

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **2nd December 2014**.

Present:

Cllr. Clokie (Chairman);
Cllrs. Davey, Galpin, Sims, Smith, Yeo

In accordance with Procedure Rule 1.2(iii) Councillors Davey and Galpin attended as a Substitute Members for Councillors Michael and Shorter respectively.

Apologies:

Cllrs. Buchanan, Link, Michael, Shorter, Deputy Chief Executive.

Also Present:

Head of Audit Partnership, Head of Finance, Audit Partnership Manager, Funding & Partnerships Officer, Senior Member Services & Scrutiny Support Officer.

Emily Hill, Lisa Robertson - Grant Thornton.

250 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 25th September 2014 be approved and confirmed as a correct record.

251 Annual Governance Statement – Progress on Remediating Exceptions

The report updated on the progress made towards the areas of review highlighted by the 2013/14 Annual Governance Statement.

A Member asked about the Council's approved Investment and Borrowing Strategy and whether the associated risks from the new projects would be added to the Risk Register. The Head of Finance advised that this would be decided on a case by case basis as the individual projects came forward over the next 12/18 months.

Resolved:

That progress made towards the areas of review highlighted by the Annual Governance Statement as detailed in the report be noted.

252 External Auditor's Annual Audit Letter 2013/14 and External Audit Update

The Chairman introduced Emily Hill who was Grant Thornton's new Engagement Lead for Ashford and welcomed her to the Committee. Grant Thornton had submitted two reports, the first of which was the Annual Audit Letter which looked back at the past year's external audit work, and the second was an update reporting on work in progress or work due to be completed as part of this year's audit.

In response to a question the Head of Finance confirmed that the Council was comfortable with the level of fees charged.

The Chairman mentioned the adequacy of the Council's reserves and balances and asked what the External Audit view on this was. Emily Hill said this was really an issue for each Local Authority and Section 151 Officer to decide. There used to be a benchmark figure of a percentage of gross expenditure, but that view had changed in recent years with less predictability around Local Government finance. The Head of Finance explained that the Council's own benchmark figure was around 7.5% of its net budget requirement, but the point about volatility was an important one. Reserves and Balances were reviewed regularly with the Portfolio Holder and last went to Cabinet in July. In response to a question the Head of Finance advised that in the light of CIPFA's updated guidance on Local Authority reserves and balances, he was comfortable with the Council's levels and more information would be provided in the budget report to Cabinet/Council in February. Members considered that this Committee should receive an Annual Report on reserves and balances, including a breakdown of the different reserves and what they were earmarked for. It was agreed that this should be added to the Audit Committee report tracker for each December.

A Member asked about the new arrangements for valuation of assets and the Head of Finance said that he had reviewed the proposed amendments and assessed the potential impact and did not foresee any detrimental impact for the Council.

In response to a question about whether Grant Thornton considered the Council's income streams were diverse enough, Emily Hill advised that this was not something they had looked at in any great detail. The issue would have been looked at more generally as part of their Value for Money conclusion but not really analysed any further than that. She said she had no significant concerns in terms of Ashford though and she knew that Local Authorities generally were looking at more diverse ways to increase income. They would be happy to share any ideas that came forward with Officers. The Head of Audit Partnership also advised that volatile income streams was Risk No. 2 on the Council's Strategic Risk Register.

With regard to the changes regarding fraud and the adequacy of the Council's arrangements, the Head of Finance advised that the Committee had recently received a report on the future of fraud and the Council's intention to set up a corporate counter-fraud team. The initial bid for funding to the CLG had unfortunately been unsuccessful so there would be a need to re-examine elements of that plan.

Resolved:

- That (i) the two external audit reports be received and noted.**
- (ii) the Committee receive an Annual Report on reserves and balances.**

253 Internal Audit Interim Report

The report set out the Internal Audit Interim report for 2014/15. The Head of Audit Partnership advised that the report was a summary of Internal Audit work up to 30th September 2014. As the plan was flexible it had been necessary to make two changes to the original plan in respect of Elections and Courtside.

The Chairman advised that in terms of the Council's risk register the Committee would like to see a revision to the way they examined the risks currently. Rather than receiving six monthly updates on the whole register twice a year, they would like to examine two or three risks in some detail at each meeting. Updates could also include any risks where there had been a recent change in score.

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

- With regard to ICT Disaster Recovery, in the event of a complete loss of systems, the new supplier (Kent Connects) did provide for an instantaneous back up, including half-finished transactions. The previous assurance had been 'Weak' as, at the time of the review, they had not been able to subject the new system to a test and the previous system did not appear to have been tested for some time. The Council had now fully completed the change over to the Kent Connects system and a full test was planned for early in 2015. Therefore, although the recommended test had not yet taken place, Members could take some assurance from the system itself.
- The breakdown of work completed/in progress/not started was in line with the plan for the year.
- In terms of whether the Committee could be happy with the assurances given by Officers, Members said they did have reasonable confidence in what was written in the reports and the standard of the Council's financial reporting had risen greatly in recent years.
- Greenov Claims 1-3 were subject to audit by the European Commission audit team. The review covered the period when the Ashford's Future Company were responsible for the scheme. Responsibility for the scheme passed to the Council in Autumn 2011 and whilst there were still some outstanding issues under discussion, these dated back to before the Council took responsibility.
- In terms of performance, for the first time the report included a Partnership wide performance table. It was an assurance to both Members and Chief

Officers that performance was being monitored and gave an indication of future plans.

The Chairman said he would like to agree with the comments in the report about the continuing efforts of the Audit Team who had worked extremely hard over the last six months during a period of significant change and transition. He wanted to record the Committee's thanks to those Officers.

Resolved:

- That (i) the results of the work of the Internal Audit team for the first half of the year as shown in the report be noted.**
- (ii) the revised operational audit plan for the remainder of the year as outlined in the plan be noted.**

254 Report Tracker and Future Meetings

Following discussion earlier in the meeting it was agreed that Strategic Risk Management should be examined at each meeting. Additionally the December meeting of the Committee would receive an annual report on reserves and balances.

Resolved:

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

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