Kent Audit is provided through a shared service partnership together with Ashford, Maidstone, Swale and Tunbridge Wells.
13. At Ashford Borough Council, the Head of Audit Partnership has direct and unrestricted access to the Chief Executive, senior management and the Chair of the Audit Committee.
14. 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 Director or Management Team sought to restrict the scope of audit work or to change any report prepared by the Head of Audit Partnership.
15. We are satisfied that Internal Audit is organisationally independent and fully meets the necessary standard for independence and objectivity.

Head of Audit Partnership Annual Opinion

16. This opinion statement is provided for Ashford Borough Council (the Council) in support of its Annual Governance Statement 2014, which is published alongside the statement of accounts for the year ended 31 March 2014.

Scope of responsibility

17. The Council is responsible for ensuring its business is conducted in accordance with the law and proper practices and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
18. In discharging this responsibility the Council is also responsible for ensuring that there exists a sound system of internal control with allows for effective exercise of the Council's functions and arrangements for the management of risk.

The purpose of the system of internal control

19. The system of internal control is designed to manage risk to a reasonable level rather than eliminate risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

The control environment

20. The Public Sector Internal Audit Standards (the 'Standards') states that the control environment includes the following elements:
- Integrity and ethical values.
 - Management's philosophy and operating style.
 - Organisational structure.
 - Assignment of authority and responsibility.
 - Human resource policies and practices.
 - Competence of personnel.
21. In examining the control environment, I have had regard to these elements and how they support the Council's framework of governance, risk management and control.

Basis of assurance

22. Mid Kent Audit has conducted audits both in accordance with the mandatory standards and good practice contained within the Standards and additionally from our own internal quality assurance systems, which include operating to an agreed audit manual with adequate supervision and review.
23. My opinion is limited to the work carried out by Internal Audit during the year on the effectiveness of the management of those principal risks, identified within the Council's assurance framework, that are covered by Internal Audit's programme. Where principal risks are identified within the Council's framework that do not fall under Internal Audit's coverage or that are not included in Internal Audit's coverage, I am satisfied that an assurance framework is in place that provides reasonable assurance that these risks are being managed effectively.
24. Our work for the year to 31 March 2014 was completed in line with the operational plan approved by the Audit Committee on 5 March 2013.

Internal control

25. From the Internal Audit work undertaken in 2013/14 it is my opinion that I can provide substantial assurance that the system of internal control that has been in place at the Council for the year ended 31 March 2014 accords with proper practice. This assurance extends to both the financial and non-financial systems of the Council insofar as they have been subject to audit review.

Corporate governance

26. In my opinion the corporate governance framework complies in all significant respects with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Risk management

27. I am satisfied that the risk management processes are effective and provide regular information on key risks and issues to the Council's management team and through to Members.
28. I have based these opinions on the work outlined in the detail of this report.

Summary of Audit Work – Ashford 2013/14

29. The following projects have been completed for 2013/14 from the Ashford Borough Council operational audit plan, as agreed by the Audit Committee on 5 March 2013, and endorsed on 3 December 2013 as part of the 6 month internal audit progress report

No	Title	Head of Service	Month Issued	Assurance
1	Rechargeable Works	Community & Housing	August	Limited
2	VAT	Financial Services (Corporate Review)	September	Limited
3	Bank arrangements	Financial Services	January	Limited
4	Waste Management	Culture & Environment	May 2014	Limited
5	Business Continuity	Communication & Technology	February	Limited
6	Debtors	Financial Services	May 2013	Substantial
7	Pest Control	Culture & Environment	June	Substantial
8	Social Letting Agency	Community & Housing	June	Substantial
9	Car Mileage & Expenses	Personnel & Development	July	Substantial
10	Car Park Income	Community & Housing	August	Substantial
11	Payroll	Personnel & Development	October	High
12	Car Leasing & Cash Alternative	Personnel & Development	December	Substantial
13	NFI	Deputy Chief Executive	December	Substantial
14	General Ledger	Financial Services	December	Substantial
15	NNDR – Valuation, Liability & Billing	Financial Services	December	Substantial
16	Council Tax Recovery & Write Offs	Financial Services	January	Substantial
17	Creditors (Accounts Payable)	Financial Services	March	Substantial
18	Housing Allocations	Community & Housing	May	Substantial
19	Health & Safety	Community & Housing	June	Substantial

No	Title	Head of Service	Month Issued	Assurance
20	Planning Enforcement	Planning & Development	June	Substantial
21	Benefits – Overpayments	Revenues & Benefits Manager	June	High
22	Farrow Court	Community & Housing	N/A	N/A
23	Greenov	Planning & Development	N/A	N/A

Definitions of Assurance Levels 2013/14

Assurance Level	Summary description	Detailed definition
Minimal	Urgent improvements in controls or in the application of controls are required.	<p>The authority or service is exposed to a significant risk that could lead to failure to achieve key authority/service objectives, major loss/error, fraud/impropriety or damage to reputation. This is because key controls do not exist with the absence of at least one critical control or there is evidence that there is significant non-compliance with key controls.</p> <p>The control arrangements are of a poor standard.</p>
Limited	Improvements in controls or in the application of controls are required	<p>The area/system is exposed to risks that could lead to failure to achieve the objectives of the area/system under review. 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>

Performance

30. Mid Kent Audit delivered 23 projects of the Ashford operational audit plan for 2013/14 which is an achievement of 96% of the original plan.

Changes to the Operational Plan 2013/14

31. It is a requirement for the audit plan to be flexible to ensure that it remains relevant and accurately reflects the risks and needs of the Council. As such, there were three changes to the plan in 2013/14. Three projects were deferred into the 2014/15 audit plan (which was agreed by Audit Committee in March 2014).

No.	Title	Head of Service	Progress	Comments
1	Cemetery	Culture & the Environment	DEFERRED	Project has been deferred to 2014-15 plan
2	ICT Disaster Recovery	Communications & Technology	DEFERRED	Project has been deferred to the 2014/15 plan
3	Licences	Customers Homes & Property	DEFERRED	Project has been deferred to the 2014/15 plan

Anti-Fraud & Corruption

32. Internal Audit has not undertaken any new investigations of fraud in 2013/14 for Ashford Borough Council.
33. There have been no investigations resulting from the Council's whistleblowing protocols

National Fraud Initiative

34. Mid Kent Audit has continued to facilitate the National Fraud Initiative (NFI) for the purposes of detecting and preventing fraud nationally. In 2013/14 Council Tax Single Persons Discount (SPD) data was matched against electoral role data to identify any potential fraudulent claims for SPD.
35. The matches for the Council Tax (SPD) to Electoral Register data were recently released and identified 503 matches. These will be investigated by the Benefit Fraud team will be investigating these matches.
36. The previous NFI exercise (2012/13) matching Housing Benefit, Payroll, Insurance, License and Creditors data. The total value of outcomes reported on the 2012/13 exercise is £29,302.

Audit Commission Fraud Survey 2013

37. The Audit Commission requires that the Council undertakes an annual internal fraud survey. Mid Kent Audit coordinates the survey and provides the information to the Audit Commission in May each year. There were no issues arising from the survey for 2013. The results of the survey form part of the annual publication – Protecting the Public Purse 2013.

Risk Management

38. The revised Strategic Risk Register was reported to the Audit Committee on 18 March 2014
39. The strategic risk register outlines eleven risks:
- Risk Scenario 1a - Economic Growth
 - Risk Scenario 1b - Right mix of quality housing
 - Risk Scenario 2 - Volatile Income streams
 - Risk Scenario 3a - Community Demands
 - Risk Scenario 3b - Consequences of Welfare Reform
 - Risk Scenario 4 - Opportunity for Localism
 - Risk Scenario 5 - Workforce Planning
 - Risk Scenario 6 - Members, skills, capacity and expertise
 - Risk Scenario 7 - Business Planning
 - Risk Scenario 8 - Housing
 - Risk Scenario 9 - Infrastructure
40. Each risk has a detailed action plan that sets out the action being taken to manage or mitigate the risk to an acceptable level. Risks have been assigned a risk owner who is responsible for overseeing the management of this risk.
41. Mid Kent Audit continues to facilitate the risk management process; however, Internal Audit does not have responsibility over the individual risks or for the corporate risk register.

Quality Assurance & Improvement Programme

42. The Public Sector Internal Audit Standards (the 'Standards') were introduced on 1 April 2013 and set the professional standards for Internal Audit in Local Government. The introduction of the standards brought with them new challenges for Mid Kent Audit, and work was conducted throughout the year to ensure that we could comply with the new standards and to use them as a platform to enhance how we deliver the service.
43. In January 2014 we commissioned a validated self-assessment against the new standards through the Chartered Institute of Internal Auditors (IIA). The assessment itself was intensive, and the IIA conducted thorough reviews of all aspects of the audit service, including conducting interviews across each of the Mid Kent Audit sites with key senior stakeholders.

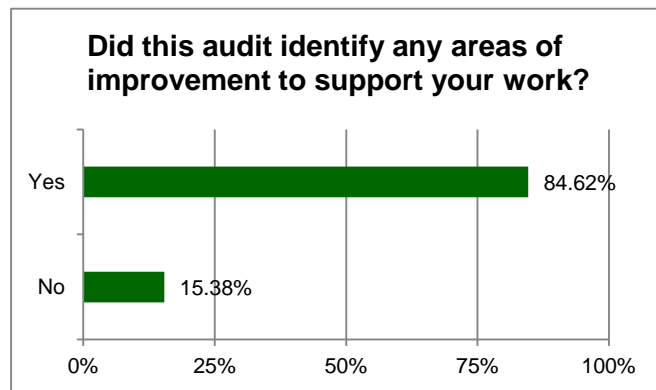
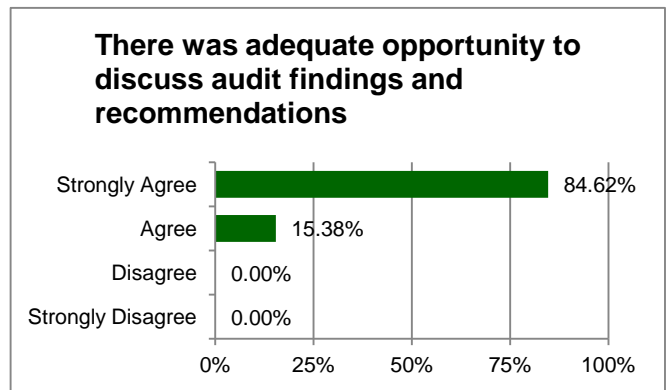
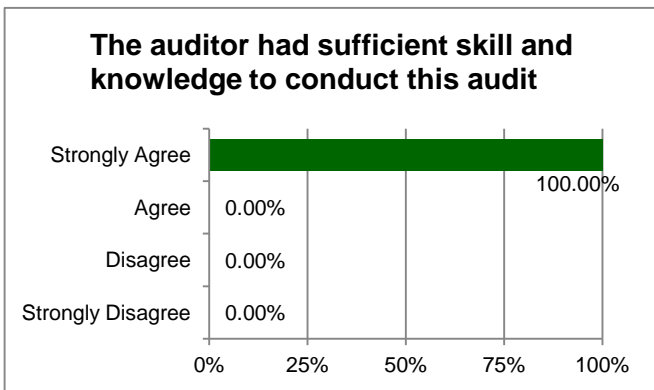
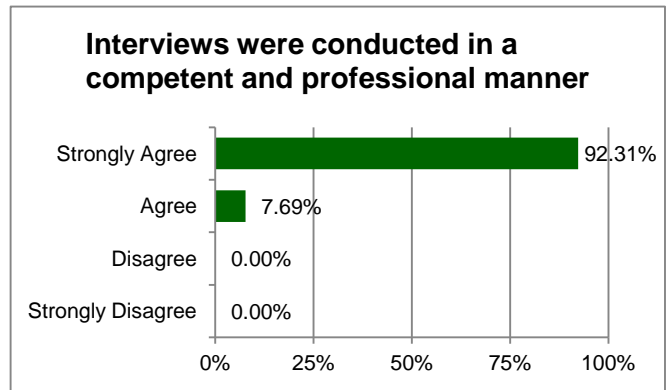
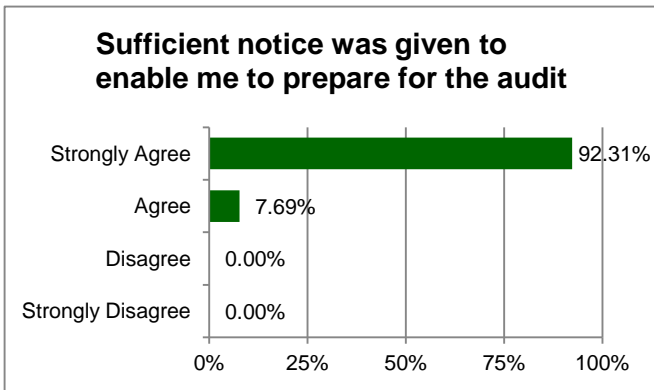
44. The assessment was the first of any Local Authority in England completed by the IIA and since been featured in the Municipal Journal as a demonstration of the successes of partnership working and benefits of having an effective Internal Audit service. The results of the assessment were positive, with the service receiving no fails:

Total Number of Standards	Fully Compliant	Partial Compliance	Failure to Comply
56	50	6	0

45. This is a considerable achievement and provides a high level of independent assurance that Mid Kent Audit is providing a professional and high quality service and is setting the standards in Kent.
46. Having an independent, objective and professional Internal Audit service is one of the key elements of strong and effective governance. Conformance with the professional standards is evidence to demonstrate that Mid Kent Audit is meeting this criterion, and that Members, Officers and External Auditors can place reliance on the work of Internal Audit.
47. The IIA will be invited back in 2014/15 to assess progress against the six areas of partial compliance with the expectation to have achieved full compliance of the standards by the end of 2014/15.

Satisfaction with Internal Audit Service – Ashford 2013/14

48. At the close of each audit project the Auditors issue a satisfaction survey to the key client.



49. The level of satisfaction with the audit service remains high and 84.62 % of respondents indicated that audit identified areas of improvement to support there work. By undertaking these surveys it helps us to understand how clients receive the effectiveness of the audit process.

50. Overall 100% positive response was indicated in the returned questionnaires.

Performance of the Internal Audit function against its performance measures and targets

Work Completed

51. In the financial year 2013/14, a total of twenty audit reports included an assurance assessment for the area that had been audited (two did not). The initial assurance assessments were categorised as follows:

Assurance	2013/14	2012/13
High	2	3
Substantial	14	8
Limited	5	3
Minimal	0	0
Not given	2	4
Total	23	18

Performance Indicators

52. Achievement of customer care targets (85% positive response target) from satisfaction questionnaires

Achievement of customer care targets	85 % positive response target	100%
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53. Number of reviews completed

Completion of the annual internal audit plan	90% target	95.83%
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Follow up Reviews 2013/14

No.	Follow up reviews carried out	Date of follow up report	Audit Assurance Level	Follow up assurance	Direction of Travel
1	Trusts	August	Substantial	Substantial	↔
2	Mileage/Expenses	July	Substantial	Substantial	↔
3	Social Lettings Agency	March 14	Substantial	Substantial	↔
4	Council Tax	April 14	Substantial	Substantial	↔
5	Non Domestic Rates	December	Substantial	Substantial	↔
6	Creditors	March 14	Substantial	Substantial	↔

Summary of Internal Audit Output: Limited

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Rechargeable Works & Communal Recharges</u></p> <ul style="list-style-type: none"> •To provide assurance over the adequacy of the controls for the identification of rechargeable works; •To ensure that tenants are accurately and promptly recharged for works completed; •To confirm the accuracy and completeness of charges raised in respect of communal recharges including heating & lighting in sheltered units 	<ul style="list-style-type: none"> • Suitable controls are in place to ensure that information is provided to tenants to make them aware of their responsibilities in respect of rechargeable works, and that they will be recharged for the cost of work where the cause is due to misuse, abuse or accidental damage by the tenant. • Testing did however identify a weakness in procedures for raising invoices for rechargeable works whereby it was identified at the time of testing that no invoices had been raised for rechargeable works since early January 2013 despite a number of instances of rechargeable works being evident over the same period. • Appropriate processes are in place for the collection of costs in respect of communal facilities in sheltered units. We can confirm that suitable procedures are in place to collect, record and calculate communal charges to be applied to individual rent accounts in each of the sheltered units and that the charges calculated are being correctly applied to individual rent accounts. 	<p>Limited</p>	<p>3 out of the 3 recommendations made in the report have been accepted</p>	<p>A follow up will be scheduled in Qtr. 1</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>VAT</u></p> <ul style="list-style-type: none"> • Provide assurance over the adequacy of the controls in place to ensure that goods and services supplied to the Council, or supplied by the Council are correctly categorised for VAT purposes; • Ensure that suitable steps are being taken to ensure that input and output VAT is accounted for accurately in a timely manner; • Confirm the accuracy and completeness of monthly returns submitted to HMRC; • Provide assurance over the completeness and accuracy of the annual VAT partial exemption calculation 	<ul style="list-style-type: none"> • Guidance available on the Intranet could be improved to assist staff on the treatment of VAT to assist compliance with VAT legislation. • Areas were identified where the authority has not accounted for VAT correctly/ accurately resulting in sums not being paid over to HMRC or transactions had been mis-classified (i.e. exempt, zero rated etc.) • A number of instances were identified where the Council is not currently maximising the opportunities to recover VAT. To enable the authority to legitimately recover these costs it would need to review and amend some of its current practices; The overall net effect of these adjustments if all options were taken up to maximise VAT recovery would be near cost neutral. • Areas were identified where the authority could achieve year on year savings in respect of the treatment of VAT with some adjustments to their current practices. • Management has taken positive action to address these 	<p>Limited</p>	<p>17 out of the 19 recommendations made in the report have been accepted. (2 low risk recommendations were not accepted)</p>	<p>A follow up will be scheduled in Quarter 2</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Waste Management</u></p> <ul style="list-style-type: none"> • Confirm that adequate contract monitoring arrangements are in place to enable effective on-going monitoring. • To provide assurance that accurate records are retained to record performance against contract by the contractor, and any remedial actions are taken within the specified timescales. • To confirm the accuracy and completeness of documentation used to record rectification notices /defaults/variation orders and additional work carried out. • To ensure that checks are carried out to confirm the accuracy/integrity of statistical information provided by the contractor. • Sufficient information/records are provided/maintained to support contract payments being paid and that payments remain within budget • Review arrangements for the collection of Green Waste and that appropriate charging/collection/renewal arrangements are in place 	<ul style="list-style-type: none"> • Contract has been successful in increasing recycling and delivering improved services. • The waste contract understated communal properties resulting in additional cost to the authority. • Need to clarify street cleansing specification and review zoning to identify further savings. • Limited staff capacity to actively monitor street cleansing, with focus instead on move to wheeled bins, expanding recycling, restructuring collection and joint working. • Contractor IT difficulties meant they could not provide detailed inspection routines set out in the contract. • Various areas of current contractor non-compliance including provision of performance information. • The level of missed bins experienced was typical of such a change in service delivery and the contractor has responded well in reducing the level of missed collections. • The Performance mechanism was in need of review. 	<p>Limited</p>	<p>Management have accepted all recommendations and positive steps have already been taken to implement these. (18 out of 18 recommendations accepted)</p>	<p>A follow up will be scheduled in Qtr. 4</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Business Continuity</u></p> <ul style="list-style-type: none"> •To ensure the Council has appropriately developed its Business Continuity arrangements, which are formalised through a policy and supporting procedures; •To ensure individual Service areas have developed Business Continuity Plans which are tested and reviewed 	<ul style="list-style-type: none"> • The Head of Communications and Technology took over the responsibility for Business Continuity on the 1st April 2013, following organisational changes and the redistribution of the function from what was previously Environmental Services. The Council's ICT Disaster Recovery Arrangements also sit with the Head of Communications and Technology; therefore the Council's plans to respond to an interruption to its services have been appropriately brought together. • The audit opinion (limited level of assurance) is primarily based upon the lack of recent testing to the Councils Business Continuity arrangements which was last undertaken in 2007. Furthermore, the audit notes a number of matters which were in progress at the time of the audit which are required to formalise and embed the arrangements. These include the approval and adoption of an Overarching Business Continuity Plan, identifying the Council's Business Recovery priorities and revised Business Continuity Plans at an individual service level 	<p>Limited</p>	<p>Management accepted 6 of the 8 recommendations made.</p>	<p>Follow up will be scheduled for Qtr. 3</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Bank Arrangements</u></p> <p>To ensure that the Council's banking arrangements are clearly outlined in a contract which meets the requirements of the Council;</p> <p>To ensure that suitable checks are in place to verify the charges levied under the Council's banking terms;</p> <p>To review the structure and purpose of the bank accounts operated by the Council and to ensure that these accounts are suitably controlled;</p> <p>To review the tendering arrangements for the banking contract</p>	<ul style="list-style-type: none"> • The audit has focused on compliance arrangements between the Council and its bank and the accuracy of fees and charges under the agreement in place. In addition, the charges incurred relating to debit and credit card transactions, which are outside the main bank contract, have been considered. • The arrangements relating to card transactions were originally set up by the Head of Communications and Technology. • Contractual arrangements, setting out the Council's banking services, should be formalised together with arrangements for processing payments relating to debit and credit card transactions. The authority should retender its banking arrangements in accordance with Financial Regulations. 	<p>Limited</p>	<p>5 out of the 5 recommendations made in the report have been agreed</p>	<p>Follow up will be scheduled for Qtr. 3</p>

Summary of Internal Audit Output: Substantial/High

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Debtors</u></p> <ul style="list-style-type: none"> • Provide assurance over the adequacy of the controls for the raising of debtors accounts; • Provide assurance that suitable steps are being taken to attempt to recover debts in accordance with the debtors recovery policy; • Determine the accuracy and completeness of payments and reconciliation of the debtors system; • Determine compliance with write off procedures 	<ul style="list-style-type: none"> • Officers are complying with both the Corporate Debt Recovery Policy and internal procedures to ensure that timely recovery action is taken. Where recovery action is unsuccessful the Council's procedures are being complied with when writing-off any debts. • Service Managers should be reminded of the schedule of court fees for applications for County and High Court Judgements which will be charged to their budgets when requesting for a judgement to be obtained on an outstanding debt, and that the obtaining of a County Court or High Court Judgement does not guarantee the recovery of the debt. 	Substantial	Management response is considered to be satisfactory (3 of 3 Recommendations agreed)	Follow up will be scheduled for Qtr. 1
<p><u>Pest Control</u></p> <ul style="list-style-type: none"> • Provide assurance over the adequacy of the controls for the procurement and monitoring of the contract between the Council, and the contractor providing the Pest Control Service; • Ensure that suitable steps are being taken to monitor the performance of the contractor providing the Pest 	<ul style="list-style-type: none"> • The Council let the contract through an OJEU tender process and has a signed contract in place. • The fees charged to residents for the Pest Control service, were agreed with the contractor prior to the contract being signed however it would appear that the fees for the service have not been formally approved by Cabinet. • Suitable processes are in place to ensure that invoices to the Council for concessionary services are supported 	Substantial	A positive response has been received and appropriate action has been taken or is planned. Specifically, appropriate police checks have now been undertaken on staff working on the contract. The underpayment identified by the audit has been recovered and corrections made to the	Follow up will be scheduled for Qtr. 2

