



## AUDIT COMMITTEE

Notice of a Meeting, to be held in the Committee Room 2 (Bad Münstereifel Room) -  
Ashford Borough Council on Tuesday, 5th October, 2021 at 5.00 pm.

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The Members of the Audit Committee are:-

Councillor Krause (Chairman)  
Councillor Buchanan (Vice-Chairman)

Cllrs. Hayward, Mulholland, Shorter, Smith, Suddards and Walder

### Agenda

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|    | To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii)                          |         |
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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)   |         |
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|    | c) Voluntary Announcements of Other Interests  |         |
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- 30<sup>th</sup> November 2021 at 5pm

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RR  
24 September 2021

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## Declarations of Interest (see also “Advice to Members” below)

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

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

- (b) **Other Significant Interests (OSI)** under the Kent Code of Conduct 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 alone, such as:

- Membership of amenity societies, Town/Community/Parish Councils, residents' groups or other outside bodies that have expressed views or made representations, but the Member was not involved in compiling or making those views/representations, 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: Where an item would be likely to affect the financial position of a Member, relative, close associate, employer, etc.; OR where an item is an application made by a Member, relative, close associate, employer, etc., there is likely to be an OSI or in some cases a DPI. ALSO, holding a committee position/office within an amenity society or other outside body, or having any involvement in compiling/making views/representations by such a body, may give rise to a perception of bias and require the Member to take no part in any motion or vote.]

### **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](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 alongside the Council's Good Practice Protocol for Councillors dealing with Planning Matters. See <https://www.ashford.gov.uk/media/2098/z-word5-democratic-services-constitution-2019-constitution-of-abc-may-2019-part-5.pdf>
- (c) Where a Member declares a committee position or office within, or membership of, an outside body that has expressed views or made representations, this will be taken as a statement that the Member was not involved in compiling or making them and has retained an open mind on the item(s) in question. If this is not the case, the situation must be explained.

**If any Member has any doubt about any interest which he/she may have in any item on this agenda, he/she should seek advice from the Director of Law and Governance and Monitoring Officer, or from other Solicitors in Legal and Democracy 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 Committee Room 1, Civic Centre, Tannery Lane, Ashford on the **20<sup>th</sup> July 2021**.

### **Present:**

Cllr. Krause (Chairman);  
Cllr. Buchanan (Vice-Chairman);

Cllrs. Hayward, Mulholland, Shorter, C. Suddards, Walder.

### **Also Present:**

Cllrs. Burgess, Sparks.

### **In attendance:**

Deputy Chief Executive, Accountancy Manager, Deputy Head of Audit Partnership, Head of Finance and IT, Member Services and Ombudsman Complaints Officer.

Audit Manager – Grant Thornton UK.

## **79 Minutes**

Under matters arising from the previous Minutes, a Member asked about the timing of an update to the Committee on the Port Health Authority risk assessment. The Deputy Chief Executive replied that a presentation would be given to all Members in the autumn to coincide with the facility going live. The risk assessment on Port Health would be part of the Strategic Risk Management report which would be presented to the September meeting of the Audit Committee.

### **Resolved:**

**That the Minutes of the Meeting of this Committee held on the 15<sup>th</sup> June 2021 be approved and confirmed as a correct record.**

## **80 Draft Statement of Accounts 2020/21**

The Accountancy Manager introduced this item. He explained that a training session had been held the previous week to assist Members in reviewing and commenting on the Draft set of Accounts, and Members were now asked to note and support the publication and use of the Draft set of Accounts for 2020/21.

The Chairman opened up the item for discussion and the following points were raised:

- A Member commented that it would be helpful if the Accounts report could include more graphics in future so that the information was easily understood at a glance. The Head of Finance and IT said that this would be included in next year's report. Officers would work with Members to develop a system of

graphics to be included in the narrative report at the front of the Accounts to show the overall position.

- Members commented that they had found the training to be very helpful in developing a better understanding of the Accounts.

## **Resolved**

**That the Audit Committee notes the draft statement of accounts 2020/21 and supports their presentation to External Audit and for Public Inspection.**

## **81 2020/21 Audit Plan - Grant Thornton**

The Audit Manager (Grant Thornton) introduced this item and drew Members' attention to the key points within the report. He explained that the report provided an overview of the planned scope and timing of the statutory audit as well as setting out the results of the risk assessment for the Council.

The Chairman opened up the item for discussion and the following points were raised:

- A Member commented that, in her experience, virtual audits had proved very successful over the last year and had led to saved expenses in travel and time. Regarding the proposed increase in the cost of the audit, she questioned whether the audit could be conducted virtually, with the savings in travel and time being passed on to the Council. The Audit Manager said it was proposed to undertake the Council's audit remotely this year. He said this may lead to reduced travel expenses, but would not result in reduced time expenses as additional procedures were required to validate all the data provided. He also explained that it was more difficult to manage teams of junior auditors virtually and, without talking face to face in the office, more time was often required to resolve minor issues. Thus, a virtual audit would not provide an overall saving in cost. The Member acknowledged the challenges of remote audits but suggested that lower risk audits could be conducted virtually, whilst those considered higher risk could be done on site. The Audit Manager confirmed that all audits for local authorities this year would be undertaken remotely. The opinion of independent reviewers was that the audit fee was too low, was unsustainable and risked the stability of the local audit market. Therefore, there was no opportunity for savings.
- A Member questioned the drop in price of the audit fee from roughly £100,000 in past years to the current fee of £74,439. The Audit Manager explained that some time ago the Audit Commission had passed on procurement savings to local authorities, which had resulted in lower costs in audit fees for a number of years. However, audit regulators now expected a higher quality of work for standard audits and this had driven up audit costs.
- A Member asked about the process of setting and testing the level of audit fees. The Audit Manager explained that the Public Sector Auditor Appointment Company (PSAA) had established a procurement process for firms to bid for audit work for local authorities. Local authorities could opt in or

alternatively appoint their own auditors. The vast majority of local authorities opted in. The PSAA set a scale fee for each local authority. If more work was required, a fee variation would be raised and the PSAA would consider whether this was reasonable or not. Each local authority would be obliged to pay the agreed audit fee.

- A Member noted the materiality figure of c.£2m and asked about the impact on the financial statements. The Deputy Chief Executive explained that the materiality threshold would not be applied to some areas, such as fraud and error where there was a very low threshold. The Accountancy Manager added that the Internal Audit team would be expected to pick up on any areas of fraud and error in the organisation. The Deputy Head of the Audit Partnership said that the risk management framework included a local tolerance level for financial risk and provided a clear process for managing risks above the tolerance. The work of the external auditors, together with the Audit Partnership and the Council's Risk Management Framework thoroughly explored all potential financial impacts.
- Another Member considered that the materiality figure was a significant amount of money and questioned why the level was set so high. The Audit Manager said that the setting of the materiality threshold was a professional judgement which reflected experiences of previous audits and the complexity of the Council's accounts. The figure was also relative to the Council's spend. Any reduction in the determination of materiality involved an increase in audit time required and a subsequent increase in the audit fee.
- A Member asked about the process for interpreting whether a grant had been applied appropriately. The Accountancy Manager explained that this was a matter of the level of control exercised by the Council. Where the Council retained control of how the grant was awarded, it would be treated as principal and would be reflected in the accounts. Where the Council did not control how the grant was awarded, it would be acting as agent only.

The Audit Manager drew Member's attention to the second part of the report, which related to the audit risk assessment for the Council 2020/21. He explained that this was information which had been requested from management, and the reports contained both the questions and responses which were used to set the framework for the audit. It was important that the Audit Committee Members understood how complex estimates were arrived at.

- A Member asked about the whistleblowing policy and whether Councillors were covered under that policy. The Deputy Chief Executive said he believed that was the case and that all Councillors should be encouraged to feel safe to use the policy if necessary.

## **Resolved**

### **That the Audit Committee**

- i) Notes the External Audit Plan for 2020/21;**

- ii) **Confirms that the management responses within the “informing the audit risk assessment for Ashford Borough Council 2020/21” document are consistent with its understanding.**

## **82 Report Tracker & Future Meetings**

The Deputy Chief Executive introduced this item and drew Members’ attention to the items for discussion at the next Audit Committee meeting in September. The Deputy Head of the Audit Partnership explained that he would be drafting the Annual Report of the Audit Committee for agreement with Members of the Committee. He proposed a short workshop in the summer for the Chair and Committee Members on how to design and deliver the report. He also suggested that given the changes to the VfM (Value for Money) work undertaken by the External Auditors, that the Audit Manager for Grant Thornton could arrange for a virtual briefing to Members of the Committee, on a date to be arranged prior to the September meeting. Members were in agreement with both suggestions.

