

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 **30th June 2016**.

Present:

Cllr. Waters (Chairman);
Cllr. Buchanan (Vice-Chairman);
Cllrs. Farrell, Link, Ovenden, Shorter.

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

Apologies:

Cllrs. Smith, White.

Also Present:

Head of Finance, Deputy Head of Audit Partnership, Head of HR Communications & Technology, Audit Manager, Fraud Manager, Senior Policy Performance and Scrutiny Officer, Senior Auditor, Senior Member Services Officer.

Lisa Robertson - Grant Thornton UK.

54 Minutes

The Senior Member Services Officer advised that with regard to Minute No. 45 – Procurement and Appointment of External Audit – Resolution (ii) was in fact a recommendation to Full Council and this should be reflected in the final Minutes.

Resolved:

That subject to the amendment outlined above, the Minutes of the Meeting of this Committee held on the 16th June 2016 be approved and confirmed as a correct record.

55 Fraud Investigations and Debt Recovery Annual Report 2015/16

The Fraud Manager introduced the report which provided the annual update on the work of her Team. For the first time the scope of the report had been extended to cover an element of the work conducted by the Recovery team within the same department, which complemented the fraud work and also sought to ensure that monies were recovered as appropriate. The team's year started with minimal staffing entering a period of transition with the migration of benefit fraud to the Single Fraud

Investigation Service however it had ended with increased resources and with a view to moving forward and providing the Authority with a corporate resource.

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

- A figure of over £350,000 had been attributed to the team in relation to fraud and error and this took into account the recovery of three social housing properties, applications removed from the waiting list, fraud against Council Tax and business rates and housing benefit. An additional £60,000 of recoverable overpayments had also been found by Officers as part of National Fraud Initiative (NFI) data matching work on Single Persons Discounts. The Chairman said that in future reports it would be useful to include some year on year data to identify trends. Figures on tenancy fraud should also be included in the relevant paragraph as well as the general fraud section.
- The Council was about to start working with a company to see whether they were able to collect old outstanding debt that would have otherwise been written off. The Council's systems did not delete written off debt so that could all be taken in to account by the company and a second opinion could perhaps be taken.
- From April 2016 the team now had the ability to assist with internal fraud investigations. HR would be alerted and they may ask the team to assist with any investigations. There had been no cases this year and the Chairman asked that this also be included in future reports for completeness.
- When examining the figures recovered, it was important not to underestimate the deterrent value of the team in stopping people claiming fraudulently in the first place. It was difficult to place a net worth on these immeasurable benefits but prevention was the most important consideration and the team was making even more of a difference than the figures implied. It was important to continue to publicise the team's existence and its actions.
- Staffing levels currently felt about right. There had been various changes over the last few years and they now had a team of four (a Manager, two Investigators and an Administrator). An increase in data matching work with the Kent Intelligence Network may increase workloads in the future and that might be the time to review the size of the team if necessary.

The Chairman said he considered both the work of the team and its deterrent value to be a good investment for the Council. He urged the Fraud Manager to stay in touch with the Committee and said that if workloads did increase to a point where extra staff were needed, they would be happy to support that case.

Resolved:

That the report be received and noted.

56 Internal Audit Annual Report and Opinion 2015/16

The Deputy Head of Audit Partnership introduced the report which presented the 2015/16 Head of Audit's Opinion on the Council's internal control, governance and risk management, with supporting work completed during the year. The report provided a wide-ranging update on the Audit Service and progress against its work plan for the year (which had for the first time this year been based on a number of days, rather than projects). This had allowed for more flexibility and to be able to respond to change. The team itself had worked hard on its own professional development during the year and a number of individual skills and qualifications had been achieved in 2015/16.

