

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **5th December 2017**.

Present:

Cllr. Waters (Chairman);
Cllr. Barrett (Vice-Chairman);
Cllrs. Buchanan, Shorter, Smith, Suddards.

Apologies:

Cllrs. Burgess, Sims.

Also Present:

Director of Finance and Economy, Head of Health, Parking and Community Safety, Head of Corporate Policy, Economic Development and Communications, Head of Audit Partnership, Audit Manager, Member Services Officer.

Ciaran McLaughlin - Grant Thornton UK.

251 Minutes

In accordance with Procedure Rule 9.3 Mr Relf, a local resident, said he wanted to speak on Minute No. 172 – Minutes. The Portfolio Holder for Finance and IT had referred to the high value placed on counter fraud and investigation work undertaken by the Council. However the Council could only do so much with limited resources, given that over 10,000 residents claimed £38m per year it was easy for the system to be abused, which in his opinion it was. The Council had a portfolio of properties that were rented out and also prepared, held and had access to the Electoral Register therefore could ascertain who lived in those properties. Mr Relf questioned whether it mattered and if the only concern was the rent being paid? Further to this, the Council asked the public to report fraud as it came in many different forms. When successes were announced in relation to fraud the reality meant that the amount recovered less departmental costs was not as significant as first thought. Mr Relf had provided the Auditors with some information in relation to fraud and had offered additional information since however it was declined. He questioned whether members of the public should report information pertaining to fraud to the Council. He referred to a comment from the Auditor that the areas that he had raised were not the responsibility of Ashford Borough Council. Mr Relf questioned why the Council's website did not detail the contact details for the agencies which he would need to contact in relation to fraud outside the remit of the Council.

The Portfolio Holder for Finance and IT advised that at the last meeting of this Committee, Mr Relf had been advised that the Council was not responsible for the investigation of some potential incidents of fraud that he had highlighted to the Committee and the Council's External Auditor. The fraud section of the Council's website had links to the Department of Work and Pensions (DWP) and their Single Fraud Investigation Service (SFIS). As discussed at the last meeting of this Committee, the responsibility for managing the rating list for both Council Tax and Business Rates was with the Valuation Office (VOA). There were links to the VOA

on the Council's website in the context of a customer appealing a decision on their property but not specifically in relation to fraud. He had requested that the Web Team updated the Fraud page on the website to include a link to the VOA website where properties could be reported to them for investigation. Furthermore, he had requested that this be completed by the end of the month. He thanked Mr Relf for his question.

The Chairman drew attention to Mr Relf's inference that the Council did not care who was in their properties. He advised that the Council did care and there were many people in the Borough that were in desperate need of housing, therefore ensuring that their properties were not the subject of fraud was a priority.

The Director for Finance and Economy advised that he understood there was a backlog at the VOA. Concerns that Mr Relf had raised could be raised with the VOA directly.

Resolved:

That the Minutes of the Meeting of this Committee held on the 28th September 2017 be approved and confirmed as a correct record.

252 Business Continuity Planning – Follow Up

The Head of Health, Parking and Community Safety gave the Committee an update on the progress to date with the overarching Business Continuity Plan. Since the last meeting of the Committee, Officers had been working towards the sign off of the Business Continuity Plan by Management Team in January 2018. Both individual service plans and the overarching plan were to be discussed, along with the associated risk assessment. Business Continuity was now classed as a strategic risk and was under her area of responsibility. Considerable progress had been made in respect of an alternative site as a back-up facility; this had been identified as Repton Connect which would be available from March 2018. Other public buildings within the Council's ownership were being looked at and leases were being renegotiated to allow the Council to utilise them should the Civic Centre be unavailable. The Aspire Depot was also available for a small number of staff.

She advised that the Business Continuity Plan was 80% finalised with a few issues needing to be addressed. Lead Officers had met with each service and gone through each individual plan in detail. This work had enabled the creation of a priority list of which services needed to be 'resurrected' first and in which order. Testing would be carried out in February/March 2018, with one area in particular being tested by Zurich. The Business Continuity Steering Group had met with the Chief Executive as the Chairman. A pre-Cabinet briefing had been scheduled for February 2018 to bring Members up to speed with the Business Continuity Plan. The Head of Health, Parking and Community Safety advised that Management Team had taken note of the weak audit rating and an enormous amount of work had been undertaken throughout the Council to remedy this. Two areas in particular that had made significant progress were Planning and Housing.

