

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **29th September 2015**.

Present:

Cllr. Link (Chairman);
Cllr. Waters (Vice-Chairman);
Cllrs. Bartlett, Buchanan, Shorter, Smith, White.

In accordance with Procedure Rule 1.2(iii) Councillor Bartlett attended as Substitute Member for Councillor Powell.

Apologies:

Cllrs. Chilton, Powell.

Also Present:

Cllr. Michael.

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

Lisa Robertson - Grant Thornton UK.

145 Declarations of Interest

Councillor	Interest	Minute No.
Shorter	Made Voluntary Announcements as a Director of Kent Play Clubs and as a Director of the ABC Building Consultancy Company.	147
Smith	Made a Voluntary Announcement as he drew and received added years for a Local Government Pension.	147

146 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 30th June 2015 be approved and confirmed as a correct record.

147 Statement of Accounts 2014/15 and the Appointed Auditor's Audit Findings

The report presented the 2014/15 Statement of Accounts for approval. The Appointed Auditor's report was also appended and this issued an unqualified opinion on the accounts. Once approved by this Committee the accounts would be published.

Mrs Robertson introduced the audit findings report from Grant Thornton which outlined the key issues arising from their audit. She said that it had been a good year in terms of the quality of the financial statements and she was pleased to say that they would be issuing an unqualified opinion on the accounts and on the value for money opinion. There were some slight updates to the published findings report in terms of: - the outstanding work as outlined on page 19 of the report which had now been completed; a misstatement in the business rates bad debt provision calculation; and an additional misstatement with regard to the depreciation of the value of International House which had not been made in the original document. She advised that the statutory closure of the accounts would be brought forward to 31st July in 2018 (for the 2017/18 Accounts) and the Council intended to work to that timetable next year as a trial run. As this year's statement had been prepared by 31st May, Grant Thornton was confident that this deadline could be achieved for the 2015/16 Statement and beyond.

A Member asked about valuations and why the uplift recommended by Wilkes Head and Eve for Depreciated Replacement Cost assets had not been actioned by the Council. He also asked why International House had been assessed by the Council and the External Auditors as an operational asset rather than an investment property and what the difference in value would have been if it had been valued at market value rather than at Existing Use Value. Mrs Robertson said that she thought the uplift for Depreciated Replacement Cost assets not being actioned was a simple oversight by the Council. In terms of the valuation of International House, the External Auditors had undertaken a detailed review of the Council's assessment and were happy that the Existing Use Value had been correctly applied. It was an asset to make money, but the purchase also had a wider purpose in terms of building up the economy of that area of Ashford. The Head of Finance said he would provide details to the Member about what the difference in the valuation of International House would be if it was classed as an investment property rather than an operational asset. The Member said he would also like details of the insurance cost of the property and information on its yield.

A Member said that the improvements in the quality of the Statement of Accounts from where they were when he first came on to the Council were substantial and he wanted to congratulate the Officers involved. That sentiment was shared by the Committee and it was requested that the message be fed back to the team.

The report was then opened up to the Committee for discussion and the following points were raised: -

- National Counties was a building society which was on Arlingclose's (the Council's Treasury Management Advisors) approved counterparty list. It did not have a credit rating in the same way as some of the other financial institutions but Arlingclose assessed its balance sheet and made their recommendation accordingly.
- Auditors had considered that the unadjusted misstatements could be treated as such in the statements because they were not material.
- On a more general point, Members said that the Statement of Accounts and accompanying reports did represent a large and technical document and queried whether it could be tackled gradually in tranches or as the only item on an Agenda. The Head of Finance explained that there were tight timescales in producing and presenting the accounts but in the future it may be possible to share the draft copy with Committee Members as well to give them that bit more time. He also advised that Members training had been arranged to introduce them to the Statement of Accounts and he would be happy to re-run that training or hold a surgery for Members' questions if that would be useful.

The Chief Financial Officer's Letter of Representation to the Appointed Auditor was then tabled for the Committee's attention. Following a brief recess to allow Committee Members to read its contents and express their agreement, the letter was then signed by the Chairman and the Deputy Chief Executive in his role as Section 151 Officer.

Resolved:

- That**
- (i) the Appointed Auditor's Audit Findings be received and noted.**
 - (ii) the basis upon which the accounts have been prepared (Going Concern) be agreed.**
 - (iii) the audited 2014/15 Statement of Accounts (Appendix B to the report) be approved.**
 - (iv) the Chairman of this Committee signs and dates the accounts as required by Section 10(3) of the Accounts and Audit Regulations 2003 and this be the formal approval by the Council.**
 - (v) the Chief Financial Officer's Letter of Representation to the Appointed Auditor (as tabled at the meeting) be approved.**

148 Weak and Poor Assurance Reporting

The Head of Audit Partnership introduced the report which advised that further to previous discussions with Audit Committee Members, it was proposed to introduce a methodology to allow Members earlier and more detailed engagement in audit reports which concluded that controls offered only 'weak' or 'poor' assurance. He

also took the opportunity to introduce Russell Heppleston who was the new Deputy Head of the Mid Kent Audit Partnership.

Members thanked the Head of Audit Partnership for his report which was considered a step in the right direction, but they did want to be more explicit that the default position for any area receiving a 'weak' or 'poor' assurance rating should be that the relevant Head of Service will attend the next Audit Committee meeting to discuss the situation and answer questions. They were not content to have a potential 'dwell' period where a decision had to be made whether to call a Head of Service or not, and more specific wording in this regard would not leave any doubt as to the requirements of the Committee.

Resolved:

That subject to the addition of wording making it clear that any area receiving a 'weak' or 'poor' assurance would result in the relevant Head of Service attending the next Audit Committee to discuss the situation and answer questions, the proposal be implemented in Ashford Borough Council audit reporting.

149 Annual Governance Statement – Progress on Remediating Exceptions

The Policy & Performance Officer introduced the report which updated on the progress made towards the areas of review highlighted by the 2014-2015 Annual Governance Statement. He advised that the Statement had outlined two areas of further work: - one around the need for the Council to agree a new Corporate Plan, which was scheduled for October 2015; and the second to complete work reviewing the Council's risk management procedures which was an Agenda item later on at this meeting. The Portfolio Holder said he was satisfied that the report was accurate and correct.

Resolved:

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

150 Strategic Risk Management

The Head of Personnel & Development introduced the report which provided the Committee with the progress Officers were making in reviewing the Council's current risk management processes. This followed on from previous discussions on the subject with Members. She drew attention to the amended scales in the report, how the framework tied in to the Council's emerging Corporate Plan and the tests on it that had been carried out by Management Team. She also summarised the proposed new risk management process step by step and the next steps in terms of roll-out and review. The next update report would come to this Committee in March 2016. The Head of Audit Partnership said he fully endorsed the content of the report and said it provided good harmony with the work of Internal Audit.

The Portfolio Holder said he was very pleased with the document. He said it identified, in a measured way, that risk was part of everything the Council did. Risk was not something to be avoided at all costs but to be embraced and managed and opportunities should be taken to benefit the residents of the Borough.

Resolved:

That (i) the progress made in reviewing the Risk Management Framework be noted.

(ii) the next steps be noted and supported.

151 Report Tracker and Future Meetings

The Deputy Chief Executive advised that Officers still intended to deliver a programme of pre-Committee briefings at 6pm before each meeting. The first had taken place prior to this meeting and covered the Council's Treasury Management Arrangements. Members were encouraged to let him know if they had any particular topics they would like to cover.

Resolved:

That the report be received and noted.

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