### **Resolved:**

**That the Report Tracker be received and noted.**





**Agenda Item No:**

**Report To:** Audit Committee

**Date of Meeting:** 5 October 2021

**Report Title:** Corporate Risk Register – update October 2021

**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 assessments 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:**

- a) **To agree the assessments and the adequacy of key controls to manage the risks.**
- b) **To consider the area of focus of this report on the risks associated with the Ashford Port Health Service**
- c) **To determine whether there are any specific risks that would benefit from a more detailed report to a future meeting in order for the adequacy of the controls to be assessed.**

**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:**

**None.**

**Contact:**

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## Report Title: Corporate Risk Management – update report October 2021

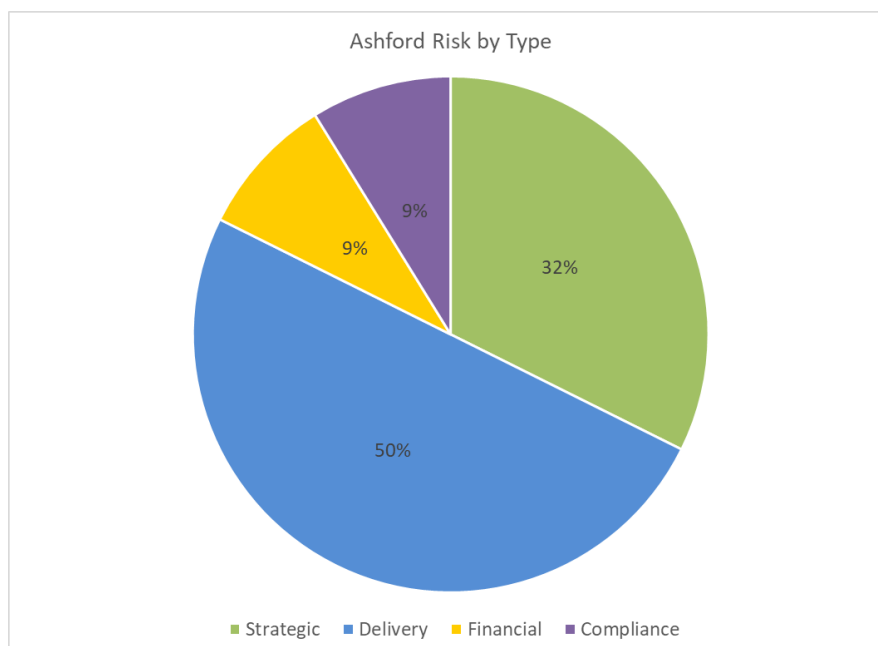
### Introduction and Background

1. Twice a year the Audit Committee considers the council's Corporate Risks and risks management controls. This report is an update report providing the latest information on the council's Corporate Risk Register. It also provides additional information on specific risks where this has been requested by the Committee. In particular, this update focuses on the Ashford Port Health risk environment following a request at the last meeting of this Committee.

The Corporate Risk Register is set out at Appendix A.

### Proposal/Current Position

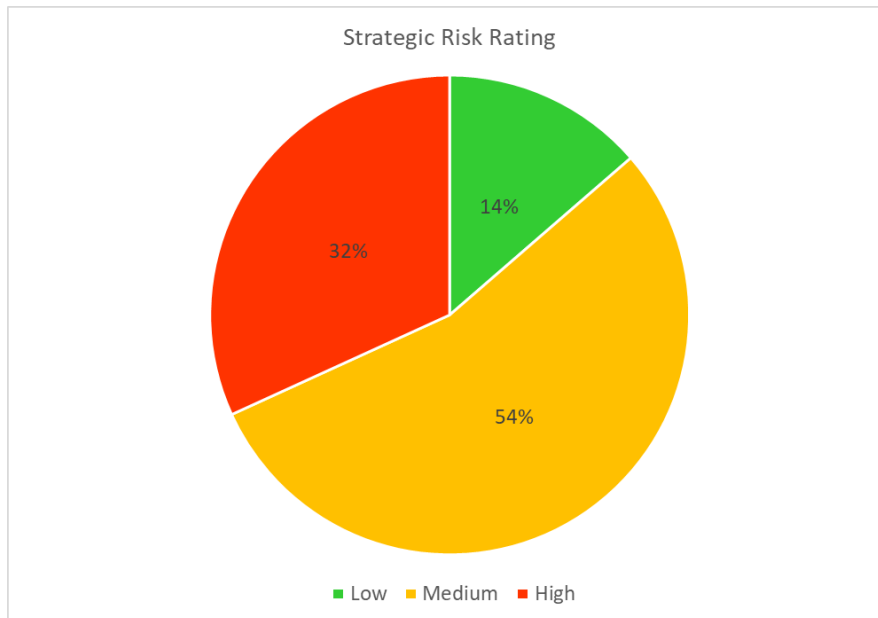
2. The Corporate Risk Register provides details of the council's key risks that could, if untreated, impact on the council's Strategic aims, Financial position or Compliance with the law.
3. Operational 'delivery' risks are monitored regularly by individual services and the council's Management Team on an exception basis. Any delivery risks that become of strategic significance are also reported to this Committee. Examples of delivery risks include HR processes not being completed, non - delivery of planned maintenance contracts and contamination of recyclables.
4. There are currently **68** risks across the four risk types (strategic, delivery, financial, compliance). A percentage breakdown of each type of risk is provided below:



5. The Corporate Risk Register is linked to the risk appetite statement which is contained within 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 formed of those risks that are currently above the risk appetite levels set.
6. The risk appetite statement is currently being reviewed to reflect the council's ambitions as set out in the draft Corporate Plan to 2025. A risk appetite statement will be included as part of the Corporate Plan report to Cabinet in November 2021. Reviewing the council's risk appetite statement in conjunction with the development of the Corporate Plan ensures our appetite is aligned to our strategic aims. The Risks Management Framework will be updated to reflect the appetite statement once approved.
7. Set out at Appendix A are details of the risks included on 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.
8. 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**

9. There are currently 22 Strategic risks monitored of which 7 feature on the Corporate Risk Register in line with the council's risk appetite statement. A breakdown of the strategic risk ratings by percentage is provided in the pie chart below:



### Key changes

10. Three of the strategic risks relating to homelessness have been combined into one risk of 'Increased Homelessness presentations'. The impacts that disparities between the Local Housing Allowance and market rents (previously CR17HOUS05) and the impacts from Covid-19 (previously (CR20HOUS12), will be considered when determining the mitigations needed to control the overarching risk. This risk has not been reported this time as it currently sits within tolerated levels.

### Emerging risks

11. A new risk has been included on the register relating to the council's local response to climate change. The risk sits outside the risk appetite to reflect both the national risk register position on climate change and the council's ambitions as a green pioneer.
12. The risk of failure to deliver Ashford's aspect of Mid-Kent Joint Waste Management Contract is another new addition to the register. A matter of significant importance to local people, this overarching risk is underpinned by a project risk register that will be regularly monitored by both current contract partners and a Member Task Group.

### Strategic risk area of focus: Ashford Port Health

13. At the last meeting of this Committee an emerging risk was reported relating to the delivery of Ashford Port Health (APH) and it was agreed that it would be beneficial to have a more detailed report of the risks relating to the delivery and the controls in place. The risk profile relating to Ashford Port Health has reduced to within tolerated levels so does not feature on the register at Appendix A this time. However, information is provided in the paragraphs

below which will be supported by a presentation detailing the Ashford Port Health risks and controls at the meeting.

14. The commissioning of the Port Health Service is being overseen by an Officer Steering Group (OSG) in the same manner a major corporate project would be managed. This group is chaired by the Chief Executive and relevant key officers and Heads of Service to ensure HR, Legal and IT issues are adequately considered and addressed. The council has a DEFRA project manager embedded within the Council who reports to the Head of Service of Port Health and is a member of the Departmental Management Team who assists with project planning and prioritisation of urgent and important tasks. DEFRA also have a readiness tracker and our risk log has also now been better aligned to ensure risk ownership is clear.
15. Good progress has been made recruiting the staff needed to operate the Port Health service. The new Head of Service position created for APH has been appointed to with relevant Port Health experience at this level. Recruitment phase 1 staff have now completed their training programmes and Phase 2 staff are working through the same materials to ensure they are competent before 1 January 2022. Ashford Port Health Authority have now also made online Sanitary and Phytosanitary (SPS) Official Control Regime (OCR) materials available and this has been disseminated to the Technical Team to supplement knowledge. A review of the team structure has now been undertaken together with a review of some job descriptions to assist in recruiting Port Health Technical Assistants.

