

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON 17 SEPTEMBER 2012

Present: Councillor Butler (Chairman) and
Councillors Black, Burton, Warner and Mrs Wilson

Also Present: Ellie Dunnet, Steve Golding and
Darren Wells – Audit Commission

30. APOLOGIES FOR ABSENCE

There were no apologies for absence.

31. NOTIFICATION OF SUBSTITUTE MEMBERS

There were no Substitute Members.

32. NOTIFICATION OF VISITING MEMBERS

There were no Visiting Members.

33. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members and Officers.

34. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

35. EXEMPT ITEMS

RESOLVED: That the items on Part II of the agenda be taken in private as proposed.

36. MINUTES (PART I) OF THE MEETING HELD ON 16 JULY 2012

RESOLVED: That the Minutes (Part I) of the meeting held on 16 July 2012 be approved a correct record and signed.

37. UPDATE ON PROPOSED SINGLE FRAUD INVESTIGATION SERVICE

The Committee considered the report of the Director of Regeneration and Communities updating the position with regard to the establishment of a Single Fraud Investigation Service (SFIS) drawing staff from the Department for Work and Pensions (DWP), HMRC and local authorities to work together locally to tackle benefit fraud across all agencies. It was noted that:-

- Since the last report to the Committee in June 2012, a considerable amount of work had been undertaken at national level between the DWP and local authorities to develop a model scheme. Four local authorities had been selected to participate in pilots to test two fundamental models: one looking at drawing staff together in a single location and the other looking at having separate operations with staff working to a common theme under the umbrella of the SFIS and co-ordinated by the DWP.
- Until such time that the pilots had been completed and evaluated, it was the intention that the SFIS would be launched in April 2013 and that local authority fraud investigation staff would continue to be employed by their local authorities and located in their offices.
- The administration grant which the Council received to deliver Housing Benefit and Council Tax Benefit included provision for counter fraud. An announcement regarding the future funding arrangements was expected in December and would take into account the wider changes relating to the localisation of Council Tax Benefit, the introduction of Universal Credit and the arrangements for counter fraud.

In response to questions by Members, the Head of Revenues and Benefits explained that whilst staff recognised that the implementation of the SFIS would be beneficial in terms of improving efficiency and providing better value for money, there was a risk that the uncertainty associated with the introduction of the new arrangements could lead to the loss of trained and experienced staff to the detriment of the Council's fraud investigation service.

RESOLVED: That the report be noted and that a further report on the financial and operational consequences of the introduction of the Single Fraud Investigation Service be submitted to the Committee when details are released by the Department for Work and Pensions.

38. AUDIT COMMISSION'S ANNUAL GOVERNANCE REPORT 2011/12

The Committee considered the report of the Head of Finance and Customer Services concerning the audit of the Statement of Accounts for 2011/12. It was noted that:-

- The audit had identified the need to make a number of adjustments to the un-audited Statement of Accounts. These were mainly technical accounting adjustments to ensure compliance with the Code of Practice on Local Authority Accounting and with one possible exception they had no impact on the revenue and capital resources of the Council or decisions made on the allocation of resources since the end of the last financial year.
- The most significant amendments to the Accounts related to the downward revaluation of the Maidstone Leisure Centre; the valuation of Museum artefacts; Provisions to the Accounts (a

decision was required as to whether potential asbestos related insurance claims should be treated as a Contingent Liability or a Provision to the Accounts); and the annual revaluation of investment properties (the valuation report from the Council's External Valuer was awaited).

- Subject to the satisfactory resolution of the outstanding issues in relation to Provisions and the revaluation of investment properties, the External Auditor intended to issue an unqualified opinion on the Statement of Accounts by the end of September 2012.
- The External Auditor had made a number of specific recommendations to address the factors he had identified as being contributory to the identified adjustments. Responsibility for ensuring that the Council's website was updated with the most recent versions of major Council policy documents and other publications (recommendation 7) had been reassigned to the Head of Finance and Customer Services. The recommendations had been accepted by the Officers and would be acted upon as a priority to reduce the number of adjustments required in future years and to make improvements in other areas that were considered in the course of the audit.