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p>Control Service;</p> <ul style="list-style-type: none"> • Ensure that customer feedback is obtained and actioned as appropriate; • Confirm the accuracy and completeness of payments both to, and from the contractor 	<p>by a detailed schedule listing all work carried out during the month.</p> <ul style="list-style-type: none"> • The authority had under recovered approx. £2,000 in respect of the concession re-imburement fee payable to the Council based on the Gross takings from the contract in each quarter therefore steps are required to be taken to recover these sums.. 		<p>procedures for calculating commission fees. (7 of 7 Recommendations agreed)</p>	
<p><u>Social Lettings Agency (ABC Lettings)</u></p> <p>To provide assurance over the adequacy of the controls governance arrangements for the provision of the service;</p> <ul style="list-style-type: none"> •To ensure that appropriate arrangements are in place to enable the ‘Letting Agency’ to deliver the services required to the Landlords; •To confirm the accuracy and completeness of payments from landlords; •To ensure that reputational and financial risks to the council are sufficiently controlled; •To assess the likelihood of the scheme being self financing after year one. 	<ul style="list-style-type: none"> • Suitable controls are in place regarding the governance arrangements, and related controls surrounding the Social Lettings Agency. • Checks are carried out on landlords, and the properties which are being used by ABC Lettings. • Procedures are in place to match tenants to available properties which in turn ensures that rent arrears are kept to a minimum. • The auditor has been able to confirm that the correct payments are being made to landlords. • On the whole, the conditions of the contract between ABC Lettings and the landlord are complied with, however a small number of areas were identified within the contract where this is not the case. These areas are considered to be of low risk, but have nonetheless been highlighted for review by management 	<p>Substantial</p>	<p>8 out of the 8 recommendations made in the report have been accepted.</p>	<p>Substantial</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Car Mileage and Expenses</u></p> <ul style="list-style-type: none"> •To establish whether car mileage and expenses claims are appropriate and have been made in accordance with the Council's Conditions of Service Handbook; •To establish whether claims are adequately evidenced and authorised; •To establish whether payments are accurately made and correctly recorded in the payroll and general ledger; •To consider the general controls and structure of iTrent Self Service as it relates to expenses submission, authorisation and processing 	<ul style="list-style-type: none"> • Generally positive results were achieved from the testing of a sample of mileage and expenses claims, which confirmed that payments had been made in the required format, properly substantiated and reimbursed at the prevailing rates. Furthermore, the audit did not identify any contentious or excessive claims from those selected for testing. • The iTrent Self Service system provides suitable audit trails and notes that, at the time of the audit, retrospective checks were being undertaken by the Payroll team to provide assurance that the processes are working effectively. • Two recommendations were made relating to updating the Conditions of Service Handbook to reflect the introduction of iTrent Self Service module and reviewing the payment of phone rental and reimbursement of internet allowances 	Substantial	The audit recommendations are accepted and will be implemented. (2 of 2 recommendations)	Follow up will be scheduled for Qtr. 3

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Car Parking Income</u></p> <p>To determine the adequacy of controls over the administration and payments for season tickets;</p> <ul style="list-style-type: none"> •To establish and evaluate the financial controls over the secure collection and reconciliation of car parking pay and display income; •To establish and evaluate the arrangements in place over the security and maintenance of pay and display machines 	<ul style="list-style-type: none"> • The auditor concluded that suitable controls are in place regarding the governance arrangements, and related controls surrounding the income arising from car parking pay and display income and the issuing of season tickets and residential permits. • Testing was able to confirm that in terms of season tickets and residential permits procedures were in place to ensure that the correct processing of applications and the associated fees. • Sample testing of income collected from pay and display machines was matched to the daily and cumulative information recorded on individual audit tickets with the information held in the database used to record income received. We were able to reconcile the amounts recorded in the database with income received in the parking income codes 	Substantial	3 out of the 3 recommendations made in the report have been accepted.	Follow up will be scheduled for Qtr. 1
<p><u>Payroll</u></p> <ul style="list-style-type: none"> • To review and test the procedures and calculation for starters, leavers and changes; • To confirm accurate and secure BACS payments; • To review the accuracy of the interface and the reconciliation between the payroll system and general ledger 	<p>The audit reviewed the arrangements in place for : - Starters, deductions, payments, variations to pay, leavers, reconciliation between Payroll and General Ledger.</p> <p>Sound arrangements were found to be in place for all areas tested and no recommendations were made.</p>	High	N/A – no recommendations made	N/A

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Car Leasing & Cash alternatives</u></p> <ul style="list-style-type: none"> •To provide assurance over the adequacy of the controls in place to ensure that entitlement criteria for each of the schemes meets the operational and financial needs of the Council; •To confirm that officers in receipt of leased car; or cash alternative scheme meet the qualifying criteria; •To confirm the accuracy of both employee; and employer rental contributions for leased cars. •To undertake benchmarking of the schemes currently provided against those provided by other authorities 	<ul style="list-style-type: none"> • Sound procedures are in place for management of leased cars by Payroll staff, with the appropriate (correct) deductions/re-imbursements being made to officer's monthly pay to cover the cost of the leased vehicle. • However at the time of testing it was identified (from a sample check) 28% of the officers in receipt of a leased car had not provided the Council with a copy of their current certificate of motor insurance. • The audit identified that 7 of the 8 authorities benchmarked had less than 25% of their workforce designated as essential users. • The overall 'car benefit' scheme needs to be reviewed in order to confirm that the scheme continues to meet the current operational and financial requirements of the Council 	Substantial	<p>The audit recommendations are agreed and will be implemented (3 of 3). The car benefit scheme will be reviewed alongside other terms and conditions as part of a major review of the overall pay and benefits package which is scheduled to be completed during 2015</p>	<p>Follow up will be scheduled for Qtr. 3</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>General Ledger – Budgetary Control</u></p> <p>To provide assurance over the adequacy of the controls in place to ensure that a balanced budget is set and properly approved by Full Council for the forthcoming year;</p> <p>To review existing Budget Monitoring procedures and assess whether budget holders are provided with the necessary information required to monitor and control income and expenditure within their areas of budgetary responsibility;</p> <p>To provide assurance that alterations and virements are appropriately controlled and approved;</p> <p>To confirm the accuracy, completeness and regularity of budgetary monitoring reports provided to management board and elected members</p>	<ul style="list-style-type: none"> • Audit testing identified that the Finance Department have provided budget managers with guidelines on the procedures for the setting of budgets, that budget managers have sufficient input into the setting of their individual budgets to ensure that accurate assumptions of income and expenditure are made. • The 2013/14 budget was reviewed by suitable committees prior to being submitted to full council for approval in accordance with the budget setting timetable. • Regular (monthly) meetings take place between service accountants and budget holders to review budgets. Training has been provided on the use the budget monitoring system. • Virements undertaken during 2012/13 were approved in accordance with Financial Procedure Rules. • Testing of users with access to the main financial system identified that a number had not accessed the system since prior to April 2013. These user accesses should be reviewed. • Budget Monitoring reports are routinely presented to members on a quarterly and contain suitably detailed information on favourable and adverse variances to approved budgets. 	Substantial	<p>The audit recommendations have been agreed and will be implemented. (2 of 2 recommendations have been agreed)</p>	<p>Follow up will be scheduled for Qtr. 3</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>NNDR – Valuation, Liability & Billing</u></p> <ul style="list-style-type: none"> •To establish if all rateable values (new and amendments) have been correctly recorded and updated. •To review procedures for the monitoring of the rate retention scheme. •To confirm that the correct bills have been calculated, raised and issued to all NNDR accounts in the Borough (based on sample testing) •To review the contractual arrangements and performance in respect of NNDR processes between the Council and Canterbury City Council 	<ul style="list-style-type: none"> • Overall, sound controls were in place regarding the operation of the various elements of the system concerning Valuation, Liability and Billing. • Sound procedures are in place for the monitoring of the rate retention scheme. • Procedures in place to identify new properties were effective and amendments received from the Valuation Office were implemented promptly. Reconciliations of the rateable values recorded on the NNDR system to that of the Valuation Office were being undertaken. • Testing of reliefs and exemptions confirmed that suitable procedures are in place to ensure these are correctly applied. • Empty property records did identify from a sample of 20 properties tested, evidence was in place for 14 properties to confirm an inspection had taken place within 3 months of exemption being granted. • A review of credit balances below £1,000 should be undertaken to determine whether a refund is due. 	Substantial	Management response is considered to be satisfactory (6 of 6 recommendations accepted)	Follow up to be scheduled Qtr. 3

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Council Tax: - Recovery & Write Offs</u></p> <ul style="list-style-type: none"> •The recovery and write off procedures are carried out in accordance with statutory requirements. •Review impact on recovery of Council Tax since the introduction to the changes earlier this year. •All recovery action taken is supported by documentary evidence. •All relevant records and accounts are updated to record the action taken; which must be legitimate and appropriate and whether write-offs are correct and are properly authorised. 	<ul style="list-style-type: none"> • The recovery of Council Tax is performed both in a timely manner, and in accordance with legislation. • Management and officers should be commended for the successful introduction of the use of charging orders and bankruptcy proceedings as methods of recovery for debtors which have sufficient assets, but no desire to pay their Council Tax liability. This has resulted in a number of charging orders being successfully obtained, with the additional benefit being that a number of debts which may have previously been considered uncollectable have been paid in full by the debtor upon initiation of charging order or bankruptcy proceedings. • Sample testing of write offs undertaken since January 2013 confirmed that appropriate steps are being taken by staff to attempt to collect the outstanding debt, prior to considering submitting the debt for write off. • <u>Management should review the level of Credit balances and take appropriate action to reduce them.</u> 	Substantial	Management response is considered to be satisfactory. (5 of 5 recommendations accepted)	Follow up will be scheduled for Qtr. 3

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Creditors (Accounts Payable) - Transparency</u></p> <ul style="list-style-type: none"> • To verify compliance with the relevant 'transparency guidelines' and internal procedures for collation and publication of data for creditor payments; • To undertake a follow-up to the previous audit review of creditors (2012-13) to ensure that the agreed recommendations have been implemented or have been suitably progressed; • To verify that credit card expenditure and use is in accordance with the guidance in place; • To establish, evaluate and test the procedures which control fuel cards; • To establish, evaluate and test the procedures for supplier accounts that the Council has entered into. 	<p>The audit focused on data quality of information the Council publishes under the national transparency agenda. We also considered the control of corporate credit cards and fuel cards.</p> <ul style="list-style-type: none"> • Data extraction arrangements were sound for expenditure above £500 were sound. • Suitable procedures are in place for the control of corporate credit cards. • Suitable procedures are in place to verify and evidence changes made to creditors standing data (bank accounts and sort code). • A recommendation from the previous audit, relating to the authorisation of payments over £20k payments remains outstanding. • The Department for Communities and Local Government (DCLG) published the local government Transparency Code in December 2013. The revised code will make it mandatory to publish additional information. • The current data which the Council publishes for creditors meets the minimum requirements set out in Part 2 of the code. The new code will require local authorities to publish a wider range of transactions and is anticipated that the authority will be able to meet these requirements before the new code comes into effect. 	Substantial	(3 recommendations made) awaiting management response	TBA

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Housing Allocations</u></p> <ul style="list-style-type: none"> •To establish compliance with the Housing Allocations policy and agreed procedures; •To review the adequacy and efficiency of the application process and the administration and management of the housing register; •To review controls in place to manage the Choice Based Letting bid process via Home choice; •To verify the eligibility of applicants housed through the housing allocations process; and <p>To establish and evaluate the controls over the monitoring and reporting of the related service performance measures</p>	<ul style="list-style-type: none"> • The audit focused on the controls over the Housing Allocations process, as it is defined within the Council’s Housing Lettings Policy. • The audit confirmed that the procedures and processes in place support the aims of the Council’s Lettings policy. Testing confirmed that the procedures (and therefore the policy) were being applied in practice and ensured that: - • Applicants entered onto the housing register are suitably scrutinised to establish their eligibility. • The housing needs of registered applicants are properly determined. • Allocations decisions are transparent. 	Substantial	The three recommendations from the audit are agreed and will be implemented. (3 of 3 recommendations accepted)	Follow up will be scheduled for Qtr. 4

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<u>NFI</u>	<ul style="list-style-type: none"> • 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 • The Commission has obtained data 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 2012/2013 exercise were being appropriately investigated and that the new data sets had been submitted for the 2013/14 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 2012/13 sets have been appropriately investigated and that the data sets for 2013/14 were uploaded via the secure portal within the scheduled time frame, with appropriate steps put in place to investigate the data matches. 	N/A	N/A	N/A

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Farrow Court</u></p> <p>It is proposed that Internal Audit will contribute to in the delivery of this project from a control, risk and governance perspective and example areas of activity are set out as follows:</p> <ul style="list-style-type: none"> -Compliance with the Project Management tool PPC 2000 -Procurement decisions - to evidence and verify key decisions made through either sub contracting or the supply chain decisions -Management of identified risks (Projects Risk Register – update, control, monitoring) -Transparency of key decision making and scheme of delegation (authority, minutes and appropriate reporting i.e. to Committee) -Compliance with legislation -Accuracy of Interim Payments -Adequacy of Budgetary Control -Arrangements for declaring conflicts of interest and gifts and hospitality offered or received 	<p>Internal Audit were requested by Management to assist in contributing to the delivery of this project from a control, risk and governance perspective and provide advice, guidance, assistance and challenge. Internal audit are part of the project team. –</p> <p>Scope of work being supported by internal audit</p> <ul style="list-style-type: none"> -Compliance with the Project Management tool PPC 2000 -Procurement decisions - to evidence and verify key decisions made through either sub contracting or the supply chain decisions -Management of identified risks (Projects Risk Register – update, control, monitoring) <ul style="list-style-type: none"> • Transparency of key decision making and scheme of delegation (authority, minutes and appropriate reporting i.e. to Committee) • Compliance with legislation • Accuracy of Interim Payments • Adequacy of Budgetary Control • Arrangements for declaring conflicts of interest and gifts and hospitality offered or received <p>This project continues to progress therefore internal audit support will continue to ensure appropriate assurance can be provided on the governance arrangements in place.</p>	N/A	N/A	N/A

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p>H & S To ascertain that the Council has arrangements in place to comply with health & safety requirements</p> <ul style="list-style-type: none"> •Resource (policies, procedures, facilities, roles & responsibilities) •Awareness and Assessment (training, promotion, risk assessment and inspections) •Accountability (monitoring, review and reporting) 	<ul style="list-style-type: none"> • A number of requirements set out in the Health & Safety Policy appear to have lapsed. • The Health & Safety Policy should be reviewed to ensure that it reflects the processes actually in operation. • H & S information on the intranet was in need of revision we were informed this would occur when the new intranet was introduced. • Arrangements have been progressed to identify on line training to deliver general awareness information to the wider staff population however this initiative has currently stalled. • At the time of review some older records generated/maintained by previous post holders (e.g. accident records) were not readily accessible. It is important that data retention protocols are applied to ensure continuity of records, particularly in areas where there has been a turnover in staff. • The 'risk register' cautionary contacts should be reviewed. 	Substantial	5 Recommendations made.	TBA

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Planning Enforcement</u></p> <p>To establish</p> <ul style="list-style-type: none"> •Complaints received are recorded promptly and allocated for investigation •Enforcement investigations are conducted in accordance with framework guidance (legal requirements & local planning enforcement policy) •Post investigation actions (monitoring compliance with planning decisions / enforcement action) are progressed in a timely manner, including any follow up work and prosecutions •Performance monitoring (achievement of key processing targets e.g. notification timescales)•Strategy, policy and procedure 	<ul style="list-style-type: none"> • There are comprehensive policy and guidance notes to support staff in undertaking the processes detailed in the Planning Enforcement Policies and that the function is supported by database systems that allow adequate data capture and data analysis to support performance and monitoring reviews. • Team meeting minutes encouraged staff to facilitate data analysis by completion of relevant fields on the system however some data fields were incomplete. • We found that some files (completed cases scanned material) varied in the content of records maintained between case officers. 	<p>Substantial</p>	<p>4 Recommendations made</p>	<p>TBA</p>

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Housing Benefits Overpayments</u></p> <p>To establish if Benefit Overpayments are processed in accordance with agreed procedures;</p> <p>-verify that the categorisation of overpayments is accurate and correctly reported to the Department of Works and Pensions;</p> <p>-assess the adequacy of procedures employed to recover Benefit Overpayment;</p> <p>-Review and assess the write-off procedures, where recovery cannot be pursued;</p> <p>-To review the performance on Benefit Overpayments between Ashford Borough Council and other local authorities</p>	<p>The policy specific to the recovery of Benefit Overpayment is suitably set out in the Council's Debt Recovery policy. The policy is complimented by procedure notes which had recently been updated at the time of the audit and were found to be fit for purpose.</p> <p>The audit notes a number of strong preventative measures are in place to minimise overpayments occurring in the first instance. Audit testing confirmed the correct application of controls and a number of suitable measurers are in place to recover overpayments where this has occurred. The effectiveness of the measures in place is reflected in an increasing recovery rate and a further initiative to combat and address overpayment recovery is the recently formed Overpayment Group which the Council participates in.</p> <p>The audit has raised only two minor recommendations relating to the need to refresh the Revenue and Benefit Service Irrecoverable Debt policy and observe division of duties between claims assessment and action from overpayment recovery to the claim</p>	High	2 recommendations made	TBA

Title & Audit Objectives	Summary of Key Findings	Level of Assurance	Response	Follow-up Assurance
<p><u>Intereg Project Greenov</u></p>	<p>The GREENOV project aims at developing the economic sector of sustainable renovation in North West Europe. This will be done by developing a cluster, one of the most effective tools for competitiveness and economic development, multiplying and diversifying opportunities on the market.</p> <p>The partners (12) will identify technologies, know-how and best practices in the field of sustainable renovation, and will carry out investments utilising Greenov funding to stimulate the market, stakeholders and raise awareness among decision-makers and inhabitants.</p> <p>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 installing energy efficiency initiatives in St Marys Church and the Gateway building to provide sustainable energy efficiency solutions.</p> <p>This partnership initiative will continue to be funded until 2014/15 therefore the work undertaken by Internal audit will continue to attract a fee income for the service</p> <p>The audit work consisted of acting as the First Level Controller compiling and reviewing the documents and the calculations relating to the claims that were submitted to the Lead Partner during 2013/14.</p>	N/A	N/A	N/A

Reporting of Internal Audit work to the Audit Committee

54. Internal Audit work is reported at six-monthly intervals. An interim report, showing the first six months work of the financial year 2013/14, was provided to the Audit Committee meeting on 3 December 2013. A number of audit projects shown in the appendices have therefore already been brought to the attention of the Committee.

Other Options Considered

55. I am satisfied that the opinions expressed are a fair reflection of the work completed by Mid Kent Audit for Ashford Borough Council during 2013/14. Consequently I do not propose any alternative option.

Consultation

56. 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.
57. 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

58. 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

59. The Audit Committee is asked to agree the recommendations contained in this report.

Conclusion

60. 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 2013 to 31 March 2014.

Contact: Rich Clarke Tel: 01233 330442

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Agenda Item No: 5
Report To: AUDIT COMMITTEE
Date: 26 JUNE 2014
Report Title: AUDIT COMMITTEE ANNUAL REPORT
Report Author: Ian Cumberworth



Summary:	This report sets out the Annual report of the activity of the Audit Committee for 2013/2014
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Key Decision: No

Affected Wards: All

Recommendations: **1. Audit Committee agree the content and the format of the Annual Committee report**

2. Audit Committee agree to provide the Annual Report to Full Council asking that the Report, setting out how the committee has effectively discharged its responsibilities is noted.

Policy Overview: Not Applicable

Financial Implications: Not Applicable

Risk Assessment No

Equalities Impact Assessment No

Other Material Implications: Not Applicable

Exemption Clauses:

Background Papers: Audit Committee Annual Report 2013/14

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Report Title: Audit Committee Annual Report 2013/14

Purpose of the Report

1. To provide members with an assurance on the work undertaken by the committee together with evidence of the effectiveness of the committee this will also feed into the Annual Governance statement

Background

2. The Audit Committee is required to monitor and obtain assurance on the control environment of the Council. The attached report sets out how the committee has achieved this aim.
3. The internal control environment comprises the whole network of systems and controls established to manage the Council, to ensure that its objectives are met. It includes financial and other controls, and 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 which will also be considered at Full Council.

Risk Assessment

5. Not Applicable

Equalities Impact Assessment

6. Not Applicable

Other Options Considered

7. An annual report is considered to be good practice therefore no other option could be recommended.

Consultation

8. The Committee has been consulted on the content and format of the Annual Audit Committee report.

Implications Assessment

9. Not Applicable

Handling

10. Not Applicable

Conclusion

11. Based on the coverage of the work undertaken by the committee it is working effectively and discharging its responsibilities.

Portfolio Holder's Views

12. Not Applicable

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Audit Committee Annual Report 2013/14

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Ashford Borough Council

Audit Committee Annual Report – 2013/14

Foreword by Cllr Paul Clokie Chairman of the Audit Committee



I am pleased to introduce the annual report of the Audit Committee, covering the year to 31 March 2014.

The Audit Committee is responsible for reviewing the Council's governance arrangements, both financial and non financial, (including the risk register) and seeks to obtain appropriate assurances in these areas.

This is the second Annual Report of the Audit Committee and I am pleased to confirm that the Committee, under my Chairmanship has continued to build on its strength and effectiveness over the past year.

As outlined in the body of this report, the Committee has been actively engaged with the Council's financial managers, internal auditors and external auditors (Grant Thornton).

The Committee has provided oversight and challenge to the Council's operations and internal control environment and provided robust scrutiny and challenge of the Authority's financial and project performance.

In carrying out its responsibilities, the Committee has continued to follow best practice and to become increasingly challenging of officers whilst always supporting them in their governance priorities.

I would like to thank all members who served on the Committee during 2013/14 and look forward to the continued support of members during the year ahead. My thanks also go to the Council officers who have supported the work of the Committee.

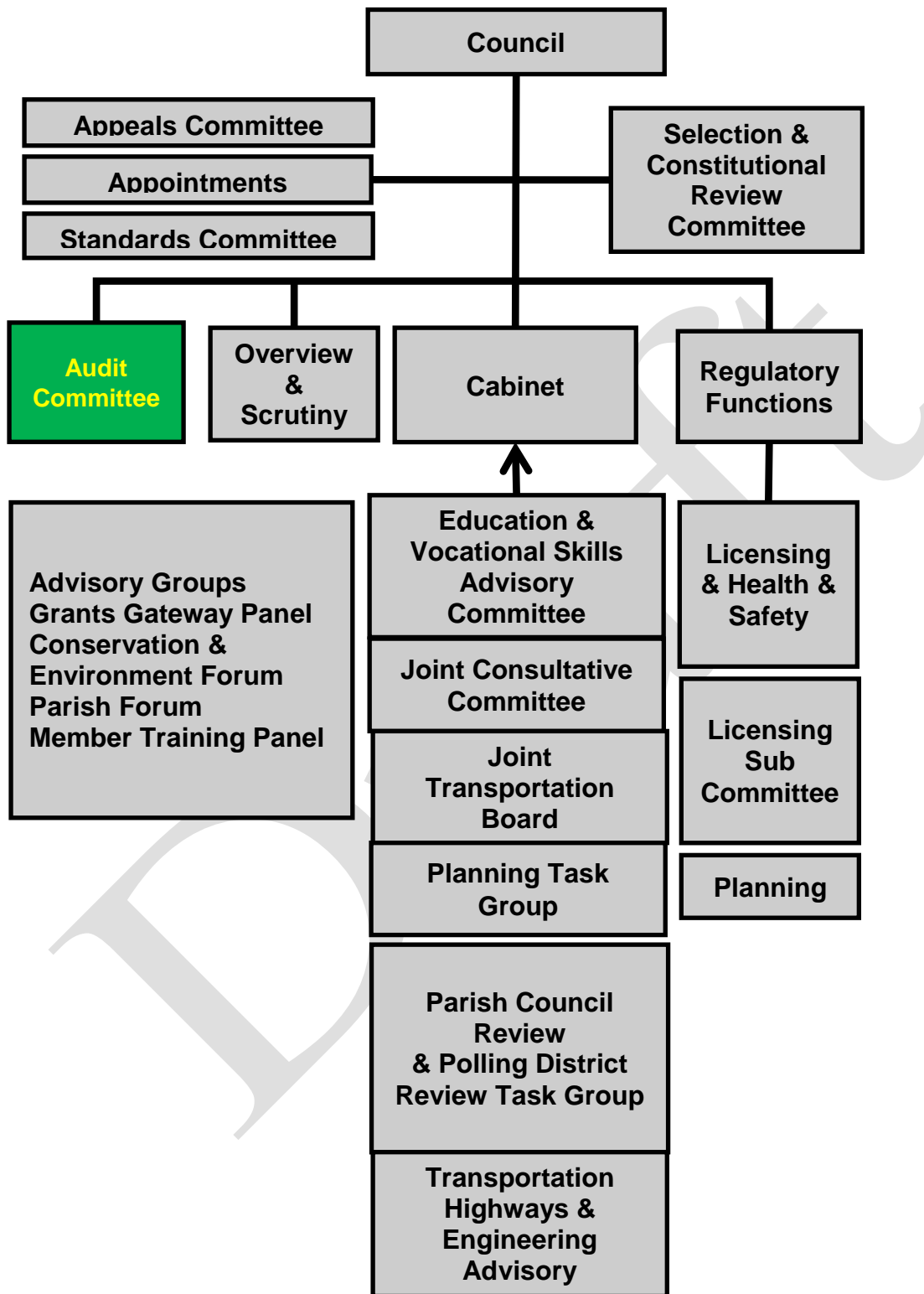
In looking forward to 2014/15 and beyond, and given the continued financial pressures facing the Council, the importance of an effective Audit Committee remains critical. Along with my fellow members I look forward to meeting those challenges.

