



AUDIT COMMITTEE

Notice of a Meeting, to be held in the Council Chamber - Ashford Borough Council on
Thursday, 27th September 2018 at 7.00 pm.

The Members of the Audit Committee are:-

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

Cllrs. 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 10th
July 2018.

4. **Internal Audit Charter**

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5. **Corporate Enforcement Support & Investigations Team Annual
Report 2017/18 - Report To Follow**

6. **Strategic Risk Management**

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KM

19 September 2018

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 **10th July 2018**.

Present:

Cllr. Barrett (Vice-Chairman in the Chair);
Cllrs. Mrs Dyer, Hicks, Link.

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

Apologies:

Cllrs. Smith, Waters.

Also Present:

Director of Finance and Economy, Head of Finance, Senior Accountant, Senior Accountant, Deputy Head of the Audit Partnership.

Audit Manager – Grant Thornton UK, Audit Director – Grant Thornton UK.

79 Minutes

In accordance with Procedure Rule 9.3 Mr Relf, a local resident, spoke in relation to the minutes of the previous meeting. He said that when residents spoke at Council meetings, they were required to submit their question verbatim but minutes of these meetings did not provide a verbatim record of the question or the Council's response. Mr Relf cited as an example the minutes of the Audit Committee on 21st June 2018, which he considered did not accurately convey to residents the extent of lost Council revenue due to specific discrepancies on the Business Rates Valuation Register. Mr Relf asked whether the Council could assure him that in the future the minutes of Council Meetings would accurately reflect the questions raised and the Council's response. He also questioned whether the Council could assure him that before statements relating to Council departments and outside agencies were recorded in the minutes checks were made to establish accuracy.

The Vice-Chairman in the Chair confirmed that the Council did request that questions put to Committees, such as this one, were submitted verbatim. This was to ensure that Officers were able to provide answers to questions posed. He clarified that the minutes of this Committee were not a verbatim account of everything said at a Meeting, as they were intended to be an accurate summary of the proceedings and of the decision reached, including, where appropriate, the essence or the main threads of the discussion that led to the conclusion. The minutes of the Full Council, at which Mr Relf had spoken previously, were minuted verbatim. These were the only minutes that were recorded in such a manner. The Vice-Chairman in the Chair assured Mr Relf that the minutes were checked by those Officers present at the meeting for accuracy and were approved by this Committee and subsequently by Full Council. Any statements made by public speakers were recorded in the minutes in the appropriate manner. No checks would be carried out to validate any figures or statements made by public speakers.

Public speakers were responsible for ensuring the accuracy of any statements prior to addressing the Committee.

Resolved:

That the Minutes of the Meeting of this Committee held on the 21st June 2018 be approved and confirmed as a correct record.

80 Statement of Accounts 2017/18 and the External Auditor's Audit Findings Report

The Director of Finance and Economy introduced this item. He said the substance of the agenda tonight was the culmination of the Audit of the Statement of Accounts. The first item was the revised Statement of Accounts. The Committee had received a draft Statement of Accounts at the last meeting and the audited and amended version were presented to this Meeting. The report discussed the process undertaken and thanked the Auditor for their work and cooperation. He considered that the audit had gone very smoothly this year and that a good working relationship had been established between the Council and the Auditor. The Committee were asked to note the going concern basis of preparation, which had been noted in the Auditor's report. The report also discussed the amendments made to the Statement of Accounts, which were detailed in the Auditor's report. The main focus had been on changes in disclosure requirements, such as changes to the narrative report and the number of Disclosure Notices. The Audit Action Plan made two recommendations in relation to Section 106 contributions, and the Public Inspection Period. With regard to Section 106 contributions, a way forward had been discussed with the Auditor and a plan had been put in place for handling these issues in future. With regard to the Public Inspection Period, there had been an error on the part of the Council in the publication of the draft Annual Governance Statement, which had now extended the Public Inspection Period for a number of days, after which it should be possible to close the Audit and have the Audit Opinion issued.

The Audit Director (Grant Thornton UK) introduced the Audit Report, which summarised the findings and conclusions of the Audit across all the areas of responsibility, including the Financial Statements and consideration of the Value for Money requirement. It was the Auditor's proposal, subject to completion of the outstanding work, to issue unqualified opinions on both the Accounts and the Value for Money conclusion.

The Audit Manager (Grant Thornton UK) ran through the details of the report. He said that some of the information in the report did not necessarily apply to the Council, but it was necessary to meet the requirements under auditing standards. He said that with regard to the Financial Statements, the audit was substantially complete although there were a number of areas to be finalised. The Accounts had been prepared to a high standard, and had required a great deal of complex work. At the moment there was no indication of any objection to the Accounts, but this was still possible up to the date the Inspection Period closed. There had been more focus on Going Concern this year than in previous years, but the Auditor had concluded that there were no issues to bring to Members' attention. The Significant Audit Risks section laid out the likely risks and the work undertaken to address those risks. The Audit Manager assured Members that these were risks which faced all authorities and no reason for concern had been uncovered in the Audit.

A Member asked whether the Auditor was satisfied with the Council's valuation of buildings. The Audit Manager said that the Council used an external valuer. The Auditors had satisfied themselves regarding the work undertaken by the valuer in light of their experience and knowledge, as well as how the results of the valuer's work had been incorporated into the Accounts. A number of tests had been carried out and there were no concerns on this issue.

Another Member noted that the valuation of heritage assets was based on their insurance value, and she was surprised by the low figures. The Head of Finance responded that heritage assets were hard to value because they did not usually have an existing use value. One of the ways in which the Council was permitted to value them was by using the insurance value, which would be based on a replacement cost. It was always a moot point whether heritage assets would be replaced on a like for like basis, so valuation was a complex issue.

The Audit Manager said that accounting policies were well-established and the Council worked within a framework of local government accounting. The only comment was on the treatment of developers' contributions. The Auditor considered that there should be better differentiation and had made a recommendation on this item. The Audit Manager said contributions were currently not clearly badged and could be put to a number of different uses. There was value in reviewing current practice and making a distinction between funds used for revenue and capital. The Audit Manager considered that the summary in the report covered all the substantive issues.

The Audit Manager drew to Members' attention the need for action in relation to the notice period for the Annual Governance Statement. This was one of the recommendations in the report. Another risk had been identified under Value for Money, with regard to financial position and financial sustainability, and this was a common risk across councils generally. The Auditor had considered this risk, and did not feel it should be of concern to Members.

The Vice-Chairman in the Chair asked whether the Auditor was happy with the Council's Revenue Budget gap. The Audit Director said that it was not a question of whether the Auditor was content with the Budget gap, but whether the Council had robust financial management arrangements in place to address the issue. The Auditor had taken into account the findings from the Peer Review, and the financial performance of the authority, and had come to the view that the Council had satisfactory arrangements in place to manage the financial position at present. The Auditor had no undue concerns on this matter.

The Audit Manager said he would like to place on record his thanks to the Senior Accountant and the finance team for their work on closing accounts. He said the process had gone very well.

The Vice-Chairman in the Chair asked the Director of Finance and Economy for the management response to the recommendation in regard to the Public Inspection Period. The Director of Finance and Economy explained that there had been an Officer error in calculating the Public Inspection Period. The correct information was not published on the internet and as a result the Inspection Period had to be extended. There would be a review of processes to ensure that this did not happen again.

The Vice-Chairman in the Chair noted that according to the report there were no adjustments found. He thanked the Director of Finance and Economy and his team for achieving this result. The Director of Finance and Economy said that the Senior Accountant had been the main Officer responsible for the Statement of Accounts and he congratulated her achieving a high-quality Audit result. A Member said it was reassuring to know that good accounts were coming forward, and he thanked the Auditor for their part.

The Director of Finance and Economy explained that the amended Statement of Accounts was submitted to the Committee for approval and adoption. The Statement of Accounts would be signed at the end of the meeting by the Vice-Chairman in the Chair and the Director of Finance and Economy. Pages 30 and 31 of the Agenda showed the adjustments to the Disclosure Notice and these were reflected in the Statement of Accounts now being considered. Once the Inspection Period had expired, subject to no objections or post-balance sheet events, the Audit Opinion would be attached to the Statements, which could then be published and the Audit closed.

A Member asked about Treasury Management and it was confirmed that the Council's short and long-term borrowing amounted to £36m and investments amounted to £38m. She also said that it was very helpful to see the grant income displayed clearly in the report.

The Vice-Chairman in the Chair asked the Director of Finance and Economy for his estimate of possible risk if there were more successful appeals by rate-payers than anticipated. The Director of Finance and Economy responded that the Council was in the 2017 Valuation List and was expecting a number of appeals against the valuation, but these had not been forthcoming. It had been difficult to quantify as there was no history to form a baseline position. Officers had used the Government's estimate of between 4 – 5% of the rateable value. Based on current experience it was considered that this was an appropriate position. This could be reviewed annually to see if a trend was developing and the position needed to be adjusted.

The Vice-Chairman in the Chair drew attention to the assumptions made about the future and other major sources of estimation uncertainty. He questioned whether the margin for error was too small, and expressed concern over the effect if actual results differed from assumptions. He asked the Director of Finance and Economy how this risk was being managed. The Director of Finance and Economy responded this was a very long-term issue and small changes in discount rates and mortality rates could have significant impact on liabilities. However, all these assumptions in changes would be incremental over time and, with careful monitoring, the Council could make adaptations and adjustments to its financial strategy accordingly during that period. It was acknowledged that there was a Pension Fund deficit, and the Council would seek ways to close the gap over a 20-year period.

In response to a question, the Director of Finance and Economy said that the Council employed experts based on a procurement exercise undertaken by KCC. It was important to challenge and test the advice of the experts to ensure that it was based on robust and sound assumptions, but once the Council had satisfied this part of the process, there would come a point where it would be necessary to trust the methodology and professional ethics of any approved adviser.

A Member asked whether the Council would act as guarantor for Ashford Leisure Trust. The Director of Finance and Economy said that the current procurement exercise had resulted in a cessation report. If the Leisure Trust ceased but continued to pay in contributions, the scheme would be considered fully-funded. The Council was currently looking to proceed on this basis. Any new operator would be expected to offer a similar pension scheme to any staff who had been TUPE'd across and, in such a case, the Council would not be implicated in any pension costs.

Resolved

To

- i) **Consider the Appointed Auditor's Audit Findings and approve the audited 2017/18 Statement of Accounts;**
- ii) **Approve that the Chairman of this Committee signs and dates the Accounts as required by Section 10(3) of the Accounts and Audit Regulations 2003 as approved by the Council;**
- iii) **Approve the Chief Financial Officer's Letter of Representation to the Appointed Auditor.**

81 2017/18 Financial Statements – Letters of Assurance to External Auditors

The Director of Finance and Economy introduced this item. He said the two letters had been requested by the Auditor to give them assurance on the governance arrangements put in place by the Council, which were necessary for the Audit to be completed. The Auditor had received draft copies of the letters, and the Chairman had agreed that these could be signed. The Director of Finance and Economy asked the Committee to note the letters and agree them. The Auditor had also questioned management about the risk and control environment, and the Council's responses were included for the Committee to note and agree.

A Member said that the questions put forward by the Auditor had prompted excellent responses. He was aware of the risks the Council was taking on in terms of enterprise and he considered that these responses illustrated the due diligence the Council took in managing those risks.

The Vice-Chairman in the Chair asked how the Council communicated to employees and contractors its views on appropriate business practice and ethical behaviour. The Council had stated that it was not aware of any new whistleblowing complaints this year, and the Member asked for this to be clarified. The Head of Finance and Economy said the wording would need to be amended, but a section in the Annual Governance Statement explained the levels of behaviour expected. The Conditions of Service were made available to all staff and any changes were communicated to staff. Training had also been provided on whistleblowing. Regarding contractors, the Annual Governance Statement was also available, as well as guidelines during the contracting process. The Director of Finance and Economy confirmed that the document would be amended.

A Member asked for further information about older persons living at Repton Park. The Director of Finance and Economy said this issue had been reported to and agreed by Cabinet a number of months ago. A site at Repton for older persons living had a stalled Section 106 contribution so the Council was approached by Chaney Capital, an investment firm who were looking to use an ethical development fund to deliver more affordable or social housing. The Council were in discussion with Chaney Capital about an arrangement to deliver housing units, which would be provided by Chaney Capital and run and let by the Housing Revenue Account.

Resolved

That

The Audit Committee endorses the Chairman's and Management's Assurance Letters.

82 Report Tracker and Future Meetings

It was noted that the next Meeting of the Audit Committee would take place on 27th September.

Resolved:

That the Committee notes the schedule of meetings.

Queries concerning these minutes? Please contact membersservices@ashford.gov.uk
Agendas, Reports and Minutes are available on: www.ashford.moderngov.co.uk

Agenda Item 4



Agenda Item No: 4
Report To: Audit Committee
Date of Meeting: 27 September 2018
Report Title: Internal Audit Charter
Report Author & Job Title: Rich Clarke: Head of Audit Partnership
Portfolio Holder: Cllr. Neil Shorter
Portfolio Holder for: Finance and IT

Summary: The report sets out the Internal Audit Charter covering the work Mid Kent Audit undertakes at Ashford Borough Council. The Charter, and its review, is a requirement of Public Sector Internal Audit Standards. There are no material updates for 2018/19 from the Charter previously agreed by the Committee in March 2016.

Recommendations: **1. The Committee APPROVES the Internal Audit Charter**

Policy Overview: Not applicable
Financial Implications: Not applicable

Legal Implications: Not applicable

Equalities Impact Assessment: Not applicable

Exempt from Publication: Not applicable

Background Papers: **Internal Audit Charter**

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Report Title: Internal Audit Charter

Introduction and Background

1. We provide this report to allow the Committee to consider and approve the revised Internal Audit Charter.
2. An Audit Charter is a requirement of Public Sector Internal Audit Standards (Standard 1000) and is a foundational document setting out the purpose, authority and responsibility of the service.
3. This Committee last considered the Audit Charter in March 2016.

Proposal/Current Position

4. In the main, the updates to the Charter in 2018 are simply taking the opportunity to refresh the document. This includes some simplification of wording and removal of audit jargon, as well as re-ordering some sections to make the document more readable and updating job titles. We have also re-formatted the Charter to conform to Ashford BC document requirements.
5. Substantive changes are limited but noted below:
 - Addition of a glossary of terms to clarify how particular terms in the Standards apply in an Ashford context.
 - Following further guidance published by the Institute of Internal Audit (IIA) in 2016, the Charter now has more detail on the international standards and principles that apply to internal audit.
 - Clarifying the role of the Audit Committee as a key consultee before commissioning external quality assessment.
 - Specifying the need for annual review.

Conclusion

6. We propose the Audit Committee approve the internal audit charter.

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Internal Audit Charter

Ashford Borough Council



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Internal audit charter

1. The Internal Audit Charter (the 'Charter') is the formal document that defines internal audit's purpose, authority and responsibility at Ashford Borough Council (the 'Council'). The Charter shows the Audit Partnership's position within the authority, including the nature of the Head of Audit Partnership's reporting relationships. The Charter defines the scope of audit work and approves the access to records, personnel and physical properties relevant to its completion.
2. Final approval of the Charter remains with the Audit Committee. The Head of Audit Partnership will, in consultation with Senior Management, review the Charter each year and recommend to the Audit Committee any necessary updates.

Mission

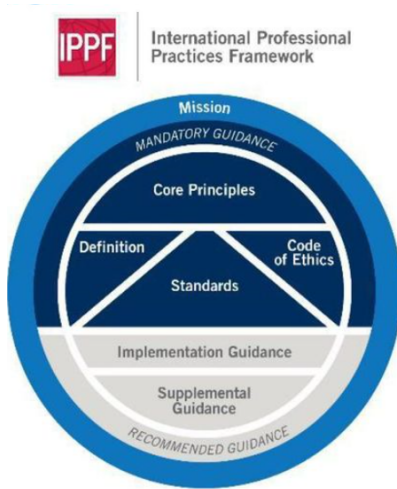
3. The Audit Partnership recognises and aspires to achieving the mission of Internal Auditing provided by the Institute of Internal Auditors (IIA):

“To enhance and protect organisational value by providing stakeholders with risk based and objective assurance, advice and insight.”

Standards of internal audit practice

4. This Charter recognises the compulsory nature of the IIA definition of Internal Auditing, Code of Ethics, Public Sector Internal Audit Standards (the “Standards”) and the International Professional Practices Framework (the “Framework”). The diagram on the next page sets out the Framework and the Core Principles.
5. The Audit Partnership complies with the Framework in full.

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Framework Core Principles

1. Demonstrates integrity
2. Demonstrates competence & due professional care
3. Is objective and free from undue influence
4. Aligns with Council's strategies, objectives & risks
5. Is appropriately positioned and adequately resourced
6. Demonstrates quality and continuous improvement
7. Communicates effectively
8. Provides risk-based assurance
9. Is insightful, proactive and future-focused
10. Promotes organisational improvement

Scope of work

6. The scope of the Audit Partnership's work includes, first, tasks in support of the annual Head of Internal Audit Opinion. This work covers three subjects:

Internal Control

7. Internal control is how the Council assures achievement of its objectives. It includes ensuring effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies. It incorporates both financial and non-financial governance.

Corporate Governance

8. Corporate governance is the set of rules, practices and processes that direct and control the Council.

Risk Management

9. Risk management is how the Council identifies, quantifies and manages the risks it faces in trying to achieve its objectives.
10. Besides those three core subjects the Audit Partnership may, subject to specific arrangements, undertake engagements in the matters of counter fraud, risk management or advisory as discussed elsewhere in this Charter.

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Authority of internal audit

11. Internal Audit is a statutory service as defined within the Accounts and Audit Regulations 2015 (the 'Regulations'). These demand the Council evaluates the effectiveness of its risk management, control and governance, considering the Standards.
12. Drawing authority from those Regulations and this Charter, the Audit Partnership has free and unrestricted capacity to plan and undertake audit work judged necessary to fulfil its scope.
13. To enable full performance of its duties, the Head of Audit Partnership and his team:
 - Have direct access to the Audit Committee Chairman;
 - Have unrestricted access to all works, records, property and personnel;
 - Can get help where necessary from Council officers and contractors involved in subject of audit engagements.
14. The Head of Audit Partnership and his team may not perform any of the following, except where directly related to running the Audit Partnership:
 - Perform duties for the Council beyond this Charter's scope;
 - Begin or approve accounting transactions, and
 - Direct the work of any Council employee.

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Responsibility

15. The Head of Audit Partnership and his team must always undertake their work in line with the Framework which applies across the global practice of internal audit. This includes, notably, the Code of Ethics for Internal Audit. Also, members of the team who hold membership of professional bodies will comply with the relevant demands of that organisation, including relevant ethical codes. Undertaking work under the Standards will include:
- Developing a flexible risk-based audit strategy and annual plan. We will develop strategies and plans in consultation with senior management and present each year to the Audit Committee for review and approval. We will also invite the Audit Committee to review and approve significant changes to the plan;
 - Tracking the status of agreed management actions and providing regular updates to the Audit Committee, including highlighting items of significant risk;
 - Issuing period reports to senior management and the Audit Committee summarising results of internal audit work;
 - Continuing communication with the Council's external auditors and other assurance providers to seek efficient assurance coverage;
 - Communicating regularly with relevant interested parties on progress of the Audit Partnership, its work and findings; and
 - Keeping Senior Management up-to-date with Audit Partnership performance.

