

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **11th July 2017**.

Present:

Cllr. Waters (Chairman);
Cllr. Barrett (Vice-Chairman);
Cllrs. Mrs Blanford, Burgess, Mrs Dyer.

In accordance with Procedure Rule 1.2 (iii) Councillor Mrs Blanford attended as Substitute Member for Councillor Buchanan.

Apologies:

Cllrs. Buchanan, Shorter, Sims, Smith.

Also Present:

Head of Finance and IT, Head of Audit Partnership, Accountancy Manager, Corporate Fraud Manager, Senior Accountant, Senior Member Services Officer.

Elizabeth Jackson - Grant Thornton UK.

80 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 22nd June 2017 be approved and confirmed as a correct record.

81 Statement of Accounts 2016/17 and the External Auditor's Audit Findings Report

The Accountancy Manager introduced this item. The report presented the 2016/17 Statement of Accounts for approval. The External Auditor's report was also attached and Elizabeth Jackson from Grant Thornton was present at the meeting to introduce this and take questions. The Appointed Auditor was proposing to issue an unqualified opinion on the accounts and, once approved, the accounts would be published.

The Accountancy Manager advised there had been a few changes since the Committee had previously considered the draft statement of accounts. The most significant of these was a misstatement of £1.7m between the bank account and the creditors. This was because whilst the payment had been made it had not been allocated so a creditor had been set up in-year. An adjustment therefore had to be made between current assets and liabilities. In addition, due to changes in the collection fund process in 2013/14, some income from court costs from that year had not been taken in to consideration. This had been picked up by the auditors and therefore written in to the accounts as an adjustment. An unadjusted error of £264k had also been picked up in the accounts and this needed to be written back in. Due to the complexity involved and because it would affect the NNDR 3 return from the

end of the year and Kent County Council and Fire, the Council had decided to not make that adjustment at this stage and include it as part of the closedown for 2017/18 and all of the statutory returns. In terms of the Audit Action Plan she explained that there were two actions. Firstly an error had been picked up in the bank reconciliation process where an item had been entered incorrectly. This had been resolved by the member of staff receiving more training and the introduction of a new control process with a second Officer review. Secondly, on journal processes, the audit highlighted that they continued to have concerns over the control of authorisation of Journals within the finance system. This was an area where External Audit and the Council often disagreed on the appropriateness of the control environment, whereby an average of 1600 journals per year were entered on to the system and in the Council's view, individual authorisation would be extremely time consuming and not significantly enhance the control environment. They would however work with External Audit to seek to develop a proportionate authorisation process.

Elizabeth Jackson then introduced the External Auditor's Audit Findings Report. She confirmed that Grant Thornton would be issuing an unqualified opinion on both the audit and the value for money conclusion which was clearly a good outcome. This would happen on the 15th July after the Council's public inspection period had closed. Additionally the quality of the set of accounts produced by the 22nd May had been very high and this was commendable in light of the earlier timetable. She also drew attention to the fact that all of the work marked as outstanding on page 13 of the Agenda had now been completed. One thing to note was that she had been contacted earlier that day by a local elector who was considering making an objection to the accounts. She had advised him that he had the ability to do so until 5pm on Friday 14th July, but this would not impact on the audit opinion she intended to issue. As mentioned there was an unadjusted misstatement of £264k. Whilst they were satisfied with management's explanation as to why they were not proposing to amend it in the accounts, a formal request to make the amendment had been included within the draft letter of representation in line with International Standards on Auditing (ISA). She concluded that External Auditors had worked well with the Council's Officers during the process and they were happy with the outcome of the overall audit.

In response to a question from a Member it was explained that the error on the bank reconciliation had included correct figures, but they had been entered the wrong way round (debit and credit). Once corrected the account had reconciled. Staff did receive training and this was a simple error by one member of staff which had been picked up by the audit.

Further to discussions on journals, Elizabeth Jackson advised that it was viewed as standard practice that all journals should be authorised before being posted to the ledger (i.e. a second person checking them). The Council's e-financial system did not include an automatic authorisation of journals so the only way this could be done was via a hard copy print out of each journal. It was therefore recognised that this was not a realistic or proportionate response, so External Audit were not insisting on this, but they did need to note that the Council had not implemented this control. She re-iterated that there were no errors or fraud in the journals and they were satisfied that the other controls that the Council had in place could effectively pick up any errors. The Head of Finance and IT confirmed that the team had also agreed to

introduce a check of 'material' journals as a meaningful and proportionate response and this would also ensure a better quality of check.

