



Notice of a Meeting, to be held in the Council Chamber, Civic Centre, Tannery Lane,
Ashford, Kent TN23 1PL on Tuesday, 2nd December 2014 at 7.00 pm.

The Members of this Committee are:-

Cllr. Clokie (Chairman)
Cllr. Link (Vice-Chairman)
Cllrs. Buchanan, Michael, Shorter, Sims, Smith, 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 and Caroline Carney, the Council's Procurement Officer, will be giving a presentation on "Commissioning, Procurement and Contracting Risks and Opportunities – What Do Members Need to Know", between 6.00 pm and 6.45 pm. This will be for Members only**

Agenda

- | | Page
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 25 th September 2014 | |

Part I – For Decision

4. Annual Governance Statement – Progress on Remedying Exceptions
5. Annual Audit Letter 2013/14 and External Audit Progress Report
6. Internal Audit Interim Report

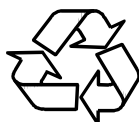


Part II – Monitoring/Information Items

7. Report Tracker and Future Meetings

DS/VS
24th November 2014

Queries concerning this agenda? Please contact Danny Sheppard:
Telephone: 01233 330349 Email: danny.sheppard@ashford.gov.uk
Agendas, Reports and Minutes are available on: www.ashford.gov.uk/committees



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
- (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 Committee Room No. 2 (Bad Münstereifel Room), Civic Centre, Tannery Lane, Ashford on the **25th 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 26th 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 6th 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.

Queries concerning these Minutes? Please contact Kirsty Liddell:
Telephone: 01233 330499 Email: kirsty.liddell@ashford.gov.uk
Agendas, Reports and Minutes are available on: www.ashford.gov.uk/committees

Agenda Item No: 4
Report To: Audit Committee
Date: 2 December 2014
Report Title: Annual Governance Statement – Progress on Remediating Exceptions
Report Author: Michelle Byrne, Funding and Partnerships Officer



Summary:	This report updates on the progress made towards the areas of review highlighted by the 2013-2014 Annual Governance Statement
-----------------	---

Key Decision: NO

Affected Wards: All

Recommendations: **The Cabinet be asked to:- Note progress made towards the areas of review highlighted by the Annual Governance Statement as detailed in this report**

Policy Overview: 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.

Financial Implications: None

Contacts: Michelle.byrne@ashford.gov.uk – Tel: (01233 330485)

Report Title: Annual Governance Statement – Progress on Remediating Exceptions

Purpose of the Report

1. To update on the progress made towards the areas of review highlighted by the 2013-2014 Annual Governance Statement

Issue to be Decided

2. To note progress made towards the areas of review highlighted by the 2013-2014 Annual Governance Statement

Background

3. 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.
4. The 2013-2014 Annual Governance Statement (AGS) was agreed by the June meeting of the audit committee and identified two areas for continued work and review as follows:
 5. The Leader's proposal for a further review of some aspects of the constitution to provide a clearer definition of members' responsibilities.
 6. Managing the risks of borrowing and income generation
 7. This report updates on the progress made towards the areas of review highlighted by the 2013-2014 Annual Governance Statement as above.

Progress to date

Review of some aspects of the constitution to provide a clearer definition of member's responsibilities: Ongoing

8. A report to the Selection and Constitutional Review Committee on 9 October made two recommendations regarding amendments to the constitution to include a section on individual member's responsibilities when expressing views on behalf of the Council, and a section on the obligation on all councillors to undertake duties and attend meetings to which they have been appointed

9. These recommendations were agreed and the appropriate additions have been inserted into Article 2.03 (page 12 mauve pages) of the constitution
10. The Member Training Panel made two recommendations to Cabinet on 9 October; one dealing with the publishing of information on members' attendance at meetings and training sessions and the other recommending that information regarding the expected behaviours of members should be included in the nomination packs issued to all candidates prior to elections.
11. Concerns were expressed at Cabinet that the publishing of members' attendance figures in isolation of other information could give a distorted impression to the public of the overall engagement and involvement of members. Concerns were also voiced over the proposal to include information on members' behaviour in nomination packs. It was felt that the information may be too prescriptive and that in any case, each political group already had its own expected performance standards for members.
12. In light of these concerns, Cabinet resolved that the recommendations within the report of the Member Training Panel be referred to the Selection and Constitutional Review Committee on 9 December.

Managing the risks of borrowing and income generation: Completed

13. This exception relates to principle four of the Annual Governance Statement, whilst also underpinning our plans for increasing income generation through an entrepreneurial approach, facilitated in part through prudential borrowing.
14. In July, the Cabinet approved an Investment and Borrowing Strategy as part of the wider report "Informing the Next Five Years". The strategy sets out the parameters to how associated risks will be managed and sets a fiscal cap. The Overview and Scrutiny Budget Task Group was subsequently invited to review "Informing the Next Five Years" at its August meeting and reported its recommendations to Overview and Scrutiny Committee.
15. At its meeting on 23 September, the Overview and Scrutiny Committee recommended that the Cabinet was advised that the committee broadly supported Appendices A, B, C and E of the 'Informing the Next Five Years' report. Appendix E relates to the Borrowing and Investment Strategy.

Conclusion

16. Good progress has been made towards the areas highlighted for review by the 2013- 2014 Annual Governance Statement.

Contact: Michelle Byrne

Email: michelle.byrne@ashford.gov.uk

Agenda Item No: 5

Report to: Audit Committee

Date: 2 December 2014

Report Title: External Auditor's Annual Audit Letter, and Audit Committee Update

Report Authors: Paul Naylor, Deputy Chief Executive (covering report only), and Andy Mack/Emily Hill, Grant Thornton (attached reports)

Summary: Attached to this covering report are two reports from Grant Thornton (external auditors). The Annual Audit Letter looks back on the past year's external audit work. The Update reports on work in progress or work due to be completed as part of this year's audit. Emily Hill, engagement lead and Lisa Robertson, external audit manager, will be present from Grant Thornton to introduce and take questions on the reports.

