Corporate Director (Law and Governance) and Monitoring Officer, T W Mortimer LLB Solicitor

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ASHFORD
BOROUGH COUNCIL

Audit Committee

Notice of a Meeting, to be held in the Council Chamber, Civic Centre, Tannery Lane, Ashford, Kent TN23 1PL on Tuesday 21st March 2017 at 7.00 pm.

The Members of this Committee are:-

Cllr. Waters (Chairman)
Cllr. Buchanan (Vice-Chairman)
Cllrs. Krause, Link, Powell, Shorter, Smith, White

NB: Under the Council's Public Participation Scheme, members of the public can submit a petition to the Cabinet if the issue is within its terms of reference or ask a question or speak concerning any item contained on this Agenda (Procedure Rule 9 refers)

Agenda

		Page Nos.
1.	**Apologies/Substitutes** – To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii)	
2.	**Declarations of Interest:-** To declare any interests which fall under the following categories, as explained on the attached document: a) Disclosable Pecuniary Interests (DPI) b) Other Significant Interests (OSI) c) Voluntary Announcements of Other Interests See Agenda Item 2 for further details	1
3.	**Minutes** – To approve the Minutes of the Meeting of this Committee held on the 6th December 2016	

Part I – For Decision

4.	Certification of Grant Claims – Annual Report	
5.	Presentation of Financial Statements	
6.	Strategic Risk Management	
7.	Annual Governance Statement Progress on Remedying Exceptions	
8.	Internal Audit and Assurance Plan 2017/18	

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Part II – Monitoring/Information Items

DS/AEH
13th March 2017

Declarations of Interest (see also "Advice to Members"below)

(a) **Disclosable Pecuniary Interests (DPI)** under the Localism Act 2011, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares a DPI in relation to any item will need to leave the meeting for that item (unless a relevant Dispensation has been granted).

(b) **Other Significant Interests (OSI)** under the Kent Code of Conduct as adopted by the Council on 19 July 2012, relating to items on this agenda. The nature as well as the existence of any such interest must be declared, and the agenda item(s) to which it relates must be stated.

A Member who declares an OSI in relation to any item will need to leave the meeting before the debate and vote on that item (unless a relevant Dispensation has been granted). However, prior to leaving, the Member may address the Committee in the same way that a member of the public may do so.

(c) **Voluntary Announcements of Other Interests** not required to be disclosed under (a) and (b), i.e. announcements made for transparency reasons alone, such as:

- Membership of outside bodies that have made representations on agenda items, or
- Where a Member knows a person involved, but does not have a close association with that person, or
- Where an item would affect the well-being of a Member, relative, close associate, employer, etc. but not his/her financial position.

[Note: an effect on the financial position of a Member, relative, close associate, employer, etc; OR an application made by a Member, relative, close associate, employer, etc, would both probably constitute either an OSI or in some cases a DPI].

Advice to Members on Declarations of Interest:

(a) Government Guidance on DPI is available in DCLG's Guide for Councillors, at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/240134/Openness_and_transparency_on_personal_interests.pdf

(b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, with revisions adopted on 17.10.13, and a copy can be found in the Constitution at http://www.ashford.gov.uk/part-5---codes-and-protocols

(c) If any Councillor has any doubt about the existence or nature of any DPI or OSI which he/she may have in any item on this agenda, he/she should seek advice from the Corporate Director (Law and Governance) and Monitoring Officer or from other Solicitors in Legal and Democratic Services as early as possible, and in advance of the Meeting.

Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **6th December 2016**.

Present:

Cllr. Waters (Chairman);

Cllr. Buchanan (Vice-Chairman);

Cllrs. Link, Powell, Shorter, Smith, White

Apologies:

Cllr. Krause, Elizabeth Jackson – Grant Thornton UK

Also Present:

Corporate Director (Law and Governance), Head of Audit Partnership, Audit Manager, Head of Finance, Senior Policy Performance and Scrutiny Officer, Policy and Performance Manager, Member Services Manager.

205 Declarations of Interest

Councillor	Interest	Minute No.
Smith	Made a Voluntary Announcement as a Member of the Local Government Pension Scheme	209

206 Minutes

Resolved:

That the Minutes of the meeting of this Committee held on the 29th September 2016 be approved and confirmed as a correct record.

207 Data Protection Update

The Head of Audit Partnership introduced the report which set out the progress made since the Committee received the last update report at the previous meeting on 29th September 2016. He referred to the section of the report which dealt with breach handling and drew attention to three very minor issues which were being dealt with. From an audit perspective he said he was happy that such breaches were now being identified. He explained that management were satisfied that procedures had been operated effectively and this would be tested by Audit in January 2017.

The Corporate Director (Law and Governance) explained that the report demonstrated a significantly improved position since the previous report and he advised on progress with recruitment of a Data Protection Officer. He also advised that in October consultants had been appointed to accelerate preparation of policy and protocol documents to ensure high and medium priority recommendations were met sooner. He explained that the previous report had identified the completion of one recommendation out of a total of nine whilst the report before the Committee that evening explained that five recommendations had been fully met with a further recommendation being considered by Management Team to be met, and two further recommendations had been partly met. In terms of the Data Protection Officer, he advised that interviews had been held that day and it was hoped that an appointment could be made in the coming days subject to scoring of written test results. A Data Protection Officer would now arrive with a compliance framework substantially in place and could then work with key workers on embedding new policies and procedures, monitoring and compliance, and would also prepare for the compliance with the new European Directive on Data Protection which would be in place from May 2018.

In response to a question as to how staff were made aware of Data Protection issues, the Corporate Director (Law and Governance) advised that the procedures were set out on the Council's intranet which also included links to the Information Commissioner web site. He reiterated that the consultants would be preparing a more detailed breach handling protocol which was expected to be in place by January 2017.

In response to a question from the Chairman regarding the recommendation R5 - training, the Corporate Director (Law and Governance) said that he believed that the training had been delivered to slightly more than the previous 91% of staff and further measures would be put in place to remind staff of the need to undertake the training and he confirmed that every reasonable step was taken to ensure that staff undertook all mandatory training. He, however, said that he did not have with him statistics as to whether all members of staff reporting direct to him had completed the course. The Chairman asked for an update on the current level of staff trained on Data Protection. In terms of training for key officers the Corporate Director (Law and Governance) said that 28 key workers and other staff had attended the recent training.

In response to a comment the Corporate Director (Law and Governance) said that the option of disciplinary action could be considered if mandatory training was not undertaken but whether this option was considered appropriate needed to be considered on a case by case basis. The Head of Audit Partnership commented that from the Audit perspective and in terms of risk the Information Commissioner was generally content if figures of completion were above 90% as training to such a level would reduce risk and therefore would not attract the interest of Audit.

In response to a question about the recruitment process for the Data Protection Officer, the Policy and Performance Manager confirmed that whilst it was hoped to make an appointment this was subject to test result scoring, it being noted that when appointed the Officer would be part of her team.

In response to a question the Corporate Director (Law and Governance) gave details of the nature of the contract with the specialist consultant and confirmed that draft documents prepared by them would be given full consideration internally before being finalised.

Resolved:

That the progress made towards implementing recommendations raised in the Data Protection Audit Report brought to the Committee in March 2016 be noted.

208 Annual Governance Statement – Progress on Remedying Exceptions

The report updated on the progress made towards the areas of review highlighted by the 2015/16 Annual Governance Statement. The Senior Policy, Performance and Scrutiny Officer introduced the report and advised that the Cabinet and Overview and Scrutiny Committee had received the first reports from the Performance Dashboard and accordingly it was now considered that the system was sufficiently embedded within the Council’s procedures.

In terms of the Strategic Risk Management Procedures, the Senior Policy, Performance and Scrutiny Officer advised that the cohorts work on the formation of service risk registers to support the service planning process were being embedded and would be scrutinised as part of the budget scrutiny process during December 2016. Accordingly, a further update on progress in this area would be reported back to the Committee in March 2017.

Resolved:

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

209 Annual Audit Letter 2015/16

The Annual Audit Letter from the Council’s External Auditors, Grant Thornton had been included within the Agenda papers for the meeting. The letter was a summary of the work undertaken in 2015/16. The Head of Finance advised that Elizabeth Jackson, of Grant Thornton, had indicated to him that she was happy to receive any questions on the document by email. The Head of Finance updated in terms of the executive summary of the letter regarding certification of grants and advised that work on the Council’s Housing Benefit subsidy claim had been completed to a satisfactory level. The Chairman considered that Officers should be congratulated for receiving an unqualified opinion on the Council’s financial statements.

The Chairman referred to the comments made by Grant Thornton in terms of the management structure and their use of the term “quite lean” and said that he would like Grant Thornton to report back to the Committee as he was interested to see the information used by them in terms of assessing whether risk was sufficiently mitigated. Other Members of the Committee said that they had concerns in terms of the strength of the senior Management Team in view of current vacancies. Another Member said that he was aware that the staffing and structure was being revised to reflect the Council's drive to become more business-like.

In response to a question about the level of fees for the audit of the Council's two companies, the Head of Finance advised that under the current arrangements the companies had been tied in terms of the availability of external auditors, however, he said that under the new regulations this was something that the companies could consider in the future.

In view of comments made by the Committee, the Head of Finance suggested that at the next meeting, under the issue of the Strategic Risk Register, focus could be considered in terms of skills and capacity.

In response to questions about valuation and the pension scheme, the Head of Finance gave details of the nature of the contract with the company who provided annual valuations for the Council and in terms of the pension deficit he advised that the draft budget report due to be considered by the Cabinet indicated that the overall level of funding for the Council's share of the scheme had increased from 74% to 80%. In terms of whether Grant Thornton had any views in terms of commercial development activities by other authorities, the Head of Finance indicated that he was happy to examine other reports published by the External Auditors to see whether any comments were available.

Resolved:

That the External Auditors Annual Audit Letter be received and noted.

210 Interim Internal Audit Report 2016/17

The Head of Audit Partnership introduced the report which set out progress against the agreed Audit Plan for the first half of 2016/17 including detail on Audit findings and commentary on wider issues on Audit and the Service. The Head of Audit Partnership advised that he was pleased to report that the Audit Team had appointed an apprentice who would be with the team for one year.

A Member advised that the Member Training Panel had met that day and he said he believed it had been a very successful meeting and had looked at a number of issues on an ongoing basis. This also included Members' roles on outside bodies and dealing with the media.

Resolved:

That the Internal Audit Interim Report be received and noted.

211 Procurement and Appointment of External Auditors – Appointment of a "Specified Person"

The Head of Finance advised that this was the fourth report to the Committee updating them on the emerging picture for the procurement of an External Auditor for the 2018/19 Financial Statement.

In response to a question, the Head of Audit Partnership said he understood that there was in the region of eight Audit companies nationally which had been approved by the Financial Conduct Authority.

Recommended:

That (i) the Public Sector Audit Appointments (PSAA) invitation to opt in to the sector-led option for appointment of External Auditors for five financial years starting 1st April 2018 be accepted.

(ii) the Head of Finance to liaise with the PSAA and respond to its consultations on specific proposals as they come forward.

212 External Audit Update Report

The report included a summary of ongoing Audit work at Ashford and other points of general interest.

Resolved:

That the report be received and noted.

213 Report Tracker and Future Meetings

Resolved:

That the report be received and noted.

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(KRF/AEH)

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Queries concerning these Minutes? Please contact Keith Fearon:
Telephone: 01233 330564 Email: keith.fearon@ashford.gov.uk
Agendas, Reports and Minutes are available on: www.ashford.gov.uk/committees

Agenda Item No:	4
Report To:	Audit Committee
Date of Meeting:	21st March
Report Title:	Certification Letter
Report Author & Job Title:	Grant Thornton
Portfolio Holder Portfolio Holder for:	N/A

ASHFORD
BOROUGH COUNCIL

Summary: The attached Letter reports the findings of the Audit of the Councils Housing Benefit Subsidy Claim.

Work now complete, claim certified and for the second year in a row the claim is unqualified and un-amended.

Key Decision:	NO
Significantly Affected Wards:	None
Recommendations:	**The Audit Committee is recommended to:-** **I. Note the Letter**
Policy Overview:	N/A
Financial Implications:	The letter includes the fee outturn for the work which are in line with expectations.
Legal Implications	N/A
Equalities Impact Assessment	N/A
Other Material Implications:	N/A
Exempt from Publication:	**NO/**
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13 March 2017

Dear Ben

Certification work for Ashford Borough Council for year ended 31 March 2016

We are required to certify certain claims and returns submitted by Ashford Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) has taken on the transitional responsibilities for the Housing Benefit Subsidy claim issued by the Audit Commission in February 2015. The certification of other claims and returns is subject to separate engagement with the Council.

We have certified one claim under the PSAA regime for the financial year 2015/16, the Housing Benefit Subsidy claim with expenditure of £37.1 million. Further details are set out in Appendix A. The claim was unqualified and un-amended.

Yours sincerely

Elizabeth Jackson

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2015/16

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing Benefits Subsidy	£37,139,174	No	-	No	-

Appendix B: Fees for 2015/16 certification work

Claim or return	2015/16 indicative /agreed fee (£)	2015/16 actual fee (£)	Variance (£)	Explanation for variances
Housing Benefits Subsidy	£8,112	£8,112	-	-

Agenda Item No:	5
Report To:	Audit Committee
Date of Meeting:	21 March 2017
Report Title:	Presentation of Financial Statements
Report Author & Job Title:	Maria Seddon Accountancy Manager
Portfolio Holder **Portfolio Holder for:**	Cllr. Shorter Finance & Budget, Resource Management and Procurement

ASHFORD
BOROUGH COUNCIL

Summary:

The Council is required to follow statutory guidance for the publication of its accounts. Each year, this guidance is reviewed and updated. This report will look at the impact of these updates on the Council's accounts for 2016/17. In addition, the report reviews on the lessons learnt from the accounts process in 2015/16.

The Council has completed a review of its accounting policies that will be used for the publication of the statement of accounts; they are presented in Appendix A.

The accounts will be prepared on a 'going concern' basis.

Key Decision:	No
Significantly Affected Wards:	None specifically
Recommendations:	**The Committee is recommended to:-** **I. Note the report** **II. Approve the accounting policies for the 2016/17 accounts in Appendix A**
Financial Implications:	None
Legal Implications	The Council is required to produce an annual set of accounts
Equalities Impact Assessment	Not Required
Other Material Implications:	None
Exempt from Publication:	**NO**
Contact:	Maria.seddon@ashford.gov.uk – Tel: (01233) 330547

Agenda Item No. 5

Report Title: Presentation of Financial Statements

1. This report is to update members on the progress of the production of the Statement of Accounts 2016/17 (the Statement) and how changes are to be managed and implemented.

2. Members are asked to note the report and approve the 2016/17 Accounting Policies.

Introduction and Background

3. The Council is required to produce an annual statement of accounts for the financial year ending the 31 March by the end of June. These are then audited by the Council's external auditor and an opinion issued by the end of September.

4. Following the success of early closing last year and the introduction to early closing in the new Accounts and Audit regulations the team are again looking to close early, resulting in the annual statement of accounts for the financial year ending the 31 March being produced by the end of May. The Accounts will then be audited by Grant Thornton during June with an opinion issued by the end of July.

5. This year there a few changes to the code (Code of Practice on Local Authorities Accounting) for incorporation into the final accounts for 2016/17.

2015/16 Statement of Accounts Audit

6. The 2015/16 Statement of Accounts was audited by Grant Thornton, appointed by the National Audit Office. The four year the team audited the Council's accounts.

7. Overall officers and the external auditors were happy with both the audit process and the working relationship during the audit. Regular meetings throughout the audit were held so any finding could be fed back and worked through together. These meetings will be maintained for the 2016/17 closing process to ensure the process runs as smoothly this year.

8. There have been two changes to the Grant Thornton audit team this year, a new Audit Manager Terry Blackman and the Principal Auditor, Martin Field, our Audit Lead; Elizabeth Olive (Associate Director) will remain the same. Martin Field has been in the office conducting pre-audit testing and officers are confident that the transition will run smoothly.

Accelerated closedown and the Closing Timetable

9. Last year the accountancy team achieved the faster closedown target and following this success the team are again looking at ways to ensure this target is as achievable as possible, further changes include:
    a. Introduction of an asset register to streamline the process
    b. Material items within the accounts, i.e. housing rents, reconciled at 11 months to reduce the amount of work after 1 April.

10. The Accounting Policies in Appendix A have been updated to reflect these changes.

11. The target is to have a completed final draft by 22 May, key deadlines below:
    a. Service Accounts and Collection Fund to be closed by 21 April
    b. Balance Sheet Codes to be closed by 28 April
    c. Draft Statement by 22 May

Going Concern Principle

12. The Council has set a budget for 2017/18 and has a medium term financial plan that demonstrates that the Council is a 'going concern' and will operate for the foreseeable future. As such the accounts will be prepared on this basis.

