



AUDIT COMMITTEE

Notice of a Meeting, to be held in the Council Chamber - Ashford Borough Council on Tuesday, 21st March, 2023 at 5.00 pm.

The Members of the Audit Committee are:-

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

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

Agenda

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DS/KM
9 March 2023

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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
- (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 **29 November 2022**.

Present:

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

Cllrs. Campkin, Hayward, Mulholland, Shorter, Spain.

Apologies:

Cllr. Wright.

In accordance with Procedure Rule 1.2(c) Councillor Campkin attended as Substitute Member for Councillor Wright.

Also in Attendance (virtually):

Cllrs. Harman, Ledger

Finance Service Lead, Interim Head of Internal Audit.

Audit Manager – Grant Thornton UK

In attendance:

Deputy Chief Executive, Assistant Director of Planning and Development, Finance Service Lead, Team Leader – Planmaking and Infrastructure, Member Services Officer, Policy and Democratic Services Assistant.

236 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 4 October 2022 be approved and confirmed as a correct record.

The Minutes of the Meeting of 15 March 2022 had contained a page numbering error; this had been corrected and the Minutes were re-signed by the Chair.

237 Statement of Accounts 2020/21 and External Auditors Findings

The Finance Service Lead gave a verbal update. Although there had been an unfortunate delay to the finalisation of the Statement of Accounts 2020/21, the External Auditors had now confirmed their satisfaction and the Accounts were ready for the formal delegated sign-off process to begin. The Chair agreed to commence this process as soon as possible.

A Member expressed his relief that the process was now complete, and on behalf of the Committee, thanked all those involved for their diligence.

238 Section 106 Audit – Weak Assurance Report – Follow Up

The Assistant Director of Planning and Development gave a verbal update, referring to the report previously circulated. There were five outstanding actions identified within the Mid Kent Audit report; of these, three related to the introduction and implementation of the Arcus software. On the evening of the meeting, a Section 106 data migration was in progress, to be tested for accuracy and visibility by Officers in the next few weeks, with a proposed review in April 2023. Officers were in consultation with Arcus regarding functionality and what was possible in this respect. It was impossible to predict the short-term results from testing, but Members were reassured that the process was under way. With regard to the two other actions, the review of the pre-2010 Section 106 process was on target for completion by 31 December 2022, and the controls required to ensure the Section 106 funds were appropriately spent were under discussion, to align systems, protocols and processes, which would lead to greater clarity; this second action was on target for delivery by the end of the year, or early January 2023. He confirmed that Arcus had been given fixed timescales to complete, and the specifications that had been provided were clear.

The Chair asked for the Interim Head of Internal Audit to check progress in February, and highlight any concerns at that point. This was agreed, with a report to be brought to Audit Committee in March 2023.

A Member sought reassurance that Officers were working to complete the actions in advance of the long target of April, as the embedded issues were causing significant concern. The Team Leader – Plan Making and Infrastructure confirmed that the April deadline corresponded with the timeline for the Mid Kent Audit quarterly review. In the meantime, paper and other system records were being maintained and monitored, for probity. The fixes were expected to be in place before April 2023.

A Member asked how trigger points in the Section 106 process were monitored and enforced. The Assistant Director of Planning and Development responded that developers did not always supply the necessary information, and sometimes on-site counting was needed; Officers were aware of what was required to ensure developers complied with the agreed release of funds or infrastructure commitments.

A Member asked if responses from Arcus were swift. The Assistant Director of Planning and Development replied that communication between the two parties had been a learning curve with regard to expectations versus the potential functionality of the system, but there was now clearer understanding on both sides.

It was known that the Overview and Scrutiny Task Group was in the process of concluding the Arcus implementation project review, and that their findings would be independent of any recommendations from Audit, respecting the boundaries of each Committee. It was expected that, on conclusion, the two Chairs would liaise to bring any recommendations into alignment.

Resolved:

That

- (i) the report be received and noted.**
- (ii) a further progress report be presented to the Committee in March 2023.**

239 Internal Audit Interim Report

A report had been circulated with the Agenda. The Interim Head of Internal Audit updated the Committee on the difficulties experienced in recruiting and retaining trained/experienced staff. The staff shortfall has been covered off by contractors. A new Head of Internal Audit is due to commence employment and will immediately focus on the delivery of the outstanding audits to take a view as to whether there will be sufficient work to deliver the opinion at the end of the year..

A Member asked for clarity regarding the continued struggle to resource the team. It was confirmed that the current recruitment pools in a range of business fields lacked suitably-qualified job seekers, and some trained staff had been lured away to more lucrative positions elsewhere; this was mirrored by the Planning team's difficulties in recruiting and retaining officers. It was confirmed that the new Head of Internal Audit was aware of the situation and would work in collaboration with partner authorities to find ways to address this; new agreements would be drawn up, which might be more costly, but any agreed increase would be shared amongst the partners. The Deputy Chief Executive confirmed that the service that had been provided was broadly in line with ABC's expectations.

The Committee underlined its commitment to encourage apprentices and graduates to be recruited and trained to professional standards, and to perhaps then enter the wider pool of qualified individuals according to their aspirations. This strengthened and broadened the overall job market. The Interim Head of Internal Audit explained that they were looking at innovative ways of recruiting, advertising widely and promoting the benefits of employment with Mid-Kent.

The Committee expressed their appreciation for the hard work and diligence shown by the Interim Head of Internal Audit whilst she had been in that post.

Resolved:

That the report be received and noted.

240 2021/2022 Audit Plan (External Audit)

A report had been circulated with the Agenda, and the Audit Manager of Grant Thornton gave a verbal update. He confirmed that, whilst minor issues had been identified, they were not exclusive to ABC and had not elicited concern.

A Member commented that an error in the report concerning ABC's climate change aspirations needed amendment. Also there was a blank space in the table regarding a Better Choice for Property Ltd, where suitable text needed to be entered for clarity regarding the responsibility for financial audit. Another Member mentioned that the

report stated a target of 2050 for zero carbon, whereas ABC's commitment was to this by 2030. The Audit Manager and the Deputy Chief Executive agreed to work together to correct the errors.

It was agreed that the strength of the Committee lay in collaboration and the spread of scrutiny of reports, to identify and challenge points, for quality assurance.

A Member questioned the audit fees of £9K for additional work to deliver value for money and whether that work should represent a saving. The Audit Manager responded that in 2021 a new framework of expectation for audit had been introduced nationally, to investigate if correct and robust arrangements were in place to deliver to responsibilities; that work had been completed, and it was not the intention for it to assess any potential saving areas.

A discussion took place regarding the apparent lack of resource to deliver to target date. The delay had been regrettable, the auditors had experienced staffing pressures as previously debated, and overseas resources had been employed. The Chair expressed concerns regarding the priority given to this work versus other contracts which had been secured; this was acknowledged by the Audit Manager, and reassurance given.

A Member asked if the Finance team supplied strong accounting data to facilitate audit. The Audit Manager confirmed that the relationship and understanding of what was required was good, the support from the Finance team was praised and there had been an efficient workflow. The Finance Service Lead confirmed that the team reflected on what had gone well, and any lessons learned, which strengthened their performance year on year. The Deputy Chief Executive noted that the auditors' focus altered from time to time, and so clear communication of expectations was needed to manage the changing requirements.

The Chair asked that Grant Thornton be clearly focused on delivery to target in future.

Resolved:

That the report be received and noted.

241 Report Tracker & Future Meetings

The Chair asked for the Senior Member Services Officer to complete and circulate the Tracker to the Committee Members after the meeting.

The next meeting was scheduled for 21 March 2023 at 5pm.

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Agenda Item No: 4
Report To: Audit Committee
Date of Meeting: 21st March 2023
Report Title: S106 Mid-Kent Audit Report 2021 – Final report responding to remedial actions
Report Author: Simon Cole
Job Title: Assistant Director - Planning and Development

Summary: This report provides a final update in respect of progressing the actions set out in the Mid-Kent Audit Review of the S106 Process during 2021 since November 2022 and other related work streams.

Key Decision: NO

Significantly Affected Wards: N/A

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

Note the progress made towards finalising the Mid-Kent Audit Actions and the complementary progress towards the O&S S106 Task Group recommendations and subject to the outcome of the final quarterly review in April consider the actions following the Audit to have been met.

Policy Overview: N/A
Financial Implications: The Audit identified weaknesses in the controls related to the collection and spending of S106 income, which the actions seek to address.

Legal Implications: No specific implications.

Equalities Impact Assessment: Not required.

Other Material Implications: N/A

Exempt from Publication: **NO**

Background Papers: The Final audit report.

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S106 Mid-Kent Audit Report 2021 – Final report responding to remedial actions

Introduction and Background

1. The Committee received a progress update report at the November 2022 meeting in respect of the remaining actions set out in the Mid-Kent Audit Report of the S106 monitoring process carried out during the summer of 2021.
2. The Committee resolved to receive a final report, which this report will address.

Progress in respect of the remaining Mid-Kent Audit Actions

3. As noted at the November meeting there were two outstanding Actions which were due for completion by 31st December 2022 and three deferred actions pending further data migrations into Arcus and resolving some functionality issues. A further quarterly review meeting with officers was held with Andy Bellingham of MKA on January 13th 2023 to review progress on these items.
4. Katherine Woodward (the Head of Internal Audit) emailed the Assistant Director of Planning and Development on the 7th February following feedback from this meeting confirming that 17 of the 21 actions had been completed.
5. The outstanding items were the three deferred actions referred to in paragraph 3 above, namely:
 - 6.1 – Introduce trigger point alerts linked to the s106 monitoring system to be implemented within new system.
 - 7.2 – Add a developer’s introduction letter to the Arcus software that can be automatically generated when a S106 is signed.
 - 10.1 – Introduce post-development reviews to ensure all aspects of the S106 agreement are complied with.
6. The other item, which was described as partially incomplete, relates to action 15.2 – developing measures to ensure S106 funds are spent on their intended purpose. However, following further explanation and evidence it has been agreed with MKA that this action has been completed.

Progress in respect of the three deferred actions

7. At the November meeting of the Committee officers noted that a second migration of the data saved in Acolaid into Arcus was taking place. Checks by Officers found that not all of the data had been transferred successfully and some data had been duplicated. However a third migration has now been completed successfully and following further checks the data is now in place

enabling the functionality for monitoring S106 agreements that was anticipated following last year's launch. Further development of the software is ongoing to fully realise the full potential of the Arcus software.

8. Officers have continued to work closely with Arcus to address the functionality issues that were preventing the use of the software to respond to the remaining audit actions. Progress in respect of these actions can be summarised below.

Trigger alert system

9. Now that the data is in place dashboards can be created within Arcus that can be used as a trigger alert system for when monies need to be spent. Weekly reports can also be generated showing the status of S106s to flag up when key stages are approaching and whether a review is needed. This action has therefore been met.

Developer's letter

10. The developer letter was prepared as early as December 2021 and officers are working with Arcus to ensure that letters can be automatically generated on completion of S106 agreements in future. In the meantime letters can be sent to developers manually to explain what the Borough Council expects in terms of the implementation of the agreement.

Post development reviews

11. The S106 module in Arcus includes a 'complied with' box and date, which can be used to records post-development reviews of S106s. Officers are reviewing the transferred S106 data and carrying out post development reviews as part of this process. Where S106s have been completed in accordance with the terms of the agreement the complied with box and date are being recorded.

Update in respect of the O&S S106 Task Group Recommendations

12. As reported at the November Committee two S106 workshops were held for local councils and community forums in December on the 5th and 14th. The events included a presentation explaining the S106 process and introducing a S106 Handbook. The workshops were recorded and shared with all invitees.

Implications and Risk Assessment

13. The audit report sets out the possible risks arising from the findings, but these are accompanied by short-term remedial actions which have been agreed by the Service's management for implementation.

Next Steps in Process

14. Mid Kent Audit will carry out a further and final quarterly review to assess the final actions and advise accordingly.

Recommendation

That the Committee note the progress made towards finalising the Mid-Kent Audit Actions and the complementary progress towards the O&S S106 Task Group recommendations and subject to the outcome of the final quarterly review in April consider the actions following the Audit to have been met.



Agenda Item No: 5
Report To: Audit Committee
Date of Meeting: 21st March 2023
Report Title: Cash Collection – Parking
Report Author: Mark Goodwin: Senior Auditor
Job Title:

Summary:

On 2nd February 2023 Mid Kent Internal Audit published the final report from a planned audit on Cash Collection - Parking.

The audit was issued with a dual assurance rating of Weak/Sound.

The Weak assessment reflected deficiencies found in some key areas which examined interim arrangements adopted by the Council to directly collect, process and bank parking cash following an unplanned event which arose when the Council's cash collection contractor ceased trading with no notice being given.

The audit assessed as Sound the arrangements relating to the monitoring of the current cash collection contract and steps to remove cash as a method of payment for parking.

