

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **20th March 2018**.

Present:

Cllr. Waters (Chairman);
Cllr. Barrett (Vice-Chairman);
Cllrs. Buchanan, Link, Ovenden, Shorter.

In accordance with Procedure Rule 1.2(iii) Councillors Link and Ovenden attended as Substitute Members for Councillors Burgess and Smith respectively.

Apologies:

Cllrs. Burgess, Smith.

Also Present:

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

Audit Director – Grant Thornton UK.
Audit Manager – Grant Thornton UK.

388 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 5th December 2017 be approved and confirmed as a correct record.

389 Certification of Grant Claims

The Audit Manager – Grant Thornton UK advised the Committee that he would be the Audit Manager for the 2017/18 financial year. He advised of the findings of Grant Thornton's certification of the Council's Housing Benefit Subsidy Claim for 2016/17. The Council's claim was unqualified and unamended and he congratulated the staff involved.

The Director of Finance and Economy advised that the Council needed to Appoint its own auditor for this process. In accordance with procurement regulations Grant Thornton had quoted for the work and been appointed to undertake the certification of the Council's Housing Benefit Subsidy Claim for 2018/19. This would mean that the review would be carried out by the same company that provided the accounts audit.

The Portfolio Holder for Finance and IT said this was a pleasing outcome and the exceptional work and competence of the team involved should be acknowledged.

Resolved:

That the Letter be noted.

390 Presentation of Financial Statements

In accordance with Procedure Rule 9.3 Mr Relf, a local resident, had registered to speak on the Presentation of the Financial Statements. He had submitted two questions. Firstly he questioned why he had yet to receive a formal response from the Auditor in relation to his objection to the 2016/17 accounts. He had received an email however had yet to receive an official letter to his objection. Secondly, Mr Relf stated that revenue relating to Council Tax and Business Rates was measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions. Revenue was recognised when it was probable that the economic benefits of the transaction will flow to the Council and the amount of revenue can be measured reliably. Taking this into consideration he questioned how this would be achievable if the information on the Business Rates Register was inaccurate? He drew attention to some specific cases that he believed were avoiding business rates and committing other offences.

The Audit Director – Grant Thornton UK advised that he had viewed the documents relating to Mr Relf's objection and assured him that he would formally write to him within the next seven days. The objection from Mr Relf had not met the definition of an objection to the accounts, however he had received communication from his predecessor via email and furthermore he was advised at the September 2017 meeting of this Committee that it was the Valuation Office Agency's responsibility to maintain the list.

The Portfolio Holder for Finance and IT stated that the Council was required to collect monies from businesses on the rating list and it was the statutory responsibility of the Valuation Office Agency (VOA) to maintain the list. The Council could only account for the taxation that the VOA advised was due and therefore it would be on that basis that the accounts were collated. If the VOA decided to amend the list and either change the rateable value of a property or add new properties to the list then it would be the Council's responsibility to collect the taxes due on those hereditaments. These changes would ultimately be reflected in the accounts.

Mr Relf advised that he was a member of the local community forum and they would be objecting to the rateable loss due to these omissions.

The Vice-Chairman thanked Mr Relf for his questions and advised that he was unable to enter into a question and answer session with the Committee. The questions that he had submitted had been answered and site-specific queries would be further investigated as necessary.

The Head of Finance advised the Committee that the annual statement of accounts for the financial year ending the 31 March would be produced by the end of May.

The Accounts would then be audited by Grant Thornton during early June with an opinion issued by mid July. There had been an update to the narrative and some technical changes and she drew attention to the accounting policies for the 2017/18 accounts contained within Appendix A.