1. Introduction

The Council established the Audit Committee as a full committee from December 2006. While there is currently no statutory obligation to have an Audit Committee, such bodies 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 effective Audit Committee:

Audit Committees differ from 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 their management.



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 2013/14. Committee agenda papers and minutes are available on the Council's website www.ashford.gov.uk

Current 2013/14 Audit Committee Members

**Cllr Clokie
Chairman**



**Cllr Link
Vice-Chairman**



Cllr Shorter



Cllr Smith



Cllr Taylor



Cllr Michael



Cllr Marriott



Cllr Yeo



4. Committee Attendance 2013/14

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	27/6/13	26/09/13	3/12/13	18/3/14
<u>Audit Committee Members</u>				
Cllr Clokie (Chairman)	Y	Y	Y	Y
Cllr Link (Vice Chairman)	Y	Y	Y	Y
Cllr Taylor	Y	A	Y	Y
Cllr Smith	Y	A	Y	Y
Cllr Marriott	Y	Y	Y	A
Cllr Shorter	Y	Y	A	Y
Cllr Michael	Y	Y	Y	Y
Cllr Yeo	Y	-	A	-
<u>Visiting members</u>				
Cllrs Britcher , Chilton & Wright	Y			
<u>Officers</u>				
Deputy Chief Executive	Y	Y	Y	Y
Finance Manager	-	-	Y	-
Head of Internal Audit Partnership	Y	Y	Y	Y
Audit Manager	Y	Y	Y	Y
Principal Accountant (Technical)		Y	-	Y
Senior Member Services Officer	Y	Y	Y	Y
Investigations & Visiting Manager		Y	-	
Incoming Head of Internal Audit Partnership	-	-	-	Y
Senior Auditor	-	Y	-	-
Policy & Performance Officer	-	-	-	Y
Head of Communications & Technology				Y
<u>Grant Thornton</u>				
Director			Y	Y
Manager	Y	Y	Y	Y

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

5. The Committee completed the following programme during 2013/14

Function/Issue	27/06/13	26/09/13	03/12/13	18/03/14
<u>INTERNAL AUDIT ACTIVITY</u>				
Operational Plan 2014/2015	-	-	-	Y
Public sector Internal Audit standards- External assessment	-	-	-	Y
Annual Audit Committee report 2012/13	Y	-	-	-
Interim six monthly report 2013/2014	-	-	Y	-
Annual Report 2012/13	Y	-	-	-
Internal Audit Partnership	-	Y	Y	-
Internal Audit Charter	-	Y	-	-
<u>EXTERNAL AUDIT ACTIVITY</u>				
Certification of Grant Claims	-	-	-	Y
Progress Report/External Audit Update	Y	-	Y	Y
Audit Plan 2012/13 (Grant Thornton)	-	-	-	Y
Annual Audit Letter 2012/13	-	-	Y	-
Internal Audit / External Audit Protocol	-	-	-	Y
<u>REGULARITY FRAMEWORK / INTERNAL CONTROL ARRANGEMENTS</u>				
Benefit Fraud Report	-	Y	-	-
Governance Statement action plan update	-	Y	-	Y
Grant Thornton Governance Risk –national study	Y	-	-	Y
Financial Statements	-	-	-	Y
Annual Governance Statement 2012/13	Y	-	Y	-
Risk Management – Action plan	Y	-	-	-
Strategic Risk Management Plans	Y	Y	-	Y
IT Continuity arrangements	-	-	Y	-
Local Code of Corporate Governance	-	-	-	Y
Local Audit & Public Accountability Bill	Y	-	-	-
<u>ACCOUNTS</u>				
Statement of accounts 2012/13	-	Y	-	-
<u>FORWARD PLAN</u>				
Tracker	Y	Y	Y	Y

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.

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

This has been achieved by:

- Receiving progress reports on Strategic risk areas, considering the movements in individual risks and their categorisation, and influencing the format and presentation of risk reports;
- Receiving progress reports on internal and external audit issues.

Internal Control assurance
<ul style="list-style-type: none">• Consider the effectiveness of the Authority's control environment• 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

This has been achieved by:

- Considering the review of internal control for 2012/13 and agreeing the significant issues to be included in the Council's Annual Assurance Statement for 2012/13
- Approving the Authority's Annual Governance Statement for 2012/13 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
<ul style="list-style-type: none">• Approve (but not direct) Internal Audit's strategy and 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:

- Received and considered the Head of Internal Audit Partnership Manager's Annual Report for 2012/2013, 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;
- Received a report from an external assessor to provide assurance that Internal Audit comply with Public Sector Internal Audit Standards (PSIAS)
- Considered and agreed the Internal Audit Annual Plan for 2014/15

External Audit

The Committee has:

- Received and agreed the Annual Audit & Inspection Letter for 2012/13,
- Considered and agreed the Audit & Inspection Plan for 2013/14;
- 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.

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 2012/13 and later amendments;
- Receiving and considering the Annual Governance Report 2012/13, 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

In partnership with its External Auditors, and with the support of Officers, the Audit Committee has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues. It is concluded therefore, that the Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties for 2013/14.

8. 2014/15 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	26/06/14	25/09/14	02/12/14	tbc/03/15
<u>INTERNAL AUDIT ACTIVITY</u>				
Operational Plan 2015/16		-	-	X
Annual Report 2013/14	X	-	-	-
Audit Committee Annual Report 2013/14	X	-	-	-
Interim Report	-	-	X	-
Strategic Risk review	-	X	-	X
Strategic Risk - considered			X	X
<u>EXTERNAL AUDIT ACTIVITY</u>				
Audit Plan	-	-	-	X
Fee Proposal	X	-	-	X
Grant Claims	-	-	-	X
2013/14 Accounts & Governance statement		X	-	-
Audit Plan 2013/14	-	-	-	X
Audit Letter	-	-	X	-
<u>REGULARITY FRAMEWORK / INTERNAL CONTROL ARRANGEMENTS</u>				
Benefit Fraud – Annual Report	-	X	-	-
Governance statement	X	-	-	-
Governance Statement - Action Plan	-	X	X	X
Performance Compendium	-	X	-	-
<u>ACCOUNTS</u>				
Statement of Accounts 2013/14	X	-	-	-
<u>FORWARD PLAN</u>				
Tracker	X	X	X	X

Agenda Item No: 6
Report To: AUDIT COMMITTEE
Date: 26 JUNE 2014
Report Title: INTERNAL AUDIT 2014/15 REPORTING REFRESH
Report Author: Rich Clarke



Summary:

This report sets out revisions to the internal audit approach for 2014/15 arising from responses to the recent IIA review and a desire to review and refresh a process which has not been examined for some years.

As these changes will affect the information presented to the Audit Committee in future we present this report to inform the Committee in advance and give opportunity to comment.

The principal changes affect the assurance levels, recommendation ratings and process for completing and following up audit projects.

Key Decision: No

Affected Wards: All

Recommendations: 1. That the Audit Committee note and provide comment as it may wish against the revised approach for undertaking and reporting the work of Internal Audit for 2014/15.

Policy Overview: Not Applicable

Financial Implications: Not Applicable

Risk Assessment No

Equalities Impact Assessment No

Other Material Implications: Not Applicable

Exemption Clauses:

Background Papers:

Contacts:

Report Title: Internal Audit 2014/15 Reporting Refresh

Purpose of the Report

To advise and inform the Committee of changes to the Internal Audit reporting process for 2014/15.

Background

This report sets out revisions to the internal audit approach for 2014/15 arising from responses to the recent IIA review and a desire to review and refresh a process which has not been examined for some years.

As these changes will affect the information presented to the Audit Committee in future we present this report to inform the Committee in advance and give opportunity to comment.

The principal changes affect the assurance levels, recommendation ratings and process for completing and following up audit projects.

Assurance Ratings

2013/14 Ratings
High assurance
Substantial assurance
Limited assurance
Minimal assurance

2014/15 Ratings
Strong controls
Sound controls
Weak controls
Poor controls

Appendix I contains further details, including full definitions.

The key benefit of this change is re-calibrating the levels to provide a more even distribution which will better reflect the conclusions of the audit. In particular, there was a view within the audit team and officers that ‘substantial’ sometimes gave assurance beyond that which was justified by the findings but ‘limited’ was also an unsuitable conclusion. We are also aware that other audit services are using the same term – substantial – to denote the highest level of achievement, which would potentially cause confusion in the event of joint service audits.

We also take the opportunity to make clearer in the definitions the extent to which weaknesses identified by audit put the Council’s key objectives under threat and the best practice and value for money delivered by a service.

Recommendation Ratings

2013/14 Ratings
High risk
Medium risk
Low risk

2014/15 Ratings
Priority 1 (Critical)
Priority 2 (High)
Priority 3 (Medium)
Priority 4 (Low)
Advisory
Good practice

Appendix II contains further details, including full definitions.

This revision makes clear the link between findings and the Council's risk management process within the detailed definitions and by ranking the levels as 'priority' to avoid potential misunderstanding. The levels also include a new 'top level' used to indicate findings of immediate and significant threat to the Council. The levels are also expanded to more formally recognise and highlight areas of good practice and opportunities to improve we can put to the service learned from our professional experience and other work across the partnership.

Audit Process

Stage	2013/14 Process	2014/15 Process
Planning	Audit Brief Issued	Draft audit brief
	Opening meeting	Audit opening meeting
		Final audit brief
Fieldwork	Fieldwork	Fieldwork
	Review	Initial findings meeting
		File Review
Reporting	Draft Report (not issued)	Draft Report (issued)
	Findings meeting	Closing Meeting
	Final Report	Final Report & Agreed Actions
	Management response	
	Adequacy of response memo	
Follow up	Follow up within 6 months	Recommendations followed up quarterly
	Follow up report	'Weak' or 'Poor' reports followed up per schedule set out in final reports.

The revisions to the process are intended to make it more streamlined while also being more flexible and responsive to the needs of Council services. In particular we hope that introducing 'draft' stages at brief will allow audit objectives to be more closely tailored. Also we intend that incorporating discussion around management responses within the final report stage will help speed up audit closure as well as improving the support that can be offered by our recommendations. Appendix III contains further details.

We have also adapted for 2014/15 the process by which audits are assigned across the partnership. This process involved a skills assessment across the audit team, seeking to identify auditors with projects (or groups of projects) where their skills and experience was most beneficial, whilst maintaining onsite expertise and presence for ad hoc consultation and advice. The resulting full list of projects, included at appendix IV, sets out the common projects across the partnership and how we are seeking to use, develop and maintain the expertise of our audit team to deliver efficient and effective audit support.

On the follow up process, we found that a mandatory 6 month revisit did not consistently provide good value, especially where recommendations were due to be

implemented later in the year. That approach also meant we could not easily track individual recommendations and so the answer to key questions such as the proportion of recommendations successfully implemented on time was obscure. The new two-stream approach allows us to focus proportionately on implementation in services that are performing well and also looking more closely at improvements made in services assessed as possessing 'weak' or 'poor' control environments.

Audit Committee Reporting

We intend that these revisions will provide richer and more useful information to the Committee, especially on progress against recommendations and highlighting any continuing risks associated with non-implemented agreed recommendations. I would be happy to discuss our reporting to Members either during the meeting or separately with individuals as they wish.

Risk Assessment

Not Applicable

Equalities Impact Assessment

Not Applicable

Other Options Considered

These proposals follow extensive research undertaken on audit approaches and assurance ratings in use across the public and private sectors, assisted by information provided by the Institute of Internal Auditors and the Kent Audit Group. As you will expect, there is an enormous range of potential options but we, and the Audit Partnership Board, were satisfied that this proposal best achieves the desired aims of refreshing the service and its reporting without losing existing strengths.

Consultation

The initial proposals were developed in consultation with the audit team and the IIA review team before being shared with the Audit Partnership Board on 23 April. Following the comments of that forum we set out the proposals in letters sent to all Heads of Service and Senior Officers across all four authorities in the partnership with an invitation to comment by 23 May. The proposals set out in this report are informed by comments received to date, which have been welcoming and supportive, as well as providing useful information on where additional flexibility would be appreciated by services.

We will continue to review the operation of the revised process and assurance levels during 2014/15 and keep this Committee informed of progress through the scheduled interim reports.

Implications Assessment

Not Applicable

Handling

Not Applicable

Portfolio Holder's Views

Not Applicable

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Appendix I: Assurance Ratings

Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any, recommendations and those that are reported will generally be priority 4.

Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.

Audit projects rated as ‘strong’ or ‘sound’ assurance will generally be regarded as indicating that the service is operating effectively. Consequently we will not as a matter of routine follow-up the entire review, but instead focus our follow up work on the implementation of recommendations. We will collate recommendations across the projects delivered at each authority and, each quarter, identify those that have fallen due and seek to verify their implementation. This verification will vary in approach depending on the nature and priority of the recommendation, but may range from a simple request for confirmation of a particular action to a fresh sample test for higher priority recommendations.

We will report progress on implementing recommendations periodically to the Audit Committee. The Committee has the authority to require explanations from Heads of Service where high priority recommendations are persistently not implemented or remain outstanding significantly after their due date.

Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.

Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.

Audit projects rated as ‘Weak’ or ‘Poor’ assurance will generally be regarded as indicating that the service is not operating effectively. Consequently we will follow up each of these reports in full, generally within six months of the initial review but this will vary depending upon the specifics of the service. This follow up review will focus on implementation of our recommendations and any other improvements made to the service and will seek to provide a fresh assurance rating.

Appendix II: Recommendation Ratings

Priority 1 (Critical) – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

Priority 2 (High) – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council's aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

Priority 3 (Medium) – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

Priority 4 (Low) – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

Advisory – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.

Good practice – We will also note areas where the service is performing particularly well or has an approach or process that it likely to help enhance the service offered by other authorities. These will help inform our 'opportunities to improve' for our work at other authorities but we will always inform the Head of Service before sharing any specific details.

Appendix III: Audit Process Detail

Planning Phase

- **Four weeks** before fieldwork begins: Audit opening meeting with Head of Service (or nominee) to discuss draft terms of reference including the scope, timing and focus of audit work.
- **Two weeks** before fieldwork: Agreed terms of reference published, will include document request and details of any sample testing we plan to undertake.

Fieldwork Phase

- **Day one of fieldwork:** Service to provide all requested documentation, systems access and so on as agreed in the terms of reference.
- **Final day of fieldwork:** Wash up meeting between auditor and service manager to discuss emerging findings. This is also the principal opportunity to agree the factual accuracy of findings and our understanding of the service.
- **Post fieldwork:** The auditor's work will be reviewed in detail by a manager or senior auditor. As a result, it may be necessary to clarify some matters with the service.

Reporting Phase

- **Within two weeks of fieldwork end:** Draft report issued to Head of Service and management. This draft will include our overall assurance rating, recommendations for improvement and note areas of good practice identified.
- **Within three weeks of fieldwork end:** Audit close meeting with Head of Service (or nominee). To discuss comments on the draft report and agree recommendations and service response.
- **Within four weeks of fieldwork end:** Final report issued to Head of Service and management, copied to Director and Chief Executive. This includes our final assurance rating, agreed recommendations and a completed action plan in response.

Follow up phase

- See Appendix I (on assurance ratings) for details of follow up processes

Appendix IV: Mid Kent Audit Projects 2014/15

Mid Kent Audit Projects 2014/15				
Authority	Type	Title	Proposed Auditor	Proposed Timing
Ashford	Finance/Systems	Accounts Payable (Creditors)	David Griffiths**	Q4
Maidstone	Finance/Systems	Accounts Payable (Creditors)	David Griffiths**	Q4
Swale	Finance/Systems	Accounts Payable (Creditors)	Frankie Smith	Q3
T Wells	Finance/Systems	Accounts Payable (Creditors)	Monisola Omoni**	Q4
T Wells	VfM/Services	Assembly Hall Theatre	Paul Goodwin	Q2
Maidstone	VfM/Services	Asset Management Plan	Jen Dunn	Q4
Maidstone	VfM/Services	Asset Management: Commercial Property Investment	Claire Walker	Q2
Ashford	VfM/Services	Asset Management: Investment Properties	Claire Walker	Q4
T Wells	VfM/Services	Asset Management: Investment Properties	Frankie Smith	Q4
Swale	VfM/Services	Asset Management: Investment Properties	Frankie Smith	Q1
Swale	VfM/Services	Asset Transfer Policy Review	Frankie Smith	Q4
T Wells	Finance/Systems	Bank Arrangements	Claire Walker	Q1
Maidstone	Finance/Systems	Bank Reconciliation	David Griffiths**	Q2
T Wells	Finance/Systems	Bank Reconciliation	Claire Walker	Q3
Maidstone	Finance/Systems	Business Assurance Mapping	Frankie Smith	Ongoing
Maidstone	Governance	Business Continuity Planning	Alison Blake	Q4
T Wells	Governance	Business Continuity Planning	Mark Goodwin	Q2
Ashford	Finance/Systems	Business Rates (Systems audit)	Jo Herrington	Q3
Maidstone	Finance/Systems	Business Rates (Systems audit)	Paul Goodwin	Q3
Swale	Finance/Systems	Business Rates (Systems audit)	Monisola Omoni**	Q4
Maidstone	Governance	Business Rates Retention Scheme (Risk)	Jo Herrington	Q1
Swale	Governance	Business Rates Retention Scheme (Risk)	Alison Blake	Q1
T Wells	Finance/Systems	Car Parking	Paul Goodwin	Q3
Swale	Finance/Systems	Cash Receipting System - Project Assurance	Frankie Smith	Q3
Swale	Finance/Systems	Cashless P&D Implementation	Jo Herrington	Q3
Ashford	VfM/Services	Cemetery	Paul Goodwin	Q1
Maidstone	Governance	Channel Shift Project	[tbc]	[tbc]
Maidstone	Governance	Commercialisation Programme	Alison Blake	Q4
Swale	Contract	Commissioning Framework - Implementation	Jen Dunn	Q3
T Wells	Governance	Commons Conservators (fee earning)	Paul Goodwin	Q1
Maidstone	VfM/Services	Communications: Press & Public Relations	David Griffiths**	Q2
T Wells	VfM/Services	Conservation /Heritage Planning	Claire Walker	Q1
Swale	Contract	Contract Management: Waste Collection	Frankie Smith	Q2
T Wells	Contract	Contracts	Paul Goodwin	Q2
Maidstone	Finance/Systems	Corporate Credit Cards	Mark Goodwin	Q3

Mid Kent Audit Projects 2014/15

Authority	Type	Title	Proposed Auditor	Proposed Timing
Swale	Governance	Corporate Governance	Frankie Smith	Q3
Maidstone	Governance	Corporate Governance	Jen Dunn	Q3
Ashford	Finance/Systems	Council Tax (Systems audit)	Jo Herrington	Q4
Swale	Finance/Systems	Council Tax (Systems audit)	Jen Dunn	Q2
T Wells	Finance/Systems	Council Tax (Systems audit)	Claire Walker	Q3
Ashford	VfM/Services	Courtside	Mark Goodwin	Q1
Maidstone	VfM/Services	Customer Services	David Griffiths**	Q3
Maidstone	Governance	Data Protection	Alison Blake	Q2
Ashford	VfM/Services	Economic Development –Portas /Markets /Funding	Claire Walker	Q4
Ashford	Governance	Elections	N/A*	N/A
T Wells	Finance/Systems	Electronic Payments Received	Paul Goodwin	Q4
Maidstone	VfM/Services	Emergency Planning	Jen Dunn	Q1
T Wells	Finance/Systems	Enforcement	Paul Goodwin	Q2
Ashford	Governance	Farrow Court	Mark Goodwin	Ongoing
Maidstone	Governance	Fraud Risk Review	Jen Dunn	Q1
Swale	Governance	Freedom of Information	Jo Herrington	Q4
Swale	Finance/Systems	General Ledger: Budgetary Control	Alison Blake	Q4
Ashford	Finance/Systems	GIS	David Griffiths**	Q4
Ashford	Governance	GM – Project Board	[tbc]	Ongoing
Ashford	Governance	Governance & Ethics	Alison Blake	Q1
T Wells	Governance	Governance & Ethics	Alison Blake	Q3
Ashford	Contract	Greenov	Mark Goodwin	Q4
Ashford	VfM/Services	Homelessness/Hostel	Mark Goodwin	Q4
Swale	VfM/Services	Homelessness: Temporary Accommodation	Jo Herrington	Q3
Ashford	Finance/Systems	Housing Benefits (Systems audit)	Jo Herrington	Q2
Swale	Finance/Systems	Housing Benefits (Systems audit)	Monisola Omoni**	Q3
T Wells	Finance/Systems	Housing Benefits (Systems audit)	Monisola Omoni**	Q3
Ashford	Contract	Housing Maintenance Contracts	Mark Goodwin	Q2
Swale	VfM/Services	Housing Options	Jo Herrington	Q1
T Wells	VfM/Services	Housing Options	Claire Walker	Q4
Ashford	Finance/Systems	Housing Rents	Mark Goodwin	Q3
T Wells	Finance/Systems	HR - Recruitment	Paul Goodwin	Q4
T Wells	Finance/Systems	ICT	Claire Walker	Q1
Ashford	Finance/Systems	ICT – Disaster Recovery	Mark Goodwin	Q1
Maidstone	Finance/Systems	ICT Project Management	Paul Goodwin	Q1
Swale	Finance/Systems	ICT Service Desk	Jen Dunn	Q2
Ashford	Finance/Systems	Income Management (new system)	Jen Dunn	Q4
Swale	Finance/Systems	Income, Cash Collection & Banking	Monisola Omoni**	Q2
Maidstone	Finance/Systems	Information Management	David Griffiths**	Q3
Maidstone	Finance/Systems	Land Charges	David Griffiths**	Q4
T Wells	Finance/Systems	Lease Holder Recharges	Paul Goodwin	Q3
Maidstone	Contract	Leisure Centre Contract	Mark Goodwin	Q1

Mid Kent Audit Projects 2014/15

Authority	Type	Title	Proposed Auditor	Proposed Timing
Ashford	VfM/Services	Licensing	Paul Goodwin	Q1
Maidstone	Governance	Member Services: Allowances & Expenses	Frankie Smith	Q2
Swale	Governance	Member Services: Allowances & Expenses	Frankie Smith	Q1
Maidstone	Governance	Members and Officers Declarations of Interest	David Griffiths**	Q3
T Wells	Governance	MKIP Governance Framework	Alison Blake	Q3
T Wells	VfM/Services	Museum & Art Gallery	Claire Walker	Q2
Ashford	Governance	National Fraud Initiative (NFI)	Mark Goodwin	Ongoing
Swale	Governance	National Fraud Initiative (NFI)	Jen Dunn	Ongoing
T Wells	Governance	National Fraud Initiative (NFI)	Monisola Omoni**	Ongoing
Maidstone	Governance	National Fraud Initiative (NFI)	Jen Dunn	Ongoing
T Wells	Finance/Systems	Parks Income	Monisola Omoni**	Q2
Maidstone	Finance/Systems	Payroll	Jo Herrington	Q2
Maidstone	Finance/Systems	PC & Internet Controls	Frankie Smith	Q1
Maidstone	Contract	Planning Support Shared Service	Alison Blake	Q1
Maidstone	Contract	Procurement	Jen Dunn	Q4
Ashford	Governance	Project Office	Mark Goodwin	Q3
Maidstone	Finance/Systems	Rent Accounting System	Jo Herrington	Q4
Maidstone	Governance	Risk Management Framework: Strategic & Operational Risk	Alison Blake	Q2
Swale	Governance	Risk Management Framework: Strategic & Operational Risk	Alison Blake	Q2
Swale	Governance	Safeguarding People	Alison Blake	Q2
Ashford	Governance	Strategic Risk (subject tbc)	[tbc]	[tbc]
T Wells	Governance	Strategic Risk (subject tbc)	[tbc]	[tbc]
T Wells	Governance	Strategic Risk (subject tbc)	Paul Goodwin	Q4
Maidstone	Contract	Street Cleansing	Jen Dunn	Q1
Swale	Contract	Street Cleansing	Frankie Smith	Q4
Maidstone	Finance/Systems	Teammate Development	Alison Blake	Ongoing
Swale	Finance/Systems	Treasury Management	Frankie Smith	Q2
Maidstone	Finance/Systems	VAT Management	Jo Herrington	Q1
Maidstone	Contract	Waste Collection Contract: Monitoring	Claire Walker	Q2
Ashford	Contract	Waste Management	Mark Goodwin	Q4

*: Project deferred into 2015/16 at request of authority

** : David and Monisola are due to join the team on fixed term contracts later in 2014 and as such these allocations are provision.