The Committee asked a number of questions of the Officers and the representatives of the Audit Commission concerning the reasons for the problems being experienced in relation to the annual revaluation of investment properties and the action being taken to avoid the situation occurring in future years; the treatment in the Accounts of the downward revaluation of the Maidstone Leisure Centre as a prior period adjustment; the way in which the depreciation of revaluation gains was shown in the Accounts; the scale of the work required to prepare a robust inventory of Museum artefacts together with an indication of value and ownership; the reason for the delay in reaching a view as to whether a Provision to the Accounts or a Contingency Liability was required in respect of possible asbestos related insurance claims and the resource implications; the reasons for the External Auditor's comments regarding the overall quality of the draft Accounts and the action being taken to restructure the Finance Team, improve resilience and retention of staff and ensure that the Team has an up to date knowledge of developments in financial reporting arrangements (improvements are necessary if the Council is to avoid the possibility of incurring additional audit fees in future years); and the relationship between the Audit and Overview and Scrutiny functions.

The Director of Regeneration and Communities assured Members that a review was being undertaken of the reasons for the problems being experienced in relation to the revaluation of investment properties to ensure that future revaluations carried out by the Council's External Valuer are reliable, complete and provided within an acceptable timescale. The results would be reported back to the Audit Committee as the Committee responsible for the adequacy and robustness of the Accounts. In the meantime, the priority was to obtain the information required from the External Valuer to enable the External Auditor to conclude his opinion.

RESOLVED:

1. That the Audit Commission's Annual Governance Report 2011/12, set out in draft form as Appendix A to the report of the Head of Finance and Customer Services, be approved and that, in approving the report, the Committee notes the adjustments to the Statement of Accounts, approves the Letter of Representation to the Audit Commission, welcomes the proposed action plan, and will monitor progress in implementing the recommendations.
2. That subject to the satisfactory resolution of the outstanding issues in relation to Provisions and the revaluation of investment properties, the Statement of Accounts 2011/12, as set out in Appendix B to the report of the Head of Finance and Customer Services, be approved.
3. That a copy of the valuation report from the Council's External Valuer should be circulated to all Members of the Audit Committee when it becomes available together with the final audited Statement of Accounts.
4. That the outcome of the review which is being undertaken of the problems in relation to the annual revaluation of investment properties to ensure that the situation is not repeated in future years should be reported to the Audit Committee as the Committee responsible for the adequacy and robustness of the Accounts.
5. That arrangements be made for the Chairman and Vice-Chairman of the Committee to meet with the Chairman and Vice-Chairman of the Corporate Services Overview and Scrutiny Committee to discuss how the Committees relate to each other and the development of complementary work programmes to avoid duplication.

39. AUDIT COMMITTEE - ANNUAL REPORT 2011/12

In line with the recommendations of the Peer Review of the Audit Committee and best practice, the Committee considered its Annual Report 2011/12.

RESOLVED:

1. That the format and content of the Committee's Annual Report 2011/12, attached as Appendix A to the report of the Head of Audit Partnership, be approved.
2. To RECOMMEND to the COUNCIL: That the Audit Committee's Annual Report 2011/12, which demonstrates how the Committee has discharged its duties during 2011/12, provides assurance to the Council that important governance issues are being monitored and addressed by the Committee, and provides evidence to support the Annual Governance Statement, be noted.

40. RISK MANAGEMENT UPDATE

The Committee considered the report of the Head of Audit Partnership setting out details of the action that would be taken to progress the Council's risk management arrangements using the resources available. It was noted that:-

- At its meeting held on 17 July 2012, the Corporate Leadership Team had agreed the need for a refresh of the strategic risk register in order to encompass a broader range of strategic risks. The current register focussed entirely on the risks to the delivery of the Council's corporate priorities, which was an appropriate approach at the time that the register was prepared. However, with the arrangements for delivering the corporate priorities now largely in place, it was considered that the scope of the register should be broadened to include more generic areas such as finance, localism, work force development and the shared service agenda.
- A risk management workshop had been arranged to take place on 19 November 2012. The workshop would be attended by the Corporate Leadership Team and key Heads of Service and it would be facilitated by Zurich Risk Management with funding from the risk management allowance provided by Zurich (the Council's insurers) on an annual basis.
- The outcome of the workshop would be a broader based new strategic risk register which would be discussed initially at a Cabinet Away Day prior to being submitted to a formal meeting of the Cabinet for adoption.
- The revised strategic risk register would be reported to the Audit Committee in January or March 2013, together with a commentary on how operational/service risks would be managed in future.
- The available resources within the Internal Audit Team were sufficient to progress the strategic risk management arrangements referred to above and the Head of Change and Scrutiny had agreed that her Team would provide support in monitoring operational/service risks as part of the service planning process.

In response to questions by Members, the Audit Manager confirmed that it was considered that sufficient resources were available to take forward the Council's risk management arrangements and to have in place a process to identify, address and manage risks and monitor management action.

