

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **21st March 2017**.

Present:

Cllr. Waters (Chairman);
Cllr. Buchanan (Vice-Chairman);
Cllrs. Krause, Link, Shorter, Smith, White.

Also Present:

Chief Executive, Deputy Chief Executive, Head of Audit Partnership, Head of Finance, Deputy Head of Audit Partnership, Audit Manager, Policy and Performance Manager, Accountancy Manager, Senior Policy Performance and Scrutiny Officer, Senior Member Services Officer.

Elizabeth Jackson - Grant Thornton UK.

348 Declarations of Interest

Councillor	Interest	Minute No.
Shorter	Made a Voluntary Announcement as was the Portfolio Holder for three of the reports.	351, 352, 353
Smith	Made a Voluntary Announcement as he drew and received added years for a Local Government Pension	351

349 Minutes

The Chairman said that whilst the Minutes were a true and accurate record of the meeting, he had had some conversations about the need for them to be a little more detailed and include the key action points and he had received a positive response on that.

Resolved:

That the Minutes of the Meeting of this Committee held on the 6th December 2016 be approved and confirmed as a correct record.

350 Certification of Grant Claims

Elizabeth Jackson introduced the report which advised of the findings of Grant Thornton audit of the Council's Housing Benefit Subsidy Claim. She advised that the Council's claim was one of the few that was unqualified and without error and congratulated the staff involved.

The Chairman echoed those sentiments and said that team should be given a lot of praise for achieving an unqualified opinion for the second year in a row and on behalf of the Committee he asked for their thanks to be passed on.

Resolved:

That the findings be received and noted.

351 Presentation of Financial Statements

The Principal Accountant introduced the report which advised that the Council was required to follow statutory guidance for the publication of its accounts. Each year the guidance was reviewed and updated and this report looked at the impact of those updates on the Council's accounts for 2016/17. In addition the report reviewed the lessons learnt from the accounts process in 2015/16.

She also advised that the Council had completed a review of its accounting policies that would be used for the publication of the statement of accounts and these were presented at Appendix A to the report.

The Committee was reminded that, as with last year, they were looking to close the draft accounts by the end of May (this year 22nd May). The statement of accounts would have a substantial makeover this year. The most significant change to take into account was that the presentation of the Consolidated Income and Expenditure Statement would now be aligned with the operational structure of the authority, rather than the nationally imposed service expenditure analysis. Income and expenditure would be shown for each Head of Service based on the restructure of the Council's budget monitoring.

Resolved:

That (i) the report be received and noted.

(ii) the accounting policies for the 2016/17 Accounts, contained at Appendix A to the report, be approved.

352 Strategic Risk Management – Update Report

The Policy and Performance Manager introduced the report and gave a complementary PowerPoint presentation in order to give the Committee a better understanding of the Council's approach to identifying and managing Strategic Risk. The report was an update of the report considered by the Committee last September. It dealt with the seven Strategic Risks identified for the Council following the new approach agreed in 2015 and the slide show outlined the new presentational approach of the Strategic Risk Register, now it was part of the information held on the Council's new Programme, Governance and Risk Management software system Covalent. She outlined proposed amendments to two of the risk titles and descriptors to better reflect the risk factors. Attention was drawn to the comments of the Owner (Head of Finance) of the Resource Limitations (finance and funding) risk which stated that there were external risks surrounding Brexit and US fiscal policy and these would need to be monitored.

The Portfolio Holder thanked Officers for the report and said bringing all of the risk elements (strategic and operational) together in one schedule would be sensible. He considered it would be vital to keep the schedules under constant review to ensure

that they were up to date and that the risks were being mitigated, otherwise the schedules would be pointless.

The Committee praised the new format of the report and the schedules including the use of plain English and said that this made them a lot clearer and easy to understand. The Chairman said that this was a key point. He was keen to make what was often quite dry content as interactive and interesting as possible. This included the covering report which had been sent out with the agenda to assist the reader of the various reports and he would encourage all Officers presenting reports (including those from External Audit) to use more interactive presentations to get the salient information across. He was therefore pleased to note the comments of Members and thanked Officers for their efforts so far.

The Chairman raised Member capacity and training which had been listed as a control under the 'Organisational Skills and Capacity to Deliver' Risk. He considered that if Member training was not substantially embedded within the organisation it would become a risk rather than a control. As a new Councillor coming in, he was not sure that Member training was completely adequate and there was an element of 'being thrown in at the deep end'. This was a challenge for Officers but he considered that the development of a training matrix for Councillors was vital along with some sort of complementary crib sheet of skills and capabilities. He said this was something he would like to progress in conjunction with the Member Training Panel. Another Member said he concurred with the points made but said there was always a role for the 'uneducated Councillor' to perhaps ask the questions that everyone else was afraid to ask, and this was also useful for Officers.

On the subject of succession planning and resourcing under the 'Organisational Skills and Capacity to Deliver' Risk, the Chief Executive gave an update on current plans to restructure the senior management team of the Council. In February 2016 the then Chief Executive had left ABC and she was given the role on an interim basis for up to two years whilst discussions continued on a county and regional basis about potential devolution and mergers. Following several months of discussion, in January 2017 it became clear that a merged Council in East Kent was not appropriate for Ashford and the Council decided not to progress. It had now been recommended to appoint her as Chief Executive on a permanent basis (subject to ratification by the Full Council on the 20th April 2017) and it was now appropriate to look to bring some stability back to the senior management structure on a permanent basis. She had therefore brought forward a structure including three Directors and 10 Heads of Service and this was currently going through the due process with the aim to implement from May. There were four vacant senior posts in the structure, including the new Director of Finance and Economy, and these would go through the Member Appointments Committee process and be open for both external and internal candidates. On a related point she said it was important to note that the Covalent and Project Initiation Document (PID) systems that Management Team were now using were all based on analysing resources and capability to deliver so this was clearly on their radar.

