

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON 24 MARCH 2014

Present: **Councillor Nelson-Gracie (Chairman) and
Councillors Butler, Daley, Vizzard and Yates**

87. **APOLOGIES FOR ABSENCE**

It was noted that apologies for absence had been received from Councillors Black and Warner.

88. **NOTIFICATION OF SUBSTITUTE MEMBERS**

The following Substitute Members were noted:

Councillor Vizzard for Councillor Warner
Councillor Yates for Councillor Black

89. **NOTIFICATION OF VISITING MEMBERS**

There were no Visiting Members.

90. **DISCLOSURES BY MEMBERS AND OFFICERS**

There were no disclosures by Members or Officers.

91. **DISCLOSURES OF LOBBYING**

There were no disclosures of lobbying.

92. **EXEMPT ITEMS**

RESOLVED: That the items on the agenda be taken in public as proposed.

93. **MINUTES OF THE MEETING HELD ON 10 FEBRUARY 2014**

RESOLVED: That the Minutes of the meeting held on 10 February 2014 be approved as a correct record and signed.

94. **CERTIFICATION OF FINANCIAL CLAIMS AND RETURNS**

The Committee considered the report of the Director of Regeneration and Communities summarising the results of the work undertaken by the External Auditor (Grant Thornton) to certify two grant claims and returns submitted by the Council during 2012/13. It was noted that:

- The National Non-Domestic Rates return had been certified without amendment or qualification.
- The Housing and Council Tax Benefit Subsidy claim had been certified with minor amendments and a qualification letter to report underpayments of benefit identified on the claim.
- Whilst the work had given rise to minor amendments, the overall assurance provided through the review process confirmed that the Council continued to have good systems in place to ensure the accuracy of its grant claims and returns.

RESOLVED: That the assurance provided by Grant Thornton that the Council maintains a strong control environment for the preparation and monitoring of grant claims and returns be noted.

95. EXTERNAL AUDITOR'S ENQUIRIES OF MANAGEMENT AND AUDIT COMMITTEE AS THOSE CHARGED WITH GOVERNANCE

The Committee considered the report of the Head of Finance and Resources setting out draft responses to the External Auditor's enquiries of those charged with governance. It was noted that:

- To comply with International Auditing Standards, and as part of the year end work, the External Auditor needed to:
 - Establish an understanding of the management processes in place to detect fraud and ensure compliance with legislation and regulation;
 - Make enquiries of management as to their knowledge of any actual, suspected or alleged fraud;
 - Document management's view on some key areas affecting the financial statements; and
 - Gain an understanding of how the Audit Committee maintained oversight of these processes.
- Two draft responses had been prepared; one on behalf of management and one on behalf of the Chairman who had suggested some amendments which would be incorporated. Since it was not yet the end of the financial year, the responses would be finalised and circulated once it was confirmed that no new issues or changes in circumstances had arisen.

In response to a question by a Member about the detail required, the representative of Grant Thornton (the External Auditor) explained that auditors were governed in their work by auditing standards and they were required to ask the same questions every year even though they might suspect that the answers would be the same. Grant Thornton did not have any concerns about the areas they were enquiring about, and had

had no issues in the past, but were required to ask the questions to update their understanding. This two way communication was also intended to support the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

RESOLVED: That the contents of the draft responses to the External Auditor's enquiries of those charged with governance be noted.

96. UPDATE ON ENHANCED SCRUTINY ARRANGEMENTS AND PUBLIC MEETINGS

As requested at a previous meeting, the Head of Policy and Communications presented an update on the enhanced Scrutiny arrangements and the possible re-introduction of public debate meetings. It was noted that:

- As part of the review of the enhanced Scrutiny model, a short survey was undertaken of all Members. Nineteen responses were received and ten of the respondents thought that there had been an improvement in Scrutiny since the changes.
- A Communications and Engagement Plan had been produced to support the final year of the Strategic Plan. The purpose of the Plan was to ensure that the Council communicated and engaged effectively with residents and partners etc. to meet its priorities. A Communications and Engagement Strategy would be developed in 2014/15 to support the new Strategic Plan for 2015/20. Consideration was being given to different ways to engage the public, including the use of Facebook and Twitter, and this might lead to the decision not to proceed with the public debate meetings.

In response to questions by Members, the Head of Policy and Communications explained that the success of the enhanced Scrutiny model was very much dependent on Members. There was a whole raft of ways to use Scrutiny effectively to hold the Executive to account and to influence policy development etc., including call-ins and pre-decision scrutiny.

During the discussion reference was made to the possibility of returning to the Committee system of decision making, the merits of the new enhanced Scrutiny arrangements and the disappointing response to the survey of all Members undertaken as part of the most recent review. The Committee felt that Members needed to be more engaged in and supportive of the Scrutiny system to get things done to make it meaningful, but was unable to make any recommendations at this stage as to how that might be achieved. It was suggested that Members should reflect on this and pass their comments to the Head of Policy and Communications.