The Safety & Wellbeing Service was the recipient of the audit and has agreed a series of remedial actions in response to the report's findings. It is noted that the interim arrangements also relied on support of Finance (Exchequer). In line with settled practice, this report brings the findings to Members' attention to allow an understanding of the issues raised and to support the management action.

Key Decision: NO

Significantly Affected Wards: N/A

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

Note the findings raised in Mid Kent Audit's report on Cash Collection – Parking.

Policy Overview: N/A

Financial Implications: While no significant misstatement was identified in relation to the Council's finances, we identified weaknesses with the interim measures relating to the collection, processing and banking of parking cash income.

Legal Implications: No specific implications

Equalities Impact Assessment:	N/A.
Data Protection Impact Assessment:	N/A.
Risk Assessment (Risk Appetite Statement):	N/A
Sustainability Implications:	N/A
Other Material Implications:	N/A
Exempt from Publication:	NO
Background Papers:	Final Report Cash Collection – Parking
Contact:	mark.goodwin@midkent.gov.uk – Tel: (01622 602054)

Cash Collection – Parking

Introduction and Background

1. Each year, working in conformance with Public Sector Internal Audit Standards, Mid Kent Audit draws up a risk-based audit plan for approval by Members. The audit on Car Parking Cash was identified through discussion with officers and included on the 2022/23 Audit Plan agreed by this Committee in March 2022. A specific request was made to include an audit of the interim cash collection, processing and banking arrangements in order to reflect and learn from what happened following an unusual disruption of service.
2. We began the fieldwork to the audit 31st October 2022 working to a brief agreed with the Service. We finished fieldwork on 24th November 2022. File review of the work and draft report was slightly later than planned due to staffing pressures within Mid Kent audit. We published a draft report to the service on 12th January 2023 and, following discussion with the service received a completed action plan to the audit allowing the final report to be published on 2nd February 2023.

Audit Engagement Findings

3. The audit comprised the following three areas: -
 - Interim cash collection, processing and banking arrangements
 - Contract monitoring of the current cash collection contract
 - Progress towards removal of coin payment from parking machines
4. The interim cash collection arrangements was an unplanned event which arose when the Council's cash collection contractor ceased trading with no notice. The audit found that the service had adopted a number of sound practical steps to manage operations during this temporary period. However, the audit also found deficiencies in key areas around infrequent banking of cash and an incomplete reconciliation of income during the period. In isolation these findings have resulted in a Weak assurance assessment.
5. We have recommended actions to strengthen any future scenario, where the Council finds itself without the services of a cash collection agency to manage the process. The actions recommended are to be captured in Business Continuity Plans to include any overlap of processes between service areas (i.e. parking and exchequer), to safeguard against any future reoccurrences of the situation.
6. We confirmed that current operations, following the appointment of a new cash collection contractor, are meeting the principle aim of ensuring car parking cash is being collected and monies promptly banked. We also confirmed that timely income reconciliation checks are being followed and income accurately posted to the general ledger. The audit however has identified the need to undertake additional contract monitoring in certain areas

including collection frequencies and payment checks. We confirmed that the service is actively reviewing cash activity from parking machines and taking proactive steps to remove equipment, in pursuit of the objective of reducing cash. Our findings of these areas resulted in a Sound assurance assessment.

7. The findings from our work increases the risk exposure to the Council but we have assessed this as not being to a level beyond its agreed risk appetite. The audit report sets out four findings set out at medium priority along with management response. The full report is attached as an appendix.
8. Following our standard practice in audit, we discussed and agreed remedial actions for each finding with the service. These actions fall due for completion by 31st March 2023. We will follow up progress in line with our usual approach and report to Management Team.
9. We in audit thank officers for their help throughout the audit and positive engagement with the findings raised.

Health and Wellbeing Service Response

10. I am grateful to the audit team for their work with Parking Services to identify some improvements which will ensure that, should this unfortunate event happen again, we are better prepared i.e. alternative banking arrangements quickly implemented. There is one recommendation that relates to the contract with the new cash collection company i.e. contract monitoring arrangements, and this has already been completed. I anticipate that by the time of the meeting all four recommendations will have been complied with. This audit has been a valuable retrospective examination of an unusual situation which has helped reduce risk moving forward.

Proposal

11. We recommend the Committee note the attached final audit report.

Implications and Risk Assessment

12. The audit report sets out the possible risks arising from the findings, but these are accompanied by remedial actions which have been agreed by the Service's management for implementation.

Next Steps in Process

13. Mid Kent Audit will continue to monitor progress and this will form part of interim and annual reporting to Members as part of overall summaries.



Agenda Item No:	6
Report To:	Audit Committee
Date of Meeting:	21 March 2023
Report Title:	Corporate Risk Register – update March 2023
Report Author & Job Title:	Charlotte Hammersley, Head of Policy and Performance
Portfolio Holder	Cllr. Feacey
Portfolio Holder for:	Policy and Performance

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

The Corporate Risk register is assessed using the Risk Management Framework.

Recommendations: **The Audit Committee is recommended to consider the Corporate Risk Register:**

- a) **To agree the assessments and the adequacy of key controls to manage the risks.**
- b) **To determine if there are any specific risks that would benefit from a further report in order for the adequacy of the controls to be assessed.**

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

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

Exempt from Publication: **NO**

Background Papers: **None.**

Contact: charlotte.hammersley@ashford.gov.uk

Corporate Risk Management – update report March 2023

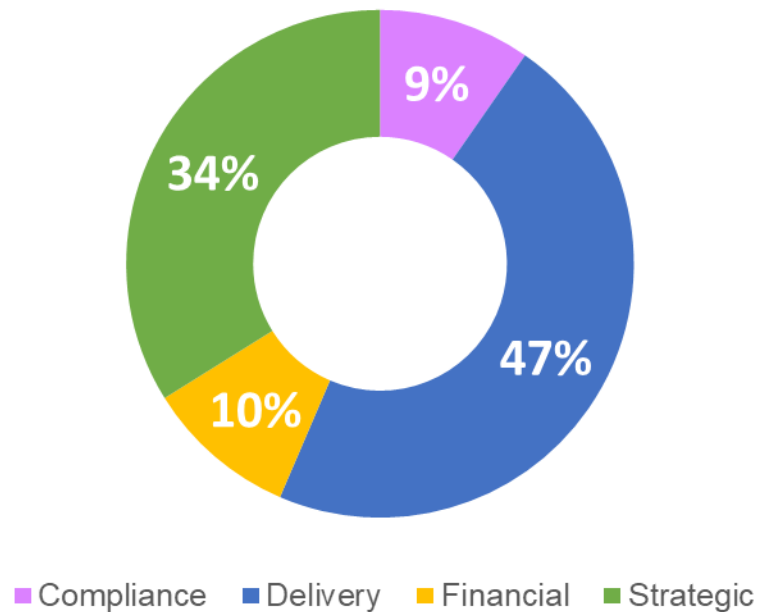
Introduction and Background

1. Twice a year, the Audit Committee considers the council's corporate risks and risks management controls. This report is an update report providing the latest information on the council's Corporate Risk Register. It also provides additional information on specific risks where this has been requested by the Committee.
2. The Corporate Risk Register is set out at Appendix A.

Proposal/Current Position

3. The Corporate Risk Register provides details of the council's key risks that could, if untreated, impact on the council's Strategic aims, Financial position or Compliance with the law.
4. Operational 'delivery' risks are monitored regularly by individual services and the council's Management Team on an exception basis. Any delivery risks that become of strategic significance are also reported to this Committee. Examples of delivery risks include HR processes not being completed, non - delivery of planned maintenance contracts and contamination of recyclables.
5. There are currently **62** risks across the four risk types (strategic, delivery, financial, compliance). A percentage breakdown of each type of risk is provided on the opposite page:

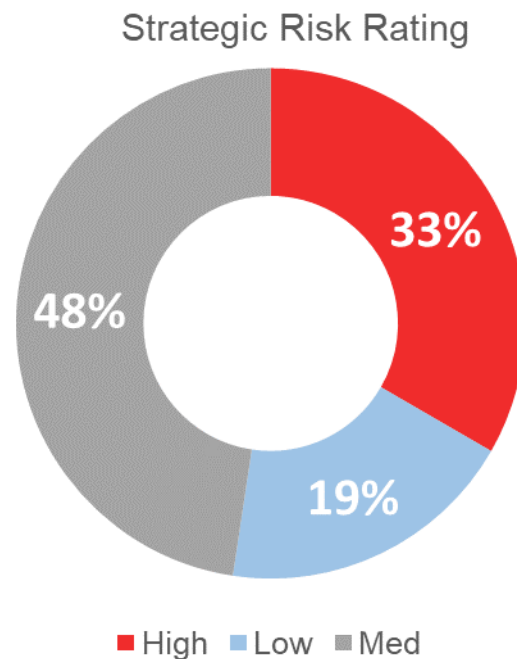
Ashford Risk Share by Type



6. The Corporate Risk Register is linked to the risk appetite statement which is contained within the Risk Management Framework. The statement is designed to inform decision making about the amount of acceptable risk within which the council chooses to operate. Risks that fall outside of the council's appetite are reported to the Audit Committee. The appetite statement sets out that the council has a moderate appetite to strategic risks, a low appetite to financial risks and a very low appetite to compliance risks. The Corporate Risk Register is formed of those risks that are currently above the risk appetite levels set.
7. The risk appetite statement reflects the ambitions in the Corporate Plan 2022-2024 and was adopted together with it. The council's risk appetite will need to be further tested following the local elections in May 2023 and as we look to develop the next Corporate Plan.
8. Set out at Appendix A are details of the risks included on the current Corporate Risk Register which provides details of individual risks and explains the current position or any further action that may need to be taken to manage them.
9. This report highlights any changes to the risk profiles since the last update; provides details of any new risks that have been included on the register; and explains those that have been managed down to a level where they no longer require reporting on.

Strategic Risks

10. There are currently **21** Strategic risks monitored of which **seven** feature on the Corporate Risk Register in line with the council's risk appetite statement. A breakdown of the strategic risk ratings by percentage is provided in the pie chart set out below:



Key changes

Increased risk profiles

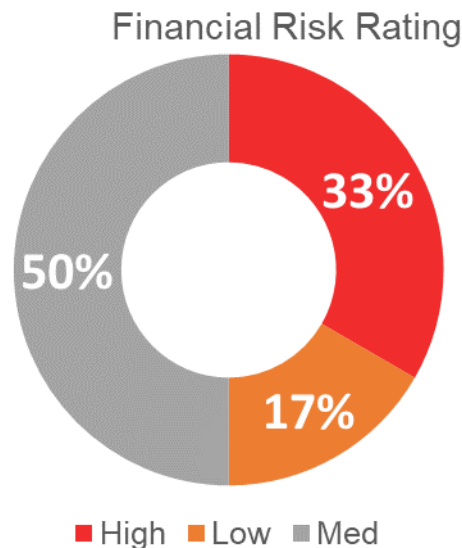
11. In light of the risk environment around cyber security nationally and globally being heightened, the risk to the council of a successful cyber-attack (CORP.22.FINIT.R003) has been increased. A full package of mitigation measures are in place which are summarised in the risk update at Appendix A.
12. The risk of not meeting our climate commitments (CORP.22.POLPER.R003) had reduced following the adoption of the council's Carbon Neutral Action Plan. It has however, been elevated again to fully reflect the threats and impacts of climate change and whilst we await the outcome of a number of bids for grant funding. If successful, these funds will make a significant contribution to the delivery of the council's action plan. Further work is on-going to embed climate action across the organisation including the development of carbon literacy training and impact assessments to aid decision making. Outward looking promotion of the circular economy is also planned for the year ahead.
13. The risk of the supply of affordable rented housing keeping pace with demand (CORP.22.Housing.R003) has risen as Stodmarsh has continued to prevent construction of new homes combined with a rise in the number of people on the housing waiting list. This risk needs particularly close monitoring as those on the waiting list may not be able to sustain their existing tenancy, creating the possibility of presenting to the council through alternative routes.

