

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **3rd March 2015**.

Present:

Cllr. Clokie (Chairman);
Cllr. Link (Vice-Chairman);
Cllrs. Buchanan, Davey, Shorter, Sims, Smith.

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

Apologies:

Cllrs. Britcher, Michael.

Also Present:

Cllr. Galpin

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

Emily Hill, Lisa Robertson - Grant Thornton.

370 Declarations of Interest

Councillor	Interest	Minute No.
Shorter	Made a Voluntary Announcement as a Director of Kent Play Clubs	372
	and made a Voluntary Announcement as a Director of the ABC Building Consultancy Company.	372, 373

371 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 2nd December 2014 be approved and confirmed as a correct record.

372 Presentation of Financial Statements

The report advised that the Council was required to follow statutory guidance for the publication of its accounts and each year that guidance was reviewed and updated. The report looked at the impact of those updates on the Council's accounts for 2014/15. In addition the report reflected on the lessons learnt from the accounts process in 2013/14. It also advised that the Council had completed a review of its accounting policies that would be used for the publication of the statement of accounts. The Principal Accountant advised that it had been a year of consolidation and they would continue to examine ways to 'de-clutter' the accounts. She also advised that the current closing deadline of 30th June would move to 31st May for the 2017/18 Statement of Accounts, but Officers were intending to move to that date straight away to ensure it was achievable.

Members asked about Group Accounts and how the requirement for Local Authorities to include their interests in subsidiaries, associated companies and joint ventures affected the Council's financial statements in terms of the ABC Building Consultancy and Property Companies. There was concern that the detail of these would not be sufficient for proper public scrutiny. A Member advised that the Companies were bound to hold an AGM and publish an Annual Report and this would ensure full transparency. The Head of Finance suggested that the accounts could have their own dedicated link or page on the ABC website to allow public access, but the nature of group accounts meant that they may not include all of the information Members may be looking for. There would be a note in the main accounts with an opportunity to explain the link between the Council and the ABC Companies so there was some scope for further explanation. The Chairman said he considered the Company accounts should come to this Committee in some shape or form and he would be interested in Grant Thornton's future view on this. He considered this should be explored further at the next meeting of the Committee.

The Chairman asked about depreciation of assets in terms of computer equipment. The Principal Accountant advised that most computer equipment was classed as an intangible asset and written off in three to five years.

Resolved:

- That**
- (i) the report be received and noted.**
 - (ii) the accounting policies for the 2014/15 accounts in Appendix A to the report be approved.**

373 Strategic Risk Management

Further to discussions at previous meetings the Head of Audit Partnership gave an update on the progress towards creating a revised risk management strategy for the Council. Productive workshops had been held and an Officer Group would be meeting in due course.

In response to questions about whether the Council's risk management was too 'high level', the Head of Audit Partnership advised that by its very nature a Strategic Risk Register would be high level and try to consolidate risks together under particular headings. General risk management at the Council was obviously more 'low level' though and getting those arrangements right across the Authority was very much the purpose of the current discussions.

The Chairman asked whether the ABC Building Consultancy and Property Companies were going to be included in the Strategic Risk Register as he did have concerns over reputational risk. The Deputy Chief Executive said that this was subject to future discussions. In line with the discussion on Companies with regard to the Statement of Accounts, he advised that the governance arrangements stipulated by Members when the Companies had been set up were thorough and he encouraged all involved to examine the adequacy of the governance and process that was in place before suggesting any changes to controls. The Chairman considered that this point could be covered along with the report back on the Companies' accounting arrangements at the next meeting of the Committee.

Resolved:

That the report be received and noted.

374 Internal Audit Operational Plan 2015/16

The report detailed the methodology and result of Internal Audit's risk assessment in drawing together an operational plan for 2015/16 and an in principle plan for the following three years to 2018/19. It included details of audit projects proposed and included an assessment of the resources held and required by the Internal Audit service to deliver the required annual opinion on the Council's internal control, corporate governance and risk management. The Head of Audit Partnership advised that it was expected that the plan would cover all of the Council's operations over the four years in the appropriate way. He explained that in response to the Institute of Internal Auditors' External Quality Assessment last year, there was now more detail in the plan about how it reflected risk and how decisions on which areas to review had been taken.

