

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **26th June 2014**.

Present:

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

In accordance with Procedure Rule 1.2(iii) Councillor Chilton attended as a Substitute Member for Councillor Yeo.

Apologies:

Cllrs. Buchanan, Shorter, Yeo.

Also Present:

Cllr. Galpin.

Deputy Chief Executive, Head of Audit Partnership, Head of Personnel & Development, Audit Partnership Manager, Finance Manager, Policy & Performance Manager, Investigations Manager, Senior Auditor, Funding & Partnerships Officer, Senior Member Services & Scrutiny Support Officer.

Andy Mack, Lisa Robertson - Grant Thornton.

51 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 18th March 2014 be approved and confirmed as a correct record.

52 Internal Audit Annual Report 2013/14

The report gave the Committee an opportunity 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 Committee was asked whether it was satisfied that an effective Internal Audit Service operated at the Council during 2013/14.

The Chairman referred to the five areas (out of 23 audits) which had received a Limited assurance in the past year and therefore where control arrangements were below an acceptable standard, and asked what was being done to bring those up to standard? The Head of Audit Partnership explained that each audit generated an action plan and accompanying recommendations and a follow up review to examine

whether the recommendations had been implemented. He said that in the context of the Authority as a whole, those five issues did not do enough to change his overall opinion that substantial reliance could be placed on the Council's control environment. Whilst there were no particular concerns on progress made against recommendations, he did consider that recommendations could be tracked and followed up upon better, which is why proposals for a refresh to the reporting arrangements had been made later on in the Agenda.

In response to a question, the Head of Audit Partnership said he was not aware of any major changes in the past year that would have affected internal control systems. The only significant change had been the roll out of the new waste management contract and whilst some weaknesses had been identified in terms of contract monitoring arrangements, recommendations had already been accepted and taken on board by Management.

A Member asked about the risks surrounding a total IT systems failure for the Council. The Head of Audit Partnership explained that business continuity had been examined during the last year and received a Limited assurance. This was however chiefly due to the lack of testing. As a result of the concerns though, there was now to be a specific review of ICT Disaster Recovery during 2014/15, which was already underway.

Resolved:

- That**
- (i) 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 be noted.**
 - (ii) the results of the work of the Internal Audit Team as shown in Appendix A to the report be noted and it also be noted that this is the prime evidence source of the Head of Audit Partnership's opinion.**
 - (iii) the contents of the report provide evidence of effective Internal Audit operating at the Council during 2013/14.**

53 Audit Committee Annual Report 2013/14

The report set out the Annual Report of the activity of the Audit Committee for 2013/14. The Audit Partnership Manager directed attention to the report's conclusion that the Committee could demonstrate that it had appropriately and effectively fulfilled its duties for the year.

Resolved:

That the content and format of the Annual Committee report be agreed and the Annual Report be forwarded to Full Council to demonstrate how the Committee had effectively discharged its responsibilities.

54 Internal Audit 2014/15 Reporting Refresh

The Head of Audit Partnership introduced the report which set out revisions to the Internal Audit approach for 2014/15 arising from the responses to the recent Institute of Internal Auditors review and a desire to review and refresh a process which had not been examined for some years. As the changes affected the information presented to this Committee in the future, the report was presented to inform Members in advance and give them an opportunity to comment. The principal changes affected the assurance levels, recommendation ratings and process for completing and following up audit projects. It was considered that this would also tie in better with the way the Council was moving forward.

A Member said he liked the new proposals and asked about the recommendation ratings. He thought marking them Priority 1, Priority 2 etc. was sensible but wondered if each should also have a timescale attached. The Head of Audit Partnership confirmed that this was the intention. A timescale would be attached to each recommendation based on priority however he wanted to retain some flexibility on the actual prescribed time.

There was also some discussion about at what point the Audit Committee should be presented with issues as a matter of course. Should a Priority 1 recommendation (Critical) come to the next available Audit Committee Meeting for example, or would an email advising Committee Members suffice? The Head of Audit Partnership said that the timing around this and the follow-up audit was something he would like to examine further. With the Committee meeting quarterly, it might be that some issues were too urgent to wait for three months, whilst others may benefit from further discussions with Officers/Management before they were tackled by the Committee.

Resolved:

That the Committee note and support the revised approach for undertaking and reporting the work of Internal Audit for 2014/15.

55 Annual Governance Statement 2013/14

The report explained that each year the Council must produce and approve an Annual Governance Statement that summarised the approach to governance and showed how the Council fulfilled the principles for good corporate governance in the public sector. The Statement also drew conclusions about the effectiveness of the Council's arrangements, based on evidence throughout the past year. The Statement would be published alongside the Council's formal audited financial statements which would be considered by the Committee in September. This year's Statement built on previous statements, providing updated information where needed. It concluded that governance arrangements remained appropriate, effective and adaptive to change as circumstances dictated.