Reporting lines

16. The Head of Audit Partnership has responsibility for day-to-day management of the Audit Partnership. The Head of Audit Partnership reports to:
- The Director of Mid Kent Services (an employee of Maidstone Borough Council) as his line manager.
 - The Director of Finance & Economy for matters related to audit work at the Council as a representative of Senior Management.
 - The Audit Committee for matters related to audit work at the Council as those charged with governance.

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17. The Head of Audit Partnership also has a direct right of access to other Senior Management and Members if needed.
18. If the Head of Audit Partnership is not satisfied with the response of Management or officers in supporting audit work he will highlight this first with Senior Management. If the matter remains unresolved the Head of Audit Partnership will raise with the Audit Committee.

Independence and objectivity

19. The Audit Partnership is free from interference in deciding the scope and nature of its work and communicating results. The Head of Audit Partnership will comment on and affirm the independence and objectivity of the service in individual reports and, at least yearly, in summary reports to the Audit Committee. The summary reports will consider and report separately to the Committee on each part of the Audit Partnership's work.

Accountability

20. The Head of Audit Partnership, in performing his duties, will be accountable to the Audit Committee and Senior Management. This will include providing an annual Head of Audit Opinion as well as periodic reporting on significant issues and audit findings.

Management responsibilities

21. To be effective, the Audit Partnership needs full cooperation of senior management. In approval of this Charter the Audit Committee and Senior Management direct officers to cooperate with the Audit Partnership in the delivery of the service. This includes, for example:
 - Agreeing suitable briefs for audit work;
 - Acting as audit sponsors;
 - Providing access to suitable records, personnel and information systems;
 - responding to draft reports, and
 - Completing management actions in line with agreed timescales.

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22. Senior Management also undertakes to keep the Audit Partnership abreast of significant proposed changes. As well as newly identified significant risks and all suspected or detected fraud, corruption or impropriety.
23. Senior Management will also ensure the Audit Partnership has access to enough resources to fulfil the audit plan as directed by the Audit Committee. Responsibility for arranging and deploying resources to fulfil the plan rests with the Head of Audit Partnership.

Other Work

Consultancy

24. The Standards allow that Internal Audit work may sometimes be more usefully focused towards providing advice rather than assurance. Where suitable, the service may act as consultants by giving advice, providing that:
 - The objectives of the work concern governance, risk management or internal control;
 - A member of Senior Management has approved the work;
 - The service has the right skills, experience and available capacity, and
 - The Audit Partnership's involvement will not set up a conflict of interest, compromise its independence (in appearance or fact) and will not involve assuming a management role in providing advice.
25. The Head of Audit Partnership is responsible for reviewing all proposals for work against these criteria and for making the final decision on acceptance. We will agree the specific role of the Audit Partnership in any work with the sponsor. We will also document the role within the work plan and report to the Audit Committee at the next opportunity.
26. For significant proposals, the Head of Audit Partnership will consult the Chair of the Audit Committee before accepting the work. We define 'significant proposals' as those demanding changes to the agreed audit plan beyond using any otherwise unallocated consultancy time.

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Risk Management

27. The IIA position paper on *The Role of Internal Auditing in Enterprise-Wide Risk Management* guides the Audit Partnership's role in risk management. The Audit Partnership will not undertake roles defined as inappropriate by that guidance.
28. The position paper lists the following as legitimate internal audit roles with safeguards:
 - Coordinating risk management work;
 - Consolidated risk reporting;
 - Developing a risk approach for approval and its later maintenance;
 - Helping identification and evaluation of risks, and
 - Coaching management in responding to risks.
29. The Council's *Risk Management Strategy* allows for the Audit Partnership to undertake all of those roles, providing safeguards are in place and agreed through the Audit Charter. The safeguards include:
 - Internal separation of duties within the Audit Partnership;
 - Time commitment to risk management approved each year by the Audit Committee;
 - Overall responsibility for approving the risk management approach remaining with the Audit Committee acting on the advice of the Council's Senior Management.
30. The Audit Committee also keeps its constitutional role of conducting its own assessments on the effectiveness of the Council's risk management approach which may, if wanted, also include independent review.
31. Although not a part of the Council's internal controls, the Audit Committee may also draw assurance from any work completed by the Council's external auditors in completing their work supporting the Value for Money conclusion.

Counter Fraud

32. The Audit Partnership's role on Counter Fraud will follow the Council's *Counter Fraud Strategy* and with the time commitment approved by the Audit Committee in the Annual Audit Plan.

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33. The Audit Partnership will liaise with the Council's Counter Fraud Service, providing support and cooperation consistent with the *Counter Fraud Strategy* and the approved audit plan.

Major Projects

34. Senior Management will keep the Audit Partnership up-to-date with major projects and their progress through continuing discussion. The Audit Partnership's response to major projects will be proportionate to the risk judged when completing audit planning. Where a project team seeks advice or further support from Internal Audit, we will treat that proposal as one for consultancy support as described in the *Consultancy* section of this Charter.

Relationships

35. The Head of Audit Partnership and the audit team hold in a wide range of relationships whose quality is important in supporting the effective delivery of the audit service.

Relationships with management

36. The Audit Partnership will preserve effective relationships with managers at the Council. This will include consulting in preparing audit plans both across the Council and for individual projects. We will agree timing of audit work with project sponsors.

Relationships with external auditors and regulators

37. The Audit Partnership and Grant Thornton LLP have a settled and sound working relationship described in more detail within the *Internal/External Audit Protocol* presented to the Audit Committee in March 2014. We will continue to rely and draw from each other's work subject to the limits and duties determined by our respective responsibilities and professional standards. This enables evaluation and review of work leading to repeat only where necessary. The Audit Partnership and Grant Thornton LLP meet regularly and share plans and reports.
38. The Audit Partnership will also take account of the results and reports from any other external inspections or reviews when planning and undertaking audit work. Where suitable the Head of Audit Partnership or properly delegated representative

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will represent the service in consultation and discussion with external agencies, inspectors or regulators.

Relationships with Members

39. The Head of Audit Partnership will be the first point of contact for Members, in particular members of the Audit Committee. However, we place great store in gaining and preserving an effective working relationship with Members and so will foster good contacts throughout the Audit Partnership as fitting.
40. The Head of Audit Partnership will have the opportunity to meet separately (without other officers present) with the Chair of the Audit Committee and other Members if wished.

Quality assurance

41. The Standards demand that audit be subject to a quality assurance and improvement programme. For the Audit Partnership, that programme incorporates both internal and external parts.

Internal assurance

42. Audit engagements are subject to review by management before completion. These reviews seek to ensure that work undertaken is consistent with the Standards, consistent with the risks associated with the subject under review and that conclusions follow the detailed work undertaken. The Audit Partnership varies the range and scope of reviewers to help uphold consistency and support learning within the service.

External assurance

43. An external assessment must take place at least once every five years by a qualified, independent assessor from outside the organisation. The Audit Partnership's most recent such assessment was from by the Institute of Internal Auditors in spring 2015, with results reported to the Audit Committee. The Head of Audit Partnership will keep the need for external assurance under review and discuss choices with Senior Management and the Audit Committee as the need arises.

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44. We will consult the Audit Committee before commissioning a full external quality assessment.

This Charter is authorised within Ashford Borough Council:

Director of Finance and Economy: Ben Lockwood

Audit Committee Chairman: Councillor Chris Waters

With the agreement of:

Head of Audit Partnership: Rich Clarke

Agreed by Audit Committee: September 2018

Next Review required: Annually

MID KENT AUDIT

Glossary of Terms

Term in Standards	Term in Charter	Further Notes
Chief Audit Executive	Head of Audit Partnership	Includes others who may act in his role,, with his express delegated authority. The Head of Audit Partnership has the pronouns ‘he and his’ in this document because of the current incumbent in the role but duties and responsibilities would similarly fall on his successors.
Board	Audit Committee	The <i>Audit Committee</i> in Ashford meets the Standards definition of the highest level body charged with responsibility to oversee governance.
Consulting Services	Other Work	Includes all extra services delivered by the audit partnership that do not stem from the risk analysis that underpins the Audit Plan.
Internal Audit Activity	The Audit Partnership	The Council’s internal audit service is provided by Mid Kent Audit, working with Maidstone, Swale and Tunbridge Wells Borough Councils.
Senior Management	Senior Management	The Chief Executive and Directors of Ashford Borough Council
Management	Management	People appointed as Heads of Service or Managers by Ashford Borough Council, or acting in this role with proper delegated authority

Agenda Item 6



ASHFORD
BOROUGH COUNCIL

Agenda Item No: 6
Report To: Audit Committee
Date of Meeting: 27 September 2018
Report Title: Corporate Risk Register – update September 2018
Report Author & Job Title: Charlotte Hammersley, Compliance and Data Protection Manager
Portfolio Holder: Cllr. Neil Shorter
Portfolio Holder for: Finance and IT

Summary: Twice a year the Audit Committee considers the council's corporate risks and is asked to note the updated assessment and to agree the adequacy of key controls to manage the risks. This report fulfils those obligations.

The Corporate Risk register is assessed using the Risk Management Framework adopted by the Cabinet in April 2018.

Recommendations: **The Audit Committee is recommended to:-**

Consider the Corporate Risk Register and agree the assessments and the adequacy of key controls to manage the risks.

Policy Overview: Risk Management Framework
Financial Implications: None at this stage

Legal Implications: None at this stage.

Equalities Impact Assessment: Not Required because equalities issues are assessed at the point the project or service the risk relates to are incepted.

Exempt from Publication: **NO**

Background Papers: **Risk Management Framework**

Contact: charlotte.hammersley@ashford.gov.uk – Tel: (01233 330878)

Report Title: Corporate Risk Management – update report September 2018

Introduction and Background

1. Twice a year the Audit Committee considers the council's Corporate Risks and risks management processes. This report is an update report providing the latest information on the council's Corporate Risk Register.

The Corporate Risk Register is set out at Appendix A.

Proposal/Current Position

2. The Corporate Risk Register provides details of the council's key risks that could, if untreated, impact on the council's Strategic aims, Financial position or Compliance with the law. Operational risks are monitored regularly by individual services and the council's Management Team on an exception basis. Any risks that become of strategic significance are also reported to this Committee. Services will also shortly be reviewing their risk registers as part of the service planning process for 2019/20.
3. The Corporate Risk Register is linked to the risk appetite statement which is contained in the Risk Management Framework. The statement is designed to inform decision making about the amount of acceptable risk within which the council chooses to operate. Risks that fall outside of the council's appetite are reported to the Audit Committee. The appetite statement sets out that the council has a moderate appetite to strategic risks, a low appetite to financial risks and a very low appetite to compliance risks. The Corporate Risk Register is informed by those risks that are above the risk appetite levels set.
4. Set out at Appendix A are details of the risks including the current Corporate Risk Register which provides details of individual risks and explains the current position or any further action that may need to be taken to manage the risk.
5. This report highlights any changes to the risk profiles since the last update, provides details of any new risks that have been included on the register and those that have been managed down to a level where they no longer require reporting on.

Strategic Risks

6. Whilst there is currently no separate risk on the Corporate Risk Register relating to Brexit, risks such as commercial property rents and the economic downturn have been scored to include the impact of exiting the European Union. There are still a number of areas and themes that the council's Management Team are working through to identify potential risks and make necessary contingency plans. For example, the impact on our contractors, transport and workforce. The potential impact of Brexit is a dynamic risk environment and it will evolve as we know more about the direction of travel for any deal/no deal scenario. Any risks that become of strategic significance will be included on the Corporate Risk Register in future.

Reduced risk profiles

7. An update on the strategic risks that have been successfully managed back within the council's risk appetite since the last report to this Committee is provided below. Whilst these risks do not feature on the risk register set out at Appendix A, they continue to be monitored by services on a monthly basis.
8. The impacts associated with not delivering phase 1a of Ashford College have reduced this quarter moving the risk back within tolerance levels. Phase 1 has been delivered and courses are available at alternative locations. The council is supporting the College's current bids and delivery through works to convert the loan for phase 1a into a grant.
9. The likelihood of the risk of Chilmington not being delivered to time or quality has reduced to within the council's risk appetite. Permission has been granted to Hodson for 346 dwellings on Parcels B, C, J and K. A further application from Hodson is submitted for Parcels A, E and F. A design review panel met week commencing 3rd September and proposed some changes to the application. Subject to these changes being made shortly, the application will be considered under delegated authority. Early infrastructure works for Phase 1 are complete. Jarvis has submitted an application for 99 dwellings at the Hamlet. The application is being considered by Planning. BDW are discussing with Planning the land at Brisley Farm and the detail of their Reserved Matters application has now been submitted for 22 dwellings. The remaining land parcels require further work ahead of submission.
10. The Quality Monitoring function is at the early stages of delivery and will support the quality agenda for Chilmington. There are also procedures in place with Homes England, Kent County Council and Ashford Borough Council to manage any risks associated with quality of delivery.
11. The risk of developers not delivering sites with planning permission to expected timescales has reduced in likelihood following Local Plan inspectors concluding that the council does currently have a five year housing land supply. A new housing delivery test has been introduced by government; the council will be preparing a housing delivery action plan and seeking more regular liaison with developers of main site.

12. The introduction of Universal Credit (UC) has been managed effectively within the council bringing this risk within the strategic risk appetite. Since the introduction of UC, the council has received 400 new claims of which, 98 are Housing tenants. The low volume of new claimants has reduced the overall impact on the council. To alleviate the impact of UC, the Income and Arrears team continue to receive software support to monitor rent and arrears payments. Re-aligning the team allowing for the creation of a senior area manager for income and arrears has enabled continuous monitoring and auditing. The Department for Work and Pensions (DWP) have rated Ashford Borough Council as a landlord with the highest confidence, allowing us access to the DWP/UC landlord portal which allows us to check whether an ABC tenant has made a new UC claim.
13. The likelihood of the supply of affordable housing not keeping pace with demand has reduced within tolerated levels as the council's Housing Service is on target to submit the bid to increase the Housing Revenue Account debt cap. The expected outcome is that the council's debt cap will be increased, allowing for additional units to be delivered beyond the existing programme.
14. The likelihood of not delivering the Digital Delivery Programme has reduced within tolerated levels. Good progress has been made with the existing programme and additional investment to support this work is also anticipated.
15. The risk of a successful cyber attack has reduced following the council recently passing the Public Services Network Code of Connection.

Financial Risks

Reduced risk profiles

16. The changes to accounting standards which required the council to record all losses through income and expenditure would have had potential for temporary losses to be shown affecting the council's investment decisions. Last quarter it was reported that the likelihood of this occurring had reduced. This has further reduced this month as it is now expected that a statutory override will be implemented along with the changes which will allow the council to continue with current arrangements. Therefore, this risks has been demoted from the Corporate Risk Register this time.
17. The risk that the council would not be compensated for the sale of higher value assets due to Government Policy on the sale of high value assets to fund Right to Buy has been removed from the risk register. The Government announced via the Social Housing Green paper in August that they will be repealing the legislation from 2018 and council's will no longer be required to sell high value homes.

Compliance Risk

18. Since the last update, the IT compliance risks have been reviewed and the two risks relating to Payment Card Industry data security standard and Public

Service Network (PSN) compliance have been combined due to their similarity. The IT team has recently achieved compliance for this year.

19. It is proposed that the risks relating to Business Continuity and Emergency Planning are featured on the strategic rather than compliance risk register in future reporting. Whilst these functions include processes that need to be complied with, they have strategic implications. In addition, the risk relating to staffing resources in the event an election is called at short notice will be included on the delivery risk register along with other individual service related resource risks.

Increased risk profiles

20. The memorial headstone inspection programme has made significant progress and mitigations have been put in place which have reduced the potential impacts of this risk. However, the overall risk profile has been raised slightly from a score of five to six whilst work continues to fulfil the remainder of the project.

Emerging risks

21. A new risk has been included on the register relating to the recent roll out of laptops and other portable devices across the organisation. Whilst much work has been undertaken to mitigate against any potential loss or theft of the devices including a comprehensive Data Protection Impact Assessment and revised guidance for staff, it is considered that monitoring the risks associated with the use of laptops should continue whilst this new way of working is embedded.

Conclusion

22. Risk owners have reviewed and reassessed the risks and controls within their specific areas and are satisfied that this report and attached Appendix represent an accurate picture of the current risks to the organisation.
23. The Corporate Risks Register will be presented again to the Audit Committee in six months time in accordance with the Risk Management Framework where a further update will be provided on current risks and notable changes to the Register.

Contact and Email

Charlotte Hammersley, Compliance and Data Protection Manager

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Strategic risks

Report Type: Risks Report

Report Author: Charlotte Hammersley

Generated on: 18 September 2018



Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 POL0 02 Page 29	Ashford Spurs - works to platforms 3 and 4 to ensure trains can access the station	Reduced international services from April 2018	<p>Likelihood</p> <p>Impact</p>	Communications plan	■	<p>There is current disruption to the service from Ashford due to French strikes and challenges in maintaining the old Eurostar trains that service Ashford International. Eurostar are putting mitigations in place through August and September to try and return the service to normal in October.</p> <p>Resolution to the power issue at Ashford is still progressing with a requirement for this to be delivered by April 2019.</p>

Financial risks

Report Type: Risks Report

Report Author: Charlotte Hammersley

Generated on: 18 September 2018



Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 HPC0 04 Page 002	Downturn in the economy leads to reduction in parking income.	Negative impact on MTFP.		Income monitoring	-	There has been no change to the risk profile since the last update. Parking income on target.
				Promotional campaigns to increase take up.		
CR17 PRO P002	Inability to make expected return on commercial investment portfolio	<ul style="list-style-type: none"> • Reputational damage of not delivering strategic projects. • Financial loss to the council which would impact on the councils Medium Term Financial Plan. • Potential loss of income by not achieving the minimum rent at Elwick Place to 		Monthly monitoring with developer of Elwick Place	-	<p>Risk remains unchanged. The national economic climate has not significantly affected the council's investments. However, an economic risk reserve has been introduced to manage any fluctuations that may occur in year.</p> <p>The A3 units at Elwick Road are not yet fully let but this does not create a budget pressure for the next two years.</p> <p>Letting the remainder of the office space at the Commercial Quarter continues now the building has</p>
				Potential to consume any shortfall within the total Elwick Place project budget.		
				Regular review of tenancies at International House with portfolio holder and marketing agent.		
				Established tenants on mid-term leases at International House.		