Reduced risk profiles

14. The risk of recession (CORP.22.FINIT.R009) has fallen back within tolerated levels and therefore does not feature on the register this time. The squeeze on household incomes due to the rising prices of energy and food has led to slower growth in the UK economy. The likelihood of a recession is still prominent although recent forecasts indicated that it will be shorter and not as severe as originally thought. The council still has exposure to risk arising from recession and the cost of living crisis and anticipate emerging pressures to arise in discretionary income, but also increased debt levels from commercial property, Council Tax and Business Rates arrears.
15. The risk of not delivering the South of Ashford Garden Community to time and quality (CORP.22.PLANNINGR008) has reduced and is not reported this time following positive progress across a number of areas. The Homes England workstream is now in delivery phase; the Garden Community Room scheme will be submitted to Planning within the next few weeks; £180,000 is committed to Public Rights of Way improvements and; progress has also been made on the tenancy of the Community Management Organisation Cabin. In light of these positive steps, a further review will take place to reassess the individual risk factors that contribute to this overarching risk to ensure it remains reflective of overall progress.
16. The risk of transport disruption in Ashford Town (CORP.22.LEGDDEM.R004) has also reduced. Operation Brock is still in existence and there are likely to be future cases where it may be utilised such as Channel Tunnel closures; during peak travel times, such as school holidays; and when adverse weather arises. However, in anticipation, we play an active role in the Kent Command and Control structure enabling additional localised contingencies as and when appropriate.
17. The risk of failure to deliver the Ashford aspect of the Mid-Kent Joint Waste Management Contract has moved within tolerated levels and therefore not reported this time. The new contract has been awarded to Suez for operational commencement in March 2024. The letter of intent has been signed which allows Suez to progress with purchasing a fleet of vehicles. In conjunction with the other authorities in the Mid-Kent Joint Waste Partnership, work is progressing on the mobilisation phase of the contract. Inflationary pressures do remain but the overall position is good.
18. The risk of supply chain disruption (CORP.22.ENVSPORT.R009) has also reduced this time but remains on the register. Inflationary pressures do continue to be faced by all which is impacting both tender prices and request for price increases from Suppliers. Whilst this does present a funding pressure to the council, this has been factored into the development of the Medium Term Financial Plan, reducing the financial impact score since the last update.

Financial Risks

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



Increased risk profiles

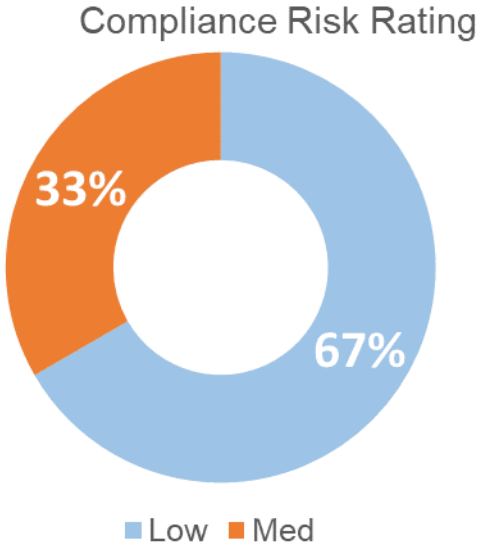
20. The risk of ongoing maintenance liabilities exceeding available budget (CORP.22.STRAT.R008) has an increased since the last assessment. Whilst a programme of condition surveys is underway across the estate, our maintenance and health and safety obligations continue to put pressure on the maintenance budget. Once the condition surveys are complete, a strategy for the overall estate will be developed.

Reduced risk profiles

21. The risk has reduced of having insufficient funds to respond to an unforeseen event (CORP.22.FINIT.R.010). The Medium Term Financial Plan for 2023-2028 identified a budget deficit over the lifetime of the plan. The deficit has reduced due to additional funding from the government's Financial Settlement. There is also a clear savings strategy in place in order to further reduce the deficit which will be closely monitored to ensure the council's reserve are not depended on going forward.
22. The risk of a reduction in the Housing Revenue Income Account (CORP.22.HOUSING.R010) is not being realised and we are currently on target to meet a 98% collection rate by the end of the year following a focus in this area.

Compliance Risk

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



Emerging risk

24. The risks associated with the implementation of the Elections Act (CORP.22.LEGDEM.R005) is a new risk to be reported to this Committee. The main risk centres on ensuring voters are aware of the need to provide photographic identification for polls. Whilst this was initially seen as a higher risk, an extensive communications plan both nationally and locally has been implemented reducing the likelihood of the risk arising.

Conclusion

- 25. Risk owners have reviewed and reassessed the risks and controls within their specific areas and are satisfied that this report and attached Appendix A represent an accurate picture of the current risks to the organisation.
- 26. Members of the Committee are asked to consider whether there are any specific risks or themes that would benefit from a further report back to a future meeting.
- 27. The Corporate Risks Register will be presented again to the Audit Committee in six months time in accordance with the Risk Management Framework where a further update will be provided on current risks and notable changes to the Register.

Contact and Email

Charlotte Hammersley, Head of Policy and Performance

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Agenda Item No: 7
Report To: **Audit Committee**
Date of Meeting: **21 March 2022**
Report Title: **2022/23 Annual Governance Statement**
Report Author & Job Title: Abi Sheppard
Policy and Scrutiny Officer

Summary: Each year the council must produce and approve an Annual Governance Statement (AGS). The AGS designed to summarise the council's approach to governance and show how the council fulfils the principles for good corporate governance in the public sector. The AGS needs to draw conclusions, based on evidence throughout the past year, about the effectiveness of the council's arrangements.

Our governance arrangements are well-developed but they also evolve. Their various components are subject to ongoing development, which are summarised in the AGS.

In conclusion governance arrangements remain appropriate, effective and adaptive to change as circumstances dictate.

Purpose of the report:

1. To provide the Audit Committee with assurance on the effectiveness of the council's governance arrangements over the last year.
2. To provide details of those additional areas where the organisation's governance will develop further over the forthcoming year.
3. Once approved, the AGS is signed by the Leader and the Chief Executive and included alongside the council's Statement of Accounts.

Recommendations: **The Audit Committee is asked to approve the 2022/23 Annual Governance Statement**

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2022/23 Annual Governance Statement

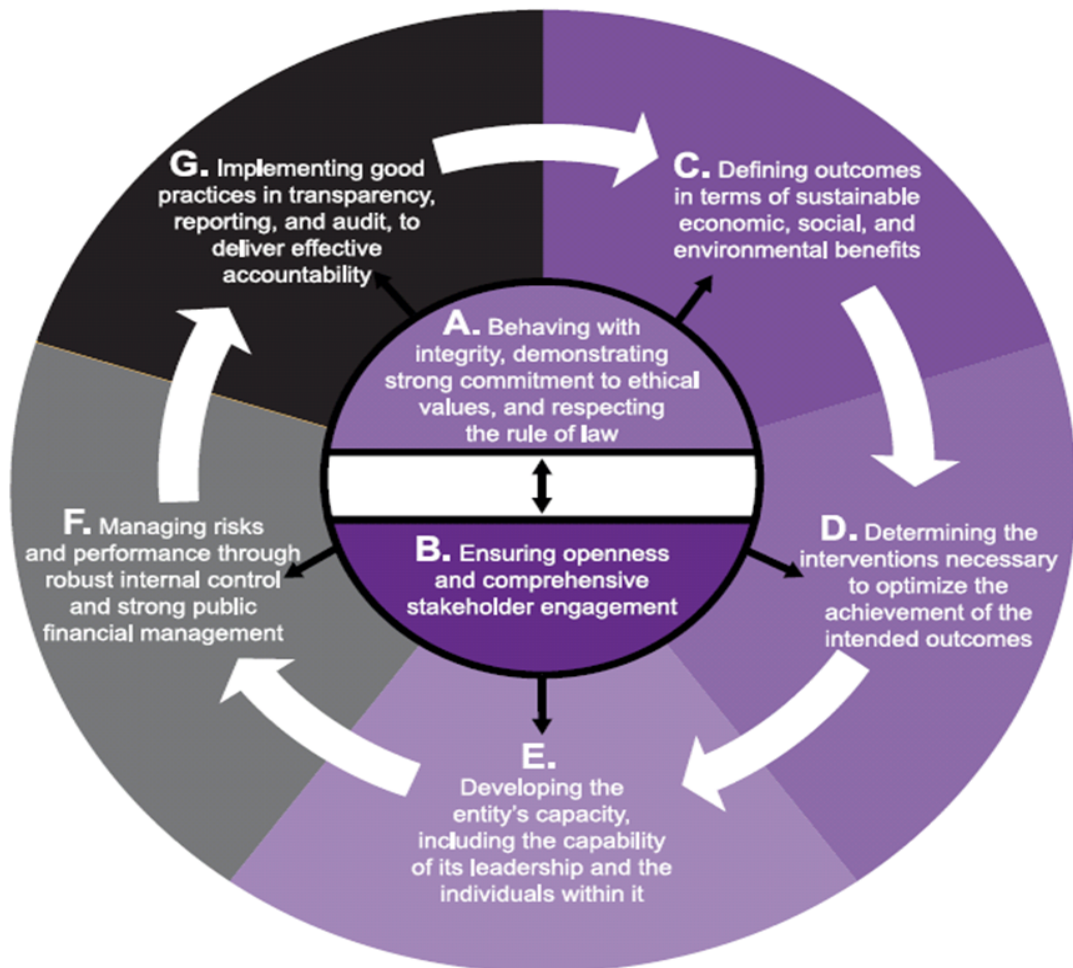
Scope of responsibility

1. Ashford Borough Council is responsible for ensuring its decisions and business are conducted according to the law and proper standards. Public money must be properly accounted for and all resources applied efficiently and effectively in order to secure best value for its residents and taxpayers.
2. The production of an Annual Governance Statement (AGS) is a requirement of the Accounts and Audit Regulations 2015, regulation 6(1). Good governance is fundamental to meeting the council's responsibilities and achieving high levels of service for residents. The Statement explains the effectiveness of the governance arrangements for the year ending 31 March 2023 and sets out any action for planned improvements in the following year 2023/24. This statement provides assurance to the council and its stakeholders that good governance arrangements are in place.

The Local Code of Corporate Governance

3. In 2016 the council adopted an updated Local Code of Corporate Governance, which follows principles contained in national guidance and produced by CIPFA and SOLACE.

The code sets out seven principles shown in the diagram on the next page:



4. The main principle underpinning this Code is that the council's governance processes and structures focus on delivering sustainable economic, societal, and environmental outcomes.
5. The council meets the principles in the Code through a framework of policies, procedures, behaviours and values. This framework provide Members and officers with effective tools and consistent governance arrangements across the organisation.
6. The diagram explains good governance is dynamic, and that the council should be committed to continuous improvement.
7. This AGS sets out:
 - Part 1:** how the council is dealing with improvement areas identified in last year's AGS.
 - Part 2:** how the council complies with the principles of good governance set out within the Local Code.
 - Part 3:** any planned changes to the council's governance arrangements for implementation during 2023/24.

Part 1: Dealing with last year's key improvements areas

8. The 2021/22 AGS identified eight key improvement areas. Progress on remedying these governance exceptions has been reported to the Audit Committee during the year and is set out below.

Appraisals Training

9. Appraisal training sessions have been held throughout the year, to ensure staff could complete their appraisals comprehensively using the competency framework. Sessions were held during January 2022 which covered Competency and how it was achieved, monitored and evidenced. Additionally, improvements have been made to the appraisals e learning course that also provides guidance for staff to evidence their competencies in line with the framework. Both the training sessions and online course were well received by staff and this reflected in the appraisal submissions received during 2022.

Review of the Constitution

10. The Solicitor to the Council and Monitoring Officer has been working with specialist lawyers to review the constitution provisions in relation to executive arrangements. The constitution has been updated to reflect the arrangements and is available on the council's website. A wider health check of the constitution is in progress to identify further opportunities for presenting the constitution in a more concise modern format.

Hybrid Equipment in the Council Chamber

11. The council has explored different options for upgrading the technology used to support council meetings and facilitate different ways for the public to engage. New equipment has been successfully installed in two council committee rooms to enable smaller hybrid meetings. Work is also underway to implement a new technological system in the council chamber and a plan is in place to deliver this in September 2023.

Section 106 Process

12. Since May 2022, officers have been working hard to respond to the Mid Kent Audit Partnership recommended actions in addition to those identified by an [Overview and Scrutiny Task Group](#).

Member Induction Programme

13. The Member Induction Programme has been compiled in preparation for the newly elected council in May 2023. The programme was approved by Cabinet in December 2022. A framework document is also being prepared for newly elected members to summarise the key contacts and headline functions of each Directorate.
14. The programme is intended to follow the successful induction arrangements in the past but also seek to build on these and make improvements where we can. A number of sessions have already been confirmed, with work being undertaken

on expanding the offer as the year progresses. There will be a mix of 'in-person' and 'virtual' sessions, with the majority of the earlier sessions held 'in-person' to ensure that councillors are able to meet one another and form working relationships amongst themselves and Officers.

Ashford Manager Programme

15. The Ashford Manager Programme was developed to support managers of the future who may be getting ready to step into their next senior role. The programme aims to help individuals make connections between Management Team and leadership in readiness for future opportunities. The first cohort of the Programme was completed during 2022 with more expected in 2023.
16. Additional training has been approved which aims to support managers with their specific development needs. This training has been delivered virtually learning throughout 2022 and is expected to continue in to 2023.