The Head of Audit Partnership verified the progress made to date with the Business Continuity Plan. He confirmed that he was satisfied that the Council was on track to meet/closely meet the recommendations and timescales as detailed in the audit findings.

In response to questions, the Head of Health, Parking and Community Safety advised that Business Continuity had previously been viewed as an administrative exercise. All Team Leaders/Managers had been advised of the importance of Business Continuity and the process had enabled them and the Management Team to better understand their services. The signing off of individual Business Continuity Plans ensured that each service would be able to carry on should the Plan need to be implemented.

The impact of a cyber-attack and the expected response was considered. There were a number of systems in place to try to prevent such attacks. The identification of such an attack would be paramount. Should such an attack be identified contact would be made with Interpol's Cyber Crime team. It was noted that cyber-attacks were usually mass attacks. The Director for Finance and Economy confirmed that the systems in place were regularly audited and tested and he was confident that they had the necessary systems and safeguards in place.

The Head of Audit Partnership confirmed that he would circulate the updated action plan to the Committee via Member Services.

Resolved:

That the update, and progress made to date, be received and noted.

253 Annual Governance Statement – Progress on Remediating Exceptions

The report updated on the progress made towards the three areas of review highlighted by the 2016/17 Annual Governance Statement. The Head of Corporate Policy, Economic Development and Communications, introduced the report and gave an update on the delivery dates for the three areas. In addition to the Corporate Peer Challenge that was planned for April 2018, there would also be service based peer challenge with a focus on Planning that was scheduled for February 2018.

The Portfolio Holder for Finance and IT welcomed the Peer Challenge and endorsed this to the Committee. He felt that it demonstrated the Council's willingness to learn and improve.

Resolved:

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

254 Annual Audit Letter

The Chairman introduced Ciaran McLaughlin to the Committee, he was the new Engagement Lead at Grant Thornton.

The Vice-Chairman drew attention to the 'valuation of the pension fund net liability' and questioned why bullet point three, in column two, and the second conclusion, in column three, contradicted one another? He requested clarification on whether there was an issue that required resolution. Ciaran McLaughlin advised that the third

column required updating. The work had been undertaken and the figures were within range.

It was anticipated that Grant Thornton would be able to issue the certificate closing the audit year by the end of December 2017. Furthermore, the certification of grants had been completed on 30th November 2017.

Ciaran McLaughlin apologised that there were a number of statements within the Annual Audit Letter that had not been updated.

The Chairman advised that the Committee consisted of a cross-section of Members with a wide range of understanding, therefore he requested that reports should be provided with all the necessary data to ensure that the Committee had all of the information available to them.

An unqualified audit opinion had been issued, the Director of Finance and Economy felt that this was a positive direction of travel and should not be overlooked.

Resolved:

That the Annual Audit Letter be received and noted.

255 Internal Audit Interim Report

The report provided an update in the progress towards completing the 2017/18 Internal Audit & Assurance Plan. It also provided updated information required by Audit Standards, including an assessment of available audit time, results of audit work and commentary on the performance of the audit service.

Using a PowerPoint presentation, the Head of Audit Partnership drew the Committee's attention to the audit standards. He confirmed that they had worked with full independence and on no occasion had Officers or Members sought or gained undue influence over their scope or findings. Management had agreed to act on all recommendations that have been raised. Drawing attention to the resource position, the Head of Audit Partnership advised that he was satisfied that the Partnership had enough resources to deliver the audit plan. A trainee member of staff had recently accepted a permanent role and was on his way to becoming fully qualified. This would enhance the quality and quantity of audit days available to the Partnership. A member of staff was currently on long term sick leave. The ability of the Partnership to utilise contractors to fill this gap had decreased, however due to the resilience afforded by partnership working, there would be no significant impact. There would be a fall of available audit days, but it should be noted that this was within the 'buffer' and the Head of Audit Partnership was satisfied the audit plan could be delivered.

The Committee welcomed the success of the training scheme and felt that this should be built upon. They requested that the Head of Audit Partnership hold discussions with the other Authorities within the Partnership regarding appointing another trainee and report back.

The Head of Audit Partnership drew attention to the weak assurance ratings that had been issued and provided an update on these, one of which had been discussed earlier in the meeting. In respect of IT Disaster Recovery he could confirm that this

had been given a sound audit rating in a report issued to officers after the papers deadline for this meeting.