Agenda Item No: 7

Report To: **AUDIT COMMITTEE**

Date: **26 June 2014**

Report Title: **2013/2014 Annual Governance Statement**

Report Author: Paul Naylor, Deputy Chief Executive
Michelle Byrne, Funding and Partnerships Officer



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.

Our governance arrangements are well-developed and pervade all that we do in a variety of forms, but they evolve. Their 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.

Key Decision: NO

Affected Wards: None in particular

Recommendations: The Audit Committee is asked to consider the draft 2013/2014 Annual Governance Statement and approve this to be signed by the Leader and Chief Executive as required by regulations.

Policy Overview: 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 corporate business plan, Focus 2013/15, and associated frameworks and policies.

Financial Implications: None

Equalities Impact Assessment Not applicable for this report

Other Material Implications: None

Background Papers: None

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2012/2013 Annual Governance Statement

Leader's introduction

Last year saw the introduction of ABC's new style of Annual Governance Statement which, I am pleased to say, was well received and declared to be "eminently readable". Consequently, we have decided to continue with this style in the hope that it will encourage bigger audiences, lead to a greater understanding of local government and the way it works ... and to continue to maintain the trust of our communities.

Last year's statement year outlined the context of, and the relationship between, leadership and good governance and, although the council has progressed generally since then, we are not complacent. As a forward-thinking organisation we recognise the need to strive for continuous improvement.

In a growing borough it is often difficult to keep up with the fundamental challenges of maintaining quality and sustainability. Over this last year we have, however, established two companies and put in place suitable governance arrangements for them as well as setting up a system better to manage our land – including in the sphere of acquisitions and removals.

We have also set up a Strategic Delivery Board to look after the delivery of projects - which are both key to the borough and which rely on us working in concert with our partners - by reviewing and monitoring progress of those projects to ensure that both private and public resources are put to best use in their delivery.

You will also see the reference to our changing Cabinet – realigning portfolios and 'recruiting' lead Members – to provide continuity and create a wider inclusiveness within the Council. In tandem with this, we are currently considering giving a clearer definition of Members' responsibilities. This will assist in giving clarity to their roles.

Towards the end of the 2013/14 financial year we instituted forward planning sessions for Cabinet and Senior Managers of the Council. As well as helping to set a programme of work for the Cabinet, it has also improved the working relationships between Members and Senior Officers, creating a platform for informal but very focused work. It is a successful venture – and one that the Chief Executive and I propose to continue and improve throughout the coming year.

Councillor Gerry Clarkson
Leader of the Council

Scope of responsibility

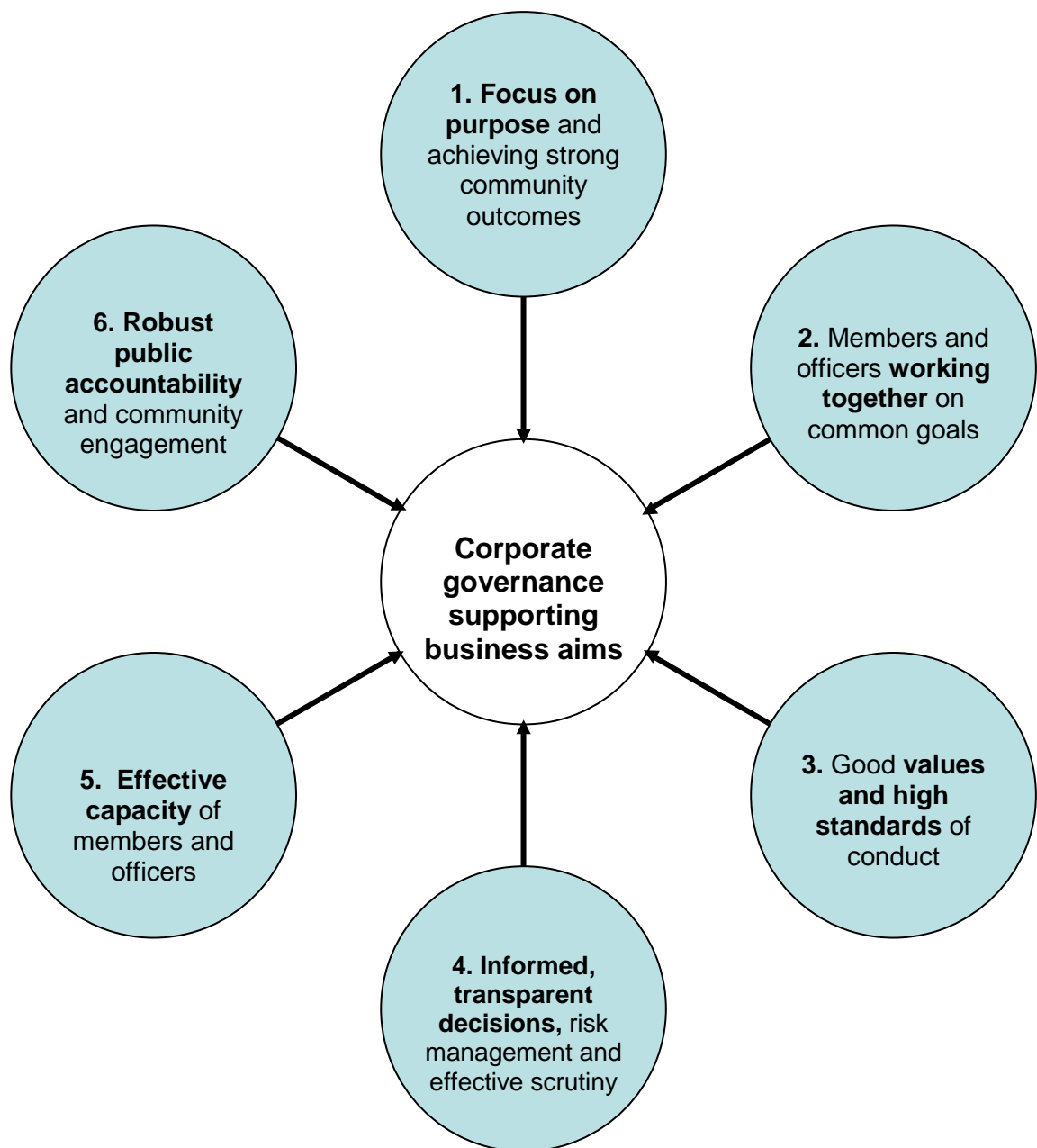
1. Ashford Borough Council is responsible for ensuring its decisions and business are conducted according to the law and proper standards. Further the council must ensure public money is safeguarded, properly accounted for, and that all resources are applied efficiently and effectively so the council 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 that 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. Practical progress towards achieving the Council's priorities is made by the delivery of key projects and an important development this year is the set-up of the Ashford Strategic Delivery Board. The Board's remit is to ensure the effective and timely delivery of key projects and is a multi-agency group whose membership includes ABC and KCC Members, Ashford's MP and other key partners. Board agendas, minutes and the project programme are submitted to Cabinet and are made available on the council's web site.

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 therefore helps 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

“It is an exciting – if challenging – time and we are concentrating on the big things which will help Ashford deliver its potential. We have already made good progress in making sure these big things happen. Most would not be possible without working with our residents, charities and local businesses”¹

10. The five-year business plan provided a focus for the Council’s services after extensive public consultation in 2010-2011. Because of developments in both the wider economy and locally, and changes to how government financially supports and incentivises councils, a further strategic refocusing was undertaken during the year with a focus on setting out the Council’s objectives and priorities for 2013 - 2015. To this end, a Corporate Business Plan, Focus 2013/15, was developed from the five year business plan and takes stock of our achievements so far and identifies our refocused priorities and the strategic projects underpinning the delivery of those priorities.
11. Focus 2013/15 was reported to and approved by Cabinet as part of the budget report in October 2013. This is publicly available and is also subject to regular scrutiny through the Overview and Scrutiny Committee. A copy can be accessed from the councils web site
12. For staff, various internal communications are used to promote awareness, including the on-line monthly staff magazine, Root and Branch, and the Chief Executive’s periodic service ‘walk about’ briefings.
13. An annual report was published this year, with the intention to continue to update and publish the report yearly. The report further communicates the council’s aims and progress to residents and key stakeholders, summarises the council’s achievements throughout the year and reiterates our corporate priorities, as set out in Focus 2013/15. The annual report will be publically available through the Councils website from June 2014 and in hard copy to key stakeholders.
14. As mentioned previously, the Ashford Strategic Delivery Board ensures effective and timely delivery of key projects. Continued progress towards key actions is monitored by the Strategic Co-ordination Team whose membership comprises high level officers from all stakeholder organisations. Quarterly updates are reported on progress towards key actions and a traffic light system is used to highlight areas of concern.

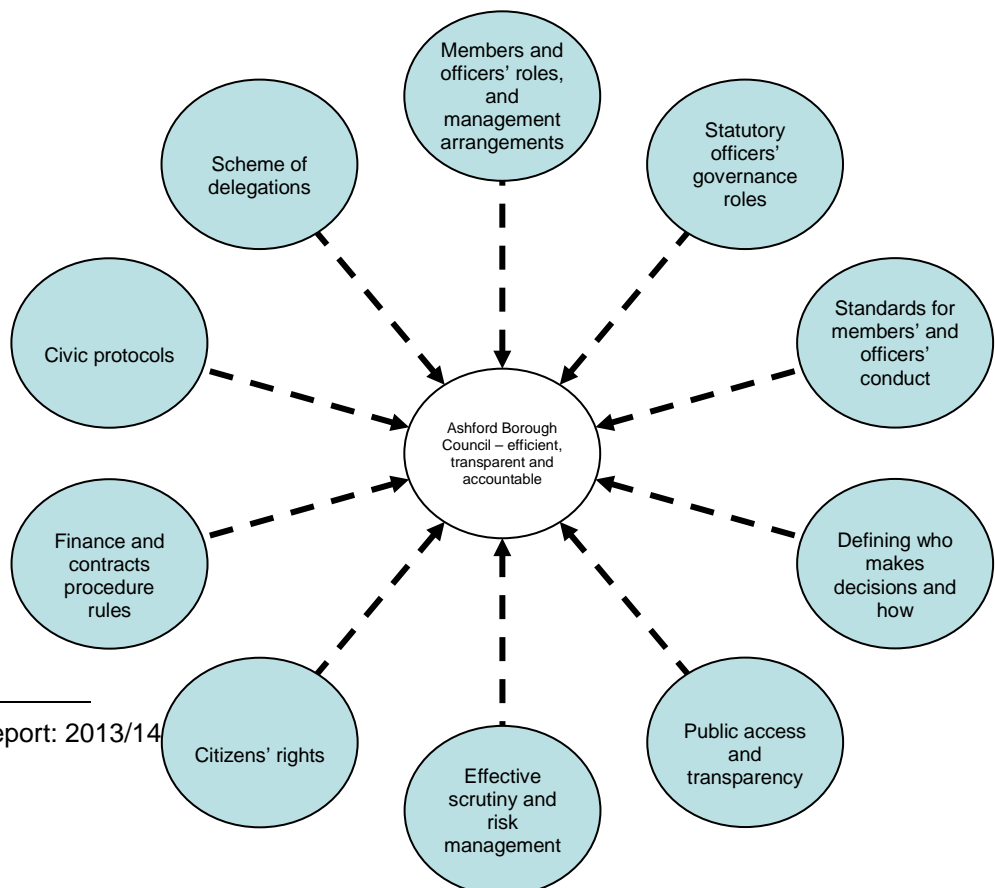
¹ Leader, ABC Annual Report: 2013/14

Principle 2 – Members and officers working together on common goals

“The Council’s new leadership has already shown its determination that the new Administration will forge ahead for Ashford’s benefit. As a council, we are pleased to have this direction from which I am sure that everyone will benefit”²

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.
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.

The constitution’s principal features



² CExec, ABC Annual Report: 2013/14

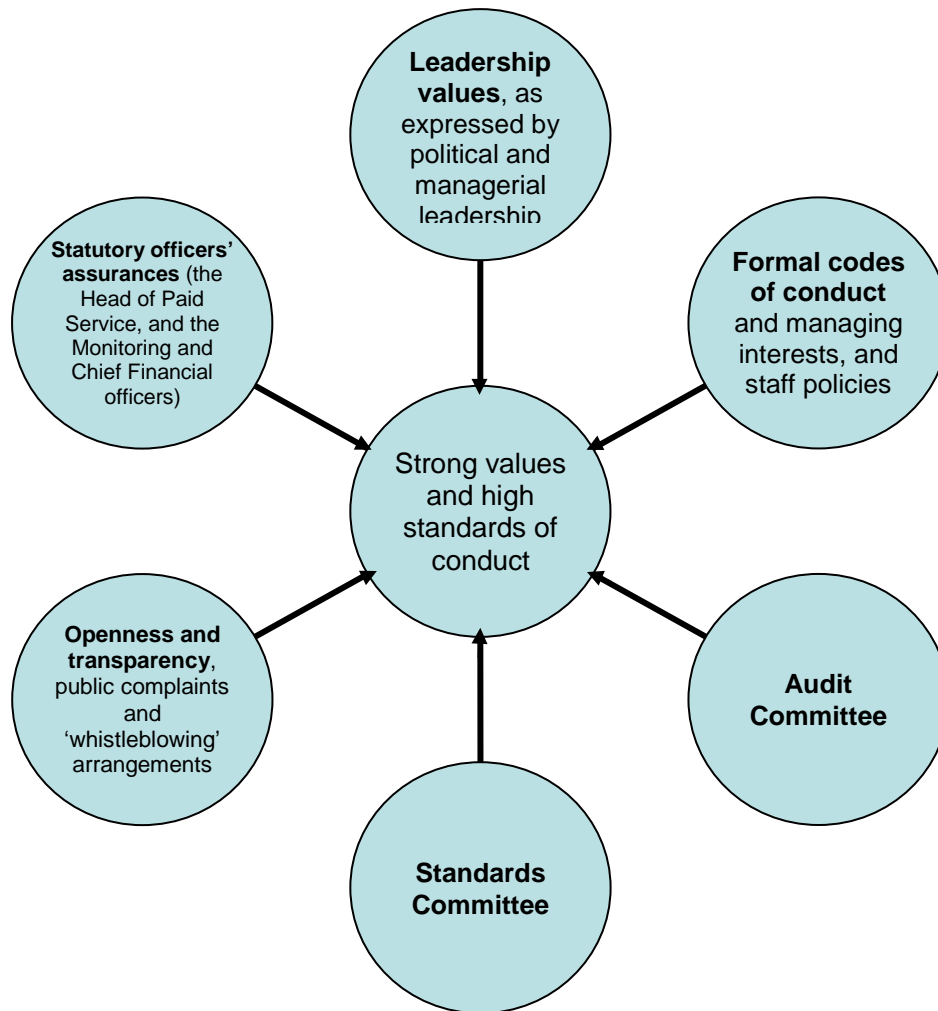
19. There is a further comment on the effectiveness of the constitution later in this statement.
20. The most effective way to deliver efficient and cost effective services is for officers and members to work together with our partners to agree and achieve a common goal. A number of working groups comprising officers and members have met during the year to steer and monitor progress of high profile projects and service delivery. All working groups have clear objectives which are set out in a terms of reference.
21. The creation of the Trading Enterprise Board (A sub-committee of cabinet) and the Ashford Strategic Delivery Board this year are good examples of the council's intention for members and officers to work collaboratively to deliver strategic priorities.
22. A new cabinet reporting process was introduced this year in order to underpin the principle above, which requires a greater involvement of Portfolio Holders and discussion with officers in the production of cabinet reports.

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 fres start and to realise our ambitions. We have every confidence that we can meet the challenges ahead.”³

23. Aside from the Constitution, the council promotes strong values and expectations of high standards in a variety of ways. The Code of Conduct for members is subject to on-going review and declarations of pecuniary interest for all members have been made available on the Council's website. 'The Good Practice Protocol' for councillors when handling planning matters, 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.

³ CExec Foreword to Focus 2013/2015



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

24. 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.
25. 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.
26. 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.

27. 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.
28. 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.
29. The requirement for a relevant procurement strategy was highlighted as an area for review last year. A procurement strategy is now in place and a corporate procurement role has been established. These developments will promote effective procurement across the council using innovative, transparent and consistent procurement methods. This approach was ratified by Cabinet in October 2013.

Principle 5 – effective capacity of members and officers

30. The council is committed to identifying and fulfilling the learning and development needs of members and officers. As community leaders, it is vital that our Councillors are supported to be as effective as possible. 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. A number of training and briefing sessions have been delivered during the year and these are detailed in a report to Cabinet each year by the Member Training Panel.
31. This year has seen the re-organisation of Portfolio Holder responsibilities and duties to more closely align them to the organisational structure of the Council and the introduction of Lead Members appointed to each Portfolio Holder to provide continuity and a wider inclusiveness.
32. There are further amendments to the constitution currently being considered in relation to a clearer definition of members' responsibilities and to improve the effectiveness of a co-ordinated approach to external communications with Government and other agencies. In addition, a greater clarity will be given in relation to individual and collective responsibility for media statements and political representation.
33. This year has also seen the introduction of forward planning sessions for Cabinet members. Facilitated by senior managers, these sessions keep

members informed and updated on current strategic issues in order to develop their capacity and effectiveness in informing the strategic direction of the authority. Regular Leader's briefings on relevant strategic issues and topics of interest given to all members aim to inform them about important and interesting matters happening in the Borough.

34. 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 high standards of professionalism in our staff. Planning is underway to review and develop our competency framework and all staff will have the opportunity to provide their views on this.
35. 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 manage transformations to deliver positive change outcomes.
36. In this respect we are developing our staff commitment and skills, and adopting new ways to develop more entrepreneurial approaches. The two council controlled companies have delivered successfully this year and are governed and monitored by the Trading and Enterprise Board, a committee of the Cabinet. The TEB also reviews and manages any significant identified risks of the companies and considers new business initiatives.

Principle 6 – robust public accountability and community engagement

37. Building on from the initial 'Have Your Say' borough-wide consultation in 2010-2011, the council has continued to develop and improve its engagement arrangements.

*"The establishment of a new Ashford Strategic Delivery Board will provide the appropriate delivery structure to enable the progression of key corporate priority projects to deliver improvements to Ashford, the creation of jobs and economic growth for the borough, whilst ensuring democratic accountability."*⁴

38. We have continued to consult and engage with residents and communities on a number of issues and projects and in a number of ways including:
 - Chilmington Green development – extensive community engagement in order to inform existing communities of development plans and to seek their views on proposals.
 - Repton Community Development – extensive consultation and stakeholder engagement in order to inform the services required from,

⁴ Cabinet Report on Creation of the Ashford Strategic Delivery Board: 10.10.13

and the shape of, the community facility.

- Brisley Farm Open Space – consultation with residents and local schools via local drop in sessions
- Continued extensive consultation through Plan it to inform the local plan and further consultations regarding site submissions
- Quarterly parish forums, of which urban community forums are full members.

39. The Annual Report introduced this year provides a user friendly and easy to read document which ensures residents, partners and stakeholders are informed of achievements made by the council and its key partners during the year, progress against the councils key priorities and the projects underpinning them. A financial summary is also included

Is the framework effective?

How we receive assurances

40. 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.



<p>Members/The Leader</p>	<p>During the course of the year the Cabinet, the Selection and Constitutional Review 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 to the structure of the cabinet and his plans for a deeper review of certain constitutional matters to ensure these are effective. These concern the need to clarify, reinforce and further develop the responsibilities and duties of members particularly regarding media relations and political representation.</p>
<p>Management</p>	<p>Management team has particularly maintained an organisational 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 has been implemented.</p>
<p>External Audit</p>	<p>A positive assurance to the council was received through the auditor's 2012-2013 Annual Audit Letter presented in December 2013.</p> <p>The letter gave an unqualified opinion on the accounts, an unqualified opinion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources and an unqualified opinion on the council's Whole of Government Accounts submission</p>
<p>Internal Audit</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 service is to examine and evaluate the adequacy of internal control within the council's various systems, procedures and processes. The results of internal audit's work provide an opinion on the overall effectiveness of the governance framework, including arrangements for risk management and internal control.</p> <p>Our internal audit service, provided through the Mid Kent partnership recently achieved accreditation under the Public Sector Internal Audit Standards through the Institute of Internal Auditors.</p> <p>The Head of Audit Partnership in his annual report concludes that substantial assurances may be placed by members on the council's internal controls.</p>

<p>Overview and Scrutiny Committee</p>	<p>The Committee carried out a full programme of review work, including a 'call-in' of a cabinet decision. Its work, summarised in the committee's Annual Report to the Full Council, has included an effective programme of budget scrutiny, a review of and recommendations (accepted by Cabinet) to further strengthen certain governance aspects concerning the arrangements for the council's trading companies, a review of communications and consultation plans, and consideration and input to some specific operational matters. Accordingly, its work has maintained the committee's role in contributing to reviewing and developing the effectiveness of the council's governance.</p>
<p>Audit Committee</p>	<p>The Committee was once again fully active during the year reviewing a range of governance issues. Its year commenced with the committee's members having a full briefing on major governance topics emanating from national work completed by the council's external audit company. Building on the outcomes the committee focused more specifically on particular matters of strategic risk included in the revised risk register, debating in some depth the appropriateness of the mitigation plans and helping to strengthen these where appropriate. Further, the committee continued to monitor progress with matters highlighted by the previous annual governance statement and in that connection received and agreed a new local code of corporate governance, as well as regular reports highlighting progress with other points raised in the statement. The chairmen of the Audit and the Overview and Scrutiny Committee also met to discuss their committees respective roles and inputs to contribute to effective governance and the delivery of the council's key objectives</p>
<p>Statutory Officers</p>	<p>Both the Monitoring Officer (Head of Legal and Democratic Services) and the Chief Financial Officer – Section 151 Officer (Deputy Chief Executive) report they consider their respective statutory responsibilities for providing assurance are well-supported by appropriate capacity and organisational arrangements. In particular, the council is satisfied that its arrangements for the Chief Financial Officer (CFO) allow the role to comply with the Chartered Institute of Public Finance and Accountancy's (CIPFA) 2010 Statement on the role of the CFO in local government.</p>

Residents	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 project delivery and 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

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

- a) The Leader's proposal for a further review of some aspects of the constitution to provide a clearer definition of member's responsibilities.
- b) Managing the risks of borrowing and income generation

Conclusion

42. 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 two 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 No: 8
Report To: **Audit Committee**



Date: **26 June 2014**

Report Title: **Anti-Fraud and Corruption Strategy**

Portfolio Holder: Portfolio Holder for Resource Management and Control,
Graham Galpin

Report Author: Head of Personnel, Michelle Pecci
Personnel Projects Officer, Susanna Aiano
Head of Finance, Ben Lockwood
Investigations Manager, Hannah Davies
Policy and Performance Officer, Nicholas Clayton

Summary:

This report provides a 'suite' of updated policies which, when taken together, review and strengthen the council's approach to tackling fraud, corruption and money-laundering whilst providing a framework for officers to speak up about concerns they might have regarding the organisation.