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
Page 33		<p>cover quality maintenance.</p> <ul style="list-style-type: none"> Inability to let the units at Carlton Road could lead to the need to repurpose or sell the site. 		<p>Monthly review of the market with agent (Carlton Road)</p> <p>Current demand for similar product to Carlton Road elsewhere</p>		<p>completed and opened. Since the last update, additional space has been let, reducing further any potential liability to the council.</p> <p>There is a planned three year implementation phase before the units at Carlton Road are expected to be full let. Unlet units at Carlton Road will need to be carefully reviewed.</p> <p>Rental income at International House continues to be monitored with a number of mid-term lets secured.</p>
	CR17 PRO P008	<p>Long term viability of Park Mall due to reduction in number of tenants or increased maintenance costs</p> <ul style="list-style-type: none"> Impact on town centre economy Impact on council's MTFP Reputational impact 		<p>Regular meetings with marketing and management agents</p> <p>Lettings Strategy</p>	■	<p>There is currently a low and settled vacancy rate at Park Mall and the few unlet units are expected to be filled shortly. This includes a unit which has been vacant for over two years.</p>

Compliance risks

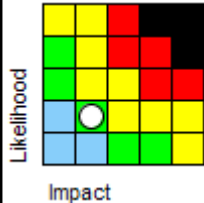
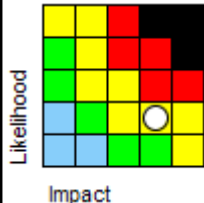
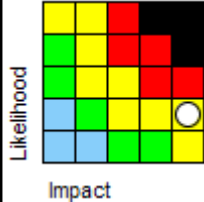
Report Type: Risks Report

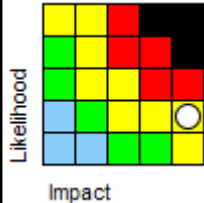

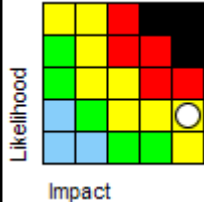

Report Author: Charlotte Hammersley

Generated on: 18 September 2018



Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 ENV0 01 Page 32	Operational - Memorial headstone Inspections	<ul style="list-style-type: none"> Potential for death or serious injury from unsafe headstones that have yet to be identified as part of the programme of inspections. Public Safety at Work Act 		5 year inspection programme Notification letter to all headstone owners Banding and staking high risk headstones Writing to owners of category 2 headstones		We have moved past Cabinet approval for larger capital works required on memorials to make them safe. The Environment and Land Management Service are in the processing of writing to grave owners to make them aware of round 2 of inspections and where necessary, we will pocket any memorial headstones yet to be made safe. The memorial inspections after this round should become business as usual. Those requiring action should have all been dealt with or programmed by Spring 2019. New standards for memorials should reduce risks going forwards and inspections will be on a rolling 5 year programme with in house team (as they have been fully trained).

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 FINNI T001	Loss or theft of portable devices and data stored on them	<ul style="list-style-type: none"> Potential breach of council or personal data. Reputational damage. 		Remote working and portable devices guidance	New	As part of the council's digital delivery agenda, laptops and other portable devices have been rolled out to staff and councillors to allow for more efficient working and reduced printing costs. This new way of working has some risks associated with it as devices can now be removed from the building. However, the roll out of the devices has been carefully managed with a Data Protection Impact Assessment conducted, guidance issued to staff and encryption.
				Portable devices encrypted		
				Data Protection Impact Assessment		
CR17 EHC0 01	Insufficient resources to deliver statutory environmental health duties	<ul style="list-style-type: none"> Failure to meet statutory inspection duties Unable to respond to Environmental Health incidents 		Request to fill vacant post	-	Base level Environmental Health resources remain stable. Current vacant Environmental Health Officer being recruited.
				Engage temporary environmental resource		
CR17 HPC0 11	Inability to respond to a significant business continuity incident	<ul style="list-style-type: none"> Inability to continue key business processes Reputational damage 		Business Continuity Steering Group	-	There has been no change to the risk profile since the last update.
				Business Continuity Service Plans		
				Business Continuity exercises		

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 HPC0 12	Inability to respond to a major emergency	<ul style="list-style-type: none"> Failure to provide essential services and resources during an emergency or major incident. Reputational damage. 		Emergency Plan Audit of Emergency Planning Staff training (MAGIC)		There has been no change to the risk profile since the last update.
CR17 LEG0 01	Insufficient resources in the event Election is called at short notice	<ul style="list-style-type: none"> Mistakes during election Staff morale Customer satisfaction Reputational damage 		Increased staff hours and pay during election period. Well developed corporate support system		This risk profile remains unchanged. At present it is considered that there are sufficient resources if there was a snap election.

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 LEG0 04	Non-compliance with GDPR	<ul style="list-style-type: none"> ICO fines Enforcement notices Reputation Customer dissatisfaction 	<p>Likelihood</p> <p>Impact</p>	<ul style="list-style-type: none"> GDPR action plan Service briefings Dedicated resource Staff training Information Governance Group Consultant legal support for key policies Information Commissioner Office registration 		<p>GDPR was implemented on 25 May 2018. Staff have completed training and the Information Governance Group is meeting regularly to oversee service's compliance with the Regulation. Getting ready for GDPR included revising and implementing policies. The next step will be to review the overarching Data Protection Policy in the context of other data and information security policies. Strengthening processes to minimise any risk of data breaches also remains a priority.</p>
CR17 LEG0 06	Failure to implement new warding arrangements at the local elections in 2019	<ul style="list-style-type: none"> Potential voter dissatisfaction 	<p>Likelihood</p> <p>Impact</p>	<ul style="list-style-type: none"> Project team established 		<p>Electoral Services and Members Services are liaising to ensure all the boundary work is passed by council in good time to ensure the parish boundaries full reflect the new Borough Ward Boundaries that will be implemented at the next elections. The aim is to have work completed by October 18 in advance of the publication of the register in December 18. At present work is on target.</p>



Agenda Item No: 7

Report To: Audit Committee

Date of Meeting: 27th September 2018

Report Title: Contract Management – Update September 2018

Report Author & Job Title: Tracey Butler, Head of Environment and Land Management and Martin Murphy, Managing Director, SCMG

Portfolio Holder: Cllr. Shorter and Cllr. Galpin.

Portfolio Holder for: Property and Projects

Summary: Following internal training, a review of contract management and extensive analysis of spend and supplier information has been conducted. This paper presents the progress to date and the forward plan to develop a more proactive category based procurement and contract management lifecycle approach, to improve the structure, management and delivery of contracts.

This approach includes improved processes and tools for Project Managers and individuals managing contracts. There will also be a new Contract Manager role to provide proportionate direct and indirect support. This will facilitate a change in approach and behaviour to develop a corporate strategy and focus on improving contract performance and reducing cost across the authority.

Recommendations: **The Audit Committee is recommended to:-**

I. Endorse the proposed Contract Management Strategy and new approach.

Policy Overview: Current approach and practice to Financial Standing Orders of the Council in relation to managing contracts.

Financial Implications: Investment required in new role of Contract Manager circa £60k (incl on costs) total cost per annum.

Legal Implications: The strategy and investment in new capability and capacity will provide a more robust approach to Contract Management in terms of improved processes and skills. This will reduce the risk associated with managing complex contracts and a proportionate approach to risk with a focus on continuous improvement and cost reduction.

Equalities Impact Assessment: Not applicable individual procurement to have their own EIA.

Exempt from Publication: NO

**Background
Papers:**

Contact: tracey.butler@ashford.gov.uk – Tel: (01233) 330875

Agenda Item No. 7

Report Title: **Contract Management Update September 2018**

Introduction and Background

1. As part of the appraisal process in March 2017, HR identified a number of individuals that had highlighted and requested a need for more in depth training on contract management.
2. That training was included in the annual training programme produced by HR and sourced through “Understanding Modern Gov”; a comprehensive public sector training provider.
3. Contract management training (entitled The Principles of Successful Contract Management) was provided in December 2017, through Understanding Modern Gov by a company called SCMG, specifically Martin Murphy, the Managing Director. Over 20 participants attended from across the organisation.
4. The feedback from the training indicated it was extremely useful, was very clear on identifying the need for contracts, their structure, commissioning, end of life and covered points identified as skills gaps by attendees. However, the training also identified that understanding of the importance of contract management lifecycles and advice available to those creating and managing contracts could be variable, based on experience. It was identified that a better defined corporate approach and a formal source of advice would align corporate contract management, reducing variability solely based on experience and improve whole project understanding.
5. Based on this feedback, Martin Murphy from SCMG was commissioned to undertake a contract management review for Ashford Borough Council, which reported back in late March 2018.
6. The overarching themes from the review included the facts that; there are elements of good practice in several areas, many of the essential elements of good contract management were in place e.g. contract standing orders, a published contract register and quarterly spend published via the authority’s own website transparency pages, large contracts are managed well at a local level by services or delivery managers.
7. Nonetheless, there was room for improvement. As we have become such a commercial and entrepreneurial council, some staff have become contract managers by default rather than by design (this is not unusual and is a familiar pattern in a range of public organisations). This meant that we have some very experienced and knowledgeable contract managers, who are generally managing the more complex and high value contracts and were held up as exemplars of good practice. These included the Housing Performance Manager managing the PFI contract on Stanhope, the Development and Regeneration Manager and team working on some of our housing projects and the Environmental Contracts and Enforcement Manager, managing the Biffa refuse, recycling and street cleansing contract.

8. Due to our drive to be commercial and entrepreneurial, we have some roles and some service areas in the council that in recent years, through service evolution, have been faced with contract management for the first time.
9. In circumstances where a service may need expert advice to perform a function that becomes a part of your role, e.g. budget management, you would expect to be able to take advice from a service accountant. However, in the case of contract management, it became clear that some roles that had evolved to take on contract management by default, did not have a central point or resource from which to gain knowledge and support but instead drew upon colleagues own previous experience or developed on a self-help basis.
10. The review also undertook a high level spend analysis based on published data for the previous year and reconciled this against contracts in place, to review where contracts could or should be utilised. This examined where advantage had been taken of "roll over" clauses rather than going back to the market and what this meant for driving best value, either at tender or in the life time of the contract, through seeking contract improvements and innovation. The review considered where most focus should be provided going forwards.
11. It is important to note that through the review no practices were identified that stepped outside of contract standing orders or outside of the terms of the contracts themselves. This review adopted an approach to identify where good practice could be extended from contracts that are being proactively managed to the larger number of medium and lower risk and value contracts, where the approach is less formal and robust versus a corporate approach. In these cases, decision making is devolved to services or individuals but with less emphasis on improvements or innovation and what those improvements may look like between different types and categories of contracts.

Current Position

12. From the review, a proposal was constructed to implement improvements in contract management. The proposal included the identified need for the role of a Contract Manager to oversee the contract lifecycle process. This role will advise on contract management across the council, with particular regard to those of highest value or greatest longevity where intervention could drive innovation and contract savings / provide added contract value over a longer period. The proposal was phased to ensure the work could progress as quickly as possible, some before and some after the appointment of the proposed new role. The key tasks of the proposal appear below;

#	Stage Description	Timescale*	Key Tasks
1	Develop and support further development of the Contract Register	Month 1 (May)	<ul style="list-style-type: none"> • Fully populate existing contract register, • Ensure current version on website, • Identify contracts that should be on Register, • Identify "contracts" that do not need to be on the Register

2	Contract and Spend Analysis	Month 1 & 2 (May & June)	<ul style="list-style-type: none"> • Tender Wave Plan, • Undertake spend analysis, • Review contract values and annual spend, • Identify Spend Categories,
3	Segment Contracts	Month 3 (July)	<ul style="list-style-type: none"> • Risk / Value analysis at Category level, • Segment Contracts (e.g. A, B and C), • Top "20" Suppliers,
<i>Planned break to accommodate recruitment process lead times.</i>			
4	Develop Contract Management Lifecycle model for ABC	Month 4 (September)	<ul style="list-style-type: none"> • Develop and agree lifecycle model, • Define procedures and collateral to support individual stages,
5	Organisational Review (Procurement and Contracts)	Month 5 (October)	<ul style="list-style-type: none"> • Target Operating Model, • Review Resources and develop organisation model for Supply Chain (Procurement and Contracts), • Roles and Responsibilities,
6	Contract Management Strategy	Month 6 (November)	<ul style="list-style-type: none"> • #1 to #5 consolidated and presented as ABC "Contract Strategy".

*Timescale Revised from original proposal (April 2018) to reflect recruitment process.

13. To date, the following has been achieved;
14. The contract register has been developed further to improve the content and accuracy of the information. All contract managers have answered detailed "on line" questionnaires on the construct, value, longevity, performance and expectations of the contracts they manage. This information is required to be published but other useful information has also been collected for internal purposes. This information has been used to fully populate the contract register. The provision of this information has supported the analysis of contract grouping and segmentation, in terms of related procurement categories and considering procurement and contract management as part of an overall lifecycle approach.
15. The information required for a public contracts register is now up to date and has been more accurately reconciled to budget spend. This will be next uploaded to the website for 1 October 2018 (next quarterly publication date). Contracts such as non-repairing leases will not appear on the Contract Register and have been removed and recorded elsewhere. The Contract Register will focus on contracts for Supplies, Services and Works.
16. A tender wave plan has been devised. This will ensure that the planned contract end date triggers a review of the contract. A re-tender date is defined for each contract to allow adequate lead time and preparation for an appropriate tender procedure to take place and minimise any tendency to extend contracts unnecessarily or without going back out to the market in terms of achieving best value.
17. The tender wave plan will also help planning and resourcing future procurements. This task should not be underestimated. For example, to manage and support an "above the threshold" (Supplies and Service = £181k and Works = £4.5 Million) public contract over a six month period or more requires circa 30 days of resource per tender.

18. The organisation is spending this amount of time across different Directorates and Services which is not recognised or documented, accounted or organised as “Procurement” activity.
19. An up to date spend analysis has been undertaken to reconcile spend with the “new” Contract Register. This will enable total contract values and spend analysis to be reconciled and reviewed annually once the Contract Manager is in post.
20. The review of spend categories, bringing the procurement and contract management functions more closely together, will enable procurement frameworks to be more quickly and easily identified. This will support a whole authority corporate approach to focus on categories of spend and contracts, as opposed to individual services or contractors and suppliers. Again, this supports a lifecycle approach and maximises the opportunity to procure and manage contracts better.
21. The contracts have been further segmented to reflect risk and value (reflecting corporately adopted risk ratings), to ensure that greatest attention is paid to financial value of contracts or those that represent greatest reputational risk or both. This is the basis of a segmented or tiered approach to managing contracts and developing a proportionate approach to tiers of contracts, i.e. high value and high risk contracts require a different approach to low risk and low value contracts.
22. This further segmentation has identified where the contract manager will initially focus on a “top 20” contracts and suppliers to reduce risk, improve performance and reduce cost through continuous improvement and innovation (in some instances this may include reduced operating costs or improving service from that contract).
23. A Category Management template has been developed. The template will be used to develop individual category strategies and will be generally available as part of the toolbox.
24. A business case for the Contract Manager has been developed with a x10 payback (detailed attached at appendix 2). The premise for the business case is on the basis that Contract Manager will proactively identify and implement improvements in overall and contract specific terms, through better specifications (at a category level), avoiding leakage (spending outside of the construct of that contract), over-runs and improvements.
25. The Contract Manager role has been specified to focus on both the compliance aspects of managing contracts but also to focus on continuous improvement and cost reduction.
26. The Contract Manager role has been advertised internally and assessed against eight criteria. This has not identified any suitable candidates from three applications. The Contract Manager role is now being advertised externally with the associated lead time. To ensure work moves forward in a smooth and timely fashion, the next phases of the project are progressing with a view to updating the new post holder as they join the organisation. Therefore, the framework and structure of a “Toolbox” approach has been developed. This will complement the

proposed Process and Organisational improvements. It will support an integrated Procurement and Contract Management Lifecycle as the basis of a corporate approach for larger contracts but available and accessible to all individuals managing contracts as a central intranet resource. This will include established and new procedures and tools in a Contract Manager's Toolbox e.g. using Pentana as a Risk Assessment tool for major contracts (Tier A) to ensure consistency and utilise resources already available and investments already made.

27. A number of interim (31 July 2018) recommendations and work in progress have been suggested to support and simplify future analysis, which should be repeated annually.
 - a. Add new codes to Finance System for Procurement Categories by Type and Category (*to simplify and streamline mapping Expense types to Procurement Categories*),
 - b. Agree Expenses Type map to Procurement Classification and Categories,
 - c. Category Management approach for Supplies, Works and Services,
 - d. Create Organisation template based on Supplies, Services and Works Contract,
 - e. Increase Single Source threshold from £15k to £25k (*to harmonise internal procurement guidance with public sector requirement to advertise all contracts over £25k on the Contract Finder portal and encourage local suppliers and SMEs to participate in council tenders*),
 - f. All contracts with a value of £100k or more should be formally Contract Managed,
 - g. Recruit Contract Manager into new role (*initial focus on high risk contracts to support individuals managing contracts*),
 - h. Develop Organisation model – right size Procurement and Contracts organisation to procure and manage Categories of contracts, (*build capability and capacity to manage the contract lifecycle*),
 - i. Develop and agree Category Management template,
 - j. Develop Category Management strategies for Categories where appropriate.

Implications and Risk Assessment

28. A more consistent corporate approach is required to Contract Management. This is a significant change with a focus on categories of contracts rather than the present focus by individual services or on individual suppliers and contracts, to a more holistic and joined up approach. In simple terms this can be considered as a top down and managed system, versus a bottom up and evolving approach.
29. The proposed approach will require resource to support this change including a different mind-set and focus with implications for how every Directorate and Service engages with the market, tenders are structured and contracts are managed.
30. It is unlikely that any improvements will be achieved without associated resource. The request (which has been approved through Management Team and is being recruited to) is considered modest and minimum in terms of the risk and

opportunity and should be considered as a transition over time to a larger team that can make more of an impact, once the approach and role has delivered results. The business case for this role is appended (2).

31. The risks and consequent opportunities to taking this approach, are identified as follows,

#	Risk	Type	Mitigation
1	Compliance	Reputational	The strategy must be socialised within the authority including communicating the Toolbox to users and ensuring that it is well structured, accessible and easy to use. The toolbox will support and drive compliance and provide a checklist approach and tools as the basis for contract information, an audit trail and support better decision making.
2	Lack of resource	Organisational	The strategy must be resourced appropriately to provide a focal point, champion for contract management and demands for advice and support.
3	Buy In	Organisational	The approach requires support and buy in from Directorates and Service to be successful. Management of change issues should be considered to engage key stakeholders and to win hearts and minds.
4	Contract Manager	Organisational	The role is pivotal, and the individual must be able to lead from the front, engage with stakeholders on complex issues in a constructive and proactive manner as well as deal with contractors and suppliers in sometimes difficult circumstances at all times representing the authority and Ashford citizens' best interests at all times.
5	Performance	Financial	The business case and benefits are hypothetical until proven. Benefits, both financial and non- financial, should be recorded and tracked to prove the case but also identify future opportunities and further development and investment in this area.

Communities Impact Assessment

32. Recognising the authority's pivotal role in local economic development and community engagement and associated benefit to the Contract Management Strategy, provides an opportunity to ensure that equality and diversity requirements are fully reflected in procurement and managed in delivering contracts. This can only be done properly from a corporate perspective and ensuring there are clear guidelines defined and appropriate approach driven by legislation and good practice in this area.

33. This must include setting targets and ensuring that these requirements are built into and specified, delivered and tracked and monitored. The cumulative effect across multiple contracts can be documented, measured and reported as social value indicators and a litmus test for how the authority's policies manifest themselves in practical terms through the delivery of contracts and associated benefits not only in spend or financial terms.
34. This approach should also provide a focus for local business, community engagement, social enterprises, charities and minority businesses within the same framework and context based on clearly defined and objective criteria.
35. The key issues arising are,
 - a. The application of equality criteria to contracts and wider supply chain issues,
 - b. A consistent approach to equality criteria reflected in all contracts,
 - c. Recording and tracking equality requirements as an integral part of performance reporting,
 - d. Creating and supporting a culture where decisions can be made objectively without fear or favour and an environment to do business based on equality of opportunity and delivery of contracts for all stakeholders.