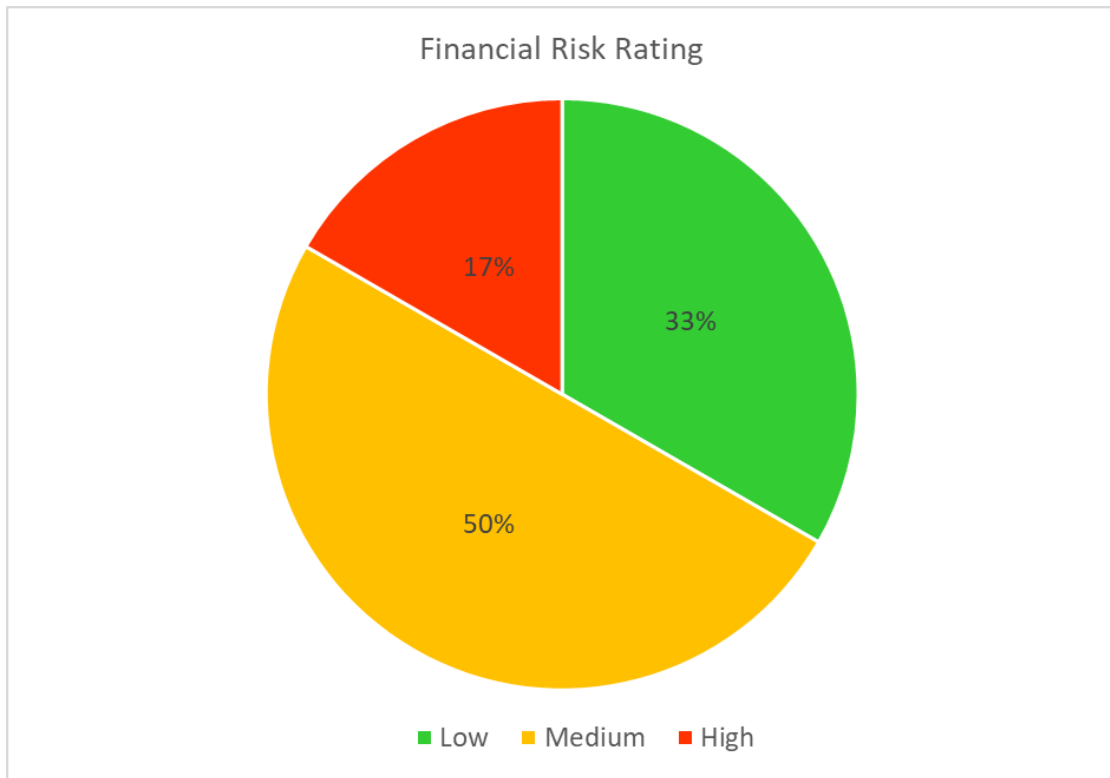
Ongoing issues concerning uncertainty connected with the project include:

- Legal designation for the site and authorisation of staff for SPS checks – verbal assurance has been given by DEFRA senior staff but a written response of awaited
  - Practical training for APH staff – meeting with City of London 29<sup>th</sup> September 2021 to explore but majority will be undertaken in situ in December
  - Occupation date – 1<sup>st</sup> December 2021
  - Systems delays (IPAFFS) – IPAFFS integrated to PHILIS so disruption to APH low. Access to IPAFFS training environment due September.
  - Expected number of SPS checks – ABC preparing based on agreed DEFRA bid.
16. **These risks are owned by DEFRA** but APH are assisting in resolving them through regular and ongoing liaison with DEFRA. A weekly occupation planning meeting with the on-site DEFRA infrastructure team has also now been put place.
  17. Illegal, Unreported and Unregulated (IUU) checks are being undertaken which has enabled a modest income stream and allowed staff to become proficient using PHILIS. This activity is also assisting in testing business processes.

18. Financial risks are covered by DEFRA by way of an approved funding bid to prevent any cost implications impacting on the Council's own reserves or revenue. ABC has been given assurance the project will be under-written by DEFRA in totality at start up. A reserve strategy is also included in the budget to provide a year's operating costs in reserve within the next 5 years. This is to protect the tax payer from fluctuations in trade or unforeseen incidents such as a fire in the tunnel.
19. Designation of the BCP by the Food Standards Agency and DEFRA is due to begin in November 21. The procedures and policies required locally to meet the requirements have now been created and shared with the respective agencies and a site visit has also taken place to prepare. An agreement with the Agricultural Analyst, Food Examiner and Public Analyst is also now complete ahead of the operational phase.
20. The Port Health Service have been given a date of occupation for the 1<sup>st</sup> December 2021 and this seems likely to be met. All goods subject to phytosanitary and sanitary controls need to be pre-notified from the 1<sup>st</sup> January 2021. The data from this work is to be shared with all BCP's including Sevington. Operational testing is also planned for December 21 within the BCP facility working with the Border Protocols and Delivery Group (Cabinet Office).
21. The UK Government have now decided to delay the implementation of full SPS checks on the goods the Port Health Service will be dealing with until July 22. Whilst the delay is disappointing the Head of Service is working with DEFRA to explore if the designation can continue ahead of EU checks so that rest of the world freight can be cleared at the facility. It is hope that this will enable excellent additional preparation for the team. This matter is within the control of DEFRA and the FSA but preliminary discussions have been promising.

## **Financial Risks**

22. There are currently 6 financial risks monitored, all of which feature on the Corporate Risk Register in line with the council's risk appetite statement. A breakdown of the financial risk ratings by percentage is provided in the pie chart below:



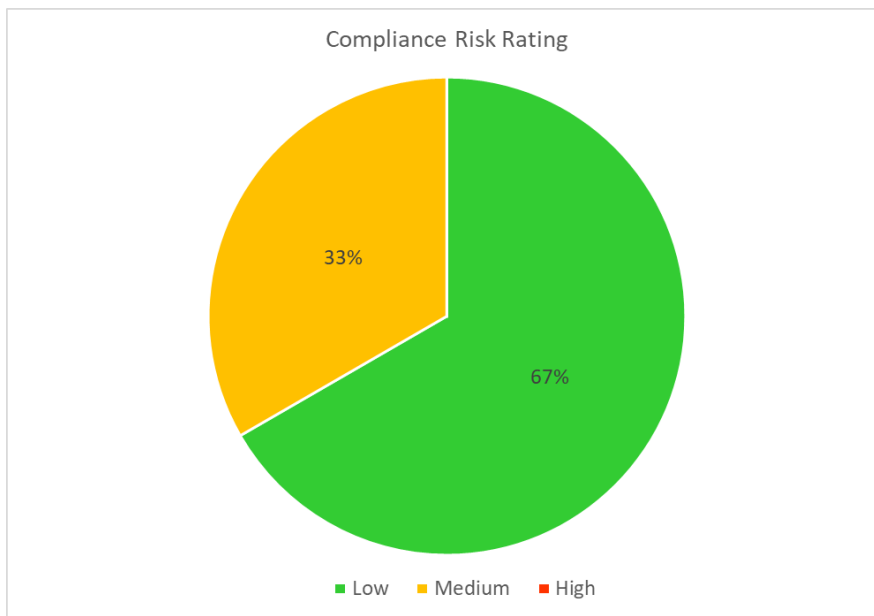
### Reduced risk profiles

23. The risk of parking income not meeting forecasts in the Medium Term Financial Plan (CR17HPC004) has reduced as parking income has improved in line with the council's forecasts. The risk of ongoing maintenance budget not meeting the Medium Term Financial Plan forecast (CR17PROP011) has also reduced in light of reserves being allocated towards these liabilities.

### Compliance Risk

24. There are currently 6 compliance risks monitored, all of which feature on the Corporate Risk Register in line with the council's risk appetite statement. A breakdown of the compliance risk ratings by percentage is provided in the pie chart on the next page:





25. There have been no key changes to the profiles of risks within the Compliance Risk Register since the last update to this Committee.