Key Decision: No

Recommendation: **The Audit Committee is recommended to note the two external audit reports.**

Policy Overview: External audit is a statutory requirement and fulfils an important role in the council's overall governance framework

Financial

Implications: There are no significant implications arising from the two reports

Risk

Assessment: No

Equalities

Impacts None

Other material

Implications: None

Contact: Paul.naylor@ashford.gov.uk – Tel 01233 330436

Report title: External Auditor's Annual Audit Letter, and Audit Committee Update

Introduction

1. This covering report introduces and comments on the two attached reports from Grant Thornton (external auditors). Lisa Robertson, external audit manager, will be present to introduce and take questions on the reports.

The Annual Audit Letter

2. This year's annual letter is short, containing key messages to the council.
3. It reiterates the positive comments made by the external auditors at the last meeting when unqualified opinions on the council's financial statements and the arrangements for 'value for money' opinion were reported. A report setting out the results of audit certification work of the business rates and council tax benefit claims is outstanding. Audit work of these substantial claims has been completed, however.
4. Audit fees are slightly above the original fee level for reasons explained in the report. However, separately and repeating the rebate made last year the Audit Commission made rebates to all councils this year to pass on further savings made in Audit Commission retained costs since outsourcing work two years ago. The rebate received by the council for this year was £6,810 and follows on from an earlier rebate of £9,068.

The Audit Committee Update

5. Planned external audit work recommences next year in preparation for the audit of the financial statements that will be completed at the end of the current financial year. Preparatory reports are due to be submitted to the committee next March by the auditors and the Head of Finance. The audit cycle of this year's statements will conclude with the submission of the financial statements together with the audit opinion to this committee next September.
6. The Update also includes references to several national issues and reports and against some of these the auditors pose some prompts as guidance for the committee (presented as 'challenge questions'). Below is a short explanation of the council's position against the various issues for which a challenge question is posed.
 - a) *Code of Practice on Local Authority Accounting 2015/2016*

The Head of Finance has reviewed the proposed amendments, which are of a technical nature with the most significant issue relating to changes to the principles of determining and accounting for asset valuations. A full report detailing the implications of the proposed 2015/2016 Code of Practice is due to be reported to the committee next March.
 - b) *Local authority reserves and balances – CIPFA's updated guidance*

CIPFA (the principal accounting body that provides statutory advice and guidance on accounting and financial management to local government chief

finance officers) has reviewed its guidance on local authority reserves and balances. The previous guidance was issued in 2008. The 2014 guidance covers the relevant legal background and importantly emphasises that local authorities should establish reserves including the level of those reserves based on the advice of their chief finance officers. Authorities should make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances vary. The advice goes on to say that a well-managed authority, for example, with a prudent approach to budgeting, should be able to operate with a level of general reserves appropriate for the risks (both internal and external) to which it is exposed.. CIPFA does not consider it necessary or appropriate to quantify a minimum level of reserves; this is for CFOs and councils to consider. The government retains a power to impose a minimum, but is only intended to be used in circumstances where it is apparent to government that a council is not acting prudently and not following advice.

Reserves levels and the reasons for holding reserves are reviewed at least once a year. Further the CFO is formally required to advise members on the adequacy of reserves as part of the annual budget report. The CFO's advice is extensive and is made taking into account CIPFA's advice.

c) *New regulations concerning conducting council meetings and facilitating public and media access to meetings*

In August the government issued new regulations (The Openness of Local Government Bodies Regulations 2014) establishing a new public right permitting the filming and recording of council meetings. Accordingly the council has approved amendments to its constitution, and new policy and procedural guidance.

d) *Audit Commission briefing paper: 'Managing council property assets'*

The council has for some years had a strong and strategic focus on its property assets. Under the former government's 'Beacon Council' programme the council was awarded beacon status for its asset management arrangements. In more recent years the emphasis has heightened to ensure that best value is obtained from property holdings and new investments, including an appropriate use of 'whole life costing' to assess the merits of holding assets. Property management is covered by a cabinet portfolio, with strategic acquisitions covered by a member and officer panel, as well as being the subject of periodic reports to cabinet.

e) *The National Fraud Initiative*

All councils are obliged to participate with and respond to the National Fraud Initiative currently managed by the Audit Commission. This council has a good track record of participation and has responded well to data matching instructions and has always followed up output reports that highlighted mismatches and therefore the possibility of fraudulent activity. Our local response to the NFI is handled by the internal audit service in conjunction with

the council's fraud investigation team. A summary of activity is usually included in the annual fraud report to this committee.

Contact: Paul.naylor@ashford.gov.uk



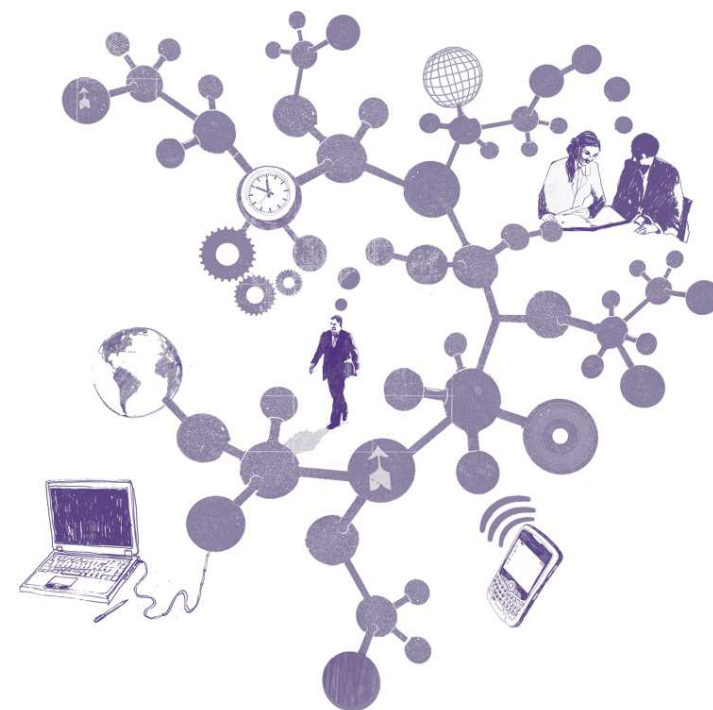
The Annual Audit Letter for Ashford Borough Council