Consultation Planned or Undertaken

36. Service Managers and a range of personnel involved in contract management have been involved to varying degrees in meetings to discuss Service spend and to feedback and discuss analysis of this information, using information derived from the finance system.
37. Contract (or Project) Managers and individuals managing contracts have participated in a structured information and data collection exercise using a web based questionnaire to collect information on current contracts. This has resulted in 30% more (100) contracts being added to the Contract Register more accurately reflecting the number and total value of contracts that are published on the transparency pages.
38. Presentations to portfolio holders (1 Aug) and (2 Aug).
39. Update presentation to Corporate Management Team (CMT) on 13 September 2018.

Other Options Considered

40. **Option 1:** Status Quo. It is unlikely that any meaningful change can be achieved without applying some level of resource to deliver and support the Contract Management Strategy to support both the high value and risk (Tier A) contracts to be proactively supported and managed, and Tier B, where Process improvements across the board will provide a better focus and approach and

Tier C where consolidation and restructuring of low value contracts will provide the biggest benefit.

41. **Option 2:** A more accelerated approach to resourcing (higher numbers of staff). A larger central contract management team could be disruptive to the organisation where there is currently a lot of autonomy with regards to contracts and where decisions made are not outside regulations. However, there may be resistance if the scope of change and a perceived centralisation of contracts is forced or too aggressive. Also this approach becomes more of a “leap of faith” that additional employment costs will reap financial and reputational benefits without a proven track record.

Reasons for Supporting Option Recommended

42. The option recommended to develop a Contract Management strategy and resource an individual Contract Manager role provides a balanced approach that reflects the difference between large contracts and projects that do not recur and other recurring contracts and procurements to be managed and procured regularly on an ongoing basis.
43. This also reflects that some contracts will be managed by individual Services when they are specific to that service and others where there are common requirements across different Services.
44. The precedent for a Contract Manager has been the introduction of a Procurement Manager which is a central role (as part of Property and Projects) that is highly valued by colleagues to consult with and seek advice and to involve in tenders and procurement if and when required.
45. Contract Management (other than a legal focus and compliance) is developing as a strategy and approach at pace for many organisations who are adopting a lifecycle (Procurement and Contract Management) approach. It is now widely recognised that the benefit of Public Procurement regulations can only be delivered if contracts are managed constructively and proactively. Otherwise the procurement promises made at the tender stage will dissipate quickly when the reality of managing the contract becomes a reality.
46. We can differentiate ourselves from other councils and get “ahead of the pack” by developing a coherent and well executed approach to managing contracts.

Next Steps in Process

47. The immediate next step is to progress the recruitment and the Contract Manager role from external candidates and recruitment channels. As at the time of writing this is work in progress.
48. The Toolbox will help embed better practice and a more structured approach. This should be progressed in anticipation of the Contract Manager role being filled so available to use on taking up the position but also for use by individuals managing contracts as a centrally available resource.

49. The recommendations highlighted above are being progressed and the entire work programme is due to be completed by the end of the year

Conclusion

50. A Contract Management strategy is required and should be implemented to complement the current approach to Procurement.
51. A Contract Manager is required to support large and high risk contracts directly or indirectly (providing support to Project Managers) as well as being able to promote and champion the new corporate approach and provide advice and support to contracts that may still be managed locally but will be structured, organised, procured and delivered differently based on a Category approach rather than a Directorate or Service or spend by Supplier approach.

Portfolio Holder's Views

52. Portfolio Holders were supportive and commented on the depth of analysis and conclusions at that point.
53. Both Portfolio Holders recognised the need for the proposed approach to organise and manage contracts differently from a compliance perspective but also to identify improvement opportunities through better performing contracts and reduced cost including challenging some existing custom and practice.
54. Cllr. Shorter and Cllr. Galpin reiterated the requirement to engage with the local community and local suppliers and contractors in terms of discharging responsibilities in relation to social value obligations and the bigger picture in relation to the authorities' corporate strategy, objectives and goals.

Contact and Email

55. Mrs Tracey Butler, Head of Environment and Land Management.
tracey.butler@ashford.gov.uk

Appended update on progress 31st July 2018 and contract manager business case.

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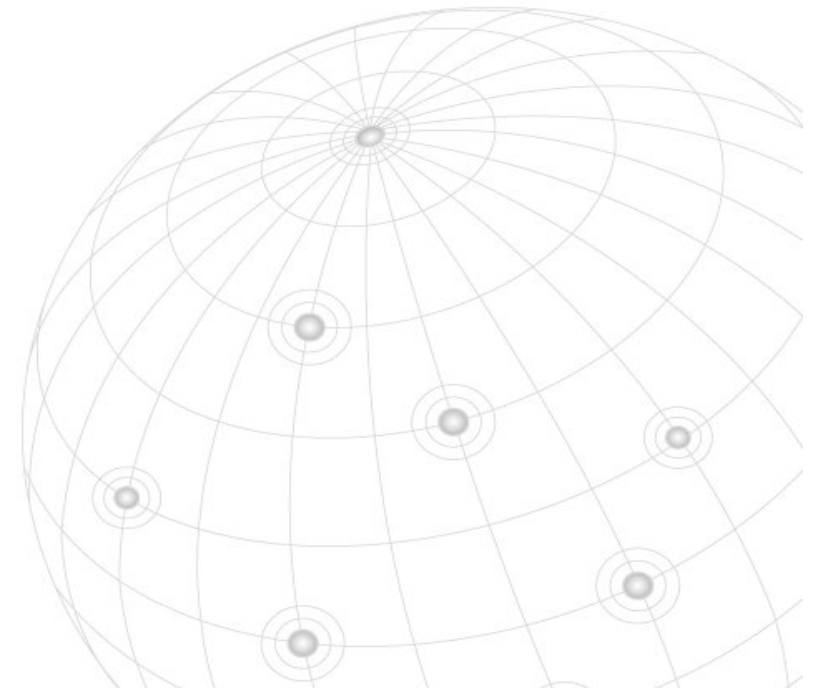
ASHFORD
BOROUGH COUNCIL

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Update

Contract Management Project

31 July 2018



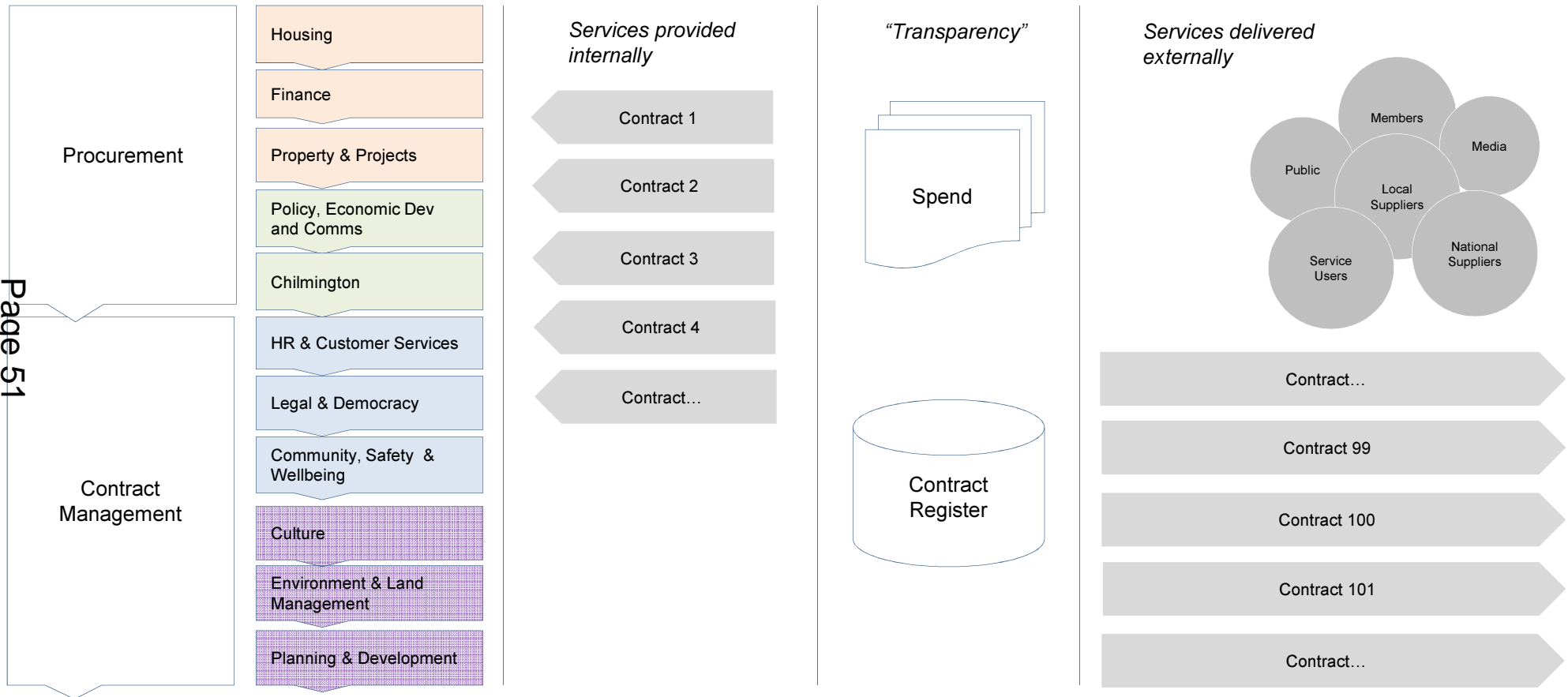
Update and Status

1. Contract Register,
2. Spend Analysis.

Procurement and Contracts



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Contract Register

- Contract Register survey collected information about 74 different contracts to include required information to publish and useful information for a more comprehensive register for internal purposes,
- “Old Register” included updates on 250 contracts,
 - 77 Returns from survey to over-write “Old Register”,
 - Analysis of 74 Single Source Agreement Forms provided,
- In overall terms this represents 324 contracts (original published register included circa 190 live and expired contracts),
- Contract information is now better and more fully populated and can be reconciled with spend analysis and contractors and suppliers,
- Single Source suppliers should also be and are included on the new Contract Register,
- The internal Contract Register can be easily filtered to only show current contracts and provide a simpler compliant list to be published,
- Moving forward new contracts can be added to the list whilst others that expire and do not recur can be removed after a suitable period of time e.g. as one new quarter is added the oldest quarter is removed.

Contract Register: Snapshot 31 Dec 2017

#	Description	31 Dec 2017
1	# Contracts	226
2	Total Contract Value	£157,157,041
3	Annual Spend	£25,003,683

#	Description	31 March 2018
1	# Contracts	196
2	Total Contract Value	£156,278,703
3	Annual Spend	£24,315,034

#	Description	31 July 2018
1	# Contracts	148
2	Total Contract Value	£130,804,679
3	Annual Spend	£19,175,504

- In overall terms this represents 324 contracts (original published register included circa 190 contracts including expired contracts),
- “Old Register” included updates on 250 contracts,
 - 77 Returns from survey to over-write “Old Register”,
 - Analysis of 74 Single Source Agreement Forms provided,
- If the Contract Register is filtered to exclude contracts that have expired before **31 Dec 2017** the list of contract reduces to **226** contracts,
- *If the Contract Register is filtered to exclude contracts that have expired before **31 Mar 2018** the list of contract reduces to **196** contracts,*
- *If the Contract Register is filtered to exclude contracts that have expired before **31 Jul 2018** the list of contract reduces to **148** contracts,*
- *Need to agree a Policy on how far back or window to include expired contracts.*

Collecting information for the Contract Register

- Contract Register,
- Formal Contracts we have in place,
 - that have been publicly or competitively tendered,
- Single Source,
- Identify any spend not covered by a contract?
 - Ad hoc,
 - Low value,
 - Other?
- We have collected information required to be published but also additional information useful for procurement and contracts.

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<http://www.scmg.co.uk/limesurvey/index.php?sid=32727&lang=en>

2017/18 Spend Analysis

- 2017/18 analysis has been completed from finance system data,
- Finance data can be analysed by
 - Expense Type,
 - Service,
- This provides good information but spread over 220 Expense Types and 13 Different Services which is useful to analyse Expense Type and Spend by Service, however, this does not support any analysis of common spend across different Services otherwise know as Procurement Categories,
- There should be fewer procurement categories than Expense Type or Suppliers?


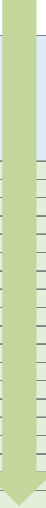
Spend Analysis (201718)

- Published spend £60 Million with contractors and suppliers,
- 80% of spend is with a top 33 (1,350) contractors and suppliers,
- There are 58 suppliers with a spend over £100k.

#	Service	Director / Manager	201718 Spend £	# Suppliers
1	Housing	Sharon Williams	14,115,065	576
1a	Housing Revenue Cap Projects		10,138,932	19
2	Finance & IT	Maria Stevens	4,215,566	194
3	Corporate Property & Projects	Paul Mckenner	22,376,215	202
4	Corporate Policy, Economic Development & Comms	Lorna Ford	190,010	52
5	Chilmington Management	Paul Naylor and Sally Ann Logan	27,472	18
6	HR & Customer Service	Michelle Pecci	243,438	69
7	Legal & Democratic Service	Vivien Williams	394,504	111
8	Health, Parking & Community Safety	Sheila Davison	208,704	11
9	Culture	Christina Fuller	3,017,327	308
10	Environmental & Land Management	Tracey Butler	4,690,765	231
11	Planning & Development	Tim Naylor	762,431	125
		Totals	60,380,429	1,916

Spend Analysis (201718) by Supplier by Service

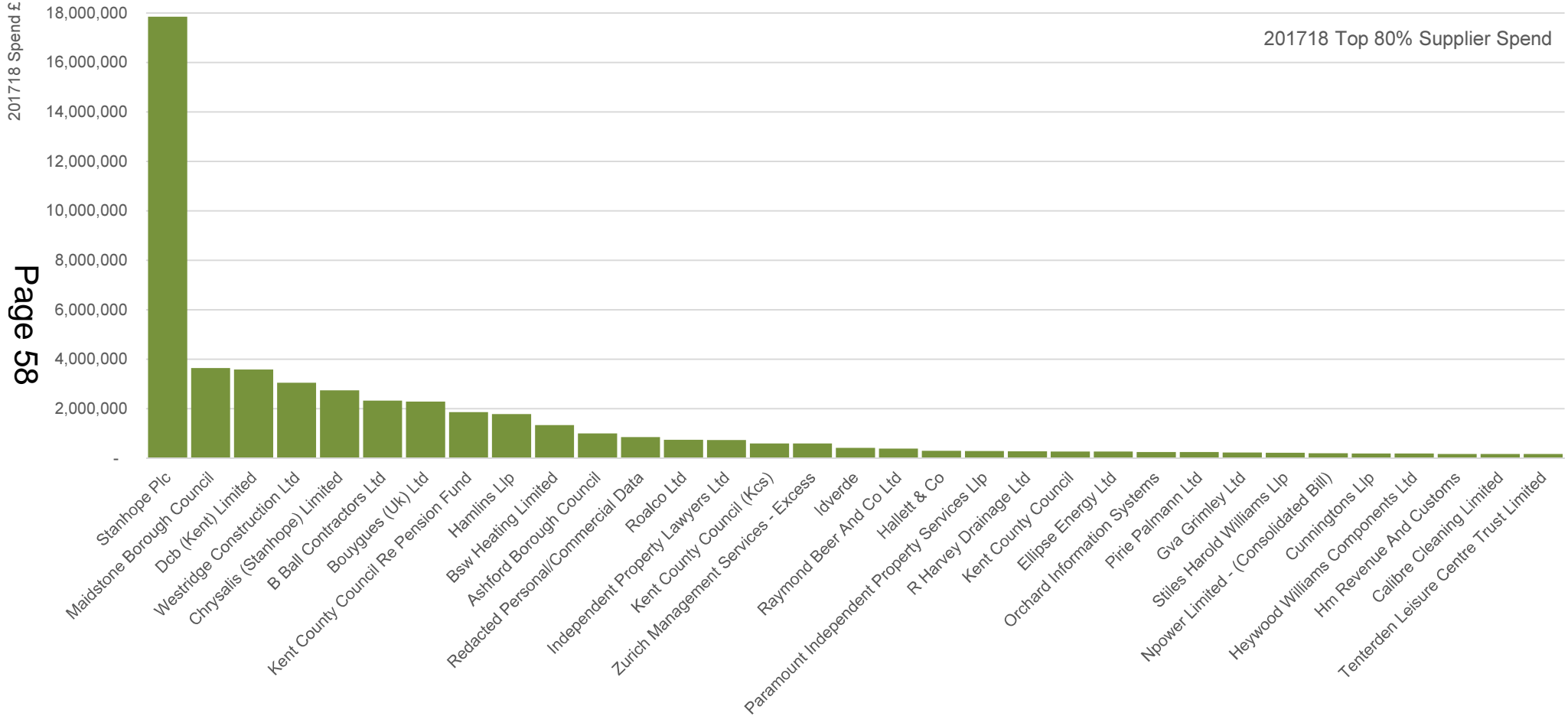
- Published spend £60 Million with contractors and suppliers,
- 80% of spend is with a top 33 (1,350) contractors and suppliers,
- There are 58 suppliers with a spend over £100k.

Supplier	Corporate Property & Projects	Housing Revenue Cap Projects	Environmental & Land Mgmt	Hra - Other	Finance & Ict	Hra - Repairs	Hra - Repairs - Capital	Culture	Housing Services	Health, Parking & Comm Safety	Hra - Admin	Planning	Balance Sheet	Hra - New Builds	Legal & Democratic Services	Hr & Customer Services	Corp Policy, Eco Dev & Comms	Chilmington Management Org	Gf Closed Cap Cost Centres	Ex Cost Centres	Financing	Hra - Income	Grand Total
Stanhope Plc	17,853,331									-					147								17,853,331
Maidstone Borough Council			3,492,207		155,331					-													3,647,685
DLP (Kent) Limited	6,206	2,267,099				330,595	67,494	912,704	4,974														3,589,072
WestrIDGE Construction Ltd		3,052,682																					3,052,682
Physalis (Stanhope) Limited				4,256,521			10,241															- 1,518,585	2,748,177
Ball Contractors Ltd	139,716		1,018			774,445	1,336,206	2,060	70,368	620	2,267	3,821											2,330,523
Boygues (Uk) Ltd		2,278,251												7,500									2,285,751
Kent County Council Re Pension Fund					1,860,906																		1,860,906
Merlins Llp	1,789,532																						1,789,532
Bsw Heating Limited	3,453					568,737	761,798		7,042						330								1,341,360
Ashford Borough Council	323,304		35,545		100			12,013	332,133	247,247	50,965												1,001,307
Redacted Personal/Commercial Data	250	250,000	2,082		113	10,622	994	13,104	256,493	12,579	13,024	55,935		239,832	2,485								857,511
Roalco Ltd	8,453					716,835	1,576		15,667		1,475			565									744,571
Independent Property Lawyers Ltd		731,000																					731,000
Kent County Council (Kcs)			1,219		891	104		333,313	110,030	3,107	150,231	80			378	99							599,452
Zurich Management Services - Excess	500		-		592,352						1,500												594,352
Idverde								413,908															413,908
Raymond Beer And Co Ltd	389,294																						389,294
Hallett & Co	50	303,637									350											- 335	303,702
Paramount Independent Property Services Llp								286,230															286,230

- Similar suppliers providing same services to different Directorates and Services on different terms to the authority?