The Policy and Performance Manager gave an update on the appointment of a Data Protection Officer for the Council. Following an unsuccessful attempt to recruit in November, they had slightly altered the job description and she was now happy to report that a full time appointment had been made and that individual would be starting work at the end of April. She said she would introduce him to Committee Members after his start date

The Chairman said that he agreed with the statement in the report that it was important for Committee Members to see the overall picture for some of the Risks but asked how that would be best achieved. He considered it would be useful for one of the individual risk owners to attend each Committee meeting by rotation and give an update on one of the particular topics. This would give the Committee a chance to have some genuine close interaction with Senior Risk Owners as well as being able to pro-actively challenge and test. If not, it would be quite difficult for those senior staff to feel engaged with the Committee and vice versa. The Committee agreed this would be a good approach and it would also be useful to invite the relevant Portfolio Holder to those meetings. It would also add to the previous conversation on education and training as it would give Committee Members a better understanding of how things are done and monitored.

There was one risk on the current register which fell into the high impact scale – ‘Key Project Failure’. The Chairman said that it was clear that the Council were currently undertaking some demanding and risky projects and with new projects likely to replace completed projects, and with the potential impact already at its highest level, it would be important to make sure this was properly managed to ensure capacity and financial resource. The Portfolio Holder said that the aforementioned Project Management and PID systems were the key as no new projects would be progressed until they had gone through those processes. He had great confidence in those mechanisms to measure and manage project risk going forward.

Resolved:

- That**
- (i) the use of the new system and consequent presentational style (using Covalent) be noted.**
 - (ii) the amendments to some of the risk titles and risk descriptors to better reflect the risk factors be endorsed.**
 - (iii) the updated risk factors, adequacy of the key controls and the mechanisms for monitoring and mitigation (as outlined at Appendix 1 of the report) be agreed.**
 - (iv) it be noted that Officers would continue to work and keep up the momentum to improve the risk management arrangements in 2017/18 by working more closely with the Internal Audit Partnership, thereby benefiting from their insight and experience.**
 - (v) individual risk owners (and Portfolio Holders) be invited to attend each Committee meeting by rotation and give an update on one of the particular Risk Register areas.**
 - (vi) that the Committee work with the Member Training Panel on identifying a training matrix and skillset for Councillors.**

353 Annual Governance Statement – Progress on Remedying Exceptions

The report updated on the progress made towards the areas of review highlighted by the 2015/16 Annual Governance Statement. The Senior Policy, Performance and Scrutiny Officer advised that of the two issues identified at the start of the year, one had been signed off as complete in September and the second, work to revise the Council's strategic risk management procedures was ongoing and on track as discussed earlier at this meeting.

The Portfolio Holder said that whilst it was worth noting he was Portfolio Holder for the overall process, if the process was to be successful each Portfolio Holder was expected to provide up to date and timely data in their own areas, so there was collective responsibility across the Cabinet and Management Team.

Resolved:

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

354 Internal Audit and Assurance Plan 2017/18

The Audit Manager introduced the report which set out the proposed plan for Mid Kent Audit's work at Ashford Borough Council during 2017/18. It also provided an overview of the range of areas for potential future examination by Internal Audit. It was based on the outcomes of risk assessments and consultation and considered the resources available to the partnership.

The Chairman asked about Ashford Borough Council's allocation of time and costs in comparison to the other Authorities in the partnership, and how those figures were arrived at. The Head of Audit Partnership advised that ABC supplied 23% of the budget therefore was allocated 23% of the time. This was in accordance with the Collaboration Agreement between the four Authorities agreed in 2015. It should also be noted that whilst there had been a 7% (25 day) increase in time for 2017/18, there was no increase in cost as this had been achieved through increased productivity. Ahead of the review of the agreement in 2019, the Chairman asked if any consideration could be given towards reviewing the allocation of costs based on actual time spent if, for example, ABC's issues were more straight forward and did not place as much burden on the Auditors. If ABC was performing well should that not be reflected? The Portfolio Holder said he would express some caution on this point as the value of the re-assurance that Internal Audit provided that the Authority was fit for purpose should not be underestimated.

Members said that they found the presentation of the report extremely clear and useful, particularly Appendix A which showed the broad range of topics that had been covered by Internal Audit.

Resolved:

- That**
- (i) the Audit and Assurance Plan for 2017/18 be approved.**
 - (ii) the longer term issues recorded by Mid Kent Audit be noted.**

- (iii) the view of the Head of Audit Partnership that the plan sets out sufficient resource to complete a work programme leading to a Head of Audit Opinion on the Council's internal controls, risk management and governance be endorsed.
- (iv) the Head of Audit Partnership's assurance that the plan is compiled independently and without inappropriate influence from management be noted.

355 External Audit Plan

The report set out the planned work to be completed over the coming year by the Council's External Auditors and discussed some of the factors facing the Council that the audits would look to cover in their work programme.

The Chairman said he would be interested in some more detail of External Audit's findings from their review of the implementation of the Council's succession plans and their opinion following that work. Elizabeth Jackson advised that they would be looking to see that the Council had arrangements in place to fulfil this, rather than making detailed comments on the appropriateness of those arrangements. The Chairman said it would be important for the Council to comply with the timescales they had set for succession planning.

Resolved:

That the Audit Plan be received and noted.

356 Report Tracker and Future Meetings

Resolved:

That subject to the additions made at the meeting the report be received and noted.

Post Meeting Note: The date of the next meeting of the Audit Committee has been moved back a week to Thursday 22nd June 2017.

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