Corporate Risk Register Review

17. The council refreshed its Corporate Risk Register in May 2022. The register was reviewed by the council's Management Team during a dedicated away day session to ensure the strategic risks to the delivery of the corporate plan are fully captured and managed accordingly.

Review of Data Protection Policies

18. Over the course of 2022/23, a review of our data protection policies and procedures was conducted. The Data Protection Policy has been updated, privacy notices reviewed and Records of Processing Activity updated, and took into account departmental structure changes, tasks and activities.

Part 2: Compliance with the principles of good governance set out within the Local Code

19. This section of the AGS sets out how we have complied with the principles within the local code in turn.

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Sources of Assurance

Source of Assurance	Developments in 2022/23
Behaving with Integrity	
Members' Code of Conduct	<p>The Monitoring Officer's Annual Report for 2022 showed a significant reduction in code complaints which had been principally at parish level. Kent Monitoring Officers have just concluded a review of the Kent Code and Arrangements and these will be reported to members for decision.</p> <p>Regular meetings with KALC representatives to review measures being taken to reduce incidence of formal complaints.</p>
Annual staff performance appraisals	
Declarations of interest made at meetings	
Standards Committee including independent person	
Register of interests & hospitality	
Whistleblowing policy	
Complaints policy	
Open and accessible public meetings	
Social media guidance	
Annual staff performance appraisals	

Demonstrating strong commitment to ethical values	
Constitution	
Staff recruitment, retention policies	
Staff competency framework	
Corporate Training Programme	Compulsory wellbeing training for managers
Procurement policy, including social value	Social Value policy is being trialed internally.
Equalities objectives	
Corporate Values – Ambitious, Creative, Trustworthy	
Kent and Medway Information Sharing Partnership and Agreement	
SmartHub dedicated wellbeing area	
Respecting the rule of law	
Constitution	Review of the Constitution is ongoing. Please see update on this process given above
Job descriptions for all staff and Portfolio Holders	
Support provided for all committees	
Monitoring Officer	
Committee Terms of Reference	
Cabinet report template	
Anti-Fraud and Corruption policy	
Bribery Act 2010 Policy Statement	
Anti-Money Laundering Policy	
Breach Management Policy	
Contract Standing Orders (CSO's)	
Enforcement Framework	

Elections Act	The council have applied the changes outlined in the Elections Act as part of preparations for the May 2023 elections.
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Behaving with integrity

20. All agendas for council meetings seek declarations of interest and the type of interest. Ad hoc advice on interests is regularly sought from the Monitoring Officer and his staff by borough Councillors and parish clerks/councillors. This demonstrates a good level of understanding and a culture of compliance with the code of conduct in relation to interests. The Monitoring Officer’s annual report each year deals with the activity under the council’s ethical framework.
21. The Monitoring Officer’s annual report to the Standards Committee assesses activity in probity and related governance matters and includes complaints to the Ombudsman. The Standards Committee monitors any issues of probity raised in Ombudsman investigations. The most recent report to the Committee in January 2023 covered the Ombudsman report on complaints for the period 1st April 2021 to 31 March 2022). The number of complaints has been generally consistent with previous years, one was upheld by the Housing Ombudsman Service and another partly upheld. Full details can be found in the [Monitoring Officer’s report](#) to the Standards Committee.
22. The Monitoring Officer’s report also covers code of conduct complaints for which there has been a significant reduction in the 2022 calendar year, mainly at parish council level. The report makes recommendations regarding future meetings between the council and KALC representatives. Full details can be found in the [Monitoring Officer’s Report](#).
23. All new staff and Members receive induction and training upon arrival. For staff, the induction pack includes both a copy of the staff Code of Conduct, and the council’s customer service values. The Member Training Panel has made arrangements for post-election code training and parish council representatives will be included. The Training Panel recognised the importance of this and also suggested that refresher training should be provided mid-term to help address councillor turnover at parish level. The induction programme being developed includes ‘frameworks’ which provide an overview of each council service. This will be complemented by a market stall event for new councillors to become familiar with council services.

Demonstrating strong commitment to ethical values

24. The council has adopted corporate values – Ambitious, Creative and Trustworthy (ACT) that are embedded into the council’s governance framework. For example, they are incorporated into the recruitment and appraisals processes and are fundamental to the ‘Our Principles’ section of the Corporate Plan 2022-
25. The annual appraisal process is also based on a ‘competency framework’. The framework outlines a set of professional and key behaviours that staff display

every day within their roles. The behaviours are linked to ACT as demonstrated in the table below:

AMBITIOUS	CREATIVE	TRUSTWORTHY
Positive	Innovative	Professional Behaviour
Continuous Improvement	Open to Change	Accountable
Commercial and Enterprising	Decision Making and Problem Solving	Communication

26. The framework continues to evolve to support staff to be the best they can and evidence this in a fair and consistent manner. The competencies are used for recruitment and selection; performance management including appraisals and training and development. Evidencing competencies was however, not widely demonstrated during the 2021 appraisal process. In response, further training sessions on appraisals and competencies have been undertaken during 2022 to help staff get the most out of their appraisal discussion. Four sessions were held that aimed at helping team members and five were held for Managers to guide them with performance appraisals and reviews. The sessions were well received and staff gained a more detailed understanding on how competency was achieved, monitored and evidenced. In addition to this, our overarching e-learning course, 'How to evidence competencies in the revised framework' was refreshed and so far 49 people have completed this.
27. The corporate training programme reflects the council's strong commitment to ethical values with topics in the 2022/23 programme including 'Dementia Friends', health and safety and safeguarding. There has also been a focus on understanding the needs of our diverse workforce and residents with training topics including leadership, project management and mental health and wellbeing. To embed the council's Corporate Plan theme Green Pioneer, a programme of carbon literacy training has been developed for rollout across the organisation this coming year.
28. The council maintains a programme focused on staff wellbeing which has been particularly important as the majority of staff work at home for a number of days per week. The way wellbeing content is shared to staff on a dedicated area to wellbeing on the SmartHub. A 'Cost of Living' blog series was launched to remind staff of their employee benefits which they could take advantage of and other tips that may help with staff worries about the future of rising costs. For example, one of the blogs focused on pension options.
29. Compulsory training for line managers was launched in 2022 to help managers and leaders effectively support employees by creating an environment that helps them to achieve optimal wellbeing. An additional opt in course was launched to help staff develop hands-on practical tools to help manage stress, enhance resilience and improve mental fitness to achieve personal goals.

Respecting the rule of the law

30. As a statutory body the council's structures for decision-making, its rules and its processes are influenced by legislation and associated regulation. A fundamental part of our governance, therefore, is the Constitution.
31. The Constitution is a legal requirement and sets out how the council runs, how it makes decisions and the guidance to be followed. Some of these processes are needed by law, while others are chosen by the council. The Constitution has several chapters, which set out the basic rules for governing the council's business. More detailed procedures and codes of practice are set out in accompanying rules and protocols.
32. Parts of the Constitution are periodically reviewed and changes made to ensure arrangements assist the council in achieving its ambitions and its responsibilities to its residents and taxpayers. A review of the Constitution was commissioned in June 2021 with a particular focus on presentation of the Executive arrangements. During 2022, the updated constitution was uploaded to the website. A wider review of the Constitution has now commenced with the objective of simplifying its presentation and make it more concise and easier to use.
33. It is proposed that an updated Constitution will be presented to the Full Council at its meeting in April 2023. In year changes will be recorded and reported to Full Council on an annual basis.

Key Improvement Area 1: Changes to the Constitution should be track changed and presented to Full Council annually for formal approval.

34. The Government has introduced an Elections Act that will have a significant impact on the conduct of the borough and parish elections scheduled for 4 May 2023. The requirement for electors at polling stations to provide photographic identification is the headline change. Other changes being introduced and included and mitigated through the elections risk register include:
 - Introducing photographic voter identification for polls.
 - Limits on postal vote handling;
 - Removing the time limits on overseas voter registration;
 - Increasing accessibility requirements in polling stations;
 - EU Citizens voting and candidacy rights;
 - Changing the frequency of absent voting refreshes.
35. A comprehensive communications plan is in place to raise awareness with voters on the changes to ID requirements. As well as national campaigns, locally we will be carrying out direct communications with voters, advertising on poll cards, in Ashford for You magazine and through the council's website. Staff training has taken place to help raise awareness and there are briefings for councilors and agents.

36. A variety of boards, working groups and advisory committees covering different topics are constituted each year to deliver the business of the council to the benefit of residents and stakeholders.
37. All boards, committees and groups have clear objectives which are set out in their terms of reference and reviewed annually to ensure they remain relevant to delivering the council's objectives. This year a Welfare Advisory Group was established in response to the national cost of living crisis. For example, topics received by the group have included updates on grants, donations and feedback from the staff survey held to understand the issues faced by staff relating to the cost of living.

Principle B – Ensuring openness and comprehensive stakeholder engagement

Sources of Assurance

Source of Assurance	Developments in 2022/23
Openness	
Annual Report	
Council tax information available online	
Corporate Plan	
Regular Residents' Survey	
Quarterly Resident's magazine	
Consultation Portal	The council's approach to consultation has been reviewed by the Overview and Scrutiny Committee.
Mod.Gov: Minutes, agendas, decisions published	
Hybrid Equipment to facilitate virtual and face to face meetings.	Installation of hybrid meeting equipment in the Council Chamber is underway.
Smart Hub	
Chief Executive monthly email newsletter	
Grants Policy	A draft Grants Policy is being developed in 2023
Engaging comprehensively with institutional stakeholders	
Command and Control Structure	
Ashford Strategic Delivery Board	
Ashford Health and Wellbeing Board	
Ashford Community Safety Partnership	
Armed Forces Pledge	
Land Mapping Commission	A final report of the commission has been received and will be considered to inform way forward for the Local Plan and Corporate F

UK Shared Prosperity Fund	The council received funding following their LIP submission.
Rural England Prosperity Fund	
Engaging stakeholder effectively, including individual citizens and service users	
Communications Strategy	
Equalities Impact Assessment Template	
IT, Digital and Customer Service Strategy	The new strategy was adopted by Cabinet in May 2022.

Other Sources of Assurance

Openness

38. In the latter part of 2022/23, a draft Grants Policy has been developed which will put out to public consultation. A key change in the policy will look to introduce more transparent reporting on grants provided to the voluntary and community sector and promote this good work, for example, it is proposed that an annual report on grants is submitted to the council's Overview and Scrutiny Committee.
39. Council committee and other types of meetings are conducted both in person and in hybrid form in line with government legislation. The council has continued to use the most appropriate way of meeting recognising the benefits of both virtual and face-to-face meetings. In particular, there has been an increase in members of the public attending virtual or hybrid meetings as they reduce the need for travel. During 2022, a project commenced to upgrade the IT infrastructure in place to support council meetings. Hybrid equipment has been installed in the council's Committee Rooms to facilitate smaller hybrid meetings and this has been well received by officers and Members. Work is underway to install hybrid equipment in the Council Chamber, which will facilitate larger meetings. This will increase opportunities for residents, councillors and officers to watch or participate in meetings online, negates journeys to the Civic Centre and reduces travel across the Borough. This will in turn contribute to our ambition for the council to become carbon neutral by 2030. The proposed system in the Council Chamber is expected to be implemented by September 2023.

Engaging comprehensively with institutional stakeholders

40. During 2022, the council received funding allocations through the UK Shared Prosperity Fund and Rural England Prosperity Fund. To access the funding, local authorities were asked to create a Local Investment Plan (LIP) supported by local partners. Ashford's strong relationship with its partners through the Ashford Strategic Delivery Board meant that an approach to the LIP was supported early on. A local partnership group with key stakeholders, identified through our Corporate Plan process, was brought together and oversaw and supported our LIP.

41. Over the past year, a Land Mapping Commission, commissioned by the Executive Leader, undertook an independent land mapping exercise of the borough that will shape future strategies. In addition to council membership, representatives from a range of interested stake holders are included on the Commission including Southern Water, The Council for the Protection of Rural England, Homes England and the Kent Association of Local Councils and the River Stour Internal Drainage Board. The Commission's report is due to be published in April 2023.

Engaging with individual citizens and service users

42. Consultation and engagement with residents and communities have taken place on specific issues and projects over the past year including:

Topic	Type of engagement
Equality Policy and Action Plan Consultation	Online consultation
Environment and Land Mapping Commission: Parish Survey	Online consultation
Environment and Land Mapping Commission: Ashford College Survey	Online consultation
Ashford Borough Council Residents' Survey 2022	Online consultation
Thorne Estate Development: Stage 1	Online consultation
Land Between Eastmead Avenue and Torrington Road Site Development: Stage 1	Online consultation
Charing Neighbourhood Plan	Online consultation
Tile Kiln Road Site Development: Stage 1	Online consultation
Cost of Living Survey	Online consultation
PSPO Consultation – Coney Bear Site	Online consultation
Bockhanger Square	Online consultation

43. The Council undertakes a Residents' Survey every two years to 10,000 households across the Borough. Residents have the opportunity to give feedback on the council, the local area and their priorities for the future. Residents were invited to take part by post and the survey was open to

responses online between 3rd May and 17th June, with paper copies available on request. 1,133 complete responses were received, providing a healthy sample for confidence in further statistical analysis.