Year ended 31 March 2014

October 2014

Andy Mack
Engagement Lead
T 020 7728 3299
E Andy.L.Mack@uk.gt.com

Lisa Robertson
Senior Manager
T 020 7728 3341
E Lisa.E.Robertson@uk.gt.com



Contents

Section	Page
1. Key messages	3
Appendices	
A Summary of reports and audit fees	5

Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Ashford Borough Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in March 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 25 September 2014 to the Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none">• the accounts were prepared on time and to a good standard, including significant de-cluttering of the statements in 2013/14;• staff responded quickly and efficiently to all audit queries;• Our review of Stanhope Private Finance Initiative (PFI) has led to a number of changes across the statements, although the net effect on the general fund and HRA is zero; and• other adjustments made to the draft statements were mainly in relation to making further improvements in presentation and disclosure. <p>We issued an unqualified opinion on the Council's 2013/14 financial statements 26 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2013/14 on 26 September 2014.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p>

Key messages

Whole of Government Accounts	The specified figures in the Council's financial statements fell below the audit threshold specified by the National Audit Office (NAO), therefore a detailed review of the Whole of Government Accounts (WGA) consolidation pack was not required. We submitted the short form assurance statement on the Council's WGA in September 2014.
Certification of grant claims and returns	We have certified one grant claim, Pooling of Capital Receipts, without amendment. Our work on the Housing Benefit Claim is in progress and will be completed by the end November, in accordance with the certification deadline. The results of this work will be reported separately to this committee in our Annual Report on Grant Claim Certification.

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	79,515	81,915*
Grant certification fee	12,600	11,125** (expected)
Total fees	92,115	93,040

Certification work is on-going. The final fee will be reported to the Audit Committee later in the year in our annual certification report.

*There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for District Councils and is subject to agreement by the Audit Commission.

Additional fees of £1,500 are included to reflect the extra time taken in reviewing and agreeing the PFI adjustments.

**The £1,475 reduction in grant certification scale fee relates to the removal of the external audit requirement for Council Tax Benefits and the NNDR3 return.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	March 2014
Audit Findings Report	September 2014
Certification report	Due Dec 2014
Annual Audit Letter	October 2014



© 2014 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

Ashford Borough Council Audit Committee Update

Year ended 31 March 2015

November 2014

Emily Hill

Engagement Lead

T 020 7728 3259

E emily.hill@uk.gt.com

Lisa Robertson

Senior Manager

T 020 7728 3341

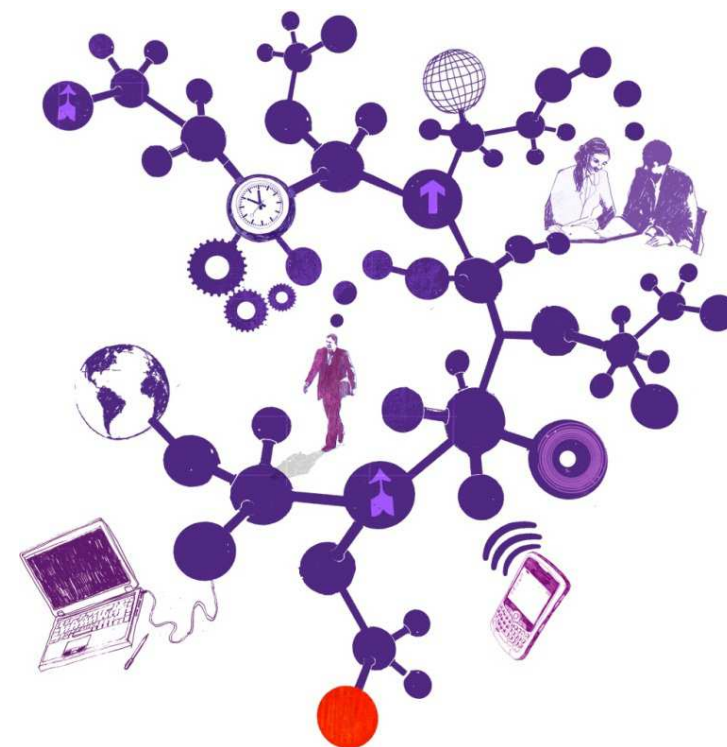
E lisa.e.robertson@uk.gt.com

Neil Robertson

Executive

T 020 7383 5100

E neil.a.robertson@uk.gt.com



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.

Contents

Section	Page
Introduction	4
2014/15 audit progress at November 2015	5
Emerging issues and developments	
Accounting and audit issues	7
Grant Thornton	8
Local government guidance	13

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
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths
- Responding to the challenge – Alternative Delivery Models in Local Government

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.

Progress at November 2014

Work	Planned date	Complete?	Comments
<p>2014-15 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	<p>March 2015</p>	<p>Not yet due</p>	<p>The 2014/15 audit fee letter was issued to the Council in April 2014. The Audit Commission has independently set the scale fee for all bodies. The Council's scale fee for 2014/15 is £81,915 (subject to agreement from the Audit Commission of £1,500 increase for reviewing and agreeing the PFI adjustments) This compares to a fee of £79,515 in 2013/14. In addition to the PFI adjustment, the £900 increase in the main audit scale fee has been made to recognise the additional work required to gain assurance over non domestic rates, which in previous years was covered by the audit of the NNDR return</p> <p>We will provide details of our planned audit work in the 2014-15 audit plan due to be issued in March 2015.</p>
<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. 	<p>November 2014 - March 2015</p>	<p>Not yet due</p>	<p>We will provide initial feedback on our interim audit within our audit plan due to be issued in March 2015.</p>
<p>2013-14 final accounts audit Including:</p>	<p>July 2015 – August 2015</p>	<p>Not yet due</p>	<p>The findings will be provided in our Annual Findings Report, presented to Committee in</p>

Progress at November 2014

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion The scope of our work to inform the 2014/15 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. 	Ongoing review November 2014- September 2015	Not yet due	We will provide details of our planned audit work in the 2014-15 audit plan due to be issued in March 2015. The findings will be provided in our Annual Findings Report, presented to Committee in September 2015.
<p>Grant Certification Our grant certification work for 2013/14 is complete.</p> <p>We will be required to certify the following grants for the Council in 2014/15:</p> <ul style="list-style-type: none"> • Housing and council tax benefit • Pooling of housing capital receipts 	June 2015 – November 2015	Not yet due	The certification work for 2013/14 is reported separately in the annual report on grants certification. All initial testing on the housing benefit grant claim for 2014/15 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"> • Audit Committee Chair has attended Audit Committee networking event hosted by Grant Thornton. • We sponsored the Kent Audit Conference attended by Mid Kent Audit Partnership which included a presentation on 'effective audit and assurance when working with the private sector' 	-	-	We would always be happy to discuss any other ways in which Grant Thornton can support the Council.