Spend Analysis: By Supplier 201718, (80% of c. £60 or £54 Million)



201718 Spend Analysis

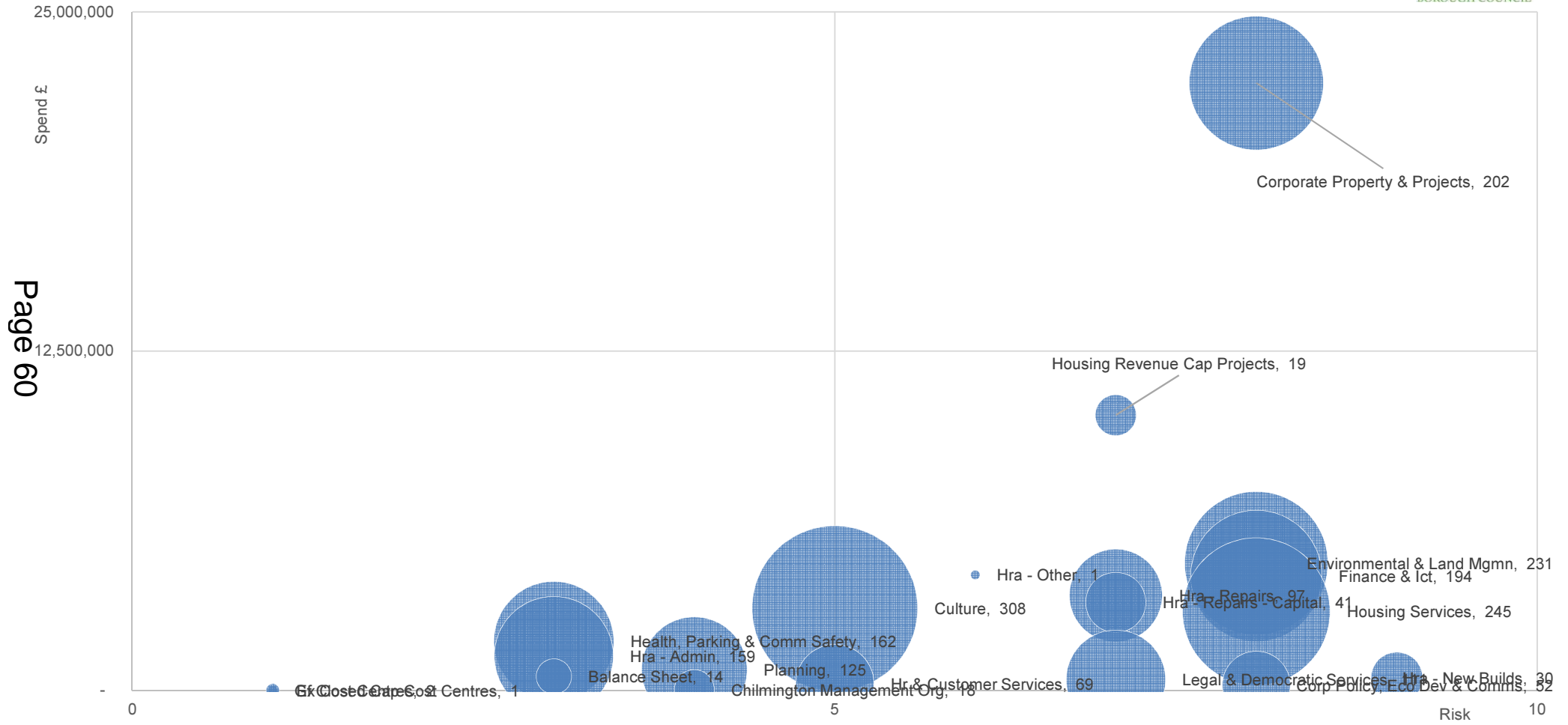


- Spend in 201718 was £62 Million across 22 High Level Areas with 1,344 contractors and suppliers,
- Not all spend recurs annually or evenly between years so does not necessarily all translate into a total contract value,
- Contract Management benefits will be derived from,
 1. Better specifications from lessons learned,
 2. Less leakage from contracts,
 3. Avoiding contracts running over,
 4. Improvement Activities,
- Business case for Contract Manager defined on basis of the total contract value,
- Across all contracts of different types, variety and volume total contract value is calculated as x3 times annual recurring spend.

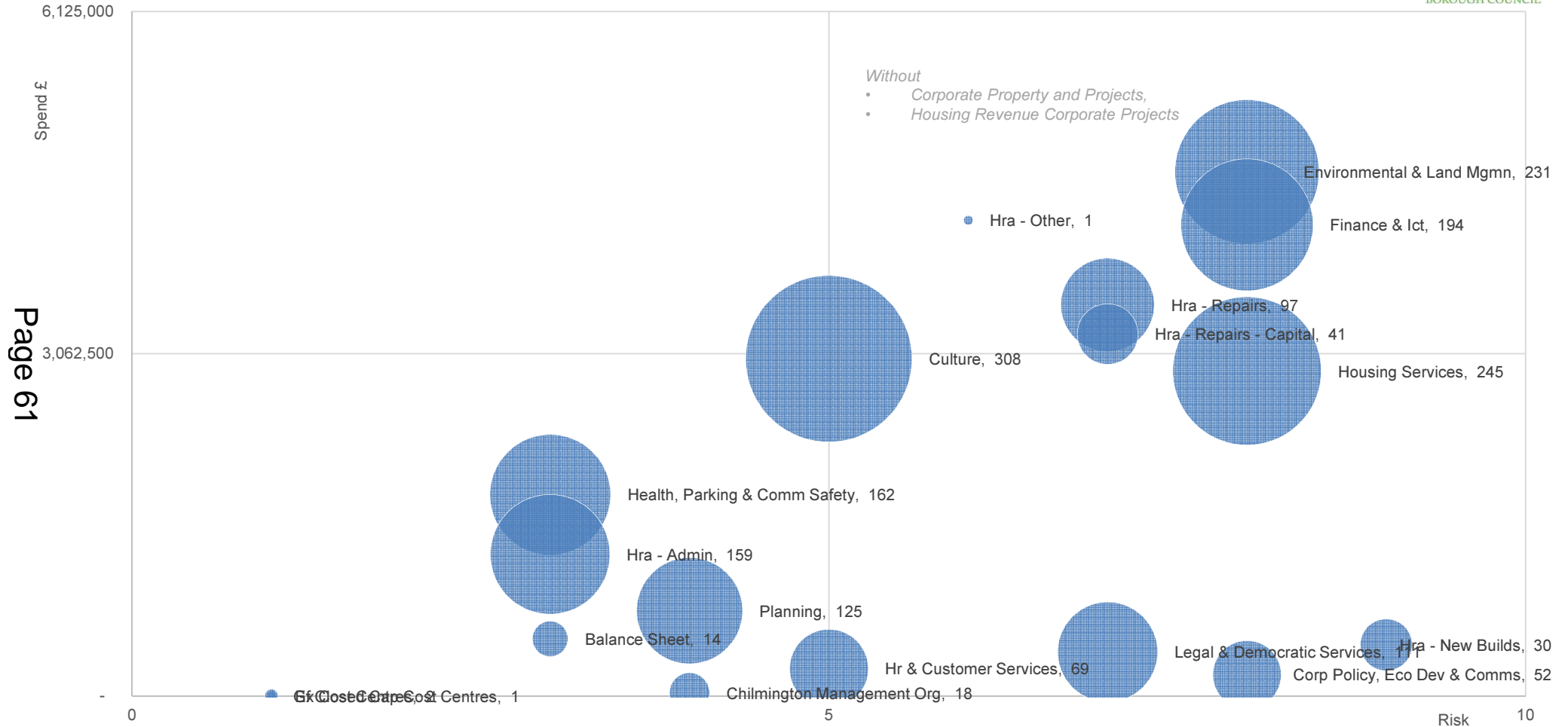
#	High Level Areas	*Risk	Spend	# Suppliers
1	Corporate Property & Projects	8	22,376,215	202
2	Housing Revenue Cap Projects	7	10,138,932	19
3	Environmental & Land Mgmn	8	4,690,765	231
4	Hra - Other	6	4,256,521	1
5	Finance & lct	4	4,215,566	194
6	Hra - Repairs	7	3,499,129	97
7	Hra - Repairs - Capital	7	3,238,192	41
8	Culture	3	3,017,327	308
9	Housing Services	8	2,907,469	245
10	Health, Parking & Comm Safety	3	1,801,094	162
11	Hra - Admin	3	1,267,754	159
12	Planning	4	762,431	125
13	Balance Sheet	7	512,094	14
14	Hra - New Builds	9	458,001	30
15	Legal & Democratic Services	5	394,504	111
16	Hr & Customer Services	5	243,438	69
17	Corp Policy, Eco Dev & Comms	8	190,010	52
18	Chilmington Management Org	4	27,472	18
19	<i>Gf Closed Cap Cost Centres</i>	1	1,155	1
20	<i>Ex Cost Centres</i>	1	845	2
21	<i>Financing</i>	2	- 661,568	1
22	<i>Hra - Income</i>	2	- 1,512,001	3
	Grand Total		61,825,344	1,344

*Risk allocation by SCMG to illustrate key point on segmenting contracts.

Service (Cost Centre) Spend / Risk Analysis (diameter = number of suppliers) 1



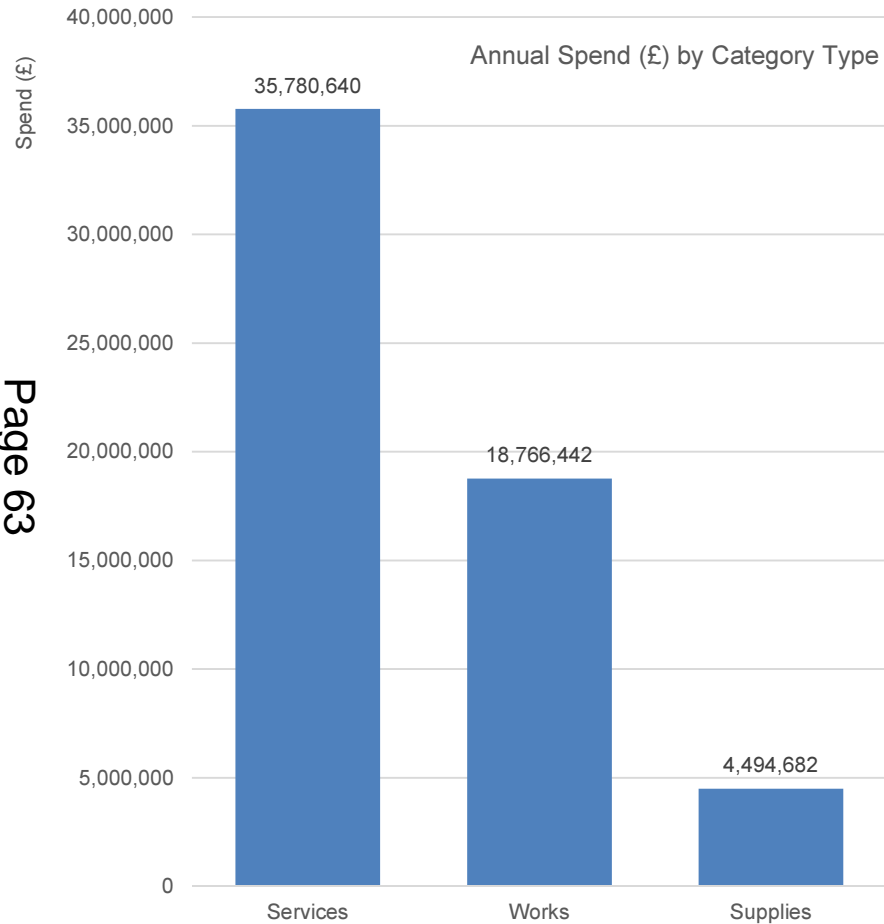
Service (Cost Centre) Spend / Risk Analysis (diameter = number of suppliers) 2



201718 Spend Analysis

- Spend should be analysed and organised into Categories that can be procured and Contracts that can be managed consistently within the same Category,
- Public Spend is organised and procured by,
 - Works,
 - Services,
 - Supplies,
- Different external and internal procurement rules apply to different thresholds of contracts and a Works contract will be procured and managed differently from a Supplies contract,
- Different Categories and sub-Categories are subject to different levels of risk and different commercial drivers and dynamics in the market place and strategies for each category should be designed to reflect that.

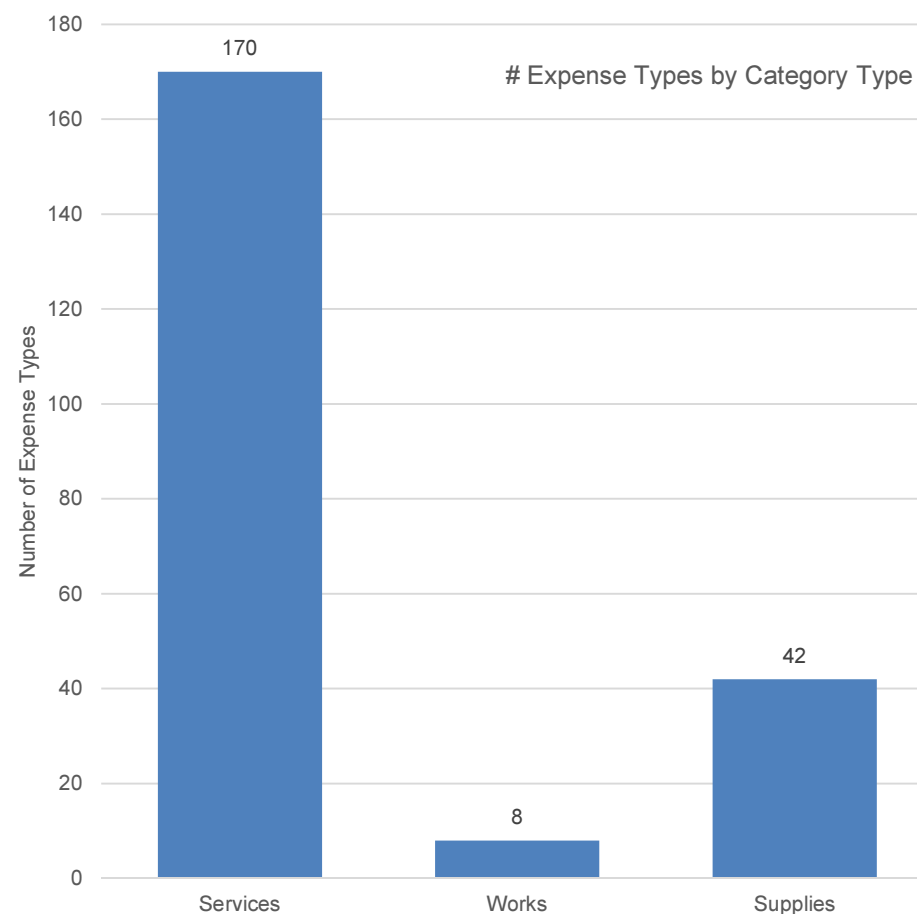
Spend by Procurement Categories



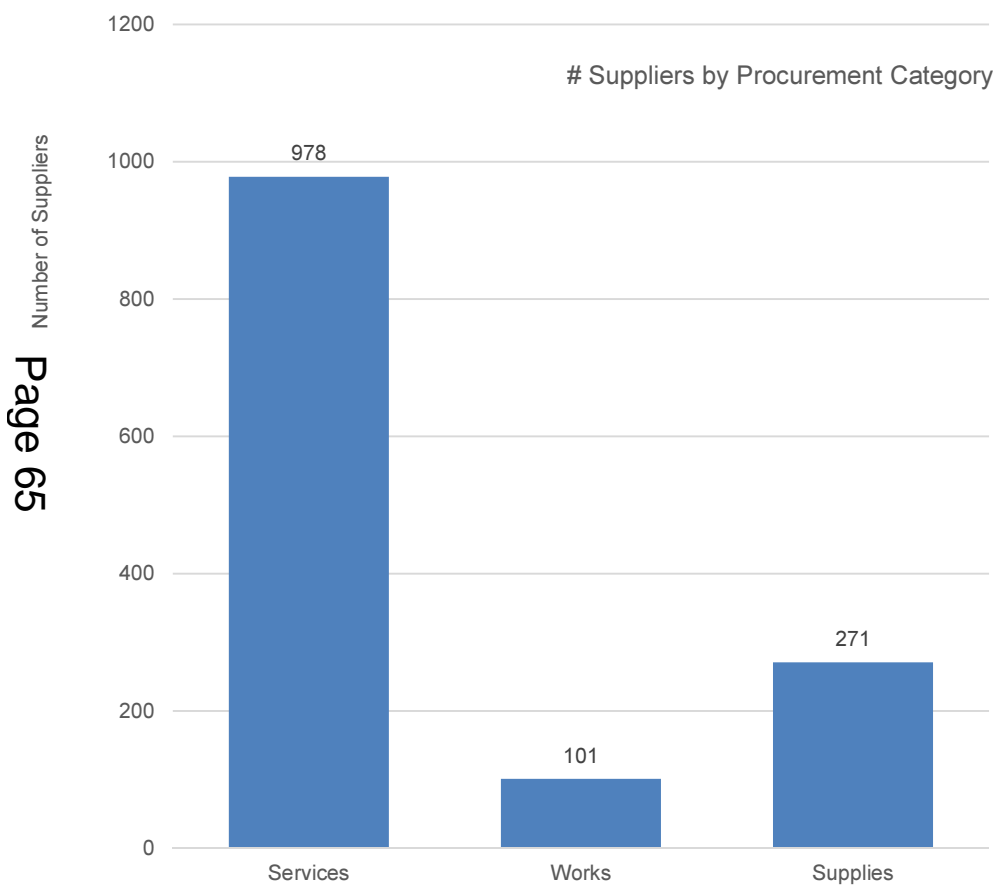
	Procurement Category (by SCMG)	Annual Spend £
Services	Subscriptions and Fees	18,767,913
	Building Maintenance	7,430,325
	FM	2,726,351
	Professional Services & Consultancy	1,684,619
	Insurance	863,594
	IT	814,750
	Accommodation	714,346
	Fees	603,662
	Recruitment & Temps	468,131
	Training & Development	455,991
	Vehicles	262,725
	Marketing, Advertising & Events	205,380
	Shared Services	191,860
	Printing	173,426
	Bank	154,559
	Courier & Postage	142,539
	<i>T&S</i>	<i>80,681</i>
<i>Catering & Hospitality</i>	<i>18,256</i>	
<i>H&S</i>	<i>11,436</i>	
<i>Misc</i>	<i>10,124</i>	
<i>Transport</i>	<i>-27</i>	
Works	Construction & Property	14,499,681
	PFI	4,266,761
Supplies	Utilities	2,864,862
	Equipment & Maintenance	1,535,241
	Consumables & Materials	79,986
	Publications and Periodicals	14,593
	Total	59,041,764

