

## Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **27<sup>th</sup> June 2013**

### Present:

Cllr. Clokie (Chairman);  
Cllr. Link (Vice-Chairman);

Cllrs. Marriott, Michael, Smith, Shorter, Taylor, Yeo.

### Also Present:

Cllrs. Britcher, Chilton, Wright.

Deputy Chief Executive, Head of Personnel & Development, Head of Internal Audit Partnership, Audit Partnership Manager, Senior Member Services & Scrutiny Support Officer.

Steve Golding - Grant Thornton.

Prior to the commencement of the meeting the Chairman advised of a change of the order of business as per the Agenda.

## 56 Minutes

### Resolved:

**That the Minutes of the Meeting of this Committee held on the 5<sup>th</sup> March 2013 be approved and confirmed as a correct record.**

## 57 Strategic Risk Review – Effective Workforce Planning

The report advised that following on from the informal meeting of the Committee in April when Members concluded that the Committee should more routinely have oversight of the individual risks on the Strategic Risk Register, a report on one of those risks had been proposed accordingly. Workforce planning was one of the Council's strategic risks and the report provided an opportunity to discuss its background and the mitigation plan. The plan focused on two issues: - succession planning and developing a strategic response to this need; and building a greater generic method operation to deliver important 'Best Service Resources Allow' business plan priorities.

The Head of Personnel & Development advised that the Council had recognised for a while that the age profile of the organisation meant there was a high risk of service continuity disruption from turnover due to retirement in the short to medium term. As a result Management Team had put in place a robust leadership development programme to enable succession planning for a number of future

management/leadership roles. There was also an issue of knowledge and passing that on to key posts/project leaders. Where there were known imminent retirements, opportunities for restructuring and grouping teams together, flexible management across teams to cover certain projects and generic working practices were all being looked at. Generic working and the “eyes and ears” idea was something that was intended to be rolled out across the Authority as opportunities arose.

The Chairman opened the item up to questions/comments and the following responses were given: -

- The state retirement age did not have much bearing on the Council as there was no longer a standard retirement age and people could work for as long as they wished. It would also not stop people retiring early if they wanted to.
- Personnel and Development (P&D) had spoken to Heads of Service to identify the areas most at risk and focused on the most important training and development needs first.
- Where changes to Services had been made it was difficult to compare ‘like for like’ because the make up of the new teams was very different, however the effectiveness of all re-organisations and the new arrangements would be the subject of future reviews. Members would have a role to play in those reviews.
- There was now a centralised training budget with the aim of maximising the benefit of a relatively small pot. The system had worked well but approaching a time where they wanted to make a concerted effort to up skill people, the budget would not go far. If common themes emerged P&D would try to deliver training internally to keep the costs down. Benchmarking the spend on training against other Councils to assess value for money could be done, as could a days per annum figure for training by grade, but the outcomes would of course be relative to budgets at other Councils.
- In terms of the current risk score of 4/3 and the target of 3/2, the Head of Personnel & Development said they were taking the issue seriously and she was confident of achieving the target.
- All Officers had a notice period and generally individuals who were retiring gave even more notice than that. Members expressed some concern that some of the notice periods for more senior members of staff were not long enough.

**Resolved:**

**That the Committee note the current position with the Workforce Planning Strategic Risk.**

## 58 Internal Audit Annual Report 2012/13

The report outlined the work of the Internal Audit Team over the financial year 2012/13 and the opinion of the Head of Internal Audit Partnership in relation to the Council's control environment in the context of the Annual Governance Statement. It also asked the Committee to decide whether the outcomes of the Internal Audit work and the other matters referred to in the report provided evidence of a substantial level of internal control within the Authority and of an effective internal audit, which would support the findings and conclusions shown in the Annual Governance Statement for 2012/13. The Head of Internal Audit Partnership introduced the report and explained that the recommendations had to be written in a certain way to meet the requirements of the Public Sector Internal Audit Standards (PSIAS).

The Chairman opened the item up to the Committee and the following responses were given to questions/comments: -

- PSIAS required an external assessment to be carried out to ensure that Internal Audit complied with those standards and that reliance could be placed on it. This had to happen once every five years but because Ashford was part of an assessment of the Internal Audit Partnership the cost of the assessment could be spread over the four Authorities.
- With regard to the Car Parking Enforcement audit, a Member said he hoped the performance benchmarking across Authorities did not encourage parking attendants to be over-zealous. He also asked about incorrect or misleading signage. The Audit Partnership Manager confirmed that part of the audit had included a review of the correctness of signage. The Deputy Chief Executive said he would also check this point.
- In terms of whistleblowing and similar issues, it was recognised that some of the policies were now quite old and had tended to be reviewed when issues arose. The existing whistleblowing policy was considered pretty sound but there was a need to ensure it still met best practice requirements. A report on that and other 'fraud type' policies would be coming to the September meeting. In terms of other policies such as anti fraud and corruption and money laundering, the objectives had not changed so they were still valid. Consideration had been given to suggesting a regular review period, but the key point to ensure was that they were well publicised and staff were aware of them. A Member said that rather than reviewing the policies themselves it was more important to ensure that the Council was compliant with them and that they were easily accessible and understood by staff. How far could the Audit Committee or Internal Audit go to gain assurance on these points? The Head of Internal Audit Partnership said when these policies were agreed there would be a need to build in a process for ongoing monitoring and publicity although that was not something they would generally do as auditors. Internal Audit would instead carry out periodic compliance audit reviews.
- With regard to the CCTV/Telescan audit seven of the nine recommendations had been agreed with and would be implemented. The Audit Partnership

