

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **30th June 2015**.

Present:

Cllr. Link (Chairman);
Cllr. Waters (Vice-Chairman);
Cllrs. Powell, Shorter, Smith.

Apologies:

Cllrs. Chilton, White.

Also Present:

Cllr. Ovenden

Deputy Chief Executive, Head of Audit Partnership, Corporate Enforcement Support & Investigations Manager, Policy & Performance Officer, Senior Member Services & Scrutiny Support Officer.

Emily Hill, Lisa Robertson - Grant Thornton UK.

46 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.	52

47 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 3rd March 2015 be approved and confirmed as a correct record.

48 Corporate Enforcement Support and Investigations Team Annual Report 2014/15

The Corporate Enforcement Support & Investigations Manager introduced the report which provided the annual update on the work of her Team. Through the changes involved with Welfare Reform, some of the team's work would transfer to the Government Single Fraud Investigation Service, but the Council had committed to maintaining its counter fraud resources and to developing the team in to a wider

corporate enforcement and investigation resource, expanding its remit in to all areas of Council activity. Therefore there had been quite a few changes to the team and its work over the last year, so whilst reviewing the past year, the report also had a strong focus on the future.

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

- Whilst the figures recovered themselves were impressive when compared to the cost of the team to the Council, 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 all recognised that prevention was the most important consideration and the team was making even more of a difference than the figures implied. It was therefore also important to continue to publicise the team's existence and its actions.
- The total cost of the team to the Council was £106k. There were limited other costs involved which included the legal costs of taking prosecutions forward and the normal overheads. The Council did now have its own in house Litigator in the Legal Service and this had been of huge benefit to the Enforcement and Investigations team.
- The remit of the team was expanding and KCC and the other preceptors were making funding available to resource the review of Council Tax Support fraud.
- A Member said he would be interested in seeing year on year figures for cost/collection and also how those compared to other Councils. He considered Ashford's approximate 5:1 ratio was particularly impressive but he would be interested in comparators and whether the team set itself any targets. The Deputy Chief Executive advised that the nature of the work was bound to change but the business plan submitted to KCC for the extra resource did make reference to a target of a 2.5/3:1 ratio. There were no like for like comparators with other Kent Districts, although Ashford had always been seen as placing greater emphasis on its fraud work than some others, albeit within limited resources.
- As mentioned, the Council had made a policy decision to retain its own in house counter-fraud team and expand its areas of focus. It was considered a moral obligation for the Council to pursue fraud when it was carried out and that desire and the deterrent factor remained extremely strong.

Resolved:

That the report be received and noted.

49 Internal Audit Annual Report 2014/15

The Head of Audit Partnership introduced the report which presented his 2014/15 Audit Opinion and the supporting work behind that opinion. The report also provided a more wide-ranging update on the Audit Service and progress against its work plan for the year. He further advised that the Partnership had been the subject of an External Quality Assessment and subsequent follow up by the Institute of Internal Auditors, and they had become the only Audit Service in the country to be assessed by the Institute as fully compliant with the Public Sector Internal Audit Standards. This was something to be rightly proud of.

A Member asked if it was still the case that if an area received a 'weak' assurance rating then the Head of Service should attend an Audit Committee meeting to discuss the situation and answer questions. The Head of Audit Partnership advised that the Committee still had the ability to call Service Heads. Members said they would like this to be the default position and part of the process for any weak rating, rather than it being reported at one meeting and then waiting another three months for them to come to the next meeting. It was a matter of the Committee making a more effective contribution to the governance of the Council and it may not be able to do this if it was not seeing things until they were academic. It was agreed that this matter could be discussed further at the upcoming informal session with the Head of Audit Partnership.

A Member pointed out a minor typographical error in the report that would need to be amended before final publication.

Resolved:

That the Committee notes the Head of Audit Partnership's Opinion and supporting work and note that the opinion will inform the Council's Annual Governance Statement.

50 Audit Committee Annual Report 2014/15

The Head of Audit Partnership introduced the 2014/15 Annual Report of activity of the Audit Committee in discharging the responsibilities set out for it in the Council's Constitution.

Resolved:

- That**
- (i) the content and format of the Audit Committee's Annual Report be agreed.**
 - (ii) the Committee agree to provide the Annual Report to Full Council, asking that it be noted.**

51 Annual Governance Statement 2014/15

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 which would be considered by the Committee in September. This year's Statement built on previous statements, providing updated information where needed. Work to review the significant governance issues highlighted last year had progressed well and following input from the Leader of the Council and others there were further developments needed, and these were highlighted at the end of the draft Statement. It concluded that governance arrangements remained appropriate, effective and adaptive to change as circumstances dictated. The Policy & Performance Officer introduced the report and also drew Members' attention to the two areas for review for 2015/16.