Resolved:

That the Audit Committee:

- (i) considered the Appointed Auditor's Audit Findings;
- (ii) agreed the basis upon which the accounts had been prepared (going concern);
- (iii) approved the audited 2016/17 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 2003 as approved by the Council;
- (v) approved the Chief Financial Officer's Letter of Representation to the Appointed Auditor.

82 2016/17 Financial Statements – Letters of Assurance to External Auditors

The Head of Finance and IT introduced the report which 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. One was from the Chairman on behalf of the Committee and the second was from the Head of Finance and IT on behalf of management and both were attached to the report. They covered assurances related to such matters as disclosure of material facts affecting the statements, fraud and contingent liabilities and legal issues affecting the statements.

Resolved:

That the Chairman's and Management's 2016/17 assurance letters be endorsed.

83 Corporate Enforcement Support and Investigations Team Annual Report 2016/17

This report reviewed the past financial year results for the Investigation Service and Enforcement Support within the Finance department. The Corporate Fraud Manager introduced the report and introduced herself to the Committee. She advised that in addition to the review of the past year, the report built upon previous reports regarding the future of the Investigation Service and requested approval to re-launch the Service with a new pro-active safeguarding approach. The report also reviewed the delegated powers of the team which would strengthen the Council's approach to tackling and safeguarding its funds and services from abuse such as: - financial irregularity; evasion; avoidance and fraud.

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

- The team had recovered £323,990 and the total direct cost of the team was £107,792. It was difficult to compare to previous years because powers to investigate Housing Benefit Fraud had been revoked by the Department for Work and Pensions and this had previously been an area of great focus for the team because of the levels of payment. Officers were extremely pleased with the outcomes for the past financial year and the breadth of services now covered.
- The Chairman said that any service which could produce an income level three times higher than its cost had to be recognised and appreciated and he wanted to thank those involved. In his opinion the Council had to be looking at options to increase the size of the team to maximise these opportunities. Even if the team was just breaking even, the deterrent element for individuals who may be considering fraudulent behaviour was invaluable, but the multiple of three times investment justified further investigation in to expansion possibilities. He proposed an addition recommendation (iv) to this affect.
- The Committee was pleased to see the team branch out in to other areas and the example of the successful prosecution for fly-tipping was mentioned. A Member said that publicity of such examples was key to act as a deterrent. The Corporate Fraud Manager advised that in looking to the future the team wanted to embrace the opportunities available and look to the wide-range of threats to the Council's funds and resources and safeguard them for the people that really needed them. Areas such as general enforcement, fly-tipping, Council Tax and Business Rate fraud and social housing/tenancy fraud would all be areas of focus. They were fortunate to have the backing of Kent Housing Group and had been involved in the launch of a Kent Tenancy Fraud Forum which would allow the sharing of best practice between all housing stock owners in Kent and, on Council Tax and Business Rates, they had access to the KIN (Kent Information Network) which allowed data matching.

Resolved:

That the Audit Committee:

- (i) note the contents of the report regarding the last financial year.**
- (ii) note the forthcoming financial year's work plan.**
- (iii) endorse the delegated powers of the Service outlined at Paragraph 26 of the report.**
- (iv) encourage Officers to develop a plan to enhance the team's resources, building on the good work already undertaken and giving opportunities for a larger return on investment for the Council, as well as continuing to offer an important deterrent factor.**

84 Homes and Communities Agency – 2016/17 Compliance Audit Programme

The Chairman advised that the previous day he had received a letter from the Homes and Communities Agency (HCA) advising of the outcome of a compliance audit exercise to validate adherence to the guidelines of HCA funded schemes. He was pleased to advise that the Council had received a green grade on the traffic light system which confirmed they met the requirements with no breaches. Copies of the letter had been tabled for Members' information. The Chairman had therefore been asked to draw this to the attention of the Audit Committee and sign and return the report.

Resolved:

That the letter be received, noted and signed by the Chairman.

85 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:
Telephone: 01233 330349 Email: danny.sheppard@ashford.gov.uk
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