Accounting Changes/Updates for 2016/17

13. The statement of accounts will have a substantial makeover this year. The presentation of the Consolidated Income and Expenditure Statement will now be aligned with the operational structure of the authority, rather than the nationally imposed service expenditure analysis. Income and expenditure will be shown for each Head of Service based on the restructure of our budget monitoring.

14. An expenditure and funding analysis will be required, which provides a reconciliation between what the service reported to have spent in the outturn report and the resources they actually used as measured by proper accounting practices.

15. The mechanics of remodelling the statement of accounts are not particularly complicated. The costs of using property, plant and equipment and accruals for the future pensions benefits earned by employees will need to be allocated to services and the accounts template will need to be overhauled to include the expenditure and funding analysis.

16. There are also significant changes to the way in which highways assets are valued and accounted for but these changes will not impact upon the Council's accounts as the change only applies to Highways Authorities, such as Kent County Council.

Looking ahead Accounting Changes

17. Looking beyond the next set of accounts there are further changes to the accounting standards that manage the accounting for Financial Instruments and Leases.

18. Fundamentally the lease change will see all leases recognised on the balance sheet where the Council is the lessee.

19. The implications of these changes will be reviewed over the coming year and where necessary the closing process will be amended.

Next Steps in Process

20. There will be a Members training session and the presentation of the draft statement on 15 June, where any questions or issues from Members can be discussed with officers.

21. In July the Statement of Accounts will be submitted for signing to the Audit Committee and the external auditors audit findings will be presented.

Conclusion

22. Members are asked to note the changes to the final accounts process and approve the Accounting Policies in **appendix A**.

Portfolio Holder's Views

23. To be given at the meeting

Contact and Email

24. Maria Seddon

25. Maria.seddon@ashford.gov.uk

Accounting Policies

General Principles

The Statement of Accounts summarises the Authorities transactions for the 2016/17 financial year and its position at the year ending 31 March 2017. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require being prepared in accordance with proper accounting practices. These practices primarily comprise the ‘Code of Practice on Local Authority Accounting in the United Kingdom 2016/17’ (the Code) and the ‘Service Reporting Code of Practice 2016/17’, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1. Accounting Concepts and Conventions

The Going Concern basis has been selected for the preparation of these accounts based on the assumption that the Council will operate for the foreseeable future.

Qualitative characteristics are the attributes that make the information provided within this Statement of Accounts useful to users. The International Accounting Standards Board (IASB) Framework, sets out the two fundamental qualitative characteristics and four enhancing qualitative characteristics of financial statements, which have been adopted by the Code:

- Fundamental
  - Relevance
  - faithful representation
- Enhancing
  - comparability
  - verifiability
  - timeliness
  - understandability

The Code also includes consideration of materiality as a qualitative characteristic, and the Framework considers it as part of the fundamental characteristic of relevance.

2. Accruals of Income and Expenditure

With the exception of the Cash Flow Statement, including its notes, and the Collection Fund, the Statement of Accounts is presented on an accruals basis.

The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the Statement of Accounts for the year in which those effects are experienced, and not in the year in which the cash is actually received or paid. In particular: fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services; interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet, where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. There is a de minimis limit for manual accruals (not automatic accruals) of £5,000 to aid faster closing, transactions below this limit are not accrued for as they are deemed not material to the understanding of these accounts.

3. **Estimation Techniques**

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Details of where these are used are contained in the relevant Note to the Accounts. Where a change in an estimation technique is material, an explanation is provided of the change and its effect on the results for the current period.

4. **Costs of Internal Support Services**

All costs of management and administration are fully allocated to services, including Corporate Democratic Core. The basis of allocation used for the main costs of management and administration are outlined below:

Cost	Basis of Allocation
Accounting and other services	Budgeted time spent by staff, as predicted by budget managers
Legal services	Actual time spent by staff, as recorded on time recording systems
Administrative Buildings	Area occupied
IT support of corporate financial systems	Actual direct costs (hardware costs etc.) plus cost of estimated staff resources
Network / PC support	Per capita
Executive Support, Call Centre, Customer Contact Centre and Printing	Actual use, as recorded by monitoring systems
Internal Audit	Per audit plan
Payroll and Personnel Costs	Per capita
Debtors and Creditors	Per transaction

5. **Council Tax and National Non-Domestic Rates**

Revenue relating to council tax and business rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions. Revenue is recognised when it is probable that the economic benefits of the transaction will flow to the Council and the amount of revenue can be measured reliably.

The council tax and business rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year, which consists of:

- The Council’s council tax precept and business rate share from the Collection Fund i.e. the amount billed for the year; and

- The Council’s share of the actual council tax and business rates surplus or deficit on the fund at the preceding year end that has not been distributed or recovered in the current year.

The latter is not required by regulation to be credited to the General Fund and so is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves on the General Fund balance.

The Council, as billing authority, recognises the creditor in its balance sheet for cash collected from taxpayers and businesses on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors.

6. **Charges to Revenue**

Service and Support Service Accounts are debited with amounts to record the cost of holding non-current assets used in the provision of services.

These amounts include the annual provision for depreciation, certain revaluation gains/losses and impairment losses and the amortisation of intangible assets. The amounts are subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account so that they do not impact on the amounts required from local taxation.

Capital charges made to the Housing Revenue Account are the amounts as determined by statutory provision.

External interest payable is debited in the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement and amounts set aside from revenue for the repayment of external loans are charged to the General Fund Balance in the Movement in Reserves Statement.

7. **Revenue Expenditure Funded from Capital Under Statute**

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as a Property Plant and Equipment. The purpose of this is to enable it to be funded from capital resources rather than being charged to the General Fund and have a direct impact upon Council Tax. These items are generally grants and expenditure on property not owned by the Council.

Such expenditure is charged to Cost of Services in the Comprehensive Income and Expenditure Statement but subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

8. **Government Grants and Contributions**

Grants received are credited to the Comprehensive Income and Expenditure Statement when the income is recognised once conditions have been met. Revenue Grants specific to a particular service will be shown against the service expenditure line. General Revenue Grants, in the form of Revenue Support Grant and the contribution from the National Non-Domestic Rate Pool, and Capital Grants are credited and disclosed separately in the Taxation and Non-specific Grant Income line in the Comprehensive Income and Expenditure Statement.

Capital Grants and Capital Contributions will subsequently be transferred through the Movement in Reserves Statement to the Capital Adjustment Account or the Grants Unapplied Account, if expenditure has not been incurred.

If conditions have not been met, grants will be held as a creditor (Grants received in advance) on the Balance Sheet until conditions are met or grants are repaid.

9. **VAT**

VAT is accounted for separately and is not included in the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature. Input VAT, which is not recoverable from HM Revenue and Customs, will be charged to Service Revenue Accounts, or added to capital expenditure as appropriate. The Council's partial exemption status is reviewed on an annual basis.

10. **Heritage Assets**

Heritage assets are carried at valuation (e.g. insurance valuation) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon. Valuations are determined by the insurance valuation, or where not available the historical cost. Although there are no prescribed minimum periods for review, the assets will be reviewed in line with the insurance policy and material changes will be incorporated into the accounts. A de-minimis level has been set at £10,000 for heritage assets based on the method of valuation above.

11. **Assets Held for Sale (Current Assets)**

These assets have been declared surplus to the Council's operational requirements, are being actively marketed for disposal and have an estimated sale date within twelve months of the balance sheet date. They are reported on the Balance Sheet date at the lower of the carrying amount or the fair value (market value) of the asset less the costs to sell the asset. Assets held for sale are not subject to depreciation. Potential 'Right-to-buy' sales are not accounted for until the date of sale as they are not actively marketed in any conventional way.

12. **Intangible Assets**

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will benefit the Council for more than one financial year.

An intangible asset is initially measured at cost but will be revalued where the fair value of the asset differs significantly from its carrying value. The depreciable amount is amortised over its useful economic life to the relevant service line in the Comprehensive Income and Expenditure Statement but subsequently reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

13. **Investment Assets**

These assets are held solely to earn rentals and/or capital appreciation . The property cannot be used for any other purpose to be classed as an investment asset.

They are held initially at cost and subsequently at fair value being the price that would be received to sell such an asset.

Properties are not depreciated but are revalued annually according to market conditions at the year-end.

14. **Property, plant and equipment**

14.1. **Recognition**
All expenditure on the acquisition, creation, or enhancement of these assets is capitalised on an accruals basis. These assets are depreciated on a straight line basis.

14.2. **Recognition Definition**
Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.
The category is split into seven sub categories.

- Council Dwellings;
- Other Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;
- Infrastructure Assets;
- Community Assets;
- Surplus Assets;
- Assets Under Construction.

The Accounting policy for each type of asset is detailed below:

14.3. **Council dwellings**
These assets are held on the balance sheet at fair value but discounted to allow for the Existing Use Value for Social Housing (EUV-SH).

An annual valuation is carried out by a qualified surveyor in accordance with the latest guidance issued by the Royal Institute of Chartered Surveyors (RICS) as at 31 March. Material changes will be reflected in the accounts if they arise after the valuation.

14.4. **Other Land and Buildings**
These assets are held on the balance sheet initially at cost however are revalued and updated with a desktop revaluation annually. All property and land will be fully valued at least once within the 5 year cycle.

IFRS requires the consideration of componentisation for material items of property, plant and equipment, where they are of a material financial nature or have significantly differing life expectancies. The Council has set a minimum asset value of £1,000,000 and a component size of at least 10% of the value.

14.5. **Vehicles, Plant, Furniture and Equipment**
These assets are recognised in the balance sheet at cost and are subject to straight-line depreciation over the expected life of the asset.

14.6. **Infrastructure Assets**
These assets are recognised in the Balance Sheet at cost and are subject to straight-line depreciation over the expected life of the asset.

14.7. **Community Assets**
These are defined as assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and allotments. These assets are held on the Balance Sheet at historic cost and are not subject to revaluation or depreciation.

14.8. **Assets under Construction**
This covers assets currently not yet ready for operational purposes. The Council does not depreciate nor revalue assets under construction. These asset are held at cost on the balance sheet.

14.9. **Surplus Assets**
These assets are not being used to deliver services and are held at fair value which is the price that would be receivable if sold.

14.10. **Valuations**
Increases in valuations are matched by credits to the Revaluation Reserve to recognise revaluation gains. However, where the increased valuation follows a previous reduction in the carrying value below its historic cost, gains would be credited to the service expenditure in the Comprehensive Income and Expenditure Statement to reverse the loss previously charged to a service.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

On revaluation, accumulated depreciation is written out.

14.11. **Depreciation**
Depreciation on assets with a finite useful life, in line with International Accounting Standard (IAS) 16, is calculated on a straight-line basis according to the following policy:

- All assets with a finite useful life are depreciated on a straight-line basis over the asset life. The life of buildings is reviewed as part of the asset revaluation. The life of vehicles, plant and equipment is generally taken to be five years, unless evidence exists to support a longer or shorter life.
- Newly acquired assets are depreciated in year one, starting in the quarter following their purchase; assets in the course of construction are not depreciated until they are ready for use, starting in the quarter following their completion.
- In accordance with recognised accounting practice, land owned by this Council is not depreciated.

For Council Dwellings, the Code allows authorities to use the Major Repairs Allowance as a proxy for depreciation for a five year period from 2012/13. Council Dwellings are revalued annually. Other HRA land and property are valued as above.

14.12. **Impairment of Non-current Assets**

A review for impairment of a non-current assets, whether carried at historical cost or valuation, is carried out at year-end to ascertain whether events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Examples of events and changes in circumstances that indicate impairment may have been incurred include:

- a significant decline in the asset's fair value during the period;
- evidence of obsolescence or physical damage to the asset;
- a significant adverse change in the statutory or other regulatory environment in which the authority operates;
- a commitment by the authority to undertake a significant reorganisation.

In the event that an impairment is identified, the value will either be written off to the Revaluation Reserve where sufficient reserve levels for that asset exist, or written off to Service Expenditure through the Comprehensive Income and Expenditure Statement where the carrying value falls below the historic value of the asset. Any impairment at the Balance Sheet date is shown in the notes to the core financial statements, along with the name, designation and qualifications of the officer making the impairment.

If the impairment is identified on an investment property, the value is written out to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

14.13. **Gains or Losses on Disposal of Property Plant and Equipment**

When an asset is disposed of or de-commissioned, the carrying value of the asset and any receipts from the sale, together with the costs of disposal, are shown on the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement which, therefore, bears a net gain or loss on disposal.

Where the receipt is in excess of £10,000, it is appropriated to the Capital Receipts Reserve, via the Movement in Reserves Statement, where it can be used for any approved capital purpose, e.g. for new capital investment. The carrying value of the disposed asset is appropriated to the Capital Adjustment Account from the Movement on Reserves Statement. Costs of disposal are accounted for within the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

15. **Leases**

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease. A definition of a lease includes hire purchase arrangements.

15.1. **Finance Leases**

As lessee, the Council shall recognise finance leases as assets and liabilities at amounts equal to the fair value of the property or, if lower, the present value of the minimum lease payments.

Minimum lease payments are apportioned between the finance charge (interest) and the reduction of the outstanding liability. The finance charge is calculated to produce a constant periodic rate of interest on the remaining balance of the liability.

The Council recognises an asset under a finance lease in the Balance Sheet at an amount equal to the net investment of the lease.

Assets recognised under a finance lease are depreciated; the depreciation policy for leased assets is consistent with the policy for other property, plant and equipment. Where it is not certain that ownership of the asset will transfer at the end of the lease, the asset is depreciated over the shorter of the lease term and its useful economic life. After initial recognition, assets recognised under a finance lease are subject to accounting policies in the same way as any other asset.

As lessor, the Council derecognises the asset and show this as a long term debtor. Lease rentals receivable are apportioned between a charge for the acquisition of capital (applied to write down the lease debtor) and finance income – which is credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement. The Code required this income to be treated as a capital receipt and therefore, it is reversed out via the Movement in Reserves Statement to the Capital Receipts Reserve. For finance leases that existed at 31st March 2010, regulations allow these capital receipts to remain credited to the Comprehensive Income and Expenditure Statement.

15.2. Operating Leases

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the benefits received by the Council.

16. Current Assets and Liabilities

16.1. Short term Debtors and Creditors

With exception set out above (policy no 2), the Revenue and Capital accounts of the Council are maintained on an accruals basis in accordance with the Code and other relevant IASs. That is, sums due to or from the Council during the year are included, whether or not the cash has actually been received or paid in the year.

16.2. Impairment Allowance for Bad and Doubtful Debts

The figure shown in the Statement of Accounts for Debtors is adjusted for bad debts. This amount is to provide for debts that are unlikely to be collected in future years. The percentage used to reduce the Debtors figure is based on historical evidence of collection and management judgements.

17. Contingent Assets and Contingent Liabilities

Contingent assets are not recognised in the Statement of Accounts. They are disclosed by way of notes if the inflow of a receipt or economic benefit is probable. Such disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

Contingent liabilities are not recognised in the accounting statements. They are disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits. For each class of contingent liability, the nature of the liability is disclosed together with a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

18. Short term and long term Provisions

The Council sets aside provisions for specific liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. The value of the provision must be the best estimate of the likely liability or loss. When utilised, the payment is charged to Provisions and not to Service Expenditure.

19. Reserves

The Council holds Usable and Unusable Reserves. Usable Reserves give the Council discretion to meet expenditure without having a direct impact on Council Tax. In contrast, Unusable Reserves do not give the Council such discretion and are kept to manage the accounting processes for non-current assets, financial instruments and employee benefits.

Usable Reserves are created when the Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. These reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. No expenditure is charged directly to a reserve but is charged to the service revenue account within the Comprehensive Income and Expenditure Statement; this is then offset by a reserve appropriation within the Movement in Reserves Statement. The exception is amounts required for the repayment of external loans and for financing capital expenditure from revenue sources. Where this applies, amounts are appropriated from the General Fund Balance in the Movement in Reserves Statement.

The General Fund Balance acts as a working contingency to meet unforeseen and unforeseeable costs including those relating to emergencies. Earmarked reserves, such as the repairs and renewals reserve, are for specific purposes. The Capital Receipts Reserve can only be used for certain statutory purposes such as financing capital expenditure.

The Major Repairs Reserve is required by statutory provision to be set up in relation to the Housing Revenue Account.

20. Employee Benefits

Three categories of employee benefits exist, under IAS 19 and IPSAS 25 Employee Benefits, as detailed below.

