



To the Members of the Borough Council

Dear Sir/Madam

You are hereby summoned to attend a Meeting of the Ashford Borough Council, to be held in the Council Chamber - Ashford Borough Council on Thursday, 19th October, 2023 at 7.00 pm.

Yours faithfully

A handwritten signature in black ink, appearing to read 'T W Mortimer'.

T W Mortimer
Solicitor to the Council and Monitoring Officer

Agenda

Page Nos..

10. **Audit Committee Annual Report 2022/23**

3 - 12

13 October 2023

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Audit Committee

Annual Report 2022/23

Ashford Borough Council

An introduction from Chairman Cllr Larry Krause

As the Chair of the Audit Committee, it is my pleasure to introduce the annual report of the Committee's activity during 2022/2023. This report looks back and gives us the opportunity to reflect on the activity of the Committee during the year. I am pleased to confirm that the Committee has been able to discharge its responsibility to provide independent assurance on the adequacy of the Council's risk management framework and the associated control environment.

The Committee has met six times in 2022/23, and I am pleased to say that attendance has been high, and contributions during those meetings were of a high quality. As per the Council's Constitution, all the meetings were quorate, with at least a quarter of the committee Members attending.

During the year we have received, reviewed and, where necessary, challenged reports relating to the Council's internal and external audit, risk and governance arrangements, and financial activity. We have routinely reviewed the updated Corporate Risk Register, including risks associated with the Ashford Port Health Service and Cyber Security. We also have robust processes in place to review weak assurance internal audit reports and ensure services are taking appropriate action to address the findings from these.

Among the highlights for the year, we noted the positive assurance opinion provided by the Head of Internal Audit on the Council's risk, governance and control environment and the positive contribution towards completing the actions on the Annual Governance Statement. However, the ongoing delays around delivery of external audit of 2021/22 accounts remain frustrating.

Finally, I would like to take this opportunity to thank the Committee Members and the Officers who have supported the Committee over the year and to welcome all new Members to the committee for 2023/24. I hope that we can continue to provide the independent assurances and high standards of the previous year, which are being supported by continuous training and development of the committee.



Cllr Larry Krause,

Chair of the Audit Committee

What is the purpose of the Audit Committee?

The Audit Committee operates in accordance with the [Audit Committees, Practical Guidance for Local Authorities 2022](#). This guidance defines the purpose of an Audit Committee as:

“Audit Committees are a key component of an authority’s governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee’s role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that arrangements are effective.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

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The guidance recommends that audit committees should report annually on how they have discharged their responsibilities.

The Audit Committee is independent from executive management and the Cabinet and has clear reporting lines and rights of access to discharge its responsibilities in accordance with its Terms of Reference (Appendix I). This includes direct access to the Council’s Appointed Auditors (Grant Thornton) and Chief Audit Executive (Head of Internal Audit), without the presence of other Officers, where appropriate.

Ashford Borough Council – Purpose of the Audit Committee as per the Terms of Reference:

The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority’s financial and non-financial performance to the extent that it affects the Authority’s exposure to risk and weakens the control environment, and to oversee the financial reporting process

The Committee monitors internal and external audit activity, reviews, and comments on the effectiveness of the Council’s regulatory framework, and reviews and approves the Council’s annual statements of accounts.

The Committee is not a substitute for the management function in relation to internal or external audit, risk management, governance, or any other review or assurance function. It is the Committee’s role to examine these functions, and to offer views and recommendations on the way the management of these functions is conducted.

Key challenges this year

The Council, along with most other local authorities, is dealing with the effects of high inflation, cost of living impacts on service delivery and a weakening economic outlook. There have been some very high-profile failures in local government over the last 12 months and combined with the issues identified above creates some key challenges for the Audit Committee. Some of these are noted below:

	<p>External Audit Delays</p> <p>External Audit delays has been a national issue over the last three years and has impacted most authorities. The Government are working with various bodies to try and resolve the situation; however, the delays are having an impact on our finance team and the sign off our own accounts.</p>
	<p>Financial uncertainty and constraints</p> <p>The Council is currently under financial pressure due to higher inflation and increased costs of service provision, recruitment and retention and uncertainty over future government funding.</p>
	<p>High Profile failures on Local authorities</p> <p>The Council and its members are minded to keep a watching brief over events unfolding across the sector regarding financial and governance failings</p>
	<p>Internal Audit To support the organisation through the ongoing challenges, Internal Audit needs to provide a robust and committed service. Mid Kent Audit has experienced significant difficulties in recruiting and retaining staff over the last two years, however the bulk of the audit plan was delivered in 2022/23. The service has successfully recruited to several posts, rebuilding the team to continue to provide the service required.</p>
	<p>Carbon Neutral targets</p> <p>The Council, as with other authorities, has ambitious targets for being carbon neutral by 2030. As such a key challenge is ensuring delivery of these targets and maintaining momentum as other pressures on the council continue.</p>
	<p>Delivering the Port Health Service</p> <p>The Council continues to work with Government to set up the Port Health Service. However there continues to be changes and delays to timescales and the scope of the service provision.</p>

Membership & attendance during the year

The Committee met six times over the course of the year. These meetings were hybrid meetings, where officers can attend virtually, however as per the legislation regarding council meetings all members need to attend in person to vote. All of the meetings were quorate.

Attendance for each meeting is set out below. (Those with a (V) attended virtually and those with and (S) were substitutes in accordance with Procedure Rule 1.2(c))

Name	5 April 2022	21 June 2022	19 July 2022	4 October 2022	29 November 2022	21 March 2023
Cllr Krause (Chairman)	✓	✓	Apologies	Apologies	✓	✓
Cllr Buchanan	✓	✓	✓	✓	✓	✓
Cllr Campkin	✓	Apologies	✓		✓ (S)	
Cllr Hayward	Apologies	Apologies	Apologies	✓ (V)	✓	Apologies
Cllr Spain	Apologies	✓ (V)	✓	✓	✓	✓
Cllr Shorter	✓	✓	✓	Apologies	✓	✓
Cllr Smith	✓		Apologies	Apologies		Apologies
Cllr Wright	✓	✓ (V)	✓	✓	Apologies	✓
Cllr Suddards	✓ (S)					
Cllr Ledger	✓ (S)	✓ (S)				
Cllr Mulholland					✓	
Cllr Harman						✓ (S)
Also in attendance virtually	Cllrs Bell, Brooks, Harman, Ovenden	Cllr Ovenden	Cllr Ledger		Cllrs Harman, Ledger	Cllr Ledger

The majority of members have continued to serve on the Committee since the last annual report in October 2022. Throughout the year the Committee has remained politically balanced.

The continuity of membership, experience and knowledge is seen as a key strength for the Committee, certainly due to the technical nature of some of the topics for decision throughout the year. However, this experience is balanced well with the objective and fresh perspectives brought by new members. This has enabled healthy and robust challenge of items and decisions throughout the year.

Officer support

The Committee has continued to be well supported by officers and experts throughout the year, including:

- Deputy Chief Executive
- Finance Service Lead
- Senior Accountant
- Head of Mid Kent Audit
- Interim Head of Mid Kent Audit
- Head of Policy & Performance
- Policy and Scrutiny officer
- Director of Customer, technology and Finance
- Assistant Director Planning and Development
- Assistant Director Environment and Land Management, Sports and Leisure
- Assistant Director Safety and Wellbeing
- Safety and Wellbeing Manager
- Member Services
- Grant Thornton (External Auditors)

Officers have presented a mix of written reports, presentations, and briefings to the Committee during the year. By using a variety of formats, it has enabled the Committee to explore, challenge and debate topics in detail as well as to request specific items for presentation and consideration.

Key decisions & insights

The reports presented to members by Officers and External Audit throughout 2022/23 are noted in the table below. They detail the content of the report and the action taken by members.

Internal Audit Activity	
Report	Key Decision / actions
1. Internal Audit report – Section 106 Weak assurance (April 22)	1. Noted the report and requested progress reports at a future meeting.
2. Internal Audit Annual Report and Opinion 21/22 (June 22)	2. Noted the Annual report and opinion in conformance with the Standards.
3. Internal Audit Report – Section 106 Follow up report (Nov 22)	3. Report noted and further follow required in March 2023
4. Internal Audit Report – Section 106 Follow up report (March 23)	4. Noted the progress and consider the actions to have been met.
5. Internal Audit report – Parking Cash Collection Weak Assurance (Mar 23)	5. The report was noted.
6. Internal Audit and Assurance Plan 2023/24 (Mar 23)	6. Approval of the Audit plan, resources to deliver the plan and its compilation independently from undue influence.