## Conclusion

26. Risk owners have reviewed and reassessed the risks and controls within their specific areas and are satisfied that this report and attached Appendix A represent an accurate picture of the current risks to the organisation.
27. Member of the Committee are asked to consider whether there are any specific risks or themes that would benefit from a further report back to a future meeting.
28. 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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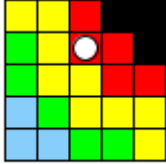
## Strategic risks

**Report Type:** Risks Report

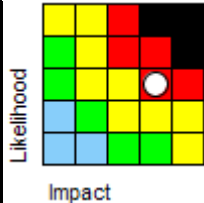
**Report Author:** Charlotte Hammersley

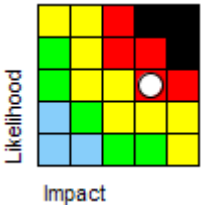
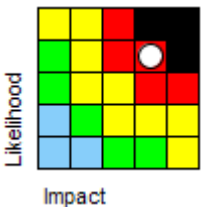
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Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 FINIT 003	Successful cyber attack	Data breach. Loss of service. Reputation. Financial.	<p>Likelihood</p> <p>Impact</p>	<p>Staff training</p> <p>Patching, firewall, policy rules</p> <p>Emergency planning exercise</p> <p>Quality Monitoring Team</p> <p>Dedicated co-ordinator and programme management systems in place</p> <p>Approved design code and quality charter</p> <p>District Deal working protocol</p>	<p>■</p>	<p>A new suite of online Cyber Security training has been issued to all staff and councillors for completion. The training was jointly developed by a supplier (matobo), a group of local authorities &amp; National Cyber Security Centre.</p>

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 POL0 3	Ashford College - delivery of phase 2	Removal of ability for the college to deliver engineering courses in Ashford. Non-delivery of ABC part funded college building within timeframes of the funding agreement	 <p>Likelihood</p> <p>Impact</p>	Ongoing monitoring with College	-	<p>EKC Group submitted a bid for 16-19 Capacity Fund, for a £4.6 million extension of the Ashford Elwick Road Campus to deliver a new Engineering block as part of their next phase of development. This will not deliver the whole of existing Phase 2 planning permission, but will deliver about half the space, leaving a further phase to be delivered at a later date. This new building will house courses in Engineering, Business and IT. This development will require discussion with ABC planning about a Section 73 application to vary the existing permission. EKC Group expect to hear the outcome of this funding application in the next few months.</p> <p>As part of the Newtown Works Project, EKC Group supported the submission of the Levelling Up fund bid, that could see 2,000 sq m of educational space within this development to support skills development around the new Film and TV Studios.</p>

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR19 PLAN 017	Poor quality water in the River Stour (nitrates and phosphates)	An inability to permit housing development without appropriate assessment and mitigation measures. Negative impact on council budget due to loss of planning income, cost of mitigation strategy.		<p>Legal advice received being followed</p> <p>Relevant stakeholders working on mitigation schemes to allow development to take place.</p>	■	<p>No change to risk assessment, since last assessment.</p> <p>Work continuing to identify and acquire land suitable for wetland creation for the Borough Mitigation Strategy. Workshops to be held to discuss options with key stakeholders. Applications proposing on-site mitigation continuing to progress through Appropriate Assessment process.</p>
Page 19 R20 OL0	Eurostar – negative impact on local economy (development and investments) due to Eurostar not stopping in Ashford until 2022.	Loss of international status. Reduced development and investments in Ashford. Reduced connectivity to Europe, use of station.		<p>Partnership Working</p> <p>Lobbying</p>	■	<p>Continued discussions are being undertaken and a meeting with Eurostar took place in September to discuss their current position. Eurostar are lobbying hard to remove restrictions on travel to support increased international travel. Services have started to increase since mid-august, but are still at very low levels compared to pre-covid. Eurostar are saying that Kent Stations are unlikely to be operational again until the end of 2022. A further meeting is scheduled to take place with Eurostar in early 2022, at which point further actions by KCC and ABC can be considered.</p>

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR21 ENV0 09	Failure to deliver Ashford aspect of Mid-Kent Joint Waste Management Contract	Financial impact on the MTFP. Impact on recycling rates. Council's reputation. Disruption to waste collection service.	 <p>Likelihood</p> <p>Impact</p>	Regular communication, liaison & escalation of issues	-	The Mid-Kent Joint Waste Management Contract is a partnership contract with Maidstone Borough Council and Swale Borough Council. Currently we are in tender development process for a Competitive Dialogue tender. This will procure collection services for all three partners, and cleansing for Ashford and Swale. Kent County Council is also party to the agreement as the Waste Disposal Authority and provides facilities and financial enablement from recycle revenues. Currently we are aware of the key risks which articulated in a risk register for the project. The next step will be to further share with key stake holders. This risk register will be reviewed both by the New Waste Contract Task Group (Members) and current contract partners.
				Information sharing and collaboration		
				Financial planning, analysis and internal controls		
				Access to specialist support, advice and expertise		
				Contingency planning		

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CRP OL21 01	Not meeting our climate commitments	Environmental damage (for example flooding and loss of biodiversity) and reduction in residents' health and wellbeing)		Carbon reduction action plan	-	This is a new risk on the register which reflects council's carbon neutrality ambitions and the national risk register position. ABC's draft Carbon Reduction Plan is out for public consultation until October 2021. As well as an online survey, consultations have taken place with individual organisations and parish councils in the borough. The comprehensive plan brings together the council's activities to tackle climate change including the air quality action plan, cycling and walking strategy, tree planting, solar farms and net zero housing development. ABC is also developing its carbon baseline to inform our carbon decent plan. £2 million of reserves has been set aside to assist with tackling climate change and delivery of the action plan.
				Members of Kent Climate Change Network		
				Green principles embedded in decision making and project management processes		
				Ashford Climate Action Campaign		
CR17 PLAN 015	South of Ashford Garden Community not delivered to time and quality	A quality garden community not delivered in accordance with the approved vision and strategy within anticipated timescales.		Chilmington Together governance structure in place	-	<b>See detailed note on the next page.</b>

## **CR17PLAN015 Garden Community Priority Project Delivery**

Work is underway to develop a sustainable transport policy with community consultation to take place shortly. Proposals to work with Ashford College are under development to begin to meet the education and skills agenda. A high level review of the design code is underway with outcomes expected shortly, following consultation with KCC and the developers. Work to secure agreement around the stewardship approaches at Court Lodge are progressing with resource focused on this to enable the application to reach committee. The SAGC strategy will be published shortly with a website developed over the autumn period, in tandem with the Ashford College project.

### **Planning Matters**

Ongoing discussions with Hallam Land re Court Lodge continue with agreement to the community heads of terms expected soon. The review of the Nutrient Neutrality report for CL is underway. Once the remaining matters are confirmed/resolved, the application will move to Committee for resolution.

### **Chilmington Green Delivery**

We have 175 occupations with more expected by the end of October. Barratts have occupied the remainder of their properties in Parcel Q and will then have a break from further occupations until the final five properties on Parcel Q are ready and the first properties in Parcel R are complete. This is expected in December and spring 2022 respectively. Jarvis are occupying well in the Hamlet. Hodson are coming to the end of their current phase and so far have not laid any further foundations. Occupations will therefore significantly slow over the autumn period. The council completed on the sale of 10 affordable housing units at The Hamlet. Handover is expected late 2021/early 2022.

### **Secondary School**

A planning application should be submitted in September. A members briefing went well with good feedback and a first stage community consultation was well received. it is planned for the school to open in September 2023. The S106 amendments for school access remain under discussion between KCC and Hodsons.



## **Primary School**

The primary school is expected to open its doors to pupils on site after half term in October 2021. The council will work with KCC and Stour Academy Trust around the opening of the school - the first permanent public building to open on site.

## **CMO**

The CMO held a 'Getting to Know You' day on the 7th September in partnership with the Parish Council, reaching out to residents. This is the first of several community engagement/development activities planned over the coming months. The lack of a community facility on site (Community Cabin) is a significant issue for the CMO as demonstrating a local presence is difficult, residents feel isolated from the CMO and there is no facility on site to deliver community activity. The CMO is setting up a small community grants fund to encourage residents to set up new community groups/activities. The CMO are also keen to appoint a resident director before the end of the financial year. The financial position of the CMO remains challenging. The Deficit Grant was expected to be paid in June as we hit 125 occupations. Developers are keen to hand assets (public open space) to the CMO this calendar year. A draft policy is prepared to provide a framework to land and asset adoption. The CMO will begin the procurement process for a local landscape contractor. The Jarvis lake is likely to be the first asset handed over by Christmas.

## **Community Development**

A parent and toddler group has been piloted and an indoor venue secured from September to continue this group. Sadly this cannot take place on site as the community cabin has not been handed over. Funding has been applied for from KCC to deliver health walks. If funding is secured, this will be one of several community projects delivered over the coming months to build strong relationships with the community and build community capacity. See above regarding small community grants fund.

## **Discovery Park Masterplan**

Work to progress with the masterplan is stalled due to site access issues.

## **Southern Water Services - Connection to Bybrook**

Work to deliver elements offsite are underway with completion due early 2022.

**Natural England**

Mitigation is required for both Court Lodge and Kingsnorth Green in order for the applications to be determined by the council. Any future Reserved Matters at Chilmington Green will also need to consider mitigation. See above re Court Lodge progress.