1. Anti-fraud and corruption

A strong anti-fraud and anti-corruption culture, alongside an effective strategy is a key part of good Corporate Governance. The council is committed to the prevention, deterrence, detection and investigation of all forms of fraud and corruption at all levels of its activity. The council will seek to prosecute or apply other appropriate sanctions to perpetrators of fraud and corruption.

2. Money Laundering

This policy enables employees and Members to respond to any concerns they have regarding money laundering in the course of their dealings for the council, giving them avenues to report such concerns to the designated Money Laundering Reporting Officer (Head of the Internal Audit Partnership).

3. Whistleblowing

The 'Speaking Up' policy (also known as Whistleblowing) has been updated in accordance with best practice and the Enterprise and Regulatory Reform Act (ERRA) that came into effect last year.

It is now no longer a requirement for a disclosure to be made in 'good faith' for it to be protected, but it is now a requirement that a disclosure is made 'in the public interest' (stopping employees raising concerns about breaches of their own contract of employment).

4. Bribery

The Bribery Act was introduced in 2010 and, amongst other responsibilities, it places a legal duty on the council to prevent bribery in its actions, processes and procedures.

Key Decision:	NO
Affected Wards:	ALL
Recommendations:	Audit Committee is asked to consider the ‘suite’ of policies in this report, and recommend to Council that it adopts the policies enclosed
Policy Overview:	This suite of policies complements other council strategies and policies which are aimed at promoting the highest standards of conduct and behaviour in all activities. In particular, these documents complement the Code of Conduct and Financial Regulations in seeking to minimise the potential for actual fraud and corruption.
Financial Implications:	None specifically arising from the report, but the detection and prevention of fraud, corruption and other malpractice is essential to the efficient and effective management (financial or otherwise) of the organisation.
Risk Assessment	Yes
Equalities Impact Assessment	Yes
Portfolio Holders Comments	Although this report contains four very distinct policies, when taken together they provide an update and strengthening of the council’s commitment to tackling fraud, corruption, money-laundering and bribery – key underpinnings of a professional, effective and trustworthy public body. Importantly, the ‘Speaking Up’ policy also provides an important and necessary mechanism whereby officers can speak up about concerns they might have about the organisation. I therefore support and approve of the policies included.
Contacts:	Head of Personnel, Michelle Pecci Personnel Projects Officer, Susanna Aiano Head of Finance, Ben Lockwood Investigations Manager, Hannah Davies Policy and Performance Officer, Nicholas Clayton Nicholas.clayton@ashford.gov.uk – Tel: (01233 330208)

Report Title: Anti-Fraud and Corruption Strategy

Purpose of the Report

1. To provide the Audit Committee with a 'suite' of revised policies which, when taken together, review and strengthen the council's approach to tackling fraud, corruption and money-laundering whilst providing a framework for officers to speak up about concerns they might have regarding the organisation.
2. There are four distinct, but interconnected, policies which have been individually reviewed and updated by officers, being the council's –
 - i. Anti-fraud and Corruption Strategy
 - ii. Money Laundering Policy
 - iii. 'Speaking Up' Policy (also known as Whistleblowing)
 - iv. Bribery Act Policy Statement

Issue to be Decided

3. For the Audit Committee to consider the four interconnected policies in this report, and recommend to council that it adopts the policies enclosed.

Background

4. These policies complement other council policies which are aimed at promoting the highest standards of conduct and behaviour in all activities. In particular, these documents complement the Code of Conduct and Financial Regulations in seeking to minimise the potential for actual fraud and corruption.
5. The council recognises that an anti-fraud and corruption culture is essential if a strong control framework is to be adhered to. It is determined that the culture and tone of the organisation promotes honesty, and opposition to fraud and corruption, whereby fraud and corruption are not tolerated or perpetrated.
6. The council is committed to the highest ethical and moral standards and to openness and accountability. Elected Members and employees at all levels are therefore expected to share in this commitment by leading by example in ensuring adherence to all council regulations, procedures, practices and codes of conduct. The council expects individuals and organisations with which it comes into contact, to act honestly and without intent to commit fraud or corruption.
7. These documents aim to provide compliance through "business as usual", rather than as a one-off exercise. To this end the council has control systems in place designed to ensure the legitimacy of expenditure, the security of assets and income, the reliability of management information, and the accuracy of financial and other records. Within these systems are procedures

which control the authorisation of transactions, ensure that duties and responsibilities are clearly segregated, provide internal checks, safeguard assets and regulate their proper use.

8. Effective strategies in this area are a key part of good Corporate Governance, with the council directing and controlling its business with openness, integrity and accountability. The council is therefore committed to strategies which are designed to:
 - Encourage prevention
 - Promote detection
 - Identify a clear pathway for investigation and remedial action.
9. The council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies including:
 - The Local Government Ombudsman
 - The council's External Auditor
 - Her Majesty's Revenue and Customs
 - The Department for Work and Pensions
 - Other Central Government Departments
 - Auditors of organisations for whom the council acts as agent
 - Auditors of organisations that provide specific funding for the council, such as European funding organisations.
10. This report includes four policy documents which, although distinct, overlap and reinforce the council's commitment to the principles above.

Anti-Fraud and Corruption

11. The council is committed to the highest ethical and moral standards and to openness and accountability. Elected Members and employees at all levels are therefore expected to share in this commitment by leading by example in ensuring adherence to all council regulations, procedures, practices and codes of conduct.
12. Where appropriate, the council will co-operate with other organisations, agencies and local authorities in countering fraud and corruption. This strategy also extends to any agents, contractors or not-for-profit organisations working on the council's behalf. The council will not knowingly enter into any contractual agreement with an organisation that fails to comply with its codes of practice and/or other related procedures. In order to ensure that any organisations working on the council's behalf uphold the council's standards, appropriate clauses in respect of honesty, accountability and probity are included in tender documents, service level agreements or any other relevant documentation.
13. A key element to preventing fraud and corruption is recruitment, with due regard being given to the previous record of potential employees in terms of propriety and integrity. Recruitment procedures for all employees, including temporary and contract staff, must therefore be in accordance with the procedures adopted by the council.

14. It is the responsibility of Heads of Service to prevent and detect fraud and corruption. However, it is often the alertness of employees and the public that enables detection to occur and the appropriate action to take place. Any member of staff who has concerns regarding any circumstance which may suggest the possibility of irregularity or loss of any kind should raise those concerns with their Head of Service. The Head of Service shall immediately notify the Head of the Internal Audit Partnership.
15. The Head of the Internal Audit Partnership shall inform the relevant Head of Service if any subsequent investigation identifies evidence of a financial irregularity or any other unacceptable behaviour on the part of a member of their staff. In the event that the investigation produces evidence of illegal acts, the presumption will be that the matter will be referred to the police. Referral to the police will not prohibit action under the council's Disciplinary Procedure.
16. Where an investigation indicates fraud or corruption, the council will seek:
 - a. Recovery wherever appropriate
 - b. To prosecute or apply other sanctions to perpetrators

Anti-Money Laundering

17. Money laundering describes offences involving the integration of the proceeds of crime, or terrorist funds, into the mainstream economy.
18. Although not a legal requirement, the council has also developed formal client identification procedures which must be followed when council land or property is being sold. These procedures require individuals and if appropriate, companies to provide proof of identity and current address.
19. Where officers know or suspect that money laundering activity is taking/has taken place, they must disclose this as soon as practicable to the Money Laundering Reporting Officer MLRO (Head of the Internal Audit Partnership).
20. The MLRO will consider the report and any other available internal information they think is relevant, for example:
 - a. reviewing other transaction patterns and volumes;
 - b. the length of any business relationship involved;
 - c. the number of any one-off transactions and linked one-off transactions;
 - d. any identification evidence held;
21. The MLRO will undertake such other reasonable inquiries they think appropriate in order to ensure that all available information is taken into account in deciding whether a report onwards.
22. Officers considered likely to be exposed to suspicious situations, will be made aware of these by their senior officer and provided with appropriate training.
23. Additionally, all employees and Members will be familiarised with the legal and regulatory requirements relating to money laundering and how they affect both the council and themselves.

'Speaking Up' Policy (Whistleblowing)

24. The 'Speaking Up' policy (also known as Whistleblowing) has been updated in accordance with best practice and the Enterprise and Regulatory Reform Act (ERRA) that came into effect last year (amending the Public Interest Disclosure Act 1998).
25. The most prominent change to note under the Act is that it is no longer a requirement for a disclosure to be made in 'good faith' for it to be protected. Tribunals will however have the discretion to reduce compensation by up to 25% for detriment or dismissal if the disclosure was not made in good faith. Awards are currently uncapped and based on losses suffered.
26. It is however now a requirement that a disclosure is made 'in the public interest' for it to be protected (to stop employees raising concerns about breaches of their own contract of employment under this legislation).
27. Other changes to highlight are that employers can be held vicariously liable for employees that are harassed or victimised as a result of making a disclosure, unless they can show they took reasonable steps to prevent this treatment. Personal liability has also been introduced for the person that is carrying out the victimisation.
28. In line with best practice, the following changes are also recommended:
 - a. That staff are encouraged to raise other matters that they are concerned about that are not specifically covered under the Act, for example unauthorised use of council funds and property, waste/frivolous expenditure or other unethical conduct.
 - b. That disclosures are acknowledged within five working days with a fuller response within ten working days (all correspondence being sent to the home address). The acknowledgement should also contain a written statement of what the concern is understood to be if raised verbally.
 - c. That a central record of concerns raised under the policy is held by the Head of the Internal Audit Partnership
 - d. That the council's Disciplinary Policy be amended to include instances where:
 - i. A member of staff is deterred from raising a concern (whether by colleagues or management)
 - ii. A member of staff that has made a disclosure is harassed or victimised because of this
 - iii. It is felt that a disclosure has been made that is vexatious, malicious or done for personal gain
29. It should be noted that unlike other pieces of employment law, there is no minimum qualifying period of service required to apply the protection of the Act.
30. A training programme is being devised to refresh the knowledge and skills of managers applying this suite of policies. As part of the communication plan for

all staff a leaflet will be designed to encourage 'Speaking Up' in accordance with the policy. This leaflet will also be included in new starter packs.

Bribery Act (Policy Statement)

31. Bribery is a criminal offense. The council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor does it accept bribes or improper inducements. To use a third party as a conduit to channel bribes to others is a criminal offence.
32. It is therefore unacceptable:
 - a. to give, promise to give, or offer a payment, gift, hospitality or other advantage with the intention that a business advantage will be received, or to reward a business advantage already given
 - b. to give, promise to give, or offer a payment, gift, hospitality or other advantage to a government official, agent or representative to "facilitate" or expedite a routine procedure
 - c. to request or accept a payment, gift, hospitality or other advantage from a third party with the intention that you or someone else will then provide a business advantage to that third party
 - d. for you or someone else you asked or someone else with your approval to provide a business advantage to a third party in anticipation of or as a consequence of requesting or accepting a payment, gift, hospitality or other advantage from that third party
 - e. to request or accept a payment, gift, or hospitality or other advantage from a third party in return for having provided a business advantage to that third party
33. Within the organisation, the responsibility to control the risk of bribery occurring resides at all levels of the organisation. It does not rest solely within assurance functions, but in all business units and corporate functions.
34. The council has a 'zero-tolerance' approach to bribery (as set out in the Bribery Act 2010) and has procedures in place to prevent bribery, such as:
 - a. Obliging Members and employees to declare specified gifts and hospitality
 - b. Allocating council housing to people on the waiting list based on published criteria with the decision made by a manager rather than the case officer
35. Any staff wishing to raise concerns regarding bribery are required to refer allegations of bribery to one of the following:
 - a. A senior manager,
 - b. The Chief Executive
 - c. The Section 151 Officer
 - d. The Head of the Internal Audit Partnership
 - e. The Head of Legal Services
 - f. The Head of Personnel & Development

Handling

36. This report has been sent to Unison and considered by the Joint Consultative Committee in preparation for the Audit Committee. Both are happy with its contents.

Risk Assessment

37. If the council does not put in place robust frameworks to detect, prevent and allow the reporting of concerns regarding fraud, corruption or other malpractice then there is a risk to the wider governance and effectiveness of the organisation. These policies, when taken together, update and strengthen the council's corporate response to the overarching issue of fraud and corruption.

Equalities Impact Assessment

38. The policies contained within this report are concerned with *processes* which strengthen the prevention, detection and reporting of concerns relating to activities prohibited by law. As such, there are no negative impacts on people with protected characteristics resulting from them. Indeed, updating the council's 'Speaking Up' policy provides clearer guidance for staff that any concerns they might have will be dealt with in a fair and transparent manner.

Portfolio Holder's Views

39. Although this report contains four very distinct policies, when taken together they provide an update and strengthening of the council's commitment to tackling fraud, corruption, money-laundering and bribery – key underpinnings of a professional, effective and trustworthy public body. Importantly, the 'Speaking Up' policy also provides an important and necessary mechanism whereby officers can speak up about concerns they might have about the organisation. I therefore support and approve of the policies included.

Contact: Policy and Performance Officer, Nicholas Clayton

Email: Nicholas.clayton@ashford.gov.uk

Anti-Fraud and Corruption Strategy

40 Introduction

- 40.1 The council will not tolerate any form of fraud and corruption from within the council, from external organisations, or from individuals. The council is committed to the prevention, deterrence, detection and investigation of all forms of fraud and corruption at all levels of its activity including (but not limited to) housing benefit, council tax, housing tenancy and election fraud. The council will seek to prosecute or apply other appropriate sanctions to perpetrators of fraud and corruption.
- 40.2 In this strategy, fraud and corruption are defined as **Fraud** being: ‘the intentional distortion of financial statements or other records by persons internal or external to the council which is carried out to conceal the misappropriation of assets or otherwise for gain’. **Corruption** can generally be described as “the abuse of entrusted power for private gain”. Corruption can be classified as ‘grand’, ‘petty’ and ‘political’, depending on the amounts of money lost and the sector where it occurs.
- 40.3 ‘Grand’ corruption consists of acts committed at a high governmental level that distort policies or the central functioning of the organisation.
- 40.4 ‘Petty’ corruption refers to everyday abuse of entrusted power by low- and mid-level public officials in their interactions with residents.
- 40.5 ‘Political’ corruption is a manipulation of policies, institutions and rules of procedure in the allocation of resources and financing by political decision makers.
- 40.6 Importantly, although corruption may manifest in individual acts of bribery, fraud or other illegal activities, it is often more wide-ranging and systemic in nature.
- 40.7 This strategy complements other council strategies and policies which are aimed at promoting the highest standards of conduct and behaviour in all activities. In particular, this Strategy complements the Code of Conduct and Financial Regulations in seeking to minimise the potential for actual fraud and corruption. These strategies, policies and procedures include the Bribery Act Policy Statement, Money Laundering policy and ‘Speaking Up’ policy.
- 40.8 An effective Anti-Fraud and Corruption Strategy is a key part of good Corporate Governance, with the council directing and controlling its business with openness, integrity and accountability. The council is therefore committed to an Anti-Fraud and Corruption Strategy which is designed to:
- Encourage prevention
 - Promote detection
 - Identify a clear pathway for investigation and remedial action.
- 40.9 The council is also aware of the high degree of external scrutiny of its affairs by a variety of bodies including:

- The Local Government Ombudsman
- The council's External Auditor
- Her Majesty's Revenue and Customs
- The Department for Work and Pensions
- Other Central Government Departments
- Auditors of organisations for whom the council acts as agent
- Auditors of organisations that provide specific funding for the council, such as European funding organisations.

41 Culture and Stance against Fraud and Corruption

- 41.1 The council recognises that an anti-fraud and corruption culture is essential if a strong control framework is to be adhered to. It is determined that the culture and tone of the organisation promotes honesty and opposition to fraud and corruption, whereby fraud and corruption are not tolerated or perpetrated.
- 41.2 The council is committed to the highest ethical and moral standards and to openness and accountability. Elected Members and employees at all levels are therefore expected to share in this commitment by leading by example in ensuring adherence to all council regulations, procedures, practices and codes of conduct. The council expects individuals and organisations with which it comes into contact, to act honestly and without intent to commit fraud or corruption against it.
- 41.3 Very often members of the public will become aware of instances of fraud and are encouraged to come forward and give information. There is guidance on how to raise concern on the council's website www.ashford.gov.uk/benefit-fraud.
- 41.4 Employees are usually the first to be aware of a suspected malpractice. The council has therefore introduced a Whistleblowing Policy ('Speaking Up') for its employees which is designed to:
- Support and protect whistleblowers from reprisals or recrimination
 - Protect the confidentiality of the whistleblower
 - Encourage staff to raise their concerns
 - Inform the whistleblower of the action being taken
 - Protect against malicious and false allegations
- 41.5 The council's elected Members and employees are an important element in its stance on fraud and corruption. The council's Whistleblowing Policy actively encourages elected Members and employees to raise concerns in confidence without fear of reprisals or victimisation so that they can be investigated properly and fairly. All matters raised will be:
- treated in confidence
 - properly investigated, and
 - dealt with impartially
- 41.6 Senior management are expected to deal swiftly and firmly with those who defraud the council or who are corrupt.

42 Prevention

42.1 Where appropriate, the council will co-operate with other organisations, agencies and local authorities in countering fraud and corruption. Arrangements are in place and continue to be developed to exchange information between the council and other agencies on national and local fraud and corruption activity in relation to local authorities. The council liaises with, amongst others:

- Kent Financial Officers Association
- Kent Audit Group
- Audit Commission (particularly in relation to the National Fraud Initiative)
- Department of Work & Pensions
- Police

42.2 There are four dimensions essential to the overall process for the prevention of fraud and corruption:

- Elected Members
- Officers, Agents and Contractors
- Systems of Governance and Control
- The council's Standards Committee and the Audit Committee

43. Elected Members

43.1. Elected Members are required to operate within:

- National Code of Local Government Conduct
- Sections 94-96 of the Local Government Act 1972
- Local Authorities Members' Interests Regulations 1992 (S.I.618)
- Ashford Borough Council's Standing Orders and Code of Conduct for Members.

44. Employees, Agents and Contractors

44.1. A key element to preventing fraud and corruption is recruitment with due regard being given to the previous record of potential employees in terms of propriety and integrity. Recruitment procedures for all employees, including temporary and contract staff, must therefore be in accordance with the procedures adopted by Ashford Borough Council.

44.2. Each employee is governed in their work by the council's Contract Rules, Financial Rules and by the council's Employees' Code of Conduct. Copies of other policies relevant to employees are available on the internal intranet.

44.3. This strategy also extends to any agents, contractors or not-for-profit organisations working on the council's behalf. The council will not knowingly enter into any contractual agreement with an organisation that fails to comply with its codes of practice and/or other related procedures. Prior to engagement therefore, steps will be taken to establish, as far as possible, the track record of such organisations in this respect. This includes where the council may be acting in collaboration with other organisations.

44.4. In order to ensure that any organisations working on the council's behalf uphold the council's standards, appropriate clauses in respect of honesty, accountability and probity are included in tender documents, service level agreements or any other relevant documentation.

45. Systems of Governance and Control

45.1. The Deputy Chief Executive has a statutory duty, under Section 151 of the Local Government Act 1972, to ensure the proper administration of the council's financial affairs.

45.2. The council has control systems in place designed to ensure the legitimacy of expenditure, the security of assets and income, the reliability of management information, and the accuracy of financial and other records. Within these systems are procedures which control the authorisation of transactions, ensure that duties and responsibilities are clearly segregated, provide internal checks, safeguard assets and regulate their proper use.

46. The Council's Standards Committee and the Audit Committee

46.1. The role and functions of the council's Standards Committee are contained within the council's constitution. It is responsible amongst other things for:

- Advice to the Council on the adoption or revision of the Code of Conduct, the Protocol for Member/Officer Relations
- Monitoring the operation of the Authority's Code of Conduct
- Overseeing the council's Whistleblowing regime in relation to Members.

46.2. The Terms of Reference for the Audit Committee require the committee to consider/monitor or advise on appropriate regulatory policies including the Anti-Fraud and Corruption Strategy and Whistle Blowing Policy in the context of officers.

47 Detection and Investigation

47.1 The various internal control systems within the council help to provide indicators of, or deter, any fraudulent activity.

47.2 It is the responsibility of Heads of Service to prevent and detect fraud and corruption. However, it is often the alertness of employees and the public that enables detection to occur and the appropriate action to take place.

47.3 The proper reporting of suspected irregularities is essential to the Anti-Fraud and Corruption Strategy, as it facilitates:

- The consistent treatment of information regarding fraud and corruption
- Proper investigation by suitably experienced, qualified professional staff
- Proper implementation of a fraud response investigation plan.

47.4 Any member of staff who has concerns regarding any circumstance which may suggest the possibility of irregularity or loss of any kind shall raise those concerns with their Head of Service. The Head of Service shall immediately notify the Head of Audit Partnership.

- 47.5 The Head of Audit Partnership shall inform the relevant Head of Service if any subsequent investigation identifies evidence of a financial irregularity or any other unacceptable behaviour on the part of a member of their staff.
- 47.6 In the event that the investigation produces evidence of illegal acts, the presumption will be that the matter will be referred to the police. Prior to referral to the police, the Audit Partnership will seek the endorsement of the council's Section 151 Officer and the Monitoring Officer to the proposed course of action.
- 47.7 Referral to the police will not prohibit action under the Disciplinary Procedure. Once referred to the police, the decision to proceed to prosecution is with the police and the Crown Prosecution Service.
- 47.8 The council recognises that the submission of incorrect or incomplete information by an individual or individuals in order to fraudulently obtain housing, council tax discounts or social housing will not be tolerated and will be given to preparing cases for prosecution.

48 Recovery and Sanctions

- 48.1 Where an investigation indicates fraud or corruption, the council will seek:
- Recovery wherever appropriate
 - To prosecute or apply other sanctions to perpetrators
- 48.2 Where fraud or corruption by employees is indicated, and where the Head of Personnel & Development considers it appropriate, action will be taken in accordance with the council's disciplinary procedures. This may be in addition to any recovery action or sanctions.

49 Keeping the strategy timely and relevant

- 49.1 This Anti-Fraud and Corruption Strategy will be reviewed and updated in the light of new legislative and professional and technological developments.
- 49.2 Access to this Strategy shall be achieved by:
- Availability on the council's Intranet and Internet facilities
 - Individual circulation to the Chief Executive and Heads of Service
 - Inclusion in the Members' Library
- 49.3 In order to raise awareness of the strategy and fraud and corruption in general, the council will, in conjunction with other agencies, actively promote regular publicity campaigns. It will also issue instructions aimed at encouraging fraud awareness and reminding individuals of their responsibilities, and will publicise the methods of reporting suspected irregularities, e.g. whistle-blowing arrangements.
- 49.4 Where appropriate, the council will publicise the results of any investigations in order to promote awareness, to deter, and to demonstrate the need for preventative measures.

Anti-Money Laundering Policy

50 Introduction

50.1 Ashford Borough Council is committed to the highest possible standards of conduct and has, therefore, put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

51 Scope of the Policy

51.1 This policy applies to all employees, whether permanent or temporary, and Members of the council.

51.2 Its aim is to enable employees and Members to respond to a concern they have in the course of their dealings for the council. Individuals who have a concern relating to a matter outside work should contact the police.

