

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **28th July 2016**.

Present:

Cllr. Waters (Chairman);
Cllrs. Farrell, Link, Shorter, Smith.

Apologies:

Cllr. Buchanan

Also Present:

Head of Finance; Accountancy Manager; Accountant (MH); Accountant (LF); Head of Audit Partnership;

Elizabeth Olive - Grant Thornton UK.

105 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 30th June 2016 be approved and confirmed as a correct record.

106 Statement of Accounts 2015/16 and the External Auditor's Audit Findings Report

The Accountancy Manager introduced this item. The report presented the 2015/16 Statement of Accounts for approval. The largest movement was in paragraph 12, in relation to a misstatement between the bank and creditors, and the team had made adjustments to ensure that this would not happen again next year. The report also included the Letter of Representation to give the auditors comfort that the accounts had been closed off correctly. The team had closed the accounts early this year and submitted them to the auditors by 31st May. The Accountancy Manager thanked the auditors for their timely work. She drew Members' attention to the five Recommendations at the end of her report.

Mrs Olive introduced the audit findings report from Grant Thornton which outlined the key issues arising from their audit. She congratulated the Council for achieving an early closure of accounts substantially ahead of the statutory deadline and said Ashford was amongst the first Councils in Kent to sign off their accounts, which was an impressive achievement. She said the auditors would be issuing an unqualified opinion on the accounts. There had been a small number of disclosure amendments and one adjustment to the balance sheet, which was explained in the covering

report. There was also one unadjusted error of £90,000 but this was a relatively minor amendment and the Council's reasoning for not adjusting the error had been accepted. There was one internal control deficiency around the review of journals but this was not a significant weakness which would affect the outcome of the audit findings, although it should be noted by those in charge of Governance. All risks presented in the Audit Plan earlier in the year had been closed off.

The Chairman opened up the report for discussion and the following points were raised:

- A Member congratulated the Accountancy Team on the outcome of the audit, particularly in view of the speed and accuracy of the closure of accounts. He considered that the Officers could take great pride in the work they had done to achieve this result. He also noted that Grant Thornton had responded in a timely manner and thanked them for their efforts. Next year it would be necessary to undertake a smarter, faster set of audits and this year had been a successful preparation for that.
- A Member pointed out that, although the representation letter was contained within the agenda papers, it was not referenced with any tag, and was not easy to locate.
- A Member drew attention to the third recommendation in the Auditor's Action Plan, regarding commercial development. Following the significant changes at senior level, there had been a loss of skills, experience and knowledge. He was concerned that this point should be noted by the Committee and monitored. Members considered that it would be useful to have an update on progress at the next meeting of the Committee. The Head of Audit Partnership drew Members' attention to the fact that in the Committee work programme a paper would be submitted to the September meeting on strategic risk management. One of the risks that had been previously identified was the skills and capacity of staff, so he suggested this might be a suitable vehicle to explore Members' concerns about managing and monitoring this particular risk. Members agreed with this suggestion.
- A Member asked whether the minor errors noted in the report had been caused by the efforts to meet an earlier deadline. The Accountancy Manager responded that this might be the case, although the auditors had reported back that in their view the quality of the statements was not affected by the early deadline.
- The Chairman drew attention to page 84 of the agenda. He noted the difference between years in the figures for the fund for future expenditure. He considered that for next year's report, it would be helpful to have more details, particularly in instances such as this where there was a marked difference in the figures from one year to the next. The Accountancy Manager said she would send around a breakdown of the Council's reserves. The major change in the future expenditure was caused by an NNDR which was not detailed in the report. She said that next year she would ensure that more information was provided.

- The Chairman drew attention to page 89 of the agenda and questioned the revaluation mechanism, as the two windmills had been valued at a lower figure this year. The Accountancy Manager responded that heritage assets were treated a little differently from other assets such as land and buildings. They were valued using insurance valuations. The most recent valuations totalled £2.4m. However, the previous valuations were based on figures from 2009/10 which assumed a higher value.
- The Chairman drew attention to page 94 of the agenda. He questioned the different profile this year for the overdue debt amount. The Accountancy Manager agreed that more information would be useful. She said it would be possible to do some analysis in future years to explain the cause of the movement.
- The Chairman drew attention to page 95 of the agenda. He noted a large increase on the first table under local taxpayers/ratepayers. The Accountancy Manager said she believed this change was due to timings, but she would need to check this detail. She said that a comment on this could be included within the text in future years.
- There was some discussion about the comment on page 53 of the agenda that the EU Referendum decision may have an 'adverse' effect on asset valuations etc. Members considered that the text reflected the context of the time in which it was drafted, when the signs were that the decision to exit the European Union was likely to have an adverse impact. For this reason Members decided to leave the text unaltered. The Portfolio Holder for Finance, Budget and Resource Management assured Members that the effects on the markets were being tracked and monitored very closely and counter-measures would be taken if appropriate.

Resolved:

That the Audit Committee:

- (i) considered the Appointed Auditor's Audit Findings;**
- (ii) agreed the basis upon which the accounts had been prepared;**
- (iii) approved the audited 2015/16 Statement of Accounts;**
- (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 2015 as approval by the Council;**
- (v) approved the Chief Financial Officer's Letter of Representation to the Appointed Auditor.**

107 Report Tracker and Future Meetings

It was agreed that the Accountancy Manager should report back to the next meeting on areas highlighted at this evening's meeting.

The Head of Audit Partnership advised that the Committee had previously received a paper on the future of external audit procurement which included the notion of a sector-led body approach. At that time this was a theoretical proposition as no such body existed. However, Public Sector Appointments Ltd had now been established, authorised by the Department of Communities and Local Government, and was currently consulting with authorities and setting out the likely terms of its offer with a view to approaching authorities in the autumn. By the time of the meeting of this Committee in September there may be more information available on the offer, and an update report to that meeting might be timely.

The Head of Finance suggested that the Committee might want to reconsider the process for taking the accounts to completion next year. The early June and July agendas were very light, with three Committee meetings within two months, so it might be worth reviewing the agendas for those three Committees with a view to condensing the meetings into two. The Head of Audit Partnership said he had no issues against this suggestion.

Resolved:

That the report be received and noted.

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