**CCG Estates Strategy**

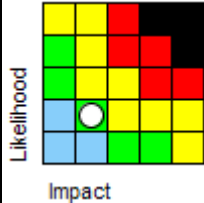
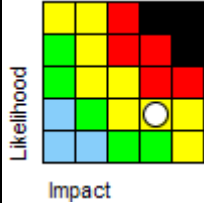
We understand an updated CCG estates strategy has been published. Work is ongoing to find the best solutions to health provision in the Garden Community.

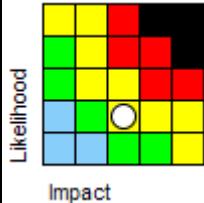

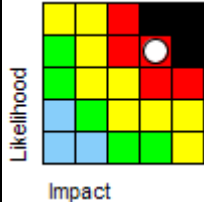

## Financial risks

**Report Type:** Risks Report

**Report Author:** Charlotte Hammersley

**Generated on:** 21 September 2021

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 FINIT 008  Page 25	Change to accounting standards: requirement to record all losses through income and expenditure.	Potential for temporary losses to be shown affecting the council's investment decisions.		Regular communication with Arlingclose Lobbying	■	<p>No change to the risk profile. There is a statutory override for the 5 years therefore it will cause an issue in the short/medium term however it is unclear if this will be made permanent or be removed in the future.</p> <p>Will consider impact when borrowing and investing in individual instruments.</p> <p>We will continue to monitor and discuss with auditors.</p>
CR17 FINIT 010	Insufficient reserves to respond to another unforeseen event	Section 114 Notice Inability to deliver services		MTFP and budget monitoring processes Savings target Commercial income target	■	<p>Cabinet &amp; Management team have worked to generate annual savings and with Government covering a significant proportion of income losses the Council's reserves are sufficient to fund the MTFP and some corporate projects.</p> <p>£4m has been set aside to manage MTFP risks for 2021/22, with £5m to fund the overall MTFP deficit.</p>

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 HPC0 04	Parking income not meeting the Medium Term Financial Plan forecast	Negative impact on Medium Term Financial Plan.		<p>Income monitoring</p> <p>Promotional campaigns to increase take up.</p>		<p>The financial impact of this risk has reduced as parking income has started to increase and return to pre-covid levels minus the forecasted 15% reduction.</p> <p>July 2019 income was £230k</p> <p>July 2021 income was £198k</p>
CR17 PRO 002 Page 26	Inability to make expected return on commercial investment portfolio	<p>Reputational damage of not delivering strategic projects.</p> <p>Financial loss to the council which would impact on the councils Medium Term Financial Plan.</p> <p>Potential loss of income by not achieving the minimum rent at Elwick Place to cover quality maintenance.</p> <p>Inability to let the units at Carlton Road could lead to the need to repurpose or sell the site.</p>		<p>Monthly monitoring with developer of Elwick Place</p> <p>Regular review of tenancies at International House with portfolio holder and marketing agent.</p> <p>Established tenants on mid-term leases at International House.</p> <p>Monthly review of the market with agent (Carlton Road)</p> <p>Current demand for similar product to Carlton Road elsewhere</p>		<p>Covid-19 continues to have an impact on the Commercial Property Portfolio. A number of tenants are struggling with their payments of rent and service charges commitments. Close monitoring of these particular tenancies will be carried out will be subject to further scrutiny by the team.</p>

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 PRO P011	Ongoing maintenance liabilities exceeding available budget.	Standard of maintenance reduced. Only necessary maintenance carried out.		Programme management & PID process Corporate asset management review Expenditure in line with Asset Management Strategy and prioritised. Stock condition survey		A stock condition survey (external) has been commissioned and will inform maintenance plans. Additional resources have been set aside in the maintenance reserve to manage the council's liabilities.
CR20 HOU P03	Reduction in Housing Revenue Account income levels as a result of Covid-19	Housing Revenue Account levels negatively impacted		Increased monitoring of number of cases, arrears levels and number of new Universal Credit claimants Use of Orchard analytics		In 2020-21 we collected 98.78% of the rent resulting in a decrease in the arrears brought forward from £526,878.41 to £312,078.81. The team have worked hard despite challenging restrictions with regards to notice and court action for rent collection and arrears and continue to stay up to date as changes to processes unfold, via Government notifications. The team is moving from specialist to generic working with all team members having refresher training around rent arrears collection and the team will be at full capacity. There will still be a lead specialist for this area of service who will monitor performance and audit the process so that the overall performance and collection rate remains as expected.

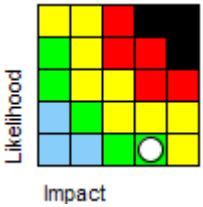
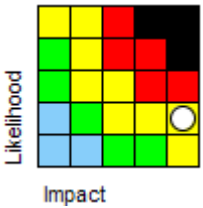
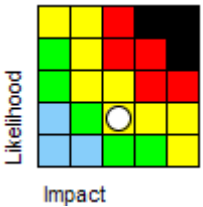
## Compliance risks

**Report Type:** Risks Report

**Report Author:** Charlotte Hammersley

**Generated on:** 21 September 2021

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 FINIT 001  Page 28	Loss or theft of portable devices and data stored on them	Potential breach of council or personal data. Reputational damage.		Remote working and portable devices guidance	-	<p>Smartphone rollout complete, this has helped update / refresh asset register for these devices. And ensure all new devices have a correctly configured MDM (mobile device management) solution installed.</p> <p>New laptop rollout scheduled for late summer 21, which will give IT a chance to ensure all new devices are correctly configured. And to get all old devices returned and securely wiped.</p>
				Portable devices encrypted		
				Data Protection Impact Assessment		
CR17 FINIT 002	Not achieving codes of compliance: pci and Public Services Network	Potential to stop the council being able to communicate with other public sector organisations.		Patching, firewall, policy rules	-	No change currently, and IT are currently planning to complete annual PSN Code of Compliance (CoCo) certification process. But this may change depending on CESG / NCSC decision.

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
CR17 FINIT 005	Loss of the Kent Public Services Network (KPSN) and services it provides	Potential to stop the council being able to communicate with other public sector organisations.		Externally managed	■	New quote requested from KPSN for a new onsite KPSN CPR(router),as existing will becoming End of Life soon, and to gain higher bandwidth connection.
CR17 LEG0 01	Insufficient resources in the event Election is called at short notice	Mistakes during election Staff morale Customer satisfaction Reputational damage		Increased staff hours and pay during election period. Well-developed corporate support system	■	No update or change required.
CR17 LEG0 029	Non-compliance with GDPR	ICO fines Enforcement notices Reputational damage Customer dissatisfaction		GDPR action plan Service briefings Dedicated resource Staff training Information Governance Group Consultant legal support for key policies Information Commissioner Office registration	■	Whilst remote working presents data protection risks, a recent six-monthly update on the council's data protection controls showed that there had been no increase in significant data incidents. Continued improvements have been made to our arrangements including Covid-19 privacy notices, training to CMT on data protection and remote working and the introduction of increased security measures when logging into council systems remotely. Also, increased email security is being tested. This is in addition to ongoing communication regarding data protection to all staff. GDPR has now

Risk Code	Risk Title	Potential consequence	Risk Matrix	Internal Controls	Change	Latest note
						been in place for several years and therefore a review of council policies, in particular the retention policy, will be reviewed over the coming months to reflect UK data protection laws.
CR17 HPC0 13	Non-compliance with Health Safety Act and Regulations	Reputational Financial fines from the Health and Safety Executive Loss of working days Death or serious injury		Risk assessments	■	<b>See detailed note below:</b>
Page 06	<p>For staff currently working in the office, mitigation measures remain in place following Covid Secure principles. The book-a-desk system was introduced on 2 August 2021. Staff are now able to return to the office for 'hybrid' working. Internal teams worked together to ensure that staff feel comfortable working from the office again, and messages have been posted on Smart Hub to inform staff of the new arrangements. Our new arrangements have been risk assessed, reviewed and are compliant with health and safety law and Covid guidance. Further bookable desks will become available in stages, but the majority of staff will continue to work from home until a full review is undertaken later this year. Council meetings are taking place in the Civic Suite and customers may visit reception.</p> <p>A review of the PPE Cell arrangements continues as PPE is still a useful tool to protect individuals from Covid. The development of an exit strategy is underway following the restrictions being lifted. The Covid office outbreak plan was revised on 21 July 2021 following advice from PHE and is a valuable document for managers to refer to should they need advice in the instance of a single case or outbreak. It is in the process of being reviewed again due to self-isolation rule changes for those double-jabbed against Covid.</p> <p>A review of job descriptions for the appointed Competent Person(s) under the Fire Safety Regulatory Reform Order 2005, was delayed (it was due to be completed end of June 2021), and further training concerning these duties for relevant person(s) is planned for this financial year. A review of the Fire Safety Management policy and supporting documentation is scheduled for completion by the end of September 2021. Some health &amp; safety-related corporate policies and procedures require a scheduled review, but remain valid and current. An active training and refresher programme is maintained. Lone working is under review as the contract for the lone working monitoring systems is due for renewal.</p>					