52 Definition of Money Laundering

52.1 Money laundering describes offences involving the integration of the proceeds of crime, or terrorist funds, into the mainstream economy. Such offences are defined under the Proceeds of Crime Act 2002 as the following 'prohibited acts':

- Concealing, disguising, converting, transferring or removing criminal property from the UK
- Becoming involved in an arrangement which an individual knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- Acquiring, using or possessing criminal property
- Doing something that might prejudice an investigation e.g. falsifying a document
- Failure to disclose one of the offences listed in a) to c) above, where there are reasonable grounds for knowledge or suspicion
- Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation

52.2 A full definition is attached at **Appendix 1**.

53 Requirements of the Money Laundering Legislation

53.1 The main requirements of the legislation are to:

- Appoint a money laundering reporting officer (Head of Audit Partnership)
- Maintain client identification procedures in certain circumstances
- Implement a procedure to enable the reporting of suspicions of money laundering
- Maintain record keeping procedures

54 Background – Legislation and Regulations relating to Money Laundering

ACT	Description	Impact on Local Authorities	Details
Financial Services and Markets Act 2000	Defines relevant /regulated business activities	HIGH	Clarifies the fact that council activities fall outside the relevant activities specified for the purpose of money laundering regulations
Statutory Instrument 2001 no. 544	Specifies the types of regulated activity.	MEDIUM	Councils deposit taking and mortgage operations are exempt from the direct money laundering regulations.
Statutory Instrument 2001 no. 1177	Identifies and distinguishes regulated activities from unregulated activities	HIGH	This Order makes provision as to circumstances in which persons are, or are not, to be regarded as carrying on regulated activities by way of business for the purposes of the Financial Services and Markets Act 2000.
Statutory Instrument 2001 no. 1201	Exempts local authorities in respect of accepting deposits.	HIGH	Exempts local authorities in respect of accepting deposits, therefore in that respect they are not required to carry out regulated activities.
Money Laundering Regulations 2007	Apply to relevant /regulated business as defined in paragraph 3 of the ML Regulations	MEDIUM	This updates the Money Laundering Regulations 2003 with updated provisions on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing.
Statutory Instrument 2003 no. 3075	The provisions updated in S1 3075 do not significantly change the council's existing money laundering responsibilities.	LOW	These Regulations replace the Money Laundering Regulations 1993 and 2001 with updated provisions which reflect Directive 2001/97/EC of the European Parliament and of the council amending council Directive 91/308/EEC on prevention of the use of the financial system for the purpose of money laundering.

ACT	Description	Impact on Local Authorities	Details
Terrorism Act 2000, the Anti-terrorism, Crime and Security Act 2001 & the Proceeds of Crime Act 2002	Initiated direct council employee responsibilities, which will require their wider practices, which in part clarify council Money Laundering procedures	HIGH	Councils may not directly fall under the Money Laundering Regulations, (other than TMP requirements) but individual officers will need in practice to develop and implement the Money laundering regulatory requirements. Crime areas, e.g. housing benefit require consideration within the control system.

54.1 Further details on money laundering and how it relates to Ashford Borough council and its employees can be found in **Appendix 1**.

55 Client Identification Procedures

55.1 Although not a legal requirement, the council has developed formal client identification procedures which must be followed when council land or property is being sold. These procedures require individuals and if appropriate, companies to provide proof of identity and current address.

55.2 Further details can be found in **Appendix 2**.

55.3 All personal data collected must be kept in compliance with the Data Protection Act.

56 The Money Laundering Reporting Officer (MLRO)

56.1 The council has designated the **Head of the Audit Partnership** as the Money Laundering Reporting Officer (MLRO). He can be contacted on **(01233) 330442** or at **Richard.Clarke@ashford.gov.uk**. In the absence of the MLRO or in instances where it is suspected that the MLRO themselves are involved in suspicious transactions, concerns should be raised with the Section 151 Officer.

57 Reporting Procedure for Suspicions of Money Laundering

57.1 Where you know or suspect that money laundering activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under the Act, you must disclose this as soon as practicable to the MLRO. The disclosure should be within “hours” of the information coming to your attention, not weeks or months later.

57.2 Your disclosure should be made to the MLRO using the disclosure report, available in **Appendix 3**. The report must include as much detail as possible including:

- Full details of the people involved
- Full details of the nature of their/your involvement.
- The types of money laundering activity involved
- The dates of such activities
- Whether the transactions have happened, are ongoing or are imminent;
- Where they took place;
- How they were undertaken;
- The (likely) amount of money/assets involved;
- Why, exactly, you are suspicious.

57.3 Along with any other available information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable him to prepare his report to the National Crime Agency (NCA), where appropriate. You should also enclose copies of any relevant supporting documentation.

57.4 If you are concerned that your involvement in the transaction would amount to a prohibited act under sections 327 – 329 of the Act, then your report must include all relevant details, as you will need consent from the NCA, via the MLRO, to take any further part in the transaction - this is the case even if the client gives instructions for the matter to proceed before such consent is given. You should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline.

57.5 Once you have reported the matter to the MLRO you must follow any directions he may give you. You must **NOT** make any further enquiries into the matter yourself: any necessary investigation will be undertaken by the NCA. Simply report your suspicions to the MLRO who will refer the matter on to the NCA if appropriate. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.

57.6 Similarly, at no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering, even if the NCA has given consent to a particular transaction proceeding, without the specific consent of the MLRO; otherwise you may commit a criminal offence of “tipping off”.

57.7 Do not, for example, make any reference on a client file to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

58 Consideration of the disclosure by the Money Laundering Reporting Officer

58.1 Upon receipt of a disclosure report, the MLRO must note the date of receipt on his section of the report and acknowledge receipt of it, advising you of the timescale within which they expects to respond to you.

- 58.2 The MLRO will consider the report and any other available internal information they think is relevant, for example:
- reviewing other transaction patterns and volumes;
 - the length of any business relationship involved;
 - the number of any one-off transactions and linked one-off transactions;
 - any identification evidence held;
- 58.3 The MLRO will undertake such other reasonable inquiries they think appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.
- 58.4 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:
- there is actual or suspected money laundering taking place; or
 - there are reasonable grounds to know or suspect that is the case; and whether they need to seek consent from the NCA for a particular transaction to proceed.
- 58.5 Where the MLRO does so conclude, then they must disclose the matter as soon as practicable to the NCA on their standard report form and in the prescribed manner.
- 58.6 Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, then they must note the report accordingly; then give their consent for any ongoing or imminent transactions to proceed.
- 58.7 In cases where legal professional privilege may apply, the MLRO must liaise with the Section 151 Officer to decide whether there is a reasonable reason for not reporting the matter to the NCA.
- 58.8 Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.
- 58.9 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then they shall mark the report accordingly and give his consent for any ongoing or imminent transaction(s) to proceed.
- 58.10 All disclosure reports referred to the MLRO and reports made by him to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.
- 58.11 The MLRO commits a criminal offence if they know or suspect, or has reasonable grounds to do so, through a disclosure being made to him, that another person is engaged in money laundering and they do not disclose this as soon as practicable to the NCA.

59 Training

- 59.1 Officers considered likely to be exposed to suspicious situations, will be made aware of these by their senior officer and provided with appropriate training.
- 59.2 Additionally, all employees and Members will be familiarised with the legal and regulatory requirements relating to money laundering and how they affect both the council and themselves.
- 59.3 Notwithstanding the paragraphs above, it is the duty of officers and Members to report all suspicious transactions whether they have received their training or not.

60 Review

- 60.1 This policy will be reviewed every two years.

June 2014

PROCEEDS OF CRIME (ANTI-MONEY LAUNDERING) –ASHFORD BOROUGH COUNCIL’S AND YOUR OWN PERSONAL RESPONSIBILITIES

PURPOSE

These notes are important. They are designed to help you familiarise yourself with the legal and regulatory requirements relating to money laundering, as they affect both the organisation and you personally.

WHAT IS MONEY LAUNDERING?

Money laundering is the term used for a number of offences involving the proceeds of crime or terrorist funds. The following acts constitute the act of money laundering:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, or from Scotland, or from Northern Ireland;
- becoming concerned in an arrangement in which someone knowingly or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
- becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property (section 18 of the Terrorist Act 2000).
- acquiring, using or possessing criminal property.

Although the term ‘money laundering’ is generally used when describing the activities of organised crime – for which the legislation and regulations were first and foremost introduced – to most people who are likely to come across it or be affected by it, it involves a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

‘Criminal property’ is defined very widely in the law relating to money laundering. It includes not only the proceeds of crime committed by somebody else, but also possession of the proceeds of an individual’s own crime – for example, the retention of monies from non-payment of income tax. It does not matter how small the amount of money involved is. It also includes the proceeds of crimes that take place abroad.

Activities that could be indicative of money Laundering are:

- Payment of a substantial sum in cash (over £2,500). (See Appendix 3 on procedures which apply to anyone accepting large sums of money for the council)
- A secretive client: e.g. refuses to provide requested information without a reasonable explanation;
- Concerns about the honesty, integrity, identity or location of a client (much of this type of activity is from abroad such as countries within the former soviet bloc).
- Illogical third party transactions: unnecessary routing or receipt of funds from third parties or through third party accounts;
- Involvement of an unconnected third party without logical reason or explanation;
- Substantial overpayments by a client;

- Large unsolicited payments in advance or deposits, which may ultimately need to be returned;
- Absence of an obvious legitimate source of the funds;
- Movement of funds overseas, particularly to a higher risk country or tax haven;
- Where, without reasonable explanation, the size, nature and frequency of transactions or instructions (or the size, location or type of a client) is out of line with normal expectations;
- A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or irrational;
- Requests for release of client account details other than in the normal course of business;
- Companies and trusts: extensive use of corporate structures and trusts in circumstances where the client's needs are inconsistent with the use of such structures;
- Poor business records or internal accounting controls;

WHAT LAWS EXIST TO CONTROL MONEY LAUNDERING?

In recent years, new laws have been passed which shift significantly the burden for identifying acts of money laundering away from government agencies and more towards organisations and their employees. They prescribe potentially very heavy penalties, including imprisonment, for those who are convicted of breaking the law. These laws are important and a list of them appears at the end of these notes, together with a list of useful websites.

WHAT IS THIS ORGANISATION'S POLICY ON MONEY LAUNDERING?

Our policy is to do all we can to prevent, wherever possible, the organisation and its staff being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements, especially with regard to the reporting of actual or suspected cases. We cannot stress too strongly, however, that it is every member of staff's responsibility to be vigilant.

The organisation has nominated the Head of Finance, to be responsible for the coordination of anti-money laundering measures within the organisation.

WHAT ARE THE MAIN MONEY LAUNDERING OFFENCES?

There are three principal offences – concealing, arranging, and acquisition/use/possession. These are dealt with under sections 327 to 329 of the Proceeds of Crime Act 2002.

Concealing (s.327) is where someone knows or suspects a case of money laundering, but conceals or disguises its existence. Arranging (s.328) is where someone involves himself or herself in an arrangement to assist in money laundering. Acquisition (etc) (s.329) is where someone seeks to benefit from money laundering by acquiring, using or possessing the property concerned.

There are also two 'third party' offences – failure to disclose one of the three principal offences, and 'tipping-off'. Tipping off is where someone informs a person or people who are, or are suspected of being, involved in money laundering, in such a way as to reduce the likelihood of their being investigated, or prejudicing an investigation.

All the money laundering offences may be committed by an organisation or by the individuals working for it.

WHAT ARE THE IMPLICATIONS FOR THE COUNCIL AND ITS STAFF?

The council has accepted the responsibility to ensure that those of its staff who are most likely to be exposed to money laundering can make themselves fully aware of the law and, where necessary, are suitably trained. The council has also implemented procedures for reporting suspicious transactions and, if necessary, making an appropriate report to the National Criminal Agency (NCA).

The consequences for staff or committing an offence are potentially very serious. Whilst it is considered most unlikely that a member of staff would commit one of the three principal offences, the failure to disclose a suspicion of a case of money laundering is a serious offence in itself, and there are only very limited grounds in law for not reporting a suspicion.

Whilst stressing the importance of reporting your suspicions, however, you should understand that failure to do so is only an offence if your suspicion relates, in the event, to an actual crime.

WHAT ARE THE PENALTIES?

Money laundering offences may be tried at a magistrate's court or in the Crown Court, depending on the severity of the suspected offence. Trials at the former can attract fines of up to £5,000, up to six months in prison, or both. In a Crown Court, fines are unlimited, and sentences from two to 14 years may be handed out.

WHAT SHOULD I DO IF I SUSPECT A CASE OF MONEY LAUNDERING?

You should report the case immediately to the MLRO, either using a form they will give to you or, if you prefer, in a discussion. The MLRO will decide whether the transaction is suspicious and whether to make a report to the NCA. There is no clear definition of what constitutes suspicion – common sense will be needed. If you are considered likely to be exposed to suspicious situations, you will be made aware of these by your senior officer and, where appropriate, training will be provided.

SUMMARY

Robust money laundering procedures are essential if the council and its staff are to comply with our responsibilities and legal obligations. It falls to councillors or members of the council's staff, as well as to the council itself, to follow these procedures rigorously.

LEGISLATION AND REGULATIONS RELATING TO MONEY LAUNDERING

- Please refer to the council's Anti-Money Laundering Policy for details of relevant legislation and regulations.

**GUIDANCE NOTE TO ANYONE ACCEPTING CASH PAYMENTS EXCEEDING
£2,500 ON BEHALF OF THE COUNCIL**

Money Laundering Regulations 2003

The Money Laundering Regulations 2003 became fully operational on 1 March 2004.

The Regulations apply in the main to businesses in the “Regulated” sector, that is mainly financial institutions, and to businesses registered as “High Value Dealers”, that is any business which may accept payment in cash of 4,250 euros, Approximately £2,500, or more in any single transaction, regardless of currency.

Advice from CIPFA is that the Regulations currently do not apply to Local Authorities. This is not consistent with the view of the Audit Commission. However, the council has a moral obligation to report any transaction, which could be considered to be connected with money laundering.

The following guidance is based on the recommended practice for Regulated business’.

Types of Transaction to watch for

- **All "Cash" transactions of £2,500 or more.** These may be individual transactions, or a series of transactions, which appear to be linked, totalling £10,000 or more, or, where there is a suspicion that the transaction involves money laundering.
- **Cash means notes, coins or travellers' cheques** in any currency. Non-cash transactions (cheques / bank transfers etc.) are not included as cash.

Cash payments of £2,500 (€4,250) or greater should not be accepted, and this should be made clear by way of notice in the reception area.

Identification procedures (detailed below) should apply when a client seeks to make a payment of £2,500 (€4,250) or greater, and/or where two or more transactions appear to be linked and involve a total payment of £2,500 (€4,250) or greater. They should also apply in other situations where payments are received from an unexpected source, where a new customer makes a substantial payment in cash, or where a new business relationship is established with a company or individual with whom the council has not dealt before.

Once identification has been verified it is important that the evidence is retained for at least five years from the end of the business relationship or the one-off transaction(s).

Identification procedures

Satisfactory evidence of identity should be established – this is defined as evidence, which is reasonably capable of establishing (and does in fact establish to the satisfaction of the person who obtains it) that the customer is who he/she claims to be.

Identification procedures should be initiated as early as possible, and preferably with the customer present. The customer should be able to produce at least two pieces of identity – one to confirm who he/she is, **preferably with a photograph**, and the other to confirm his/her address. Copies of the evidence produced should be taken. If evidence is not obtained, the transaction should not proceed any further. The MLRO should be contacted.

Evidence of identity may include – (original documentation only)

- Passport, (current & valid)
- Drivers licence, (current & valid)
- Birth certificate,
- Medical card,
- Bank / building society statement, no older than three months, but not if also used to prove address,
- National Insurance number

Evidence of address may include – (original documents only)

- Any utility bill, (in customers own name, no older than three months)
- Bank or building society statements no older than three months (but not if used to prove identity),
- Letter from solicitor
- Letter from Inland Revenue or other government office

If the customer is acting for another person, reasonable measures must be taken to establish the identity of that other person. This may be by checking with another member of staff who may have dealings with them.

Record Keeping

Once evidence of identity has been taken, a copy of that evidence should be passed to the MLRO where it will be retained. Additionally, there is a requirement to retain a record containing details concerning all transactions carried out by the customer. This record will be created & maintained by the MLRO.

Records are to be retained for at least five years commencing with the date of the completion of all activities taking place in the course of that transaction (or, as the case may be, the last of the series of transactions).

Internal reporting

The Head of the Audit Partnership has been nominated within the council to receive disclosures (The Money Laundering Reporting Officer).

Anyone in the council, who, in the course of business, receives any information which causes them to know or suspect, or have reasonable grounds for knowing or suspecting that a person is engaged in money laundering must, as soon as is practicable disclose this to the Money Laundering Reporting Officer.

Where a disclosure is made to the Money Laundering Reporting Officer, it will be considered in the light of any relevant information to determine whether it gives rise to such knowledge or suspicion or such reasonable grounds for knowledge or suspicion.

Where the Money Laundering Reporting Officer considers there to be reasonable grounds, the information will be disclosed to a person authorised by the Director General of the National Criminal Agency to receive the report.

Anti-Money Laundering Disclosure Report Form

CONFIDENTIAL

YOUR DETAILS

To: Head of Audit Partnership (ABC Money Laundering Reporting Officer)

From: _____ [insert name of employee]

Service _____

Team _____

Ext/Tel No _____

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved:

[if a company/public body please include details of nature of business]

Nature, value and timing of activity involved:

[Please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary]

Nature of suspicions regarding such activity:

[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (as far as you are aware)? Yes / No

[Please delete as appropriate]

If yes, please include details below:

Have you discussed your suspicions with anyone else? Yes / No

[Please delete as appropriate]

If yes, please specify below, explaining why such discussion was necessary:

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO

Date initial notification received _____ (attach notification/e-mail)

Date receipt of report acknowledged _____

Date of meeting to discuss initial notification _____

CONSIDERATION OF DISCLOSURE:

Action plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE:

Are there reasonable grounds for suspecting money laundering activity? Yes/No

If there are reasonable grounds for suspicion, will a report be made to the NCA? Yes / No

If yes, please confirm date of report to NCA: and complete the box below:

Details of liaison with the NCA regarding the report:

Notice Period: _____ to _____

Moratorium Period _____ to _____

Is consent required from the NCA to any ongoing or imminent transactions, which would otherwise be prohibited acts? Yes / No

If yes, please confirm full details below:

Date consent received from NCA: _____

Date consent given by you to employee:

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out any reasonable excuse for non-disclosure.

Date consent given by you to employee for any prohibited act transactions to proceed: _____

Other relevant information:

Signed: _____

Dated: _____

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS
A COPY OF EACH COMPLETED FORM IS TO BE SENT TO INTERNAL AUDIT

‘Speaking Up’ Policy (Whistleblowing)

61 Introduction

61.1 Ashford Borough Council is committed to the highest possible standards of transparency and accountability. The public has a right to expect the highest standards of integrity from those who serve the community whether employed directly or indirectly by the council. In line with this commitment, this policy aims to create an environment where you feel able to voice any concerns you may have at an early stage.

61.2 We recognise that you would often be the first to realise that there was something wrong within the organisation. Sometimes concerns are easily resolved, but when they are about unlawful conduct, fraud, corruption or dangers to the public or the environment it may be difficult to know what to do. This policy is in place to make it clear that you can raise concerns without fear of harassment or victimisation.

61.3 We would specifically like you to raise concerns if you think one of the following has occurred, is occurring or is likely to occur (here in the UK or abroad):

- A criminal offence
- A breach of legal obligation
- A miscarriage of justice
- Endangerment to an individual’s health and safety
- Environmental damage
- Deliberate concealing of information about the above

61.4 When raising concerns about any of the above you are protected by law under the Public Interest Disclosure Act (PIDA) 1998 (see paragraph 63.2).

61.5 We would also encourage you to raise other matters that you are concerned about that are not specifically covered under the Act, for example unauthorised use of council funds and property, waste/frivolous expenditure or other unethical conduct.

61.6 It could be something that:

- Makes you feel uncomfortable in terms of known standards or your experience
- Is against council policy
- Amounts to improper conduct

62 Aims and scope of this policy

62.1 This policy aims to:

- Encourage you and make you feel confident in reporting concerns
- Set out a procedure for you to raise concerns and receive feedback

- Reassure you that your concerns will be dealt with in confidence (unless there are specific circumstances that require you to provide evidence – see paragraph 66.1)
- Ensure that you are aware of how to take your concerns outside of the authority
- Reassure you that we will take action to ensure you are protected against harassment or victimisation as set out in paragraph 63.1

62.2 This policy applies to all employees (whether permanent, temporary, fixed term or casual), agency staff, apprentices, work placements, graduate placements and directly employed consultants (not those sent by another employer). It does not replace the council's corporate complaints procedure in which people other than those stated above can raise concerns about their treatment by the council.

62.3 It covers concerns that fall outside the scope of other procedures. For example, there are separate policies which cover grievances relating to your employment or complaints of bullying or harassment.

63 Our assurances to you

63.1 We recognise that reporting a concern can be difficult because of fear of reprisal from those responsible for the malpractice. We will not tolerate the harassment or victimisation of anyone raising genuine concerns, and such instances may be dealt with under our Disciplinary Policy. Likewise, any attempt to deter you from raising a concern (whether by colleagues or management) could be treated as a serious disciplinary matter. Managers are strictly required to act on your concerns.

63.2 You will not be at risk of losing your job or suffering any form of discrimination as a result of your disclosure. As previously mentioned, you are protected by law under the Public Interest Disclosure Act (PIDA) 1998 (there are different rights for workers as opposed to employees). You are covered by this as long as you have a reasonable belief that the concern you raise (officially termed a 'disclosure' is in the public interest, and relates to one of the categories in paragraph 61.3.

63.3 It should be noted that unlike other pieces of employment law, there is no minimum qualifying period of service required to apply its protection.

63.4 You would not be protected under law if you broke the law to discover the malpractice, or if you found out about it when someone wanted legal advice (e.g. if you are a solicitor in the legal department).

64 How to speak up

64.1 The first point of contact should be your line manager. However this depends on the seriousness and sensitivity of your concerns and who is thought to be involved. If you feel unable to raise the matter with your manager you can contact any of the following managers (contact details are listed in Section 70):

- Chief Executive
- Head of Personnel and Development

- Monitoring Officer
- Head of the Internal Audit Partnership

64.2 You may raise concerns verbally (although it is preferred in writing to ensure that details are correctly understood), but either way you will need to be as clear as possible and set out the background of the concern including names, dates and places where applicable, and the reason why you are particularly concerned about the situation. Where you raise a concern verbally, a copy of what we understand your concerns to be will be included with our acknowledgement to give you an opportunity to clarify any points that may have been misunderstood.

64.3 When raising a concern you should demonstrate that there are sufficient grounds for concern but you are not expected to prove beyond all reasonable doubt the truth of an allegation. Under no circumstances should you investigate a concern yourself.

64.4 The earlier you express your concern the easier it is to take action.

65 How we will respond

65.1 The action we take will depend on the nature of the concern. It could be:

- Investigated internally by management or internal audit
- Referred to the External Auditor
- Referred to the police
- Form the subject of an independent inquiry

65.2 We will begin by making initial enquiries to decide whether an investigation is appropriate and if so, what form it should take. As referred to in paragraph 62.3, if your concern falls under the scope of other specific procedures it will be considered under these instead. Some concerns may be resolved by agreed action without the need for investigation, and some could be better addressed as part of a forthcoming audit or review. If urgent action is needed this may take place before a full investigation is conducted.

65.3 Your concerns will be acknowledged within five working days (including a written copy of what we understand your concerns to be if you raised them verbally), and within ten working days you will receive the following information:

- How we propose to deal with the matter
- An estimate of how long it will take to provide a final response
- Whether initial enquiries have been made
- Whether further investigation will take place and if not, why not
- Support mechanisms that are available to you

65.4 All correspondence will be sent to your home address. You may be asked for further information or for clarification. You can invite your trade union representative, staff representative or colleague to any meeting you are asked to attend in connection with the concern you have raised (these can be held offsite if preferred).

65.5 We understand that you will need to be assured that the matter has been properly addressed. Therefore we will inform you of the outcome of any investigation, bearing in mind that it may not be appropriate (or legally possible) to supply you with full details.

66 Confidentiality

66.1 All concerns will be treated in confidence and we will not disclose your identity without consent. However, if we are not able to resolve your concerns without revealing your identity (for instance because your evidence is needed to pursue an investigation or in court), we will discuss with you how we can proceed and appropriate support will be offered.