Manager explained that the other two recommendations were low risk items therefore they were happy to accept that the Manager wanted to accept that low level risk. If Internal Audit felt that these were significant risks there would have been further dialogue.

- There had been some inconsistency of application against the scheme set out by Members for Ward Member Grants. The aim of highlighting this via audit recommendations was to help to ensure Members complied with scheme guidance. If the guidance was too onerous it should be reviewed. This was a new scheme and as it entered its second year the funds were increasing and the new scheme rules were being refined to be more relevant. This would be an ongoing process.
- The Portfolio Holder said he fully endorsed the finding under the Members Allowances Audit that the Members ICT Allowance needed to be used appropriately and in accordance with the provisions of the scheme.

**Resolved:**

- That**
- (i) the Head of Internal Audit Partnership's opinion that substantial reliance can be placed on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control be noted.**
  - (ii) the results of the work of the Internal Audit team over the period April 2012 to March 2013 as shown in Appendix A to the report be noted and this is the prime evidence source for the Head of Internal Audit Partnership's opinion.**
  - (iii) it be agreed that the summary of the work and the other matters referred to in the report supports 'the opinion' and that the report can be used to inform the Annual Governance Statement for 2012/13.**
  - (iv) the improvements in control that occur as a result of the audit process be noted.**
  - (v) the contents of the report provide evidence of an effective internal audit.**

## **59 Audit Committee Annual Report 2012/13**

The report set out the Annual Report of the Audit Committee for 2012/13 to be submitted to Full Council.

The Committee agreed to add the establishment of the two new Trading Companies to the 'Future Challenges' section of the report and a minor typographical change was suggested under 'Areas for Development'. It was also agreed that from next year the report should include a Chairman's foreword.

The Committee considered that following Full Council the document should be made available to all Members as required reading in case they were ever needed to substitute at an Audit Committee Meeting and that it was provided as a matter of course to any future new Members of the Committee.

**Resolved:**

**That subject to the comments made above, the format and content of the Annual Audit Committee report be agreed and the Chairman provides the report to a Meeting of the Full Council to demonstrate how the Committee has discharged its duties.**

## **60 Annual Governance Statement 2012/13**

The report explained that each year the Council must produce and approve an Annual Governance Statement that summarised the approach to governance, showed how its approach fulfilled the principles for good corporate governance in the public sector, and drew conclusions about the effectiveness of the Council's governance arrangements. The Statement would be published alongside the Council's formal audited financial statements which would be considered by the Committee in September. The Statement was submitted for the Audit Committee to approve on behalf of the Council. The format of this year's Statement had changed in an attempt to aid understanding and highlight key points and was designed to be more personal to Ashford Borough Council including, for the first time, an introduction from the Leader. The Deputy Chief Executive advised that five areas of significance for ongoing review had been identified and these were highlighted within the report.

The Chairman said he would like the Committee to be kept informed of any changes between now and when the Statement was signed off by the Leader and Chief Executive.

**Resolved:**

**That the 2012/13 Annual Governance Statement be approved and signed by the Leader and Chief Executive as required by regulations.**

## **61 Governance and Risk – Grant Thornton's National Research Reports**

The report advised that at the last formal meeting of the Committee in March, the Council's External Auditors (Grant Thornton) had introduced two national reports they had issued that were of particular relevance and interest to the Committee and the Council. These were subsequently considered at an informal meeting in April where the general feeling had been that the Committee could be more proactive with regard to risk. Summaries of the reports and the conclusions from the informal meeting were included within the papers. The Committee was now being asked to endorse a number of actions designed to further evolve both the Committee's role in governance and the Council's arrangements more generally.

Members asked about the Medium Term Financial Plan (MTFP) and the role Members in general had to play. In the past there had been a MTFP Task Group but the monitoring role now appeared to be solely undertaken by Cabinet Members. Was there a role for this Committee? The Cabinet Member said the direction of MTFP and budget monitoring reports was something that was under discussion. The Head of Internal Audit Partnership said that in terms of risk an Audit Committee should seek assurance that this was being dealt with but it would not normally routinely receive budget monitoring reports and get too bogged down with the detail. If Members were unhappy with the overall process there were always opportunities to ask the Officers to report to the Committee. Mr Golding said that in terms of External Audit, they looked at strategic financial planning and there would be a report to the September Committee on the financial resilience of the Authority, so that should help provide some assurance from a third party.