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**Agenda Item No:**

**Report To:** Audit Committee

**Date of Meeting:** 5 October 2021

**Report Title:** Annual Governance Statement – Progress on Remediating Exceptions

**Report Author & Job Title:** Charlotte Hammersley, Compliance and Data Protection Manager

**Portfolio Holder** Cllr. Neil Shorter  
**Portfolio Holder for:** Finance & IT

<b>Summary:</b>	This report updates on the progress made towards the areas of review highlighted by the 2020-2021 Annual Governance Statement
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**Key Decision:** NO

**Significantly Affected Wards:** N/A

**Recommendations:** **The Audit Committee is asked to note the progress made towards the areas of review highlighted by the 2020-21 Annual Governance Statement as detailed in this report.**

**Policy Overview:** Each year the council must produce and approve an Annual Governance Statement (AGS). The AGS is designed to summarise for Members and residents, the council's approach to governance and show how the council fulfils the principles for good corporate governance in the public sector.

**Financial Implications:** None

**Legal Implications** None

**Equalities Impact Assessment** Not required as this is a monitoring report which doesn't propose any change to the council's processes or procedures.

**Data Protection Impact Assessment** Not required.

**Risk Assessment (Risk Appetite Statement)** The council has a low risk appetite towards compliance matters. The Annual Governance Statement makes recommendations for improvements to ensure that any

<b>Other Material Implications:</b>	potential risks highlighted are mitigated against. None
<b>Exempt from Publication:</b>	NO
<b>Contact:</b>	charlotte.hammersley@ashford.gov.uk

## Report Title: Annual Governance Statement – Progress on Remediating Exceptions

### Introduction and Background

1. Each year the council must produce and approve an Annual Governance Statement (AGS). The ASG is designed to summarise for Members and residents the council's approach to governance and show how the council fulfils the principles for good corporate governance in the public sector. The AGS draws conclusions, based on evidence throughout the past year, about the effectiveness of the council's arrangements.
2. The 2020-2021 Annual Governance Statement (AGS) was agreed at the March 2021 meeting of the Audit Committee. The ASG identified five areas for continued work and review which are set out in this report together with an update on their progress towards completion.

### Progress to Date

Governance Area no 1	Responsible	To be delivered by
Develop a Digital Communication Strategy which builds on the successful digital communications campaigns delivered during 2020.	Communications Manager	March 2022
<p><b>Latest position:</b> Social media has been increasingly used to accurately target specific groups of people, increase our reach and engagement with residents and understand and demonstrate the impact of council activity by using metrics and analytics. It has also enabled swift two-way dialogue between the council and individuals. The next step will be to draw on the learning gained through the pandemic and develop a Digital Communication Strategy which will provide a framework for delivering a digital plan that maximises the reach of our campaigns so they are as inclusive as possible. The development of the strategy is planned for delivery towards the end of 2021 with a target completion date of March 2022.</p>		

<b>Governance Area no 2</b>	<b>Responsible</b>	<b>To be delivered by</b>
Develop an equalities policy which reflects the council's objectives and explains how it intends to deliver them.	Compliance & Data Protection Manager	March 2022
<p><b>Latest position:</b> In line with Equality Act 2010 and Public Sector Equality Duty, the council has recently reviewed and adopted new Equalities Objectives in 2020. A policy setting out planned actions for delivery over the new Corporate Plan period is being developed through a newly created Health and Wellbeing Group chaired by the Chief Executive.</p>		

<b>Governance Area no 3</b>	<b>Responsible</b>	<b>To be delivered by</b>
Review the council's risk appetite statement as set out in the Risk Management Framework	Compliance & Data Protection Manager	November 2021
<p><b>Latest position:</b> The risk appetite statement has been reviewed to reflect the council's ambitions as set out in the draft Corporate Plan to 2025. A risk appetite statement will be included as part of the Corporate Plan report to Cabinet in November 2021. Reviewing the council's risk appetite statement in conjunction with the development of the Corporate Plan ensures our appetite is aligned to our strategic aims. The Risks Management Framework will be updated to reflect the appetite statement once approved.</p>		

<b>Governance Area no 4</b>	<b>Responsible</b>	<b>To be delivered by</b>
Review cyber security and data protection arrangements in light remote of working during 2020 and continue to communicate cyber security and data protection advice to staff.	IT Manager/ Compliance & Data Protection Manager	November 2021
<p><b>Latest position:</b> In addition to the range of software and systems we deploy to stop threats, a key element in the fight against the growing and changing threat of cyber-crime is staff awareness. Online training modules have been made available to all staff and Members and have been developed in association with the NCSC (National Cyber Security Centre). This has helped to reduce staff engagement with phishing attacks and heighten awareness.</p> <p>Regular communications and training have promoted the increased importance of data protection whilst working from home stressing the importance of integrity, security, purpose limitation, data minimisation and the accuracy of all personal data held. Aided by the utilisation of council issued equipment and appropriate two factor authentication mechanisms, cyber security and our data protection obligations are at the forefront of our working from home arrangements.</p>		

Governance Area no 5	<i>Responsible</i>	<b>To be delivered by</b>
Reviewing the Executive arrangements in the constitution to ensure they present in a clear fashion the Local Government and Public Involvement in Health Act 2007 and to capture the new port health service.	Solicitor to the Council and Monitoring Officer	March 2022
<p><b>Latest position:</b> The Solicitor to the Council and Monitoring Officer is working with specialist lawyers to review the constitution provisions in relation to executive arrangements and to undertake a wider health check to identify other necessary improvements and clarifications. The scoping for the health check is still being carried out. The progress is being monitored by the Office of the Executive Leader and any proposed changes will need to follow due process including the Selection and Constitutional Review Committee (S&amp;CR). The inclusion of Ashford Port Health is being dealt with separately and will be reported through S&amp;CR as a constitution update in the normal way in October or December 2021.</p>		

## Conclusion and Next Steps

3. Good progress has been made towards completion of the actions arising from the 2020/21 Annual Governance Statement. Further updates will be provided in the annual review of the Annual Governance Statement in March 2022.

## Contact and Email

Charlotte Hammersley, Data Protection and Compliance Manager

[charlotte.hammersley@ashford.gov.uk](mailto:charlotte.hammersley@ashford.gov.uk)

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# Agenda Item 7



ASHFORD  
BOROUGH COUNCIL

**Agenda Item No:** 4  
**Report To:** Audit Committee  
**Date:** 05 October 2021  
**Report Title:** Audit Committee Annual Report 2020/21  
**Report Author:** Russell Heppleston – Deputy Head of Audit Partnership

<b>Summary:</b>	The report outlines how the Audit Committee has effectively discharged its duties during 2020/21. The report provides assurance to the Council that important internal control, governance and risk management issues are being monitored and addressed by the Committee.
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**Key Decision:** No

**Affected Wards:** All

**Recommendations:**

1. That the annual report of the Audit Committee for 2020/21 (appendix A) is **agreed**.
2. That the Chairman of the Audit Committee **presents** the report to a future meeting of the Full Council to demonstrate how the Committee has discharged its duties.

**Policy Overview:** N/A

**Finance:** N/A

**Risk Assessment** N/A

**EIA** N/A

**Other Matters:** N/A

**Exemption Clauses:** N/A

**Background Papers:** Audit Committee Annual Report 2020/21

**Contacts:** [russell.heppleston@midkent.gov.uk](mailto:russell.heppleston@midkent.gov.uk) Tel: (01622) 602248

## **Report Title: Audit Committee Annual Report 2020/21**

### **Purpose of the Report**

1. The report outlines how the Audit Committee has effectively discharged its duties during 2020/21. The report provides assurance to the Council that important internal control, governance and risk management issues are being monitored and addressed by the Committee.

### **Background**

2. The Audit Committee is required to monitor audit activity (internal and external), review and comment on the effectiveness of the Council's regulatory framework and review and approve the Council's annual statements of accounts and associated strategies and policies. This report sets out how this has been achieved during 2020/21.