Code changes – have your say

Accounting and audit issues

Code of Practice on Local Authority Accounting 2015/16

At the end of July, CIPFA/LASAAC released the [2015/16 Code of Practice on Local Authority Accounting in the United Kingdom](#) (the Code) Exposure Draft (ED) and Invitation to Comment (ITC) for public consultation. The changes proposed in the ITC include:

- IFRS 13 fair value measurement: the proposed approach would result in remeasurement of property, plant and equipment assets that do not provide service potential for the authority. IFRS 13 also applies to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions) and will have an impact on the reporting of, for example, financial instruments and investment properties.
- Other amendments to IFRSs: including the accounting treatment of pensions' contributions
- IFRIC 21 Levies (ie levies imposed by governments)
- changes to UK GAAP particularly relating to Heritage Assets
- other minor and drafting amendments.

CIPFA/LASAAC also launched a second stage consultation on [simplifying and streamlining the presentation of local authority financial statements](#).

Challenge question

- Has your Head of Finance reviewed the proposed amendments and assessed the potential impact?

Local Authority Reserves and Balances

[LAAP bulletin 99](#) Local Authority Reserves and Balances – provides guidance on the establishment and maintenance of local authority reserves and balances.

Challenge question

- Has your Head of Finance reviewed the guidance and assessed the potential impact for your authority?

2020 Vision

Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

Where Growth Happens

Grant Thornton

Our national report 'Where Growth Happens' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Where-growth-happens-The-high-growth-index-of-places/>

As the UK emerges from recession, increasing attention is being given, both nationally and locally, as to how to accelerate economic sector growth. Our report presents the findings of research undertaken by our Place Analytics team on the dynamics of local growth. It will give FDs and CEOs of local authorities and LEPs:

- an insight into the geographic areas of high growth and dynamic growth (ie the quality of growth)
- an understanding of the characteristics of both growing and dynamic places to help frame policy and sustain future growth
- an understanding of growth corridors and their implications, not only for UK policy makers, but also for those locally sitting within and outside the corridors
- an insight into the views of different leaders charged with making growth happen in their locality.

The report provides a ranking of English cities according to their economic growth over an eight year period (2004 – 2012). Outside of London – which maintains eight of the top 10 best performing districts overall – it places Manchester, Birmingham and Brighton and Hove in the top three, as measured by economic, demographic and place (dwelling stock and commercial floor space) growth.

The analysis also assess the quality of local growth - or 'dynamism' - to identify areas with a vibrant and dynamic economy capable of supporting future expansion, based on five key drivers. London again tops the ranking, with nine out of the top 10 dynamic growth areas. Outside the capital, Cambridge, Reading and Manchester top the list of future sustainable growth.

Based on this analysis of past progress and future prospects, our report reveals a number of 'growth corridors' – functional and large scale local economic areas in England – which are playing a significant role in the country's overall growth levels. Though predominantly stemming from London, the intra-city growth corridors include a number of other large cities at their core, creating a network of key strategic linkages between high growth and dynamic areas.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

New routes to housing development

Grant Thornton

We have issued the first in a series of good practice papers on topical issues for local government.

This paper considers good practice in councils' approaches to delivering affordable housing. Until recently, local authorities have acted as an enabler of new affordable housing; increasingly they are now undertaking a direct delivery role. Delivery routes vary and must be structured with the council's objectives and capacity in mind as there is no 'one size fits all' approach. The paper considers the benefits and challenges of council owned housing companies, including:

- Setting and delivering objectives
- Identifying optimal funding routes
- Assessing viability and working with others

The paper stresses the importance of a properly developed business case and business plan to support the setting up of a housing company.

Copies of our good practice paper are available from your engagement lead or audit manager.

Anti - fraud and corruption update

Grant Thornton

Key current issues include:

Single Fraud Investigation Service (SFIS) - The SFIS will bring together all investigative capacity in relation to benefits and tax credits under the control of the Department of Work and Pensions. However a number of local authorities have expressed concern that such a transfer will cause them to lose the capacity to readily investigate other issues such as employee fraud and corruption allegations.

Corruption risk - In 2013 Transparency International (TI), the world's leading non-governmental anti-corruption organisation, published a report on corruption in UK Local Government. It identified twelve key risk areas covering public procurement, control over outsourced services, personnel transferring between local authorities and companies bidding to provide services, planning issues, collusion in housing fraud and manipulation of electoral registration. TI expressed concern that audit committees were unable to fulfil the function of reducing risks in many authorities.

Non-benefits fraud - There are striking differences between the identification of benefit and non-benefit fraud within local government. The Audit Commission has reported that 79 district councils did not detect a single non-benefit fraud whereas only 9 councils among all London boroughs, metropolitan districts and unitary authorities reported non-benefit frauds. Procurement fraud in particular is consistently estimated as accounting for the largest losses to fraud within local government. In its most recent Protecting the Public Purse publication the Audit Commission estimated annual losses at £876 million, representing 1% of total procurement spend.

Our Forensic Investigation Services provide a range of services to local authorities including fraud prevention and detection. If you are interested in a further discussion on these areas please contact your audit manager.

Right to report

Local government guidance

The Local Government Minister signed a signed a Parliamentary order on 6 August 2014 allowing the press and public to film and digitally report from all public meetings of local government bodies. The new rules will apply to all public meetings, including town and parish councils and fire and rescue authorities. The Local Government Secretary, Eric Pickles, said:

"Half a century ago, Margaret Thatcher championed a new law to allow the press to make written reports of council meetings. We have updated her analogue law for a digital age... This will change the way people see local government, and allow them to view close up the good work that councillors do"

Challenge question

- Have members considered the implications of the Parliamentary order for conducting Council meetings and facilitating public and media access thereto?

Managing council property assets

Local government guidance

The Audit Commission has issued its briefing paper **Managing Council Property Assets: Using Data from the VFM Profiles**

In the paper the Audit Commission:

- advocates that councils should be active and strategic managers of their estates – understanding property markets and asking questions about the properties they own or lease,
- prompts councils to consider whether assets are in the right place, whether they should keep, sell, or transfer them, and how much they should invest in building, buying and maintaining property,
- invites local authorities to balance the value realised through sales of surplus assets, against the cost of maintaining them.

