



## AUDIT COMMITTEE

Notice of a Meeting, to be held in the Committee Room 2 - Ashford Borough Council on Tuesday, 21st June, 2022 at 5.00 pm.

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The Members of the Audit Committee are:-

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

Cllrs. Campkin, Hayward, Shorter, Smith, Spain and Wright

### Agenda

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| 1. | <b>Apologies/Substitutes</b>   |         |
|    | To receive Notification of Substitutes in accordance with Procedure Rule 1.2(iii)                      |         |
| 2. | <b>Declarations of Interest</b>  | 1 - 2   |
|    | To declare any interests which fall under the following categories 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. | <b>Minutes</b>   | 3 - 8   |
|    | To approve the Minutes of the Meeting of this Committee held on 5 <sup>th</sup> April 2022.            |         |
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| 5. | <b>Informing the Audit Risk Assessment 2021/22</b>   | 31 - 76 |
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DSKM  
13 June 2022

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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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## Ashford Borough Council: Audit Committee

Minutes of a Meeting of the Audit Committee held in Committee Room 2, Civic Centre, Tannery Lane, Ashford on the **5<sup>th</sup> April 2022**.

### Present:

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

Cllrs. Campkin, Ledger, Shorter, Smith, C. Suddards and Wright.

In accordance with Procedure Rule 1.2 (c) Councillors Ledger and C Suddards attended as Substitute Members for Councillors Hayward and Spain respectively.

### Apologies:

Cllrs. Hayward, Spain.

### Also in Attendance (virtually):

Cllrs. Bell, Brooks, Harman, Ovenden.

Interim Head of Audit Partnership, Interim Deputy Head of Audit Partnership.

### In attendance:

Deputy Chief Executive, Assistant Director Planning and Development, Assistant Director Environment and Land Management, Sports and Leisure, Senior Member Services Officer.

## 361 Declarations of Interest

Councillor	Interest	Minute No.
Shorter	Made a Voluntary Announcement as he was the Portfolio Holder for Planning and Development for part of the period covered by the audit.	363

## 362 Minutes

### Resolved:

**That the Minutes of the Meeting of this Committee held on the 15<sup>th</sup> March 2022 be approved and confirmed as a correct record.**

## 363 Section 106 Audit – Weak Assurance Report

The Interim Deputy Head of Audit Partnership introduced the report. During 2021, Mid Kent Audit had undertaken an audit on the process for agreeing Section 106 (S106) Agreements. She highlighted the work that was undertaken by the Auditors and the audit findings. It was noted that whilst there were resourcing pressures on

the service, due to vacancies, and the Pandemic, however the audit found that all 14 examined controls were not working effectively. The service had been proactive in their response to the audit findings and she was pleased to report that three of the agreed actions had been implemented already.

The Assistant Director Planning and Development, using screen sharing technology, gave the Committee an overview of the audit recommendations and the work streams underway to meet those recommendations. He had taken holistic approach to the audit findings and the recommendations from the Overview & Scrutiny Task Group that specifically looked at S106 processes. The Council had a long and successful record of securing S106 contributions however the process to getting to a signed S106 could be lengthy and opaque from the outside. It should be noted that a S106 was not a development 'tax' and required justification in each case. He drew attention to the action plan items, as detailed with the audit report, and the recommendations from the Overview & Scrutiny Task Group. There were some common themes arising from both sets of recommendations. The Assistant Director Planning and Development advised that there were four themes emanating from the recommendations and highlighted the work to be taken under those themes:

- Root and Branch Review of S106 Processes from start to finish. This would be used to help improve the remaining three themes.
  - Officer Working Groups were to be established, with the Core Officer Working Group having held its first meeting in February. A Cross-Service Officer Group would be set up, with consideration being given to the inclusion of stakeholders from external partners such as KCC and the CCG for whom the Council collected S106 monies. This group should be established by Easter 2022.
  - Process Mapping of key steps such as; identification of infrastructure needs and potential projects, negotiations with developers at application stage, signing the S106, monitoring of trigger points, authorisation of spend and ensuring the S106 has been spent appropriately and in line with the Agreement.
  - An assessment of what worked well, what could be improved and what should be done differently was underway.
- Transparency
  - Sharing the results of the process mapping exercising and implementing the agreed changes
  - Training for Officers involved with the S106 processes and how the new ARCUS software could be fully utilised, including a reconciliation of Legal and Planning databases. The ARCUS software was due to go live in July 2022. Training was underway for all Officers on how the system worked.
  - Guidance and Training for Borough and Parish Councillors on the new S106 process, which would include a new S106 Handbook.

- Standardised wording for S106 Agreements and greater use of templates.
- Preparation of a new Infrastructure Supplementary Planning Document incorporating these new procedures.
- Communication
  - Preparation of an introductory letter for developers with S106 obligations to set out the Council's expectations – this had been prepared. P
  - The publication of S106 monitoring on the Councils website.
  - Using ARCUS to enable more frequent reporting of S106 income and spend.
- Resilience
  - Additional resources to supplement the current S106 Monitoring Officer. This position would be advertised as a permanent, not fixed term role.
  - Ensuring a wider understanding of the S106 process internally and externally.
  - Written procedure notes of each key stage of the process.

In conclusion, the Assistant Director Planning and Development drew attention to the actions from the audit and the associated deadlines.

The Chairman thanked the Assistant Director Planning and Development for such a detailed presentation. He questioned whether the Portfolio Holder for Planning and Development would be part of the S106 Project Management Team. The Assistant Director Planning and Development advised that at the current time consideration was being given to what roles Officers and Members had in the process. He was keen to establish a process with the appropriate checks and balances, the majority of which he envisaged would be Officer centric. As part of the transparency theme Councillors would be able to access information in respect of S106 Agreements in their Wards from the Council's website. Once the ARCUS software had been introduced it was hoped that this would be in place in due course. The Portfolio Holder for Planning and Development advised that he would have a discussion with the Assistant Director Planning and Development regarding the level of involvement that he would need in the Project Management Team.

It was questioned whether a report back within six months would be too soon given the implementation date of ARCUS. The Assistant Director Planning and Development advised that he did not want to raise expectations too high on day one, the basics should be done and done right. He felt that between nine to twelve months would be the ideal time to report back to the Committee on progress on the

audit recommendations and the other areas highlighted to the Committee. Interim Deputy Head of Audit Partnership advised that the follow up review process would follow up on the recommendations and specifically the timescales agreed with the service. They would speak to the Planning Department about how the actions had been addressed and testing would be undertaken on the higher priority actions to confirm that they were in place. At a suitable time S106 would be placed back onto the audit plan to undertake checks on how it was running under the new ARCUS system.

A Member welcomed the ability for Councillors to be able to access S106 information in the future. He questioned how the recruitment process for the assistant to the S106 Monitoring Officer was progressing and what contingencies were in place should that position not be filled. He also questioned how the transfer from Acolaid to ARCUS would occur and whether there would be any data lost during that process. The Assistant Director Planning and Development drew attention to how the S106 Monitoring Officer role had developed over the past few years and did not just deal with major sites, but also those other sites with a S106 Agreement. The number of S106 Agreements were likely to increase in number over the coming years. The lack of digital systems to assist with the role had been a constraining factor, it was hoped that ARCUS would improve that situation and provide automation and the monitoring of S106 schemes. He hoped that the recruitment process would be successful, it was important to ensure that there was support for the S106 Monitoring Officer and ensure that there was resilience in place. There would be some vary labour intensive processes to be undertaken, but these would be addressed as part of the audit.

A Member questioned whether it would be possible to have the Assistant Director Planning and Development, and if appropriate an Officer from the S106 Monitoring Group, report back to the Committee on the progress made not only on the audit but other connected work streams. The Deputy Chief Executive advised that this had occurred with other 'weak' audits and was within the Committee's remit should it wish to request this. This could be done in tandem with a report back from Mid Kent Audit. The Assistant Director Planning and Development drew attention to his previous comments that the audit and Overview & Scrutiny recommendations only went so far and there was a wider process that Planning wanted to review and change. He felt that this was an ongoing process and would be happy to report back to the Audit Committee. The Interim Deputy Head of Audit Partnership drew attention to the recommendations, a future report was proposed as part of those. Conversations would be had with the necessary Officers to ensure that this report was scheduled into the Audit Tracker.

The Assistant Director Planning and Development noted that S106 Agreements were public documents and it was fair and reasonable that they should be publically accessible. The public should be able to access the information on whether the monies connected to such Agreements had been received and if and where it had been spent. There were some complexities that needed to be addressed but that was what they were aspiring to deliver. It was a goal that was being worked towards.

In response to a question, the Interim Deputy Head of Audit Partnership advised that the training recommendation was focused on the S106 Monitoring Officers role, and

due to its specific nature it was given a low priority rating. The Officer undertaking the role was doing an good job but it was felt that some specific training on S106's, which had not previously been provided would enhance her ability to do her role. The Assistant Director Planning and Development added that the S106 Monitoring Officer had learnt 'on the job' which was not enough. Training was fundamental to provide resilience, transparency and improve communication.

The Assistant Director Planning and Development advised that data from Acolaid would be moved over to ARCUS. There would be a short period where both systems run in tandem, and once ARCUS goes live then Acolaid would be switched off. The data transfer was being prepared and assessed at the current time.

**Resolved:**

**That the Audit Committee:**

- (i) Notes the findings raised in Mid Kent Audit's report on Section 106 Income**
- (ii) Requests that a future report from the Assistant Director Planning and Development on progress towards completing the agreed remedial actions be presented at a future meeting of the Committee, the timing of which will be agreed in consultation with the Interim Deputy Head of Audit Partnership and the Senior Member Services Officer.**

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**Agenda Item No:** 4  
**Report To:** Audit Committee  
**Date of Meeting:** 21 June 2022  
**Report Title:** Internal Audit Report & Annual Opinion 2021/22  
**Report Author:** Andrew Townsend - interim Head of Audit Partnership  
**Job Title:**  
**Portfolio Holder:** Cllr. Shorter  
**Portfolio Holder for:** Finance & IT

**Summary:**

The Public Sector Internal Audit Standards (the Standards) require the 'Chief Audit Executive', for Ashford this role is fulfilled by the interim Head of Audit Partnership, to deliver an annual opinion that the Council can use to directly inform its Annual Governance Statement. The annual opinion provides a conclusion on the overall adequacy and effectiveness of the Council's framework of corporate governance, risk management and system of internal control.

