

MAIDSTONE BOROUGH COUNCIL

AUDIT COMMITTEE

MINUTES OF THE MEETING HELD ON 24 NOVEMBER 2014

Present: Councillor Daley (in the Chair) and
Councillors Butler, Harper, Long and Perry

Also Present: Mr Keith Hosea of Grant Thornton (External
Auditor)

37. **APOLOGIES FOR ABSENCE**

It was noted that apologies for absence had been received from the Chairman, Councillor Black.

In the absence of the Chairman, the Vice-Chairman, Councillor Daley, took the Chair.

38. **NOTIFICATION OF SUBSTITUTE MEMBERS**

It was noted that Councillor Butler was substituting for Councillor Black.

39. **NOTIFICATION OF VISITING MEMBERS**

There were no Visiting Members.

40. **DISCLOSURES BY MEMBERS AND OFFICERS**

There were no disclosures by Members or Officers.

41. **DISCLOSURES OF LOBBYING**

There were no disclosures of lobbying.

42. **EXEMPT ITEMS**

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

43. **MINUTES OF THE MEETING HELD ON 15 SEPTEMBER 2014**

RESOLVED: That the Minutes of the meeting held on 15 September 2014 be approved as a correct record and signed.

44. ANNUAL GOVERNANCE STATEMENT ACTION PLAN UPDATE

Angela Woodhouse, the Head of Policy and Communications, submitted a report updating progress against the Annual Governance Statement Action Plan. It was noted that:

- Progress against the Action Plan was being monitored by the Corporate Governance Working Group.
- Since the Annual Governance Statement was approved in July 2014 to accompany the Statement of Accounts, action had been taken in all areas highlighted for further development. For example, in terms of developing residents' involvement in decision making, this year's budget consultation had been combined with the consultation on the Strategic Plan. The consultation was completed in the main through a series of roadshows in rural and urban locations throughout the Borough, and the feedback was positive.
- Progress against the high priority recommendations identified in relation to the three audit projects which received limited assurance in 2013/14 (Housing Options (Housing Allocations Policy), Museum Collections and Artefacts and Freedom of Information) would be reported to the Committee in January 2015.

In response to a question by a Member regarding the production of a new Parish Charter, the Committee was informed that the Cabinet Member for Community and Leisure was working closely with Parish Councils on the drafting of this important document.

RESOLVED: That the update on progress against the Annual Governance Statement Action Plan be noted.

45. MEMBER DEVELOPMENT PROGRAMME

Russell Heppleston, Audit Manager, presented the report of the Head of Audit Partnership proposing a Member Development Programme linked to the Committee's terms of reference and the wider requirements set out in CIPFA's Audit Committee guide. It was noted that the themes and topics within the Programme coincided with significant reports and decisions mandated to the Committee through its annual work programme and was designed to supplement the core training required to be undertaken by Members and Substitute Members of the Committee.

The Committee felt that the proposed Programme represented a comprehensive package of training to address Members' development needs.

RESOLVED:

1. That the outline Member Development Programme, attached as an Appendix to the report of the Head of Audit Partnership, be approved.

2. That Strategic Risk Management and Countering Fraud should be covered in the first two sessions in January and March 2015.
3. That an invitation be extended to all Members of the Council to attend the Audit Committee training.
4. That the development needs of the Committee be kept under review in line with the overall Committee work programme and that the future shape of the Development Programme be updated in response to identified needs and workflow demands.

46. TREASURY MANAGEMENT STRATEGY MID-YEAR PERFORMANCE 2014/15

Ellie Dunnet, Chief Accountant, presented the report of the Director of Regeneration and Communities setting out details of the activities of the Treasury Management function as at 30 September 2014 in accordance with CIPFA's Code of Practice on Treasury Management in Local Authorities. It was noted that:

- As at 30 September 2014, the Council held investments totalling £29.83m. Income generated on these investments to 30 September 2014 was £101k against a budget of £125k. The adverse variance was a result of interest rates not increasing as expected due to the Bank Rate remaining static at 0.5%. The average rate of return on investments over this period was 0.69%.
- The Council was a member of the Capita Assets Services Local Authority Benchmarking Group alongside seven other authorities in Kent and Sussex. The analysis report as at 30 September 2014 showed that the Council was outperforming in its weighted average rate of return against a very low level of risk. As at September 2014, Maidstone's portfolio yielded the third highest rate of return and was assigned second lowest risk profile in the Group.

A Member said that he had attended a seminar recently when it had been suggested the Bank Rate was likely to remain at current levels until autumn 2015. He suggested that the Council could be achieving better rates for its investments, and offered to forward details to the Officers.

RESOLVED:

1. That the mid-year review which has been undertaken of the activities of the Treasury Management function in accordance with CIPFA's Code of Practice on Treasury Management in Local Authorities be noted.
2. That no amendments to the current procedures are necessary as a result of the review which has been undertaken of the activities of the Treasury Management function in 2014/15 to date.

47. EXTERNAL AUDITOR'S ANNUAL AUDIT LETTER

Keith Hosea of Grant Thornton introduced the External Auditor's Annual Audit Letter summarising the main findings from the work undertaken by the External Auditor for the year ended 31 March 2014.

In response to questions by Members, it was explained that:

- The audit fees as they stood at the moment were set by the Audit Commission and represented a 40% reduction on the scale fees before the tendering exercise when Grant Thornton were appointed. There was likely to be a further reduction from 2015/16. Historically, the fees were based on complexity and the size of the authority. Going forward, there would be more of an open market. The issue of audit fees could be covered in a Member training session.
- The External Auditor's recommendation that the Council should consider carefully whether the proposed reduction in usable reserves would provide sufficient financial resilience to fund projects and absorb future financial shocks would be raised with the Strategic Leadership and Corporate Services Overview and Scrutiny Budget Working Group and the Cabinet as part of their consideration of the Medium Term Financial Strategy having regard to benchmarked data. The External Auditor would not recommend an appropriate level of reserves, but would expect the Council to consider and confirm that it was comfortable with its approach.

RESOLVED: That the External Auditor's Annual Audit Letter for the year ended 31 March 2014, attached as an Appendix to the report of the Director of Regeneration and Communities, be noted.

48. AUDIT COMMITTEE UPDATE - NOVEMBER 2014

The Committee considered the report of the External Auditor on the progress to date against the 2014/15 Audit Plan. The paper also included a summary of emerging national issues and developments that might be relevant to the Committee together with a number of challenge questions in respect of these emerging issues.

Mr Hosea of Grant Thornton advised Members that work on the certification of claims and returns had now been completed and a report would be submitted to the Committee in January 2015.

RESOLVED: That the External Auditor's progress report, attached as an Appendix to the report of the Director of Regeneration and Communities, be noted.

49. AUDIT COMMITTEE WORK PROGRAMME 2014/15

RESOLVED: That the updated Audit Committee Work Programme 2014/15 be noted.

50. DURATION OF MEETING

6.30 p.m. to 7.05 p.m.