The background to the briefing is the collation of information from the government's capital outturn return which identifies that the local government estate has a net book value of £169.8 billion of which £2.5 billion have been classified as 'surplus' assets. In this context the Audit Commission is calling on councils to ensure they have a strategic approach to managing these assets, in order to get the best value for money they can from this portion of the local government estate. The Audit Commission Chair, Jeremy Newman said:

"we are neither advocating that local government starts a wholesale sell-off of their land and property nor are we suggesting councils shouldn't spend money on buying assets or on investment to improve their existing property. What we are highlighting is a group of assets that do not provide immediate benefit to local communities, but still require councils to spend money on maintaining them. These assets have potential value for councils. While not all such land or buildings may be sellable, councils should consider how much value they gain from surplus assets and how this could be increased. I urge councils to use the data held in the Commission's 'Value for Money (VFM) Profiles Tool', such as spending on and value of land and property assets and 'surplus' assets, alongside their unique and detailed local knowledge, to regularly review if their estate is fit-for-purpose."

Challenge question

- Are members satisfied that the Council has adequate management arrangements in place to ensure its property assets are being efficiently and effectively managed?

The National Fraud Initiative

Local government guidance

On 12 June 2014 the Audit Commission released its national report, [The National Fraud Initiative \(NFI\): National Report \(June 2014\)](#) highlighting that its data matching exercise has identified a further £229 million of fraud, overpayment or error in England, Scotland, Wales and Northern Ireland, since it last reported in May 2012. The Chairman of the Audit Commission, Jeremy Newman said;

"We publish a report from the NFI every two years and continue to produce great results. The national figure for identified fraud, error and overpayment, that would otherwise be lost to the taxpaying public, is down by £46 million compared to the previous report although the number of cases has increased by nearly 20 per cent. This is great news if, as we believe, it is due to improving detection rates. However, we cannot be complacent. The more participants in the exercise, the richer the data for everyone involved and the harder it is for fraudsters to hide from detection".

The Audit Commission's National Fraud Initiative will move to the Cabinet Office in April 2015 to secure the continuation of the counter fraud data matching initiative which over its 18 year history has identified over £1.17 billion in fraud, error and overpayment .

Challenge question

- Are members satisfied that the Council's support for the NFI's data matching exercise is adequate and that local data matches are being properly investigated to identify potentially fraudulent activity?



© 2014 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

Agenda Item No: 6
Report To: AUDIT COMMITTEE
Date: 2 DECEMBER 2014
Report Title: INTERNAL AUDIT INTERIM REPORT
Report Author: Ian Cumberworth



Summary:	This report sets out the Internal Audit Interim report for 2014/2015
-----------------	--

Key Decision: No

Affected Wards: All

Recommendations:

- 1. The Audit Committee notes the results of the results of the work of the Internal Audit team for the first half year, as shown in the attached report.**
- 2. The Audit Committee notes the revised operational audit plan for the remaining year as outlined in the attached plan.**

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 at least once a year, conduct a review of the effectiveness of its internal audit.

Financial Implications: Not 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 Committee is not satisfied that an effective internal audit service is in operation during 2014/15 it must consider what implications that conclusion has for the assurance it requires on the Council's risk assessment process.

Equalities Impact Assessment	No
Other Material Implications:	None
Exemption Clauses:	None
Background Papers:	Interim Internal Audit Report 2014/15
Contacts:	Ian.cumberworth@ashford.gov.uk – Tel: (01233) 330442

Report Title: Internal Audit Interim report

Purpose of the Report

1. This report is provided in order to allow the Committee to consider the Internal Audit teams progress against the 2014/15 Audit plan.

Background

2. The role of the Audit Committee is required to obtain assurance on the control environment of the organisation; therefore, the Committee needs to have an awareness of the work conducted by Internal Audit, in order to adequately fulfil its duties.
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. The Audit Committee needs to be satisfied with the audit arrangements and be aware of the issues arising from audit work. This report summarises the work of the team together with the outcome of follow up reviews to enable members to obtain assurance that agreed recommendations with management have been implemented.
5. The progress of work against the plan agreed by this Committee on March 18 is set out in Appendix 2. Members will note that it is important that the plan remains flexible therefore it has been necessary to make two changes to the original plan in respect of Elections and Courtside.

Risk Assessment

6. The Internal Audit Operational plan set out a series of projects to be covered for 2014/15 to examine the adequacy of the controls that the individual Heads of Service has put in place to manage a very broad range of risks to the delivery of strategic and operational objectives.

Equalities Impact Assessment

7. Not Applicable

Other Options Considered

8. An interim report is considered to be good practice therefore no other option could be recommended.

Consultation

9. All findings and recommendations identified within reviews are consulted on with the appropriate Head of Service and action plans are agreed with management to implement recommendations

Implications Assessment

10. Not Applicable

Handling

11. Not Applicable

Portfolio Holder's Views

12. Not Applicable

Contact: Rich Clarke Tel: (01233) 330442

Email: rich.clarke@ashford.gov.uk

MID KENT AUDIT

**Interim
Internal Audit
Report
2014/15**

Ashford



ASHFORD
BOROUGH COUNCIL

Introduction

Internal audit 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 processes¹.

Statutory authority for Internal Audit is within the Accounts and Audit Regulations 2011, which require 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 (PSIAS) that replaced the Code of Practice for Internal Audit in Local Government in the UK.

The Head of Audit Partnership must provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of control, governance and risk. The opinion takes into consideration:

- a) Internal Controls: Including financial and non-financial controls.
- b) Corporate governance: Including effectiveness of measures to counter fraud and corruption, and
- c) Risk Management: Principally, the effectiveness of the Council's risk management framework.

This report provides an update to the Committee across all three areas covered in the opinion and the performance of the Internal Audit service for the first half of the year. In addition, the report provides updates on work conducted by the team, and highlights the impact of our work through assessment of management's work in implementing agreed audit recommendations.

¹ This is the definition of internal audit included within the Public Sector Internal Audit Standards

Internal Control

The system of internal control is a process for assuring achievement of the Council's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies. It incorporates both financial and non-financial systems.