### **Risk Assessment**

3. N/A

### **Equalities Impact Assessment**

4. N/A

### **Other Options Considered**

5. The production and presentation of an annual report is something that the Committee has done for the several years and is recognised as good practice.
6. The Committee could decide that they no longer wish to publish an annual report, however, this would not be advised. Oversight and monitoring of the Council's activities is a vital part of effective governance. Without an update from the Audit Committee, Council would lose a key source of assurance regarding the effectiveness of the arrangements in place to ensure good governance, risk management and internal control.

### **Consultation**

7. The draft report was circulated and reviewed by the Chairman of the Audit Committee prior to submission for this meeting.
8. We have adapted the attached report for comments received.

### **Implications Assessment**

9. N/A

## Handling

10. N/A

## Conclusion

11. The annual report of the Audit Committee sets out how the Committee has discharged its duties during the year. In addition to setting out the key role of the Committee, the report also includes a programme for Committee development.

## Portfolio Holder's Views

12. N/A.

**Contact:** Russell Heppleston – Deputy Head of Audit Partnership  
Tel: 01622 602248

**Email:** [russell.heppleston@midkent.gov.uk](mailto:russell.heppleston@midkent.gov.uk)

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# Audit Committee

## Annual Report 2020/21

Ashford Borough Council

## **An introduction from Chairman Cllr Larry Krause**

*As we wrapped up our annual report last year, we were already in the midst of the pandemic. We knew the year ahead was going to be unlike any we had faced before, and that the Committee was not immune to the challenges and risks presented by the Pandemic. However, I don't think anyone could have predicted that 18 months later we'd still be feeling the impact and continuing to face risks and challenges from Covid-19. We truly have been working through unprecedented times, not just as Members and Officers, but as a Country.*

*The Committee met 3 times in 2020/21, and I am pleased to say that attendance was maintained, and contributions during those meetings were of a high quality. Like all other Committees, we moved to a fully remote model of governance during the year and utilised new technology to enable Officers to present their reports and updates. While this was a significant change, it was one that the Committee embraced. It enabled us to fulfil our duties, while following Government guidelines and keeping everyone safe. Moving to a remote platform also meant we were able to rethink how to deliver briefings and training. For the first time, we invited all Members to our professional development briefings, and I was encouraged to see good attendance and some lively and constructive debate and enquiries. I am pleased that as a Committee, we have continued to keep the spotlight on governance, internal control, financial stewardship and risk management, despite the significant challenges being faced in the year.*

*We have received updates throughout the year from our internal audit team, including a positive Annual Audit Opinion and a revised and flexible audit plan. This was particularly important this year, as the Committee helped to shape the focus of new audit projects to address key risks, including looking at Remote Working, Staff Wellbeing and Community Support. Maintaining a strong internal control environment has been at the forefront of our minds, and we have received various updates around governance, fraud prevention and detection, risk management and internal control throughout the year.*

*This year, we saw the extension to the submission deadline for the financial statements to 30 November 2020, and we note another unqualified opinion from our external auditors Grant Thornton. However, getting the accounts over the line was not easy, especially given the challenges of having to support a remote audit. We have continued therefore to press and challenge our external auditors to address delays and to keep a watching eye on their progress throughout the year.*

*Finally, I would like to take this opportunity to thank Committee Members and the Officers who have supported the Committee over the year. Their dedication, professionalism and commitment has meant that we have been able to operate and provide robust challenge and oversight even during times of great challenge and change. I am confident that as a Committee we will continue to make a positive contribution to the governance of the Council and fulfil our duties, recommending improvements where it is appropriate to do so.*

## What is the purpose of the Audit Committee?

The Audit Committee operates in accordance with the [Audit Committees, Practical Guidance for Local Authorities 2018](#). This guidance defines the purpose of an Audit Committee as:

***“Audit Committees are a key component of an authority’s governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.***

***The purpose of an Audit Committee is to provide those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.”***

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

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

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

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

### **Terms of Reference:**

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

## Key challenges this year

The Council entered 2020/21 during a global pandemic and a national lockdown. As a Committee we faced many uncertainties and key challenges as the year unfolded, we set out some of these below:

	<b>Remote &amp; virtual working</b> Officers were asked to work from home and follow guidance to self-isolate and reduce travel. The Council implemented Microsoft Teams to enable staff to work from home as if they were in the office, and Committee meetings were conducted online.
	<b>Mass redeployment of staff</b> Officers were redeployed from across the Council to set-up, support and deliver community and business support services. This included setting up a distribution centre to help vulnerable residents to access food and essentials.
	<b>Responding to changes in Government guidance</b> Government announced changes regularly, and guidance was not always available in real time. The Council needed to respond quickly to changes. This included shifting to remote model of governance and decision making.
	<b>Administration of business grants and community grants</b> The Council became the conduit by which local businesses and communities could access a variety of support grants. Processes needed to be put in place to check eligibility, ensure integrity and to prevent fraud and error.
	<b>The need to maintain effective internal controls</b> Every service was required to work in new ways, this presented the potential for internal controls to be diluted, by-passed, or removed altogether. Assurance was needed through the revised audit plan and internal audit projects / support.
	<b>Working with community partners &amp; volunteers</b> New relationships were forged across the Borough with local community groups and volunteers. These relationships were vital to the success of delivering support to clinically vulnerable residents and those who had no support network.
	<b>Responding to new risks on the horizon</b> As the year progressed the risk register was updated to respond to, and reflect, the changing risk landscape. Covid-19 and the Pandemic were significant triggers which elevated several of our corporate level risks as higher threats than previously assessed.
	<b>Delivering the Port Health Service</b> The Council also worked with Government to plan and commence set-up the Port Health Service. Resources and expertise were needed from across the Council to manage and deliver a project of significant scale and complexity, including a large-scale recruitment and onboarding programme.



## Membership & attendance during the year

The Committee met 3 times over the course of the year, this is a reduction by 2, as the Summer meetings were postponed due to the Pandemic. Meetings were held virtually using Microsoft Teams and were open to the public. Officers reported to the Committee at these live events, and reports / supporting papers were made available to all Committee members in the usual way.

Attendance for each meeting is set out below. All 3 meetings were quorate:

Name	29 September 2020	24 November 2020	16 March 2021
Cllr Krause (Chairman)	✓	✓	✓
Cllr Buchanan	✓	✓	✓
Cllr Hayward	✓	✓	✓
Cllr Mulholland	✓	✓	Apologies
Cllr Shorter	✓	Apologies	✓
Cllr Smith	Ill health	Ill health	Ill health
Cllr Suddards	✓	✓	✓
Cllr Walder	✓	Apologies	✓
Also in attendance	Cllr Burgess	Cllr Burgess	Cllr Campkin Cllr Clarkson Cllr Ledger

All but 2 members have continued to serve on the Committee since the last annual report in November 2020, with Cllrs Buchanan and Walder joining the Committee for the new municipal year. Throughout the year the Committee has remained politically balanced.

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

## Officer support

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

- Deputy Chief Executive
- Head of Finance & IT
- Accountancy Manager
- Chief Audit Executive
- Audit Manager
- Head of Corporate Policy, Economic Development & Communications
- Compliance & Data Protection Manager
- Investigation & Enforcement Support Manager
- Member Services
- Grant Thornton (External Auditors)

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

## Development of knowledge

In [November 2020](#) the Committee adopted a formal programme for continued knowledge development. A series of 10 themes were agreed, aligned directly to the Terms of Reference and key decisions for the committee. Briefings delivered and planned are:

**External Quality Assurance**  
Delivered internally  
supported by CIPFA assessor  
**(Sept 20)**

**Treasury Management**  
Delivered externally by our  
treasury management  
advisors  
**(Mar 21)**

**Local Authority Finance &  
Accounts**  
Delivered internally by our  
finance team  
**(Jun 20)**

**Value for Money**  
Delivered externally by our  
external auditors  
**(Expected Oct 20)**

These briefing sessions have been delivered in the week before the Committee meeting, online, using Microsoft Teams. This has allowed all Members to be invited and has greatly increased attendance and participation. As this has been successful, we will continue this format for the coming year.

## Key decisions & insights

The Terms of Reference for the Committee broadly follow 4 key areas: **Internal Audit activity, Finance, Risk & Governance**, and **External Audit activity**. As a Committee, we demonstrate achievement of our role and discharge of our responsibilities through the consideration of key items and decisions relating to these 4 areas.