Finance Activity	
Reports	Key Decisions / actions
1. Draft Statement of Accounts & Financial Statements 21/22 (July 22)	1. Scrutinised and noted the accounts. Approved delegated authority to the Deputy Chief Executive to make any changes before publication.
2. Statement of Accounts 2020/21 and External Audit Findings (Nov 22)	2. The Accounts were now complete and ready for the formal delegated sign off process to begin.
3. Presentation: Corporate Enforcement Support & Investigations Team Annual Report 2021/22 (Oct 22)	3. Report discussed and noted.
4. Presentation of Financial Statements (Mar 23)	4. Noted the report and approve the accounting policies for 2022/23 accounts/

External Audit Activity	
Reports	Key Decision / actions
1. Progress report (June 22 and Oct 22)	1. Report Noted and a letter to be sent from the Committee to PSAA expressing its concern with the delays to the 2020/21 audit.
2. Annual Report (Oct 22)	2. Noted
3. Audit Fee Letter (Oct 22)	3. Noted
4. Audit Plan 2021/22 (Nov 22)	4. Noted
5. Progress on 2021/22 audit (Mar 23)	5. Noted

Risk and Governance Activity	
Report	Key Decision / actions
1. Informing the Audit Risk Assessment 21/22 (Jun 22)	1. Confirming Management responses to external audit questions on the risk assessment.
2. Corporate Risk Register (Oct 22 & Mar 23)	2. Agree the assessment and key controls to manage the risks.
3. Annual Governance Statement & Progress (Oct 22)	3. Noted the progress made on actions from the 2021/22 AGS
4. Annual Report of the Audit Committee (Oct 22)	4. Agreed to be presented to Full Council by the Chairman.
5. Annual Governance Statement 22/23 (Mar 23)	5. Approve the Annual Governance Statement.)
6.	

Conclusion

The Audit Committee, in partnership with the Council's Internal and External Auditors, and with the support from Officers has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues.

It is our conclusion that we can demonstrate that we have appropriately and effectively fulfilled our duties during 2022/23.

Terms of Reference & Responsibilities

The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process (Minute No. 408/12/06 refers).

To consider/monitor or advise the council as appropriate upon:

Audit Activity

1. The Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's Corporate Governance arrangements.
2. The summary of internal audit reports issued in the previous period.
3. Reports on the management and performance of the Audit Partnership Agreement.
4. Reports from the Head of Internal Audit on agreed recommendations not implemented within a reasonable timescale.
5. The External Auditor's Annual Management Letter and relevant reports.
6. Any detailed responses to the External Auditor's Annual Letter.
7. Specific reports as agreed with the External Auditor.
8. The scope and depth of external audit work and to ensure it gives value for money.
9. Liaison with the Audit Commission on the appointment of the Council's External Auditor.
10. The commissioning of work from internal and external audit.

Regulatory Framework / Risk Management

1. An overview of the council's Constitution in respect of Contract Procedure Rules and Financial Regulations.
2. The effective development and operation of financial management, risk management and those elements of corporate governance within the remit of the Audit Committee.
3. Council policies on "raising concerns at work" i.e. whistle-blowing in the context of the Anti-Fraud and Anti-Corruption Strategy and the council's complaints process.
4. To recommend the Authority's Annual Governance Statement for approval to the Executive. (Minute No. 531/5/10).
5. The council's compliance with its own and other published financial standards and controls.
6. The External Auditor's report on issues arising from the Audit of the Accounts.
7. The ability to refer matters to the Overview and Scrutiny Committee for their consideration (Minute No. 62/6/09).

Note: The Overview and Scrutiny Committee has a similar provision to refer matters to the Audit Committee.

Delegations

To exercise the powers and duties of the council relative to:-

1. The approval of the Annual Statement of Accounts in line with the statutory requirements including those relating to the publishing deadlines. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the Audit that need to be brought to the attention of the council.