**Key Decision:** NO

**Significantly Affected Wards:** All

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

- I. The Committee notes the Internal Audit Report and Annual Opinion. The opinion states that, for the 12 months ending 31 March 2022, the Council operated an effective framework of corporate governance, risk management and internal control.
- II. The Committee notes that the work to support the opinion was completed with sufficient independence and in conformance with Public Sector Internal Audit Standards.

**Policy Overview:** N/A

**Financial Implications:** N/A

**Legal Implications:** N/A

**Equalities Impact Assessment:** N/A

<b>Data Protection Impact Assessment:</b>	N/A
<b>Risk Assessment (Risk Appetite Statement):</b>	N/A
<b>Sustainability Implications:</b>	N/A
<b>Other Material Implications:</b>	N/A
<b>Exempt from Publication:</b>	<b>NO</b>
<b>Background Papers:</b>	Appendix A: Internal Audit Report & Annual Opinion 2021/22
<b>Contact:</b>	Andrew.Townsend@MidKent.gov.uk

## Internal Audit Report & Annual Opinion 2021/22

### Introduction and Background

1. Internal audit is a compulsory service for authorities as set out by Regulation 5 of the Accounts and Audit Regulations 2015. The principal objective of internal audit as described in that Regulation is: “[to] undertake [audit work] to evaluate the effectiveness of [...] risk management, control and governance processes, taking into account public sector internal auditing standards and guidance”.
2. This report delivers the Head of Internal Audit annual reporting directed by the Public Sector Internal Audit Standards (the “Standards”). The report includes the Head of Audit Partnership’s annual opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control. This opinion feeds into the Annual Governance Statement for 2021/22.
3. The Standards, in particular Standard 2450 (Overall Opinions) direct the annual report to include:
  - The annual audit opinion
  - A summary of work completed that supports the opinion, and
  - A statement on conformation with Standards.
4. We have completed the work set out in the plan in full conformance with the Standards. We have also worked independently, free from undue influence of either officers or Members.

### Proposal

5. The interim Head of Audit Partnership is satisfied the Council can place assurance on the system of control in place during 2021/22. The Committee is asked to note this opinion.
6. The full Annual Report for 2021/22 is attached as an Appendix. This report includes a summary of all work conducted to support the opinion and affirms the independence and effectiveness of the internal audit service.
7. We present the opinion and associated report for noting and for Members to consider alongside their evaluation of associated year end reports into the Council’s finance and governance. This report does not seek any substantive decision or action from the Council as a direct result.

### Equalities Impact Assessment

8. N/A

## **Consultation Planned or Undertaken**

9. We consult and agree with relevant Heads of Service before finishing all findings and recommendations arising from individual audit engagements. The headline messages in our report have been discussed with the Management Team and have been shared to help prepare the Annual Governance Statement.

## **Other Options Considered**

10. N/A

## **Reasons for Supporting Option Recommended**

11. N/A

## **Next Steps in Process**

12. N/A

## **Conclusion**

13. N/A

## **Portfolio Holder's Views**

14. N/A

## **Contact and Email**

15. Andrew Townsend – interim Head of Audit Partnership  
Andrew.Townsend@MidKent.gov.uk

**Annual Internal Audit Report  
and  
Opinion 2021/22**

**May 2022**

**Ashford Borough Council**

## Introduction

1. This is the 2021/22 Annual Report by Mid Kent Audit on the internal control environment at Ashford Borough Council ('the Council'). The annual internal audit report summarises the outcomes of the reviews that have carried out on the Council's framework of governance, risk management and internal control and is designed to assist the Council making its annual governance statement.
2. This report provides the annual head of audit opinion ('Opinion statement') and a summary of the key factors taken into consideration in arriving at the Head of Audit Opinion statement, as at 31 May 2022. This includes incorporation of the CIPFA guidance on the potential limitation of scope brought about by the impact of COVID-19.

## Head of Internal Audit Opinion statement

3. The Head of Audit Opinion draws on the work carried out by Mid Kent Audit during the year on the effectiveness of managing those risks identified by the Council and covered by the audit programme or associated assurance. Not all risks fall within the agreed work programme. For risks not directly examined reliance has been taken, where appropriate, from other associated sources of assurance to support the Opinion statement (an explanatory note is included at Annex A).
4. The Head of Audit Opinion statement for 2021/22 is:

**The planned programme of work delivered by internal audit was constrained by the impact of the COVID pandemic restrictions and significant staffing changes within the internal audit team. The results of the reduced level of internal audit work concluded during the year required me to seek additional assurances to form my opinion. A summary of where it has been possible to place reliance on the work of other assurance providers is presented in the annual internal audit report. Utilising all these forms of assurance I am able to draw a positive conclusion as to the adequacy and effectiveness of Ashford Borough Council's risk management, control and governance processes. In my opinion, Ashford Borough Council has adequate and effective management, control and governance processes in place to manage the achievement of their objectives.**

## Matters impacting upon the Opinion statement

5. Organisations design internal controls to manage to an acceptable level rather than remove the risk of failing to achieve objectives. Consequently, internal controls can only provide reasonable and not complete assurance of effectiveness. Designing

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internal controls is a continuing exercise designed to identify and set priorities around the risks to the Council achieving its objectives. The work of designing internal controls also evaluates the likelihood of those risks coming about and managing the impact should they do so.

6. Mid Kent Audit recognises the considerable challenges and the difficult decisions that the Council had to deal with during 2021/22, however, the professional and regulatory expectations on public bodies to ensure that their internal audit arrangements, including providing the annual Opinion statement, conform with the Public Sector Internal Audit Standards (PSIAS) have not changed.
7. Factors that need to be taken in to account in reaching the Opinion statement include:
  - Changes in ways of working: Have these led to gaps in the governance, risk management and control arrangements?
  - Independence of internal audit: Have any limitations in the scope of individual audit assignments resulted in it only being possible to place partial assurance on the outcome?
  - Internal audit coverage: Has any reduction in internal audit coverage compared to what was planned resulted in insufficient assurance work?

## Changes in ways of working

8. The following are the main considerations which impacted upon the provision of the Opinion statement for 2021/22. These are not in any priority order and in a number of cases there is an inter-relationship between two or more of these considerations.
  - The impact of COVID-19 on many organisations has continued to be felt throughout 2021/22 with restrictions continuing to be applied. These have impacted staff availability and organisational capacity.
  - Remote working and greater use of digital forms of operation and communication had to be instigated in a period of months, rather than the years which would normally be the case for such major changes.
  - New systems to assist in mitigating the impact of the pandemic on the local community had to be implemented at short notice using existing staff resources, which diverted them from their normal duties. It is acknowledged that this has affected some organisations more than others.
  - The significant increase in cyber attacks against all organisations to obtain unauthorised access to data and the consequential need for ongoing

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updating and vigilance in terms of security of data held.

## **Independence of internal audit**

9. Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. A Shared Service Board including representatives from each Council supervises the service under a collaboration agreement.
10. Within the Council during 2021/22 Mid Kent Audit has continued to enjoy complete and unfettered access to officers and records to complete its work. On no occasion have officers or Members sought or gained undue influence over the scope or findings of any of the work carried out.

## **Internal audit coverage**

11. Mid Kent Audit has experienced significant turnover of staff throughout the financial year, including the departure of both the Head of Audit and Deputy Head of Audit. There was also a change of Audit Manager part-way through the year. Timely action was taken to appoint interims to all the senior management positions, but it is acknowledged that a significant level of local knowledge and experience of the Council was lost during the year.
12. The Council's Audit Committee approved the 2021/22 Audit & Assurance Plan on 16 March 2021. The selection, prioritising and scoping of the audit reviews in this Plan was overseen by the then Deputy Head of the Audit Partnership.
13. There has been impairment in terms of the planned internal audit coverage for 2021/22. This has been due to the knock-on effect of the late completion of the 2020/21 planned work and the significant churn in terms of staff within Mid Kent Audit. There were also a number of reviews which have either been deferred or cancelled at the request of management. As a consequence a number of the audit reviews set out in the 2021/22 Internal Audit Plan have not been completed in time to inform the 2021/22 Opinion Statement. This is a timing matter, rather than systematic of any issue in respect to the Council's governance, risk and control framework. The team at Mid Kent Audit has worked diligently at the delivering the work and this timing issue is not a reflection upon the efforts of the current team.

## **Arriving at the Opinion statement**

### **Reliance on internal audit work performed**

14. Audit evidence to support the Opinion statement on internal control is derived principally through completing the reviews set out within the agreed Audit Plan.

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The 2021/22 Audit & Assurance Plan provided for 19 reviews to be carried out.

15. For the reasons explained in paragraph 13, above, only 11 of these reviews were completed in time to inform the 2021/22 Opinion statement. These reviews are shown in the table below. Of these there was one review where the assurance grading was either 'Poor' or 'Weak'. There were no Priority 1 (Critical) Actions which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority.

Audit Review	Priority	Assurance assessment	Number of Actions by priority grading			
			1	2	3	4
Payroll & Expenses	1	Sound	-	-	-	2
Commercialisation	1	Sound	-	-	2	-
Port Health: Financial Controls	1	Sound	-	-	2-	5
Licensing	1	Strong	-	-	-	-
Section 106 Income	1	Weak	-	6	4	5
IT Phishing	1	Sound	-	-	-	2
Transformation Programme	2	Sound	-	-	-	2
Procurement	2	Sound	-	-	2	-
Environmental Protection (Noise)	2	Sound	-	-	-	3
Housing Rent Account (Rent Arrears)	2	Sound	-	-	2	-
Member Development	2	Sound	-	-	-	4

16. A summary of the Assurance and Action priority level definitions is provided in Annex B.
17. An overview of the key findings from each of the finalised reviews for which details have not been previously provided in the 2021/22 Progress Report to the Audit Committee is provided in Annex C. These finding do not indicate any significant Council-wide weaknesses in the corporate governance, risk or control framework.
18. A reconciliation to the work performed to the approved Audit & Assurance Plan for 2021/22 is provided in Annex D.
19. Where appropriate, reliance has been placed upon previous internal audit work and other work performed by Mid Kent Audit, including:
- The equivalent of an interim head of audit opinion for the Council was obtained from the then Head of the Audit Partnership at the time of their departure. This interim opinion covered the period April – December 2021 and raised no matters of concern.
  - The unqualified 2020/21 head of audit opinion and the findings of previous years' internal audit work carried out (paras 20 & 21 below refers).

