



AUDIT COMMITTEE

Notice of a Meeting, to be held in the Council Chamber - Ashford Borough Council on
Tuesday, 10th July, 2018 at 7.00 pm.

The Members of the Audit Committee are:-

Councillor Waters (Chairman)
Councillor Barrett (Vice-Chairman)

Cllrs. Mrs Dyer, Hicks, Link, Shorter, Smith and Suddards

Agenda

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1. **Apologies/Substitutes**

To receive Notification of Substitutes in accordance with Procedure
Rule 1.2(iii)

2. **Declarations of Interest**

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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

3. **Minutes**

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To approve the Minutes of the Meeting of this Committee held on 21st
June 2018.

4. **Statement of Accounts 2017/18 and the External Auditor's Audit
Findings Report - To Follow**

5. **2017/18 Financial Statements - Letters of Assurance to External
Auditors**

6. **Report Tracker & Future Meetings**

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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/5962/2193362.pdf
- (b) The Kent Code of Conduct was adopted by the Full Council on 19 July 2012, 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.

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Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **21st June 2018**.

Present:

Cllr. Waters (Chairman);
Cllr. Barrett (Vice-Chairman);
Cllrs. Burgess, Shorter, Smith.

In accordance with Procedure Rule 1.2(iii) Councillor Burgess attended as a Substitute Member for Councillor Hicks.

Apologies:

Cllrs. Mrs Dyer, Hicks, Link.

Also Present:

Director of Finance and Economy, Head of Finance, Senior Accountant, Senior Accountant, Compliance and Data Protection Manager, Development Partnership Manager, Head of Audit Partnership, Audit Manager, Member Services Officer.

Audit Manager – Grant Thornton UK.

56 Declarations of Interest

Councillor	Interest	Minute No.
Smith	Made a Voluntary Announcement as he drew and received added years for a Local Government Pension	58

57 Minutes

In accordance with Procedure Rule 9.3 Mr Relf, a local resident, had registered to speak on the minutes of the last meeting. He referred to the minutes of the September 2017 meeting of the Committee and the Valuation Office Agency's responsibility to maintain the list for business rates. Further, he drew attention to a site visit undertaken by Councillor Hicks at Glebe Farm Business Park and the business rates subsequently being increased. Mr Relf felt that if further investigations had been carried out additional business rates fraud could have been uncovered in the area in which he resided. In the second part of his question, Mr Relf drew attention to the Council's remit to protecting the public purse. Further, he drew attention to a number of instances of flytipping in the vicinity of the Chilmington Green caravan site and questioned why there appeared to be an absence of crime reference numbers. Mr Relf questioned why this had been allowed to carry on with no investigation taking place. He then drew attention to flytipping of tyres on the site of the old 'tip' and the fact that KCC officers had been unable to gain access. In conclusion, he felt that this highlighted some incompetencies of the authorities involved.

The Portfolio Holder for Finance and IT advised that the due process had been carried out in respect of the revaluation of the business rates by the Valuation Office Agency. In respect of the latter point raised by Mr Relf, he was familiar with the site mentioned, along with others that had been mentioned previously. None of these sites were in the ownership of the Council, however all of the relevant agencies had been informed and investigations were ongoing. He could not comment on an ongoing investigation, however he hoped that Mr Relf would be reassured that KCC, the Environment Agency and the Police were investigating this matter. He advised that two of those authorities were awaiting witness statements from Mr Relf and he requested that he make contact at his earliest convenience.

Mr Relf questioned why concrete blocks had been placed at the access to the site. Further he questioned why a lorry, that he had undertaken a DVLA check on, was not being pursued in relation to this incident of flytipping? In respect of his outstanding witness statements, he would require a crime reference number prior to providing these.

The Chairman thanked Mr Relf for his questions and advised that he was unable to enter into a question and answer session with the Committee.

The Audit Manager – Grant Thornton UK advised that following the last meeting of the Committee they had written to Mr Relf on 23rd March regarding his objection to the statement of accounts.

Referring to Minute Number 392 - Annual Governance Statement – Progress on Remedying Exceptions, and the paragraph referencing the availability of wi-fi and how this could affect the usability of Modern.Gov, the Chairman considered the word contingencies to be more appropriate than the word redundancies, in this instance.