Resolved:

- That (i) the report be noted,**
- (ii) the accounting policies for the 2017/18 accounts in Appendix A be approved.**

391 Risk Management Framework Update

The Programme Manager advised the Committee that the Risk Management Framework had been adopted in July 2015. Using a PowerPoint presentation she drew the Committee's attention to the principles behind the Risk Management Framework. The Framework pulled together guidance and procedures to ensure a consistent approach and informed the Strategic Risk Register. Currently risks were reviewed on a six monthly basis. Work had been undertaken, in consultation with Mid Kent Audit Partnership to produce a risk register that highlighted the top risks at any time. This update sought to identify all potential risks and had been used during the recent budget scrutiny process and had been well received. It should be noted that operational risks would be monitored by Management Team, should any such risks become strategic they would be presented to the Committee. The Programme Manager highlighted the Council's 'risk appetite' as follows; moderate for strategic risks, low for financial risk and very low for compliance risks. She then drew attention to what could be deemed a risk under each of these categories. The next steps in the process would be presenting the Framework to Cabinet in April with the new Risk Register bring presented to the June meeting of the Audit Committee. The Programme Manager confirmed that the revised process would be kept under review.

The Portfolio Holder for IT and Finance commended the work that had been undertaken on the evolution of the Risk Management Framework. He was pleased to see 'risk appetite' being considered as this was an area the Committee had discussed previously. He did not consider risk to be bad, provided it was managed.

The Chairman felt that a key aspect was the assessment and management of risk. The involvement of Mid Kent Audit Partnership in the process was important. In his opinion risk was an opportunity, and the pressure on the Council was huge. The ability to borrow at low rates would assist to future proof the Council's financial exposure. The revised Risk Management Framework should be embraced and supported.

Resolved:

That the presentation be received and noted.

392 Annual Governance Statement – Progress on Remedying 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. The rollout of Modern.Gov had been achieved before the deadline. The Peer Challenge would commence on 16th April and would focus on leadership, governance, corporate capacity and financial resilience. There were a number of meetings and focus groups scheduled during the Peer Challenge, in which Elected Members would be involved. Finally, compliance with the transparency code was ongoing, with areas being updated.

The Vice-Chairman questioned what redundancies were in place should the Wi-Fi be unavailable, how would Members and Officers access papers for that meeting. In respect of the transparency code, he queried whether all Local Authority land was detailed on GIS.

The Head of Audit Partnership advised that the code was best practice guidance and not specific on the latter point.

The Portfolio Holder advised that the Property Team were updating the asset register to ensure that this was current.

In response to the former questions, Members advised that Modern.Gov did not require a Wi-Fi connection and that there were hard copy agendas available at meetings should they be required.

Resolved:

That the Committee notes the progress made towards the areas of review highlighted by the Annual Governance Statement.

393 Internal Audit Charter

The Head of Audit Partnership advised that the Internal Audit Charter would be addressed as part of the following agenda item.

394 Internal Audit and Assurance Plan 2018/19

The report set out the proposed plan for Mid Kent Audit's work at Ashford Borough Council during 2018/19. Furthermore, it 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.

Using a PowerPoint presentation, the Head of Audit Partnership drew attention to what the plan must do. He confirmed that it was independently compiled and free from undue influence. The Plan was updated annually and he confirmed that there were sufficient resources, in the quantity and quality of staff, to carry out the Plan.

There were a number of risks that were highlighted, including General Data Protection Regulations (GDPR) and Cybersecurity. In nine months' time the Audit Team would assess how all four authorities that formed the partnership had met the obligations of GDPR. As part of this work, they would assess what had been done well and what could be learnt from. No assurance rating would be given in the first year. As part of two framework agreements the Audit Partnership had the ability to 'buy in' specialist audit support. Using a mix of tables and graphs the Head of Audit Partnership drew attention to audit risks based on particular areas such as financial risk, the number of audit days available and the experience and qualifications of the Audit Team. Attention was drawn to the areas that were audited over a five year cycle. Following a recent tendering process, they would be rolling out new software, Pentana, which would assist with the work undertaken and would significantly reduce the cost to the Partnership compared to the system currently used. It was envisaged that reporting templates could be introduced to assist with providing shorter audits.

The Chairman raised concerns about the frequency of which the Internal Audit Charter was presented to the Committee. Whilst he acknowledged there were no changes required to be made, it was important for the Committee to be aware of the bedrock from which the Audit Team operated.