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- The outcomes of the follow up work carried out to confirm control weaknesses identified by internal audit have been effectively mitigated (paras 23 - 24 below refers).
- The outcomes of other work performed by Mid Kent Audit for the Council (para 25 below refers).

20. **Previous years' internal audit work:** The unqualified opinion Internal Audit Report for 2020/21 advised that there were no audit reviews carried out by Mid Kent Audit during the financial year where there were assurance assessments of 'Weak' or 'Poor'.
21. There were four reviews from the 2020/21 Audit Assurance Plan which were not completed until 2021/22 and therefore these reviews have been used to assist in informing the 2021/22 Opinion statement. Summaries of the findings arising from these reviews were reported to the February 2022 meeting of the Audit Committee. These reviews are:

Audit Review	Assurance assessment	Number of Actions by priority grading			
		1	2	3	4
Development management – planning admin	Sound	-	-	1	-
Commercial property income	Sound	-	-	3	-
Performance management	Sound	-	-	2	1
Legal Services	Weak	-	2	5	4

22. **Poor or Weak Assessment reviews:** For these reviews which include either Priority 1 or 2 recommendations (Actions) management attend a meeting of the Audit Committee to explain in detail the action being taken in respect to the Actions.
23. **Following up Actions:** Actions are made in the audit reports to further strengthen the control environment in the area reviewed. Management provide responses as to how the risk identified is to be mitigated. Throughout the year Mid Kent Audit carried out checks to ascertain the extent to which the agreed Actions had been addressed by management and that the risk exposure identified has been mitigated.
24. During 2021/22 96 Actions were followed up and the table below summarises the extent to which the identified risk exposure have been mitigated. These 96 Actions include all those either made in 2020/21, or carried forward from a previous financial year. There were no Priority 1 (Critical) and 12 Priority 2 (High) Actions and as set out below these have now all been cleared. This indicates that there are no high risk exposure Actions made in 2020/21, or earlier, where there remains a material unmitigated controls risk position.

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Extent of control risk mitigation	Number of Actions by priority grading			
	1	2	3	4
Opening number	-	12	31	53
Current status: Cleared	-	8	27	41
Not Yet Actioned	-	4	4	11
Closed - Council accepts risk	-	-	-	1

25. **Outcomes of other work carried out by Mid Kent Audit:** Work was carried out on the COVID-19 Local Authority Compliance and Enforcement Grant for Lower Tier and Unitary Authorities Determination 2020 No31/5216 Certification - Consultancy. The then Head of the Audit Partnership reviewed the certification completed by the Council on COVID grant spend and in May 2021 provided a formal audit opinion which confirmed it was in line with COVID 19 related enforcement and compliance activity.

## Reliance on other sources of assurance

26. For the reasons set out earlier in the Report it has been necessary for 2021/22 to place some reliance upon a number of 'other assurance providers' and these are summarised below:
- The work of the Council's Corporate Enforcement Support & Investigations Team (para 27 below refers).
  - The external audit fraud risk return completed by management (para 28 below refers).
27. The Council's Corporate Enforcement Support & Investigations Team has advised that their work during 2021/22 did not identify any diminution in the overall control environment for the Council's systems, in terms of the existence of internal controls, including segregation of duties and that no significant internal controls failures which have led to fraud losses were identified.
28. The external audit return for 2021/22 ('Informing the audit risk assessment for Ashford Borough Council 2021/22') compiled by the Council's finance team was reviewed and this not identify any diminution in the overall control environment for the Council's systems, in terms of the existence of internal controls, including segregation of duties and that no significant internal controls failures which have led to fraud losses had been identified.
29. It is noted that the annual audit letter from the external auditor for 2020/21 has not yet been received by the Council.

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## MKA

30. Information on Mid Kent Audit which supports the delivery of the internal audit and other work carried out in the financial year is summarised in Annex E. Overall, despite the significant staffing changes during the year, Mid Kent Audit has maintained a PSIAS compliant service and there has been no diminution in the robustness of the work performed.

## Acknowledgements

31. Managers, Officers and Members are thanked for their continued support throughout the year which has assisted in the efficient delivery of the audit work.

### Other sources of assurance for 2021/22

#### The corporate governance, risk and control framework

The corporate governance, risk and control framework for the Council is dynamic and there will be changes to the processes throughout the year. The key consideration for arriving at the annual Head of Audit Opinion is the materiality of any changes in terms of possibly increasing the exposure of the Council to activities and decisions which do not conform with the approved strategies and policies.

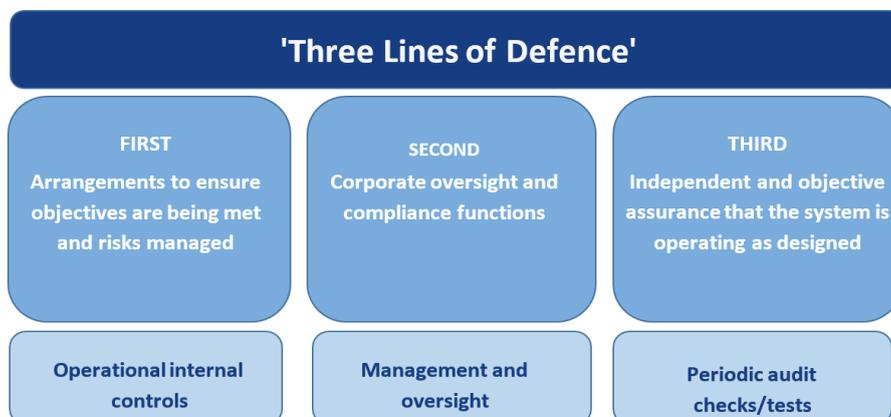
#### Obtaining additional sources of assurance

Due to the impact of the COVID Pandemic CIPFA has provided guidance on utilising other forms of assurance to support arriving at a Head of Audit Opinion. This means that where the agreed internal audit plan of work has not been fully carried out additional assurances can be obtained from 'other assurance providers' (this being the CIPFA terminology).

#### Three lines of defence

The three lines of defence model, below, explains how the level of assurance that can be taken by the Head of Audit reduces if the source of assurance is from the second line of defence and reduces even further if it is from the third line of defence.

As a consequence the additional assurance utilised to assist in supporting the 2021/22 Head of Audit Opinion has only relied upon second line of defence sources of assurance (i.e. where the author is not directly involved in the day-to-day operation of the corporate governance, risk and control arrangements they are reporting upon).



# MID KENT AUDIT

## **Reduction in reliance due to passage of time**

Due to the dynamic nature of the corporate governance, risk and control framework for the Council the reliance which can be placed on forms of assurance reduces as time passes. This has particularly been the case over the last two financial years with all the short-notice changes that were made to respond to the business disruption due to the COVID 19 pandemic.

As a consequence the additional assurance placed on work carried out prior to the start of 2021/22 has been kept to a minimum.

### Assurance & Priority level definitions

#### Assurance Ratings 2021/22 (Unchanged from 2014/15)

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

#### Finding Gradings 2021/22 (Unchanged from 2014/15)

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

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

**Priority 3 (Medium)** – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic

# MID KENT AUDIT

risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

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

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

### Summary of Audit Findings

#### Licensing

##### Strong

Our work confirmed the service operates with up-to-date policies and procedures. The service takes a proactive approach towards liaising and monitoring with licence holders, as well as considering and sharing licensing best practices with relevant organisations.

Our testing confirmed all licence applications had been correctly issued with the correct licensing fees paid prior to issuance.

#### Section 106 Income

##### Weak

Our testing of the current controls in place found they are all either partially effective or ineffective at mitigating the following examined risks.

The ineffectiveness of the monitoring system, and limited resources available, makes it difficult to have adequate oversight of s106 agreements. As such, the Service is unaware if all historic s106 obligations are met and funds collected. There is also limited information on whether all s106 funds have been spent within the required timescales and whether funds paid to 3rd parties are spent in accordance with the s106 agreement.

Furthermore, resilience in the s106 process is limited. There is only one officer responsible for s106 monitoring, a lack of documented procedures and a trigger point alert system that doesn't link to the s106 monitoring package.

The Service is aware of many of the weaknesses in controls and are in the process of building a new s106 monitoring system to improve the administration and income processes. However, it's likely that the new system won't be operational for another 6-12 months. Effective project planning and delivery will be crucial to ensuring the system is a success. As such, we have raised a recommendation in this report to support delivery and control of the project so that effective controls are designed into the system at the appropriate time.

#### IT Phishing

##### Sound

The Council is proactive in raising awareness of a Phishing attack and has employed effective measures through training, internal communications and active monitoring. Additionally, the IT team have further strengthened processes over the past year to mitigate the threat of a successful Phishing attempt.

Simulated Phishing exercises are in place and regularly undertaken to test vulnerabilities, and supplement the awareness raising initiatives amongst staff and Members.

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IT Officers are experienced and well connected to supporting groups to stay abreast of potential threats. The recently adopted cyber incident response policy will further strengthen the arrangements by formalising the Council's response should an incident occur.

## **Environmental Protection (Noise)**

### **Sound**

Controls within the Service are well designed and operating as intended. Although we note that the Service has no out of hours' service and no evidenced understanding as to whether such a provision is needed.

The Environmental Protection and Licensing team consists of experienced officers who possess appropriate qualifications to ensure noise complaints are investigated in line with Council procedure. The service provided is also effective and materially compliant with DEFRA guidance.

Officers can make some minor improvements to the complaint monitoring system (M3) to ensure it records accurate dates.

## **Housing Rent Account (Rent Arrears)**

### **Sound**

We undertook this audit shortly after the service merged two teams; estates management and rent arrears into a generalist role. We found generally the area is a well-controlled environment, but noted policies and procedures require an update to align with one another. A point of note is that during the Covid-19 pandemic, the service implemented additional contacts with tenants in arrears with the aim of preventing further arrears.