The Chairman also drew attention to the date of the December 2018 meeting and confirmed that this had been moved to 5th December and so required changing on the tracker.

Resolved:

That, subject to the amendment of the word “redundancies” to read “contingencies” and the amendment of the date of the December 2018 meeting, the Minutes of the Meeting of this Committee held on the 20th March 2018 be approved and confirmed as a correct record.

58 An Early Look at the Statement of Accounts for 2017/18

The Senior Accountant introduced the item and advised that she would run through the accounts training to make the Committee aware of what was contained within. Should Councillors require more detailed training, the Accountancy Team would be able to provide this. Drawing attention to the narrative, the General Fund outturn had been a little over budget at £19,000 and the Housing Revenue Account had an underspend of £1.6M. The latter was due to capital slippage of the affordable housing programme.

The Chairman advised that it would be useful for the Committee to have key points highlighted with under or overspends noted with reasoning's as to why. This would ensure a more user friendly document, particularly for those that did not have an accounting background. He referred to the guidance sheet that the Head of Audit Partnership produced for each meeting and advised that any issues that needed drawing to the Committees attention could be highlighted via this method.

The Senior Accountant advised that any feedback was welcomed and if the narrative could be enhanced to assist the Committee with their work then this would be looked at.

The Portfolio Holder for Finance and IT advised that the format of the accounts had to follow a set format and urged caution with the level of narratives. Headline detail would be useful, but there was no need for lengthy explanations.

In response to a question, the Director for Finance and Economy advised that the Council was part of pilot for 100% Business Rates Retention for the 2018/19 financial year. Arrangements for the 2017/18 accounts were that 50% would be retained and split between ABC, KCC and Kent Fire and Rescue Service (KFRS), with the other 50% being passed to Government. For 2018/19 as part of the pilot, 100% of Business Rates would be retained and split between the authorities. This meant that none of those authorities would receive Government grants. The gain to the County as a whole would be circa £20M, the aim being to sustain Local Government and support Economic and Housing Growth. All Kent Leaders had agreed to partake in this pilot requiring all Kent Authorities to work together, including KCC and KFRS.

The Head of Finance advised that variances and fluctuations to the budget were reported to Cabinet via Budget Monitoring.

Resolved:

That the Committee notes

- (i) the statement of accounts,**
- (ii) the training on the accounts.**

59 Internal Audit Annual Report 2017/18

The Head of Audit Partnership advised that the report was mandated by the Public Sector Internal Audit Standards and included the his annual opinion on the overall adequacy and effectiveness of the Council's internal controls and governance. Some reliance had been placed on two external sources, SCMG and the LGA. The Council had commissioned work from SCMG to assess its contract management arrangements and the LGA had undertaken a Peer Review of the Council. The Head of Audit Partnership confirmed that the Audit Service had continued to enjoy complete and unfettered access to Officers and records to complete their work. On no occasion had Officers or Members sought or gained undue influence over their scope or findings. He drew attention to the number of audit days available and confirmed that this fell within the 95% target. Further he drew attention to the executive summaries of the reviews that had been carried out and the subsequent

update on the recommendations that had been made as part of these. He advised that audits awaiting completion were being progressed and on track.

The Chairman referred to the Contract Management audit and thanked the Director of Law and Governance for providing him with additional information relating to this prior to the meeting. It was useful to have the scope and the timetable for the audit, however he questioned when this audit would be undertaken, as it was not clear from the report. Further, he questioned whether the new post that was recommended for contract management had been approved, particularly as this had not been budgeted for previously. A similar situation occurred with data protection, whereby the Council had not had sufficient resources and in response an additional post was created.

The Director for Finance and Economy advised that the post had not been through the approval process at Management Team. The Committee could, should they wish, treat this as a weak audit and request an update at a future meeting of the Committee on progress.

The Portfolio Holder for Finance and IT was reluctant to treat this as a weak audit but felt an update to the September meeting of the Committee would be appropriate. Management Team needed time to ensure that the role was approved properly.

The Director for Finance and Economy advised that the appropriate item to make any such recommendation would be under the Annual Governance Statement item.

