

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **1st December 2015**.

Present:

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

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

Apologies:

Cllrs. Buchanan, Chilton.

Also Present:

Deputy Chief Executive, Head of Audit Partnership, Corporate Director (Operations), Head of Community & Housing Head of Finance, Head of Cultural & Project Services, Cultural Projects Manager, Policy & Performance Officer, Senior Member Services & Scrutiny Support Officer.

Emily Hill, Lisa Robertson - Grant Thornton UK.

217 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.	221, 226
Corporate Director (Operations)	Made a Voluntary Announcement as a Director of the ABC Property Company.	221, 226
Head of Finance	Made a Voluntary Announcement as a Director of the ABC Building Consultancy Company.	221, 226

218 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 29th September 2015 be approved and confirmed as a correct record.

219 Questions from Members of the Public

The Chairman advised that as he understood a member of the public had questions on a number of issues he would allow him to ask them at this stage of the meeting.

In accordance with Procedure Rule 9.3 Mr Relf, a local resident addressed the meeting. He firstly referred to the Minutes of the last meeting where a Member had asked about the valuation of International House and asked if in future Members could be referred to by their name in the Minutes so that he could chase up an answer from that Member. The Senior Member Services & Scrutiny Support Officer advised that the Council's Committee Minutes were not written in this way but if Mr Relf wanted to contact the Member Services department, they would always endeavour to advise him which Members has asked which questions.

Mr Relf then asked if he was allowed to object to the Statement of Accounts on the grounds that he understood people were not paying Council Tax and their properties were not even on the Council Tax Register. Emily Hill advised that it was possible to object to a set of accounts that was not certified i.e. where the audit had not been completed. The audit for the 2014/15 set of financial statements had been completed and certified on the 30th September 2015 so he was not able to object to that particular set of statements. It would be possible to object to the 2015/16 financial statements if somebody could identify an item of account which they believe to be unlawful or where there was a particular issue which it was considered to be in the public interest for the External Auditors to investigate. A summary of rights regarding the Council's accounts and the rights to object could be sent to Mr Relf if that would be helpful.

Finally Mr Relf referred to benefit fraud and asked if the cost of the service was £100k, and the department was only recouping approximately £100k, and he considered there were serious flaws in how the system operated, was he able to object to the accounts on the grounds of that expenditure? He also asked if he could question expenditure related to the Council sending Officers to Chilmington caravan site to monitor benefit claimants who he believed were also working whilst claiming benefits, and whether that was a correct use of Council funds. Emily Hill advised that again, obviously not for the year just passed. Going forward, an individual could object to an item of expenditure that they believed had been made unlawfully. So if the expenditure in relation to housing benefit had been correctly recorded and any overpayment or error identified had also been correctly recorded, then there were no grounds on which to object. If there were allegations of fraud or other such matters then the Council did have procedures and processes internally which should be referred to in the first instance, and if there were further allegations of fraud after that which he felt had not been investigated appropriately by the Council which could be substantiated, then those matters should be taken to the Police.

The Portfolio Holder then responded to the points made on fraud. He advised that at its June meeting, this Committee had reviewed the value for money of the Council's Counter fraud team and had been assured that, in purely cash terms, they were getting back more money than was being spent on the team. However, the issue was more important than that because the simple presence of the team was dissuading people who may be thinking about attempting to be fraudulent. The

successful prosecutions that had been made and the publicity of those cases did act as a deterrent to other members of the community who may consider entering in to a fraudulent act. So there were immeasurable elements of gain/worth to the Council simply by having a competent and active fraud team. He wanted to give Mr Relf that reassurance.

220 Safeguarding Audit Report

The Head of Audit Partnership introduced the report which set out the findings and brief of the recent audit into the controls designed and operated by the Council to ensure it met its safeguarding obligations. Its findings and recommendations had been accepted by Officers. The report had come to the Committee following Members' request to see reports which had received a 'weak' or lower assurance rating. Recognising the prominence of safeguarding as an issue for Local Authorities generally, similar reviews had already been undertaken at Swale and Maidstone and Tunbridge Wells would be looked at in the spring. Swale and Maidstone's reports had also resulted in weak assurance ratings initially and Swale's, the first to be re-assessed, had now been upgraded to sound so they were pleased at the response the recommendations had been getting. The weak assurance rating was principally because of weaknesses, delays and gaps in process and practice which could lead to a lack of resilience in the arrangements and be difficult to keep levels sustained in the longer term.