In response to questions about safeguarding, the Head of Audit Partnership advised that this referred to the Council's responsibilities for children and vulnerable adults. Although the Council did not have a Social Services function, this was something that needed to be applied corporately across all services and linking in with recent news stories, it was important for the Council to be aware of its responsibilities. The Policy & Performance Manager advised that an Officer Group with representation from across the Council had been set up to examine this issue and the Senior Member Services Officer reported that training on safeguarding would be arranged for the new Council Members after May 2015.

Resolved:

That (i) the Operational Plan for 2015/16 be approved.

- (ii) **the longer term plan up to 2018/19 be approved in principle, but it be noted that this will be subject to annual review and refresh.**

Recommended:

That the Section 151 Officer be delegated responsibility for managing operationally the content of the Audit Plan in conjunction with the Head of Audit Partnership and subject to regular review by the Audit Committee.

375 Annual Governance Statement – Progress on Remedying Exceptions

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

Members referred to the proposals for a clearer definition of Members' responsibilities and requested that the induction training for the new Council post May 2015 did cover recent changes in legislation and Members' duties in terms of safeguarding and making the correct declarations.

With regard to the Community Governance Review that had been agreed to be undertaken, the Deputy Chief Executive advised that this would undoubtedly be covered in this year's Annual Governance Statement.

Resolved:

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

376 Audit Charter 2015/16 – Update

The report explained that under Public Sector Internal Audit Standards, the Audit Service must compile and agree a Charter setting out the aims, scope, responsibilities and relationships within which the Service was to be run effectively. This Charter must be reviewed each year. The Head of Audit Partnership advised that the Charter had been reviewed from that originally presented in September 2014 to take into account recommendations made in the External Quality Review of the Service in early 2015, as well as to more closely align its content generally with the requirements of the standards. He also drew attention to the section of the Charter explaining how the Service would deal with requests for additional work.

A Member said he was pleased to see references to the Service having the ability to offer advice and guidance rather than purely carrying out audits.

Resolved:

That the 2015/16 Audit Charter be approved.

377 External Audit Reports – Certification Report 2013/14 and Audit Committee Update

Two reports had been received from the Council's External Auditors (Grant Thornton). These were introduced by Lisa Robertson, Senior Manager and Emily Hill, Engagement Lead from Grant Thornton. The first was the outcome of the auditor's work on certifying the 2013/14 £37m housing benefit grant claim and the 2013/14 £2.3m housing capital receipt pooling return. The second report was a further update of topical matters of interest affecting the Council, including comments about their planned audit work and a note that a more detailed plan of their audit work would be presented to the next meeting of the Committee.

With regard to the certification report Lisa Robertson advised that it was a pleasing report with only minor amendments required for the housing benefit grant claim, although these had no impact on the level of subsidy claimed. Within the parameters established by the DWP these had to be reported, but it was important to recognise the minor nature of these errors. No amendments were made to the housing capital receipts return.

In response to questions about potential fraud through IT systems, Emily Hill advised that they did examine IT controls and ran all financial transactions through an IT programme to look for unusual transactions or rounding patterns.

The Deputy Chief Executive referred to the future and advised that there would be more advice on the national and topical matters raised in the report to both the Cabinet and this Committee after the May Elections as the course of central government policy was set.

Resolved:

That the two External Audit reports be received and noted and in the new Municipal Year further reports on the national topics referred to in the update report be presented to the Committee.

378 Report Tracker and Future Meetings

The Deputy Chief Executive advised that in line with previous years, the intention was to hold an initial Audit Committee induction session prior to the first meeting of the new Municipal Year on the 30th June 2015.

Resolved:

That the report be received and noted.

DS

Queries concerning these Minutes? 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