The Head of Audit Partnership drew attention to the 2018/19 audit plan and the audits that were to be undertaken during this period. The Partnership had recently moved to a new software provider, Pentana, which aside from a significant annual saving, also offered opportunities to further develop the quality and consistency of audit work and reporting.

In response to questions, the Head of Audit Partnership advised that the staff turnover rate for the past year was zero, save for the employment of an administrator to a newly created post. The trainee auditor post had not been a government apprentice post as such a position had not existed at the time of implementation; therefore the trainee auditor position had followed a training pathway designed by the Audit Partnership.

Resolved:

That the Committee notes:

- (i) The Head of Audit Partnership opinion. The opinion states that, in the view of internal audit, the Council's internal controls, corporate governance and risk management arrangements have worked effectively during 2017/18.**
- (ii) The work underlying the opinion and the Head of Audit's assurance is independent and in conformance with Public Sector Internal Audit Standards.**

60 Annual Report of the Audit Committee 2017/18

The Audit Manager gave an overview of the report, which detailed how the Audit Committee fulfilled its functions and responsibilities. Included within the report was the training undertaken by the Committee during 2017/18 and areas for potential training during 2018/19.

The Chairman enquired as to whether Officers were happy with the work of the Audit Committee, the following responses were given:

- The Audit Committee was functioning well and it was pleasing to see training being programmed into the reporting schedule.
- The new dynamic way in which the Committee requested reports to be presented was welcomed, however this needed to be disseminated to Officers more widely. This would ensure consistency of reports and the quality of information provided to the Committee.
- It was useful to have some self reflection and attention was drawn to CIPFA's Position Statement: Audit Committees in Local Authorities and Police that had been included as part of the agenda.

Resolved:

That the Committee approves the Audit Committee Annual Report for 2017/18, and the Chairman of the Committee provides a report to Full Council to demonstrate how the Committee has discharged its duties.

61 Approval of the Annual Governance Statement 2017/18

The Compliance and Data Protection Manager introduced the item. The Annual Governance Statement reported on the extent of the Council's compliance with its principles of good governance. The Statement explained the effectiveness of the governance arrangements for the year ending 31 March 2018 and set out any action for planned improvements in the coming year. Further, the statement provided assurance to the Council and its stakeholders that good governance arrangements were in place. She drew attention to three governance areas that required action during 2018/19 to ensure good governance arrangements were maintained, these were the extended use of Modern.Gov, actions from the Peer Review challenge and the implementation of the Contract Management plan.

In respect of the latter the Chairman requested that an update on the Contract Management plan be presented to the Committee at its September meeting.

Resolved:

That the Committee

- (i) **approves the Annual Governance Statement 2017/18,**

- (ii) **requests an update report on the progress for remedying the governance issues identified for Contract Management to the September meeting.**

62 Corporate Risk Register

The Compliance and Data Protection Manager advised that this was a six monthly report and since the last update, the Cabinet had approved a refreshed Risk Management Framework which was developed in conjunction with the Mid-Kent Audit Partnership. The Audit Committee received a presentation on the new Framework at its last meeting in March 2018. Drawing attention to the Corporate Risk Register, she highlighted the risk matrix and whether there had been a change since the previous reporting of the relevant risk. Further there had been two new risks added; Chilmington Green and Warding Arrangements post 2019 elections.

The item was opened up to the Committee and the following comments were made:

- The Committee welcomed the document and in particular the ease at which risks could be viewed.
- Risks outside of the Councils control could still be measured and monitored, for example the Ashford Spurs project.
- The risk pertaining to the impact of Universal Credit was being managed pro-actively.
- Staff were encouraged to be creative and drive solutions to problems for example the Social Lettings Agency had been driven by Officers and should additional resources be required then this could be proposed and discussed by Management Team.

Resolved:

That the Audit Committee notes the Corporate Risk Register and the assessments and the adequacy of key controls to manage the risks.