The Head of Audit Partnership advised that whilst the full Charter had not been provided to the Committee, a link to the document was provided within the agenda pack. As there were no changes required to the Charter a decision had been taken not to bring the full Charter back to the Committee. He would circulate the Charter to the Committee via Member Services after the meeting.

Members felt that having sight of the Charter each year would refresh their minds on the basis on which the Audit Team worked, additionally the membership of the Committee did change therefore it would be of great use to new Members of the Committee.

Resolved:

That the Audit Committee

- (i) approves the Internal Audit and Assurance Plan for 2017/18.**
- (ii) notes the view of the Head of Audit Partnership that the plan sets out sufficient resource to complete a work programme leading to a robust Head of Audit opinion.**
- (iii) Notes the Head of Audit Partnership's assurance that the plan is compiled independently and without appropriate influence from management.**

395 Business Continuity – Progress Update

The report updated Members on progress towards completing actions arising from the audit review of Business Continuity that was published in September 2017. The Head of Audit Partnership advised that progress had been made with no need to extend timescales, which was positive.

The Chairman questioned the completion dates relevant to the Business Continuity Recommendation R4: Risk Assessment. The Head of Audit Partnership advised that this had been completed after the agreed date and no extension to the deadline had been sought.

The Head of Health, Parking and Community Safety advised that that R4 had been completed within deadline. It was, however, signed off in line with the wider update of the Overarching Business Continuity Plan that had the later deadline. All services had updated their service plans and reviewed restoration priorities. These were now being reviewed on a regular basis by the Business Continuity Steering Group. There was an aim to further strengthen the Business Continuity arrangements by introducing an IT Solution to assist with business restoration. Currently the Council used Objective Connect to store data for such purposes, a bespoke system would greatly assist with this process and make it easier for services to update their own plans.

In response to a question the Head of Health, Parking and Community Safety advised that as part of the restoration each service had highlighted the timeframe in which they would need to be up and running, ie. 24 hours, 1-3 days, 3 days + etc . The Steering Group was monitoring this to ensure that services were assessing their needs in the correct manner.

Resolved:

That the Committee notes the progress made.

396 External Audit 2017/18 Audit Plan

The report provided an overview of the planned scope and timing of the statutory audit of Ashford Borough Council to be undertaken by Grant Thornton UK.

The Audit Director – Grant Thornton UK drew attention to the significant risks detailed in the report and confirmed that materiality would be £1.7 million which equated to approximately 2% of the Council's gross expenditure. The risk assessment regarding the Council's arrangements to secure value for money identified the following risk; continuing to maintain an effective financial planning framework to manage the impact of reductions in government funding. He drew attention the planned audit visits and the audit fee for their work. The accounts for the A Better Choice for Property Company would be assessed as part of the wider accounts. The valuation of the investment properties would be audited. Grant Thornton were still required to assess the Council and accounts as a 'going concern' but needed to give that aspect of their opinion more prominence and therefore there would be a different look to the final report, however this would not change the work undertaken.

The Chairman questioned whether issues that might cumulatively cross materiality would be reported in the same manner as material issues. He also questioned how Grant Thornton would assess the assets held by the Property Company.

The Audit Director – Grant Thornton UK confirmed that they would consider the cumulative effect of issues when assessing materiality and discussions would be

held with the Council's Section 151 Officer regarding this. In respect of the property holdings of the Property Company they would check that the properties were valued appropriately. In doing this they would look at the person undertaking the valuation, their qualifications, experience and key assumptions that had been made.

Resolved:

That the Committee notes the Audit Plan.

397 Report Tracker for Future Meetings

The Chairman drew attention to the meeting scheduled for 4th December 2018 and requested that this be changed to 5th December 2018. Officers had checked and there would be no clash with any other Council meeting.

Drawing attention back to statements made by Mr Relf earlier in the meeting, the Chairman discussed handling of specific cases brought to the attention of the Committee. The Director of Finance and Economy advised that there was not a defined process and discussions regarding this would take place following on from this meeting. This would also include clarification on handling matters arising.

Resolved:

- That**
- (i) the Committee notes the schedule of meetings and the change of date of the December meeting.**
 - (ii) additional information be provided to the Committee on handling matters arising.**