Spend by Procurement Categories

#	Category Type	Count of Expense Type	Category
1	Accommodation	1	Services
2	Bank	3	Services
3	Building Maintenance	4	Services
4	Catering & Hospitality	2	Services
5	Construction & Property	7	Works
6	Consumables & Materials	3	Supplies
7	Courier & Postage	2	Services
8	Equipment & Maintenance	24	Supplies
9	Fees	17	Services
10	FM	28	Services
11	H&S	1	Services
12	Insurance	6	Services
13	IT	5	Services
14	Marketing, Advertising & Events	10	Services
15	Misc	1	Services
16	PFI	1	Works
17	Printing	5	Services
18	Professional Services & Consultancy	23	Services
19	Publications and Periodicals	1	Supplies
20	Recruitment & Temps	6	Services
21	Shared Services	1	Services
22	Subscriptions and Fees	23	Services
23	T&S	12	Services
24	Training & Development	12	Services
25	Transport	1	Services
26	Utilities	14	Supplies
27	Vehicles	7	Services
28	Total	220	

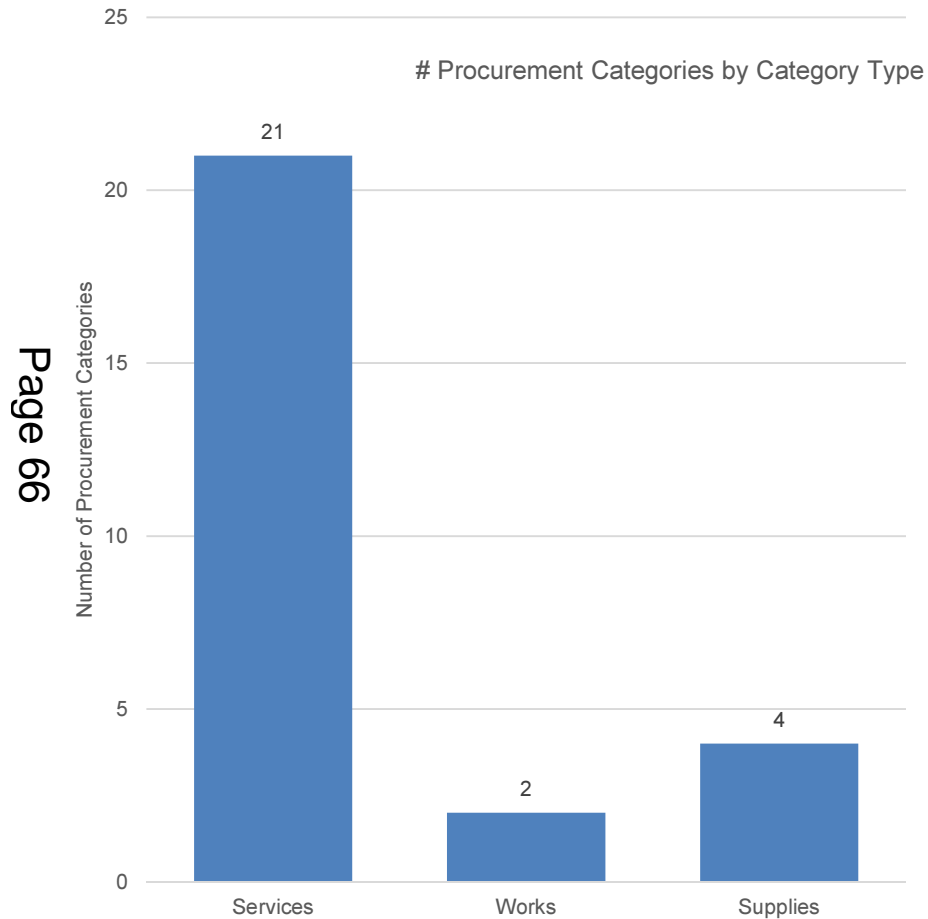


Spend by Procurement Categories



#	Works <i>(Top 20 Only of 101) Example</i>	Spend £
1	Chrysalis (Stanhope) Limited	4,266,761
2	Dcb (Kent) Limited	3,179,803
3	Westridge Construction Ltd	3,052,682
4	Bouygues (Uk) Ltd	2,278,251
5	Hamlins Llp	1,800,000
6	Independent Property Lawyers Ltd	731,000
7	Idverde	413,908
8	Raymond Beer And Co Ltd	389,294
9	Hallett & Co	303,687
10	Redacted Personal/Commercial Data	270,772
11	Pirie Palmann Ltd	250,000
12	Cunningtons Llp	192,500
13	Eos Civil Engineering Limited	166,288
14	National Car Parks Ltd	146,627
15	Redferns Solicitors	135,000
16	Bowers & Jessup Solicitors	132,000
17	Gordons Llp	127,346
18	Industrial Supply Specialists Ltd	106,000
19	Datum Groundworks Ltd	100,557
20	Martin Tolhurst Partnership	95,000

Spend by Procurement Categories



Category Type	Annual Spend £	# Suppliers	# Expense Types	Categories
Services	35,780,640	978	170	21
Works	18,766,442	101	8	2
Supplies	4,494,682	271	42	4
Total	59,041,764	1152	220	27

Spend by Procurement Categories

	Procurement Category	Annual Spend £
Services	Subscriptions and Fees	18,767,913
	Building Maintenance	7,430,325
	FM	2,726,351
	Professional Services & Consultancy	1,684,619
	Insurance	863,594
	IT	814,750
	Accommodation	714,346
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Supplies	Utilities	2,864,862
	Equipment & Maintenance	1,535,241
	Consumables & Materials	79,986
	Publications and Periodicals	14,593
	Total	59,041,764

Spend by Procurement Categories - continued

#	Procurement Category	Risk	Annual Spend	Number of Suppliers	Category Type
1	Subscriptions and Fees	8	18,767,913	141	Services
2	Construction & Property	7	14,499,681	100	Works
3	Building Maintenance	7	7,430,325	174	Services
4	PFI	9	4,266,761	1	Works
5	Utilities	6	2,864,862	41	Supplies
6	FM	9	2,726,351	104	Services
7	Professional Services & Consultancy	8	1,684,619	190	Services
8	Equipment & Maintenance	6	1,535,241	202	Supplies
9	Insurance	4	863,594	12	Services
10	IT	7	814,750	73	Services
11	Accommodation	9	714,346	10	Services
12	Fees	3	603,662	75	Services
13	Recruitment & Temps	7	468,131	51	Services
14	Training & Development	6	455,991	121	Services
15	Vehicles	3	262,725	31	Services
16	Marketing, Advertising & Events	7	205,380	111	Services
17	Shared Services	7	191,860	3	Services
18	Printing	5	173,426	28	Services
19	Bank	3	154,559	12	Services
20	Courier & Postage	2	142,539	17	Services
21	T&S	2	80,681	62	Services
22	Consumables & Materials	3	79,986	59	Supplies
23	Catering & Hospitality	4	18,256	14	Services
24	Publications and Periodicals	3	14,593	13	Supplies
25	H&S	7	11,436	17	Services
26	Misc	1	10,124	17	Services
27	Transport	5	-27	3	Services
	Total		59,209,951	1,155	

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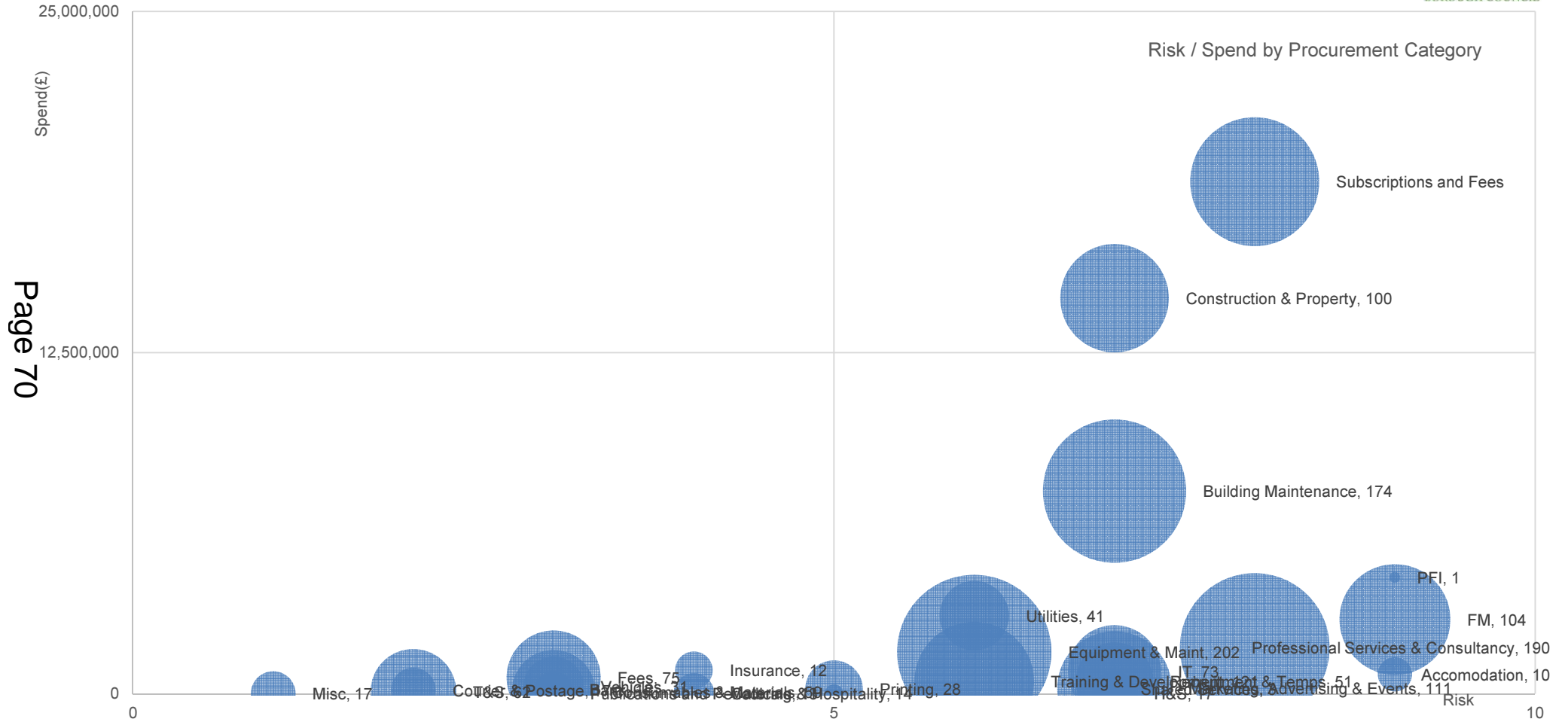
Spend by Procurement Categories



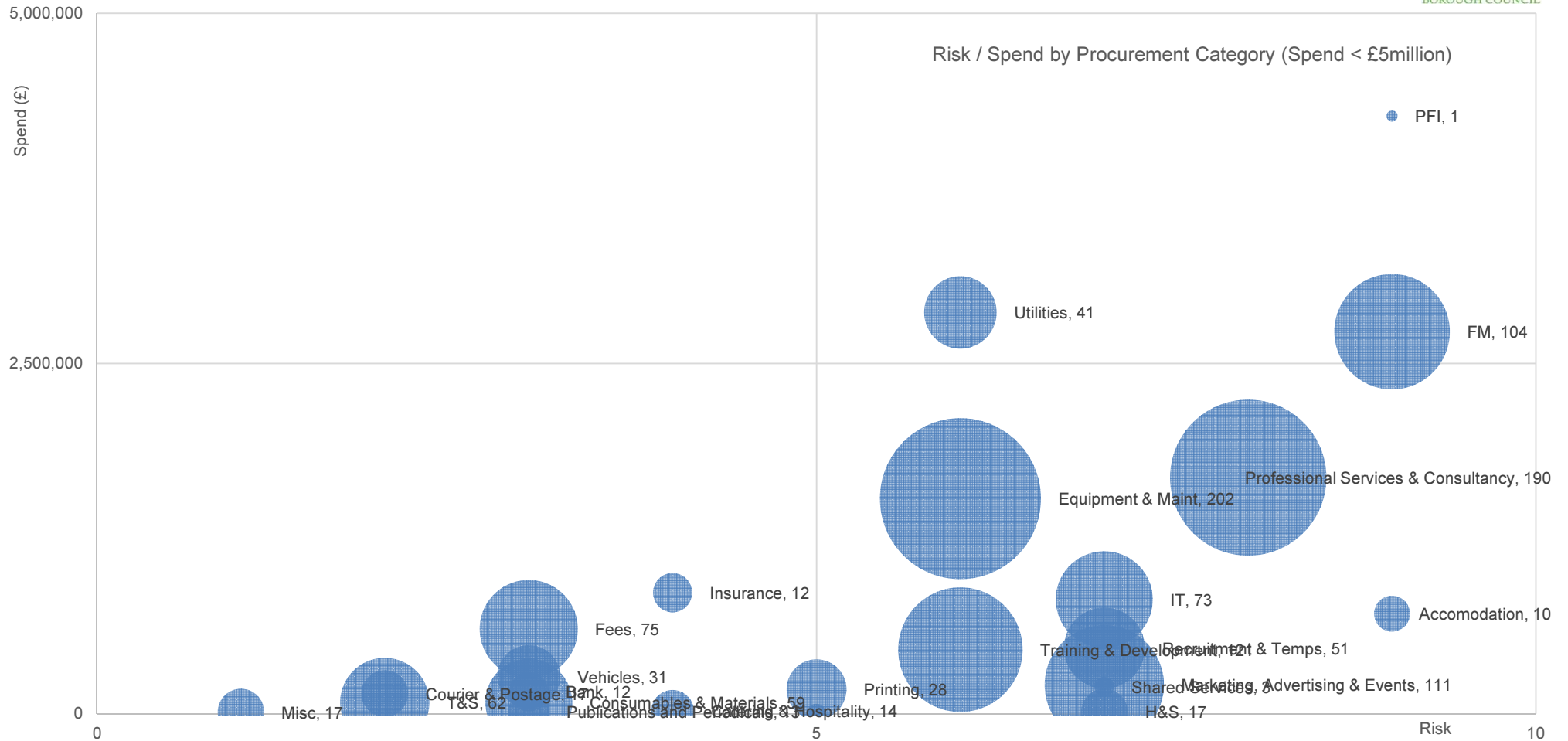
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3	Building Maintenance	7	7,430,325	174	Services
4	PFI	9	4,266,761	1	Works
5	Utilities	6	2,864,862	41	Supplies
6	FM	9	2,726,351	104	Services
7	Professional Services & Consultancy	8	1,684,619	190	Services
8	Equipment & Maintenance	6	1,535,241	202	Supplies
9	Insurance	4	863,594	12	Services
10	IT	7	814,750	73	Services
11	Accommodation	9	714,346	10	Services
12	Fees	3	603,662	75	Services
13	Recruitment & Temps	7	468,131	51	Services
14	Training & Development	6	455,991	121	Services
15	Vehicles	3	262,725	31	Services
16	Marketing, Advertising & Events	7	205,380	111	Services
17	Shared Services	7	191,860	3	Services
18	Printing	5	173,426	28	Services
19	Bank	3	154,559	12	Services
20	Courier & Postage	2	142,539	17	Services
21	T&S	2	80,681	62	Services
22	Consumables & Materials	3	79,986	59	Supplies
23	Catering & Hospitality	4	18,256	14	Services
24	Publications and Periodicals	3	14,593	13	Supplies
25	H&S	7	11,436	17	Services
26	Misc	1	10,124	17	Services
27	Transport	5	-27	3	Services
	Total		59,209,951	1,155	

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Spend by Procurement Categories 1

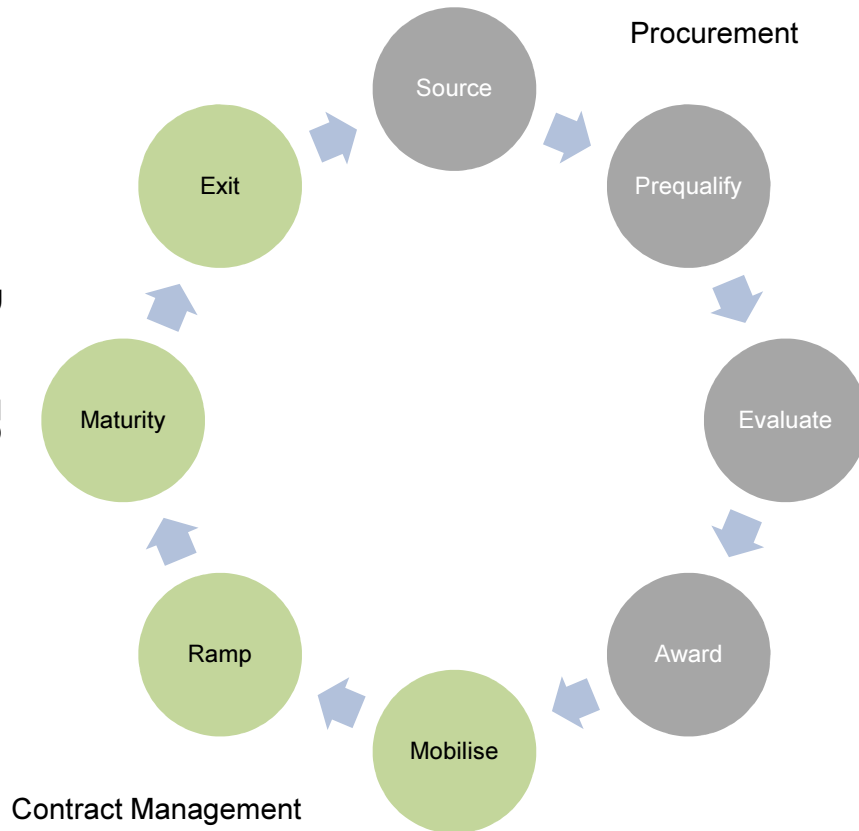


Spend by Procurement Categories 2



A best practice integrated approach to Procurement and Contract Management

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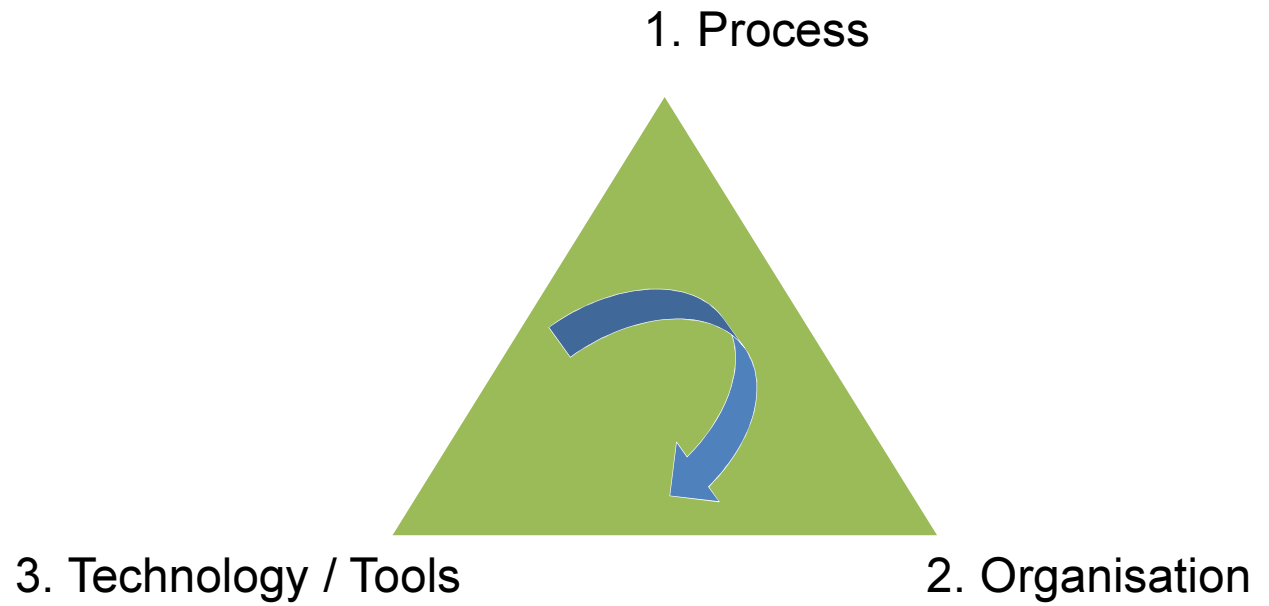


- Well defined Procurement and Contract Management lifecycle stages,
- Procurement and Contract Management process defined corporately and managed locally where appropriate,
- Balance between what can be managed and resourced centrally or locally,
- Consistency of approach including terms of reference, clear purpose and access to resources including advice and tools as part of a contract management toolbox available to contract managers,
- Joined up decision making,
- End to end approach to procuring and managing a contract provides the “best” opportunity to improve performance and reduce cost.