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

- Two trainees had been appointed during the year and had left quite quickly. For the first time, the Service had created a career graded post and there had been lots of interest and high level candidates. Given the circumstances behind the departures, this was not considered to be a major issue.
- The Chairman said that the shortfall of 67 days (24%) between the planned and actual days was a little concerning. He understood the days would be rolled in to the following year but as this was about a quarter of the year's work this did seem particularly high and he hoped it would not be repeated. The Deputy Head of Audit Partnership explained that some of these days had been taken up with work in other areas and they had also had the issue with staff turnover. Any work deferred had been done with the agreement of management and anything that had been previously assessed as high risk had not been deferred. The audit work plan reflected a 3-4 year strategy and was adjusted and refreshed every year so programmed work was not 'lost'.
- The limited progress with regard to Safeguarding was noted as disappointing. Officers explained that this was to be expected as a working group had been established to implement improvements and revised processes had to be embedded. There would be a further re-assessment later in 2016 and it was expected demonstrable progress would have been made by that time.
- The conclusion that strong controls were in place to deliver staff training and development was questioned as the two pieces of audit work that had identified 'weak' assurances – data protection and safeguarding – had both flagged a lack of staff training as a contributory issue.
- The Chairman wanted to congratulate the staff on the professional qualifications they had achieved this year.
- In the review of parking enforcement it was noted that the procedure for officers to take payments and pay in money required clarification. Normally such officers would not take payments, particularly in cash, but the enforcement of HGVs had created opportunities where drivers wished to pay

in cash and it was considered preferable to accept any form of payment possible from a sometimes hard to reach source.

- An allocated Data Protection Officer had been appointed and their Head of Service would provide cover in their absence.
- The lack of reports under the whistleblowing policy could be viewed as a positive, however there should not be complacency about that position as a lack of reporting may be due to a lack of knowledge or familiarity with the system.

Resolved:

- That**
- (i) the Head of Audit's Opinion for 2015/16 that the Committee can place reliance on the overall adequacy of the Council's internal control, governance and risk management be noted.**
 - (ii) the work underlying the Opinion and the Head of Audit's view that the service has upheld proper independence and conformance with Public Sector Internal Audit Standards be noted.**

57 Audit Committee Annual Report 2015/16

The Deputy Head of Audit Partnership introduced the 2015/16 Annual Report of the Audit Committee which summarised the Committee's discharging of the responsibilities set out for it in the Council's Constitution.

The Chairman asked that a Members' register of attendance be included within the final report to qualify the statement that the Committee had been well attended.

Resolved:

- That**
- (i) subject to the addition of an attendance register for Members, the Audit Committee's Annual report for 2015/16 be agreed.**
 - (ii) the Committee agree to provide the Annual Report to Full Council, demonstrating how the Committee has discharged its duties.**

58 Annual Governance Statement 2015/16

The report explained that each year the Council must produce and approve an Annual Governance Statement that summarised its approach to governance and showed how the Council fulfilled the principles for good corporate governance in the public sector. The Statement also drew conclusions about the effectiveness of the Council's arrangements, based on evidence throughout the past year. The Statement would be published alongside the Council's formal audited financial statements. This year's Statement built on previous statements and provided updated information where needed. It concluded that governance arrangements remained appropriate, effective and adaptive to change as circumstances dictated.

The Senior Policy, Performance and Scrutiny Officer introduced the report and explained that this would be the last Annual Governance Statement produced against the old Local Code of Corporate Governance and the arrangements for 2016/17 were outlined in the next agenda item. He ran through this year's statement and gave some detail around each of the six core principles.

A Member thanked the Officer for the report and said it was extremely thorough and clear. He suggested that in future statements comments under Principle 1 around targeting the Council's available resources and capacity to deliver its aspirations as set out in the Corporate Plan should also be included in Principle 5 – Effective Capacity of Members and Officers.

Resolved:

That the 2015/16 Annual Governance Statement be approved and signed by the Leader and Chief Executive as required by regulations.

59 Local Code of Corporate Governance – *Delivering Good Governance in Local Government 2016*

The report summarised the new CIPFA/SOLACE Code – 'Delivering Good Governance in Local Government 2016', which set the standard for Local Authority governance. The Senior Policy, Performance and Scrutiny Officer explained that it would be good practice for the Council to adopt its own compliant Code of Corporate Governance based upon the national framework. This local Code would apply to Annual Governance Statements from the financial year 2016/17 onwards. He presented the framework in the context of Ashford Borough Council's Governance arrangements.

Resolved:

That a new Local Code of Corporate Governance based on the *Delivering Good Governance in Local Government 2016* Framework be agreed.

60 2015/16 Financial Statements – Letters of Assurance to External Auditors

The report explained that each year, in support of the external audit of the Council's financial statements, it was necessary to provide two assurance letters to the auditors. These were important statements on which the auditors relied for their opinion work. The two completed letters were attached to the report – one from the Chairman on behalf of the Committee; and the second from the Head of Finance on behalf of management. They covered similar points to assurance letters in the past and had already been shared in draft with the External Auditors. They covered assurances relating to such matters as disclosures of material facts affecting the statements, fraud, contingent liabilities and legal issues affecting the statements.