Utilising a number of graphs, the Head of Audit Partnership drew attention to the performance of audits at Ashford over the past few years. In response to comments, he confirmed that in the future he would be able to provide a comparison in a 4/5 year format to mirror that of the audit plan. There had been a request to defer the food safety audit at the request of the Service due to staff shortages. He advised that this had been assessed and the Food Safety Agency performance indicator data had been reviewed which led them to agree to the deferral. He further advised that the Audit Manager had discussed this matter with the Service Head and following on from that discussion had presented the case to him for confirmation of the deferral. The decision had been carefully weighed up and considered and he confirmed that no undue influence had been gained.

Discussion was had regarding the ability of the Audit Team to be impartial and not to be the subject of undue pressure or coercion. The Head of Audit Partnership drew attention to their right to refuse to defer items in the audit plan. Furthermore, he and his Officers had direct access to Members and would be able to raise concerns with them directly.

The Director of Finance and Economy advised that audit planning was a matter that was now routinely on the Management Team agenda, which had enabled improved understanding and discussion and it was expected to achieve better co-ordination.

There had been a delay reported in respect of the IT Policy for In-house Developments. This had been accepted as the Council had undertaken a broader review of its digital strategy, which would encompass this area. The general record for action was good. The Head of Audit Partnership confirmed that no whistleblowing cases had been reported directly to Audit, however he was aware that the whistleblowing policy was in operation and was successful.

A mid-term review had been carried out, with consistent results across the Partnership. He felt that this was a strong tribute to the team. In addition he wished to highlight the 'Team of the Year' award that had been presented to the team at the Swale Stars awards earlier in the year. As a purely internal service they were often overlooked for such awards, so to be recognised was a testament to the team as a whole. He wished to extend his gratitude to the team for all of their hard work.

Resolved:

That

- i. the progress against the 2017/18 Internal Audit & Assurance Plan and findings so far be noted,**
- ii. the Head of Audit Partnership investigates the potential for expanding the training scheme and taking on another trainee.**

256 Member Briefing on Audit Planning for 2018/19

The Head of Audit Partnership, using a PowerPoint presentation, gave the Committee an overview of the audit planning process for internal and external audit. He had also included a number of potential questions that the Committee may wish to consider when considering the audit plans in March 2018. The internal audit planning process was in accordance with the Public Sector Internal Audit Standards. so the plan must be approved by the Committee and report on resource requirements. The potential range of auditable activity was drawn from a number of sources including; the budget book, organisation charts, objectives, partners and risk registers amongst others. He then drew attention to the risk assessment, in particular financial, strategic and fraud risk. As part of the planning stage consultation would be held with Officers, Management Team and the Team as a whole.

In respect of External Audit Planning, the Head of Audit Partnership advised that External Auditors were bound by the Code of Audit Practice set by the National Audit Office. Grant Thornton would also prepare their own risk assessment and determine their approach to responsibilities and risks. It should be noted that the Committee could only note the External Audit Plan, whereas they were able to approve the Internal Audit Plan. Fees that the External Auditor could charge were governed by the Public Sector Audit Appointments (PSAA). The ability to vary that fee was limited and agreement from PSAA would need to be sought.

Ciaran McLaughlin advised that the materiality figure of 2% of the Council's gross revenue account (£1.7m) was a benchmark. If errors under this amount were discovered then these would be reported and highlighted to this Committee.

Resolved:

That the presentation be received and noted.

257 External Audit Progress Report

Ciaran McLaughlin advised that the quarter to December had focused on the completion of the housing benefit grant certification. On the 29th November they had given an unqualified opinion on this with an unamended claim. This was a significant achievement. He had met with the Director of Finance and Economy earlier in the day to commence audit planning which would be published in March 2018.

The Director for Finance and Economy advised the Committee that this was the third year running that an unqualified opinion had been given on the housing benefit grant certification. He wished to extend his gratitude to the staff involved for this achievement.

Resolved:

That the progress report be received and noted.

258 Report Tracker and Future Meetings

The Chairman requested that Business Continuity be placed on the agenda for March.

The Head of Audit Partnership advised that he would provide the Chairman, and any other Members that wished, updated progress reports for the audits previously discussed.

The Director for Finance and Economy advised that in respect of building security, regular ID checks were carried out.

Resolved:

That, subject to the inclusion of an update on Business Continuity in March, the report be received and noted.

Queries concerning these Minutes? Please contact Kirsty Morland:
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