The Deputy Chief Executive said that the Strategic Risk Register included a risk on 'Volatility of Income' and that could perhaps be expanded to include the MTFP and be a report to the next meeting.

In response to a question the Deputy Chief Executive said that following the "Towards a Tipping Point" national report, the Council had undertaken a self assessment of its current position related to a number of financial issues. Borrowing, for example, had been set at an 'Amber' level because they had to take a long term view in light of issues such as HRA debt, interest rates, notional depreciation etc. In each year's budget an additional £500k was allowed for borrowing, which was in essence unsupported, and a decision had been taken to use that for the next five years to deal with a growing backlog of property maintenance (repairs and renewals).

In terms of risk management more generally a Member said he had concerns that the MFTP seemed to be based on assumptions and he wondered who was monitoring those assumptions. Should there be regular reports back to the Committee? The Deputy Chief Executive said that as Section 151 Officer he had professional and statutory obligations to ensure that all Members understood risks and the dangers that ignoring those risks may cause. It was his duty to advise Members in such cases and it was a role he took very seriously.

**Recommended:**

**That the conclusions set out in the table below be supported and the various actions, which respond to issues raised in the Council's External Auditor's national research projects on governance and risk, be recommended to Council.**

Issue	Conclusion	Action
<b>Question of non-elected member(s) representation on</b>	Members concluded that this question should be re-visited after the 2015 election, and therefore by a new	No action recommended at this time

<b>the Committee</b>	administration	
<b>Aligning Audit Committee work and Overview and Scrutiny work to support Council's priorities</b>	Accepted the Committee should develop its role to further support the Council achieving its strategic objectives – see the next point concerning risk management. Also considered there should be a discussion with the chairman of the Overview and Scrutiny Committee to establish the potential for stronger alignment of the two Committees' work.	The chairs of this committee and the Overview and Scrutiny Committee have since met and there was agreement for a stronger alignment of work to support helping the council to achieve its overall priorities. For the O&S Committee it was viewed by its Chairman as providing welcome opportunities for productive reviews for the benefit of Members generally. Discussion to be held with the Leader and further ideas shaped.
<b>Audit Committee's role in strategic risk management</b>	Agreed the Committee should more frequently discuss the position regarding the identified strategic risks, with the various risk owners.	This action is starting with this Committee, and subject to review it would be the intention for each meeting to consider a specific risk(s).
<b>Medium Term Financial Plan Risk</b>	In view of the 'Tipping Point' report, Members felt it necessary to review the strategic risks concerning the medium term financial plan.	The Deputy Chief Executive was asked to bring forward a report to the next meeting.
<b>Annual Governance Statement</b>	Its presentation needed to be addressed, as well as ensuring it adequately reflected governance matters needing attention.	These points have been addressed in the draft annual governance statement included on the agenda for this meeting.
<b>Annual Report</b>	Members concluded the Council should produce an annual report that is web-enabled.	This is to be taken forward, given also the Leader's similar commitment for such a report.

<p><b>Developing members' awareness</b></p>	<p>Concluded that pre-Committee briefings should take place routinely before each Audit Committee, to provide opportunities for briefings and discussion of topical matters.</p> <p>It was also concluded that the Head of the Audit Partnership should circulate a 'skills matrix' to Committee Members to help determine Members' needs.</p>	<p>A programme is being developed.</p> <p>The Head of Internal Audit Partnership has this in hand.</p>
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## 62 Local Audit and Accountability Bill

The information report advised that in May the Government had introduced its Local Audit and Accountability Bill that had now had its second reading in the House of Lords. A summary of the Bill from the Local Government Association (LGA), including its own views on behalf of LGA members, was included with the report. Among other things the Bill would bring about the final closedown of the Audit Commission and introduce the requirement that Councils must then procure their own external audit including the requirement for an independent (non-elected) panel to make recommendations on this to the Council. The Bill also made other provisions that tightened the Council Tax referendum principles and provided the Secretary of State with an ability to determine if a Council's publicity was contravening a publicity code (the Secretary of State was particularly concerned about some Councils competing with local newspapers).

**Resolved:**

**That the report be received and noted.**

## 63 Grant Thornton's Audit Committee Update

The report brought the Committee up to date on Grant Thornton's progress in delivering their responsibilities as the Council's External Auditors. Mr Golding explained that the audit of the Council's financial statements would begin the following week and there would be an update on that to the September Meeting of the Committee.

**Resolved:**

**That the report be received and noted.**

## **64 Report Tracker and Future Meetings**

**Resolved:**

**That subject to the additional items discussed during the Meeting, the report be received and noted.**

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Queries concerning these Minutes? Please contact Danny Sheppard:  
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