Contract Management Project



1. What do we do?
2. How do we do it?
3. Who does it?



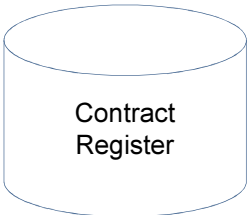
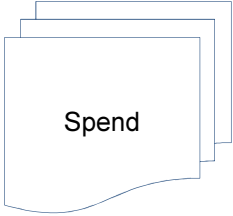
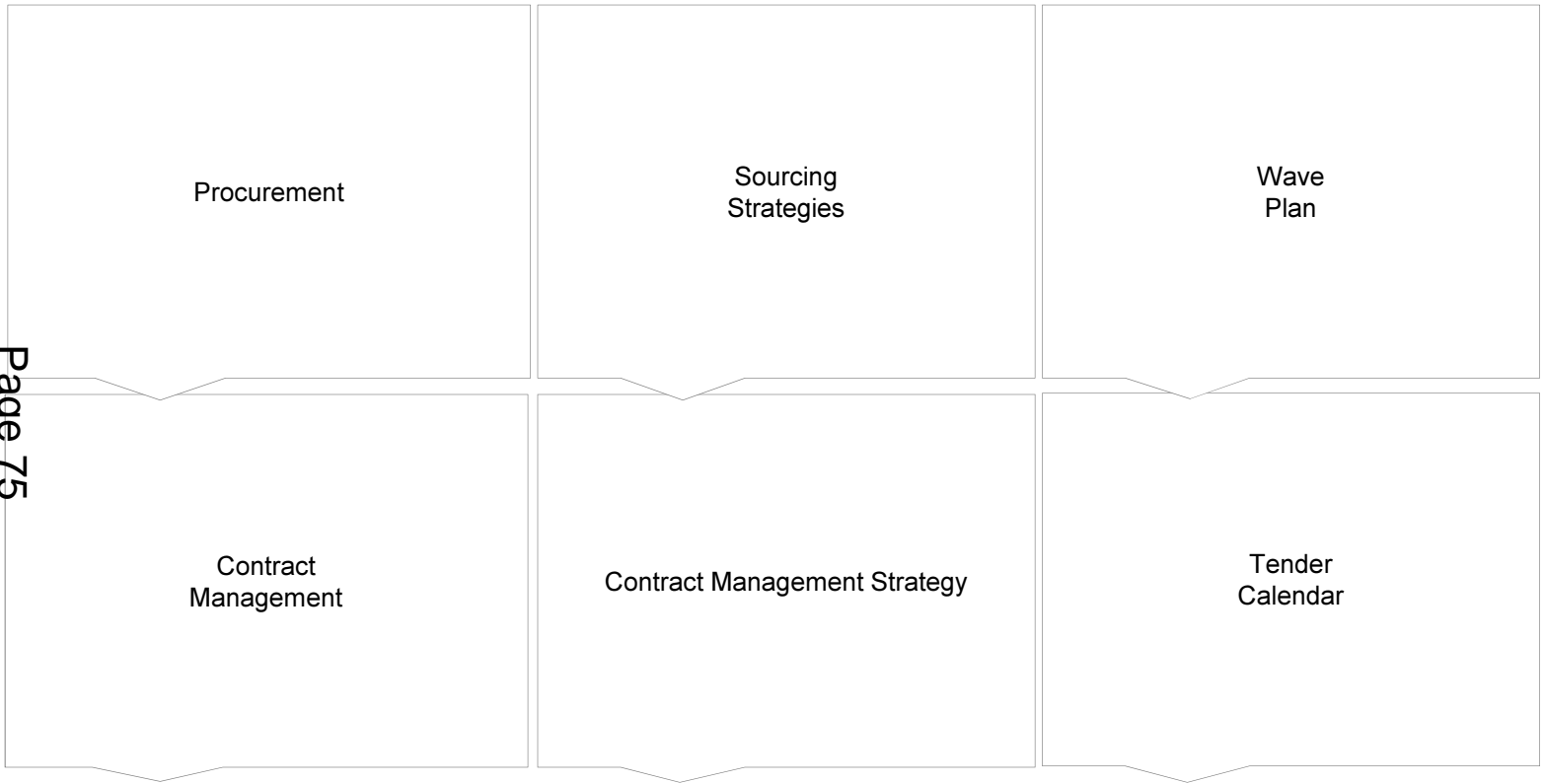
Procurement and Contract Lifecycle Management (Tool Box example)



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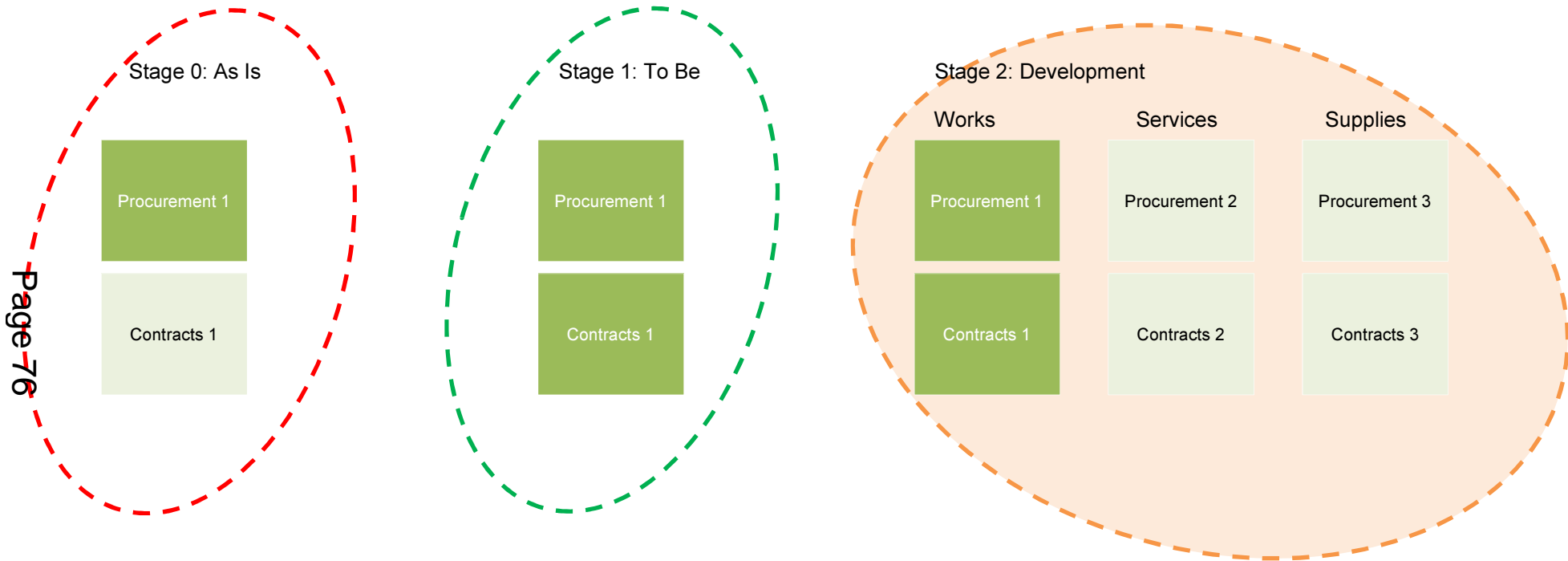
Source	Annual Spend Analysis		
	Sourcing Strategies	Category 1	
		Category 2	
	Unique Reference for Procurement or Tender		
	Outline Requirements		
	Estimated Spend		
	Duration of Contract		
	Market Review		
	Procurement Route		
	Procedure		
	Specification		
	Weighting		
	Single Source		
Risk	Pentana	https://www.ideagen.com/products/pentana-audit/	
Prequalify	Exclusion Criteria		
	Selection Criteria		
Evaluate			
Award	Award Letter		
	Standstill		
	Terms of Reference		
	Terms and Conditions		
	Contract Register		

Procurement and Contracts



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Procurement and Contracts - Organisation



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Recommendations

1. Add new codes to Finance System for Procurement Categories by Type and Category (map Expense types to Procurement Categories),
2. Agree Expenses Type map to Procurement Classification and Categories,
3. Category Management approach for Supplies, Works and Services,
4. Create Organisation template based on Supplies, Services and Works Contract,
5. Increase Single Source threshold from £15k to £25k,
6. All contracts with a value of £100k or more should be Contract Managed,
7. Recruit Contract Manager into new role (initial focus on high risk contracts to support individuals managing contracts),
8. Develop Organisation model – right size Procurement and Contracts organisation to procure and manage Categories of contracts,
9. Develop and agree Category Management template,
10. Develop Category Management strategies for Categories where appropriate.

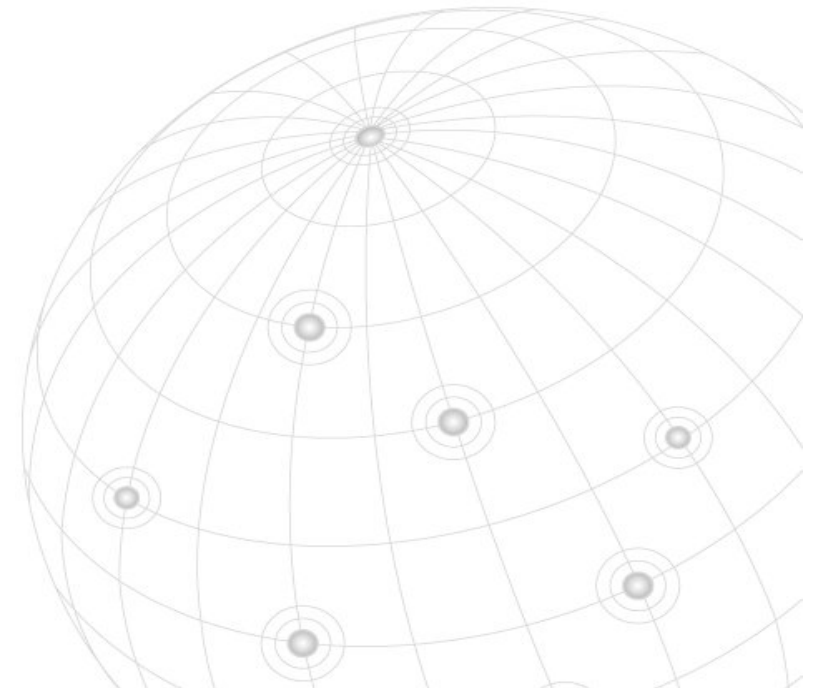
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ASHFORD
BOROUGH COUNCIL

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Contract Management Project
Contract Management Business Case
3 July 2018



Contract Manager Business Case

- The business case for the Contract Manager is primarily to improve governance and assurance of the contract management process,
- An earlier exercise identified evidence of best practice in the authority that if applied across all contracts could deliver further benefit,
- Contract Management and Procurement is generally under-resourced within the authority,
- The Business Case to support a Contract Manager is a function of managing or helping to manage £62 Million (2017/18) of annual spend and over 1,344 suppliers and contractors,
- No procurement benefits are claimed or included in this business case (assumption is they are claimed elsewhere in relation to procurement role),

The Contract Manager role is to complement and work alongside the existing Procurement Manager embedded in Property and Projects but providing support to all services across the organisation,

The commercial argument around a Contract Manager role is based on,

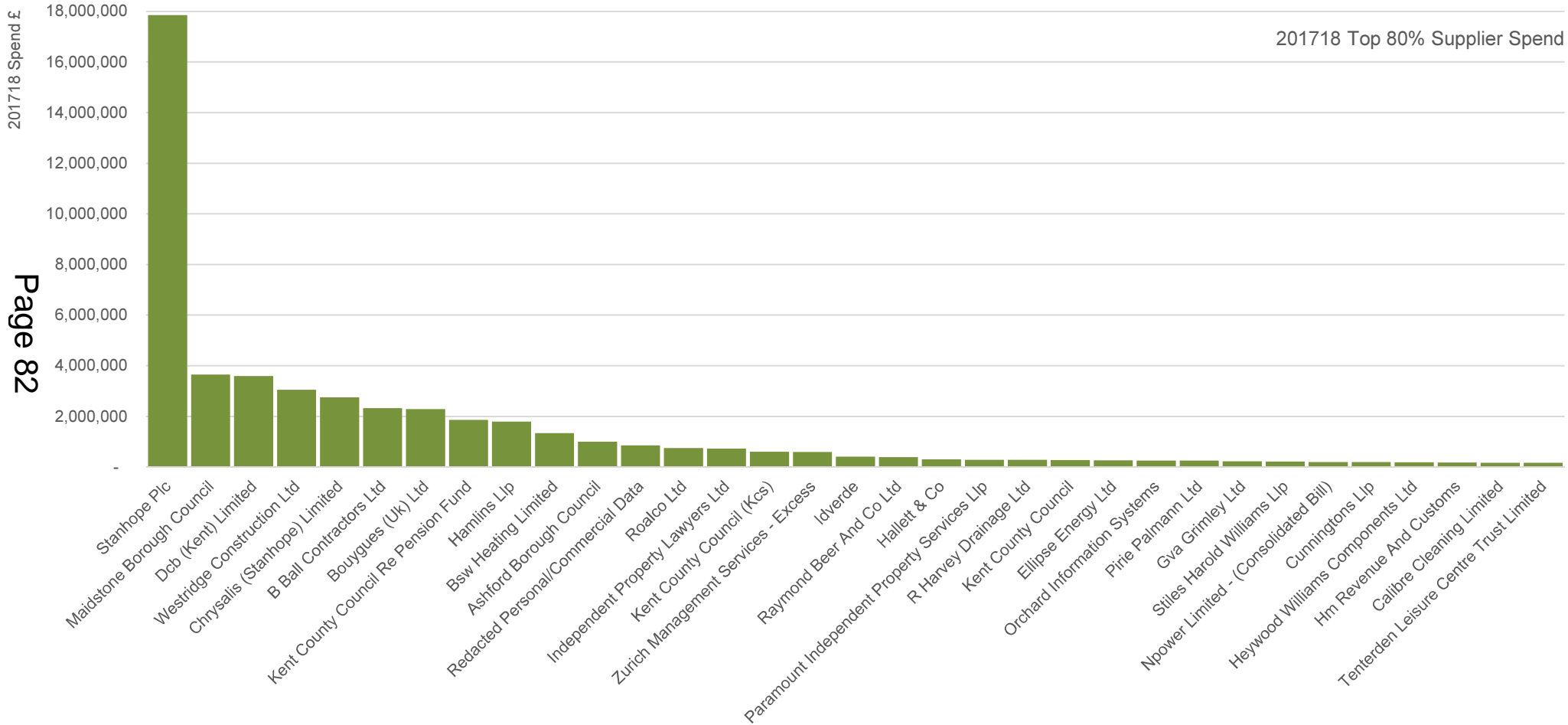
1. Better definition and specification of requirements,
2. Minimising contract leakage (spend with suppliers not on formal contracts and frameworks),
3. Avoiding contracts over-running or being extended beyond their terms,
4. Working with a top 20 contractors and suppliers to identify improvement opportunities to reduce spend and the overall cost of managing contracts,
5. General improvements applicable to the management of all contracts.

Business Case

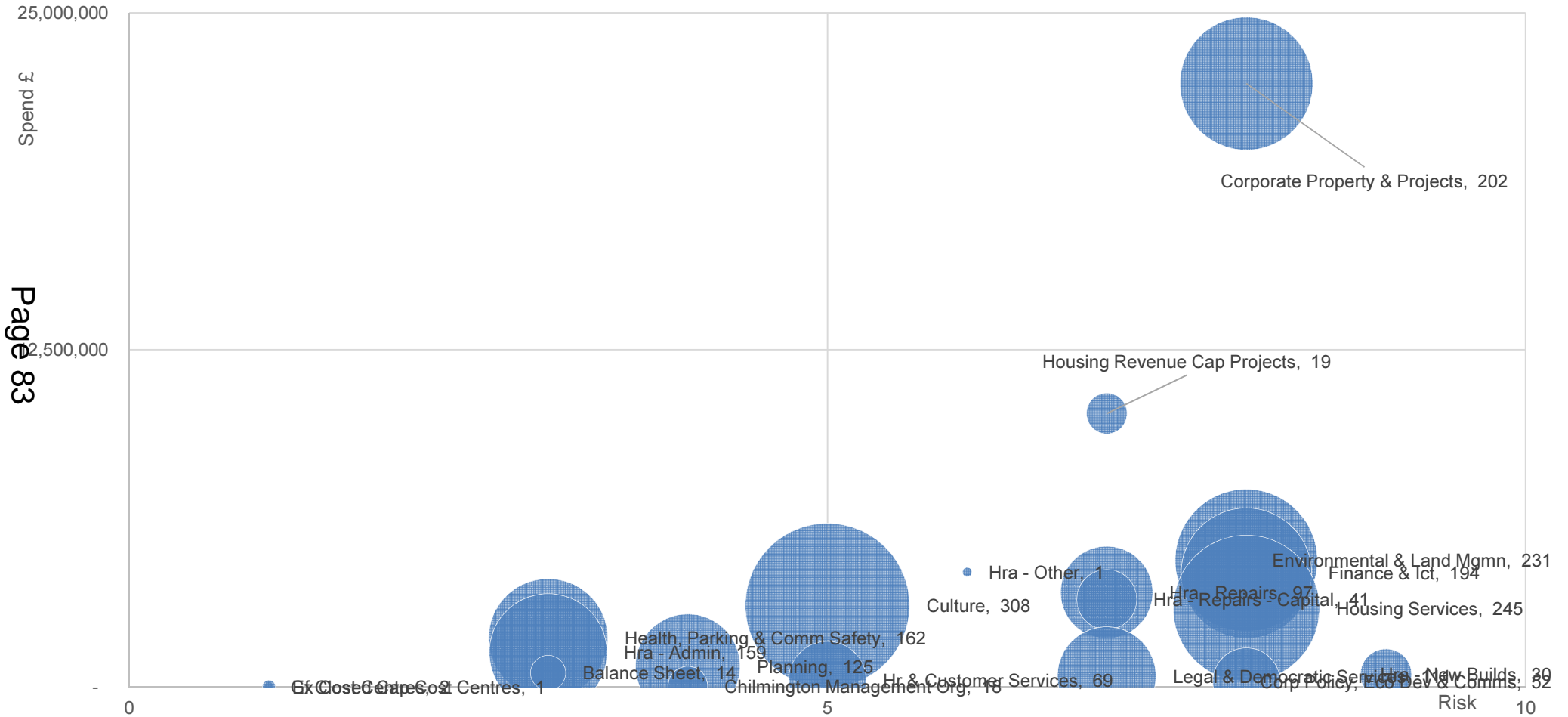
- Influenceable spend as a function of £62 Million (2017/18),
- 1,344 Contractors and Suppliers,
- Spend by top 20 Contractors / Suppliers,
 - See following.