A Member referred to the Competency Framework which had been introduced by the Council during the past year and said he would welcome an audit review of this sometime in 2016 after at least one year of operation. He considered a review of the process following a full cycle of the appraisal process for staff would be useful to give some background to new Members about how the framework was put together and to see if the new system was working and if it was getting the desired results in terms of being a development tool for the Council. Following discussion the Committee agreed to add this to their work programme for June 2016. The Vice-Chairman asked if he could be provided with a copy of the Council's Competency Framework.

Resolved:

That the 2014/15 Annual Governance Statement be approved and signed by the Leader and Chief Executive as required by regulations.

52 2014/15 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 Deputy Chief Executive on behalf of management. They covered similar points to assurance letters in the past and had already been shared in draft with 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.

A Member mentioned references to the purchase of International House and wondered if the purchases of the other land and property around it should be listed

distinctly as although it was all one purchase, at present the letter read as though the Council had just purchased the single building. It was confirmed that the letter was sufficiently detailed for its purpose, however it was agreed to clarify this point in the final letter.

Resolved:

That the Chairman's and Management's 2014/15 Assurance Letters be endorsed.

53 Outcome of Independent Audit Review of the Council's Affordable Housing Programme

The report advised of the outcome of an independent compliance audit review by the Homes & Communities Agency (HCA) of the Council's Affordable Housing Programme.

In response to a question it was advised that the properties listed in the appendices to the report were properties purchased by the Council with HCA funding.

Resolved:

That the report be received and noted.

54 The Future of Local Public Audit

The information report advised that as of 31st March 2015 the Audit Commission had fully closed and its remaining functions had been transferred to a number of other bodies. The closure had been originally signalled by the then Coalition Government in 2010 along with the eventual transfer of responsibility for local public audit procurement to Councils and other audit bodies. The report provided further background to the Council's responsibilities when the current audit contract with Grant Thornton UK expired and the Deputy Chief Executive advised that a fuller and more comprehensive report would be presented to the September meeting of the Committee.

Resolved:

That the report be received and noted.

55 External Audit 2015 Plan and Audit Update

Two reports had been received from the Council's External Auditors (Grant Thornton UK). These were introduced by Lisa Robertson, Senior Manager and Emily Hill, Engagement Lead from Grant Thornton UK. The first set out the External Audit plan of work associated with the 2014/15 financial statements and this year's value for money assessment. The second report contained some details on the progress of audit work at Ashford and provided details of Grant Thornton's national reports covering a number of themes.

With regard to the financial statements audit, a Member asked about journal entry controls and what the auditors were looking for when they assessed this. Lisa Robertson explained how this was undertaken at Ashford on a risk based approach (i.e. assessing the high value journals) and she was satisfied that this was a sensible and modern process. A Member asked if there was an alert if individual users tried to input transactions outside of their authorisation levels. The Deputy Chief Executive believed it was simply not possible to do this, but he was not sure if anyone was alerted and he endeavoured to find out and report back.

In terms of the national reports and challenge questions from Grant Thornton, the Deputy Chief Executive advised that all of the documents mentioned had been received by the Council and the contents would feed into Officers and Members' work over the coming months. Not all issues mentioned in these reports were directly for the Audit Committee to consider, however, due to the importance of the topics it had been suggested that key points be the subject of Pre-Committee briefings, as well as more formal reports to Members in due course. A Member asked for hard copies of the two reports – *“Spreading Their Wings: Building a Successful Local Authority Trading Company”* and *“Welfare Reform Review: Easing the Burden”* - and Lisa Robertson agreed to supply these.

Resolved:

That the two External Audit reports be received and noted.

56 External Audit Programmed Work and Fees 2015/16

Further to the previous item on the Agenda, Grant Thornton UK's agreed fee scale had been submitted to the Council and attached to the report. The fees reflected a reduction following procurement exercises run by the Audit Commission before its closure.

Resolved:

That the fee scale for 2015/16 and the External Auditor's outline of planned audit work for the year be noted.

57 Report Tracker and Future Meetings

The Deputy Chief Executive advised that in line with previous practice Officers intended to continue with the pre-Committee briefings at 6pm before each meeting. They had some ideas about topics but if Members had any particular topics they would like to cover they were encouraged to let him know. He also advised that a separate briefing session on the Council's Financial Statements would be arranged for late July/early August.

Post Meeting Note: The briefing on the Council's Financial Statements is confirmed for Thursday 6th August at 7pm in the Council Chamber.

Resolved:

That subject to the additional items discussed earlier at the meeting, the report be received and noted.

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