The Cultural Projects Manager then ran through the Management Action Plan with the Committee as Members had been chiefly interested in the response to the audit findings. She explained that she was the Designated Safeguarding Officer for the Council and she was joined by the Head of both Cultural and Housing Services which demonstrated the seriousness with which they had taken this matter. In her view, although it was marked as a medium priority, the key recommendation surrounded the development and implementation of an appropriate reporting regime. This would include high level 'buy-in' from Management Team and Members (including the Overview & Scrutiny Committee and the Portfolio Holder). She also ran through the other five recommendations in some detail and outlined the management response and the actions to each.

The following responses were given to Members questions/comments on the Management Action Plan: -

- The scope of this particular audit was the Council's responsibilities under the Children's Act so did focus on the safeguarding of children particularly. There was a Kent and Medway Safeguarding Adult Board which did examine concerns for vulnerable adults as well and there was a desire for the Council's safeguarding policy to be that much broader to reflect overall safeguarding legislation. A wider audit of safeguarding 'in the round' was scheduled for 2017.
- Officers were committed to improving this whole area and the presence of three Senior Officers at the meeting would hopefully demonstrate that commitment. A lot of work had been put in to the Action Plan and Management Team ownership would ensure that this was delivered.

- The target implementation dates in the report were very much 'by' dates and Officers would be pushing on to make a swift response and if they could bring them forward they would.

Resolved:

That the findings of the Safeguarding audit be noted and the Management Action Plan be endorsed.

221 Annual Audit Letter 2014/15

Lisa Robertson introduced the report which included the Annual Audit Letter from the Council's External Auditor's Grant Thornton. The letter was a summary of the work undertaken in 2014/15 and reiterated the positive comments made by the External Auditors at the last meeting, when unqualified opinions on the Council's financial statements and the value for money conclusion were reported. One additional point to note was that the audit certification work on the housing benefit grant claim had now been completed and an unqualified opinion would be given. This was an impressive outcome and placed the Council in the top 20% nationally. Audit fees were also noted. There would be no additional fees for Grant Thornton's audit services and the one outstanding fee related to the certification of pooling of housing capital receipts return was confirmed at the minimum level of £2k.

The Portfolio Holder said he wanted to acknowledge the unqualified opinion on all aspects of the accounts which he considered a remarkable outcome when taking in to account the complexity of the work undertaken to compile this. The Committee agreed to note this and express it's thanks to the Officers involved.

Resolved:

That the External Auditor's Annual Audit Letter be received and noted.

222 Internal Audit Interim Report 2015/16

The Head of Audit Partnership introduced the report which set out progress against the agreed audit plan for the first half of 2015/16, including detail on audit findings and commentary on wider issues on audit and the Service. A colour copy of page 48 of the Agenda which showed the graph in its full context had been circulated.

One item to update on was the outstanding action on the ICT Disaster Recovery audit. This was about running a test of the arrangements which had originally been scheduled for June 2015. This had been prevented because of technical issues and was re-arranged to happen before the end of the calendar year. As a result Internal Audit had been looking to follow this up in January, but that follow up work had been undertaken early to tie in with this meeting and they had learned that the test had been completed successfully in mid-October and the Council was now in negotiations with its provider for annual testing thereafter. Therefore, this recommendation could now be closed. The Portfolio Holder said he welcomed the

update. This had been an area of anxiety for the Committee and he hoped to see the annualised test embedded in processes.

Resolved:

That the Internal Audit Interim Report be received and noted.