44. A number of questions this year focused on attitudes toward digitalisation and online provision, areas which were deemed to be of particular importance for the council going forward. The results indicated that residents' general views on the council and its performance have stayed broadly consistent. Satisfaction with key services remains high and efforts to improve community safety and communication with residents appear to have been effective. Feedback on the council's response to the pandemic was positive and residents were generally happy with digitalisation efforts. The continued importance of accessible in-person options for older and digitally excluded residents was also made clear.
45. A public consultation on the draft budget is held each year. The Budget Scrutiny Task Group scrutinises whether the draft budget is sound and achievable. In order to ensure that residents are able to provide their views on the draft budget proposals, it is suggested that alternative ways of consulting with them are explored during 2023/24 to inform the next round of budget consultation.

Key Improvement Area 2: To explore alternative ways of consulting with residents regarding the draft budget proposals for 2024/25.

46. A new strategy has been developed to bring together IT, Digital and Customer Services together with the aim of ensuring digital is at the forefront of improving the customer experience. The strategy was adopted by Cabinet during May 2022. In addition to this, the council's Digital Programme continues to work to improve online services and over the past year there has been significant focus to deliver a new planning system which was launched in the Summer of 2022, Further system upgrades are expected in the Safety and Wellbeing Service during 2023/24 that will aim to improve the customer experience as well streamline back office processes.
47. A review of consultation and engagement was undertaken by the council's Overview and Scrutiny Committee during summer 2022. The review looked at how the council approached public consultation and Members were particularly interested in how the council consulted with residents regarding current issues, new policies and projects. The review found that although public consultations had been undertaken for many policies, strategies and developments, a high response rate was not always received. The review resulted in eight recommendations that were approved by Cabinet in November 2022 and aimed to increase use a wide variety of methods of consulting with residents.

Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

Sources of Assurance

Source of Assurance	Developments in 2022/23
Defining Outcomes	
Corporate Plan	
Performance and action monitoring	Programme Management Group monitors key Corporate Plan Projects quarterly by theme through Highlight Reporting.
Risk Management Framework	
Risk Appetite Statement 2021	
Sustainable economic, social and environmental benefits	
Medium Term Financial Plan – Capital Programme and Investment Strategy	
Records of key Cabinet decisions and supporting materials	
Equality Objectives ensure fair access	
Project Management Toolkit	The toolkit will require updating during 2023/24.

Other Sources of Assurance

Defining outcomes

48. The Corporate Plan 2022-2024 is structured around three themes:
- **Green Pioneer** - Our long term aim: Every community and individual plays their part in becoming a carbon neutral borough, through a more sustainable way of life. And the natural environment is protected and enhanced.
 - **Caring Ashford** - Our long term aim: Towns, villages and rural communities are welcoming, safe places for all who live and work in them, offering a high quality of life where everyone is valued and respected.
 - **Targeted Growth** - Our long term aim: A thriving, productive local economy supporting a range of business and industry offering good work to local people and is recognised as a high quality visitor destination.
49. These along with the council's principles are all geared towards achieving the Ashford Ambition.

50. Monitoring of the council's Corporate Plan projects is undertaken through quarterly highlight reporting to the Programme Management Group. The group meets on a monthly basis and each meeting focuses on a different theme within the Corporate Plan. Project managers are required to complete a Highlight report which provides a summary of the overall status of their project and also includes detail of the budgetary position, risks and plans for the future.

Sustainable economic, social and environmental benefits

51. The council has a planned programme of projects which recognises the need for flexibility. These projects are brought together in the Corporate Plan action plan which sets out all the activities that will contribute towards delivering our objectives. The programme is overseen by the council's Programme Management Group and Regeneration, Infrastructure and Improvement Board.
52. A project management toolkit brings together a variety of tools to assist project managers in maximising the economic, social and environmental benefits of projects. The toolkit includes business case and project inception template, action logs, risks assessment guidance and project review documents for all project managers to use. A number of changes have taken place during 2022/23 which mean that the toolkit requires updating. This includes changes to our Section 106 Process and the need for digital projects to be scoped differently. In light of this, it is suggested that the toolkit be reviewed and changes communicated.

Key improvement area 3: The Project Management Toolkit should be updated to reflect the changes in the council's governance arrangements.

Principle D – determining interventions necessary to optimise the achievement of the intended outcomes.

Sources of Assurance

Source of Assurance	Developments in 2022/23
Determining interventions	
Cabinet reports include options appraisals	
Medium-Term Financial Plan	
Directors Meeting	
Director Service Sessions	
Programme Management Group	A new agenda template was adopted in November 2022, which aimed to focus on a particular Corporate Plan theme at each meeting.
Commercial and Digital Board	
Cabinet Forward Planning Sessions	
Council's transparency page	
Planning and programming Interventions	
Recovery Plan	
Cabinet forward plan	
Risk management Framework	
Internal Audit	Audit review of the council's approach to Section 106 was conducted.
Scrutiny Reviews	The Overview and Scrutiny Task Group reviewed the council's Section 106 Process.
Service planning aligns budgets, plans and objectives	
Communications Strategy	
Business Continuity Plans	
Emergency Plan	The KRF has conducted an Audit of itself and is looking to re-structure as a

	result of these findings.
Business Continuity Incident Management Team	
Weekly Policy Update	
Remote Working Policy	Remote Working Applications are being rolled out during the year.
Management Team Annual Programme	
Corporate Policy Tracker	It is proposed that a tracker is developed to store all council policies to ensure they are reviewed and updated regularly.
Optimising achievement of intended outcomes	
Procurement Strategy includes Social Value	The policy has been drafted and is due to be piloted during 2023.
Budget Scrutiny Task Group	
Appraisals	
Corporate Training Programme	
Personal Development Training	
Public consultation on Draft Budget	

Other Sources of Assurance

Determining Interventions

53. Following the council's senior management restructure in May 2022, it was decided that the council's Directors would meet on a weekly basis, to consider strategic issues and respond to performance and risks and changing circumstances as they emerge in an agile way. Director Service Sessions are also held on a quarterly basis for Directors to discuss individual service performance, current budget management, staff sickness and training as well as note any celebrations or successes.
54. During November 2022, it was agreed that the agenda format of the Programme Management Group meetings would change to ensure that updates to key corporate projects were communicated. Project managers are asked to produce quarterly highlight reports regarding projects in their service and each meeting focuses on a different theme in the Corporate Plan; Caring Ashford, Targeted Growth and Green Pioneer.

Planning and programming interventions

55. During 2021/22, the Mid Kent Audit Partnership completed an audit of the council's Section 106 process to test the controls in place against risks including the recording of planning obligations, trigger points being missed, the release and spend of monies in a timely way and how monies were spent. The Audit Committee has received updates on the audit outcomes and good progress has been made in responding to the recommendations outlined by the Partnership and 12 out of 15 of them have been actioned so far. Three actions are outstanding pending further improvements to the new Arcus planning software launched in the summer in order to fully enable the monitoring functionality. The Overview and Scrutiny Committee also conducted a review of the Section 106 processes during 2022 and eight recommendations for improving them were approved in November 2021. The recommendations from the review are being progressed within the Planning and Development Service, and the Committee are monitoring this.
56. Now that hybrid working has been fully embedded, Human Resources have identified a need to document informal arrangements in place between employees and line managers through a Remote Working Application. This will ensure that the operational needs of the organisation are being met whilst allowing flexible arrangements to continue. Guidelines around remote working have also been communicated during the year around the number of days an employee should work in the office and the importance of having face to face team meetings on occasion.
57. The Council has an extensive list of corporate policies that require reviewing every few years to ensure they are up to date. For example, some policies will need to be updated in line with changes to legislation. It is proposed that a corporate policy tracker is developed to ensure that all policies are stored in a central place which the Council's Management Team can oversee regularly and remind Services of upcoming review dates.

Key improvement area 4: A Corporate Policy Tracker is created to store all of the council's policies to ensure they are reviewed and kept updated.

Optimising achievement of intended outcomes

58. In response to the Public Services (Social Value) Act 2021, a Social Value Policy has been drafted setting out our approach for how the council's procurement activities will improve the economic, social and environmental well-being of the Borough. This has been formulated within the context of the Overarching Contract Standing Orders which guides our Procurement and Contracts Awards. The policy is due to be trialled internally during 2023 to test its suitability, with a view to adopting it the following year.

Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it.

Sources of Assurance

Source of Assurance	Developments in 2022/23
Developing the entity’s capacity	
Roadmap meetings	
Corporate Business Meeting	
Organisational Restructures	From 1 st April 2022, the council implemented a senior management restructure to help deliver the objectives outlined in the Corporate Plan.
Directors Meetings	
Director Service Sessions	
Programme Management Group	Regular highlight reports are produced for key corporate projects.
Developing the capability of the entity’s leadership and other individuals	
Executive Leader of the Council Briefings	

Developing the entity’s capacity

The council regularly reviews its resourcing needs and structures it has in place so that defined outcomes are achieved effectively and efficiently. From 1st April 2022, a new senior management structure was implemented to help deliver the council’s ambitious Corporate Plan. Following consultation with staff and the council’s Joint Consultative Committee, the new structure increased capacity at a strategic level. It has also introduced service areas that best fit the delivery of the Corporate Plan whilst encouraging cross-organisational working across programmes including digital, carbon reduction and commercialisation.

59. As part of the council’s digital programme, a new planning IT system was adopted in summer 2022. As the new system was considered a large scale transformation project, a lessons learnt report was compiled internally to understand what learning can be taken forward into future IT projects. Additionally, a scrutiny review was also conducted by the Overview and Scrutiny Committee during later 2022 to examine how the planning system was delivered. The review highlighted that more governance was required when delivering large projects and plans are being developed to ensure that greater monitoring takes place throughout project delivery and ensure lessons learnt are applied to future IT projects.

Key improvement area 4: A Corporate Policy Tracker is created to store all of the council's policies to ensure they are reviewed and kept updated.

Developing the capability of the entity's leadership and other individuals

60. Members had the opportunity to attend regular training sessions and briefings on relevant topics and are detailed in the Member Training Annual Report 2021/22. In addition to normal training sessions held during the year, Members also were invited to attend training on an individual basis and examples this year include KCC Community Services Consultation, the new Waste Contract and a presentation on the budget.
61. Ahead of the local elections that will take place on 4 May 2023, a comprehensive induction programme has been developed. In addition to training designed to assist with committee roles including Licensing, Overview and Scrutiny, Planning and Audit training, the induction programme will need to give a rounded view of what to expect when becoming a councillor and how the council serves its residents.
62. After successful programmes in previous years, the Ashford Manager Programme was held again during 2023 to develop the capability of individuals and assist with future succession planning. The course encompassed leading change, strategy, innovation and commercial awareness and provided the opportunity for managers from different services to develop networks and improve their understanding of stakeholders and collaborative working. To complement the programme, a wider suit of management development training has been created to support personal development planning and to prepare staff for future opportunities. The introduction of a more structured 1:1 also encourages discussion about personal development and skills.

Principle F - Managing Risk and Performance through robust internal control and strong public financial management

Sources of Assurance

Sources of Assurance	Developments in 2022/23
Managing Risk	
Risk management framework	Management Team met in May 2022 to review and update the councils corporate risk register.
Risks regularly considered by Audit Committee and Management Team	
Risk Management Software (Pentana)	
Risk Appetite Statement 2021	
Service Planning	
Managing Performance	
Quarterly performance reporting, including to Overview and Scrutiny	A new suite of KPIs were adopted as part of the Corporate Plan and the council's governance arrangements
Publication of all public committee minutes and agendas	
Robust internal control	
Internal and External Audit plans and reports	
Effective, resourced Internal Audit function	A new Head of Mid Kent Audit was appointed in 5 th December 2022
Managing data	
Designated Data Protection Officer	
Data Protection Policy	The Data Protection Policy Suite was reviewed by Cabinet in November 2022 to ensure that it remains relevant and fit for purpose.
Six monthly reporting on data protection issues and freedom of information requests	
GDPR Action Plan	

Data Protection Impact Assessment	
Remote working and portable devices guidance	
Quarterly budget monitoring reports to Cabinet	
Strong public financial management	
Statutory Guidance for Publication of accounts	

Other Sources of Assurance

Managing Risk and robust internal controls

63. An overarching review of the council’s risk register and risk appetite took place during a dedicated session with the council’s Management Team in May 2022. The register and risk appetite were reviewed to ensure that the strategic risks to the delivery of the Corporate Plan were fully captured and managed accordingly. The strategic risk register and risk appetite are reviewed quarterly by the council’s Management Team but will also be refreshed in 2024 in line with preparing the next Corporate Plan.
64. The draft budget proposals for the 2023/24 year included a savings programme of £1.42m. In order to close the year’s budget gap and to reduce the draw on reserves, it is imperative that the council deliver the recommended savings programme over the next few years and close the financial deficit within the council’s Medium Term Financial Plan (MTFP). It has been agreed that the council’s Overview and Scrutiny Committee will monitor the delivery of savings targets through regular reporting.