Below we set out a summary of our activity for the year, sources of assurance, and key insights gained:

Internal Audit Activity	
Key decisions and sources for assurance	Insights gained
<ol style="list-style-type: none"> <li>1. Internal Audit Annual Report 19/20 <b>(Sept)</b></li> <li>2. Revised Audit Plan <b>(Sept)</b></li> <li>3. Internal Audit Interim Report <b>(Nov)</b></li> <li>4. Internal Audit &amp; Assurance Plan 20/21 <b>(Mar)</b></li> <li>5. Internal Audit Charter &amp; Quality Improvement Plan <b>(Mar)</b></li> </ol>	<ul style="list-style-type: none"> <li>• Positive Head of Audit opinion for 19/20 financial year</li> <li>• Review and agreement to changes in the risk profile and audit plan – 3 new projects were introduced in response to the pandemic               <ol style="list-style-type: none"> <li>1. Remote working controls</li> <li>2. Staff wellbeing</li> <li>3. Community support</li> </ol> </li> <li>• Review of the follow-up processes resulting in a revised process being designed, consulted, and agreed</li> <li>• Contributing to the review of assurance ratings and audit action priority ratings</li> <li>• Ensuring adequate flexibility in the Audit Plan for 20/21 to respond to new risks, including Port Health</li> <li>• Assurance over the Quality Assurance of Internal Audit in conformance with professional standards</li> <li>• Supporting the nomination of the Audit Partnership as <b>'Outstanding Team in the Public Sector'</b></li> </ul>

### Views from the Committee:

*"It was important that our internal auditors adopted a flexible approach to provide the Committee with relevant and up to date assurance over key risk and internal control issues. By being responsive to these new risks we were able to update the audit plan and add new audit projects to take a detailed look at how the controls were operating"*

## Finance Activity

Key decisions and sources for assurance	Insights gained
<ol style="list-style-type: none"> <li>1. Statement of Accounts &amp; Financial Statements <b>(Nov)</b></li> <li>2. Presentation of Financial Statements <b>(Nov)</b></li> <li>3. Presentation: Corporate Enforcement Support &amp; Investigations Team Annual Report 2019/20 <b>(Sept)</b></li> </ol>	<ul style="list-style-type: none"> <li>• Scrutiny of the draft financial statements via presentation including exploring how key projects can be delivered and funded</li> <li>• Review of key financial risks (as identified on the corporate risk register)</li> <li>• Supporting the Council through extension of the account submission deadline</li> <li>• Exploring the assurance processes for the management and distribution of grants awarded in response to the Pandemic (including seeking assurance over the prevention and detection of fraud and error)</li> </ul>

## External Audit Activity

Key decisions and sources for assurance	Insights gained
<ol style="list-style-type: none"> <li>1. Audit Fees 20/21 <b>(Sept)</b></li> <li>2. Audit Plan <b>(Sept)</b></li> <li>3. Progress reports <b>(Sept &amp; Mar)</b></li> <li>4. Sector Updates <b>(Sept)</b></li> <li>5. Annual Audit Letter <b>(Mar)</b></li> </ol>	<ul style="list-style-type: none"> <li>• External Audit of the accounts was unqualified</li> <li>• Continued to provide robust challenge to external audit updates throughout the year</li> <li>• Maintained awareness of Sector updates, including developments from the Redmond Review of external audit quality</li> </ul>

### Views from the Committee:

*“Without a doubt, the impact of the Pandemic was felt across all organisations, including the private sector and our audit firms. Across the Country External Audit deadlines were being missed and questions were being asked regarding audit quality and value for money. Even with the extension to the account deadline, our External Auditors were not able to deliver as they needed to (and had achieved previously). Their regular presence at the Committee meant that we were able to challenge, probe and hold them to account”*

## Risk Management & Governance Activity

Key decisions and sources for assurance	Insights gained
<ol style="list-style-type: none"><li>1. Corporate Risk Register <b>(Sept &amp; Mar)</b></li><li>2. Annual Governance Statement &amp; Progress <b>(Nov)</b></li><li>3. Annual Report of the Audit Committee <b>(Nov)</b></li><li>4. Annual Governance Statement 20/21 <b>(Mar)</b></li><li>5. Corporate Enforcement &amp; Investigations Annual Report <b>(Sept)</b></li></ol>	<ul style="list-style-type: none"><li>• Encouraging greater publication and awareness of the positive outcomes delivered by the Fraud Team to protect public assets and public services</li><li>• Exploring resilience risks both in terms of operations (small teams) and reliance on IT hardware</li><li>• Greater engagement and interest to understand more detail about risks to major projects</li><li>• Exploring further the new risks presented by, and relating to, Port Health</li><li>• Good progress to address and improve governance issues during the year (as outlined in the governance action plan)</li></ul>

### Views from the Committee:

*"Effective risk management has never been more important; it is a key part of our governance and enables us to be better prepared in the face of major uncertainty. Over the last year our risk management practices have been stress tested, and it was encouraging to see new risks enter the corporate risk register as they were identified. This included risks arising from Covid-19 and from Port Health. We have explored these risks in more detail than ever before and sought to drive transparency of risk information over the course of the year. This has meant we have been able to keep the spotlight on risk, control, and governance at a time when it has been most important"*

### Conclusion

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

It is our conclusion that we can demonstrate that we have appropriately and effectively fulfilled our duties during 2020/21.

## Terms of Reference & Responsibilities

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

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

### Audit Activity

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

## Regulatory Framework / Risk Management

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

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

### Delegations

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

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

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**Agenda Item No:**

**Report To:** Audit Committee

**Date of Meeting:** 5 October 2021

**Report Title:** Audit Fee 2021/22

**Report Author & Job Title:** Lee Foreman  
Accountancy Manager

**Portfolio Holder** N/A  
**Portfolio Holder for:**

**Summary:**

This report details the proposed auditor and scale fee as set by Public Sector Audit Appointments (PSAA) who the Council have appointed to procure External Auditors and confirm they are proficient in relation to legislative requirements.

The PSAA also act as a regulator to confirm that any fee variations raised by external auditors are fair and appropriate and in line with regulation.

The PSAA have confirmed the appointment of Grant Thornton for the 2021/22 Audit and set a standard fee for core work of £49,239.

However, since these fees were set in 2018/19, additional work has become necessary to satisfy FCA (Financial Conduct Authority) requirements. As in previous yeas these additional requirements are anticipated to be in the region of £28,000.

Therefore considering the core fee and anticipated additional works the budget for the 2021/22 External Audit should be set at £74,440.

The letter from the PSAA confirming core scale fee for the 2021/22 audit is attached.

**Key Decision:** No

**Significantly Affected Wards:** None

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

- I. **Note the proposed Fee for the 2021/22 Final Accounts Audit.**

## **Financial**

### **Financial Implications:**

The Audit fee and budget of £74,440 needs to be set and is within existing budget.

### **Contact:**

Lee.foreman@ashford.gov.uk – Tel: (01233) 330509

Dear Chair / Director of Finance

## 2021/22 scale fees

PSAA is currently [consulting on the fee scale for 2021/22 audits of opted-in bodies](#). The consultation sets out the elements which we propose to consider in setting the audit fee scale for 2021/22.

You will be aware that fee variations (i.e. additional fees payable for additional audit work) have been more prevalent in recent years reflecting the increasingly challenging regulatory requirements placed on all auditors. As detailed in the consultation, we have recently carried out a review of 2018/19 approved fee variations with a view to identifying work/fees which represent ongoing audit requirements. It makes sense for the additional fees relating to recurrent work to be reflected in the scale fee of the audited body concerned at the earliest opportunity.

Following our review, we propose that the scale fee for your authority will remain the same as the scale fee for 2020/21. We have reached this conclusion because PSAA did not approve any 2018/19 fee variations for your authority, or we are satisfied that there was no recurring element to any fee variations that were approved.

We will be undertaking a similar exercise to assess 2019/20 approved fee variations when we have sufficient information on them. We will then write to you to set out whether or not we are proposing to incorporate ongoing elements of any fee variations into your scale fees at the earliest opportunity. MHCLG has recently indicated in its response to the Redmond review that it may amend the local audit regulations to provide more flexibility for setting and amending fee scales for opted-in bodies. This may allow PSAA to incorporate 2019/20 additional fees for ongoing audit requirements into scale fees more quickly than is possible currently, enabling scale fees to be more up-to-date and reducing the variable element of audit fees.

For **Ashford Borough Council** we therefore propose that the 2021/22 scale fee remains the same as 2020/21 i.e.

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Scale fee 2021/22	£49,239
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We will publish the confirmed 2021/22 fee scale on our website at the end of March 2021, together with the updated scale fees for individual opted-in bodies.

If you have comments or questions in relation to this email please reply by 19 February to [workandfeesconsultation@psaa.co.uk](mailto:workandfeesconsultation@psaa.co.uk). If you would like to respond to the consultation on the 2021/22 fee scale, please send your feedback using this link: [Survey Monkey](#).

Tony Crawley  
Chief Executive, PSAA

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