20.1. Benefits payable during employment

- Short-term employee benefits arise during a financial year or are those due to be settled within 12 months of the year-end. They include wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense for services in the year employees render service to the Council.

- Benefits earned by current employees but payable twelve months or more after the end of the reporting period such as, long-service leave or jubilee payments and long-term disability benefits.

Where considered of a material nature these are accrued.

20.2. Termination benefits including Exit Packages

This covers costs that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or an employee's decision to accept voluntary redundancy in exchange for those benefits. These are often lump-sum payments, but also include enhancement of retirement benefits, and salary until the end of a specified notice period if the employee renders no further service that provides economic benefits to the entity.

In the event of notice of termination being served on an employee, the costs of redundancy are accrued to the year that the notice is served, but other costs will be charged to the year they are incurred. These costs are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement where the Council is committed to the termination of employment.

20.3. Post-employment benefits

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Code requires the Council to account for this benefit at the time that employees earn their future entitlement. The amount charged to the Comprehensive Income and Expenditure Statement for employee's pensions is in accordance with IAS19 Retirement Benefits, subject to the interpretations set out in the Code. This is accounted for in the following ways:

- Pension liabilities, attributable to the Council, are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees etc.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return.
- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:
    - Quoted securities – current bid price;
    - Unquoted securities – professional estimate;
    - Unitised securities – current bid price;
    - Property – market value.
- The change in net pensions liability is analysed into five components:
    - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service where employees worked.
    - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non Distributable Costs.
    - Net interest on the net defined benefit liability (asset) – the change during the period in the net liability (asset) that arises from the passage of time. This is debited/ (credited) to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement.

- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or actions that reduce the expected future service or actuarial benefits of employees - debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non Distributable Costs.
- Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the assumptions have been updated - debited to the Comprehensive Income and Expenditure Statement.

Under IAS 19, the Council recognises, as an asset or liability, the surplus/deficit in pension costs calculated in accordance with the standard. This surplus/deficit is the excess/shortfall of the value of assets when compared to the present value of the pension liabilities. Where the contributions paid into the Pension Fund do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from the Pension Reserve together with any actuarial gains/losses. The difference between the recognised net pension liability and the amounts attributed to this Council in Kent County Pension Fund are shown in the Balance Sheet as Pensions Liability and this is offset by the Pensions Reserve (an adverse balance).

The Local Government Pension Scheme, applicable to this Council, is administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets over the average future working life of its employees.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The latest formal valuation of the Kent County Pension Fund was at 31 March 2016 and changes to contribution rates as a result of that valuation did take effect on 1 April 2017.

21. **Financial Instruments**

The Code has significant disclosure requirements relating to Financial Instruments (e.g. loans and investments). They relate to the identification of the various types of Financial Instruments, gains and losses arising from transactions during the year, comparative valuation statements, and the assessment of risks associated with holding Financial Instruments.

Detailed disclosure of the Council's holding of Financial Instruments is included in the note to the accounts.

21.1. **Financial Liabilities**

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The reconciliation of amounts charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed in the

Movement in Reserves Statement by a transfer to or from Unusable Reserves (Financial Instruments Adjustment Account).

21.2. Financial Assets

Financial assets are classified into two types:

- loans and receivables – assets that have fixed or determinable payments, but are not quoted in an active market; and,
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

21.3. Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable, and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event and payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (where specific) or to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement.

21.4. Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income line of the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council. Assets are maintained in the Balance Sheet at fair value.

Values are based on the following principles and are given a ‘fair value level’ based on the accuracy of the valuation (Level 1 being the most reliable estimate):

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities
- Level 2 – fair value is calculated from inputs other than those quoted prices that are observable for the asset or liability
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated credit worthiness

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets line in the Comprehensive Income and Expenditure Statement. Subsequently, this entry is reversed in the Movement in Reserves Statement and debited/credited to the Available-for-Sale Reserve. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement, along with any net gain/loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event and payments due under the contract will not be made, the asset is written down and a charge made to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

21.5. Financial Instrument Risk

The Code requires Authorities to estimate the “Fair Value” of their Financial Instruments and compare them with the carrying amounts which appear on the Balance Sheet. The Fair Value estimate will include the future discounted cash flows associated with the Council’s Financial Instruments as at 31 March and should reflect prevailing interest rates as at that date.

The Code identifies the following three types of risk associated with Financial Instruments:
(a) Credit risk
(b) Liquidity risk
(c) Market risk

The Code requires Authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in the note to the accounts.

These disclosure requirements are equally applicable to outstanding debtors, see note to the accounts for an analysis of debtors. In addition to this, a provision for bad debts is also included in the Statement.

22. Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value and are shown on the Balance Sheet at their nominal value; these include investments that can be accessed immediately without incurring a penalty, such as call accounts. Cash and cash equivalents are shown net of any bank overdraft that form part of the Council’s cash management.

23. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available Property Plant and Equipment, needed to provide the services, passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as the ownership of the Property Plant and Equipment will pass to the Council at the end of the contract at no charge, the Council carries the Property Plant and Equipment used under the contract on the Balance Sheet.

The original recognition of these Property Plant and Equipment was balanced by the recognition of a liability for the amounts due to the scheme operator to pay for the assets net of any capital contributions made.

The stock is recognised at market value less the EUV-SH factor and additions are measured at cost as per the contractor model. Lifecycle costs are accounted for when they occur.

Property Plant and Equipment recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Council.

The amounts payable to the PFI operators will be analysed into the following elements:

- Fair value of the services received during the year;
- Finance charge – an interest charge on the balance sheet liability;
- Payment towards the liability.

24. Group Accounts

Group Accounts will be prepared in accordance with IFRS 10 (consolidated financial statements) and IFRS 12 (disclosure of interest in other entities), where it is considered that the Council has a material interest in subsidiaries.

Where applicable the following principles will be followed:

Basis of Consolidation
Group Accounts will be prepared on the basis of a full consolidation of the financial transactions and balances of the Council and a relevant subsidiary. Any gains and losses arising from a subsidiary will be fully reflected in the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cashflow Statement within the Group column.

Accounting Policies
Group Accounts will be prepared using consistent accounting policies where possible, where there are conflicting policies with IFRS requirements then the requirements of the Code of practice for Local Authority accounting will be adopted for consolidation purposes.

Where Intra-group charges occur they will be removed during consolidation of the accounts

Whether to group account is determined by Qualitative and Quantitative materiality, therefore when considering whether to group not only the values are relevant, the interest to all stakeholders is also taken into account.

25. **Exceptional Items and Prior Year Adjustments**

Exceptional items are included in the cost of the service to which they relate, or on the face of the Comprehensive Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item is given within the notes to the accounts.

Prior year adjustments arise as a result of a change in accounting policies or to correct a material error. When either of the circumstances applies, the Council will show the extent of the adjustment in a table reconciling the adjusted opening and closing balances and/or comparative amounts shown for a prior period.

26. **Events after the Balance Sheet Date**

Where an event occurs after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date, the amounts in the Statement of Accounts and any affected disclosures should be adjusted.

Where an event occurs after the Balance Sheet date and is indicative of conditions that arose after the Balance Sheet date the amounts recognised in the Statement of Accounts should not be adjusted but a disclosure made including:

- the nature of the event;
- an estimate of the financial effect.

Events after the Balance Sheet date should be reflected up to the date when the Statement of Accounts is authorised for issue as per the approved policies by the council.

Agenda Item No:	6	
Report To:	Audit Committee	ASHFORD BOROUGH COUNCIL
Date of Meeting:	21st March 2017	
Report Title:	Strategic Risk Management – Update Report	
Report Author & Job Title:	Kirsty Hogarth, Policy & Performance Manager	
Portfolio Holder Portfolio Holder for:	Cllr Neil Shorter Finance, Budget & Resource Management	

Summary:	This report is an update of the report considered by the Audit Committee in September last year. It deals with the seven Strategic Risks identified for the Council, following a new approach agreed in 2015. This Strategic Risk Register is now more easily produced, being part of the information held on the Council's new software system, Covalent (for programme, governance and risk management), so Members will note the new presentational format and are asked to endorse this.

Recommendations: **The Audit Committee is asked to:**

- **I. Note the use of the new system and consequent presentational style (using Covalent)**
- **II. Note and endorse the amendments to some of the risk titles and risk descriptors to better reflect the risk factors**
- **III. Consider the updated risk factors and agree the adequacy of the key controls and the mechanisms for monitoring and mitigation (at Appendix 1)**
- **IV. Note that we will continue the work and momentum to improve the risk management arrangements in 2017/18 by working more closely with the Audit Partnership, thereby benefitting from their insight and experience.**

Policy Overview: In line with good governance

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Report Title: Strategic Risk Management – Update Report

Introduction and Background

1. This report is an update of the report considered by the Audit Committee in September last year. It deals with the seven Strategic Risks identified for the Council, following a new approach agreed by Audit Committee in 2015.

2. Members will recall that seven themes were agreed as being specific areas of strategic risk that the Council would need to monitor and review at a high level and on a regular basis.

3. All these themes are ones that underpin and support the Council's corporate agenda and they cover areas that the Council needs to ensure are working properly if it is to achieve its five year Corporate Plan 2015-2020 – *for aspiration, action and achievement.*

Proposal/Current Position

4. There are four main issues which we are asking Members to note and endorse in relation to the process as a whole. These are: (i) a change in presentational style of the Strategic Risk Register (SRR); (ii) minor, but pertinent, amendments to some of the risk titles and descriptors contained within the SRR to better reflect the actual risks; (iii) to consider the updated risk factors and agree the adequacy of the key controls, along with the mechanisms for monitoring and mitigation (as detailed in Appendix 1); and (iv) to note that we will continue the work and momentum to improve the risk management arrangements in 2017/18 by working more closely with the Audit Partnership. The Audit Partnership currently provides risk services to the other partners within the Audit Partnership and so there is a lot of valuable insight and benefit of their experience to be gained by working more closely.

5. The second part of the report then sets the specific risks in context, giving the background and reasoning to the SRR itself and offering explanations for the notes and updates within Appendix 1.

The First Four Issues

(i) <u>A change to the presentational style of the SRR</u>

6. Since September, when the Audit Committee were presented with a spreadsheet which calculated the overall risk from the assessed impact and likelihood, the Strategic Risk Register is now able to be more easily produced. It now forms part of the information held on the Council's new software system - Covalent (for programme, governance and risk management) – which enables shared access for officers across the Authority, as well as providing the ability to run reports with standardised information and a completed risk matrix. Members will see the new presentational format from the SRR (attached at Appendix 1) and are asked to endorse this.

(ii) Minor, but pertinent, amendments to headings within the SRR

7. Risks are ever changing and, in order for the risk process to be effective, it is important that we review our risks regularly and update them, where appropriate. The specific risk headings for the SRR were approved in March 2016 and the key controls and updates reviewed by Audit Committee in September last year. Since this time we have taken the opportunity to review those headings and, in some cases, make minor amendments to better reflect the risks actually posed to the Council. It was agreed that two Risk Titles would be changed, as follows.

8. The first Risk Title, 'Workforce Skills & Capacity' (Risk Code: ABC 1603/1), was reviewed and has been amended to, 'Organisational Skills & Capacity to Deliver'. This broadening of its definition better reflects the Member/Officer joint working relationship, as well as emphasising the importance of delivery – whether of specific projects and programmes, or in day-to-day operational service provision.

9. To put this in context, the overarching risk – originally defined as the inability 'to recruit or retain sufficient capacity in its workforce to pursue its corporate objectives' – appeared to limit the sphere of our resources to ABC's workforce whereas, in reality, the Council (particularly on some of its major projects) works in partnership with our own elected Members, as well as people from partner organisations, private companies and other public sector providers.

10. We have therefore amended the 'Overarching Risk' element on this risk to encompass these elements and have defined it as, 'The organisational capacity and capability do not match the requirements or ability to deliver'.

11. The other Risk Title to be changed was that of 'Partnerships' (Risk Code: ABC 1603/5) where it was agreed that Collaborative Working' better reflects the different ways of working which local authorities can now adopt – with joint working, for varying periods of time, between ABC and other district councils, the county council, and government or private sector organisations.

    (ii) Under 'Community Capacity' (Risk Code: ABC 1603/6) the Overarching Risk has been changed to make the risk clearer, and it now reads, 'Insufficient capacity within the Voluntary Sector to support delivery of ABC's aims.

    In addition, the second Risk Descriptor now makes it clear that the risk is, Demand from the community rises, and the VCS is unable to meet service delivery expectations.

    (iii) Under 'Reputation' (Risk Code: ABC 1603/7) the Overarching Risk has been modified to demonstrate the importance of communication within the reputational risk, and now reads, 'The Council is seen as unable to deliver on its priorities and/or does not communicate adequately to fulfil the wider expectations of its residential and business communities'.

    (iv) Risk Titles for Housing & Infrastructure (ABC1603/2), Key Project Failure (ABC1603/3) and Resource Limitations (ABC1603/4) remain the same.
    (v) Risk Descriptors for Housing & Infrastructure and Resource Limitations remain the same.

(vi) Risk Descriptors for Key Project Failure have been updated, with a third risk added to read: Risk of failure to understand the commercial environment

(iii) <u>Updating of key controls, risk factors and mitigation</u>

12. As the committee charged with governance, the Audit Committee must seek assurance that the Council not only has in place effective risk management, but is also taking the right actions to manage risks to an acceptable level. That acceptable level is referred to as 'appetite and tolerance' and is something we will be seeking to develop over 2017/18.

13. Currently we have identified key controls and measures for each of the risks on the SRR. Members are asked to consider the updated risk factors and adequacy of the key controls, along with the mechanisms for monitoring and mitigation. Appendix 1 contains the detail of these on the new system, as outlined in paragraph 6, above. The full context can be read below. (See The Risks in Context).

(iv) <u>Strengthening the process of assessing, reviewing and evaluating strategic risk</u>

14. Strategic Risk currently sits within the Policy & Performance Team, which has a strong role to play within governance of the Authority.

15. There is also a great deal of alignment of risk management with the internal audit function, however. The Council's internal audit service is provided by the Mid Kent Audit Partnership, of which Ashford has been a member since 2005.

16. The Audit Partnership currently delivers risk management services to two of the partner authorities. We therefore recognise the value of this experience and insight, and so will be working more closely with the Audit Partnership during 2017/18 to continue the good momentum and further improve the risk management arrangements. We have been able to achieve this by utilising our risk management support days in the internal audit plan.

17. In particular, we will begin working towards the following developments over the next year:
a) Creation of a single risk register that will better integrate strategic, operational and project level risk;
b) Refresh of the strategic risks and ongoing development and update of operational level risks;
c) Updated reporting and escalation of risks through to Management Team and Members;
d) Monitoring and reporting of risk actions and impact on the movement of risks over the year;
e) Development and articulation of a risk appetite statement and setting of risk tolerances;
f) Delivering risk management training and guidance to officers and Members.

18. We recognise that effective risk management is an important component in the Council's governance framework and believe that by working more closely with the Audit Partnership we will be able to gain valuable insight and experience not only from within, but also from our partners. We ask the Committee to note the ongoing development planned for the forthcoming year.

The Risks in Context

ABC1603/1: Organisational Skills & Capacity to Deliver (Risk owner: Terry Mortimer)

19. Eight Key Existing Controls were originally listed for this risk; this should now be amended to include another three controls:

    ~ Service plans
    ~ Pay and Reward
    ~ Member capacity and training

    After discussions with Directors, it was agreed that Member capacity is an important contributor to risk in terms of control and mitigation; and that Member training is equally important which, if not substantially embedded within the organisation, becomes a risk rather than a control. Members of the Audit Committee are asked to bear this in mind when reviewing the controls.

20. Within this strategic risk of organisational skills and capacity to deliver much has been done to strengthen resilience and thereby mitigate risk. This work supports and furthers a recommendation made by the O&S Budget Scrutiny Task Group, and agreed by Cabinet, to enhance the focus on staffing within the SRR. Specific internal controls that have been strengthened are:

    (a) Succession Planning & Resourcing (IC001 & IC004). Having identified that a number of senior level retirements were in the pipeline a leadership development programme was established to prepare officers and the organisation for future roles. Starting in 2013, the most recent programme completed in 2016.

    There has been considerable change over the last year, with more on the horizon. Our next steps will be to settle the changes and to review where our key risks are for future turnover and future needs of the organisation linked to our direction of travel. As part of this process, a senior management restructure review is currently under way and will be rolled out over the next few months.

    The timetable is below, although a fresh review of succession risks will be necessary following the changes.