Key Improvement Area 5: To ensure that the council puts in a place governance arrangements for monitoring the delivery of its savings programme for 2023/24 to close the financial deficit within the council’s MTFP.

Managing Performance

65. During 2022, the council’s performance framework was extended to include business intelligence reporting to inform service delivery and resource allocation. For example, the Welfare Advisory Group used an interactive dashboard to identify where people could be vulnerable to the cost of living crisis, to inform where support should be provided. The Borough Profile has

also been produced in a dashboard format and provides demographic information to provide a picture of our local area.

Managing Data

66. The importance of data protection continues to be communicated across the organisation with regular information by way of a blog on the council's Intranet and Smart Hub.
67. Over the course of 2022/23, a review of our data protection policies and procedures took place. The Data Protection Policy has been updated, privacy notices reviewed and Records of Processing Activity updated, and particularly took into account departmental structure changes, tasks and activities.
68. Additionally, six monthly updates are provided to the council's Management Team to summarise any data protection issues and the number of freedom of information that have arisen during the six month period.

Strong public financial management

69. The council is required to follow statutory guidance for the publication of its accounts. Each year, this guidance is reviewed and updated, and this is reported to the Audit Committee. This informs members of any updates on the council's accounts and on the lessons learnt from the preceding year.

Principle G – Implementing good practice in transparency, reporting and audit to deliver effective accountability

Sources of Assurance

Sources of Assurance	Developments in 2022/23
Implementing good practice in transparency	
Annual Report	
Accessible website	
Transparency page	
Publications Scheme	
Implementing good practice in reporting	
Annual Report	The Council participated in the procurement of its new External Auditor for the Audit year 23/24 with Grant Thornton being reappointed by PSAA.
Annual financial statements	
Annual Governance Statement	
Corporate committee template	
Internal Audit function	
Assurance and effective accountability	
Head of Internal Audit	New Head of Internal Audit appointed in 5th December 2022
Six-monthly update on governance exemptions to Audit Committee	

Other Sources of Assurance

Implementing good practice in transparency

70. The council has a continued commitment to transparency and meeting relevant legislative requirements. Data published under the Governments Transparency Code is available on the transparency pages of the website. These data sets include council spending, salaries, fraud outcomes and the gender pay gap.
71. The Transparency pages also explain the Publication Scheme which details the different classes of information that are routinely made available; Freedom of Information, Environmental Information and Subject Access Requests. Also

available, is a comprehensive list of the council's policies and strategies which govern the way in which members and staff operate.

Implementing good practice in reporting

72. Reports to the council's committees are consistently presented through the use of a corporate committee template. The template ensures that due consideration is given to relevant factors to inform decision makers including equalities impact, financial implications, risks, carbon neutrality and consultation.
73. The Internal Audit function for the Council is delivered through the Mid Kent Audit Partnership, a 4-way shared service with Maidstone, Swale and Tunbridge Wells councils. The Audit Partnership provides internal audit, consultancy, and advisory support to the council, and delivers a programme of work (an audit plan) each year.
74. Based upon the audit assessment provided by the Head of Audit, Ashford Borough Council has adequate management, control and governance processes in place to manage the achievement of their objectives.

How effective is our governance in meeting these principles?

75. The assurances noted above – both the component 'sources' and the other developments made within the year – provided a comprehensive overview of the council's governance framework. **Generally these arrangements work well and allow the council to uphold good standards of accountability and effectiveness.**

Part 3: planned changes to governance areas in 2023/24

76. We do not consider that there have been any significant governance issues arising in 2022/23. However the actions detailed below are in place to maintain good governance arrangements throughout 2023/24.

77. These are in bold within the report, with a short action plan summarised below:

	Governance Area	Responsible	
1.	Changes to the Constitution should be track changed and presented to Full Council annually for formal approval.	Solicitor to the Council and Monitoring Officer	May 2023
2.	To explore alternative ways of consulting with residents regarding the draft budget proposals for 2024/25.	Head of Policy and Performance Service Lead Finance	November 2023
3.	The Project Management Toolkit should be updated to reflect the changes in the council's governance arrangements.	Head of Policy and Performance	September 2023
4.	A Corporate Policy Tracker is created to store all of the council's policies to ensure they are reviewed and kept updated.	Head of Policy and Performance	May 2023
5.	To ensure that the council puts in place governance arrangements for monitoring the delivery of its savings programme for 2023/24 to close the financial deficit within the council's MTFP.	Service Lead Finance	May 2024

78. Through further action during 2023/24 in the areas noted on the previous page, the council's overall governance arrangements will remain strong – and indeed will strengthen further.

79. These developments will be reported on to the Audit Committee during the year ahead, and will be considered fully within the next Annual Governance Statement.

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Agenda Item No: 8
Report To: Audit Committee
Date of Meeting: 21 March 2023
Report Title: Internal Audit & Assurance Plan 2023/24
Report Author: Katherine Woodward – Head of Mid Kent Audit Partnership
Job Title:

Summary:

This report sets out the proposed audit and assurance plan for Ashford Borough Council during 2023/24. It is based on the outcomes of risk assessments, consultation, industry and national trends and considers the resources and expertise available to the partnership.

Key Decision: NO

Significantly Affected Wards: All

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

- I. **Approve** the Internal Audit and Assurance Plan for 2023/24 (appendix a)
- II. **Note** the view that the Partnership has sufficient resources to deliver the plan and a robust Annual Audit Opinion.
- III. **Note** that the plan is compiled independently and without inappropriate influence from management

Policy Overview: The Public Sector Internal Audit Standards (The "Standards") require an audit service to produce and publish a risk-based plan, at least annually, for approval by Members. The plan must consider input from senior management and Members.

Financial Implications: The work programme set out in the plan is produced to be fulfilled within agreed resources for 2023/24 and so makes no new resource requests.

Legal Implications: The Council is required by Accounts and Audit Regulations 2015 to operate an internal audit service, including agreeing a plan at least annually (as described in appendix a). Therefore, the Council must approve an internal audit plan to maintain regulatory conformance.

Equalities Impact Assessment: No direct implications

Data Protection Impact Assessment:

Risk Assessment (Risk Appetite Statement):	The audit and assurance plan draws on the Council's risk management in considering the areas for audit examination.
Sustainability Implications:	N/A
Other Material Implications:	N/A
Exempt from Publication:	NO
Background Papers:	The appendix includes reference to the Public Sector Internal Audit Standards (full document at this link)
Contact:	Katherine-woodward@ashford.gov.uk Katherine.Woodward@midkent.gov.uk

Internal Audit & Assurance Plan 2023/24

Ashford Borough Council



MID KENT AUDIT

Introduction

1. This risk-based internal Audit Plan for 2023/24 provides adequate coverage to enable an annual Head of Audit Opinion to be made at the end of the financial year.
2. It is important that this Audit Plan has the flexibility to adapt and adopt to the changes and business priorities as they develop during the forthcoming financial year.

Risk Assessments

3. The Public Sector Internal Audit Standards direct that audit planning is built upon a risk assessment. This assessment must consider internal and external risks, including those relevant to the sector or global risk issues. This Plan for 2023/24 represents the current views now, but it will be necessary to continue to reflect and consider the audit response as risks and priorities change across the year. A specific update report will be provided to Members midway through the year.

Global and Sector Risks

4. In considering global and sector risks the risk assessment draws on various sources such as the IIA and CIPFA.
5. This year will continue to be another challenging year for Local Government in terms of funding, managing additional recruitment and technological advancement, which in turn may impact on the adequacy and effectiveness of the governance, risk and control framework of the Council. A number of key areas which require consideration when planning the internal audit coverage are set out below. These areas cut across many of the activities carried out by the Council. These areas are not a full listing, nor are they in any priority order. Indeed many are not mutually exclusive of each other.

“Multi-channel” customer engagement: Partly as a result of COVID-19 but also as process changes through improved technology, councils will need to embrace cutting edge technology. Adopting a multi-channel approach to customer engagement will enable council services to be more readily available, more accessible and more transparent.

Commercialisation: Councils are being driven towards being more self-sufficient and cost effective, with pressure to close funding gaps and



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rebalance budgets. Councils will already be operating in different financial and more commercial environments which have been tested by the business disruption associated with the COVID Pandemic.

Cyber Security: As more services move on-line, risks and vulnerabilities are likely to increase. Cyber security is as much about awareness and behaviours as it is about network security. Resilience needs to be regularly and stringently stress tested across the organisation to ensure it is operating effectively.

Financial Viability: With Council's emerging from the pandemic and Brexit, Councils have been faced with the reality of unbalanced medium financial plans without including significant potential savings. This has been further exaggerated as the country faces a cost-of-living crisis and is on the fringes of recession. The challenge to ensure a balanced budget is becoming more difficult for all councils.

Staff Wellbeing: Since the COVID-19 pandemic and a move to more agile working, mental health has been on the decline as a result of increased work demands and feelings of loneliness due to remote working. Staff turnover is at an all-time high. Managing the wellbeing and associated risks is crucial to ensure a stable workforce.

Climate Change: Councils are taking action to reduce their own carbon emissions and working with partners and local communities to tackle the impact of climate change on their local area.

Inflation: The forecast rises in inflation after a long period of stability has had an impact upon term contracts as well as budget management.

Council specific Audit Risk Review

6. This risk review incorporates two elements. The first element is the service's relative materiality to the Council's overall objectives and controls. The assessment includes consideration of:



Finance Risk: The value of funds flowing through the service.

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Priority Risk: The strategic importance of the service in delivering Council priorities.

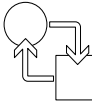


Support Service Risk: The extent interdependencies between Council departments.

7. The second element considers the reputational aspects of a failure of the effective operation of the internal control arrangements. The assessment includes consideration of:



Oversight Risk: Considering where other agencies regulate or inspect the service.



Change Risk: Considering the extent of change the service faces or has recently experienced.



Audit Knowledge: What do we know about the service? This considers not just our last formal review, but any other information we have gathered from, for example, following up agreed actions. We also consider the currency of our knowledge, with an aim to conduct a full review in each service at least every five years if possible.



Fraud Risk: The susceptibility of the service to fraud loss.

Audit Risk Prioritisation

8. The results of these various risk assessments provide a provisional Audit Plan. The provisional Plan is consulted on with the Managers, Heads of Service and Management Board to get their perspective on the audit assessment and from this the Risk Based Audit Plan for the financial year is produced.

Resourcing the Audit Plan

9. MKA is currently going through a period of significant staffing change. There are several vacant posts within the team The Head of Mid Kent Audit is

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currently reviewing the structure. It is likely to be July 2023 at the earliest before all the substantive posts are filled.

10. MKA also have access to sources of specialist expertise through framework agreements with audit firms, which includes access to subject matter experts.
11. The overall resource level is therefore based on the current audit team establishment and the chargeability for each grade. This calculation produces an available number of days across the four Councils to which MKA provides the internal audit service of 1,589 days.
12. Each Council receives a share in keeping with their contribution to the overall partnership budget. The Collaboration Agreement is to be subject to a comprehensive review during 2023/24. The Ashford Audit Plan for 2023/24 is broadly based on the current Collaboration Agreement, but taking into account the level of work required to deliver an annual Audit Opinion for each authority. This approach has identified 387 days to assign for the 2023/24 audit plan.
13. We hold a variety of qualifications that help to ensure that we provide a high-quality service. These include CIPFA, Certified and Chartered Internal Auditors, a Chartered Accountant, a Certified Risk Manager and Accredited Counter Fraud Technicians. We are also supporting an apprentice through level 7 audit qualification. This breadth of skills and experience, along with any new staff we will recruit as part of the review of the team will enable delivery of the audit plan.
14. MKA has the skills and expertise to deliver the 2023/24 Audit Plan and it is confirmed that planned audit work will enable a Head of Audit opinion for 2023/24 to be delivered in Spring 2024.
15. The actual number of days allocated are set out below:

Audit Projects	300 days	Members Support	12 days
Consultancy & Governance	27 days	Risk & Counter Fraud	3 days
Follow-up	21 days		
Audit Planning	24 days		

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Risk Based Audit: 300 Days

16. The primary part of Audit Plan is delivering risk based audit engagements. The list below is in alphabetical and do not imply any ranking within the group or intended delivery order. The timings for the individual reviews will be agreed with a suitable officer sponsor once the Plan has been approved.
17. The Audit Plan has been prepared in the knowledge that there is ongoing work throughout 2023/24 on reviewing the staffing and procedural efficiencies and Collaboration Agreements for Mid Kent Audit Partnership. Any proposed changes to the Audit Plan and the rationale for such changes, will be communicated to Senior Management Teams and Audit Committee Members.
18. Below we set out our audit engagements for the year ahead. We will agree the detailed objectives with the service as part of planning each review:

Ashford Borough Council Audit Plan 2023/24

Project Title	Previous Audit	Previous Results
Budgetary Control	2016/17	Sound
General Ledger	2016/17	Sound
Building Control	2017/18	Sound
Social Media	2016/17	Sound
Business Continuity	2016/17	Weak
CCTV and Monitoring	2017/18	Sound
Safeguarding	2018/19	Sound
Complaint Handling	2018/19	Sound
Conservation & Heritage		None
Elections Management	2019/20	Not Assessed
Policy Compliance	2016/17	Strong
Payroll and HR Systems		None
ICT Network Controls	2016/17	Sound
Home Improvement Grants	2017/18	Strong
Lettings	2017/18	Sound
Members' Allowances	2016/17	Sound

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Subsidiary Company Governance	2016/17	Sound
Housing Benefit	2017/18	Strong
Council Tax Reduction Scheme	2017/18	Sound
Street Cleansing	2016/17	Sound

Follow-up of Agreed Actions: 11 days

19. Time has been allocated to following up the actions arising from internal audit recommendations made and reporting the results to Senior Officers and Members.