## **Member Development**

### **Sound**

There is a constitutional requirement for Members of the Licensing and Planning Committees to have received training prior to voting on decisions and our work confirmed that this requirement is being fulfilled. Our work confirmed that training for these Committees has been delivered by officers and external providers appropriately experienced and qualified, covering relevant content to support Members in their decision making.

To ensure that Member knowledge and expertise in these committees remains current, we advocate that the mandatory training within the terms of reference to the Licensing and Planning Committees is expanded to include periodic refresher training. In addition, that officers from the Licensing and Planning teams engage and participate directly with the Member Training Panel to develop future training sessions and briefings.

The period of our audit covered 2020/21, which coincided with the height of lockdown measures. Notwithstanding, we note that a number of wider training courses were provided to all Members during this period by officers. While suitable records are in place to document member attendance at training events, there would be greater transparency, and may indirectly increase attendance, if future member training attendance is published and reported.

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## Annex D

### Reconciliation of the approved 2021/22 Internal Audit Plan

The Position column provides the position as at 31 May 2022 and with the exception of the shaded reviews, does not warrant that this will be the final position for any of these reviews. The shaded rows, below, are the reviews which informed the 2021/22 Head of Audit Opinion statement.

As part of Project Clean Sweep it was acknowledged that there can be a time-lag between issue of the draft report and the subsequent finalisation of an audit report. The 'Agreed Draft' status signifies that management has accepted the assurance grading provided for the review and is substantially in agreement with the detailed findings. The management responses to the Actions have not yet been provided. Consequently, for the purposes of providing the Head of Audit Opinion audit reviews which have reached Agreed Draft have been included.

Audit Review	Priority	Position at 31 May 2022
Payroll & Expenses	1	Agreed Draft
Voids	1	Work in progress
Commercialisation	1	Agreed Draft
Ashford Port Health: Financial Controls	1	Agreed Draft
Licensing	1	Finalised
Apprenticeships (X-Cut)	1	Cancelled by service
Section 106 Income	1	Finalised
IT Phishing	1	Finalised
Recovery Plan	1	Cancelled by service
Leisure Services	1	Cancelled by Service
Economic Regeneration: Broadband	1	Cancelled by Service
Development Management	1	Cancelled by Service
Transformation Programme	2	Agreed Draft
Procurement (Processes & Compliance)	2	Agreed Draft
Environmental Protection (Noise)	2	Finalised
Housing Rent Account (Rent Arrears)	2	Finalised
Member Development	2	Finalised
Community Safety Partnerships	2	Cancelled by Service
(no topic agreed)	2	Dropped

(X-cut) signifies that the review was carried out over two or more of the Councils to which Mid Kent Audit provides the internal audit service.

### About Mid Kent Audit

#### Standards and ethical compliance

- A. Government sets out the professional standards that Mid Kent Audit must work to in the Public Sector Internal Audit Standards (PSIAS). These Standards are a strengthened version of the Institute of Internal Audit's global internal audit standards, which apply across public, private and voluntary sectors in more than 170 countries around the world.
- B. The Standards include a specific demand for reporting to Senior Management and the Audit Committee on Mid Kent Audit's conformance with the Standards.

#### Conformance with the PSIAS

- C. CIPFA carried out a comprehensive External Quality Assessment (EQA) in May 2020 which confirmed that MKA was in full conformance with the Standards and the CIPFA Local Government Application Note (LGAN). The Standards requires an EQA to be carried out at least once every five years, but does not stipulate specific time intervals for Internal Quality Self-Assessments (ISA) in the intervening period.
- D. In February 2021 the interim Head of Audit for Mid Kent Audit carried out an ISA of conformance with the PSIAS. This review confirmed conformance with the PSIAS and raised 13 advisory or low priority action points. It has been agreed by the Mid Kent Audit management board that these action points will be progressed by the substantive Head of Audit, once this person is in post.
- E. The scope of this ISA did not include consideration of either the risk management or counter fraud work carried out by MKA. The scope did not include consideration of the resourcing of MKA, the audit risk prioritisation process or the appropriateness of the times allocated to the different stages of individual audit assignments.

#### Project Clean Sweep

- F. Project Clean Sweep was a pragmatic strategy put in place by Mid Kent Audit to deliver as much as possible of the 2021/22 planned work outstanding and ensuring there were no delivery 'surprises' at the time the Opinion statement for 2021/22 was presented to the Audit Committee.
- G. There were two key objectives for Project Clean Sweep. These were:
  - To enable the interim Head of Audit to provide the Head of Audit opinion for 2021/22 in a timely manner; and

# MID KENT AUDIT

- To ensure there is no a knock-on effect on the delivery of the 2022/23 Audit Plan and thereby meaning the incoming substantive Head of Audit is arriving to an internal audit service which is on track to deliver the 2022/23 audit plan, rather than still focussed on 2021/22.
- H. Project Clean Sweep included nine actions which were taken to assist in achieving a 16 May 2022 deadline, which was subsequently extended to 31 May 2022. The key consideration was that all the Mid Kent Audit team were clearly sighted on the fact that achieving a deadline was not to be through any impairment of either audit quality or thoroughness.
- I. All of the Mid Kent Audit team who were in post during February to May 2022 rose to the challenge of delivering Project Clean Sweep and their effort and commitment needs to be recognised. The success in delivering Project Clean Sweep demonstrates the high calibre, can do ethos which confirms that the confidence the Council has with the Mid Kent Audit is not misplaced.

## **Resources**

- J. 2021/22 was a year of unprecedented staff change within Mid Kent Audit. Details of a number of these changes have been previously been reported to the Audit Committee in the reports submitted by Mid Kent Audit. By the end of the financial year all the management positions at Mid Kent Audit were filled by interims. The use of interims demonstrates that Mid Kent Audit has made good endeavours to minimise the impact of staff turnover during a period when the market for internal audit personnel has been the most difficult for over three decades. The staffing position is likely to remain an issue for 2022/23.

## **Use of an external provider to assist with audit reviews**

- K. In December 2021, following a procurement process, BDO was appointed to carry out a number of the audit reviews for which Mid Kent Audit did not have the available resources in-house. This reflects that Mid Kent Audit has ensured the difficulties with staffing experienced during the year have been partially mitigated.

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# Agenda Item 5

**Agenda Item No:** 5  
**Report To:** Audit Committee  
**Date of Meeting:** 21 June 2022  
**Report Title:** Informing the Audit Risk Assessment 2021/22  
**Report Author & Job Title:** Monica Hutanu - Senior Accountant  
**Portfolio Holder** Cllr. Shorter  
**Portfolio Holder for:** Finance & IT



**Summary:** The purpose of the attached report “Informing the audit risk assessment for Ashford Borough Council 2021/22” is to contribute towards the effective two-way communication between Ashford Borough Council’s (ABC) external auditors (Grant Thornton) and ABC’s Audit Committee, as ‘those charged with governance’. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards. The responses from the Council’s management are included within the report and the Audit Committee needs to confirm that these responses are consistent with its understanding, and if it wishes to make any further comments.

**Key Decision:** No

**Significantly Affected Wards:** None specifically

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

- I. **Confirm that the management responses within the “Informing the audit risk assessment for Ashford Borough Council 2020/21” document are consistent with its understanding.**

**Financial Implications:** None

**Legal Implications** NA

**Equalities Impact Assessment** NA

**Other Material  
Implications:**

None

**Exempt from  
Publication:**

**NO**

**Contact:**

monica.hutanu@ashford.gov.uk

## Informing the audit risk

### Introduction and Background

1. The purpose of the attached report is to contribute towards the effective two way communication between Ashford Borough Council's (ABC) external auditors and ABC's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.
2. Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.
3. This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

### Conclusion

4. Confirm that the management responses within the "Informing the audit risk assessment for Ashford Borough Council 2021/22" document are consistent with its understanding.

### Portfolio Holder's Views

5. N/A

### Contact and Email

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# Informing the audit risk assessment for Ashford Borough Council

2021/22

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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## Purpose

The purpose of this report is to contribute towards the effective two-way communication between Ashford Borough Council's (ABC) external auditors and ABC's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

## Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

## Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

## Purpose

This report includes a series of questions on each of these areas and the response we have received from ABC's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

# General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?</p> <p>Page 40</p>	<p>In September 2020 Defra informed the Council that the Sevington Inland Border Facility (IBF) is being designated a Border Control Post and that the council would become responsible for carrying out various port health controls on behalf of the government. This new responsibility required significant setup costs which have been funded from Central Government grant. The facility's fully operational date has been further delayed to 2023.</p> <p>The HRA acquired various on street properties in year as per previous years and also acquired a block of 65 units within the Town Centre, called the New Quarter.</p> <p>At the end of 2021/22 the Council's strategic investments were valued at £35m representing an increase in capital value of £2.4m over the year. This positive growth has strengthened the portfolio which has overall now recovered to pre-pandemic levels.</p> <p>On 30 March 2022 the Council provided a bridging loan of circa £10m for the refinancing of Quinns New Town works company's debt in preparation of the Council Acquiring 65% of the company's shares which happened on 10 May 2022.</p> <p>Chilmington Green is a development of 5,750 homes being delivered in South Ashford. The planning permission includes a requirement for the developers to pay financial contributions to deliver infrastructure to support the development. As at 31 March 2022 one of the developers owed the Council circa £1m in contributions for which legal action is being taken.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by ABC? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?</p>	<p>Every year the Finance team prepares the Accounting policies taking into consideration any Code changes or new accounting standards coming into force for the year. These are then presented and reviewed by the Audit Committee accordingly.</p> <p>For 2021/22 Accounts these were approved by the Audit Committee on 15 March 2022 where no significant changes were reported. The implementation of IFRS 16 was expected to happen this year end, however this has been delayed to 2023/24 accounts.</p>

## General Enquiries of Management

Question	Management response
<p>3. Is there any use of financial instruments, including derivatives? If so, please explain</p>	<p>The Council has exposure to financial instruments through its investment portfolio, loans made and borrowing which it undertakes. See note 22 Financial instruments.</p> <p>The biggest movement in 2021/22 was the recovery of strategic investment portfolio which where capital values dropped following the economic shock of Covid19. The overall portfolio has now recovered to above pre Covid19 levels.</p>
<p>4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?</p>	<p>2021/22 was a year that was still affected by the Covid19 pandemic and the council still had to administer significant grants on behalf of central government in response to this.</p> <p>Support packages for Leisure Operators were also introduced to support them through the Covid19 pandemic throughout 21/22 as the sector returns to normal.</p> <p>On 30 March 2022 the Council provided a bridging loan of circa £10m for the refinancing of Quinns New Town works company's debt in preparation of the Council Acquiring 65% of the company's shares which happened on the 10 May 2022.</p>

## General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	No
6. Are you aware of any guarantee contracts? If so, please provide further details	The Council has entered into a lease to underwrite the lease of 2 floors of the new commercial quarter office development. This is identified in the Council's accounts under Contingent Liabilities.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	Nothing new for 2021/22 accounts. See Contingent Liabilities note in 2020/21 Accounts.
8. Other than in house solicitors, can you provide details of those solicitors utilised by ABC during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>Internal Solicitors were used during the year for several significant matters with Counsel engaged to represent. Where the Council has contingencies listed within its accounts no further legal work was undertaken on these within 2021/22.</p> <p>Other Solicitor firms were used to bridge capacity issues but were all involved in normal business transactions. Ashfords LLP was used for a number of strategic projects when internal resources were not available, notably Newtown works project.</p>

# General Enquiries of Management

Question	Management response
9. Have any of the ABC's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No.
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Nothing material or significantly outside the normal scope of business.
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Yes, loans to third parties are considered for any credit loss provision.