Unison & JCC reps briefed	w/c 30 January
Formal consultation commenced	w/c 6 February
Initial feedback	17 February
Second consultation meetings	w/c 20 February
Joint Consultative Committee	16 March
Cabinet	6 April
Council (pension implications)	20 April
Implementation: i) Introduction of new structure ii) Proposed deletion of posts iii) Appointment to new posts after selection process	 May 2017 July 2017

Over the past 18 months we have started to strengthen some key procedures which feed into and assist resourcing for the Council. Two important areas have been programme management and project initiation processes, which perform an essential function in identifying the capacity required to deliver projects. Linked to the five-year corporate plan, these processes link into service plans, project plans and the day job.

Each service plan has a service-based risk assessment; this detail – along with next year's budget – has been approved by Management Team, Portfolio Holders and the O&S Committee.

The outcome is to identify where skills and capacity issues are … and either reprioritise or use other flexible ways of addressing the need. If skills or capacity issues cannot be resolved internally, temporary short term staff, agency staff, consultants or outsourcing are all possible 'avenues of choice' to resolve these issues.

Talent attraction and retention is a really important pat of how we resource the organisation. Going into 2017/18, we are working on how we attract and recruit new people – making sure our employer brand is one that people will want to choose. We will be looking at the channels we use to attract staff and how we engage with new staff at the earliest point so they feel they have made the right choice applying to and accepting a role with ABC. This links to the Engagement Strategy too.

(b) <u>Engagement and Workforce Culture</u> (IC002 & IC053). A key reason the organisation has been successful is because a highly engaged workforce tends to be a high performing workforce. There have been many instances where our staff have shown how engaged they are- changing the way they work in becoming more innovative and creative in the way they approach work – e.g. introduction of Socrata and Covalent systems; new customer services model; ABC lettings.

Our Engagement Strategy has been keeping staff up to date with corporate strategy, involving them in decision making about direction and how that direction should take shape, listening, empowering and entrusting them to follow up ideas.

We introduced a room we have called 'SPACE' to encourage active problem solving and service design where everyone can get involved, supporting cross-service teams to come together. Project initiation processes are structured in a way that a SPACE session is compulsory for all projects. New work will be commencing to develop this concept further as a way of engaging more staff in working in this way.

A fundamental part of engaging with staff is through the corporate strategy as well as the corporate culture. People who feel they belong in an organisation are more inclined to work hard and contribute to corporate goals. We therefore also have a focus on social aspects of work where people can come together in a social way to get to know people they wouldn’t usually work with. Our social events usually have a wellbeing or charitable focus, and 2017/18 engagement will be heavily well-being focused.

Much of our culture is articulated in the competency framework as part of the appraisal discussion. Work has started on embedding our culture and values day-to-day by introducing corporate values. This will focus on engaging staff in maintaining an innovative and commercial approach in all aspects of their role to ensure quality and good value modern customer-focused services.

(c) Learning & Development Strategy. (IC003) Individual Learning and Development needs are identified as part of the annual appraisal process and wider corporate needs are linked back to needs identified as crucial to the organisation. Examples include project and performance management. The 2017/18 programme is in the process of being developed following appraisals.

A high proportion of our budgets (c.21% of the corporate training budget) are allocated to professional qualifications. This is about growing our own staff and being able to attract and retain talent. We also support and encourage apprenticeships and graduate programmes.

(f) Pay And Reward Package (IC051) Another strand of maintaining a commitment to ABC is to ensure pay, reward and terms and conditions are attractive and fit for purpose. Work will commence in 2017/18 (for production in the next financial year) on reviewing the overall package for staff.

ABC1603/2: Housing & Infrastructure (Risk owner: Richard Alderton)

21. The varying risks within this category have been mitigated by different actions. The update demonstrates, for example, that the risk to one of the major infrastructure projects (J10A) has been mitigated by £16m forward funding of developer contributions, achieved by working with the HCA and DCLG.

In terms of project resource co-ordination and progress, the council’s programme management system assists in risk mitigation because it is becoming embedded across the organisation to ensure best and effective use of resources. Further details are available at Appendix 1.

This strategic risk has also been mitigated with the completion of the s106 agreement at Chilmington Green and the creation of a working protocol with Kent County Council that will be used to establish a joined-up working approach to delivery of infrastructure on the site. The pioneering ‘District Deal’ with the County Council is regularly updated and provides a way of responding to joint working issues that arise here and elsewhere.

ABC1603/3: Key Project Failure (Risk owner: Paul Mckenner)

22. A number of projects have, or are coming, to fruition since the last report to Audit Committee. This reduces the risk to specific projects, although risk is not eliminated entirely until projects are finally complete.

    Additionally, as projects are completed, with a commercial, income generation and growth focus, there are likely to be new projects added so the Council's exposure and the risk score will remain the same.

ABC1603/4: Resource Limitations (Risk owner: Ben Lockwood)

23. Two main risks were originally agreed for this area – both to income generation; the Head of Finance has, however, highlighted the following.

    Cabinet approved the budget for 2017/18, which was subject to public consultation and the work of the O&S Budget Scrutiny Task Group who found the budget to be achievable and deliverable.

    Government has now released the final settlement figures; they remain the same as the provisional settlement figures released in December last year, so risk on the figures remains the same as previously assessed.

    The Council has completed its estimate of business rates income for the coming year, the first of the new ratings list. The estimate has met its budget requirement and allowed for appeals at the level assumed by central government. The risks to next year's budget are, therefore, lessened; however, the budget will be subject to the normal risks to service level income levels.

    Good progress has been made to deliver the commercial agenda, with the funding agreement for Elwick signed. This should deliver income in the future.

    Overall the economy seems to have strengthened, with the Bank of England revising growth forecasts upwards, but there still remains uncertainty over our future trading arrangements with the EU and the rest of the world, which is creating uncertainty and could cause a slowdown in the economy. In addition to this there are fears that there could be a tightening of US fiscal policy in response to greater stimulus from the new administration which, in turn, could affect global growth.

ABC1603/5: Collaborative Working (Risk owner: Tracey Kerly)

24. There are seven existing key controls for this area; after discussion with the risk owner – the Chief Executive – it was agreed that 'relationship management' (rather than contract management) would better echo ABC's multi-working arrangements with various organisations, so this has been amended accordingly.

Now that Programme Management is becoming embedded across the Authority, it has been added to the list of Key Controls, as have regular corporate reports to Management Team. Both are processes designed to enhance knowledge and control.

ABC 1603/6: Community Capacity (Risk owner: Christina Fuller)

25. After discussion with the Head of Culture, it was agreed that the key components of this risk area appeared to be very operational – yet this is a register to determine strategic risks.

It is important, therefore, that Members of the Audit Committee 'see' the overall picture of Community Capacity – i.e. that the Council continues to work closely with parish councils and key voluntary sector partners - including leisure trusts, community trusts, forums and infrastructure support organisations to enable them to meet the needs of the community.

Advice and funding support continues to be provided through regular review meetings, sector forums, KALC, the community grants fund and discretionary rate relief.

Through ABC's close working relationship with the Ashford Volunteer Centre (which is a consortium member), we have recently engaged with Stronger Kent Communities, a new infrastructure support consortium commissioned by KCC, to explore further resources that might be available to support the voluntary sector in Ashford.

ABC1603/7: Reputation (Risk owner: Tracey Kerly)

26. Through the addition of new performance and risk management software, the process of identifying and tracking risks has been made possible at an earlier stage.

Directors and Management Team remain agreed that this risk should remain as 'amber' – principally because of the nature of risk in reputational terms and the diverse factors which can affect this: factors which are often outside the Council's control.

Conclusion

27. Risk owners have reviewed and reassessed the risks and the controls within their specific areas and are satisfied that this report and the attached Appendix represent an accurate picture of strategic risk as it currently stands within the Authority.

28. The next few months, however, will see further work being undertaken (by risk owners, senior management, the policy & performance team and the audit

partnership) on integrating the two (currently separate) systems for identifying, assessing and monitoring both strategic risk and operational risk.

29. 2017/18 will also see a continuation of the work and momentum to improve the risk management arrangements by working more closely with the audit partnership, benefitting from their insight and experience.

30. A further report will be submitted to Audit Committee in September 2017.

Contact and Email

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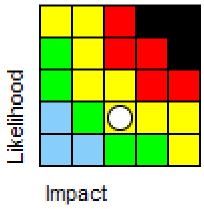
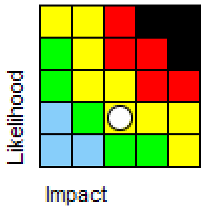
Strategic Risk report

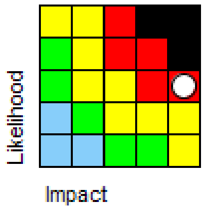
Report Type: Risks Report
Generated on: 13 March 2017

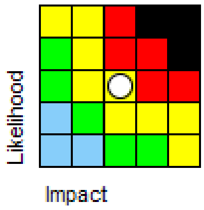
Risk Title	**Organisational Skills & Capacity to Deliver**
Risk Owner	Terry Mortimer
Risk Code	ABC1603/1 
Risk Description	**Organisational capacity and capability do not match the requirements or ability to deliver** Risk that resources will not meet requirements: staffing, funding, equipment (particularly IT), accommodation, training, elected members, particularly with future organisational changes
Internal Controls	IC001 Succession Planning Strategy
	IC002 Engagement Strategy
	IC003 Learning & Development Strategy
	IC004 Flexible resourcing framework that gives ability to access short term skilled staff
	IC005 Business continuity plans
	IC006 MTFP and budget monitoring processes
	IC007 Programme management processes
	IC008 Risk Framework
	CRIC004 Service planning
	IC051 Pay & Reward package
	IC052 Member capacity & training
	IC053 Workforce Culture
Update	Key risks are being addressed by: (i) Resourcing and Succession Planning, where Programme Management was introduced at the beginning of 2016 to identify capacity requirements and availability for corporate projects. Subsequently service plans and service risk have been reviewed by MT, PFHs and O&S. Mitigation currently achieved by reprioritising, or temporary staffing, consultants and outsourcing - all were discussed at O&S Budget Scrutiny Task Group before agreement of the 2017/18 budget. Cabinet has now agreed all service plans will include staffing as an individual risk. Focus on employer brand for the future and engage staff early on. Senior management restructure now underway; new Head of Environmental Services recruited and Head of Planning post out to advert.

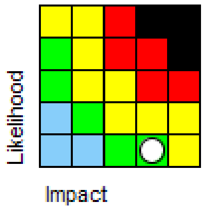
	(ii) Engagement Strategy: ensures highly engaged/highly performing workforce. Creativity and innovation demonstrated in various areas and encouraged via use of SPACE (iii) Learning and Development Strategy: performance appraisals identify individual learning needs; through Programme Management & PID process, organisational requirements are now being better matched to staff skills and the organisation is taking the opportunity to 'grow its own' in staffing terms (iv) Pay & Reward package: pay, reward, terms & conditions to be reviewed toward end 2017/18 (v) Workforce Culture: ABC values being rolled out across organisation via senior management

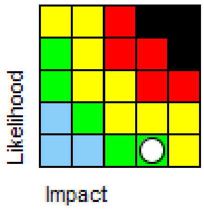
Risk Title	**Housing & Infrastructure**
Risk Owner	Richard Alderton
Risk Code	ABC1603/2 
Risk Description	**Infrastructure projects being delivered by others but required to support ABC's development goals are delayed, abandoned or mismanaged.** (i) Risk of individual affordability & skills gaps leading to inability to obtain housing (ii) Lack of funding for necessary infrastructure needed to maintain prime location status (iii) Risk of not attracting developers to ensure a supply and range of housing to meet diverse needs and emerging markets (iv) Under provision across borough of new or refurbished sports, cultural and leisure facilities
Internal Controls	IC009 Regular liaison with HCA and Highways England to secure funding for J10a
	IC010 Economic Regeneration and Investment Board
	IC011 New Local Plan allocations based on deliverability criteria
	IC012 HRA business plan
	IC013 Regular liaison with Homes and Communities Agency to take advantage of new government programmes
	IC014 Work with Ashford College on future curriculum
	IC015 Internal group monitoring s106 spend to seek best community return on a range of facilities
	IC050 Ashford Strategic Delivery Board (ASDB)
Update	(i) £16m forward funding of developer contributions achieved through work with HCA and DCLG; (ii) Revisions to the new Local Plan for June 2017; submission of Plan for examination by end 2017. Important to ensure sufficient land is available for new housing to meet Government land supply targets. (iii) Progress meetings taking place re HCA land (e.g. Elwick Place) and funding streams; (iv) Regular PFH/College meeting to support Business Advisory Council which meets quarterly to update on Ashford College activities and strategic direction; (v) S106 contributions still being monitored; prioritisation is a focus. CIL also being introduced via Local Plan (to replace S106 on larger strategic contributions); consultation has taken place on charges, which will be applied

	after Local Plan adoption in mid 2018. (viii) ASDB continues to oversee Big 8 projects, with a watching brief to prevent strategic blockages (ix) Programme Management becoming embedded across ABC to ensure integration, co-ordination and best use of resources (x) S278 works being co-ordinated by KCC in liaison with ABC and developers, to ensure all major highways works are programmed to prevent barriers to development delivery

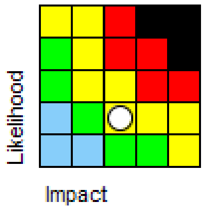
Risk Title	**Key Project Failure**
Risk Owner	Paul Mckenner
Risk Code	ABC1603/3 
Risk Description	**One or more of the Council's key projects fails to deliver with consequent impacts on ABC's reputation, finances and service outcomes.** (i) Risk to momentum by losing key components of crucial projects (e.g. failure to attract sufficient leisure or entertainment to ensure development of a vibrant town centre) (ii) Risk (to choice and funding or investment) of not attracting industries from various sectors
Internal Controls	IC010 Economic Regeneration and Investment Board
	IC016 ASDB
	IC017 Programme management
Update	A number of projects are coming to fruition since report to Audit Committee in September 2016. This reduces the risk on specific projects although risk is not eliminated entirely until projects are complete. New projects likely to replace completed projects, so Council's exposure and risk score have been assessed at same level.

Risk Title	**Resource Limitations**
Risk Owner	Ben Lockwood
Risk Code	ABC1603/4 
Risk Description	**ABC suffers further loss of government income, failure to achieve income or successfully control expenditure.** (i) Risk to self sufficiency of not generation an additional £2m pa by 2020 (split on NNDR, fees & charges, NHB & other income generation measures) (ii) Risk to income generation & housing supply of housing growth not delivering predicted NHB levels (under new 4-year regime) (iii) Uncertainty over EU trading arrangements could slow economy (iv) Tightening of US fiscal policy affecting global growth
Internal Controls	IC019 MTFP
	IC020 NHB strategy
	IC021 Budget monitoring
	IC022 HRA business plan
	IC023 Budget scrutiny
	IC024 Borrowing policy
	IC025 S151 officer
	IC026 Pro-active income generation
Update	Cabinet approved 2017/18 budget following public consultation and O&S budget scrutiny. Final Government settlement figures confirmed and risk remains the same as previously assessed. Council's estimate of business rates income has met budget requirement and allowed for appeals at levels assumed by central Government. Risks to 2017/18 budget are therefore reduced although budget is subject to normal risk on service level income. Good progress made on delivering commercial agenda and funding agreement for Elwick signed. It should deliver income in the future. Overall economy seems to have strengthened; Bank of England has revised growth forecasts upwards but uncertainty still exists over future trading arrangements with EU and the rest of the world and there are fears there could be a tightening of US fiscal policy, so we could still see a slowdown in the economy and/or global growth could be affected.

Risk Title	**Collaborative Working**
Risk Owner	Tracey Kerly
Risk Code	ABC1603/5 
Risk Description	**Loss of effective working relationships in one or more of the partnering organisations ABC works with and relies upon to achieve its objectives.** (i) Risk resources will not meet requirements for different organisational and/or partner relationships (ii) Risks & opportunities provided by any future devolution agenda and future shared services (iii) Risk of managing ongoing investor/developer relationships
Internal Controls	IC010 Economic Regeneration and Investment Board
	IC027 ASDB
	IC027 H&WB
	IC030 Attendance of Kent & Medway Chief Executives
	IC032 East Kent Regeneration Board
	IC033 JTB
	CRIC002 Programme Management
	IC054 Relationship Management
	IC055 Management Team regular corporate reports
	IC056 Joint strategies with organisations to facilitate specific projects or service delivery - (e.g. town centre projects) - with ABC providing information/contacts
	IC060 Community Safety Partnership
Update	At this stage, working relationships between ABC & various partnering organisations remain reasonably strong and well on the way to delivering their stated goals. It remains unwise, however, to make any assumptions; although this Strategic Risk Assessment is based on current collaborative working (and therefore good) it will be revisited regularly. Additionally, Programme Management and Management Team reporting processes are now in place to enhance awareness and control.