66.2 Anonymous allegations will also be considered, but any investigation could be hampered by the inability to gain further information. Therefore you are encouraged to provide some method of contacting you to assist the process. An anonymous allegation will be considered at the discretion of the officer that receives it. Factors to be taken into account are:

- The seriousness of the issues raised
- The credibility of the concern
- The likelihood of confirming the allegation from attributable sources

67 Misuse of this policy

67.1 We recognise that there may be circumstances where you raise an allegation that you reasonably feel to be true, which is not confirmed by an investigation.

67.2 However we will consider the option of disciplinary action where it is felt the allegation is vexatious, malicious or done for personal gain.

67.3 It is also not the case that you receive immunity from action by making a disclosure about malpractice that you were involved in.

67.4 If at the time of making a disclosure you are subject to any other procedure (for example disciplinary action or you are at risk of redundancy) that process will not:

- End or pause
- Give you an advantage
- Cause you detriment

68 External disclosures

68.1 It is hoped that this policy will reassure you that you can raise concerns internally in a safe environment. We do however recognise that you can also contact an appropriate external body – the Secretary of State has produced a prescribed list setting out both the permitted regulatory bodies and their remits - http://www.legislation.gov.uk/ukxi/1999/1549/pdfs/ukxi_19991549_en.pdf.

68.2 The following organisations are relevant to the work of the council although there may be others applicable in the list:

- Audit Commission 0303 444 8346 (valid until 31 March 2015)
- National Audit Office 020 7798 7999
- Health and Safety Executive 0300 003 1647
- Environment Agency 03708 506 506

68.3 When raising your concerns with these organisations you will still be protected under PIDA as long as the test for internal disclosures is met and you reasonably believe that your concerns are substantially true. However you will need to ensure that you do not disclose confidential information.

68.4 Before you make contact it would be wise to seek the free independent advice of the charity Public Concern at Work by telephone on 020 7404 6609, by email at whistle@pcaw.org.uk or by visiting www.pcaw.org.uk.

68.5 Wider public disclosures are only protected if rigorous conditions are met and as above it is recommended that you seek advice. These conditions include a requirement that you do not make the disclosure for financial gain and that it is reasonable to make the disclosure in the circumstances.

69 Records

69.1 The Head of the Internal Audit Partnership maintains a record of concerns raised under this policy and the outcomes (in a form which does not endanger your confidentiality), and will report as necessary to the Audit Committee.

70 Contact details

Chief Executive	John Bunnett	John.bunnett@ashford.gov.uk	01233 330201
Head of Personnel and Development	Michelle Pecci	Michelle.pecci@ashford.gov.uk	01233 330602
Monitoring Officer	Terry Mortimer	Terry.mortimer@ashford.gov.uk	01233 330210
Head of the Internal Audit Partnership	Rich Clarke	Richard.clarke@ashford.gov.uk	01233 330442

71 Other Policies and Review

71.1 The content of this policy also has links to other policies within the council's Conditions of Service. In particular please refer to the policies on *Anti Fraud and Corruption*, *Anti-Money Laundering*, the *Code of Conduct* and the *Bribery Act Policy Statement*.

71.2 This policy will be reviewed bi-annually to ensure it remains effective and is up to date with legislation.

June 2014

Bribery Act 2010 Policy Statement

72 Introduction

72.1 Bribery is a criminal offence. We do not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we or will we, accept bribes or improper inducements.

72.2 To use a third party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.

72.3 We require that all personnel, including those permanently employed, temporary agency staff and contractors:

- act honestly and with integrity at all times and to safeguard the organisation's resources for which they are responsible
- comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the organisation operates, in respect of the lawful and responsible conduct of activities.

72.4 Bribery is not tolerated, it is unacceptable:

- to give, promise to give, or offer a payment, gift, hospitality or other advantage with the intention that a business advantage will be received, or to reward a business advantage already given
- to give, promise to give, or offer a payment, gift, hospitality or other advantage to a government official, agent or representative to "facilitate" or expedite a routine procedure
- to request or accept a payment, gift, hospitality or other advantage from a third party with the intention that you or someone else will then provide a business advantage to that third party
- for you or someone else you asked or someone else with your approval to provide a business advantage to a third party in anticipation of or as a consequence of requesting or accepting a payment, gift, hospitality or other advantage from that third party
- to request or accept a payment, gift, or hospitality or other advantage from a third party in return for having provided a business advantage to that third party
- retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- engage in activity in breach of this policy.

72.5 Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

72.6 The prevention, detection and reporting of bribery is the responsibility of everyone who is subject to this policy. Everyone is required to avoid activity that breaches this policy. You must:

- ensure that you read, understand and comply with this policy
- raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

73 Objective of this policy

73.1 This policy provides a coherent and consistent framework to enable the organisation's employees to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.

74 Scope of this policy

74.1 This policy applies to all of the organisation's activities. For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

74.2 Within the organisation, the responsibility to control the risk of bribery occurring resides at all levels of the organisation. It does not rest solely within assurance functions, but in all business units and corporate functions.

74.3 This policy covers all employees, councillors and any other person who performs services for the council or on its behalf. It does not change the requirements of our Code of Conduct concerning gifts and hospitality.

75 This Council's commitment to action

75.1 We are committed to the prevention, deterrence and detection of bribery. We have zero-tolerance towards bribery. We aim to maintain anti-bribery compliance "business as usual", rather than as a one-off exercise.

75.2 This organisation commits to:

- Set out a clear anti-bribery policy and keeping it up to date
- Make everyone to whom this policy applies aware of their responsibilities to adhere strictly to this policy at all times, we will do this by publishing the policy on the intranet, including it in tender documents, issuing it to all new employees and councillors and communicating our commitment regularly through a range of channels.
- Training employees and councillors so that they can recognise and avoid the use of bribery by themselves and others, and by ensuring the training materials are made available to others whom this policy applies.
- Encouraging everyone to whom this policy applies to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately.
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution

- Taking firm and vigorous action against any individual(s) involved in bribery
- Include appropriate clauses in contracts and tender documents to prevent bribery.

76 The Bribery Act

76.1 There are four key offences under the Act:

- bribery of another person (section 1)
- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failing to prevent bribery (section 7)

76.2 The Bribery Act 2010 makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation. http://www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1

76.3 An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a magistrates court, to imprisonment for a maximum term of 12 months, or to a fine not exceeding £5,000, or to both
- On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both.

76.4 Organisations guilty of an offence under section 7 are liable to an unlimited fine.

76.5 Examples of bribery include:

- a) You offer a hot food takeaway to turn a blind eye to any contraventions during an environmental health inspection, but only if they agree to give council employees a discount on purchases.

This is bribery because you have requested an advantage from the takeaway (the employee discount) with the intention of then providing a business advantage to the takeaway (overlooking contraventions). If the takeaway agreed to provide discounts and you ignored contraventions, that would be bribery as well.

- b) The director of a company bidding for a work offers to pay for a family holiday for the contract officer if that officer recommends the company for the tender.

This is bribery because the director is offering a gift (the family holiday) with the intention that a business advantage will be received (the

officer's recommendation). It would also be bribery if the contract officer made the recommendation in anticipation of or as a consequence of the family holiday.

76.6 The council has procedures in place to prevent bribery, such as:

- a) Obliging councillors and employees to declare specified gifts and hospitality
- b) Allocating council housing to people on the waiting list based on published criteria with the decision made by a manager rather than the case officer.

76.7 Our procedures:

- a) Are Proportionate – Under the Contract Procedure Rules, only contracts with a value of up to £5000 may be entered into without a tender or quotation, although the Rules require all contracts to include a clause which allows the contract to be cancelled if the contractor has bribed an officer
- b) Have top level commitment – The council's procedures are approved by the council's management team or Cabinet
- c) Are informed by risk assessment – The council's internal audit section carries out independent audits of processes and recommends improvements
- d) Provide for due diligence – Applicants for employment must declare if they are related to Members or officers
- e) Are communicated – Councillors are trained in their obligations under the Code of Conduct
- f) Are monitored and reviewed.

76.8 Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. However, this organisation has the discretion to exclude organisations convicted of this offence.

77 Raising a concern

77.1 This organisation is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every member of staff and elected Member to know how they can raise concerns.

77.2 We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

77.3 There are multiple channels to help you raise concerns staff and Members are required to refer allegations of bribery to one of the following:

- A senior manager,
- The Chief Executive
- The Section 151 Officer
- The Audit Partnership Manager

- The Head of Legal Services
- The Head of Personnel & Development

77.4 Please refer to the Speaking Up (whistleblowing) policy and determine the appropriate course of action.

77.5 Senior management should ensure all allegations are dealt with urgently by referring them immediately to the Chief Executive, Section 151 Officer and Audit Partnership Manager who will arrange an internal investigation and make a decision whether to refer the issue to the police.

77.6 As well as the possibility of civil and criminal prosecution, staff that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

77.7 Examples of instances that should be reported:

- a) A member of the public says they could “make it worth your while” in return for you doing something or not doing something
- b) You hear a colleague talking about going to a football match with tickets paid for by a contractor. The colleague says they will not report the gift because they don’t want anyone to know about it.
- c) You discover a process for which there is no procedure but which is susceptible to bribes being sought or made.
- d) You are at a meeting at which an employee of another council says they will only attend future meetings if they are paid a fee. You are aware that the other council has no policy requiring payment of such fees.
- e) A consultant acting on the council’s behalf is negotiating with another party. The consultant tells you that the other party offered him money in order to change his advice.

Agenda Item No: 9
Report To: **AUDIT COMMITTEE**
Date: **26 June 2014**
Report Title: **2013/2014 Financial Statements - Letters of Assurance to External Auditors**
Report Author: Paul Naylor



Summary: Each year in support of the external audit of the council's financial statements, it is necessary to provide two assurance letters to the auditors. These are important statements on which the auditors rely for their opinion work. The two completed letters are attached. One is from the chairman on behalf of the committee. The second is from the Deputy Chief Executive on behalf of management. They cover similar points to assurance letters in the past, and have already been shared in draft with our auditors. They cover assurances relating to such matters as disclosures of material facts affecting the statements, fraud, contingent liabilities and legal issues affecting the statements

Key Decision: NO

Affected Wards: NA

Recommendations: **The Committee is asked to:-
endorse the Chairman's and Management's
2013/2014 Assurance Letters**

Policy Overview: The assurance forms an important part of the financial statements disclosure process and the maintenance of the council's governance.

Financial Implications: NA

Risk Assessment NA

Equalities Impact Assessment NA

Other Material Implications: NA

Background Papers: NA

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05 February 2014

Dear Paul

Ashford Borough Council Financial Statements for the year end 31 March 2014

To comply with International Auditing Standards, we need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. International Auditing Standards also place certain obligations on auditors to document Management's view on some key areas affecting the financial statements

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the attached schedule. In completing this task, you may wish to take into account the views of other directors where you think appropriate. The schedule relates to operational issues as well as the financial statements.



Fraud, Laws and
Regulation responses

In addition to our request to management, we also will need to gain an understanding of how the Audit Committee maintains oversight of the above processes. I have also attached a copy of the letter that I intend to send to the Chair of the Audit Committee, for your information:



ABC - TCWG - Fraud
laws and Regs letter.

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A list of members is available from our registered office.

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In preparing your responses, it would assist me greatly if you could include a summary of evidence that you have relied on to inform your responses, and the sources of assurance that you have that the relevant management controls have operated effectively through the financial year to date and will operate up to the date the accounts are approved.

The next audit committee meeting is on 04 March 2014, I wonder whether it would be useful to co-ordinate both the Audit Committee and management responses to our letters in time for discussion at that meeting.

Please contact me if you wish to discuss anything in relation to this request

Yours sincerely

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05 February 2014

Dear Councillor Clokie

Ashford Borough Council Financial Statements for the year end 31 March 2014 - Understanding how the Audit Committee gains assurance from management

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

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

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

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We have also written to management to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation.

The next audit committee meeting is on 04 March 2014, I wonder whether it would be useful to co-ordinate both the Audit Committee and management responses to our letters in time for discussion at that meeting.

Please contact me if you wish to discuss anything in relation to this request.

Yours sincerely

Andy Mack
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Responses from Management:

Auditor question	Response
<p>What do you regard as the key events or issues that will have a significant impact on the financial statements for 2013/14?</p>	<p>In April 2014 the Council has completed the purchase of International House. This non adjusting post-balance sheet event will have an impact on the net worth of the council going forward.</p> <p>The Statement of Accounts for 2012/13 stated that the Council was seeking recompense in respect of costs it had incurred as a result of a delay in completing the refurbishment of the Stour Centre. The Council has now settled its differences with the lead consultant. The terms of settlement are confidential.</p>
<p>Have you considered the appropriateness of the accounting policies adopted by the Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>Yes – a report detailing the findings of the review was presented the Audit Committee in March 2014.</p> <p>New policies have been adopted for business rate accounting and the impacts of changes to pension fund accounting standards.</p>
<p>Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?</p>	<p>Yes – the localisation of business rates has a significant impact on the way the council accounts for business rate income. Given the importance of managing the risks and forecasting the opportunities we have developed the focus and understanding in this area, and are in the course of making a permanent adjustment to integrate the work of the revenues and finance teams in this area.</p>
<p>How would you assess the quality of the Council's internal control processes?</p>	<p>Internal audit systematically reviews the effectiveness and quality of our internal control processes each year. Management receives copies of the assurance findings and recommendations relating to the individual audits. During the DCX's periodic review discussions with the Head of Audit Partnership discussion covers any outstanding material issues relating to audit recommendations. As part of the assurance process the Audit Committee receives twice yearly reports updating members about internal audit findings. Annually the Committee receives the Head of Audit Partnership's report providing a conclusion about the effectiveness and quality of internal controls to the Audit Committee.</p>

	<p>This year's draft findings (the report will be submitted to the June committee) will once again report a 'substantial' assurance conclusion. External audit's work has provided similar assurance in the past.</p>
<p>How would you assess the process for reviewing the effectiveness of internal control?</p>	<p>The process of review is well-developed and established not just within the audit function, but with services understanding, respecting and valuing its need. The reviews are also used, where appropriate, as opportunities for internal audit to provide constructive comment on value for money and service effectiveness issues.</p>
<p>How do the Council's risk management processes link to financial reporting?</p>	<p>Risk management is an inherent part of the work of members, the management team, service managers, and line managers. We have an established risk management process, recently reviewed, that focuses on strategic and service risks and instils a good discipline and culture that is risk aware. These processes link to financial reporting in various ways. Strategic financial risks – the overall financial position, and financial risk associated with key strategic projects – are handled through various reporting processes, including the financial planning processes (this also includes the formal scrutiny stage), and the preparation of business plans and reports to members that take forward our key projects, and the risk register itself (reported to and owned by the Audit Committee). For major projects a governance framework exists (the Ashford Strategic Delivery Board) that monitors and discusses progress, including key financial issues and risks and the management of these. Note this is not a decision-making board separate from the council.</p> <p>The statutory financial statements are informed by all of these various processes and where necessary disclosures are made.</p>
<p>How would you assess the Council's arrangements for identifying and responding to the risk of fraud?</p>	<p>Our arrangements are strong, both in terms of the capacity we have and in policy and procedural terms. Our counter fraud arrangements have served the council and the taxpayer well; this is generally acknowledged by members and has received praise and acknowledgement from our external auditors.</p>
<p>What has been the outcome of these arrangements so far this year?</p>	<p>An annual report is prepared and submitted to the Audit Committee, the report summarises the scope of activity covered over a year and</p>

	<p>the outcomes achieved. The next report is due to be reported to the June Audit Committee, the data is currently being compiled.</p> <p>Fraud within the council is rare, but from time to time an issue can arise. Our arrangements deal with any alleged fraud through a thorough investigation approach as any allegation must be carefully investigated to reach a proper conclusion. In cases that may give rise to potential criminal fraud, a referral would be made to the police. Our sanction protocols deal firmly with any fraud that is established.</p> <p>Our routine counter-fraud work focuses on housing benefit, council tax support, and housing tenancy fraud, but the scope is widening to cover other corporate fraud risks.</p> <p>As the council places some emphasis on provide public assurance our counter fraud work is given publicity through the local media. This has assisted in developing reputation as a council that is proactive in counter-fraud work. Members are keen to maintain this profile.</p>
<p>What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>The Council manages Housing Benefit claims for 10,000 claimants and whilst it has a Fraud investigation team there is scope for fraud in this area.</p> <p>The Council offers a number of Council Tax discounts to residents and there is scope for fraud in this area. The counter fraud team now routinely scrutinises single person discounts claims using a third party service, building on large scale periodic reviews in the past. With council tax yield being important to the borough council and the preceptors there is a joint agreement in place that supports this focus.</p> <p>The Council lets circa 5,000 properties and there is a risk of tenancy fraud. This is another area of routine activity for the counter fraud team, with investigation work resulting in some positive outcomes for the HRA thjat helps to manage this risk.</p>
<p>Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what</p>	<p>There have not been any issues that have been reported through the council's whistleblowing</p>

has been your response?	procedures.
Have any reports been made under the Bribery Act?	No
As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	<p>Formally all cabinet reports are required to indicate the extent to which risk assessments have been considered. For a number of report issues the subject matter will lead to greater coverage of risks, the implications and mitigating actions. Leading up to the production of reports on significant matters internal discussions with management team members and in many cases with members, including the portfolio holders, will have taken place. For all potential reports to cabinet a one-page summary of issues, these are expected to include highlights of material risks are reported to the leader's monthly cabinet briefing meetings so cabinet is aware in good time of matters due to come before a future cabinet meeting.</p> <p>On strategic risks it is part of the Audit Committee's remit each year to 'sign off' the council's strategic risk register and to monitor progress with the action plans.</p> <p>There is a regular report to the audit committee on the Councils strategic risk register.</p>
As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?	We use a number of means including: induction for new employees, the availability through the intranet of expected standards and internal policies (including emphasis on staff conduct), the Chief Executive's personal 'walkabouts' to services to brief on important issues and progress against important plans, our leadership and management development programmes, and our regular staff appraisal processes.
What are your policies and procedures for identifying, assessing and accounting for litigation and claims?	As part of the closing process we write to the Monitoring Officer to identify what litigation the Council has engaged in and to open a discussion about accounting for these cases.
Is there any use of financial instruments, including derivatives?	No
Are you aware of any significant transaction outside the normal course of business?	The council did complete the purchase of Stanhope shops for £1m.

	See also reply to Q1 relating to Stour Centre.
Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	No
Are you aware of any guarantee contracts?	Yes – the Council has given a financial guarantee to Ashford Leisure trust for pensions costs and termination costs, the details of which are disclosed as a contingent liability.
Are you aware of allegations of fraud, errors, or other irregularities during the period?	<p>On benefit fraud we have arrangements that allow residents and others to inform the council anonymously should they have any information that needs to be investigated; these arrangements are used and information is followed up.</p> <p>Occasionally allegations of a general nature relating to benefit fraud are made at public council meetings, when a reminder is given that information will be followed up confidentially if specific information is provided.</p> <p>One matter of internal fraud was highlighted through our internal control activity relating to a part of the 2013 electoral canvass performed by two temporary canvass staff; this was robustly dealt with.</p>
Are you aware of any instances of non-compliance with laws or regulations or is the Council on notice of any such possible instances of non-compliance?	The Council has recently settled proceedings brought by a group of Property Search Companies for refunds of fees. This is part of a nationwide, series of actions by these companies against virtually all local authorities as a result of a misinterpretation by government of rules on charging. Further similar proceedings may be taken by other companies.
Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	<p>The Council made a voluntary disclosure to HMRC re tax position for members' home to office travelling expenses. This is about to be settled. Other HMRC have requested information for a VAT compliance test in May 2014</p> <p>The Council has undergone a Compliance Check by HMRC for its transactions relating to the Construction Industry Scheme (CIS) deductions.</p>
Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	None
Where the financial statements include amounts based on significant estimates, how have the	See note 4 of the statement, there is a draft of the note appended to this document.

accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	
Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
Has the management team carried out an assessment of the going concern basis for preparing the financial statements? What was the outcome of that assessment?	The council has completed a number of Forward planning sessions to discuss the financial strategy of the Authority in the medium term.
Management is still required to consider whether there are any material uncertainties that cast doubt on the Council's ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved?	<p>The Council has been conducting a number of financial planning exercises with members to identify ways to address the funding challenge in the next 3 years.</p> <p>Given the level of funding cuts that are anticipated this work is necessary to ensure that members and officers develop a coherent strategy to address this risk.</p> <p>All services and cabinet members have been included in this process and consequently it is expected that this will capture service specific issues.</p> <p>Finally the finance and policy teams monitor government announcements for anything that will impact upon the councils business plan.</p>
Can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	Pinsent Masons re Stour Centre Bevan Brittan on land charges litigation
Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	The Council has a process that requires the completion of a proforma for all purchases of external advice. These are contained in the exchequer department and will be available for audit to inspect.

Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty

The items in the Authority's Balance Sheet at 31 March 2014 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from assumptions
Land Searches	<p>The Council may become a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. A group of Property Search Companies are seeking to claim refunds although no proceedings have yet been issued.</p> <p>The Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council.</p> <p>It is possible that additional claimants may come forward to submit claims for refunds.</p>	<p>A Grant has been paid to the Council to cover the cost upto £34,000 which has been added to a reserve to cover potential claims. The total claims could exceed £110,000</p>
Pensions	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.</p>	<p>A 0.1% change in the discount rate (the iBoxx Corporate Bond Index) would result in a change in the liability of £2.6m.</p> <p>A 1 year change in the mortality assumption would result in a £4.8m change in the pension liability.</p>
NNDR appeals liability	<p>From April 2013, the Council is responsible for refunding successful appeals against past NNDR liabilities. An estimate of the possible effect on this Council has been taken into account in these accounts and future funding assumptions.</p>	<p>If the level of successful appeals exceeds the assumptions already made, the cost will fall to be met from future budgets.</p>
Recovery of Benefit over-payments	<p>These accounts assume that the Council will continue to be able to recover overpaid benefit from Benefit Claimants.</p>	<p>Should the changes being considered by the Government restrict the ability of local authorities to pursue such debts, write-offs of uncollected debt</p>

Item	Uncertainties	Effect if Actual Results Differ from assumptions
		will have to be met from future budgets.
Impairment Allowance for Bad Debts	The Council has an impairment allowances for bad debts totalling £3,521,000 approximately 48% of the value outstanding debt	In the current economic climate collection rates for all forms of debt have been maintained, however any decline in these rates for debt would result in a need to increase the allowance.

DRAFT

Councillor Paul Clokie

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Mr Andy Mack
Engagement Lead (Director)
Grant Thornton UK LLP
Grant Thornton House, Melton Street
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Date: 29 May 2014

Dear Andy

Ashford Borough Council Financial Statements for the year ended 31 March 2014 – understanding how the Audit Committee gains assurance from management

I refer to your letter of 5 February 2014 in which you ask for my responses to a number of assurance questions for the purposes of your audit of the 2013-2014 financial statements.

This letter and the accompanying management assurance letter prepared by the Deputy Chief Executive are to be reported to the Audit Committee on 26 June when the committee will be asked to formally approve this letter of assurance.

You raised four questions to me in your letter, which I will now address for the committee, and the council, therefore.

On questions 1 and 3 I am satisfied the management response presents a good and accurate summary of assurance on:

- the financial statements,
- internal controls,
- managing fraud risk,
- business practice and ethics, and
- compliance with law and regulations.

You will be aware the committee receives various reports on these issues throughout each year and 2013-2014 was no different. As you are aware our approach to risk management was reviewed a year ago; during 2013-2014 the committee adopted a revised strategic risk plan and maintained close overall scrutiny of the risks during the year. This involved greater in-depth discussions about some of the risks, including presentations from officers. This approach partly developed from the committee's consideration of two national reports produced by Grant Thornton last year that helped the committee to shape its role generally.

On question 2, as Audit Committee chairman I have been briefed about the incident of fraud explained in the management assurance letter and of the action taken by management. I am satisfied there are no other suspected or alleged frauds.