We obtain audit evidence to support the Head of Audit opinion on internal control principally through completing the reviews set out within our agreed audit plan, approved by this Committee in March 2014.

Audit Plan Progress

The table below highlights progress against the audit plan by quarter for the first half of the year 2014/15. Since the plan was agreed in March 2014 there have been a number of revisions to the scheduling of audit projects over each quarter. The table below provides a summarised update of progress against the audit plan. (The audit plan is attached in Appendix 2):

Half Year 2014/15		Audit Plan*			Status		
Authority	Quarter work planned to begin	Planned Audits	Revised		Completed	Work in Progress	Not Started
Ashford	Q1	4	4		3	1	-
Ashford	Q2	5	3		0	3	-
Ashford	Q3	3	3		0	1	2
Ashford	Q4	8	8		0	0	8
Ashford	On-going	4	4		0	2	2
Total Assurance Projects					3	7	12

* See Appendix 2

At the half yearly position the team have completed 3 audit projects, of which 2 include a full assessment and assurance rating. We have 5 projects in progress that we expect to complete by the end of the quarter. The remaining projects (12) are planned to begin towards the end of the year and will be scheduled as appropriate.

Our audit plan must remain a flexible, reactive document capable of adaptation to the changing risks the Council faces as its needs and priorities develop. This year is no exception, and as a result there have been a small number of changes agreed with officers to the audit plan as presented to this Committee in March 2014. We detail these changes within appendix 2.

Audit Review Findings

In the first half of the year we completed three projects two of which included an assessment and assurance rating. An extract from each report, supporting the conclusion of the audit, is included below. We are pleased to report that officers have accepted our audit findings, and have set target dates for implementing the recommendations. We will follow up that implementation as the recommendations fall due over the coming months.

No.	Head of Service	Title	Assurance Rating
1	Head of Community& Housing	Licensing	STRONG
2	Head of Communication & Technology	ICT Disaster Recovery	WEAK
3	Head of Planning & Development	Greenov Claim 10	N/A

1) Licensing

We conclude based on our audit work that the Licensing Service has **STRONG** controls in place to support its objectives.

The Licensing Service effectively administers the processing of licence applications. We found that the Service maintains accurate and complete records of licence applications and maintains a good record of compliance with applicable legislation and regulation. The service collects fees in advance of licences issue, bringing benefits to the Council's cash flow. The service also keeps fees up to date and under review to ensure consistency with legislation, the Council's financial requirements and its policy aims.

2) ICT Disaster Recovery

We conclude based on our audit work that ICT Disaster Recovery has **WEAK** controls in place to support its objectives.

The Council's current ICT disaster recovery arrangements have several strengths, including clear integration with wider business continuity plans. Later in 2014 the Council is changing its back up arrangements, which will bring a number of benefits including better geographical separation of facilities. However the effectiveness of these arrangements is unproven as there has been no recent testing, although we note that as the arrangements are in transition to a new provider testing immediately would bring no benefit. Further, the arrangements are not clearly set out in a single place but rather spread among other documents that limit clarity.

Since we reported our findings the Council has progressed plans to move from its current ICT Disaster Recovery Provider to Kent Connects, an arrangement with other local councils. This new arrangement includes provision for testing, which is planned in 2015. We are satisfied, therefore,

that the Council is taking steps in response to our report to improve arrangements and we will assess the implementation of these arrangements in the New Year.

3) Greenov claim 10

The GREENOV project relates to a European grant funding initiative which Ashford Borough Council took on responsibility for from Ashford's Future. In Autumn 2011 Funding from this initiative has been utilised for installing energy efficiency initiatives in St Marys Church and the Gateway buildings to provide sustainable energy efficiency solutions. Mid Kent Audit undertakes the role of Partner First Level Controller and is responsible for auditing and validating any claims prior to submission to the Lead Partner for re-imbusement. Claim 10 was signed off and submitted for re-imbusement

In addition internal audit were involved in supporting the Council in a recent audit being undertaken by European Auditors (DG REGIO Audit) which focused on the work undertaken by the then First Level Controller covering claims 1- 3 that were administered by Ashford's Future. The purpose of the audit was to obtain assurance that the FLC was fulfilling there responsibilities in ensuring sufficient evidences were in place to support the claims and that all costs were legitimate.

Follow-up of Internal Audit Recommendations

In June 2014 the Audit Committee were asked to agree a revised process for the follow up of audit recommendations. Work has been ongoing throughout the first half of the year to systematically follow-up on all audit recommendations that fell due by the 30 September 2014. The table below sets out our findings from that review.

Project	Agreed Actions	Actions Falling Due by 30-Sep-14	Actions Completed	Outstanding Actions Past Due	Actions Not Yet Due
TOTAL	87	75	75	0	12
			100%		

Summary of Findings

Of the twelve audit projects followed up in whole or part in this cycle four had originally received an adverse assurance rating of **limited**. In each instance, the service has worked hard to address the issues raised in the audit and to implement all the recommendations falling due by 30 September 2014. We have re-tested the controls as part of this follow up review and conclude that in each case the controls now provide a **substantial** level of assurance. As this review was conducted using the 2013/14 assurance ratings, we have for continuity re-assessed based on the 2013/14 scale.

The Council has successfully implemented all high priority recommendations that were due before 30 September 2014. In some instances we have accepted that recommendations original due before this date have been deferred, but we have only accepted a proposal for deferment following careful consideration of whether the Council is exposed to unacceptable risk as a result. We are, in each case, satisfied that deferral is reasonable and does not bring unacceptable additional risk. We will follow up deferred recommendations as appropriate depending on newly agreed timescales.

That the Council has no non-implemented recommendations of concern is a highly creditable achievement and demonstrates audit and services working closely together to help improve the way the Council conducts its business.

We will follow up actions due after 30 September, including those arising as we complete our 2014/15 audit plan, later in the year. We will provide a final position to Members as part of our Annual Review in June 2015.

Corporate Governance

Corporate governance is the system of rules, practices and processes by which the Council is directed and controlled.

We obtain audit evidence to support the Head of Audit Opinion through completion of relevant reviews in the audit plan, as well as specific roles on key project and management groups. We also consider matters brought to our attention by Members or staff through whistleblowing and the Council's counter fraud and corruption arrangements.