Risk Title	**Community capacity**
Risk Owner	Christina Fuller
Risk Code	ABC1603/6 
Risk Description	**Insufficient capacity within Ashford to accommodate ABC's aims for working with the community.** (i) Assets (ABC owned leisure or cultural facilities) are not improved by community partners (voluntary community sector - VCS) (ii) Demand from community rises and the Council is unable to meet service delivery expectations (iii) New communities not supported by ABC with the best mix of community services and facilities (iv) PCs and other local voluntary sector groups unable to cope with demands of devolution
Internal Controls	IC034 Support for the VCS through advice and funding.
	IC035 VCS is encouraged to work together through forums (e.g. What Matters, Conningbrook Steering Group, Tourism Association, Environment and Nature Conversation Forum.)
	IC036 Regular provider meetings with groups to monitor the running of our assets and identify issues early
	IC037 Lease agreements and service level agreements in place to agree roles and responsibilities
	IC038 Providers are encouraged to provide improvement plans and funding strategies to maintain and improve community assets
	IC039 Consultation and engagement with community providers to understand how they can support delivery
	IC040 Research commissioned to inform Local Plan that identifies growth needs to plan for local facilities (new and extending existing) and look at management models/partnerships and access (local transport)
	IC042 Parish Councils and local clubs supported to take on management of new assets and extending facilities
	IC043 Provide information and guidance to Parish Council's and Community Forums (Parish Forum, KALC, finance working groups, area liaison meetings on special projects, training sessions)
	IC057 Working closely with Ashford KALC
	IC058 Provision of discretionary rate relief to VCS organisations and working with them to ensure they maintain eligibility
	IC059 Engage commission and infrastructure partners to support service delivery & VCS

Update	IC037 - Lease agreements currently being reviews to ensure records are accurate IC036 - Ongoing IC038 - Working in partnership with other services to support community organisations IC039 - Close working relationship with KALC maintained. Further devolution of grounds maintenance through caretaker scheme being discussed IC058 - Organisations providing vital local facilities currently supported through discretionary rate relief. Support given to understand eligibility criteria, completing application form, liaison with administering body in case of problems IC035 - Looking at opportunities to support the voluntary sector through S106 developer contributions; opportunities being sought in discussion with planning through S106 process IC034 - Full grant and funding advice service provided through Community Grants Fund. IC059 - Close working links and referral agreement with Ashford Volunteer Centre (a consortium member of Stronger Kent Communities) - an infrastructure support project commissioned by KCC

Risk Title	**Reputation**	
Risk Owner	Tracey Kerly	
Risk Code	ABC1603/7	
Risk Description	**The council is seen as unable to deliver on its priorities and/or does not communicate adequately to fulfil the wider expectations of its residential and business communities.** (i) Risk that ABC is not seen as a reliable delivery partner (ii) Failure to manage the housing landlord role (iii) Risk of not delivering quality gateways, borough presentation & approaches to town centre (iv) Risk not all residents & businesses have a fair deal by inconsistent and/or insufficient enforcement of quality and compliance	
Internal Controls	IC044 ASDB	
	IC045 H&WB	
	IC046 Attendance of Kent & Medway Chief Executives	
	IC047 JTB	
	IC048 Satisfaction surveys	
	IC049 Communications strategy	
	CRIC002 Programme Management	
Update	Reputational risk to the Council - because of the nature of strategic risk - is often influenced or affected by external factors which, by their nature, remain outside the Council's control. Although it is currently considered to present slight risk, Directors and Management Team remain conscious that this area can change swiftly and so advise that the risk should remain as 'amber' The Ashford Strategic Delivery Board, however, continues to review risks on a regular basis. With the addition of new performance and risk management software, risks are able to be identified and tracked at an earlier stage.	

Agenda Item No:	7	ASHFORD BOROUGH COUNCIL
Report To:	Audit Committee	
Date of Meeting:	21st March 2017	
Report Title:	Annual Governance Statement – Progress on Remedying Exceptions	
Report Author & Job Title:	Nicholas Clayton-Peck, Senior Policy, Performance and Scrutiny Officer	
Portfolio Holder Portfolio Holder for:	Cllr. Shorter Finance, Budget & Resources	

Summary: This report updates on the progress made towards the areas of review highlighted by the 2015-2016 Annual Governance Statement

Key Decision:	NO
Significantly Affected Wards:	N/A
Recommendations:	**The Audit Committee is asked to:-** **I. Note progress made towards the areas of review highlighted by the Annual Governance Statement as detailed in this report**
Policy Overview:	Each year the council must produce and approve an Annual Governance Statement (AGS). AGS are designed to summarise for members and residents the council's approach to governance and show how the council fulfils the principles for good corporate governance in the public sector.
Financial Implications:	None
Legal Implications	None
Equalities Impact Assessment	N/A
Other Material Implications:	None
Exempt from Publication:	NO
Contact:	Nicholas.Clayton-Peck@ashford.gov.uk (01233 330208)

Agenda Item No. 7

Report Title: Annual Governance Statement – Progress on Remedying Exceptions

Introduction and Background

1. Each year the council must produce and approve an Annual Governance Statement (AGS). AGS are designed to summarise for Members and residents the council's approach to governance and show how the council fulfils the principles for good corporate governance in the public sector. The AGS needs to draw conclusions, based on evidence throughout the past year, about the effectiveness of the council's arrangements.

2. The 2015-2016 Annual Governance Statement (AGS) was agreed by the July 2016 meeting of the Audit Committee and identified two areas for continued work and review -

   a. Embedding the council's new Performance Dashboard into the quarterly performance monitoring regime.

   b. Completion of work to revise the council's strategic risk management procedures.

3. The update report to the September 2016 meeting of the committee concluded that the Performance Dashboard was now suitably embedded, given that the outputs of the Dashboard have been considered by the Cabinet and Overview & Scrutiny Committee for three straight quarters. As such, the committee noted this area as **completed**.

4. It should be noted that this is the first version of the Dashboard, with an emphasis on making sure the core data, components and insight begin to work as a management tool. As such, analysis is constantly being added as the latest data is added to the system and interventions are made. Alongside a planned survey of all users and other feedback from more regular use of the site, further integration of service planning and programme management data will provide further developments (and a deepening) of the overall performance picture.

Purpose of this report

5. To update on the progress made towards the remaining area of review highlighted by the 2015-2016 Annual Governance Statement.

Progress to Date

Completion of work reviewing the Council's current risk management procedures

6. An initial set of seven **strategic** risks was presented and endorsed by the Audit Committee in April 2016, with an update on these risks presented to the September 2016 Committee.

7. Complementary work was taken forward by a cohort of managers from across the authority, supplemented by a round of workshops with service managers, to compile information about **service** risks.

8. These corporate risk registers were reported to the Overview and Scrutiny Budget Task-group as part of pre-Budget scrutiny for 2017/18, complementing the council's enhanced service planning process. The Task Group felt that the new service plan template and risk registers were helpful in providing clarity over the resource requirements for the various service activities. In engaging with and using the service risk registers, the Taskgroup made a number of observations to strengthen both the service and strategic risk registers, namely in relation to staffing and resourcing. These were reflected in subsequent recommendations to the Cabinet, which were accepted.

9. Strategic and service risks have also been uploaded onto the council's new risk management software, alongside project and programme management information. This electronic system will allow for easier monitoring and reporting on the ongoing trends for all of these areas going forward.

10. A separate report, updating the Audit Committee on progress relating to strategic risk management will be presented to this meeting (March 2017).

11. This report updates the committee on four issues aimed at strengthening the strategic risk framework within the council, namely –

    a. A change to the presentational style
    b. Minor, and relevant, amendments to headings
    c. Updating the key controls, risk factors and mitigation
    d. Strengthening the process of assessing, reviewing and evaluating strategic risk

Conclusion and Next Steps

12. Both performance and risk management form key components of the council's governance arrangements. As such, they are not merely one-off exercises but ongoing practice. Whilst the design and launch of the council's new performance dashboard does signal a new emphasis in this area, further and ongoing use of the tool by officers and Members, alongside further rounds of reporting, will reinforce that the new approach is suitably embedded within the organisation.

13. On risk, the outputs of the cohort's work to support the formation of service risk registers in support of the service planning process are ongoing, but are

being embedded across the organisation - for example in playing a crucial role in the Budget scrutiny process during December 2016. Accordingly, a **further update** of progress in this area is also being reported separately to the Committee at this meeting (March 2017).

Contact and Email

14. Nicholas Clayton-Peck, Senior Policy, Performance and Scrutiny Officer

15. Nicholas.clayton-peck@ashford.gov.uk

Agenda Item No:	8	
Report To:	Audit Committee	ASHFORD BOROUGH COUNCIL
Date of Meeting:	21 March 2017	
Report Title:	Audit & Assurance Plan 2017/18	
Report Author & Job Title:	Rich Clarke – Head of Audit Partnership	

Summary: This report sets out the proposed plan for Mid Kent Audit's work at Ashford Borough Council during 2017/18. Furthermore, it provides an overview of the rage of areas for potential future examination by Internal Audit. It is based on the outcomes of risk assessments and consultation, and considers the resources available to the partnership.

Key Decision: NO

Significantly Affected Wards: All

Recommendations:

1. That the Audit Committee **APPROVES** the Audit & Assurance Plan for 2017/18.
2. The Committee **NOTES** the longer term issues recorded by Mid Kent Audit.
3. The Committee **ENDORSES** the view of the Head of Audit Partnership that the plan sets out sufficient resource to complete a work programme leading to a Head of Audit Opinion on the Councils' internal controls, risk management and governance.
4. The Committee **NOTES** the Head of Audit Partnership's assurance that the plan is compiled independently and without inappropriate influence from management.

Policy Overview: The Public Sector Internal Audit Standards (the "Standards") require an audit service to produce and publish a risk based plan, at least annually, for approval by Members. The plan must consider input from senior management and Members.

Financial Implications: The work programme set out in the plan is produced to be fulfilled within agreed resources for 2017/18 and so makes no new resource requests.

Legal Implications: The Council is required by Accounts & Audit Regulations to operate an internal audit service, including agreeing a plan at least annually (as described in the appendix). Therefore the Council must approve an internal audit plan to maintain

	regulatory conformance.
Risk Assessment:	The audit plan draws on the Council's risk management in considering the areas for audit examination. In turn increased involvement in risk management will allow audit findings to provide feedback on the identification, management and controls operating within the risk management process.
Equalities Impact Assessment:	No direct implications
Other Material Implications:	N/A
Exempt from Publication:	N/A
Background Papers:	Appendix I: Audit & Assurance Plan 2017/18, includes extracts from the Public Sector Internal Audit Standards and the KPMG Audit Committee Handbook. It also draws on information from 2016/17 Audit Plans published across the local government sector. Further background papers, including detailed resource calculations, risk assessments and notes from consultation meetings with officers and Members, can be made available on request.
Contacts:	rich.clarke@midkent.gov.uk Tel: (01233) 330442

Report Title: Audit & Assurance Plan 2017/18

Introduction & Background

1. The Standards set out the requirements that a Head of Audit must meet in setting out the plan. We extract relevant sections from the Standards in the appendix to this report.

2. Furthermore, the Standards explicitly direct that Head of Audit must keep the plan flexible and responsive to emerging and changing risks across the year.

3. Please note that the Standards have not been updated this year with respect to the purpose and scope of the Internal Audit Charter. Therefore the Charter approved by this Committee in March 2016 remains current and does not require review and update for 2017/18.

Purpose of this Report

4. This report is provided to allow the Committee to consider and approve the Audit & Assurance Plan 2017/18. It sets out the proposed audit work, comprising both assurance rated projects and other work. The Audit Partnership undertakes this work to support assessing the Council's internal control, risk management and corporate governance.

Implications & Risk Assessment

5. The risks associated with not approving an audit plan are considered below.

Equalities Impact Assessment

6. The report does not require an equalities impact assessment.

Other Options Considered

7. The Standards mandate compiling a risk based plan for management comments and Member approval. Although by convention that plan is presented annually around the start of the financial year, the Standards do not specifically require that action. The Council could, potentially, move to a shorter planning cycle which would allow more flexibility for responding to risk. There are other examples of authorities that take a similar approach.

8. However, that move would strike against a practice considered to work well, and one which allows a degree of certainty to resource requirements that helps ensure stability in a service spread across four authorities.

9. PSIAS does not mandate any specific work for the plan, so its content is at the discretion of the internal audit provider (subject to the comments of management and approval of Members) and have an enormous range of possibilities with respect to the areas that could be examined. The attached document represents the currently proposed responses to the risks assessed at the Council.

Consultation

10. We circulated an initial draft to Heads of Service and Directors across the four authorities (and including Heads of Shared Services) in January ahead of individual meetings to discuss proposed projects in their areas. We also met the relevant Cabinet Member to discuss proposed areas of audit examination. Those meetings have now taken place and the attached represents an adaptation of the original draft reflecting comments received.

11. The overall resource allocation was included in a paper to Shared Service Board in early January and received no comment.

Conclusion and Next Steps

12. The appendix to this report sets out the 2017/18 audit plan in fulfilment of the Standards. If the plan is endorsed as outlined, the next step will be for us to write to each Head of Service to communicate the audit projects in their service areas for the year.

13. We will continue to consider and, where necessary, reflect in the plan responses to changes in the Councils' risks and priorities. Progress against the plan will be reported to Members midway through the year.

Portfolio Holder's Views

14. The portfolio holder with responsibility for audit is a member of this Committee and was consulted as part of the planning process.

Contact & Email

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Internal Audit & Assurance Plan 2017/18

Ashford Borough Council

ASHFORD
BOROUGH COUNCIL

Introduction

1. Internal audit is an independent and objective assurance and consulting service designed to add value and improve the Council's work. It helps the Council achieve its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance.

2. Statutory authority for internal audit lies within the Accounts and Audit Regulations 2015, specifically Regulation 5:

Internal audit

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

3. For Ashford Borough Council, its internal auditors are Mid Kent Audit; a four-way partnership including Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. The total service spend of the four authorities (£76m in 2016/17) makes us the fourth largest provider of audit services to English District Councils.

4. Since becoming a four-way partnership in April 2010, we have refreshed our collaboration agreement which now runs until March 2019. The agreements fixes our day-to-day supervision to a Shared Services Board including the Council's Head of Finance (s151 Officer). Also in 2015 we were the first local authority audit service assessed by the IIA as being in full conformance with the Public Sector Internal Audit Standards (the "Standards).

5. The Standards set out demands on the Head of Audit Partnership on compiling a plan of work to deliver that effective internal audit service to evaluate the Council's risk management, control and governance. The Standards[1] include:

2010 Planning

The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals.

[1] As described in the Audit Charter, at the Council "Chief Audit Executive" in the Standards is the Head of Audit Partnership. "Board" is the Audit Committee. "Senior Management" is the Executive Management.

Interpretation:

The chief audit executive is responsible for developing a risk-based plan. The chief audit executive takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation. If a framework does not exist, the chief audit executive uses his/her own judgment of risks after consideration of input from senior management and the board. The chief audit executive must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls.

> **Public sector requirement**
>
> The risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities.

2010.A1

The internal audit activity's plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.

2010.A2

The chief audit executive must identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinions and other conclusions.

2010.C1

The chief audit executive should consider accepting proposed consulting engagements based on the engagement's potential to improve management of risks, add value and improve the organisation's operations. Accepted engagements must be included in the plan.

2020 Communication and Approval

The chief audit executive must communicate the internal audit activity's plans and resource requirements, including significant interim changes, to senior management and the board for review and approval. The chief audit executive must also communicate the impact of resource limitations.

2030 Resource Management

The chief audit executive must ensure that internal audit resources are appropriate, sufficient and effectively deployed to achieve the approved plan.

Interpretation:

Appropriate refers to the mix of knowledge, skills and other competencies needed to perform the plan. Sufficient refers to the quantity of resources needed to accomplish the plan. Resources are effectively deployed when they are used in a way that optimises the achievement of the approved plan.

> **Public sector requirement**
>
> The risk-based plan must explain how internal audit's resource requirements have been assessed.
>
> Where the chief audit executive believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, the consequences must be brought to the attention of the board.

6. This document sets out that plan in fulfilment of the Standards' demands and to explain to the Committee our assessment of risk and response for 2017/18.

7. However, as the Standards make plain, our risk assessment and evaluation of the Council's priorities does not end with approval of this document. We will continue to reflect and consider our responses as the Council's risks and priorities may change across the year. We will report a specific update to Members around midway through the year. We may also consult with the Committee (or its Chairman) on any other significant changes should the need arise.