63 Homes England – Compliance Audit Annual Report 2017/18 for Ashford Borough Council

The Development Partnership Manager advised that Homes England (formerly the Homes and Communities Agency) carried out Compliance Audits on housing providers, such as Ashford Borough Council (ABC), who were in receipt of Homes England funding under the Affordable Housing Programme or other funding programmes. Sample schemes were selected and checks made to ensure that the provider has complied with Homes England's policies, procedures and funding conditions. ABC was one of the providers selected for a Compliance Audit. The scheme selected was a new build scheme at Beecholme Drive, Kennington. ABC had had three Compliance Audits since 2014 and on each occasion had been awarded a Green Grade (meets requirements).

Resolved:

That the Committee notes the contents of the report.

The Chairman signed the report in accordance with the requirements of the audit. (This was signed at the Meeting).

64 External Audit Fee Letter

The Audit Manager – Grant Thornton UK advised that Public Sector Audit Appointments Ltd (PSAA) had published the 2018/19 scale fees in March 2018, following a consultation process. Individual scale fees had been reduced by 23 percent from the fees applicable for 2017/18, with the Council's scale fee set at £46,439.

Resolved:

That the Committee notes the Fee Letter.

65 External Audit Progress Report

The Audit Manager – Grant Thornton UK advised that recent focus had been on the final accounts. Engagement with this had been undertaken earlier and had worked well with the new Head of Finance.

Resolved:

That the Committee notes the Progress Report.

66 Report Tracker for Future Meetings

The Director of Finance and Economy advised that the tracker had been reorganised with topics grouped together for consistency.

The Chairman requested Officers investigate moving the date of the March 2019 meeting of the Committee. Further, it was proposed that dates for meetings during 2019 and beyond be changed. The Member Services Officer advised that as many of these dates were scheduled for after the 2019 elections, the request would be noted, but no action taken until the outcome of that election and the make up of this Committee was known.

Resolved:

That the Committee notes the schedule of meetings.

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Audit Committee - Future Meetings

Dates to Note			
Date of Meeting		10/07/2018	
Publication of Agenda Date		29/06/18	
Reports to Management Team		21/06/18	
Full Council		19/07/18	
Items for Inclusion on the Audit Agenda			
Theme - External review of control environment			
Part I - For Decision			
1	Statement of Accounts 2017/18 and the External Auditor's Audit Findings Report	Gr Th (cover by ABC)	
2	2017/18 Financial Statements – Letters of Assurance to External Auditors	BL	
Part II - Monitoring/Information Items			
3	Report Tracker & Future Meetings	KM	

Dates to Note			
Date of Meeting		27/09/2018	
Publication of Agenda Date		19/09/18	
Reports to Management Team		06/09/18	
Full Council		18/10/18	
Items for Inclusion on the Audit Agenda			
Theme - Agreeing the internal control structure			
Part I - For Decision			
1	Internal Audit Charter		RC
2	Corporate Enforcement Support & Investigations Team Annual Report 2017/18		DD
3	Strategic Risk Management		LF/CH
Part II - Monitoring/Information Items			
4	External Audit Progress Report		Gr Th
5	Report Tracker & Future Meetings		KM

Dates to Note			
Date of Meeting		05/12/2018	
Publication of Agenda Date		23/11/18	
Reports to Management Team		15/11/18	
Full Council		13/12/18	
Items for Inclusion on the Audit Agenda			
Theme – 6 monthly review on progress			
Part I - For Decision			
1	Annual Governance Statement – Progress on Remedying Exceptions [We could ask members to drop this for the remainder of the year once all items are actioned]	LF	
2	Strategic Risk Management	LF/CH	
Part II - Monitoring/Information Items			
3	Annual Audit Letter 2017/18	Gr Th	
4	Internal Audit Interim Report	RC	
	The External Audit Work Plan for Ashford Borough Council	Gr Th (cover by ABC)	
5	External Audit Progress Report	Gr Th	
6	Report Tracker & Future Meetings	KM	

Dates to Note			
Date of Meeting		21/03/2019	
Publication of Agenda Date		08/03/19	
Reports to Management Team		07/03/19	
Full Council		25/04/19	
Items for Inclusion on the Audit Agenda			
Theme - The year ahead			
Part I - For Decision			
1	Certification of Grant Claims – Annual Letter	Gr Th (cover by ABC)	
2	Presentation of Financial Statements	MS	
3	Risk Management Framework update – Presentation	LF/CH	
4	Annual Governance Statement – Progress on Remedying	LF	