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# Fraud

## Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As ABC's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from ABC's management.

# Fraud risk assessment

Question	Management response
<p>1. Has ABC assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the ABC 's risk management processes link to financial reporting?</p>	<p>Yes.</p> <p>Just like in prior years, the financial statements are completed within a small team and individual working papers are completed to reconcile balance sheet codes back to the key financial systems. Why small scale fraud may not be identifiable at this level, any peculiar or significant movement would be challenged to confirm the legitimacy of the transactions. During the preparation of the 2021/22 accounts no matters of concern have been identified.</p> <p>Although the Council has a high level risk management framework, risk mitigation around fraud within financial reporting is mitigated through robust budget monitoring processes where service accountants review and challenge budget managers on a quarterly basis. On a more formal level the Council's Internal Audit function take a risk based approach to auditing systems that are more susceptible to the risk of fraud, such as the creditors system. These areas are then reviewed with appropriate frequency to provide confidence and assurance to management that appropriate controls are in place to reduce the risk of fraud within the Council's financial systems.</p> <p>The Council has an internal Investigation and Enforcement Support Team which takes part in the Cabinet Office National Fraud Initiative (NFI) exercises, as well as having our own 'in-house' data warehouse which matches internal data set to prevent and detect fraud.</p>

## Fraud risk assessment

Question	Management response
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Same as last year, the services most at risk of direct fraud are functions that go through the accounts payable team as that is the main point where money leaves the Council Bank Account. All areas are susceptible to different approaches to fraud and as before the internal audit function and accountants are mindful of these risks when engaging with services.</p> <p>The other significant areas susceptible for fraud are Council Tax discounts and exemptions, Business Rates including small business rate relief, Social Housing Fraud including the Right to Buy Scheme. To mitigate these risks Investigation and Enforcement Support Team have an annual investigation work plan which specifies set campaigns to prevent and detect fraud, to mitigate risk by examining controls, procedures and working practices. Where no fraud and error is found this give the Council assurance that our working practices are sound. During 2021/22 the Council was required to make a significant amount of Grant payments to businesses throughout the borough to provide support during the Covid19 Pandemic. Despite limited time frames the Council introduced some validation checks although there is a risk of fraud given the expediency at which these grant payments needed to be made.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within ABC as a whole, or within specific departments since 1 April 2021? If so, please provide details</p>	<p>Yes, there have been 5 fraudulent applications made for the Covid 19 Pandemic Grants, these have been addressed by the relevant department.</p>

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## Fraud risk assessment

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	The Councils risk register is presented to Cabinet on a 6 monthly basis in accordance with the risk framework agreed by the Council.
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within ABC where fraud is more likely to occur?</p>	<p>Yes</p> <p>Just like last year, we have a number of schemes such as Syrian Family resettlement, which are undergoing review. This is to ensure any risk is mitigated and staff are protected from the risk. The volume of Covid reliefs and grants that have had to be administered within 2021/22 and the expediency at which they had to be delivered leaves this areas exposed to the risk of Fraud.</p> <p>The Port Health Authority remains a new venture for the Council and will be dealing with significant volumes of transactions and fees and charges. Appropriate controls and systems are being put in place to mitigate these risks but until they are fully embedded and tested there could be risks around this new operation.</p>

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## Fraud risk assessment

Question	Management response
<p>6. What processes do ABC have in place to identify and respond to risks of fraud?</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 48</p>	<p>The Council has a dedicated Investigation and Enforcement Support Team, with experienced Investigators and Intelligence Officers. Our Investigators are members of the Government Counter Fraud Profession. The Council has the following policies:</p> <p>Anti Fraud and Corruption Policy;            Money Laundering Policy;            Whistle Blowing Policy Register of Interest;            Hospitality Procedures;and            Regulatory Investigators Powers Act Policy (RIPA).</p> <p>The Council also undertakes an assessment of its governance, internal control and risk management arrangements annually in the form of the Annual Governance Statement – this is approved and overseen by the Audit Committee throughout the year.</p> <p>For the Covid19 Grant the Council has complete NFI (National Fraud Initiative) returns and HMRC returns. These returns and the data will be used in the identification and detection of fraud at a national level. NFI information will feed back to the Council with HMRC using data to reconcile tax income statements.</p>

# Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for ABC, including:</p> <ul style="list-style-type: none"> <li>the existence of internal controls, including segregation of duties; and</li> <li>the process for reviewing the effectiveness the system of internal control?</li> </ul> <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details</p>	<p>Risk management is an inherent part of the work of members, the management team, service managers, and line managers. We have an established risk management process, recently reviewed, that focuses on strategic and service risks and instils a good discipline and culture that is risk aware. These processes link to financial reporting in various ways. Strategic financial risks – the overall financial position, and financial risk associated with key strategic projects – are handled through various reporting processes, including the financial planning processes (this also includes the formal scrutiny stage), and the preparation of business plans and reports to members that take forward our key projects, and the risk register itself (reported to and owned by the Audit Committee).</p> <p>For major projects a governance framework exists (the Ashford Strategic Delivery Board) that monitors and discusses progress, including key financial issues and risks and the management of these.</p> <p>The Council has its own data warehouse and has been matching various in-house data sets over the past year. We also take part in the NFI data matching exercise and have undertaken a Transliteration Pilot exercise under the digital Economy Act.</p> <p>We are members of the Kent Intelligence Network which continues to develop in identifying potential fraud across the County.</p> <p>The statutory financial statements are informed by all of these various processes and where necessary disclosures are made.</p>

# Fraud risk assessment

Question	Management response
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 50</p>	<p>The implementation of staff working from home and the response to the pandemic had limited impact on the risk of fraud. All financial planning was reviewed and reporting continued to members via the use of the digital platform 'Teams'.</p> <p>The internal audit annual report and Opinion provide an independent assessment and conclusion on the framework for governance, internal control and risk management and includes the outcomes of internal audit projects and activates. The Opinion is used to inform the Annual Governance Statement, which is the Councils own assessment of the systems of internal control, governance and risk management.</p> <p>Failure or breakdown of internal controls identified by Internal Audit are raised formally and response required by management to take action. These actions of followed up and progress is reported to Management Team and the Audit Committee.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>Before reports are presented to Members they are subject to review by the Councils Management Team where they are challenged accordingly to ensure they are not misreporting the position or intention of the organisation.</p>

## Fraud risk assessment

Question	Management response
<p>9. How does ABC communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<p>All new staff members receive a induction upon commencement to the Council, this includes the staff code of conduct and the Council's customer service values.</p> <p>At induction Staff are advised of the types of fraud that may occur and how to report any suspicion either from within or outside of the organisation, anonymously or otherwise, in order that the suspicion can be investigated appropriately and impartially by qualified individuals. Staff are also encouraged to use the corporate whistleblowing policy which is covered as part of the corporate induction.</p> <p>As above staff are advised of the various types of that fraud that occur and how to report them. They are advised that should they have any concerns to contact the Investigations Manager or their line manager to for advice, should they be undecided in what to do next.</p>
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>Positions of seniority always have a element of risk due to compliance of staff if undue pressure is exercised. Posts where financial transactions take place such as processing of refunds also carry a element of risk. In financial services the payments team and those with access to bank accounts can pose obvious risks although these are mitigated through appropriate authorisation processes and segregation of duties. Credit card owners are also a risk and appropriate controls are in place to monitor and review credit card spend. If an Officer felt under pressure to process are irregular transaction by a Senior Officer then they should be aware of the reporting procedures and whistleblowing policy to raise concerns accordingly.</p>

## Fraud risk assessment

Question	Management response
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>None found, risks would be picked up accordingly through declarations of interest and where necessary appropriate measures will be put in place to mitigate potential risks.</p>

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## Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>The Corporate risk register is presented to the Audit Committee twice a year, this report includes the movement of risks over the period, new risks, and any changes to risk exposures. The Investigation &amp; Enforcement Support Team present a annual report to the Audit committee providing an update on the work undertaken and the results it has achieved. The Audit committee meets on a regular basis and has appropriate reports presented for review to demonstrate appropriate oversight. The Audit Committee as a whole has agreed a development plan and programme of briefings and training to enable them to fulfil their duties and provide robust oversight and challenge. The Committee reports a summary of their activity each year to Full Council.</p> <p>The current audit committee is experienced and provides robust challenge to Management.</p>
<p>13. Are you aware of any whistle blowing potential complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No.</p>

# Law and regulations

## Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit Committee, is responsible for ensuring that ABC's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit Committee as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

# Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does ABC have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the ABC's regulatory environment that may have a significant impact on the ABC's financial statements?</p>	<p>Management employ appropriately qualified or experienced officers to ensure that current and new regulations are brought into effect within the organisation in accordance with legislative guidelines. Awareness of legislative changes is obtained through membership to professional groups and attendance at peer meeting such as the Chief Accountants Group, we also have subscriptions to professional journals/guidance. Government white papers and consultation exercises are also reviewed for potential changes in legislation. The Council also has a policy section that scans for possible changes in local government legislation. Internal Audit review compliance with legislation where that falls within the remit of there audit. Additionally External audit will consider compliance with appropriate laws and regulations. There are no changes that would impact the Council's financial statements.</p>
<p>2. How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>The Finance team refer to professional publications like CIPFA, they also attend Grant Thornton yearly updates, so that in this way they ensure that all relevant laws and regulations have been complied with. These are then presented to the Audit Committee within the Accounting Policies.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details</p>	<p>No.</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>No.</p>

## Impact of laws and regulations

Question	Management response
5. What arrangements does ABC have in place to identify, evaluate and account for litigation or claims?	ABC has a internal legal team who would be the fist point of contact if any matters regarding litigation or claims were identified. The claims will be initially considered within this forum and the best course of action determined. Where matters are of a complex matter then appropriate professionals will be engaged where appropriate.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No.