8. We must also clarify that our audit plan cannot address all risks across the Council and represents our best use of inevitably limited resources. In approving the plan, the Committee recognises this limit. We will keep the Committee abreast of any changes in our assessment of need as we oversee the risks posed to the Council. In particular we will undertake a full evaluation of need during each annual planning round.

Available Resources and Evaluation

9. Based on anticipated personnel and productivity within the audit team for 2017/18 we expect to have **1,820** days available for completing audit plans across the four authorities. This is an increase of 110 days (7%) on 2016/17 and reflects a settled team in 2017/18, a continued increase in productivity as trainees gain experience and the over-performance of management time against forecasts for 2016/17.

10. As agreed by Shared Service Board in late 2014, the total days are allocated between the partners in line with their financial contribution to the Partnership's costs (which are set out in our collaboration agreement). Note that projects examining shared services are split between authorities.

Category	2016/17	2017/18
Total contracted days available (i.e. total working days less leave entitlements)	2,435 (11.2fte)	2,521 (11.6fte)
Forecast chargeability (i.e. %age of time spent on plan work rather than admin, training, personnel management &c)	70.2%	72.2%
Audit days available (i.e. total days available x chargeability)	1,710	1,820
Ashford Borough Council (23%)	**395**	**420**
Maidstone Borough Council (29%)	500	530
Swale Borough Council (26%)	440	470
Tunbridge Wells Borough Council (22%)	375	400

11. Therefore the total Mid Kent Audit service share to Ashford BC in 2017/18 is **420 days** an increase of 25 days from the 2016/17 level. Guidance within the Standards sets out various factors Heads of Audit must consider when evaluating whether the resources available – in quantity and ability – are enough to fulfil responsibilities.

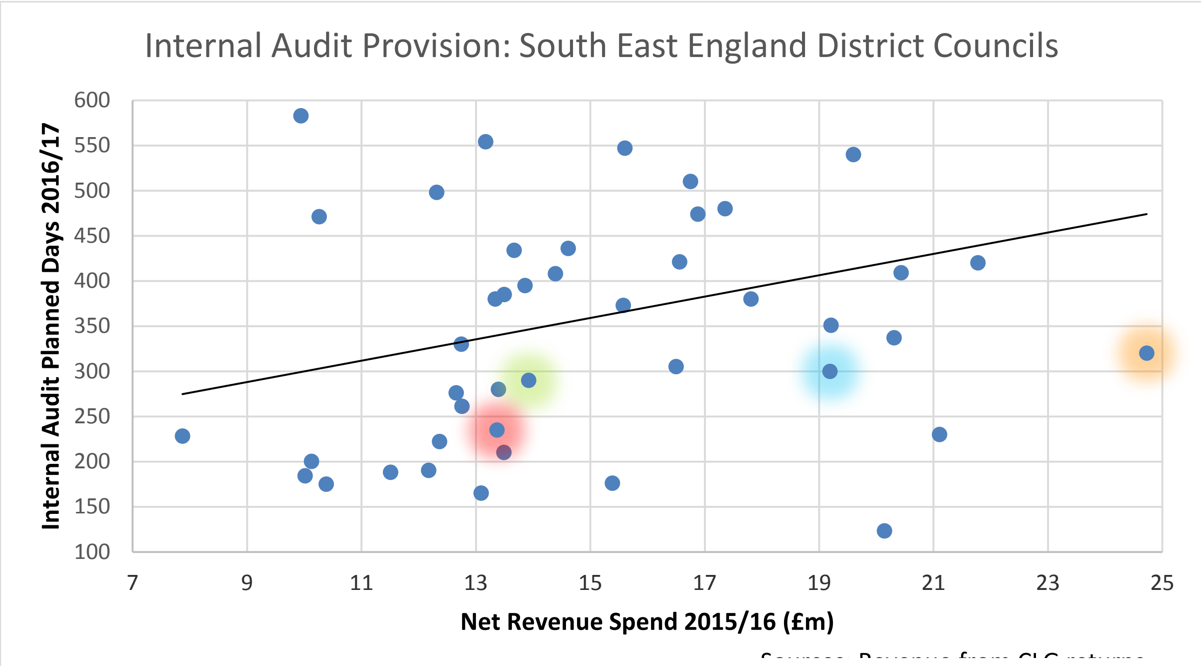
12. We present that analysis on the following page:

Audit Resource Evaluation 2017/18			
Step	**Question to consider**	**Response**	**Resource Indication**
1	Did you have sufficient resource to complete your prior year plan?	Yes, anticipated fulfilment of 395 audit days (282 days, or 71% complete at end of January), including flexibility to address new areas of risk arising in year.	No change
Changes to the Organisation			
2	How has the size of the organisation changed?	No significant change	No change
3	How has the complexity of the organisation changed?	Subsidiary companies add to business complexity but no immediate impact for extent of internal audit coverage.	No change
4	How has the risk appetite of the organisation changed?	While not formally documented as yet, our risk work over the course of the year indicate the Council is increasingly willing to take on (or support) more ambitious projects to realise its goals.	Marginal increase in audit resource required
5	How has the risk profile of the organisation changed?	Continuing external threats such as challenging funding environment and diversifying responsibilities suggest a greater risk profile.	Marginal increase in audit resource required
6	How has the organisation's control environment changed?	No significant new changes to control environment and continued good outcomes to financial audits.	Less audit resource required
Changes to the Audit Service			
7	What was the outcome of the QAIP/EQA?	Full conformance	No change
8	What changes have there been to audit professional standards and guidance?	Some minor changes on the role of CAE in broader assurance opens up possibilities the Council is keen to explore by expanding our involvement particularly in risk management processes.	Marginal increase in audit resource required
9	What efficiencies have there been within the audit service?	Embedding of new audit manual during 2016/17 and continued growth in experience leading to efficiencies. Also note we have largely cleared backlog work and so will be in a position to begin 2017/18 plan relatively early in comparison to previous years.	Less audit resource required.

13. There is no definitive guidance on the level or quality of audit needed to deliver a robust internal audit opinion. KPMG's Audit Committee Institute Handbook – a guide aimed at Committees of FTSE250 companies – cites an average for companies with revenue of less than £400m of audit costs being 0.37% of revenue cost.

14. Considered across the Partnership, the equivalent figure at Mid Kent Audit is around 0.52% based on total net service spend[2] across the councils of £76m. However, a local authority offers a breadth of services compared with a listed company. We must also consider the special governance needs on public money and that – even taken together – the four authorities are at the smaller end of that scale. Therefore, we're satisfied the benchmark suggests a reasonable audit provision.

15. Another benchmark is to examine the levels of audit provision at similar authorities. The chart below plots net revenue spend against number of audit days (excluding ancillary roles) on the plan for each non-metropolitan district council in South-East England. We highlight the four Mid Kent authorities (Ashford in green).



Sources: Revenue from CLG returns, audit days from published IA plans

16. While there is not a strong correlation between size and audit days (prior year audit days is the single strongest predictor), there is a general tend towards larger authorities having greater audit provision. By that marker all four Mid Kent Authorities lie below the trendline but there are a (smaller) number of authorities who provide an audit opinion for fewer days.

17. In conclusion, we feel on current assessment the Audit Partnership has enough resources in both quantity and ability to deliver the audit plan and a robust overall audit opinion.

[2] We've used net service spend rather than gross to remove large bulk costs such as Housing Benefits which are (largely but not entirely) reimbursed by Government and have separate certification arrangements.

Other Assurance Work

18. Beyond direct assurance projects, we have various responsibilities and work in supporting the Council's governance. These include roles in counter fraud, risk, training (for officers and Members) and other consultancy work. We consider how much of the available time we are likely to need for those tasks by anticipating known work scheduled for 2017/18 and considering results for the year.

Other Assurance Work	2016/17 Plan Days	2016/17 Outturn (to Jan-17)	2017/18 Plan Days
Risk	20	9	35
Counter Fraud	0	1	5
Member Support	6	12	15
Follow-Up	30	32	30
Audit Planning	0	11	10
Contingency	22	22	35
Total Other Assurance Work Days	**78**	**84**	**130**
Days In Audit Plan	395	395	420
Days Remaining for Assurance Projects	**317**	**311**	**290**

19. We provide more details below in turn on each area of other assurance work.

Risk

Description of current role and specific tasks in 2016/17	Anticipated role and specific tasks in 2017/18
After advising on compilation of a new framework our role for 2016/17 has been one of support and ad-hoc training and advice as the Council seeks to implement the new approach across its business.	At request of management we will be working more closely with the Council to continue the advancement of the risk management process. This will include co-ordinating risk monitoring and reports similar to our role at the partner authorities. Our Charter sets out our independence considerations in taking this role.
Resource evaluation requirement for 2017/18	In anticipation of expanded role, increase to 35 days for 2017/18. This is consistent with budgetary requirements for roles of similar extent elsewhere.

Counter Fraud

Description of current role and specific tasks in 2016/17	Anticipated role and specific tasks in 2017/18
The Council has a well established counter fraud team which leads on policy creation, training, investigation and NFI. Our role has been consultative and operating as a path for people to raise concerns of a whistleblowing or money laundering nature (though none in 2016/17).	No change anticipated in 2017/18 although we expect at some stage in the year CIPFA will issue Counter Fraud Standards for local government. In consultation with the Council's fraud team we will reconsider our role as and if appropriate.
Resource evaluation requirement for 2017/18	Five budget days allocated in recognition of potential of the role, although its use will be heavily dependent on demand.

Member Support

Description of current role and specific tasks in 2016/17	Anticipated role and specific tasks in 2017/18
We attend each Committee and present to most, including taking part in Chairman's briefing and agenda setting meetings ahead of each Committee. We also provide Member training and briefings on areas of Committee interest, at the request of Members.	We will continue and expand, where possible, the range of Member briefings in 2017/18. This may be relevant to help publicise our expanded role in risk, for example.
Resource evaluation requirement for 2017/18	Move to 15 days in recognition of 2016/17 anticipated outturn

Follow-Up

Description of current role and specific tasks in 2016/17	Anticipated role and specific tasks in 2017/18
During 2016/17 we have been tracking over 50 risk-rated audit recommendations.	We continue to enjoy, in general, a good response from officers on implementation and do not expect any significant change in the number or range of recommendations.
Resource evaluation requirement for 2017/18	Retain at 30 days. Outturn in 2016/17 has reflected extended and repeated follow up on some high priority recommendations we do not anticipate recurring in 2017/18.

Audit Planning

Description of current role and specific tasks in 2016/17	Anticipated role and specific tasks in 2017/18
Extensive risk assessment, review and consultation involved in putting together the annual audit plan. Planning for individual audit projects is within the budget of each project.	As the second year in our planning cycle, the extent of risk assessment needed will reduce.
Resource evaluation requirement for 2017/18	Recognise as a separate task with 10 days in 2017/18, noting reduced scope of risk assessment.

Contingency

Description of current role and specific tasks in 2016/17	Anticipated role and specific tasks in 2017/18
Time reserved in the budget for extra tasks arising. In 2016/17 this has included, for example: - extending scope of audit reviews - advice on procurement compliance - consultation on project management - other general advice and guidance requests. This section also includes around 12 days of work for external clients, producing income in cash and kind for the Partnership of around £8k.	We have no specific projects identified in 2017/18. Should any tasks need the form of an audit project we will add them to the plan and advise the Committee.
Resource evaluation requirement for 2017/18	In line with good practice elsewhere we aim to achieve 10% contingency except where reduced by specific known and budgeted projects (as was the case in 2016/17). For 2017/18 we can restore contingency closer to a 10% level.

Project Risk Assessment

14. The Standards demand we base our plan on a documented risk assessment, and consider views of senior management. We fulfil this through the process outlined:

Opening Risk Review
Considering the key risks and strategic priorities across the four authorities (+MKS)

Generates list of potential projects to which we add...

Service Risk Review
Starting with a list of all services (the *Audit Universe* – that we aim to cover completely over 4 years) assessing the audit risk of each service considering:
1. Finance risk (e.g. spend)
2. Priority risk (e.g. role in delivering council priorities)
3. Fraud risk
4. Oversight risk (e.g. whether the service is reviewed by other agencies)
5. Change risk (e.g. recent voluntary or imposed changes to how it works)
6. Audit knowledge (e.g. conclusions of our recent work in the area)

Generates further list of potential projects to which we add...

Finance/Governance Risk Review
Starting with a list of core financial systems (that we aim to cover in alternate years) and key governance areas (on a 3 year coverage), we re-consider those areas due in year against our audit knowledge of the area and previous findings

Results in...

Draft Project List
Working list of potential projects to consult on with senior officers

15. We then undertook extensive consultation with Heads of Service and Senior Management across the Council. That consultation has produced the list of audit assurance projects detailed on the next page..

2017/18 Operational Audit Plan: Assurance Projects List

Project Title & Indicative Scope	Plan Days
Core Finance Reviews	
Accounts Payable - *To review and test operational controls within the accounts payable system*	10
Housing Benefits - *To review and test process changes, including payments and overpayments*	15
Payroll - *To review and test process changes, including starters and leavers*	12
Rent Accounting - *To document process for rent accounting and test key controls*	15
Treasury Management - *To review compliance with CIPFA Code and Finance Procedure Rules*	10
Governance Reviews	
Freedom of Information - *To review processes for legislative compliance and efficiency*	15
IT Disaster Recovery - *To consider effectiveness of IT backup and recovery arrangements*	15
Project Management - *To review compliance with project management toolkit and best practice*	15
Operational Reviews	
ABC Lettings - *To review lettings service operation including fees and charges administration*	15
Building Control - *To examine controls around income including discretionary fees*	12
CCTV - *To review provision to external clients, including LifeLine*	12
Contract Management - *To consider against a checklist of good quality contract management an overview of how contracts are managed at the authority*	15
Development Management - *To review processes and controls for planning enforcement (held from 2016/17)*	15
Food Safety - *To examine controls working to ensure legal compliance, including operation of establishment food hygiene ratings*	15
Grounds Maintenance - *To review service operation including health and safety compliance, use of fuel cards and asset management*	15

Project Title & Indicative Scope	Plan Days
Home Improvement Grants - *To examine administration and controls around distributing grants for home improvement (including disabled facilities grants)*	15
Insurance - *To review identification and management of insurance risks and claims handling*	10
Recruitment - *To review compliance with recruitment procedures*	10
Residents' Parking - *To review administration of permits and income handling*	12
Single Grants Gateway - *To review award and monitoring of grant funding*	10
Workforce Planning - *To review approach to workforce planning, including recruitment and retention and need evaluation*	15
Cross Authority Reviews[3]	
Corporate Governance - *To consider one or more areas in the Corporate Governance Code*	5[3]
Financial Planning - *To consider how each authority undertakes medium to long-term financial planning and review, learning from NAO work in the area*	7[3]
Independent Review	
Risk Management - *To review effectiveness of risk management. Review from the Head of Audit of Medway Council in exchange for Mid Kent Audit delivering Introduction to Internal Audit Training to the Medway team*	0

[3] Reviews not of shared services, but parallel reviews of similar work undertaken at two or more authorities resulting in a single output report

