

## Audit Committee

Minutes of a Meeting of the Audit Committee held in Committee Room No. 2 (Bad Münstereifel Room), Civic Centre, Tannery Lane, Ashford on the **25<sup>th</sup> September 2014**.

### Present:

Cllr. Clokie (Chairman);  
Cllrs. Buchanan, Mrs Dyer, Michael, Yeo.

In accordance with Procedure Rule 1.2(iii) Councillor Mrs Dyer attended as a Substitute Member for the Conservative Vacancy.

### Apologies:

Cllrs. Link, Smith.

Lisa Robertson – Grant Thornton

### Also Present:

Cllr. Galpin.

Deputy Chief Executive, Head of Audit Partnership, Audit Partnership Manager, Head of Finance, Principal Accountant, Funding and Partnerships Officer, Member Services & Scrutiny Support Officer.

Andy Mack - Grant Thornton.

## 155 Minutes

### Resolved:

**That the Minutes of the Meeting of this Committee held on the 26<sup>th</sup> June 2014 be approved and confirmed as a correct record.**

## 156 Annual Governance Statement – Progress on Remediating Exceptions

The report updated the Committee on the progress made towards the areas of review highlighted by the 2013-2014 Annual Governance Statement, namely the 'review of some aspects of the constitution to provide a clearer definition of Members' responsibilities and 'managing the risks of borrowing and income generation'.

The Chairman advised that the late receipt of the report was not welcomed and he hoped that this would not occur in the future. It was clear that the work on 'managing

the risks of borrowing and income generation' had been completed with work on the 'review of some aspects of the constitution to provide a clearer definition of Members' responsibilities still ongoing.

**Resolved:**

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

## **157 Statement of Accounts 2013/14 and the External Auditor's Audit Findings Report**

The report presented the 2013/14 Statement of Accounts for approval. The External Auditor's report was also appended and Mr Mack was present to introduce this and take questions. The Appointed Auditor had indicated his intention to issue an unqualified opinion on the accounts. Once approved the accounts would be published.

The Principal Accountant advised that the closure of the accounts had gone well and to timetable. De-cluttering of the accounts had also been carried out. The audit of the accounts had gone well with effective communication between Officers and Grant Thornton. The most significant change was an important technical point with the reshaping of the Stanhope PFI; however this did not change the bottom line in any way.

The Chairman wished to echo the Portfolio Holders comments contained within the report and extended his congratulations and thanks to the Finance Team for their hard work on the accounts.

Mr Mack introduced the audit findings report from Grant Thornton which outlined the key issues arising from their audit. In terms of the key messages from the audit, Mr Mack said that a good set of financial statements had been submitted with the change in presentation making a significant improvement and he wanted to extend his congratulations to Officers on this. In respect of value for money and financial stability the Council had done well to meet the overall budget especially in the difficult external environment. Finally this was the seventh and final set of accounts that Mr Mack would be auditing, in accordance with the Audit Standards. He was pleased to see the progress that had been made over this period. Financial planning and account processes were now stronger as were the governance arrangements. The Council as a whole seemed more energised and focused than in the past and he hoped that this progress would continue. It had been a pleasure to be the Auditor for the Council and he wished Officers and the Council well for the future.

The Chairman thanked Mr Mack and on behalf of the Committee, wished Mr Mack well for the future. He then opened the item up to the Committee and the following responses were given to questions/comments:-

- In respect of paragraph 13 of the report, there was a conflict between the Accounting Code of Practice and the de-cluttering of the accounts. Officers had looked at ways to simplify the accounts and to avoid duplication in a

number of areas. A decision had been taken to change the way in which the accounts were presented which had resulted in an easier to follow format for readers. There was a grey area as to whether the change meant that the statement of accounts met the exact letter of the code. Some data in the statutory MIRS statement had been merged and then explained more fully elsewhere. Grant Thornton had been content that the accounts were not impaired by these changes.

- Grant Thornton had revised the accounting treatment of the Stanhope PFI, which was the biggest agreement and transaction on the accounts. A change had been made to the profile and expenditure on the statement however this did not change the bottom line. The profile had been changed to allow for rapid repayment in the early years with slower repayment in the later years as opposed to the reverse. This allowed for a reduced liability to the Council and did not affect the level of payments to the Contractor.
- Members felt that whilst the Audit Committee was the appropriate body to assess the Statement of Accounts it would be useful for the Budget Scrutiny Task Group to be provided with a list of variances when scrutinising the budget to assist with a greater understanding of the previous year's budget.
- Reserves were reviewed on a regular basis. Reserves had grown over the past few years. The Council was on a stable position in respect of its reserves. The Medium Term Financial Plan included a detailed analysis of the reserves.
- Developer contributions were recognised in the year they were received and then transferred to the reserve. The Council did spend developer contributions and there was a working group that monitored this. Mr Mack confirmed that this approach was consistent and the process underpinned by legal documents.