Local Audit & Accountability Act 2014

Mid Kent Audit Partnership prepared a response alongside partners on behalf of the four authorities in respect of the CLG consultation on secondary legislation covering areas such as:

- Applying the legislation to smaller authorities (such as parishes),
- Arrangements for allowing collective procurement including the rules around using a 'specified person' to arrange and monitor audit provision,
- Timetable for accounts publication including bringing the publication date forward from 30 September to 31 July, Rights of access for local authority electors, including harmonising a single inspection window and
- Transparency Code for smaller bodies.

This response on the Future of Local Public Audit was considered at Audit Committee on 26 September. At the time of this report CLG is yet to publish its response to consultation responses. We will update the Committee as this area develops.

Counter Fraud & Corruption

We consider fraud and corruption risks in all of our regular audit projects as well as undertaking distinct activities to assess and support the Council's arrangements. In doing so we work closely with the Council's counter fraud team.

Investigations

During the first half of 2014/15 there have been no matters raised with us that required investigation either directly by audit or by referral to the Council's counter fraud team.

Whistle-blowing

The Council's whistleblowing policy nominates internal audit as one route through which Members and officers can safely raise concerns on inappropriate or even criminal behaviour. During 2014/15 so far we have received no such declarations.

Investigation Liaison Protocol

In July we established a joint protocol with colleagues in Personnel setting out roles and responsibilities in the event of matters arising that might require joint or parallel investigations. The purpose of the protocol is to ensure that in the event of an investigation we work seamlessly to ensure that the right outcomes are achieved for the Council. Although no such matters have arisen at Ashford Borough Council we have seen the protocol working effectively to assist investigations undertaken elsewhere in the audit partnership.

Governance Policies

Mid Kent Audit has supported the refresh of the Council's governance policies on Counter Fraud & Governance, Money Laundering, Whistleblowing and the Bribery Act. The June Audit Committee considered and approved these policies.

In October 2014 CIPFA published a new Counter Fraud Code with guidance notes to follow in late November. The Council will be required in its 2014/15 Annual Governance Statement to confirm its adherence to this Code and we will work with the Council's counter fraud team to ensure the Council can make a positive declaration.

National Fraud Initiative

We have continued as co-ordinator of the Council's response to the National Fraud Initiative (NFI). NFI is a statutory data matching exercise, and we are required by law to submit various forms of data, securely, to the Audit Commission. Members may wish to note that the NFI regime will survive the end of the Audit Commission in March 2015 as it will become part of the Cabinet Office's responsibilities.

The 2014/15 NFI exercise includes the following services:

- Creditors
- Payroll
- Housing Benefits
- Licensing
- Parking
- Insurance

The Audit Commission will release matches in January 2015 for investigation. We will report any outcomes in the annual audit report to the Audit Committee later in the year.

Audit Commission Fraud Survey 2014

We co-ordinate and complete the survey and submit the information to the Audit Commission in May each year. There were no issues of concern reported. The results of the survey form part of the Audit Commission's annual publication "Protecting the Public Purse".

Attempted Frauds

So far this year we have helped to investigate a number of attempted frauds across the partner sites, though none with Ashford BC as intended victim. Following on from these investigations though, we have provided guidance and support across the partnership sites to raise awareness and help prepare officers on how to identify and respond so these threats should they occur.

Recent attempts include:

- E-mail spoofing fraud (Spear phishing) – A fraudulent e-mail purporting to be from the Chief Executive was sent to the Finance department requesting a payment be made. The IT department traced the original email address and a notification was sent to officers to remain diligent.
- Phoney requests to change bank details of suppliers – Councils have received a number of requests to change bank details. These are an increasingly common means of attempting fraud; seeking to misdirect a council in routing a payment to the fraudster's account rather than to the genuine supplier. The controls in place over the changing supplier bank details are strong, and officers independently verify any requests to change standing data.

Risk Management

Risk management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.

We obtain audit evidence to support the Head of Audit Opinion through completion of our audit plan plus continuing monitoring of and contribution to the Council's risk management processes.

The Council currently has 11 strategic risks in the following themes:

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

We continue to facilitate the risk management process and the revised Strategic Risk Register was reported and approved at the September Audit Committee

The Head of Audit Partnership provided training to members on 'Risk Appetite' and further work on this will be linked into the further development of risk management process

We are currently working with the Council to help improve the overall process and clarify the role of the audit service in assisting the Council's risk management. As part of this work, we will work with members and officers to develop a new risk management policy and strategy that will better guide the Council prior to any refresh or review of its strategic risks in 2015, as well as providing clearer management for key operational risks.

We will update the Committee as this work progresses.

Mid Kent Audit Service Update

During September we agreed a refreshed collaboration agreement between the four Mid Kent Audit authority partners (Maidstone, Swale, Ashford and Tunbridge Wells). All four partners have re-affirmed their commitment to the partnership, and secured the arrangements for the next four and half years. The review and refresh of the collaboration agreement enabled the following improvements:

- Transfer of officers to one single employee (Maidstone).
- Creation of a single shared budget – bringing with it greater opportunity for investment in training and development.
- Re-affirming the role Internal Audit has with regards to counter fraud and risk management.
- A commitment to data sharing between the Councils; allowing us to more clearly highlight and report learning and good practice.

In June we advertised a secondment opportunity across all 4 authorities, and were able to successfully appoint into the role an officer from the Maidstone Finance team. This was the first time that such an opportunity had been offered, and has been a great experience for us. The service has benefited greatly by having an experienced professional from within the Council, and the individual has been able to develop internal audit skills and insight that would not have otherwise been possible.

Looking forward, we aim to continue to grow the service by reinstating the career grade position dormant for more than five years. This will allow us to develop an individual within the team through to a professional qualification.

Three members of the team are currently studying towards professional internal audit qualifications with the Institute of Internal Auditors. We are pleased to report a 100% success rate within the team on IIA exams in 2014/15 and hope to build on that during 2015/16, looking to end that year with more than half the team holding a professional qualification. Also we have a member of the team studying towards the Certificate in International Risk Management that will give us more specialised knowledge and expertise in the field of risk management.

The successful completion of professional studies for the team will mean that Mid Kent audit will hold qualifications in the following areas:

- Internal Audit
- Finance
- Counter fraud and investigation
- Risk Management

Both the Head of the Partnership and Ashford Audit Manager are grateful for the continuing efforts of the audit team who have worked extremely hard over the last six months during a period of significant change and transition. The achievements and improvements in service

standards would not have been possible without their continued commitment, determination and highest levels of professionalism.