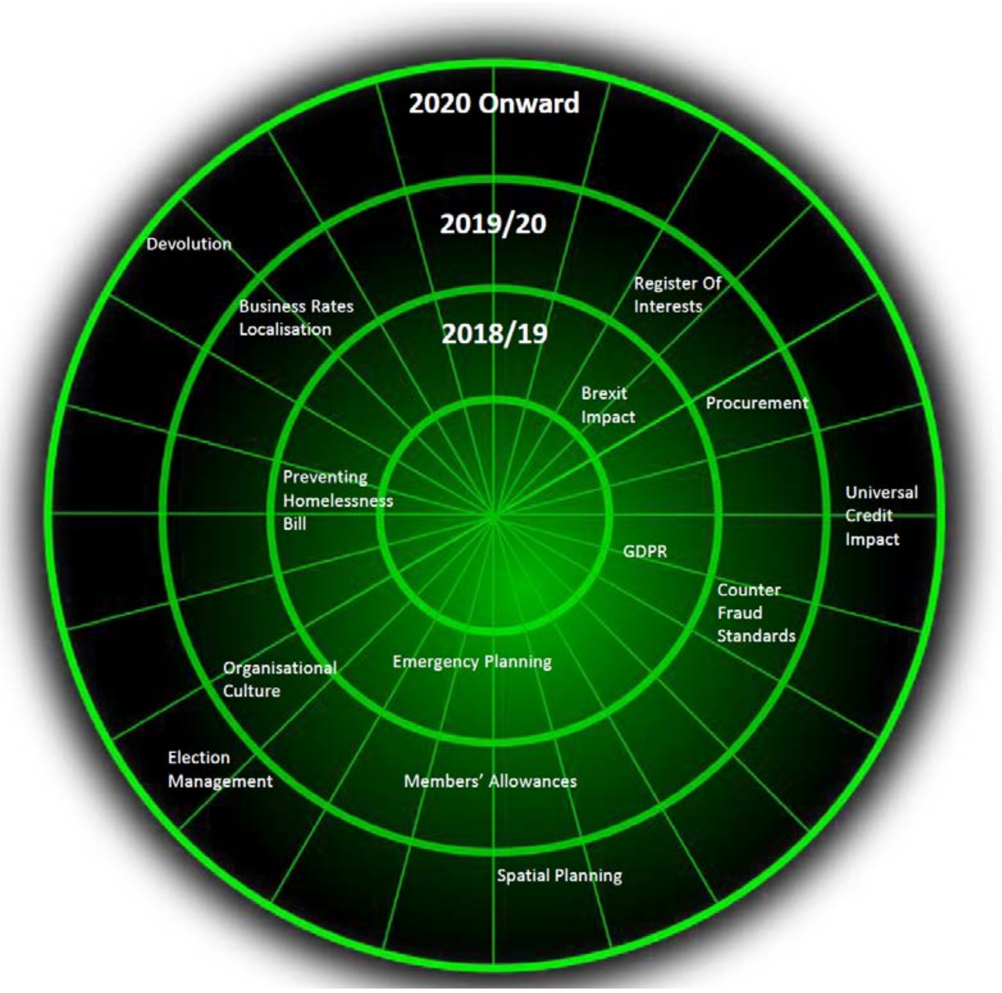
2017/18 Audit & Assurance Plan: Overall Summary Ashford BC

Work Type	Plan Days	Planned Reports
Core Financial Systems	62	5
Corporate Governance	45	3
Operational Reviews	171	13
Cross Authority & Independent Reviews	12	3
Total Project Work	**290**	**24**
Risk	35	2 (biannual to Members)
Counter Fraud	5	n/a (in annual reporting)
Member Support	15	2 (biannual to Members)
Follow-Up	30	4 (quarterly to Management)
Audit Planning	10	1 (annual to Members)
Contingency	35	n/a
Total Non-Project Work	**130**	**9**
Total Audit & Assurance Plan 2017/18	**420**	**33**

Beyond 2017/18 – Other Issues on Audit's Radar

16. During our planning and risk assessment we considered several areas where direct review was not suitable for 2017/18. Sometimes this is because the relatively low risk allows for longer period between reviews. In others we are aware of forthcoming changes to the service or environment that make review in 2018/19 or later more useful. In other cases we rely on our cyclical approach to scheduling reviews which happens to omit 2017/18.

17. The chart below shows some areas we expect to feature in planning in future years. At the beginning of each year we will consider afresh audit resource availability and risks when considering which areas to include in our planning. However, these are also areas we keep under review and so potentially examination could come forward if risks change.



18. We include a full listing of areas of audit interest (the "audit universe") in appendix A.

Delivering Audit Work

19. The risk-based approach taken to forming the plan integrates with our approach to individual projects. Besides any specific objectives agreed with the audit sponsor when drawing up the audit scope, each project considers the strategies, risks and objectives relevant to the service area under review. This includes identifying, and agreeing with management, suitable evaluation criteria to judge how well an area performs.

20. We will conduct each review in line with our standard audit method aligned to the Standards. Our Audit Charter sets out roles and responsibilities for successful delivery of audit projects. Members of this Committee approved the Charter in March 2016.

21. Each review results in an assurance rated report, giving our view on whether the particular area is performing effectively. We will keep these rating levels consistent with our reviewed approach adopted first in 2014/15. We include details of the assurance levels in this report at appendix C.

22. We will also, where fitting, recommendation for improvements. We grade our recommendations as set out in appendix C and follow them up when due for action. Where we find officers have not acted on a recommendations and so left the Council at risk we report first to the Management Team. Also, the Audit Committee may demand that Senior Managers responsible for services that consistently fail to address audit recommendations attend to provide further explanation to Members.

23. Our plan also recognises the broader assurance work we deliver using our experience and expertise to aid the Council in pursuit of its priorities. We undertake this work in line with the arrangements set out in the Charter, in particular with those safeguards aimed at preserving our independence and objectivity.

24. Typically, our broader assurance work will not result in an assurance graded report but rather an alternative format relevant to the engagement agreed with the work's sponsor. In any event, we will tell the Committee results of other assurance work through our interim and year end reports.

Monitoring Delivery

25. We undertake our audit work against our standard audit approach, assessed in our EQA as consistent with the Standards. Also we adhere to the IIA's Code of Ethics and the roles and responsibilities set out in the Charter.

26. As part of this approach we are careful to ensure the quality and consistency of our work. With individual audit projects, each undergoes internal review focusing on each stage from compilation of the original brief, through completion of fieldwork and last our reporting.

27. We undertake broader quality assurance of our work as detailed in our annual reports which include a full self-assessment against the Standards.

28. The Audit Shared Service Board also oversees our work each quarter. Ben Lockwood is Ashford's representative on the Board. The Board receives performance and financial reports on the progress of the service. This includes the set of performance indicators noted below, and we also report results to the Committee twice a year.

29. We also continue to develop and strengthen the professional expertise and experience of our audit team. In 2017/18 we will have four members of the team studying for professional qualifications to add to the nine already held across the team. We include more details about the audit team and the work to support and their development within appendix B.

Performance Indicator Set 2017/18

- Cost per audit day
- % Projects completed on budget
- % Chargeable days
- PSIAS conformance
- % Projects completed on time
- % Draft reports on time
- % Satisfied with assurance
- % Final reports on time
- % Satisfied with auditor conduct
- % Implemented recommendations
- % Exam success
- % Satisfaction with auditor skill

Appendix A: Audit Universe

The table below sets out, in headline, the "audit universe", comprising the recurring range of areas of potential examination by internal audit at Ashford BC. The review areas noted will have specific scopes beneath which cover a broad and shifting range of specific topics. For example a "payroll" review may examine statutory deductions in one year, starter and leaver procedures in another, expenses and special payments in another and so on. So the scope of the audit may be broader or narrower than suggested by the title alone.

The table includes only the assurance rated reviews where we reported results to Members. It therefore excludes our advice, consultancy and follow-up work.

Last, the table excludes assurance work undertaken as one-off exercises where we do not expect a repeat review in the near to medium term.

A final note that in 2014/15 we changed our assurance ratings to the scheme detailed at Appendix C. Previously, our scale ran (from greatest to least assurance): High – Substantial – Limited – No Assurance. Although there are important differences in the detailed definitions, as a broad analogy these map to our current scale so we have employed a consistent colour scheme between the two scales.

Review Area	Last Reported: Date	Last Reported: Rating	Planned Next Review	Notes
Freedom of Information	2007/08	Limited	2017/18	Sequencing may vary depending on legislative change
Recruitment	2008/09	Limited	2017/18	Elements previously examined in payroll reviews, but no specific analysis of procedural compliance
Building Control	2009/10	Substantial	2017/18	
Residents' Parking	2009/10	Substantial	2017/18	
Grounds Maintenance	2010/11	Limited	2017/18	Previously scheduled for 2015/16 but delayed pending decision on bringing service in-house
Food Safety	2011/12	Substantial	2017/18	
Home Improvement Grants	2011/12	Substantial	2017/18	
Insurance	2011/12	Substantial	2017/18	
Treasury Management	2011/12	Substantial	2017/18	
CCTV	2012/13	Substantial	2017/18	

Review Area	Last Reported: Date	Last Reported: Rating	Planned Next Review	Notes
Contract Management	2014/15	Sound	2017/18	Individual contracts examined from time to time, this is a more general review of approach
Development Control	2014/15	Substantial	2017/18	
Housing Benefits	2014/15	Strong	2017/18	
ICT Disaster Recovery	2014/15	Weak	2017/18	Followed-up extensively through 2015/16 and 2016/17
Housing Rents	2015/16	Sound	2017/18	
Budget Management	2016/17	tbc	2017/18	
Corporate Governance	2016/17	N/A	2017/18	
Creditors	2016/17	tbc	2017/18	
Payroll	2016/17	tbc	2017/18	
Project Management	2016/17	N/A	2017/18	
Grant Giving			2017/18	Individual grants examined previously, this will review overall process at the Council
Lettings			2017/18	Previously examined as part of allocations, separate review focussing on ABC lettings
Workforce Planning			2017/18	Individual elements (e.g. recruitment) reviewed but this work has broader scope on planning
Emergency Planning	2007/08	Substantial	2018/19	
Complaints	2008/09	Limited	2018/19	
Credit Cards	2008/09	Substantial	2018/19	Limited spend, likely to be part of creditors rather than specific review
Land Charges	2011/12	Substantial	2018/19	May change timing depending on Land Registry plans
Section 106 Agreements	2012/13	Substantial	2018/19	Will examine broader planning gains
VAT Management	2013/14	Limited	2018/19	Limited risk given changes to partial exemption. Likely to be part of creditors rather than specific review
Cemeteries	2014/15	Sound	2018/19	
Health & Safety	2014/15	Substantial	2018/19	Have reviewed elements in services, this will review general approach
Housing Allocations	2014/15	Substantial	2018/19	May vary timing depending on impact of Homelessness Prevention Bill currently in Parliament
Waste Collection	2014/15	Limited	2018/19	Also followed up through 2015/16

Review Area	Last Reported: Date	Last Reported: Rating	Planned Next Review	Notes
Car Parking	2015/16	Strong	2018/19	Will consider cash and electronic payment methods
Data Protection	2015/16	Weak	2018/19	Also followed up through 2016/17. Timing may vary depending on GDPR requirements
Safeguarding	2015/16	Weak	2018/19	Also followed up through 2016/17
General Ledger	2016/17	tbc	2018/19	
ICT Security	2016/17	tbc	2018/19	
Pest Control	2013/14	Substantial	2019/20	
Licensing	2014/15	Strong	2019/20	
Register of Interests	2014/15	Sound	2019/20	Timed to include examining arrangements for new Members
Debtors	2015/16	Sound	2019/20	
Homelessness	2015/16	Strong	2019/20	May vary timing depending on impact of Homelessness Prevention Bill currently in Parliament
Housing Maintenance	2015/16	Strong	2019/20	
Training & Development	2015/16	Strong	2019/20	
Banking	2016/17	tbc	2019/20	
Business Continuity	2016/17	Sound	2019/20	
Business Rates	2016/17	tbc	2019/20	
Council Tax	2016/17	Strong	2019/20	May vary depending on CTRS developments
Customer Services	2016/17	Sound	2019/20	
ICT Development & Support	2016/17	Sound	2019/20	
Members' Allowances	2016/17	Sound	2019/20	Will consider arrangements for new Members
Procurement	2016/17	Sound	2019/20	May vary timing depending on legislative changes
Property Income	2016/17	tbc	2019/20	May vary timing if income levels change significantly
Spatial Planning	2009/10	High	2020/21	Timing may vary depending on local plan inspection timetable
Communications	2016/17	tbc	2020/21	
Counter Fraud	2016/17	tbc	2020/21	May vary depending on CIPFA Counter Fraud Standards
Democratic Services	2016/17	Sound	2020/21	May bring forward to align with new Members in 2019

Review Area	Last Reported: Date	Last Reported: Rating	Planned Next Review	Notes
Elections & Registration	2016/17	Strong	2020/21	Will consider timing around General Election 2020
Equalities	2016/17	Sound	2020/21	May vary timing dependent on legislative changes
Street Cleansing	2016/17	Sound	2020/21	
Subsidiary Company Governance	2016/17	tbc	2020/21	May bring forward if company arrangements vary significantly
Tourism	2016/17	N/A	2020/21	

Appendix B: Team Biographies

Management

Rich Clarke CPFA ACFS (Head of Audit Partnership): Rich became head of the audit partnership in April 2014 joining from KPMG. At KPMG he had various internal and external audit clients across the public sector including LB Islington, Woking BC, East Kent Hospitals University NHS Trust, the Foreign and Commonwealth Office and the Civil Aviation Authority. Rich is a Chartered Accountant (CPFA) and during 2015 undertook and passed further study to become an Accredited Counter Fraud Specialist (ACFS). Rich is also UK Local Government representative on the Internal Audit Standards Advisory Board, the body charged with updating the Public Sector Internal Audit Standards. In 2016 Rich also began ancillary work as a CIPFA associate, delivering training on CIPFA's behalf across the country on managing and improving internal audit teams. In addition, Rich is Chairman of the Kent Audit Group and an Executive Board Member of the London Audit Group, both groups comprising Heads of Audit from across the public sector.

Russell Heppleston CMIIA (Deputy Head of Audit Partnership): Russell started working for the Maidstone / Ashford partnership in November 2005, and continued his role as Auditor for the Mid Kent Audit Service on its creation in 2010. He progressed through professional qualifications with the Institute of Internal Auditors (IIA) to achieve both Practitioner and Chartered member status. Russell became Audit Manager for Swale and Maidstone in 2013, and later Deputy Head of Audit Partnership in the 2015 restructure. Russell is studying the International Diploma of Risk Management with the Institute of Risk Management.

Frankie Smith CMIIA (Audit Manager – Swale & Tunbridge Wells): Frankie Smith has worked in internal audit for 16 years, starting as an auditor at Maidstone Borough Council. During this time Frankie has completed audits at Ashford, Maidstone, Swale and Tunbridge Wells. Frankie achieved Chartered Auditor (CMIIA) status in August 2015 and became that same month Audit Manager at Swale and Tunbridge Wells.

Alison Blake ACCA, CIRM (Audit Manager – Ashford & Maidstone): Alison joined the internal audit partnership in 2012 and took on the role of Audit Manager in January 2016. Before this Alison worked for South Coast Audit for 7 years where she undertook internal audit work across various NHS clients in East Kent. During Alison's career she has completed a wide range of audit work with the aim of supporting the in achieving their objectives and the objectives of the organisation as a whole. In 2014 Alison achieved the Certificate qualification from the Institute of Risk Management.

Senior Auditors

Mark Goodwin ACFT (Senior Auditor): Mark joined Ashford Borough Council in January 1999 having previously worked at Maidstone Borough Council in an audit role. He was a founder member of the Ashford and Maidstone Internal Audit Partnership before this developed into the four-way Mid Kent Audit Partnership in April 2010. He is an experienced auditor who has audited extensively the full range of council services across various local authorities. Mark achieved the Accredited Counter Fraud Technician (ACFT) designation from CIPFA in March 2016.

Claire Walker (Senior Auditor): Claire joined the audit partnership in September 2010, and has wide experience in various areas. These include Local and Central Government, Arts, Broadcasting, Financial Services, NGOs and Not for Profit Sector, also Lottery Fund distribution and associated grant making programmes. Claire delivered some training and mentoring projects for the FCO, DFID and the World Bank as well as work on European Social Fund projects. Within Local Government Claire has undertaken a wide range of audits with a focus on legal compliance, contracts and governance arrangements. Other audit experience covers outsourcing functions, due diligence, and fraud investigations.

Jo Herrington PIIA CIA (Senior Auditor): Jo joined the audit partnership on 30 September 2013. Before this Jo worked for Gravesham BC for nearly nine years where she gained experience of working in the Finance department and the Revenues department before settling in the Internal Audit team in September 2009. As part of the Internal Audit team she gained broad experience conducting audit reviews, as well as involvement in working groups across the authority. Jo became Senior Auditor in 2015 and has since gained qualifications as a Practitioner of the Institute of Internal Auditors (PIIA) in October 2015 and as a Certified Internal Auditor (CIA) in June 2016.

Jen Warrillow PIIA (Senior Auditor): Jen joined Mid Kent Audit in September 2013 from Kent County Council where she trained as an Internal Auditor. She undertook a wide range of audits including financial, governance and grant funding internally for the Council and externally for Parish Councils. Jen was previously an investigator at Swale BC and then moved on to Tonbridge & Malling BC. Having recently returned from maternity leave, she is now studying to become a Chartered Member of the Institute of Internal Auditors. Jen became a Senior Auditor in 2015.

Auditors

Paul Goodwin AAT (Auditor): Paul started with Tunbridge Wells Borough Council over 25 years ago, and has since worked mainly in Internal Audit. Paul is a qualified Accounting Technician.

Andy Billingham (Auditor): Andy joined the Partnership in December 2015. He had previously worked for Swale Borough Council for 10 years within the Revenues and Benefits department. During this time, he gained extensive knowledge of local government, dealt with complex disputes and represented the authority at Tribunals. Andy holds a degree in History as well as an Institute of Revenue Rating and Valuation qualification. He is studying towards the Certified Internal Auditor (CIA) qualification.