Consultancy & Member Support: 39 days

20. A consultancy allocation provides general and specific extra advice or training to the Council. This allocation also provides support to Members, through attendance at and reporting to Committees.
21. This fund also provides a contingency to avoid having to cut short engagements and allow full exploration of significant findings.

Risk Management: 48 days

22. At Ashford MKA's responsibility encompasses tasks such as leading the risk management framework, keeping and updating strategic and operational risk registers. The responsibility for managing the identified risks remains with the relevant risk owners. MKA also compiles risk reporting to Senior Officers and Members, including an annual report to this Committee.
23. The plans for developing risk management in 2023/24 are set out in the Annual Risk Management Report.

Planning: 24 days

24. This time is allocated to complete the major part of the annual planning exercise, including updating risk assessments and consultation across the Council. The time is also used for identification of risks and issues across the Council, the wider public sector and the audit profession. This ensures the Audit Plan can remain dynamic and responsive to risk through the year.

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Counter Fraud Support: 18 days

25. At Ashford MKA'S responsibilities include writing and updating Counter Fraud and Whistleblowing policies, providing a channel for officers to raise concerns under the Public Interest Disclosure Act. MKA also acts as lead contact for the National Fraud Initiative, a data matching exercise co-ordinated by the Cabinet Office.
26. For 2023/24 it is intended to compile more detailed procedures for investigations, drawing on Cabinet Office Standards. We also aim to draw up training to support compliance with the Bribery Act and make clear where people should report any matters of concern.
26. The counter fraud support also includes conducting investigations on matters of concern. Additional time may be required for such work, and this will be drawn from the consultancy budget above.

Ashford BC Audit Progress Report and Sector Update

Year ending 31 March 2022

March 2023
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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 March 2023

2020/21 audit

We gave an unqualified opinion on the 2020/21 financial statements on 5 December 2022.

Our final fee for the 2020/21 audit is £88,439. This compares with our Audit Plan fee as reported to the July 2021 Audit Committee of £74,439. The additional fee reflects the volume of work associated with the technical issues and audit amendments reported in our Audit Findings Report, in particular those relating to;

- agreeing amendments in respect of council housing properties which had been valued using “Ashford, Surrey” market data
- considering the basis of valuation for the former B&Q site investment property asset under construction
- understanding the basis of valuation for heritage asset properties and reviewing updated valuations.

Our final fee is subject to approval by Public Sector Audit Appointments.

2021/22 audit

Financial statements

Our planning for the audit of the 2021/22 financial statements took place in November 2022. We presented our 2021/22 Audit Plan to the November 2022 Audit Committee.

Our detailed work on the audit of the Council’s financial statements commenced in December 2022. At the time of writing this report our sample testing work is substantially complete, subject to review procedures. However, our work is still in progress in a number of areas including;

- revaluations for other land and buildings, council housing and heritage assets
- creditors
- housing benefits payments
- collection fund – testing of discounts and reliefs.

We anticipate our work will still be in progress at 31 March 2023. Subject to the availability of finance team staff we will continue to work on the 2021/22 audit with the aim of completing our detailed testing ahead of starting our work on NHS accounts in late April. We anticipate presenting our Audit Findings Report summarising the outcomes from our audit to the July 2023 Audit Committee.

Value for money

We report the findings from our value for money work in our Auditor’s Annual Report. Under guidance issued by the National Audit Office we are required to issue our Auditor’s Annual Report no more than three months after the date of the opinion on the financial statements.

Planning for our 2021/22 value for money work commenced in March 2023. We anticipate completing our work and reporting our findings in line with the guidance issued by the National Audit Office.

Other areas

Events

We provide a range of workshops, networking events for members and publications to support local authorities.

Your officers attended our 2022/23 Accounts Workshop in February 2023, where we identified financial reporting and audit issues relevant to the 2022/23 local authority accounts.

Audit Deliverables

2021/22 Deliverables	Planned Date	Status
<p data-bbox="120 408 264 437">Audit Plan</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>	November 2022	Completed
<p data-bbox="120 558 421 587">Audit Findings Report</p> <p data-bbox="120 606 992 635">The Audit Findings Report summarises the outcomes from our audit.</p>	July 2023	Not yet due
<p data-bbox="120 670 338 699">Auditors Report</p> <p data-bbox="120 718 734 746">This is the opinion on your financial statements.</p>	July 2023	Not yet due
<p data-bbox="120 782 450 810">Auditor's Annual Report</p> <p data-bbox="120 829 1155 858">This Report communicates the key issues arising from our Value for Money work.</p>	July 2023	Not yet due

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:

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Public Sector

A purple rectangular button with the text "Local government" in white, sans-serif font.

Local
government

Exploring the reasons for delayed publication of audited local authority accounts in England – Grant Thornton

Recent performance against target publication dates for audited local authority accounts in England has been poor. There are some reasons for optimism that there will be an improvement in the timeliness of publication of audited accounts as foundations are being laid for the future.

In this report we explore the requirements for publication of draft and audited accounts and look at some of the reasons for the decline in performance against these requirements over time. Only 12% of audited accounts for 2021/22 were published by the target date of 30 November 2022. There is no single cause for the delays in completing local authority audits, and unfortunately there is no quick solution in a complicated system involving multiple parties. We consider a variety of factors contributing to delays, note the measures which have already been taken to support the local audit system and make recommendations for further improvement.

There are some reasons for cautious optimism that the system will begin to recover and there will be a gradual return to better compliance with publication targets. However, we consider that these are outweighed by a number of risk factors and that the September deadline for audited accounts set by DHLUC is not achievable in the short term and also not achievable until there is further significant change in local audit and local government.

We note the following matters that are yet to be tackled:

- clarity over the purpose of local audit
- the complexity of local government financial statements
- agreement on the focus of financial statements audit work
- an improvement in the quality of financial statements and working papers

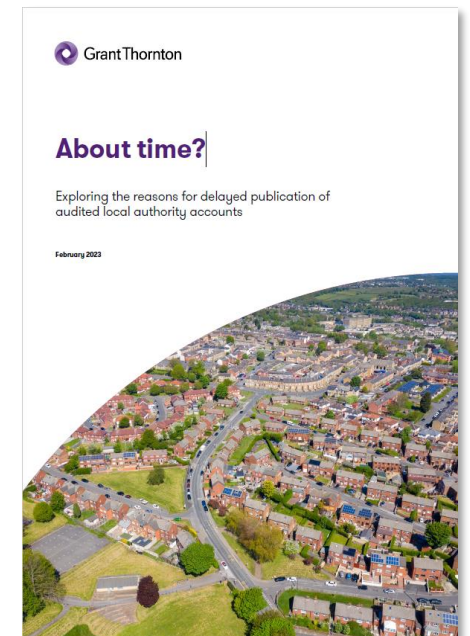
- an agreed approach to dealing with the backlog of local government audits
- Government intervention where there are significant failures in financial reporting processes

All key stakeholders including local audited bodies, the audit firms, the Department for Levelling Up Housing and Communities, PSAA, the NAO, the FRC and its successor ARGA, CIPFA and the Institute of Chartered Accountants in England and Wales will need to continue their efforts to support a coherent and sustainable system of local audit, acknowledging that it will take time to get things back on track.

We make recommendations in our report for various stakeholders, including Audit Committees and auditors, and include a checklist for consideration by management and Audit Committees within an Appendix to the report.

Read the full report here:

[Report: key challenges in local audit accounting | Grant Thornton](#)



Grant Thornton – Lessons learned- procurement and contract management

In December 2022 Grant Thornton published a national report on the key themes from 53 Annual Auditor Reports for 2020-21 and from other recent high profile public reports.

Local government spends more than any one individual central government department on goods and services, including the Department of Health and Social Care.

Procurement and contract management is working well at many local authorities. Where it has gone wrong, significant risks have arisen in relation to the use of public money, service delivery, and the reputation of the councils concerned. We considered five themes and made 15 recommendations for local authorities to reflect on.

The five themes are:

1 Strategic Planning

- Strategic alignment
- Sharing the strategy
- Understanding the implications of using alternative service delivery models

2 Internal control

- Procedures – fully comprehensive and fully documented
- Re-procurement when contracts end
- Tone at the top

3 Time, technical expertise and people

- Each aspect of resourcing can be problematic
- Each aspect of resourcing can be problematic
- Timescales should not be rushed

- Strong technical skills are needed to sense check supplier proposals and avoid the need for later changes
- The Central Procurement Unit (CPU) can provide oversight and cohesion
- CPU and service line staff need to understand one another and co-operate.

4 Commercial awareness

- Understanding price
- Anticipating trends
- Sharing knowledge in a timely manner

5 Contract management

- Maintaining contract, waiver and breaches registers
- Setting clear roles and responsibilities
- Using indicators that map back to strategy
- Multi-year arrangements

Summary

- Regular training, both for members and officers, remains important.
- Effective leadership and communication, relationships built on openness and trust, market awareness, and a sense of common purpose can be just as important as mastering the technical and regulatory requirements.
- Underpinning our findings is the need for individuals involved in procurement activity to ensure they adhere to the Nolan Principles of Public Life.

<https://www.grantthornton.co.uk/insights/local-government-procurement-and-contract-management-lessons-learned/>



Audit Market Developments

Financial Reporting Council Report On The Quality Of Local Audit

In late October 2022 the Financial Reporting Council (FRC) published its inspection findings into the quality of major local body audits in England, which includes large health and local government bodies.

The Quality Assurance Department (QAD) of the Institute of Chartered Accountants in England and Wales (ICAEW) inspects a sample of local audits that do not meet the definition of a ‘major’ local audit and the FRC’s report also includes a summary of their findings.

The FRC reported that 71% of Grant Thornton audits inspected (7 in total) were assessed as either good or limited improvements required.

This is a pleasing result and reflects on our significant investment in audit quality over recent years. The positive direction of travel over the past five years is illustrated below:

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The FRC also inspected our work on VfM arrangements at four bodies.

It is pleasing to note that all of these inspections were assessed as requiring no more than limited improvements (which is the same as the previous year).

As far as the ICAEW are concerned, overall, the audit work reviewed was found to be of a good standard.

Seven of the eight files reviewed (88%) were either ‘good’ or ‘generally acceptable’, but one file ‘required improvement’.

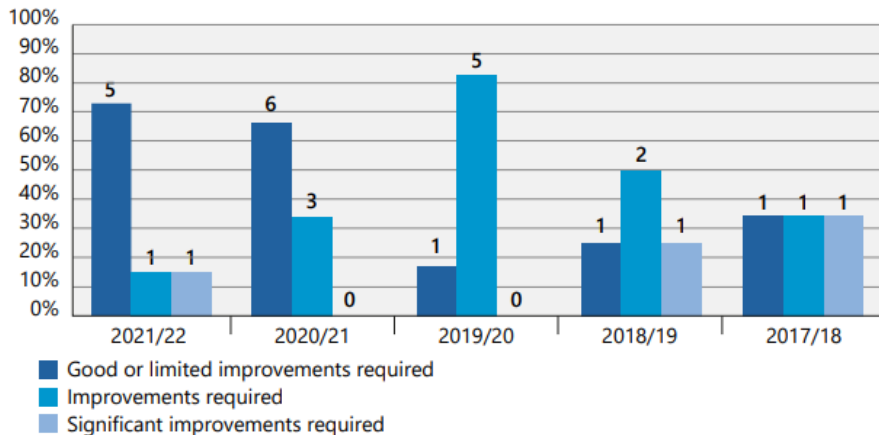
The ICAEW identified one of our files as requiring ‘Improvement’ – but it should be noted that this was a 2019-20 file and therefore the learnings from prior years’ review could not have been taken into account, an issue recognised by the ICAEW in their report to us.