RESOLVED:

1. That the action to be taken in order to progress the Council's risk management arrangements be noted.

2. That it be noted that more detailed reports on risk management will be submitted to future meetings of the Committee.
3. That the Chairman of the Audit Committee should be invited to attend the Cabinet Away Day session when the draft strategic risk register is discussed to support the Committee's role in risk management.

41. REVIEW OF AUDIT COMMITTEE

The Committee considered the report of the Head of Audit Partnership reviewing progress against the Action Plan which had been drawn up in March 2011 to bring about the improvements to the operation of the Committee identified by the peer review exercise undertaken by Local Government Improvement and Development.

The Director of Regeneration and Communities explained that a number of the action points still needed to be implemented, and given that some continuity had been lost following changes in the membership of the Committee, Members were asked to confirm whether they wished these outstanding actions to be taken forward. A key action that emerged from the peer review process related to the need for a robust training programme for Members of the Committee. The training programme was agreed by the Committee at its meeting held on 28 November 2011, and Members were now asked to indicate whether it continued to meet their requirements.

RESOLVED:

1. That progress against the Action Plan drawn up to bring about the improvements to the operation of the Audit Committee identified by the peer review exercise undertaken by Local Government Improvement and Development be noted.
2. That the outstanding actions must be implemented and the Officers be requested to report back to a future meeting with suggested timeframes.
3. That the arrangements for training Members/Substitute Members of the Audit Committee agreed by the Committee at its meeting held on 28 November 2011 be endorsed.

42. AUDIT COMMITTEE MEETINGS SCHEDULE

The Committee considered the report of the Head of Audit Partnership suggesting that the number of scheduled meetings of the Committee during the Municipal Year be reduced from six to five, with the first meeting of the year being scheduled for July and a date being set aside in June for Member training.

In response to questions by Members, the Officers explained that the number of scheduled meetings was the same as when the Committee was

receiving reports from the Audit Commission on Comprehensive Performance Assessment, Comprehensive Area Assessment and the Use of Resources. Since the Audit Commission ceased this aspect of its work in 2010, the total number of reports to the Committee had reduced. Also, until last year, it was necessary for the Committee to meet in June in order to agree the Annual Statement of Accounts by the due deadline prior to it being submitted for external audit. This process had been changed by statute and the Committee now had to meet in September to agree the audited Accounts, thus making the June meeting largely superfluous. It was considered that five meetings a year would be sufficient for the Committee to carry out its business and meet its responsibilities, but additional meetings could be arranged if the need arose.

Members expressed concern that the proposed reduction in the number of scheduled meetings could result in excessive agendas and a loss of momentum. They reiterated that in scheduling meetings, regard should be had to the Committee's relationship with the Overview and Scrutiny function in order to complement work programmes and meeting dates, and avoid duplication.

RESOLVED: That consideration of the proposed reduction in the number of scheduled meetings of the Audit Committee be deferred until the next meeting to enable the concerns expressed by Members to be addressed.

43. AUDIT COMMITTEE WORK PROGRAMME 2012/13

RESOLVED: That the Audit Committee Work Programme 2012/13 be noted and amended to reflect decisions made at this meeting.

44. EXCLUSION OF THE PUBLIC FROM THE MEETING

RESOLVED: That the public be excluded from the meeting for the following items of business because of the likely disclosure of exempt information for the reasons specified, having applied the Public Interest Test:-

Head of Schedule 12 A and Brief Description

Minutes (Part II) of the Meeting held on 16 July 2012	3 - Financial/Business Affairs 5 - Legal Professional Privilege/Legal Proceedings
Exempt Report of the Assistant Director of Regeneration and Cultural Services – Maidstone Museum East Wing Project Review - Update	3 - Financial/Business Affairs 5 - Legal Professional Privilege/Legal Proceedings

45. MINUTES (PART II) OF THE MEETING HELD ON 16 JULY 2012

RESOLVED: That subject to the correction of terminology as appropriate, the Minutes (Part II) of the meeting held on 16 July 2012 be approved as a correct record and signed.

46. MAIDSTONE MUSEUM EAST WING PROJECT REVIEW - UPDATE

The Committee considered the exempt report of the Assistant Director of Regeneration and Cultural Services updating the position with regard to the actions being taken in relation to the Maidstone Museum East Wing extension construction project. The report included details of the negotiations regarding the final account; the position with regard to the claim in relation to inaccurate surveying; and the progress being made on the review of the project commissioned by the Cabinet. The Director of Regeneration and Communities updated Members on the discussions with the main contractor.

RESOLVED: That the report be noted.

47. DURATION OF MEETING

6.30 p.m. to 8.40 p.m.