On question 4, I can confirm that both I and the committee were aware of the claim the council had made about the Stour Centre project, with which you are familiar through officers' periodic briefings to you. As previously advised to you by officers the Council has now settled its differences with the lead consultant for the project. The terms of settlement are confidential.

I trust this response will be adequate for your audit purposes, but please do not hesitate to contact me should any point need further clarification.

Yours sincerely

Councillor Paul Clokie
Chairman of the Audit Committee

Agenda Item No: 10
Report To: AUDIT COMMITTEE
Date: 26 JUNE 2014
Report Title: Annual Fraud Report 2013/14
Report Author: Hannah Davies, Senior Investigations Officer / Acting Investigations Manager



Summary: This report provides an update on the work of the Investigation team within Revenues and Benefits.

The year has been one where changes to National Non Domestic Rates (NDR) and the introduction of the Council Tax Reduction Scheme (CTRS) together with new legislation to deal with fraud within Council Tax support and Tenancy Fraud has meant changes to the way the team works.

The team itself has seen changes in personnel. Fraud awareness training was conducted over the year further reiterating the prevention message and the anti-fraud culture for the Council as a whole.

With the Single Fraud Investigation Service (SFIS) currently starting to roll out nationwide and Universal Credit still to come, together with the changes that have already happened this year, there is an opportunity to reflect on the impacts and jointly review the service.

Key Decision: No

Affected Wards: Not applicable

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

Note the content of the report

Policy Overview: The Council has a policy which promotes a strong anti-fraud and anti-corruption culture. The Council seeks to conduct its business with transparency, integrity and accountability and is committed to the prevention, deterrence, detection and investigation of all forms of fraud and corruption at all levels of its activity. The Council will seek to prosecute or apply other appropriate sanctions to those identified committing fraud and corruption.

Financial Implications: None

Risk Assessment The team gives the Council an ability to protect the public

purse against the estimated £2 billion of fraud faced by local government each year and thus giving confidence to the taxpayer.

Equalities Impact Assessment

None

Other Material Implications:

None

Background Papers:

Protecting the Public Purse (2013) – The Audit Commission.
Link <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Protecting-the-public-purse-2013-Fighting-fraud-against-local-government.pdf>

Fraud Briefing – Ashford Borough Council – The Audit Commission (2013)

Fighting Fraud in the Future – Local Authority Investigating Officers Group (LAIIOG) (2014)

Prevention of Social Housing Fraud Act 2013
<http://www.legislation.gov.uk/ukpga/2013/3/contents/enacted>

The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013
<http://www.legislation.gov.uk/uksi/2013/501/contents/made>

Contacts:

hannah.davies@ashford.gov.uk – Tel: 01233 330814

Report Title: Annual Fraud Report 2013/14

Background:

1. This is a report giving details of the work of the Fraud and Visiting Team over the financial year 2013/14.
2. The primary role of the team is the prevention and detection of fraud within council tax, NNDR, housing tenancies and housing benefit. It is appropriate that the Audit Committee, be aware of both the role and work of this team.

The Team

3. The Fraud and Visiting Team sits within Revenues and Benefits. Up to and including the first quarter of 2013/14, the team was made up of the following:

Investigation and Visiting Manager
Senior Investigation Officer
2 Investigation Officers (one temporary post)
2 Generic Visiting Officers
Support officer (part time)

4. In August 2013, the Investigation and Visiting Manager left the team having been successful in obtaining a position elsewhere within the Ashford Borough Council as Assistant Health, Parking and Community Safety Manager. Since then the Senior Investigation Officer has been acting up taking on the responsibilities of the manager.
5. In April 2014, the contract for the temporary investigation officer came to an end and in May 2014 the Visiting Officers moved out of the Fraud and Visiting Team and now come under the newly established Collection Fund Team under the Operations and Support Manager within the Revenues and Benefits Service. Therefore since May 2014 the team now comprises of

Senior Investigation Officer / Acting Investigations Manager
Investigation Officer
Support Officer (part time)

Partnership Working

6. Throughout 2013/14, the team continued to work closely with both other departments within Ashford Borough Council and outside agencies. The team has historically conducted benefit fraud investigations however over the past two years investigations have spanned much more including council tax, non-domestic rates, electoral and most successfully, tenancy fraud. The team has also been sought for advice by other departments including electoral services, licensing, planning and personnel.
7. The joint working with the Housing Department has continued and the success built on. With the introduction of the Prevention of Social Housing Fraud Act in 2013, subletting of a social housing property is now a criminal offence. This Act was championed by the fact that the public realise how important social housing is and that with 1000's of genuine people in need of

subsidised housing that fraudsters who make a profit out of illegally subletting their home is socially unacceptable. Links are strong with both the Housing Area Managers as well as the Options team. There is also growing liaison with some Housing Associations.

What was investigated in 2013/14

8. For the financial year 2013/14, 471 referrals were received including from the following sources:

Source	Number of referrals
Anonymous	90
Hotline	12
Benefits Team	96
Revenues Team	6
Housing Team	56
Customer Contact Centre	52
Visits	10
Police	18
NFI	9
HBMS	3
DWP	28

9. Of the referrals received for 2013/14, 312 were rejected and 159 were accepted for investigation.
10. Where a referral is rejected, further action may be taken on the information which may include referring the information to the DWP, conducting a compliance or review visit or requesting further checks be conducted in any future contact. No further action will only be deemed appropriate if it is believed there is no risk to the Authority, for example, the information is already known to the Authority.
11. Successful outcomes are measured in a number of ways
- Guilty convictions
 - Cautions
 - Fines – through administration penalties for benefit fraud, civil financial penalty for council tax support or fines under the Local Government Finance Act for Council Tax fraud.
 - Value of overpayment of benefit resulting from investigation and recovery of such
 - Recovery of Council properties
 - Housing applications declined
 - Revenues discount stopped and / or cancelled back
 - Value of any future benefit or discount that has been stopped due to investigation
12. Overpayment of benefit that is not caused by local authority error is recoverable and affects the level of subsidy the Authority receives from Central Government in relation to benefits. If a benefit fraud is detected resulting in an overpayment, 60% of the amount recovered must be paid back to Central Government. The remaining 40% or part thereof is retained by the Authority to assist with costs.

13. With regard to Tenancy Fraud, it is accepted that the figure of £18,000 as determined by the Audit Commission, is attributed as the value of a Social Housing property that is recovered.
14. There is a strong emphasis within the team that prevention is better than cure. Where this makes measuring any "success" difficult it is nonetheless a very important part of the team's work. By working with the homeless team within housing, applications can be reviewed and turned down if it is found incorrect information has been supplied which ensures a social housing property is not provided and potentially saves costs later when seeking to recover the property through possession hearings.
15. Obviously where a fraudster is determined, deterrents should be in place by way of seeking prosecution, recovering costs and publicising where appropriate.
16. The team seek to publicise cases where possible. Consideration has to be given to such legislation as the Data Protection Act during investigations. This consequently means much of the information gathered remains confidential until such time as a matter reaches the public domain. This will normally only be if a case is deemed suitable for court action.
17. Results for 2013/14

Number of cautions	5
Number of Administration Penalties	3
Number of successful prosecutions	11
Value of benefit overpayments	£179,620.44
Value of Administration Penalties	£3,553.98
Number of social housing properties recovered	4
Number of housing application rejected	3
Number of Council Tax fines	1
18. There is value in the excess reduction of Council Tax Support but this has not been recorded to date. Council Tax Benefit ceased in March 2013 to be replaced by Council Tax Support.
19. Similarly any value of Council Tax discount has not been recorded to date. For example, where a Single Person Discount has been cancelled following an investigation.

Single Fraud Investigation Service

20. The team has a continued good working relationship with the Department for Work and Pensions (DWP) when investigating benefit fraud. This joint working has ensured that when investigating benefit fraud the totality of the fraud is considered.
21. In 2010, the government announced that from April 2013, the Single Fraud Investigation Service (SFIS) would be established and would look at all welfare benefit investigations including DWP, HMRC and Local Authority.
22. Despite a delay, the timetable for the migration of benefit investigations and investigators into SFIS has now been published. In December 2015, the majority of the benefit investigations regarding housing benefit administered by Ashford Borough Council will be the responsibility of SFIS. It is possible

there will be some investigations / referrals that will not come under the remit of SFIS and it will be for the Local Authorities to determine how they wish for these investigations to be handled.

23. £16.6 million has been put aside by DCLG for Local Authorities with regards to corporate fraud. The allocation or bidding process for this money is yet to be determined / released.

Visiting

24. Since April 2013, 50% of the Non Domestic Rates income collected is retained for distribution between the administering authority and main precepting authorities. Therefore the risk is higher to the authority and collection is given a greater emphasis. With this and the changes under the Welfare Reform Act, as mentioned, the Visiting officers have since moved to under the Operations and Support Manager within Revenues and Benefits.
25. Any applications for discounts or exemptions that are believed to be suspicious or fraudulent will be investigated and dealt with appropriately.

Fraud Awareness

26. In 2013/14, fraud awareness training was provided to staff within Revenues and Benefits, Housing and Customer Services. The training this time included a much wider review of potential fraud against the Authority to heighten awareness beyond benefit fraud. The training included case studies to assist with practical learning.
27. In the last Fraud Report, it was proposed to offer training to all managers on the Fraud Risks to the Council. This being a joint approach from both Audit and Fraud teams.

Data Matching

28. National Fraud Initiative (NFI) – this is a bi annual exercise run by the Audit Commission which is mandatory for all local authorities to participate in. It matches electronic data within and between audited bodies to prevent and detect fraud. A strategy for investigating those matches passed to the investigation team is submitted to internal audit at the beginning of the exercise and a report of outcomes at the end.
29. Housing Benefit Matching Service (HBMS) – this is a monthly data matching exercise provided by the DWP that matches Housing Benefit data with DWP benefit data highlighting discrepancies that may affect Housing Benefit. These matches are dealt with by the Benefit processing team and any large anomalies referred for investigation.
30. Experian Tenancy Match – this was an exercise matching Ashford Borough Council tenants with credit data to establish any discrepancies with tenancies and / or benefit claim or council tax discounts. No frauds have been established to date from this exercise although has been useful from a data cleansing perspective and has been the basis for prioritising tenancy audits.

Retention of records

31. Investigation records are retained and destroyed in line with the criminal Procedures Investigatory Act 1996 (CPIA). Records are retained for a minimum of 18 months for audit purposes.

Regulation of Investigatory Powers Act (RIPA)

32. Surveillance is considered in cases where the loss to the public purse makes it financially viable and where all other options have been covered or deemed not possible. Surveillance is essential in many cases where the fraudster is determined in their pursuit of criminality and theft from the taxpayer. RIPA ensures that the surveillance is conducted in line with the Human Rights Act Article 8 – right to privacy. In addition since October 2013, the Protection of Freedoms Act 2012 means that any application to conduct surveillance under RIPA by a local authority is reviewed and authorised by a magistrate. The Office of the Surveillance Commissioner reviews RIPA applications made by this local authority.
33. An updated surveillance policy was adopted in 2013 taking into account the new legislation.

The Future

34. As mentioned, the historical workload of benefit investigations as has been handled by the team is likely to decrease as the majority is migrated to SFIS. There will still be some referrals that would remain with the local authority although the quantity and quality is not known. As SFIS is rolled, out this workload will become apparent. The Authority will still have the responsibility of administering Housing Benefit and of recovering any fraudulent overpayments. It is understood that SFIS will only investigate high value fraud with remaining referrals being passed for compliance action or referred back to the Authority.
35. A business plan is currently being reviewed with regard to establishing a Corporate Investigations Team to act as a corporate resource. The remit of this team is being discussed. The principle of such a team has been endorsed by the Audit Committee and senior management of this Council.

Contact: Hannah Davies, Senior Investigations Officer/ Acting Investigations Manager

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



Date: **26 June 2014**

Report Title: **Audit Commission Work Programme and Scale of Fees 2014/15**

Report Author: Paul Naylor

Summary: This paper provides the Audit Committee with a report on progress in delivering Grant Thornton's responsibilities as our external auditors. The paper includes:

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

Key Decision: NO

Affected Wards: NA

Recommendations: **The Committee is asked to:-
Note the External Auditors Fee Proposal and Work Programme for the Year.**

Policy Overview: NA

Financial Implications: NA

Risk Assessment NA

Equalities Impact Assessment NA

Other Material Implications: NA

Background Papers: NA

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Audit Committee Update for Ashford Borough Council

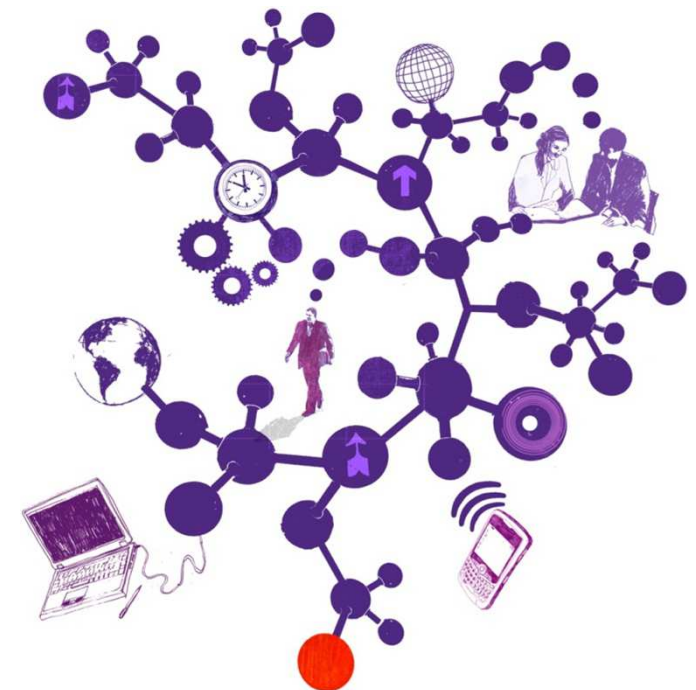
Year ended 31 March 2014

June 2014

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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; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English 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 June 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the District Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	March 2014	Yes	As presented to March Audit Committee
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	March 2014	Yes	As reported in our audit plan, there are no significant matters arising from our interim accounts audit work.
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July – September 2014	Not yet due	July 2014 – September 2014

Progress at June 2014

Work	Planned date	Complete?	Comments
<p>2013- 14 Value for Money (VfM) conclusion The scope of our work to inform the 2013/14 VfM conclusion is based on the reporting criteria specified by the Audit Commission: The Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> • securing financial resilience – with work focusing on arrangements relating to financial governance, strategic financial planning and financial control. • challenging how it secures economy, efficiency and effectiveness in its use of resources. 	March 2014 – September 2014	Not yet due	<p>As set out in the audit plan, we have undertaken an initial risk assessment to identify areas of risk to our VfM conclusion.</p> <p>The results will be reported to the September committee meeting.</p>
<p>2013-14 Grant Certification We will be required to certify the following grants for the Council in 2013/14:</p> <ul style="list-style-type: none"> • Housing and council tax benefit • Pooling of housing capital receipts 	June 2014 – November 2014	Not yet due	All initial testing on the housing benefit grant claim will be completed before the end of September and used to support our audit opinion on the financial statements.
<p>Other activity undertaken Since our last update:</p> <ul style="list-style-type: none"> • We have provided support on specific accounting and legal queries • Working with Kent Audit Group, in particular to develop and IA benchmarking survey and discuss potential use of IDEA • Recent Grant Thornton Publications circulated including "A guide to local authority accounting", "Reaping the benefits" "Alternative delivery models" and "Financial resilience review" 	-	-	We would always be happy to discuss any other ways in which Grant Thornton can support the Council.

Understanding your accounts – member guidance

Accounting and audit issues

Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures

Supporting this guide we have produced two further documents to support members in discharging their responsibilities

- helping local authorities prepare clear and concise financial statements
- approving the minimum revenue provision

Copies of these are available from your engagement lead and audit manager

Challenge question

Have members referred to this guidance?

Accounts – our top issues

Accounting and audit issues

Top issues for the 2013/14 closedown

Based on the queries we have received from practitioners and auditors, here is a list of the top issues to consider for the 2013/14 closedown.

1. Do your accounts tell the overall story of your authority's financial performance and financial position? Are they clear, concise and easy to follow? Is detailed information on the most important information easy to find? Have duplicated text, non-material notes and zero entries been removed?
2. Are your accounts internally consistent? In particular, does the movement in reserves statement agree to the detailed notes?
3. Is your programme of revaluations is sufficiently up to date to ensure that the carrying value of property, plant and equipment does not differ materially from the fair value at 31 March 2014?
4. Have you accounted for provisions in accordance with IAS 37?
 - Have you considered provisions for business rates, equal pay and restoration and aftercare of landfill sites?
 - Are your provisions the best estimate of the liability (rather than a prudent estimate or an amount that is convenient for budget purposes)?
 - Is there a robust evidence based methodology to support the estimate?
 - Are there any instances in which a provision has not been made because a reliable estimate cannot be made? If so, Is their robust evidence to support the judgement that a reliable estimate is not possible? Has a contingent liability been disclosed?
5. Is your PFI accounting model up to date? Do your accounts disclose:
 - the fair value of PFI liabilities?
 - information on the impact of inflation on PFI commitments?
6. Have you agreed a detailed closedown plan with your auditors? Does this include how to deal with known major issues, a protocol for dealing with new issues as they arise and a date for a post-implementation review?

Challenge question

Has your Finance Manager addressed the closedown issues and assessed the potential impact for your financial statements?

Accounts – CIPFA bulletin

Accounting and audit issues

LAAP Bulletin 98: Closure of the 2013/14 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued [LAAP Bulletin 98](#). The bulletin provides further guidance and clarification to complement CIPFA's 2013/14 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- public health reform
- non-domestic rates – provision for appeals against the rateable value of business properties
- component accounting
- accounting for pension interest costs in relation to current service cost and pension administration costs
- disclosure requirements for dedicated schools grant.

With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 and on the measurement of transport infrastructure assets in 2016/17.

Challenge question

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

Not to be rubbished, £464 million potential savings

Local government guidance

Audit Commission VFM Profiles

Using data from the VFM Profile, <http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/> the Audit Commission issued a briefing on 27 March 2014, concluding that up to £464 million could be saved overall, if councils spending the most brought down their spending to the average for their authority type and waste responsibilities.

The Audit Commission Chairman, Jeremy Newman said: "It's good news that local authorities have reduced their spending on household waste by £46 million over the past four years and have reduced levels of waste sent to landfill. Councils have achieved these important improvements by working with local people and exercising choice about what works best in their own circumstances."

In the context of considering the hierarchy of waste management options - preventing the creation of waste, preparing waste for re-use, recycling, recovery and disposal to landfill - the Audit Commission Chairman also said

"in 2012/13 local authorities spent a fifth of their total expenditure on the most desirable option for household waste management: minimisation and recycling. They spent the other four-fifths on the collection and disposal of waste – the least desirable options. Councils have the power to influence and encourage residents to do the right thing and they control the levels of spending on the range of waste management options available to them. Their choices ultimately affect how well the environment is protected and the quality of waste services residents receive"

Challenge questions

Has the Council used the Audit Commission briefing paper to consider how their:

- overall spending on household waste management has changed over time?
- spending is divided between waste minimisation, recycling or disposal of waste, and how this has changed over time?;
- spending on different components of waste management compares with authorities that have similar or better performance?

Assessing the costs and benefits of local partnerships

Local government guidance

The government published its cost benefit analysis guidance for local partnerships on 2 April 2014.

Developed as part of the Greater Manchester 'whole place' Community Budget pilot, it was the first Treasury-approved assessment of the costs and benefits of joining-up and reforming public services in local areas.

The framework was developed by New Economy, the economic strategy unit of the Greater Manchester Combined Authority. John Holden, acting director of economic strategy at the agency, led the team that devised the methodology. He said

"this model provides a framework to start thinking about more holistic projects that deliver long-term outcomes but also produce short-term cashability [savings]"

The guidance sets out a standard process to determine the benefit of reforms, based on the unit cost of services, their impact and the savings that result. In providing Treasury backing for the cost benefit analysis framework – it has been included in Whitehall's Green Book for policy appraisal and evaluation – it has been added to the government's assessment process for the latest £320m round of the Transformation Challenge Award, which provides funding to councils to implement reforms.

Challenge question

Has the authority considered the applicability of the government's cost benefit analysis guidance in considering the cost-benefits of local service delivery options?

Working in tandem – Local Government Governance Review 2014

Grant Thornton

Local Government Governance Review

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/> is our third annual review into local authority governance. It aims to assist managers and elected members of councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Drawing on a detailed review of the 2012/13 annual governance statements and explanatory forewords of 150 English councils and fire and rescue authorities, as well as responses from 80 senior council officers and members, the report focuses on three particular aspects of governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

Alongside the research findings, the report also highlights examples of good practice and poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

Challenge questions

- Our report includes a number of case studies summarising good practice in risk leadership, partnerships and alternative delivery models and public communication. Has the Authority reviewed these case studies and assessed whether it is meeting good practice in these areas?
- Our report includes key questions for members to ask officers on risk management and alternative delivery models. Are these issues being considered and responded to by officers?

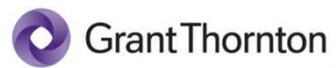
Events

Grant Thornton

Events

We are involved in organising and supporting various events for our local government clients including the following.

- Following on from our recent national report on welfare reform Reaping the Benefits we are continuing to gather information and examples of good practice from local government and housing around the country. We are presenting our key findings updated information on good practice to CIPFA Benefits and Revenues Network and regional CIPFA events
- We are sponsoring the Centre for Public Scrutiny (CFPS) annual Scrutiny Camp Unconference in London on 11 June
- We are also sponsoring The Municipal Journal's annual Growth Agenda conference on 4 June where we will be launching our Where Growth Happens report
- For the third year running we are sponsoring the conference drinks reception at CIPFA's Annual Conference, taking place in London on 2 July
- Paul Grady, Grant Thornton's Head of Police, will be speaking at the third Annual National Conference on Police and Crime Commissioners on 10 July, in Nottingham
- We are hosting an Alternative Delivery Models seminar at our Birmingham office in 16 July where practitioners will share experiences of setting up and operating various alternative delivery models.



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Audit Committee - Future Meetings

Date 25/09/2014			
Publish by 17/09/14			
Reports to Management Team by 11th September		Council 16/10/14	
1	Annual Governance Statement – Progress on Remedying Exceptions	PN/NC	
2	Statement of Accounts 2013/14 and the External Auditor’s Audit Findings Report	Gr Th (cover by PN/BL)	
3	Strategic Risk Management – 6 Monthly Update	IC	
4	Report Tracker & Future Meetings	DS	

Date 2/12/2014			
Publish by 24/11/14			
Reports to Management Team by 20th November		Council 11/12/14	
1	Annual Governance Statement – Progress on Remedying Exceptions	PN	
2	Annual Audit Letter 2013/14	Gr Th (cover by PN)	
3	Internal Audit Interim Report	IC	
4	Report Tracker & Future Meetings	DS	

Date 03/03/2015			
Publish by 23/02/14			
Reports to Management Team by 19th February		Council 16/04/14	
1	The Audit Plan for Ashford Borough Council	Gr Th (cover by ABC)	
2	Certification of Grant Claims – Annual Report	Gr Th (cover by ABC)	
3	Presentation of Financial Statements	MS	
4	Strategic Risk Management – 6 Monthly Update	RC	
5	Annual Governance Statement – Progress on Remedying Exceptions	PN	
6	Internal Audit Operational Plan 2015/16	RC	
7	Report Tracker for Future Meetings	DS	

Date 30/06/2014			
Publish by 22/06/14			
Reports to Management Team by 18th June		Council 16/07/15	
1	Fraud Annual Report 2014/15	PN/HD	
2	Internal Audit Annual Report 2014/15	RC/IC	
3	Annual Report of the Audit Committee 2014/15	IC	
4	Approval of Annual Governance Statement 2014/15	PN	
5	Audit Commission Work Programme and Scale of Fees 2015/16	PN	
6	Report Tracker for Future Meetings	DS	

18/6/2014