**Resolved:**

**That the Audit Committee:**

- (i) considered the Appointed Auditor's Audit Findings (Appendix A of the report)**
- (ii) agreed the basis upon which the accounts have been prepared (Going Concern)**
- (iii) approved the audited 2013/14 Statement of Accounts (Appendix B of the report)**
- (iv) approved that the Chairman of this Committee signs and dates the accounts as required by Section 10(3) of the Accounts and Audit Regulations 2003 as approval by the Council.**

- (v) approved the Chief Financial Officer's Letter of Representation to the Appointed Auditor (Appendix C of the report)

## 158 Strategic Risk Management – Six Monthly Update

The Head of Audit Partnership introduced the report which set out the arrangements in place for Strategic Risks and reflected the position after the recent risk refresh exercise undertaken in August 2014. Management Action Plans had been updated and amended to reflect the action being taken to manage these. The on-going review of the risks provided an opportunity for improvement of the matrices. It was proposed that definitions be prepared for each impact, to give Officers and Members greater understanding of what could occur and would also help to inform discussions around risk management. The Head of Audit Partnership had consulted with Zurich, the Council's insurers, who had been supportive of the proposal. He would prepare a report to Officers on the matter and hoped to hold some workshops around this during late October/early November, with an aim to reporting back to the Committee in March 2015.

The Deputy Chief Executive welcomed the further development of the definitions and approach towards Strategic Risks. It was envisaged that the improvements would encourage Officers to be more aware of risks during discussions regarding projects. The further development would also assist in the understanding of the report and ensure that there was a clear focus on the direction of travel and the risks. He drew attention to the risk relating to infrastructure and the key advances made over the past few months, including announcements regarding J10A and the A28. It was hoped that next time this was reviewed the risk would have been downgraded.

Members welcomed the proposal and felt that this would enable all to understand the implications and impacts of certain risks.

A Member questioned whether IT disaster recovery should be added to the Strategic Risk Register, and further questioned what steps were in place to recover data and transactions should there be a systems failure.

The Deputy Chief Executive advised the risk register reflected the most strategic risks that this Committee had felt should be included. If Members felt that the issue of IT disaster recovery should be added to the risk register then this could be done at the next review. The Head of Audit Partnership advised that an audit had recently been carried out in respect of IT disaster recovery, with the final report expected to be issued within the next few weeks.

The Head of Finance advised that there would be changes to income management systems which would result in these being hosted off site, therefore reducing the risk to the Council.

### **Resolved:**

**That the Committee notes the strategic risk management review report and approves the arrangements for managing strategic risks as set out in the report.**

## **159 Consultation on the Future of Local Public Audit**

The Head of Audit Partnership introduced the report that dealt with both the Government's proposals for secondary legislation following passage of the Local Audit & Accountability Act 2014 and the Council's response to those proposals. The main changes proposed were; bringing the publication date of accounts forward from 30 September to 31 July, increasing the timeframe in which electors could inspect the accounts from 20 to 30 days and allowing collective procurement including the rules around using a 'specified person' to arrange and monitor audit provision. The change in the accounts sign off date could result in an additional cost to the Council and the potential of errors within the accounts. A response to the consultation had also been provided by other bodies, including Grant Thornton. It was expected that a Government response would be received in October 2014 with any amendments to the regulations following in January/February 2015.

Mr Mack advised that the proposed change to the publication date of the accounts would be hard work for Councils and there would be greater reliance on estimates. Any estimate would need to be explained fully. He encouraged Officers to bring the date for the publication of accounts forward incrementally until the change was formally implemented as this would result in a more limited shock to all involved.

The Head of Finance advised that this year they had aimed to have the accounts ready by the end of May for auditing, however had missed this self-imposed deadline with the accounts being ready by 6<sup>th</sup> June instead. This change would be a real challenge and he questioned the merits of it. If a template or pro-forma were produced for Councils to complete that would assist the matter.

The Principal Accountant advised that the closure of accounts was resource intensive. The Finance Team was small and if these changes were implemented then there would be a need for extra resources at year end.

**Resolved:**

**That the Committee notes the Government's proposals and the Council's response.**

## **160 Report Tracker and Future Meetings**

The Deputy Chief Executive advised that there would be pre-briefing prior to the December 2014 meeting of the Committee, this would be on procurement.

**Resolved:**

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

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Queries concerning these Minutes? Please contact Kirsty Liddell:  
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