RESOLVED:

- (a) That the update on public debate meetings be noted; and

- (b) That the review of the enhanced Scrutiny arrangements be noted and that the Head of Policy and Communications be requested to report back to a future meeting with Members' thoughts on how the Scrutiny system might be more meaningful.

97. INTERNAL AUDIT - EXTERNAL QUALITY ASSESSMENT OF CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

The Committee considered the report of the Head of Audit Partnership setting out the results of the External Quality Assessment undertaken of the conformance of Mid-Kent Audit to the Public Sector Internal Audit Standards (PSIAS) and the action that would be taken to ensure full compliance. It was noted that:

- An assessment of Mid-Kent Audit was commissioned from the Chartered Institute of Internal Auditors (IIA). The assessment was carried out in January 2014.
- The report relating to the assessment was very positive and confirmed that Mid-Kent Audit conformed to 50 of the 56 principles to be achieved and partially conformed to the remaining 6. There were no "fails". This was a considerable achievement in the context of the breadth of the PSIAS and provided a high level of assurance to the Committee that the Council was receiving a very good quality service from Mid-Kent Audit.
- There were 6 recommendations within the External Quality Assessment report, responses had been prepared by the incoming Head of Audit Partnership, and the actions would be developed during 2014/15.
- On completion of the necessary actions, the IIA assessment team would be invited back to reassess the position. Subject to the few partial conformances being addressed, and the IIA verifying that 'Mid-Kent Audit conforms to the IIA's professional standards' and PSIAS, it would then be possible for Internal Audit to make this statement in its reports and promotional literature. This would be particularly helpful if Mid-Kent Audit was tasked to seek external clients, as it would be possible to use the assessment to evidence the quality of the audit service.

RESOLVED:

- (a) That the outcomes of the External Quality Assessment and the actions that will be taken to ensure full conformance with the Public Sector Internal Audit Standards be noted; and
- (b) That the Head of Audit Partnership and his team be commended on the results of the External Quality Assessment.

98. INTERNAL AUDIT - EXTERNAL AUDIT PROTOCOL

The Committee considered the report of the Head of Audit Partnership concerning the protocol which had been drawn up to underpin the working relationship between Mid-Kent Audit and Grant Thornton and to establish a framework for co-ordination, co-operation and the exchange of information, thus helping to (a) ensure that best use is made of overall audit resources and (b) avoid additional costs.

The Chairman advised the Committee that together with other Audit Committee Chairmen from across the County, he had attended a Kent Audit Committee networking meeting hosted by Grant Thornton. The meeting, which it was proposed to hold on an annual basis, had been interesting and informative. Issues raised included suggestions that Audit Committees should undertake a self-assessment on an annual basis and that the Chairman of the Audit Committee should be the person to whom whistleblowers may address their concerns. The development and monitoring of Committee work programmes was also discussed, but this was already in hand at Maidstone.

RESOLVED: That the protocol between Internal and External Audit be noted.

99. INTERNAL AUDIT OPERATIONAL PLAN 2014/15

The Committee considered the report of the Head of Audit Partnership setting out the one-year Internal Audit Operational Plan for 2014/15. In response to questions by Members, the Officers explained that:

- The approach to planning was risk based and robust. It was anticipated that greater use of auditor rotation across the four partnership sites would occur in the forthcoming year where it was efficient to do so. This could result in one auditor being allocated similar reviews across several Council clients with a view to making efficiencies in time spent on the review area.
- The Internal Audit Plan for Maidstone was sovereign, but where possible it had been aligned with the Audit Plans for Ashford, Swale and Tunbridge Wells to facilitate the sharing of audit work programmes and to allow the movement of auditors between sites.
- A number of joint MKIP service area reviews would be undertaken by the Audit Partnership with the work shared out in the Plan going forward.
- The Plan was flexible in that contingency provision was made to build in additional assurance work if required without compromising the rest of the programme.
- The risks associated with an expanded Partnership could be investigated.

- In terms of reporting, the facility to invite Heads of Service to attend a meeting of the Audit Committee to explain the action to be taken to address control weaknesses was an effective mechanism to ensure that agreed actions arising from an audit were implemented.

RESOLVED: That the Internal Audit Operational Plan for 2014/15 be approved.

100. MR BRIAN PARSONS - HEAD OF AUDIT PARTNERSHIP

RESOLVED: That the Committee's very deep appreciation of the work undertaken by Mr Brian Parsons over the years be recorded, and in particular his role in the establishment of the very effective Audit Partnership, and that Mr Parsons be wished a long and happy retirement.

101. DURATION OF MEETING

6.30 p.m. to 7.25 p.m.