	Exceptions		
	Presentation - What is likely to be in the AGS for the next year		
5	Internal Audit and Assurance Plan 2018/19	RC	
6	Business Continuity – progress update	SD/RC	
Part II - Monitoring/Information Items			
7	External Audit 2017/18 Audit Plan	Gr Th	
8	Report Tracker for Future Meetings	KM	

Post 2019/2020 Election

Dates to Note			
Date of Meeting		18/06/2019	
Publication of Agenda Date		07/06/19	
Reports to Management Team		06/06/19	
Full Council		18/07/19	
Items for Inclusion on the Audit Agenda			
Theme - Are we happy with the internal control environment			
Part I - For Decision			
1	An Early Look at the Statement of Accounts for 2018/19 (including member training)	MS	
2	Internal Audit Annual Report 2018/19	RC	
3	Annual Report of the Audit Committee 2018/19	RC	
4	Approval of Annual Governance Statement 2018/19	LF	
5	Strategic Risk Management	LF/CH	
Part II - Monitoring/Information Items			
6	External Audit Fee Letter	Gr Th	
7	External Audit Progress Report	Gr Th	
8	Report Tracker for Future Meetings	KM	

Dates to Note			
Date of Meeting		09/07/2019	
Publication of Agenda Date		28/06/19	
Reports to Management Team		20/06/19	
Full Council		18/07/19	
Items for Inclusion on the Audit Agenda			
Theme - External review of control environment			
Part I - For Decision			
1	Statement of Accounts 2018/19 and the External Auditor's Audit Findings Report	Gr Th (cover by ABC)	
2	2018/19 Financial Statements – Letters of Assurance to External Auditors	BL	
Part II - Monitoring/Information Items			
3	Report Tracker & Future Meetings	KM	

Dates to Note			
Date of Meeting		26/09/2019	
Publication of Agenda Date		13/09/19	
Reports to Management Team		05/09/19	
Full Council		17/10/19	
Items for Inclusion on the Audit Agenda			
Theme - Agreeing the internal control structure			
Part I - For Decision			
1	Internal Audit Charter		RC
2	Corporate Enforcement Support & Investigations Team Annual Report 2018/19		DD
3	Strategic Risk Management		LF/CH
Part II - Monitoring/Information Items			
4	External Audit Progress Report		Gr Th
5	Report Tracker & Future Meetings		KM

Dates to Note		
Date of Meeting	03/12/2019	
Publication of Agenda Date	21/11/19	
Reports to Management Team	07/11/19	
Full Council	12/12/09	
Items for Inclusion on the Audit Agenda		
Theme – 6 monthly review on progress		
Part I - For Decision		
1	Annual Governance Statement – Progress on Remedying Exceptions	LF
2	Strategic Risk Management	LF/CH
Part II - Monitoring/Information Items		
3	Annual Audit Letter 2018/19	Gr Th
4	Internal Audit Interim Report	RC
5	The External Audit Work Plan for Ashford Borough Council	Gr Th (cover by

		ABC)
6	External Audit Progress Report	Gr Th
7	Report Tracker & Future Meetings	KM

Dates to Note			
Date of Meeting		17/03/2020	
Publication of Agenda Date		06/03/2020	
Reports to Management Team		05/03/20	
Full Council		16/04/20	
Items for Inclusion on the Audit Agenda			
Theme - The year ahead			
Part I - For Decision			
1	Certification of Grant Claims – Annual Letter	Gr Th (cover by ABC)	
2	Presentation of Financial Statements	MS	
3	Risk Management Framework update – Presentation	LF/CH	
4	Annual Governance Statement – Progress on Remedying Exceptions Presentation - What is likely to be in the AGS for the next year	LF	
5	Internal Audit and Assurance Plan 2019/20	RC	
6	Business Continuity – progress update	SD/RC	
Part II - Monitoring/Information Items			
7	External Audit 2019/20 Audit Plan	Gr Th	
8	Report Tracker for Future Meetings	KM	

29/06/2018