# Related Parties

## Matters in relation to Related Parties

ABC are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by ABC;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the ABC;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the ABC, or of any body that is a related party of the ABC.

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Disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the ABC's perspective but material from a related party viewpoint then the ABC must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

## Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in ABC's 2020/21 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> <li>the nature of the relationship between these related parties and ABC</li> </ul> <p>whether ABC has entered into or plans to enter into any transactions with these related parties</p> <p>the type and purpose of these transactions</p>	<p>No.</p>
<p>What controls does ABC have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>All Councillors and Senior Officers, where appropriate, are requested each year to declare if they have any related party transactions. There are a few outstanding and these are currently being pursued.</p> <p>Any material considerations would be declared through this process are reported in Note 31 in the Statement of Accounts.</p> <p>There is a standing item on each Committee agenda requiring Members to declare any interest in any item to be discussed. The Democratic Services Manager keeps a record of all declarations made at meetings and a Register of Members Interests is available for public inspection.</p>

## Related Parties

Question	Management response
3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	Where significant transaction took place which involved related parties then it is likely that the Officer would not be involved within the transaction unless absolutely essential. Equally any payments would not be permitted to be authorised by the Officer related to the party. This is not a embedded system control but relies on the professional standards and ethics of those involved.
4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	Where significant transactions take place outside the normal course of business then they would need to be reported to Council's Cabinet and Council for reporting and approval in accordance with the Council's financial procedure rules.

# Going Concern

## Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis of accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

# Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by ABC will no longer continue?	The Council has already approved 2022/23 Budget and has a balanced Medium Financial Plan which supports the Corporate Plan for 2022-2024 ,which forecasts that sufficient resources are available to fund all planned expenditure as well as having sufficient reserves to fund any significant unplanned expenditure. We are comfortable that all statutory services will be provided in the future.
2. Are management aware of any factors which may mean for ABC that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	No.
3. With regard to the statutory services currently provided by ABC, does ABC expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for ABC to cease to exist?	ABC is expected to continue to deliver statutory services for the foreseeable future.
4. Are management satisfied that the financial reporting framework permits ABC to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes.

# Accounting estimates

## Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- The body's information system as it relates to accounting estimates;
- The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

# Accounting Estimates - General Enquiries of Management

Question	Management response
<p>1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?</p>	<p>The classes of transactions that could have a material impact on the Financial Statements are:</p> <ul style="list-style-type: none"> <li>• Pension liability</li> <li>• Strategic Investment Portfolio               <ul style="list-style-type: none"> <li>• Property, both Council Dwelling and commercial land and property</li> </ul> </li> <li>• Investment Properties - Grouped position</li> <li>• Bad Debt Provision / Expected Credit Losses</li> <li>• Depreciation</li> <li>• Significant accrual estimates</li> <li>• NNDR Appeals</li> <li>• Loans Fair Value Estimates</li> </ul> <p>The accounting estimates are updated in accordance with best practice and what legislation dictates. Significant events would include global pandemics and consideration would be given to updating estimates where they may not be routinely due. Where there was a significant movement appropriate in accounting estimates appropriate disclosures would be made.</p>
<p>2. How does the ABC's risk management process identify and address risks relating to accounting estimates?</p>	<p>The corporate risk register does not have a specific risk covering accounting estimates, it has a high level strategic risk "Insufficient reserves to respond to another unforeseen event". This risk considers the level of reserves held to deal with unforeseen and could incorporate any issues arising around accounting estimates.</p> <p>The Council uses appropriate external qualified experts such as Property and Actuary Valuers, with a review performed by internal qualified officers.</p> <p>The Council also uses internal qualified accountants and technicians who review the estimates and evidence.</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Where the appropriate skills and qualification are not available in house then management will look to use external specialist, equally where skills are within the organisation, such as valuers, then the work would still be outsourced for independence but also as we would not have sufficient Capacity.</p> <p>See Question 2</p>
<p>7. How does the ABC determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>External Consultants are procured and appropriately engaged identifying what is expected such as the valuation methodology at a high level. Where information is received the Council will make appropriate spot checks and compare to previous years to make sure the assumptions seem reasonable in consideration to market perception. Where comparators identify outliers then these will be challenged and appropriate responses ascertained accordingly to ensure that we are comfortable with the estimates.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>The team responsible for providing the estimates will act as contract manager for the given task ensuring that the correct information is provided in a timely manner, the Finance team will assist where necessary.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> <li>- Management's process for making significant accounting estimates</li> <li>- The methods and models used</li> <li>- The resultant accounting estimates included in the financial statements.</li> </ul>	<p>The Accounting Estimates are generated and considered by the Accountancy Team in the first instance as part of the closing accounts process. Once these draft accounts are ready they are presented to the Council's S151 Officer and the Audit Committee for review. This is the forum for challenging and seeking clarification around the estimates presented within the draft accounts, particular attention being given to significant movements.</p> <p>In relation to the methods and models used these are covered at a high level within the accounting policies of the Council which presented to and supported by the Audit Committee on a annual basis.</p> <p>The accounting estimates and methodologies used will also be considered by External Audit which provides assurance to Audit Committee through the final audit report and signing of the accounts</p>

## Accounting Estimates - General Enquiries of Management

Question	Management response
<p>10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?</p>	<p>Yes, note 3 within the statement of accounts covers critical judgements in applying accounting policies and any significant judgements would be covered within this section.</p>
<p>11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?</p>	<p>Yes.</p>
<p>12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?</p>	<p>They approved the accounting policies that provide an outline to the estimation techniques to be used where appropriate and these are presented and signed off on annual basis with any changes to the existing practices highlighted.</p>

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations Page 66	<p>Valuations for land and buildings are undertaken by Wilks Head &amp; Eve LLP in line with RICS guidance.</p> <p>The Valuers use the appropriate basis of valuation, depending on the nature of the asset.</p>	<p>The Valuer will perform the valuations in line as requested. Upon receipt of the valuations report the finance team will review it, check for completeness, review and challenged where necessary any asset a positive or negative with a variance greater than 10%.</p>	<p>Wilks Head &amp; Eve LLP</p>	<p>There is always a degree of uncertainty inherent with any revaluation. This is why we rely on professional valuers and their expert opinion. Valuations are made in-line with RCIS guidance and the assumptions are set out in valuer's report.</p>	<p>No</p>

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations - continued Page 67		All our assets are valued as a minimum every 5 years. The following assets are being valued every year: assets with a value greater than £250,000; assets subject to major alteration or impairment; any new assets and any additional assets purchased or assets where significant physical changes have taken place since the previous valuation.			

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Council dwelling valuations	See answer above given for Land and buildings valuations	See answer above given for Land and buildings valuations	See answer above given for Land and buildings valuations	See answer above given for Land and buildings valuations	No
Investment property valuations	See answer above given for Land and buildings valuations	See answer above given for Land and buildings valuations  The Council's Investment Property relate to the Council's subsidiary companies.	Chartered Surveyors Taylor Riley Sibley Pares	See answer above given for Land and buildings valuations	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Depreciation  Page 69	Depreciation on assets with a finite useful life is calculated on a straight-line basis using the CIPFA Asset Register software. See exceptions in the Accounting policies approved on 15 March 2022.	The depreciation calculations are run in house but based on the formulae within the CIPFA asset Register system. Spot checks are performed to establish the validity of the system formulae.	No	Depreciation is accurately calculated in accordance with the Councils accounting policies and the length of the life is determined at the point of acquisition or revaluation.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	Kent County Council administer the pension fund, however the liabilities figures are calculated by the actuarial experts at Barnett Waddingham. These figures are based on a set of assumptions, all listed within their report.	Pension fund liabilities are based on the assumption used by KCC. These are challenged when reviewed as part of the triennial review process.	KCC pension fund engage actuary firm Barnett Waddingham	The Pension note includes sensitivity analysis to show the impact of changes in underlying assumptions. Any uncertainties are explained within the actuaries valuation report.	No
Level 2 investments	The Council is using an expert to estimate the fair value of loans as at the balance sheet date.	The Finance team reviews the report received from Arlingclose and challenges any significant variance from previous year totals.	Arlingclose	The assumptions used are undertaken by Arlingclose as part of the fair value measurement of financial instruments.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Level 3 investments	The value of investments held at level 3 is based on the net assets value derived from the investments' financial statements as at the balance sheet date.	The Finance team reviews the report received from Arlingclose and challenges any significant variance from previous year totals.	In-house Finance team & Arlingclose	The uncertainty is commensurate with Level 3 valuations. The assumptions used are undertaken by Arlingclose as part of the fair value measurement of financial instruments.	No
Fair value estimates	See answers at Level 2 and Level 3 investments and Land and buildings valuations	See answers at Level 2 and Level 3 investments and Land and buildings valuations	See answers at Level 2 and Level 3 investments and Land and buildings valuations	See answers at Level 2 and Level 3 investments and Land and buildings valuations	No

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## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions  Page 72	<p>The Council uses two in-house methods to calculate the NNDR Appeals Provision. The first method calculates the provision up to 2017 based on the rateable value movement and the poundage provided and the likelihood of an appeal being successful. The second method calculates the provision after 2017 using a fixed % agreed by the Kent business rates pool applied to the adjusted net rates payable (which have also been adjusted by the appeals paid out).</p>	<p>Any significant variances are investigated by the Finance Team in conjunction with the Revenue and Benefits Team.</p>	<p>No</p>	<p>Assumptions on appeals are difficult to forecast and we use assumptions made at a national level with some local knowledge applied. The approach has been approved with other Kent authorities and therefore no alternatives are considered.</p>	<p>No</p>