Performance

Aside from the progress against our audit plan we also report against a number of specific performance measures designed to monitor the quality of service we deliver to partner authorities. The Audit Board (with Paul Naylor as Ashford’s representative) considers these measures at each of its quarterly meetings.

Below is an extract of the most recent such performance report. We have withheld only one measure from publication – cost per audit day – as it is potentially commercially sensitive in the event of the Partnership seeking to sell its services to the market. We would be happy, however, to discuss with Members separately on request.

Note that all figures are for performance across the Partnership. Given how closely we work together as one team, as well as the fact we examine services shared across authorities, it is not practical to present authority-by-authority data.

Measure	Outturn	Target & Commentary
Customer satisfaction overall	100%	Based on customer satisfaction survey circulated with each completed audit project.
Customer satisfaction with audit conduct	100%	Based on customer satisfaction survey.
Customer satisfaction with auditor skills	100%	Based on customer satisfaction survey
Chargeable days	72%	Based on the proportion of available days spend on productive work rather than administration, training and so on. General target in local government audit is 70%.
Audits completed on time	36%	Proportion of individual reviews completed according to timescales agreed at the outset of the audit. This is a new practice introduced in 2014/15 and forecasts have not taken adequate account of barriers such as staff availability, but we are developing more flexible approaches in response.
Audits completed on budget	41%	Proportion of individual audit reviews completed within an agreed days budget as set out in the audit plan. This has been impacted by a move to comprehensive time recording which means manager time features in the outturn but not in the budget, but still represents an improvement on the equivalent 2013/14 figure (18%).
Draft report timeliness	12 days (median)	Our target is to provide a draft report within 10 working days of completing fieldwork. This is a new target and drafts are a new addition to the reporting process that is still becoming established.
Final report timeliness	5 days (median)	Our target is to provide a final report within 5 working days of the closing meeting to agree recommendations.
Conformance to Public Sector Internal Audit Standards	50/56	As per report to Members in March 2014. We will be re-assessed by the Institute of Internal Auditors in early 2015 but are currently on track to achieve their recommendations before the end of 2014.
Recommendations implemented on time	100%	As reported elsewhere in this update.

Acknowledgements:

We would also like to thank Managers, Officers and Members for their continued support, assistance and co-operation as we complete our audit work during the year.

Appendix 1: Assurance & Priority level definitions

Assurance Ratings 2014/15

<p>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 will generally be priority 4.</p>	<p>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.</p>	<p>Effective Service</p>
<p>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.</p>	<p>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.</p>	<p>Ineffective Service</p>

Recommendation Ratings 2014/15

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.

Appendix 2:

Audit Plan Progress 2014/15

No.	Q	Audit Project	Not Yet Started	Brief Agreed	Fieldwork Commenced	Draft Report	Final Report	Assurance Rating
		Audit Assurance Projects						
1	Q1	Greenov – Claim 10		◆	◆	◆	◆	n/a
2	Q1	ICT – Disaster Recovery		◆	◆	◆	◆	WEAK
3	Q1	Licensing		◆	◆	◆	◆	STRONG
4	Q1	Governance & Ethics		◆	◆			
5	Q2	Cemeteries		◆	◆			
6	Q2	Housing Benefits (Systems)		◆	◆			
7	Q2	Housing Maintenance Contract		◆				
8	Q3	Business Rates (Systems)		◆				
9	Q3	Housing Rents	◆					
10	Q3	Project Office	◆					
11	Q4	Accounts Payable	◆					
12	Q4	Asset Management: Investment Properties	◆					
13	Q4	Council Tax (Systems)	◆					
14	Q4	Economic Development – Portas Markets Funding	◆					
15	Q4	GIS	◆					
16	Q4	Greenov – Claim 11	◆					
17	Q4	Waste Management	◆					
18	Q4	Income Management	◆					
		Other Projects						
19	Q2	National Fraud Initiative		◆	◆			PHASE 1
20	Q3	Strategic Risk		◆				
21	n/a	Farrow Court		◆	◆			
22	n/a	GM – Project Board	◆					

Changes to the Audit Plan

The Internal Audit plan needs to be flexible and reactive to the changing risks of the Council. As the needs and priorities of the Council change, assurance work is re-directed to ensure that it remains relevant and valuable. The plan is therefore reviewed regularly, and projects are removed, added or deferred accordingly.

Following consultation and agreement with management, it is considered a more valuable use of Internal Audit resources and more valuable assurance to make the following changes to the plan:

No.	Head of Service	Title	Outcome	Reason
1	Legal & Democratic	Elections	DEFERRED	Project has been added to 2015/16 plan at the request of the service.
2	Cultural & Environmental Services	Courtside	DELETED	Original delivery model has been changed and we no longer consider that there is a significant risk warranting audit review. We will reconsider this position periodically, including when drawing together our 2015/16 audit plan in early 2015.

Audit Committee - Future Meetings

Date 03/03/2015			
Publish by 23/02/15			
Reports to Management Team by 19th February		Council 16/04/15	
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/MB	
6	Internal Audit Operational Plan 2015/16	RC	
7	Outcome of Independent Audit Review of the Council's Affordable Housing Programme	PMcK	
8	External Audit Progress Report	Gr Th	
9	Report Tracker for Future Meetings	DS	

Date 30/06/2015			
Publish by 22/06/15			
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/MB	
5	Audit Commission Work Programme and Scale of Fees 2015/16	PN	
6	External Audit Progress Report	Gr Th	
7	Report Tracker for Future Meetings	DS	

Date 29/09/2015			
Publish by 21/09/14			
Reports to Management Team by 17th September		Council 15/10/15	
1	Annual Governance Statement – Progress on Remedying Exceptions	PN/MB	
2	Statement of Accounts 2014/15 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 1/12/2014			
Publish by 23/11/14			
Reports to Management Team by 19th November		Council 10/12/14	
1	Annual Governance Statement – Progress on Remedying Exceptions	PN/MB	
2	Annual Audit Letter 2013/14	Gr Th (cover by PN)	
3	Internal Audit Interim Report	IC	
4	External Audit Progress Report	Gr Th	
5	Report Tracker & Future Meetings	DS	

24/11/2014