223 Annual Governance Statement – Progress on Remediating Exceptions

The Policy & Performance Officer introduced the report which updated on the progress made towards the areas of review highlighted by the 2014-2015 Annual Governance Statement. He advised that the Statement had outlined two areas of further work: - one around the need for the Council to agree a new Corporate Plan which should be completed by the end of this quarter, (the summary version had been approved by the Cabinet in October with the full version coming back for approval in December); and the second to complete work reviewing the Council's risk management procedures which was now complete, subject to appropriate awareness training for Officers which was ongoing.

In response to a question from a Member the Head of Internal Audit advised that the training of staff on risk was progressing as scheduled. The Portfolio Holder said it was important that Managers ensured that the training was cascaded down to their staff to ensure consistency with regard to the new risk management arrangements.

Resolved:

That the progress made towards the areas of review highlighted by the Annual Governance Statement as detailed in the report be noted.

224 External Auditor's Update

Emily Hill introduced the report which included a summary of ongoing audit work at Ashford including the good outcome to the audit of the Housing Benefit Grant Claim. She drew particular attention to the fee letter which reported a 25% reduction in fees, the revised guidance from the National Audit Office on the Value for Money conclusion and the new local audit framework.

In response to a question about the increasing reliance on voluntary organisations and whether this was a risk to the Council's resilience, Emily Hill advised that this was part of a different type of model for delivering public services and whilst there were clearly risks involved they were probably no more serious than with any other contractor used by the Council. Risks would need to be mitigated by ensuring that any grants or contracts went through the Council's normal procurement and due diligence arrangements to allow for proper monitoring.

Resolved:

That the report be received and noted and the Committee should receive further briefings on the topical matters raised, either at appropriate Committee pre-briefings or in written briefings between meetings.

225 Annual Report on Reserves and Balances

The Head of Finance introduced the report which had been requested by this Committee last year. The Council had a policy to have a General Fund Reserve of no less than 7.5% of the Council's net budget requirement (£13.7m which equated to a reserve of approximately £1m). The Council also held a number of earmarked reserves that were reserves held for specific purposes, a schedule of those was attached to the report. He advised that a review of reserves and balances was undertaken as part of the scrutiny of the budget and this report would be better placed there going forward.

Resolved:

That the report be received and noted and it be noted that for this year and all future years a review of Reserves and Balances is undertaken as part of the scrutiny of the budget.

226 Reporting for ABC Companies

The report set out the governance arrangements that had been put in place for the ABC Companies, outlining the relationships and structures that had been put in place to manage the Council's interfaces with its Companies. It also discussed the appointment of External Auditors for the Companies and the mechanics of the loan agreement that had been established with the Property Company.

In response to a question about 1 to 1 borrowing by the Property Company and the potential liability for loans in the event of a significant fall in property values, the Deputy Chief Executive advised that the loan facility had been devised to protect the Council's interests as far as was possible in such an event. Ultimately, because the Council was the shareholder, that liability would rest with the Council.

Resolved:

That the governance arrangements between the Council and the Council's wholly owned subsidiaries, A Better Choice for Building Consultancy Ltd and A Better Choice for Property Ltd, be noted.

227 Procurement and Appointment of External Auditors

Further to the information item received by this Committee in June, the report provided a further update advising that the Department for Communities and Local Government had recently determined the timing by when Councils must have newly procured External Audit services in place.

Resolved:

That the further update be noted and the Committee should receive another report in the New Year to consider the options more fully, once further guidance is published by CIPFA.

228 Report Tracker and Future Meetings

The Committee noted that the Deputy Chief Executive, Paul Naylor would shortly be moving to flexible retirement and the Head of Finance, Ben Lockwood would be taking up responsibility for the Audit Committee and the Section 151 Officer role.

The Vice-Chairman advised that the Committee would like to have an additional meeting, earlier in June than the one proposed on 30th June, in order to have time to properly consider the Statement of Accounts. Perhaps that meeting could also consider the follow ups from both the Safeguarding and ICT Disaster Recovery audits. The Senior Member Services & Scrutiny Support Officer said he would source a suitable date.

Post Meeting Notes: The date for the additional meeting is confirmed as Thursday 16th June 2016.

Resolved:

That the report be received and noted.