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals  Page 73	Finance team send email with instructions to budget managers to identify year-end accruals.	Review financial systems to identify where goods have been received but not paid for. Budget manager managers have to identify any other goods or services received or provided but not paid for, on transactions greater than £10,000. All accruals are reviewed by the financial accountants before posting to accounts.	No	The use of actual dates of receipt of goods and services gives a low degree of uncertainty.	No

## Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Accruals - continued  <b>Page 74</b>		In April and May, post year end, we also check invoices above £10,000 to ensure that the correct level of accruals have been posted at year end.			
Credit loss and impairment allowances	An analysis has been made of the repayment profile of invoices raised in a single financial year. This has then been used to determine the level of expected credit losses required taking into account the nature of the debtors and whether there is any security over the debt.	The estimates determined from the exercise have been compared to the amount of debt written off in prior years to ensure that estimates remained reasonable.	No	Assumptions for reviewing credit losses rely on a number of factors such as age, type and legal standing. Historical data is also used in these assumptions which has developed over a number of years. Adjustment will be made where appropriate to react to market conditions.	No

## Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Finance lease liabilities	See answer for Level 3 Investments	See answer for Level 3 Investments	See answer for Level 3 Investments	See answer for Level 3 Investments	No
FI Liabilities	See answer for Level 3 Investments	See answer for Level 3 Investments	See answer for Level 3 Investments	See answer for Level 3 Investments	No

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# Ashford BC Audit Progress Report and Sector Update

Year ending 31 March 2022

June 2022  
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Agenda Item 6

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector, and where you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Key Audit Partner or Audit Manager.

# Progress at June 2022

## 2020/21 Audit

### Financial Statements Audit

We reported the conclusions from our audit of the 2020/21 financial statements in our Audit Findings Report presented to the March 2022 Audit Committee.

In our report we noted that work was outstanding in a number of areas, including

- assessing the approach used in the valuation of the Council's housing stock; and
- considering the basis of valuation for the former "B&Q" site included in the group accounts as an investment property.

Further work has also been required to review the valuation of the Woodchurch and Willesborough windmills included in the financial statements as heritage assets.

Work in these areas has now been completed. We have concluded that the valuations for both Council dwellings and heritage assets are misstated, but that the errors are not material, considered either individually or in aggregate. As the errors are not material management has decided not to adjust the accounts.

We are currently finalising our audit review and closing procedures. We will provide an updated summary of our audit findings ahead of giving our opinion. We regret that due to capacity constraints we are not in a position to finalise our financial statements audit ahead of the June Audit Committee.

### Value for Money

We have completed our 2020/21 VFM work and issued a draft Auditor's Annual Report to management for comment.

Under the NAO framework we are required to report on whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, considered under three specified criteria – financial sustainability, governance and improving economy, efficiency and effectiveness. Our work requires us to consider if there are any significant weaknesses in the Council's arrangements and, where applicable, to make recommendations for improvement.

Our draft report has concluded that there are no significant weaknesses in the Council's arrangements. We have made a small number of recommendations for improvement across the three specified criteria.

A final version of our Auditor's Annual Report incorporating management responses will be presented to a future meeting of the Audit Committee.

# Progress at June 2022 (cont.)

## 2021/22 Audit

### Financial Statements Audit

We have commenced our planning for the 2021/22 financial statements audit.

Our work to date has included;

- review of relevant sector information to capture emerging issues and consider these as part of audit planning.
- discussions with management and review of key agenda papers and minutes to inform our risk assessment;
- understanding and assessing the Council's internal controls over accounting estimates as required under revised ISA540.

Our 2021/22 audit plan will be presented to the July 2022 Audit Committee

### Certification of claims and returns

Certain claims and returns submitted by local authorities require work by a Reporting Accountant to help confirm the authority's entitlement to funding.

We have now completed our work as Reporting Accountant on the Council's 2020/21 housing benefit subsidy claim.. Our report to DWP was issued on 28 February 2022.

The Housing Benefit Assurance Process (HBAP) requires sample testing of benefit claims to confirm benefit has been awarded in accordance with regulations and correctly recorded for subsidy purposes. Three initial samples are tested;

- 20 rent allowance cases
- 20 rent rebate (tenants of HRA properties) cases
- 20 rent rebate (tenants of non-HRA properties) cases.

For 2020/21 work on these claims did not identify any errors.

We are also required to follow-up on issues identified from testing in previous years. This work identified a small number of errors relating to claims with self-employed income. Under the HBAP framework we extrapolated the potential impact of these errors on the claim and reported this to DWP. The impact of the extrapolation was to increase the total for local authority overpayments; however, as this total remained below a threshold set by DWP there was no potential impact on subsidy.

There were no amendments to the Council's draft claim form.

# Audit Deliverables

2021/22 Deliverables	Planned Date	Status
<p data-bbox="120 408 264 437"><b>Audit Plan</b></p> <p data-bbox="120 456 1339 523">We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2021-22 financial statements.</p>	July 2022	Not yet due
<p data-bbox="120 558 421 587"><b>Audit Findings Report</b></p> <p data-bbox="120 606 992 635">The Audit Findings Report summarises the outcomes from our audit.</p>	December 2022	Not yet due
<p data-bbox="120 670 338 699"><b>Auditors Report</b></p> <p data-bbox="120 718 734 746">This is the opinion on your financial statements.</p>	December 2022	Not yet due
<p data-bbox="120 766 450 794"><b>Auditor's Annual Report</b></p> <p data-bbox="120 813 1155 858">This Report communicates the key issues arising from our Value for Money work.</p>	December 2022	Not yet due

# Financial Reporting Council annual report

On 29 October 2021 the Financial Reporting Council (FRC) published its annual report setting out the findings of its review of the work of local auditors. The report summarises the results of the FRC's inspections of twenty audit files for the last financial year. A link to the report is here:

[FRC AQR Major Local Audits October 2021](#)

Grant Thornton are one of seven firms which currently delivers local audit work. Of our 330 local government and NHS audits, 87 are currently defined as 'major audits' which fall within the scope of the AQR. This year, the FRC looked at nine of our audits.

## Page 88 Our file review results

The FRC reviewed nine of our audits this year. It graded six opinion files (67%) as 'Good' and requiring no more than limited improvements. No files were graded as requiring significant improvement, representing an impressive year-on-year improvement. The FRC described the improvement in our audit quality as an 'encouraging response by the firm to the quality findings reported in the prior year.' Our Value for Money work continues to be delivered to a high standard, with all of the files reviewed requiring no more than limited improvement. We welcome the FRC findings and conclusions which demonstrate the impressive improvement we have made in audit quality over the past year.

The FRC also identified a number of good practices including effective challenge of management's valuer, use of an auditor's expert to assist with the audit of a highly specialised property valuation, and the extent and timing of involvement by the audit partner on the VFM conclusion.

Our "Opinion" results over the past three years are shown in the table below:

Grade	Number 2020/21	Number 2019/20	Number 2018/19
Good with limited improvements (Grade 1 or 2)	6	1	1
Improvements required (Grade 3)	3	5	2
Significant improvements required (Grade 4)	0	0	1
Total	9	6	4

Our "VFM" results over the past two years are shown in the table below. The FRC did not review VFM in 2018/19:

Grade	Number 2020/21	Number 2019/20
Good with limited improvements (Grade 1 or 2)	6	6
Improvements required (Grade 3)	0	0
Significant improvements required (Grade 4)	0	0
Total	6	6

# Financial Reporting Council annual report (cont.)

## Quality Assurance Department (QAD) Reviews

In addition to the reviews undertaken by the FRC on major local audits, the QAD team from the ICAEW undertake annual reviews of non-major local audits as well as reviews of Foundation Trusts on behalf of NHSE&I.

The QAD reviewed five of our audits this year and graded all of them (100%) as 'Satisfactory / generally acceptable' for both the financial statements and VFM elements of the audit, which is the highest grading.

Grade	Number 2020/21	Number 2020/19	Number 2019/18
Satisfactory / generally acceptable	5	6	2
Improvement required	0	1	0
Significant improvement required	0	0	0
Total	5	7	2

## Our continued commitment to Audit quality and continuous improvement

Our work over the past year has been undertaken during the backdrop of COVID-19, when the public sector has faced the huge challenge of providing essential services and helping safeguard the public during the pandemic. Our NHS bodies in particular have been at the forefront of the public health crisis.

As auditors we have shown compassion to NHS staff deeply affected by the crisis, whilst staying focused on the principles of good governance and financial management, things which are more important than ever. We are very proud of the way we have worked effectively with audited bodies, demonstrating empathy in our work whilst still upholding the highest audit quality.

Over the coming year we will make further investments in audit quality including strengthening our quality and technical support functions, and increasing the level of training, support and guidance for our audit teams. We will address the specific improvement recommendations raised by the FRC, including:

- Enhanced training for local auditors on key assumptions within property valuations, and how to demonstrate an increased level of challenge
- Having formal internal consultations when considering complex technical issues.

As part of our enhanced Value for Money programme, we will focus on identifying the scope for better use of public money, as well as highlighting weaknesses in governance or financial stewardship where we see them.

## Conclusion

Local audit plays a critical role in the way public sector audits and society interact, and it depends on the trust and confidence of all those who rely on it. As a firm we're proud to be doing our part to promote good governance, effective stewardship and appropriate use of public funds.

# Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Levelling up White Paper – Department for Levelling Up, Communities and Housing (“DLUCH”)

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

The paper states “Levelling up requires a focused, long-term plan of action and a clear framework to identify and act upon the drivers of spatial disparity. Evidence from a range of disciplines tells us these drivers can be encapsulated in six “capitals”:

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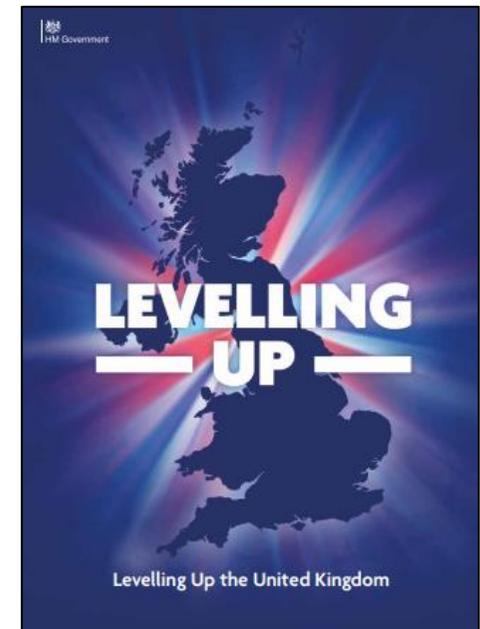
- Physical capital – infrastructure, machines and housing.
- Human capital – the skills, health and experience of the workforce.
- Intangible capital – innovation, ideas and patents.
- Financial capital – resources supporting the financing of companies.
- Social capital – the strength of communities, relationships and trust.
- Institutional capital – local leadership, capacity and capability.”

The paper also states “This new policy regime is based on five mutually reinforcing pillars.” These are set out and explained as:

- 1) The UK Government is setting clear and ambitious medium-term missions to provide consistency and clarity over levelling up policy objectives.
- 2) Central government decision-making will be fundamentally reoriented to align policies with the levelling up agenda and hardwire spatial considerations across Whitehall.

- 3) The UK Government will empower decision-makers in local areas by providing leaders and businesses with the tools they need.
- 4) The UK Government will transform its approach to data and evaluation to improve local decision-making.
- 5) The UK Government will create a new regime to oversee its levelling up missions, establishing a statutory duty to publish an annual report analysing progress and a new external Levelling Up Advisory Council.

[Levelling Up the United Kingdom - GOV.UK](https://www.gov.uk/levelling-up)  
([www.gov.uk](https://www.gov.uk))



# Grant Thornton – reaction to Levelling up White Paper

On 2 February the Department for Levelling Up, Communities and Housing (“DLUCH”) published its Levelling Up White Paper.

Commenting on the release of the government’s Levelling up White Paper plans, Phil Woolley, Head of Public Sector Consulting, Grant Thornton UK LLP, said:

“The publication of today’s White Paper plans is a welcome first step and it is reassuring to see the government recognise the need for systemic changes in order to deliver its central aim of Levelling up. The ‘12 missions’ can be seen as an attempt to consolidate existing elements of government activity behind a singular banner and now provides a clearer picture of the levelling up opportunity.

“Following a decade of successful regional devolution and mayors, the White Paper marks the next stage of the country’s devolution journey. With government now offering a clear framework of devolved powers and accountability, local leaders will need to embrace the opportunity and collaborate across the public and private sector to ensure they negotiate and then deliver the best deal for their communities. Grant Thornton’s Levelling Up Index shows that the economies of the 10 worst performing local authorities in England are on average over five times smaller than their best performing counterparts - highlighting the scale of the challenge ahead.

“To level up, these areas would need to grow their economies by £12billion, increase employment rates by 6 percentage points, create 1,700 new businesses a year and increase average weekly pay by £200. It is too early to determine whether the measures announced today will be sufficient, but it is a start. Success will ultimately depend on the ability and willingness of local and national government to translate these new frameworks into meaningful change in people’s lives.

“The Spending Review offers the next opportunity for government to show its commitment by realigning departmental objectives behind these new goals.”

# Prudential Code and Treasury Management Code – CIPFA

On 20 December CIPFA published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code).

CIPFA commented “These two statutory and professional codes are important regulatory elements of the capital finance framework in which local authorities operate. Local authorities are required by regulation to have regard to their provisions. These two codes have been published a principles-based consultation from February to April, which was followed by a second consultation on the detailed changes to the code from September to mid-November.

The updated Prudential Code includes some substantive changes. Most notably, the provisions in Code which present the approach to borrowing in advance of need in order to profit from additional sums borrowed have been strengthened. Additionally, the relevant parts of Code have been augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for-yield as the primary purpose of the investment or represent an unnecessary risk to public funds.”

The updated Prudential Code removes the "advance of need" terminology and emphasises the legislative basis for borrowing, namely that a local authority can borrow and invest for any legislative function and/or for the prudent management of their financial affairs.

The examples listed in the Code of legitimate prudential borrowing are:

- Financing capital expenditure primarily related to the delivery of a local authority's functions;
- Temporary management of cash flow within the context of a balanced budget;
- Securing affordability by removing exposure to future interest rate rises; or
- Refinancing current borrowing, including replacing internal borrowing, to manage risk or reflect changing cash flow circumstances.



# Good practice in annual reporting – NAO

The National Audit Office (NAO) has published this guide which sets out good practice principles for annual reporting with examples from public sector organisations

The NAO comment that the guide sets out “good-practice principles that we believe underpin good annual reporting. These principles are: Supporting Accountability; Transparency; Accessibility; and the need for the report to be Understandable.”

The NAO further comment “The best annual reports we have seen use these principles to tell the “story” of the organisation. It is important that stakeholders, including the public and Parliament, are able to hold an organisation to account. To do this effectively, stakeholders need to properly understand the organisation’s strategy, key risks that might get in the way of delivering this strategy and the effectiveness of their management, and the amount of taxpayers’ money that has been spent to deliver the outcomes the organisation seeks to achieve.”

The guide draws on examples of good practice from within each of the six sections of an Annual Report:

- Strategy
- Risk
- Operations
- Governance
- Measures of success
- Financial performance
- External factors

Although the guide does not include any local authority examples, those included, and the underlying principles, are equally relevant to all public facing organisations.



The guide can be found here:

[Good practice in annual reporting - National Audit Office \[NAO\] Report](#)

# Climate change risk: A good practice guide for Audit and Risk Assurance Committees – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment “Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes.”

The guide includes sections on “How to support and challenge management”. This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a “Complete list of questions that Audit and Risk Assurance Committees can ask” for each of these areas. The guide also includes “Key guidance and good practice materials” with links.



The report can be found here:

[Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office \(NAO\) Report](#)

# Cyber and information security: Good practice guide – NAO

The National Audit Office (NAO) has published this guide to help Audit Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The NAO state “Audit committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation’s data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports audit committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

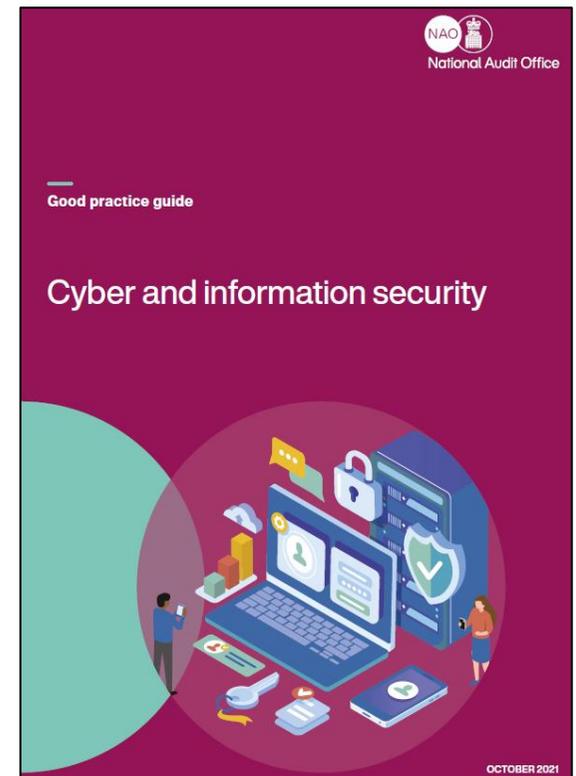
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.”

The report can be found here:

<https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>





## Audit Committee - Future Meetings

**2022/23**

<b>Dates to Note</b>		
Date of Meeting		<b>21/06/2022</b>
Publication of Agenda Date		09/06/2022
Reports to Management Team		02/06/2022
Full Council		21/07/2022
<b>Items for Inclusion on the Audit Agenda</b>		
<b>Part I - For Decision</b>		
1	Internal Audit Annual Report & Opinion 2022	AB
2	Informing the Audit Risk Assessment 2021/22	LF/Gr Th
<b>Part II - Monitoring/Information Items</b>		
3	Audit Progress Report	Gr Th
4	Report Tracker & Future Meetings	KM

**Audit Committee Training Session – Statement of Accounts – 12/07/2022 via Teams.**

<b>Dates to Note</b>		
Date of Meeting	<b>19/07/2022</b>	
Publication of Agenda Date	07/07/2022	
Reports to Management Team	07/07/2022	
Full Council	20/10/2022	
<b>Items for Inclusion on the Audit Agenda</b>		
<b>Part I - For Decision</b>		
1	Draft Statement of Accounts 2021/22	LF
<b>Part II - Monitoring/Information Items</b>		
2	2021 Auditors Annual Report	Gr Th
3	2021/22 Audit Plan (External Audit)	Gr Th
4	Report Tracker & Future Meetings	KM

<b>Dates to Note</b>		
Date of Meeting		<b>04/10/2022</b>
Publication of Agenda Date		22/09/2022
Reports to Management Team		01/09/2022
Full Council		20/10/2022
<b>Items for Inclusion on the Audit Agenda</b>		
<b>Part I - For Decision</b>		
1	Corporate Risk Register (on agenda every six months)	CH
2	Annual Governance Statement – Progress on Remedying Exceptions	CH
3	Corporate Enforcement Support & Investigations Team Annual Report 2021/22	DD
4	Annual Report of the Audit Committee	AB
5	Audit Fee Letter	GT
<b>Part II - Monitoring/Information Items</b>		
6	Audit Progress Report	Gr Th
7	Report Tracker & Future Meetings	KM

<b>Dates to Note</b>		
Date of Meeting	<b>29/11/2022</b>	
Publication of Agenda Date	17/11/2022	
Reports to Management Team	03/11/2022	
Full Council	02/03/2023	
<b>Items for Inclusion on the Audit Agenda</b>		
<b>Part I - For Decision</b>		
1	Statement of Accounts 2020/21 and External Auditors Findings	LF
2	Homes England – Compliance Audit Annual Report for Ashford Borough Council	MJ
<b>Part II - Monitoring/Information Items</b>		
3	Internal Audit Interim Report	AT/JH
4	Audit Progress Report	Gr Th
5	Report Tracker & Future Meetings	KM