Resolved:

That the Chairman's and Management's 2015/16 Assurance Letters be endorsed.

61 Annual Staff Appraisal Process

The Head of HR, Communications and Technology introduced the report which followed a request from the Committee to bring forward a report showing how performance was managed through the annual appraisal process. She advised that the report showed the journey the Council had been through since 2015 when it introduced a new appraisal system as well as its next steps in making sure there was a good quality of appraisal for managers and staff. In terms of conclusions and next steps, the Head of HR, Communications and Technology reported that the gradually improving completion rates indicated that the system was starting to bed in and the intervention of poor performance procedures where appraisals had not been completed would send a strong message about how important appraisals were to ABC. Changes to the way the training budget was allocated and managed should also help underpin the importance of undertaking the appraisals in a thorough and timely way. Although the completion rate had improved from year one to year two, the proportion of appraisals completed late was still disappointing and the Chief Executive and Management Team had sent a very clear message about the consequences of non-completion. In conclusion she advised that they aimed to make better use of the data gathered from having a 'potential and performance jigsaw'.

The Chairman said he was a big advocate of appraisals in his own work life and wanted to praise Officers for the huge amount of work they had undertaken on this over the last couple of years. In terms of completion rates he wondered if one of the problems was trying to undertake all appraisals by the financial year end (31st March) which tended to be the busiest time of year for a lot of departments. To take some of the pressure off managers he suggested consideration be given to staggering appraisal dates (perhaps by employment start date). He also suggested a third party should perhaps be present to oversee the appraisal discussions themselves. The Head of HR, Communications and Technology said she would raise both of these points as part of the ongoing review of the appraisal process.

The Chairman said that as part of the whole appraisals process it would be important to keep a close eye on the corporate training budget and whether this was sufficient for the organisation. Training was sometimes seen as one of those things an organisation could do without when times were hard, but this was a false economy as if problems arose, they were often more expensive to put right. He encouraged the Head of HR, Communications and Technology to stand her ground if she felt she was being put under any pressure to cut training budgets inappropriately and he said that this Committee would fully support her if that was the case as staff training was vitally important to the Council in continuing to fulfil its legal responsibilities.

The Committee wished to acknowledge the good work that Officers had undertaken in this whole area and encouraged them to keep up the momentum.

Resolved:

- That**
- (i) the progress made since the introduction of the iTrent performance management module in 2015 be noted.**
 - (ii) the planned next steps to review the qualitative elements of the appraisal process be noted and supported.**

62 External Audit Update Report

A report had been received from the Council's External Auditor, Grant Thornton UK to update the Committee on progress against the audit plan. Overall progress was good and the Council continued to maintain a good working relationship with Grant Thornton. The Head of Finance highlighted two particular elements of the report that the Committee may wish to consider at future meetings, namely a report Grant Thornton had published on the effectiveness of Audit Committees and a report by CIPFA about Fighting Fraud and Corruption. Lisa Robertson further confirmed that work was underway on the auditing of the Council's accounts and Council Officers had been extremely prompt in getting the relevant information to them. They anticipated no problems with meeting this year's earlier deadline of the end of July for those accounts to be signed off. The Committee wanted to congratulate Officers for their part in this work so far.

The Chairman said he would certainly welcome consideration of the Grant Thornton report on the effectiveness of Audit Committees and also encouraged the Fraud Manager to have a look at the CIPFA report.

Resolved:

That the report from External Audit be received and noted.

63 External Audit Fee Letter 2016/17

The Council's External Auditor, Grant Thornton UK had submitted an Audit Fee Letter for 2016/17 which outlined their proposed fee. The scale of those fees was set by Public Sector Audit Appointments (PSAA) and the scope of the audit was determined by the National Audit Office. The fee was in line with the budget and reflected the reduction that was secured when the audit contracts were last tendered. The letter also included an outline audit timetable.

Resolved:

That the fee scale for 2016/17 and the External Auditor's outline of planned audit work for the year be noted.

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64 Report Tracker and Future Meetings

Resolved:

That the report be received and noted.

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Queries concerning these Minutes? Please contact Danny Sheppard:
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