Spend Analysis: By Supplier 201718, (80% of c. £60 or £54 Million)

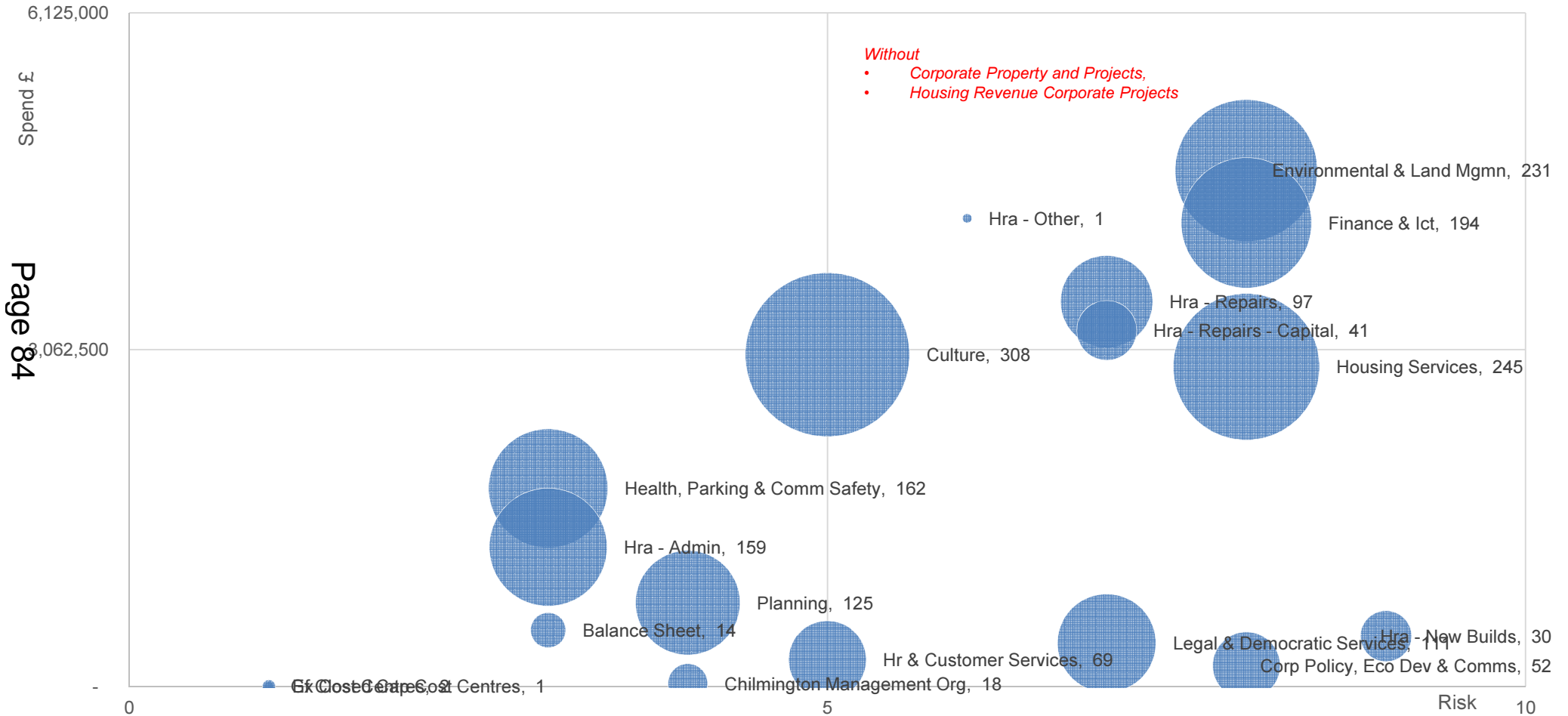
201718 Top 80% Supplier Spend



Service Spend / Risk Analysis (diameter = number of suppliers)



Service Spend / Risk Analysis (diameter = number of suppliers)



201718 Spend Analysis



- Spend in 201718 was £62 Million across 22 High Level Areas with 1,344 contractors and suppliers,
- Not all spend recurs annually so does not necessarily all translate into a total contract value,
- Contract Management benefits will be derived from,
 1. Better specifications from lessons learned,
 2. Less leakage from contracts,
 3. Avoiding contracts running over,
 4. Improvement Activities,
- Business case for Contract Manager defined on basis of the total contract value,
- Across all contracts of different types, variety and volume total contract value is calculated as x3 times annual recurring spend.

#	High Level Areas	*Risk	Spend	# Suppliers
1	Corporate Property & Projects	8	22,376,215	202
2	Housing Revenue Cap Projects	7	10,138,932	19
3	Environmental & Land Mgm	8	4,690,765	231
4	Hra - Other	6	4,256,521	1
5	Finance & Ict	4	4,215,566	194
6	Hra - Repairs	7	3,499,129	97
7	Hra - Repairs - Capital	7	3,238,192	41
8	Culture	3	3,017,327	308
9	Housing Services	8	2,907,469	245
10	Health, Parking & Comm Safety	3	1,801,094	162
11	Hra - Admin	3	1,267,754	159
12	Planning	4	762,431	125
13	Balance Sheet	7	512,094	14
14	Hra - New Builds	9	458,001	30
15	Legal & Democratic Services	5	394,504	111
16	Hr & Customer Services	5	243,438	69
17	Corp Policy, Eco Dev & Comms	8	190,010	52
18	Chilmington Management Org	4	27,472	18
19	<i>Gf Closed Cap Cost Centres</i>	1	1,155	1
20	<i>Ex Cost Centres</i>	1	845	2
21	<i>Financing</i>	2	- 661,568	1
22	<i>Hra - Income</i>	2	- 1,512,001	3
	Grand Total		61,825,344	1,344

*Risk allocation by SCMG to illustrate key point on segmenting contracts.

Contract Management Benefits

- The definitions of contract management benefits considered include the following,

#	Benefit	Description
1	Better specification of requirements	Better and tighter management of specifications and deliverables provides a better focus on the real purpose of the contract and ensure that what has been contracted for is delivered and managed. Lessons learned can be identified and applied to future iterations of the contract.
2	Less leakage from contracts	Buying off contract or not using frameworks or existing contracts in place is “leakage” which undermines the contracts and structures in place and introduces risk to the authority from non contracted sources not necessarily subject to the same rigour, process and assurance from contracted for sources.
3	Avoiding contracts running over	Contracts should be managed over their lifecycle and within their term to ensure that any options are exercised properly and sufficient time is allowed to re-tender when required to prepare properly, benefit from competition and test the market.
4	Improvement Activities	The main role of a Contract Manager and well managed process, governance and compliance issues notwithstanding, is to introduce improvement activities and culture to high risk and high value contracts. This is intended to provide a focus on where the biggest opportunity lies on a 80/20 basis and engage constructively with key contractors and suppliers to improve performance and reduce cost.

Contract Management Savings Methodology

1. Total annual spend available from 2017/18 financial data,
2. Organised by High Level Area (Service),
3. Non recurring spend calculated where possible and removed from spend / calculation of total contract value,
4. Otherwise, annual spend is assumed to be consistent between years,
5. Recurring annual spend used to calculate total contract value (x3 annual spend for typically 2 to 4 year contracts),
6. Cost of managing contracts assumed to be 10% of the value of the contract (note this is a conservative figure for the purposes of this business case),
7. Potential savings identified from better contract management as a function of the cost of managing the contract (#6) including,
 1. Better specifications from lessons learned (5%),
 2. Less leakage from contracts (3%),
 3. Avoiding contracts running over (5%),
 4. Improvement Activities (10%),
8. Net benefit calculated over the three year life of the contracts considered.

Contract Management Business Case



#	High Level Areas	Spend 1718 £	Not Recurring	Adjusted £	x3 years	Cost of	Specification	Leakage	Over-Run	Improvement	Total
					Value of Contracts	10%	5%	3%	5%	10%	
1	Corporate Property & Projects	22,376,215	17,853,331	4,522,883	13,568,650	1,356,865	67,843	40,705	67,843	135,686	312,078
2	Housing Revenue Cap Projects	10,138,932	10,138,932	-	-	-	-	-	-	-	-
3	Environmental & Land Mgmt	4,690,765	-	4,690,765	14,072,294	1,407,229	70,361	42,216	70,361	140,722	323,662
4	Hra - Other	4,256,521	-	4,256,521	12,769,562	1,276,956	63,847	38,308	63,847	127,695	293,699
5	Finance & Ict	4,215,566	-	4,215,566	12,646,698	1,264,669	63,233	37,940	63,233	126,466	290,874
6	Hra - Repairs	3,499,129	-	3,499,129	10,497,387	1,049,738	52,486	31,492	52,486	104,973	241,439
7	Hra - Repairs - Capital	3,238,192	-	3,238,192	9,714,575	971,457	48,572	29,143	48,572	97,145	223,435
8	Culture	3,017,327	-	3,017,327	9,051,980	905,198	45,259	27,155	45,259	90,519	208,195
9	Housing Services	2,907,469	-	2,907,469	8,722,408	872,240	43,612	26,167	43,612	87,224	200,615
10	Health, Parking & Comm Safety	1,801,094	-	1,801,094	5,403,282	540,328	27,016	16,209	27,016	54,032	124,275
11	Hra - Admin	1,267,754	-	1,267,754	3,803,261	380,326	19,016	11,409	19,016	38,032	87,475
12	Planning	762,431	-	762,431	2,287,292	228,729	11,436	6,861	11,436	22,872	52,607
13	Balance Sheet	512,094	-	512,094	1,536,281	153,628	7,681	4,608	7,681	15,362	35,334
14	Hra - New Builds	458,001	-	458,001	1,374,003	137,400	6,870	4,122	6,870	13,740	31,602
15	Legal & Democratic Services	394,504	-	394,504	1,183,512	118,351	5,917	3,550	5,917	11,835	27,220
16	Hr & Customer Services	243,438	-	243,438	730,314	73,031	3,651	2,190	3,651	7,303	16,797
17	Corp Policy, Eco Dev & Comms	190,010	-	190,010	570,030	57,002	2,850	1,710	2,850	5,700	13,110
18	Chilmington Management Org	27,472	-	27,472	82,417	8,241	412	247	412	824	1,895
	Total	61,825,344		33,833,080	101,499,241	10,149,924	507,496	304,497	507,496	1,014,992	2,334,482

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Contract Management Savings Summary



1. Total value of recurring contracts over three years is circa £100 Million,
2. The cost of managing these contracts is assumed to be 10% (a low figure),
3. Cost reductions and improvements are calculated as a function of managing the contracts i.e. on the 10% of the cost of managing the contracts (or £10 Million),
4. The net benefit across all recurring contracts is £2.3 Million over three years.

Contract Management Business Case



1. Total value of recurring contracts over three years is circa £100 Million,
2. The cost of managing these contracts is assumed to be 10% (a low figure),
3. Cost reductions and improvements are calculated as a function of managing the contracts i.e. on the 10% of the cost of managing the contracts (or £10 Million),
4. The net benefit across all recurring contracts is £2.3 Million over three years.

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#	Item	Quantity	£
1	Recurring Spend 201718	per annum	33,833,080
2	Total Value of Contracts	3	101,499,241
3	Cost of Managing Contracts	10%	10,149,924
4	Specification	5%	507,496
5	Leakage	3%	304,498
6	Over-Run	5%	507,496
7	Improvement	10%	1,014,992
8	Total Benefit		2,334,483
9	Contract Manager	per annum	60,000
10	Salary cost	3	180,000
11	On Cost	25%	45,000
12	Sub total		225,000
13	Net Benefit		2,109,483

Alternatively the “investment” in a Contract Manager role would only have to reduce the cost of managing contracts by (£225k/£10,149k) 2% to pay for itself.

Agenda Item 8



ASHFORD
BOROUGH COUNCIL

Agenda Item No: 8
Report To: Audit Committee
Date of Meeting: 27 September 2018
Report Title: Annual Audit Letter
Report Author & Job Title: Grant Thornton
Portfolio Holder: N/A
Portfolio Holder for:

Summary: The attached Letter summarises the key findings arising from the annual audit work carried out at Ashford Borough Council and its subsidiaries for the year ended 31 March 2018.

The Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public.

Key Decision: No

Significantly Affected Wards: None

Recommendations: **The Committee is recommended to:-**

I. Note the Letter

Financial: None

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

Contact: Maria.hadfield@ashford.gov.uk – Tel: (01233) 330545

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Annual Audit Letter

Year ending 31 March 2018

Ashford Borough Council

August 2018

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Section

1. Executive Summary
2. Audit of the Accounts
3. Value for Money conclusion

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8

Appendices

- A Reports issued and fees

Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Ashford Borough Council (the Council) and its subsidiaries (the group) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the group and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 10 July 2018.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council and group's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council and group's financial statements we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

Our work

Materiality	We determined materiality for the audit of the group's financial statements to be £1,977,000, which is 2% of the Council's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified opinion on the group's financial statements on 20 July 2018.
Use of statutory powers	We did not identify any matters which required us to exercise our additional statutory powers.
Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 20 July 2018.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on the 2017/18 claim will be finalised by 30 November 2018. We will report the results of this work to the Audit Committee in our Annual Certification Letter.
Certificate	We certify that we have completed the audit of the accounts of Ashford Borough Council in accordance with the requirements of the Code of Audit Practice.

Working with the Council

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP
August 2018**

Audit of the Accounts

Our audit approach

Materiality

In our audit of the group's financial statements we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the group's accounts to be £1,977,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the group and Council's financial statements are most interested in where the group and Council has spent its revenue in the year.

We set a lower threshold of £99,000 above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts, the Narrative Report published with the Statement of Accounts and the Annual Governance Statement to check they are consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with ISAs (UK) and the NAO Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach is based on a thorough understanding of the group's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Ashford Borough Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we did not consider this to be a significant risk for the Council.</p>	<p>Our audit work did not identify any issues in respect of improper revenue recognition.</p>
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • gained an understanding of accounting estimates, judgements and decisions made by management and considered their reasonableness; • obtained a full list of journal entries, identifying and testing unusual journal entries for appropriateness; and • evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>We did not identify any issues in relation to this risk.</p>

Audit of the Accounts

Significant Audit Risks Continued

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property, plant and equipment</p> <p>The Council regularly revalues its land and buildings assets. The valuation of Property, Plant and Equipment (PPE) assets represents a significant estimate by management in the financial statements.</p> <p>We designed our work to address the risk that PPE revaluation measurements were materially misstated.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> reviewed management's processes and assumptions for the calculation of the estimate, including review of the instructions issued to the Council's external valuer; considered the competence, expertise and objectivity of the external valuer; reviewed the external valuer's approach and assumptions; and tested that revaluations were correctly entered into the Council's accounting records. 	<p>We did not identify any issues in relation to this risk.</p>
<p>Valuation of pension fund net liability</p> <p>The Council's financial statements include a net liability in respect of the Local Government Pension Scheme. This represents a significant estimate in the financial statements.</p> <p>We designed our work to address the risk that the pension fund net liability was materially misstated.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> identified and evaluated the controls put in place to ensure that the pension fund net liability was not materially misstated; evaluated the competence, expertise and objectivity of the actuary who carried out the pension fund valuation; performed work to confirm the reasonableness of the assumptions made by the actuary; and checked that the information on pensions included in the financial statements was consistent with the actuary's report. 	<p>We did not identify any issues in relation to this risk.</p>

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the group's financial statements on 20 July 2018, in advance of the national deadline.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Audit Committee on 10 July 2018.

The Council's accounts were prepared to a high standard. We did not identify any adjustments requiring an amendment to the Core Financial Statements. We agreed a number of changes to the disclosure notes supporting the Core Financial Statements.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents were consistent with our knowledge and with the Council's financial statements.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Ashford Borough Council in accordance with the requirements of the Code of Audit Practice.

We issued our certificate on 20 July 2018.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the 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.”

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out overleaf.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Financial sustainability</p> <p>The Council continues to face significant financial pressures associated with reductions in government funding.</p> <p>A strong financial planning framework is key to the Council maintaining a sustainable financial position and delivering its key objectives.</p> <p>We reviewed the Council's medium term financial plan and the supporting information trails.</p>	<p>The Council has a history of sound financial management. For 2017/18 net revenue expenditure exceeded income by only £19,000.</p> <p>The Council continues to face the impact of reductions in central government funding, including through changes to the New Homes Bonus Scheme. However, it has a strong financial planning framework based on a 5 year medium term financial plan (MTFP) which currently runs from 2018/19 to 2022/23. The Council's objective is to be self-sufficient over the lifetime of the plan. It has already established a subsidiary company to help generate income from investment property. It also anticipates significant increases in rental and other income from corporate projects over the lifetime of the MTFP, in particular from the Elwick Road Leisure Park, whilst recognising that there is an element of uncertainty around future income streams from commercial projects. The Council will also benefit from participation in the Kent business rates pilot.</p> <p>The MTFP currently shows a relatively limited cumulative revenue budget gap of £465,000 for the period to 31 March 2023. However, the Council recognises that action will be required to address this, including through its existing strategies for managing inflationary pressures and achieving efficiencies.</p> <p>The MTFP is updated annually and integrated into the budget-setting process. A review of supporting trails shows that the plan is based on a comprehensive consideration of the relevant income and expenditure streams.</p> <p>The Council has a significant medium term capital programme. Financing this programme may require increases in external borrowing; and may also contribute to a reduction in usable reserves over the lifetime of the MTFP. However, current forecasts indicate the Council will have usable reserves of £26.6m as at 31.3 2021. The latest HRA Business Plan also indicates that the housing capital investment programme remains affordable.</p>	<p>We concluded that the risk we identified was sufficiently mitigated and that the Council has proper arrangements for securing economy, efficiency and effectiveness in the use of resources.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit. There were no fees for the provision of non audit services.

Reports issued

Report	Date issued
Audit Plan	March 2018
Audit Findings Report	July 2018
Annual Audit Letter	August 2018

Fees for other services

Service	Fees £
Audit related services	2,000
- Pooling of Housing Capital Receipts Audit Return	
Non-Audit related services	Nil
- None	

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Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory Council audit	60,311	60,311	60,311
Housing Benefit Grant Certification	8,112	TBC	10,650
Total fees	68,423	TBC	70,961

The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

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Audit Committee - Future Meetings

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	CH	
4	Contract Management Update – Presentation	TB	
Part II - Monitoring/Information Items			
5	External Audit: 2017/18 Annual Audit Letter	Gr Th	
6	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 Remediating Exceptions	LF	
Part II - Monitoring/Information Items			
3	Annual Audit Letter 2017/18	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	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 Exceptions Presentation - What is likely to be in the AGS for the next year	LF	
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	
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 Remediating Exceptions	LF	
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
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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 Remediating 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	

19 September 2018

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