In response to a question the Deputy Chief Executive said that the timetable for completion of the areas for review was ultimately the end of the year. The risks of borrowing and income generation was however a topical issue and would be

included within a report to Cabinet in July, reviewing the Council's financial position. The governance issues of this would begin to be addressed during discussions in the autumn.

A Member pointed out some minor typographical errors in the report that would need to be amended before final publication.

Resolved:

That the 2013/14 Annual Governance Statement be approved for signature by the Leader and Chief Executive as required by regulations.

56 Anti-Fraud and Corruption Strategy

The report provided a suite of updated policies which, when taken together, would 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. The affected policies were: - Anti-Fraud and Corruption; Money Laundering; Whistleblowing; and a new Bribery Policy. A revised recommendation had been tabled.

A Member pointed out some minor typographical errors in the policies that would need to be amended before final publication.

Resolved:

That the 'suite' of policies in the report be endorsed to the Cabinet.

57 2013/14 Financial Statements – Letters of Assurance to External Auditors

The report explained that each year, in support of the external audit of the Council's financial statements, it was necessary to provide two assurance letters to the auditors. These were important statements on which the auditors relied for their opinion work. The two completed letters were attached to the report – one from the Chairman on behalf of the Committee; and the second from the Deputy Chief Executive on behalf of management. They covered similar points to assurance letters in the past and had already been shared in draft with auditors. They covered assurances relating to such matters as disclosures of material facts affecting the statements, fraud, contingent liabilities and legal issues affecting the statements.

The Chairman said he would like to place on record his thanks to Officers who had picked up the matter of internal fraud relating to a part of the 2013 Electoral Canvass performed by two temporary staff.

In response to a question about the Impairment Allowance for Bad Debts, the Finance Manager clarified that the report contained provisional figures and the final figures on page 138 of the Agenda should be "£3,926,000 approximately 35% of the value outstanding debt".

A Member pointed out a minor typographical error on page 133 of the Agenda that would need to be amended before final publication.

Resolved:

That the Chairman's and Management's 2013/14 Assurance Letters be endorsed.

58 Annual Fraud Report 2013/14

The report provided an update on the work of the Investigation Team within Revenues and Benefits over the past year.

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

- 'Administration Penalties' referred to fines for benefit fraud.
- At present the team could still function effectively under current resources. The move to the Single Fraud Investigation Service (SFIS) would change the nature of the Service and there would be further discussions about, and a review of, the Service when that occurred.
- There would be a report to the September Cabinet Meeting about the future of the Fraud Investigation Service within the Council. This Committee had already supported the principle of the Council setting up its own corporate counter fraud team, and the Council was committed to maintaining a good level of resource. There had already been discussions with other agencies about this and there was concern that SFIS may not be as effective as the current arrangements. Representations had been made to the Welfare Minister on this point and it was very much a 'time will tell' issue.
- The Portfolio Holder said that, unlike some Local Authorities, Ashford's working relationships with the DWP were currently very strong. They were working towards a common aim and this would continue.
- With regard to referrals, each referral was examined, risk assessed and prioritised within resources. None were rejected out of hand, although most rejections were made fairly early in the process to avoid abortive work.

Resolved:

That the report be received and noted.

59 External Audit's Work Programme and Scale of Fees 2014/15

The paper provided the Committee with a report on progress in delivering Grant Thornton's responsibilities as the Council's External Auditors. The paper included a summary of emerging national issues and developments that may be relevant to Members and a number of challenge questions in respect of those emerging issues which the Committee may wish to consider. The 2014/15 Fee Letter, which was omitted from the original papers, was tabled.

Mr Mack advised that he had now personally been the Engagement Lead for Ashford for 7 years, which was the maximum allowed, therefore Grant Thornton would need to introduce somebody new during this year. Lisa Robertson would remain as Ashford's Audit Manager.

The Chairman said he was interested in the challenge questions and asked how far reaching they were for the Council. The Deputy Chief Executive said in his view some should be key considerations for this Committee, with others for the Cabinet, some for Members generally and others for Management Team. The questions should inform this Committee's work programme but they needed to decide when and in what context. The Chairman said it might be useful to provide a quick comment under each question in response and to provide some assurances. A Member said he often read Grant Thornton's website and referred to their documents.

Resolved:

That the External Auditor's Fee Proposal and Work Programme for the year be received and noted.

60 Report Tracker and Future Meetings

Officers advised that there would be an additional item to the next meeting of the Committee in September – 'Consultation on the Future of Local Public Audit'.

Resolved:

That subject to the above the report be received and noted.

DS

Queries concerning these Minutes? Please contact Danny Sheppard:
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