Trainee Auditors

Ben Davis (Trainee Auditor): Ben joined the team in March 2015 as a trainee auditor. He holds a degree in Modern History from UEA and has previous experience in finance teams in the private and voluntary sectors. Ben began training towards achieving a professional qualification through the Chartered Institute of Public Finance and Accountancy (CIPFA) and has progressed successfully through the qualification. He aims to achieve the full professional qualification in mid 2018.

Louise Taylor (Trainee Auditor): Louise joined the team in November 2015 as audit team administrator and became a trainee auditor in August 2016. Louise had previously worked in the Planning department of Maidstone Borough Council and has extensive experience working with local authorities. In early 2017 Louise began training to become a Certified Internal Auditor (CIA) with the Institute of Internal Auditors (IIA). She also holds an MA in Planning, Policy and Practice and a degree in Human Geography.

The Audit Team Administrator role is vacant but we plan to recruit in April 2017.

Appendix C: Assurance & Recommendation Ratings

Assurance Ratings 2017/18 (unchanged since 2014/15)

Full Definition	Short Description
Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any, recommendations and those will generally be priority 4.	Service/system is performing well
Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.	Service/system is operating effectively
Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.	Service/system requires support to consistently operate effectively
Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.	Service/system is not operating effectively

Recommendation Ratings 2017/18 (unchanged since 2014/15)

Priority 1 (Critical) – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

Priority 2 (High) – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council's aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

Priority 3 (Medium) – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

Priority 4 (Low) – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

Advisory – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.

Agenda Item No:	9
Report To:	Audit Committee
Date of Meeting:	21st June 2017
Report Title:	External Audit Plan
Report Author & Job Title:	Grant Thornton
Portfolio Holder Portfolio Holder for:	N/A

ASHFORD
BOROUGH COUNCIL

Summary:

The attached audit plan sets out the planned work to be completed over the coming year by the Council's external auditors.

The Report discusses some of the factors facing the Council that the audits will look to cover in their work program. Members are advised to read the report in conjunction with the reports elsewhere on the agenda that deal with the Councils Strategic Risk Register and the Presentation of the Financial Statements.

The report highlights the impact of the Apprentice Levy, for the Council this is expected to be circa £50,000 and officers are looking at ways of securing funding from the scheme to support the training and development of apprentices.

Key Decision:	NO
Significantly Affected Wards:	None
Recommendations:	**The Audit Committee is recommended to:-** **I. Note the Audit Plan**
Policy Overview:	Questions for members to consider are - Does the plan seem to you a proper response to the Council s risks? - Are you satisfied that audit have the right resources, both in capacity and capability? - Are there any areas you expected to see with audit coverage?
Financial Implications:	The report includes the fee estimates for the work which are in line with budget expectations.
Legal Implications	N/A
Equalities Impact	N/A

Assessment

Other Material Implications:	N/A
Exempt from Publication:	**NO/**
Contact:	Ben.lockwood@ashford.gov.uk – Tel: (01233) 330540

Grant Thornton

The Audit Plan for Ashford Borough Council

Year ended 31 March 2017

21 March 2017

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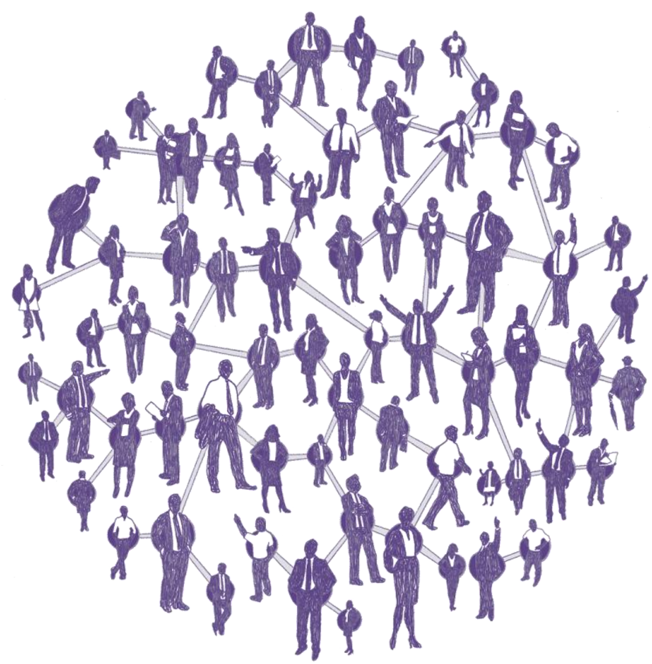

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21 March 2017

Dear Members of the Audit Committee

Audit Plan for Ashford Borough Council for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Ashford Borough Council, the Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

-give an opinion on the Council's financial statements
-satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for yourbenefit. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We look forward to working with you during the course of the audit.

Yours sincerely

Elizabeth Jackson

Engagement Lead

Contents

Understanding your business and key developments

Developments

Autumn Statement

The Chancellor detailed plans in the Autumn Statement to increase funding for Housing and Infrastructure, and further extend devolved powers to Local Authorities. No plans were announced to increase funding for adult social care.

Apprentice Levy

From April 2017, the way the government funds apprenticeships in England is changing. Some employers will be required to pay a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers. The levy will be payable on payrolls in excess of £3 million per year.

Each employer will receive one allowance to offset against their levy payment. There will be a connected persons rule, similar the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

Key challenges

Finance

The Council has identified a budget gap that it considers to be manageable for the next 2 years. Following a year of surplus generated by the income derived from the Elwick road scheme a further increasing gap, primarily driven by a return of inflation, will need to be managed.

Regeneration

One of the Council's key objectives is to maintain a thriving and prosperous economy within the district. To achieve this, the Council aims to deliver regeneration whilst ensuring its own financial sustainability. The reduction and eventual withdrawal of the Revenue Support Grant (RSG) will make this increasingly challenging.

Key performance indicators

Measure	Value	Trend
General Fund budget [Q2]	Breakeven	↔
HRA planned deficit [Q2]	£1,578k deficit	↑
Reserves [Q2]	£11.7m	↑

Financial reporting

CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced .The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year.

The Council is already well placed to deliver this objective as the audit opinion was issued on 28 July in 2016.

Our response

- We will discuss with you your progress in managing your financial challenges and in implementing the Apprentice Levy as part of our ongoing updates with officers on key issues.
- We aim to complete all our substantive audit work of your financial statements by 30 June 2017.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £1,753k (being 2% of gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £88k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have not identified any separate materiality levels.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Ashford Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Ashford Borough Council, mean that all forms of fraud are seen as unacceptable Therefore do not consider this to be a significant risk for Ashford Borough Council.
Management over-ride of controls	Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	**Work planned:** • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Reasonably possible risks	Description of risk	Audit procedures
Operating expenses	Year end creditors and accruals are understated or not recorded in the correct period.	**Work already performed :** • We have identified the system controls and walked through the operating expenses system **Work planned:** • Testing the reconciliation of operating expenditure recorded in the general ledger to the subsidiary systems and interfaces • Cut off testing to assess whether transactions are recorded in the correct period • Substantive testing of operating expenditure payments • Substantive testing of year end payable balances • Procedures to gain assurance that material goods and services received prior to the year are correctly accrued
Employee remuneration	Employee remuneration accruals are understated	**Work already performed :** • We have identified the system controls and walked through the operating expenses system **Work planned:** • Testing the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces • Trend analysis and risk identification for monthly payroll costs • Complete substantive testing of payroll payments, assessing whether payments are made in accordance with the individual's contract of employment and deductions are correctly calculated • Testing to confirm the completeness of payroll transactions and appropriate cut-off

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

We have also identified the following risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Reasonably Possible Risks	Description	Audit procedures
Valuation of property, plant and equipment	Revaluation measurements not correct. The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.	**Work completed to date:** • A walkthrough of the council's processes and controls over this area to gain an understanding of these. **Work planned:** • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Property, plant and equipment additions	Property, plant and equipment activity not valid	**Work completed to date:** • A walkthrough of the council's processes and controls over this area to gain an understanding of these. **Further work planned:** • Test of significant movements in the year such as additions, depreciation, transfers and disposals to ensure that these amounts are valid. • Verification of the existence and ownership of material assets and a sample of those remaining.

Other risks identified (continued)

Reasonably Possible Risks	Description	Audit procedures
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.	**Work planned:** • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.
Other risks	**Description**	**Audit procedures**
CIPFA Code – 'Telling the Story'	New requirements in the CIPFA code require restatement of Comprehensive Income and Expenditure Statement (CIES) and Movement in Reserves Statement (MIRS), plus additional note disclosures	**Work planned:** • We will review restated CIES and MIRS • We will ensure all additional note disclosures are included correctly • We will carry out a comprehensive review of the draft financial statements for compliance with the CIPFA Code.

Other risks identified (continued)

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK and Ireland) 570). We will review the management's assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Heritage assets
- Welfare expenditure
- Cash and cash equivalents
- Borrowings and other liabilities (long and short term)
- Provisions
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Housing Revenue Account and associated notes
- Collection Fund and associated notes

Group audit scope and risk assessment

In accordance with ISA (UK and Ireland) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
A Better Choice of Property	Yes	• Targeted	• Fixed Assets	• Specific (targeted) scope procedures to be performed by the audit team

Audit scope:
Comprehensive – the component is of such significance to the group as a whole that an audit of the components financial statements is required
Targeted – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit
Analytical – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

Value for Money

Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out opposite:

Sub-criteria	Detail
Informed decision making	• Acting in the public interest, through demonstrating and applying the principles and values of sound governance • Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management • Reliable and timely financial reporting that supports the delivery of strategic priorities • Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions • Managing and utilising assets effectively to support the delivery of strategic priorities • Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	• Working with third parties effectively to deliver strategic priorities • Commissioning services effectively to support the delivery of strategic priorities • Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements
- the findings of other inspectorates and review agencies
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified one significant risk which we are required to communicate to you. This is set out overleaf.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will give by 17 July 2017.

Value for money (continued)

We set out below the significant risk we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Relevant sub-criteria	Work proposed to address
Management capacity The Council put in place succession plans to address the loss of Council knowledge and experience as senior managers retired or departed during the 2015/16 financial year. This a continual process for the Council as new roles are developed to ensure that all key roles are covered and the new management team works cohesively to drive the Council forward.	This relates to the Council's arrangements for planning, organising and developing the workforce effectively to deliver strategic priorities and managing risks effectively and maintaining a sound system of internal control.	We will review the implementation of the Council's succession plans to gain assurance over how the Council is identifying, managing and monitoring the impact of changes to the management team during the prior year to ensure arrangements are in place to deliver the Council's objectives.

Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements foreconomy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
    - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
    - issue of a report in the public interest; and
    - making a written recommendation to the Council, copied to the Secretary of State
- We certify completion of our audit.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	**Conclusion**
Internal audit	We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention. We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.	Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment. Our review of internal audit work has not identified any weaknesses which impact on our audit approach.
Entity level controls	We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including: • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
Walkthrough testing	We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.	Our work to date has not identified any weaknesses which impact on our audit approach.

Further interim audit work planned

The further elements of our interim audit work, which we will complete in our second visit in late March 2017, are set out in the table below:

	Work planned	Conclusion
Review of information technology controls	We will perform a high level review of the general IT control environment, as part of the overall review of the internal controls system.	We will report on our findings in our Audit Findings Report in July 2017.
Journal entry controls	We will review the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	
Early substantive testing	We plan to carry out testing on operating expenditure, employee remuneration, journal transactions and property plant and equipment in order to reduce the level of testing required at the final accounts visit.	

The audit cycle

The audit timeline

Key dates:

- Year end: 31 March 2017
- Close out: 30 JUNE 2017
- Audit committee: 11 JULY 2017
- Sign off: 17 July 2017

Audit phases:

- Planning December 2016
- Interim w/c 27 March 2017
- Final w/c 30 May 2017
- Completion June 2017
- Debrief August 2017

Planning – Key elements

- Planning meeting with management to inform audit planning and agree audit timetable
- Issue audit working paper requirements to management
- Discussions with those charged with governance and internal audit to inform audit planning
- Discuss draft Audit Plan with management
- Issue the Audit Plan to management and Audit Committee
- Meeting with Audit Committee to discuss the Audit Plan

Interim – Key elements

- Document design effectiveness of key accounting systems and processes
- Review of key judgements and estimates
- Early substantive audit testing
- Update on Value for Money arrangements
- Issue Progress report to management and Audit Committee

Final – Key elements

- Audit teams onsite to complete detailed audit testing
- Weekly update meetings with management
- Confirm Value for Money conclusion
- Audit of group reporting consolidation schedule

Completion – Key elements

- Issue draft Audit Findings to management
- Meeting with management to discuss Audit Findings
- Issue draft Audit Findings to Audit Committee
- Audit Findings presentation to Audit Committee
- Finalise approval and signing of financial statements and audit report
- Submission of WGA assurance statement
- Annual Audit Letter

Audit Fees

Fees

	£
Council audit	60,311
Audit of subsidiary company – A Better Choice for Property Limited (excl VAT)	10,000
Audit of subsidiary company – A Better Choice of Building Consultancy Limited (excl VAT)	6,000
Grant certification – Housing Benefit	10,650
Certification – Housing Capital Receipts return	2,000
Total audit and other fees (excluding VAT)	**88,611**

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team
- Regular Audit Committee Progress Reports

Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence. We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Ashford Borough Council. The following audit related and non-audit services were identified for the Council for 2016/17:

Fees for other services

Service	Fees £	Planned outputs
Audit related		
Certification of housing pooling capital receipts return	2,000	Certified return
Non-audit related		
Audit of subsidiary company – A Better Choice for Property Limited (excl VAT)	10,000	Audit opinion; interim and final findings reports
Audit of subsidiary company – A Better Choice of Building Consultancy Limited (excl VAT)	6,000	Audit opinion; interim and final findings reports

The amounts detailed are fees agreed to-date for audit related and non-audit services (to be) undertaken by Grant Thornton UK LLP (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

The above services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (https://www.nao.org.uk/code-audit-practice/about-code/). Our work considers the Council's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓

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Agenda Item No.

Audit Committee - Future Meetings

Date 21/03/2017			
Publish by 13/03/17			
Reports to Management Team by 16th February		**Council 20/04/17**	
1	Certification of Grant Claims – Annual Report	Gr Th (cover by ABC)	
2	Presentation of Financial Statements	MS	
3	Strategic Risk Management	KH/RC	
4	Annual Governance Statement – Progress on Remedying Exceptions	NC-P	
5	Internal Audit Charter 2017/18	RC	
6	Internal Audit and Assurance Plan 2017/18	RC	
7	External Audit Progress Report	Gr Th	
8	Report Tracker for Future Meetings	DS	

Date 15/06/2017			
Publish by 07/06/17			
Reports to Management Team by 18th May		**Council 20/07/17**	
1	An Early Look at the Statement of Accounts for 2016/17	MS	
2	Internal Audit Annual Report 2016/17	RC	
3	Annual Report of the Audit Committee 2016/17	RC	
4	Approval of Annual Governance Statement 2016/17	NC-P	
5	External Audit Progress Report	Gr Th	
6	Report Tracker for Future Meetings	DS	

Date 11/07/2017			
Publish by 03/07/17			
Reports to Management Team by 15th June		**Council 20/07/17**	
1	Statement of Accounts 2016/17 and the External Auditor's Audit Findings Report	Gr Th (cover by ABC)	
2	2016/17 Financial Statements – Letters of Assurance to External Auditors	BL	
3	Corporate Enforcement Support & Investigations Team Annual Report 2016/17	?	
4	The External Audit Work Plan for Ashford Borough Council and Scale of Fees 2017/18	Gr Th (cover by ABC)	
5	Report Tracker & Future Meetings	DS	

Date 28/09/2017			
Publish by 20/09/17			
Reports to Management Team by 17th August	**Council 19/10/17**		
1	Annual Governance Statement – Progress on Remedying Exceptions	NC-P	
2	Strategic Risk Management	KH/RC	
3	External Audit Progress Report	Gr Th	
4	Report Tracker & Future Meetings	DS	

Date 05/12/2017			
Publish by 27/11/17			
Reports to Management Team by 16th November	**Council 14/12/17**		
1	Annual Governance Statement – Progress on Remedying Exceptions	NC-P	
2	Annual Audit Letter 2016/17	Gr Th (cover by ABC)	
3	Internal Audit Interim Report	RC	
4	External Audit Progress Report	Gr Th	
5	Report Tracker & Future Meetings	DS	

13/2/2017