The ICAEW found that our VfM work was good on each of the files reviewed, and they did not identify any issues with this aspect of the audit teams’ work.

Whilst are pleased with our continuing improvement journey, we continue to invest in audit quality to ensure that the required standards are met.

The full report can be found [here](#).

Our assessment of the quality of financial statement audits reviewed



Financial Reporting Council



Audit Market Developments (continued)

Local Government External Audit Procurement

Public Sector Audit Appointments Ltd (PSAA) has recently announced the outcome of its national procurement of audit services across the Local Government sector.

This exercise covers the audits from 2023/24 to 2027/28 and covers the 470 local government, police and fire bodies (99% of eligible local bodies) that opted into the national scheme.

We are delighted to have been reappointed as the largest supplier of local government audit. The public sector has played a significant role within the firm for over 30 years and we remain committed to the success of the sector.

Our UK Public Sector Assurance (PSA) team employs 440 people, including 29 Key Audit Partners and specialists in financial reporting, audit quality, and value for money.

The team is dedicated to public audit work in local government and the NHS, with contracts with PSAA, Audit Scotland and over 100 health bodies. The Public Sector Assurance team is a regular commentator on issues facing the sector and oversees the firm's thought leadership, such as its series of publications on grants and public interest reports.

Mark Stocks, lead Partner for PSA at Grant Thornton, said 'This is a very welcome outcome and reflects our previous delivery as well as our ongoing commitment to invest in the public sector.'

Further information can be found [here](#)



Grant Thornton – Nearly 60 councils at risk of ‘running out of money’ next year

Grant Thornton has warned that the soaring cost of living combined with a decade of austerity could see up to a sixth of English councils fully deplete their reserves in 2023-24 without substantial spending cuts.

Research found that, as a result of higher inflation, councils are expected to have a cumulative budget deficit of £7.3bn by 2025-26 – an increase of £4.6bn since forecasts made at the beginning of this year.

Grant Thornton said that although reserves were bolstered by more than £5bn in 2020-21 due to higher government funding, these balances will “continue to unwind through the long tail of Covid-19” with close to 60 councils forecast to use all earmarked and unallocated reserves next year.

Without additional income, authorities would need to make savings of over £125 per person by 2025-26, equal to the average yearly spend on homelessness, sports and leisure, parks and open spaces, libraries and waste services.

Phillip Woolley, Head of Public Services Consulting at Grant Thornton, said: “Local government has faced unprecedented demands and pressures over the last decade and without action from both central government and councils, in the face of these inflationary pressures, the list of authorities in need of exceptional support looks set to grow quickly.

“Our research shows the additional Covid-19 funding, while critical to support immediate challenges, has not addressed underlying systemic issues or the precariousness of councils’ financial sustainability in the face of economic instability.

“Local authorities are also now facing the risk of interest rate rises, increasing debt financing costs and the real risk of reduced funding from central government, in response to the current economic turmoil facing the country. Without committed intervention from all sides, there is a risk that the sector levels down instead of up.”

Grant Thornton estimated unitary authorities would have the largest budget gap (£1.8bn) by 2025-26, but district councils would have the largest gap compared to net spending at 10.2%.

The firm added that austerity and changing policy demands have left councils struggling to innovate in their services and prevented investment in finance and procurement, diminishing the sector’s ability to tackle medium-term challenges.

Grant Thornton said additional government funding alone will not lead to improvements, and that councils should focus on improving governance and developing financial stability plans.

Joanne Pitt, local government policy manager at CIPFA, said: “With no spending review and no fair funding review, CIPFA shares Grant Thornton’s concerns about the financial sustainability of some in the sector.

“While there are actions local authorities can take to strengthen their own financial resilience, they are facing significant inflationary pressures and rising demand which makes this hugely challenging for the sector.”



Audit Committees: Practical Guidance For Local Authorities And Police – CIPFA

In October CIPFA published this guide, stating “This fully revised and updated edition takes into account recent legislative changes and professional developments and supports the 2022 CIPFA Position Statement. It includes additional guidance and resources to support audit committee members, and those working with and supporting the committee’s development.”

CIPFA go on to state “Audit committees are a key component of governance. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. They play an important role in supporting leadership teams, elected representatives, police and crime commissioners and chief constables.

This edition updates CIPFA’s 2018 publication to complement the 2022 edition of the CIPFA Position Statement on audit committees.

The suite of publications has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee.

New aspects include legislation changes in Wales and new expectations in England following the Redmond Review. All authorities and police bodies are encouraged to use the publication to review and develop their arrangements in accordance with the Position Statement.

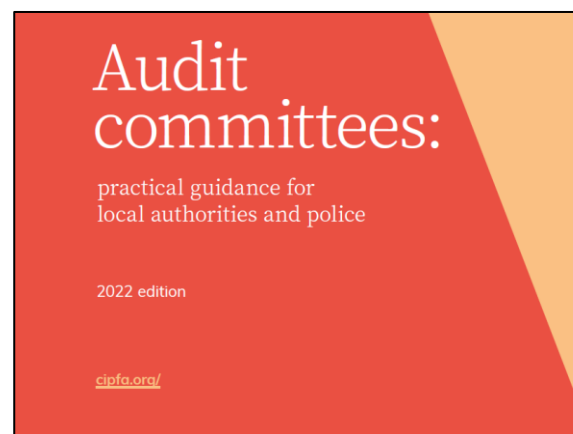
The appendices include suggested terms of reference, a knowledge and skills framework and effectiveness improvement tools.”

The guide covers a number of key areas for Audit Committees, including:

- Purpose
- Core functions:
 - Governance, Risk and Control
 - Accountability and Public Reporting
 - Assurance and Audit arrangements
 - Ensuring focus
- Independence and accountability
- Membership and effectiveness

The guide can be purchased via the CIPFA website:

[Audit Committee Guidance: 2022 update | CIPFA](#)



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Agenda Item No: 10
Report To: Audit Committee
Date of Meeting: 21 March 2023
Report Title: Presentation of Financial Statements
Report Author & Job Title: Monica Hutanu - Senior Accountant
Portfolio Holder: Cllr. Shorter
Portfolio Holder for: Finance & IT

Summary: The Council is required to follow statutory guidance for the publication of its accounts and each year this guidance is reviewed and updated. This report will look at the impact of these updates on the Council's accounts for 2022/23.

The Council has completed a review of its accounting policies that will be used for the publication of the statement of accounts; they are presented in **Appendix A**.

The accounts will be prepared on a 'going concern' basis.

Key Decision: No

Significantly Affected Wards: None specifically

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

- I. Note the report**
- II. Approve the accounting policies for the 2022/23 accounts in Appendix A**

Financial Implications: None

Legal Implications The Council is required to produce an annual set of accounts

Equalities Impact Assessment Not Required

Other Material Implications: None

Exempt from Publication: **NO**

Contact: monica.hutanu@ashford.gov.uk

Presentation of Financial Statements

1. This report is to update members on the progress of the production of the Statement of Accounts 2022/23 (the Statement) and how changes are to be managed and implemented.
2. Members are asked to note the report and approve the 2022/23 Accounting Policies.

Introduction and Background

3. The Council is required to produce an annual statement of accounts for the financial year ending 31 March. These are then audited by the Council's external auditor and an opinion issued by the end of September.
4. The timetable for closedown has been finalised for the financial year ending the 31 March 2023 with an estimated production date of 22 May 2023, with a statutory date to publish draft accounts being 31 May 2023. Grant Thornton will then audit the Accounts with an opinion issued by 30 September 2023.
5. To be noted that the Department for Levelling Up, Housing and Communities (DLUHC) are currently running a consultation in regards to the deadline of publishing the draft accounts at 31 May. The results of this review will be known after 2 March, when this exercise closes.
6. This year there are no significant changes to the code (Code of Practice on Local Authorities Accounting) for incorporation into the final accounts for 2022/23.

2022/23 Statement of Accounts Audit

7. The audit timescales have changed for the 2022/23 accounts. Last year the deadline set for signoff was moved to 30 November to release some of the pressure on the External Audit teams as the original timescales were not achievable. This has now been moved to 30 September. The Council is still aiming to finalise the draft accounts for end of May deadline, should this deadline not be extended following the review exercise DLUHC are currently carrying.
8. The accounts closedown process will be co-ordinated by the Senior Accountant, Monica Hutanu, with the Service Lead for Finance, Lee Foreman, overseeing the process.

9. 2021/22 accounts are still being audited and Grant Thornton will be providing an update at this meeting.
10. The current target is to have a completed final draft by 31 May, key deadlines below:
 - a. Service Accounts and Collection Fund to be closed by 14 April
 - b. Balance Sheet Codes to be closed by 5 May
 - c. Draft Statement by 22 May
11. However the above deadlines could be changed should DLUHC provide an extension for publishing the draft accounts, in order to relieve the pressure on the accounting team and reduce the gap between when the draft accounts are published to the time the audit starts.

Changes to the Code

12. The code provides an update with respect to a temporary solution when accounting for infrastructure assets.
13. Upon reading the changes to the code, the accounting team believes that these changes are already implemented within our accounting policies and have no effect on 2022/23 accounts.

Going Concern Principle

14. The Council has set a balanced budget for 2022/23 and has a Medium Term Financial Plan that demonstrates that the Council is a 'going concern' and will operate for the foreseeable future. As such the accounts will be prepared on this basis.

Looking ahead Accounting Changes

15. The introduction of further changes to the accounting standards that manage the accounting for Financial Instruments and Leases was going to be adopted in 2020/21 however this has been postponed to 2024/25 accounts.
16. IFRS 16 Leases change from finance leases to Right of Use Assets. Fundamentally this change will see all leases recognised on the balance sheet where the Council is the lessee.
17. A review is ongoing to assess the impact of this accounting change and the impact on the accounts, it is not expected to be significant.

Accounting Policies for 2022/23

18. There are no major changes to the Accounting Policies so far, and these are at **Appendix A**.
19. The Accounting Policies in Appendix A, include two new policies referring to Goodwill and Inventory.
20. These have been included to explain to the readers the way the Council accounts for these assets within the Statement of Accounts.

Next Steps in Process

21. There will be a Members training session prior to the presentation of the draft statement to this Committee, where any questions or issues from Members can be discussed with officers.
22. In September the Statement of Accounts will be submitted for signing to the Audit Committee and the external auditors audit findings will be presented.

Conclusion

23. Members are asked to note the changes to the final accounts process, approve the Accounting Policies in **Appendix A**.

Portfolio Holder's Views

24. To be given at the meeting

Contact and Email

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Accounting Policies

General Principles

The Statement of Accounts summarises the Authorities transactions for the 2022/23 financial year and its position at the year ending 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which are being prepared in accordance with proper accounting practices. These practices primarily comprise the 'Code of Practice on Local Authority Accounting in the United Kingdom 2021/22' (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1. Accounting Concepts and Conventions

The Going Concern basis has been selected for the preparation of these accounts based on the assumption that the Council will operate for the foreseeable future.

Qualitative characteristics are the attributes that make the information provided within this Statement of Accounts, useful to users. The International Accounting Standards Board (IASB) Framework sets out the two fundamental, qualitative characteristics and four enhancing, qualitative characteristics of financial statements, which have been adopted by the Code:

- Fundamental
 - relevance
 - faithful representation
- Enhancing
 - comparability
 - verifiability
 - timeliness
 - understandability

The Code also includes consideration of materiality as a qualitative characteristic and the Framework considers it as part of the fundamental characteristic of relevance.

2. Accruals of Income and Expenditure

With the exception of the Cash Flow Statement, including its notes, and the Collection Fund, the Statement of Accounts is presented on an accruals basis.

The accruals basis of accounting requires the non-cash effect of transactions to be reflected in the Statement of Accounts for the year in which those effects are experienced, and not in the year in which the cash is actually received or paid. In particular: fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services; interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract. As per IFRS 15, revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

Where income and expenditure have been recognised, but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. There is a de minimis limit for manual accruals (not automatic accruals) which has been increased to £10,000 to aid faster closing, transactions below this limit are not accrued for as they are deemed not material to the understanding of these accounts.

3. Estimation Techniques

Estimation techniques are the methods adopted by the Council to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes in reserves. Details of where these are used are contained in the relevant Note to the Accounts. Where a change in an estimation technique is material, an explanation of the change is provided and its effect on the results for the current period.

4. Costs of Internal Support Services

All costs of management and administration are fully allocated to services. The basis of allocation used for the main costs of management and administration are outlined below:

Cost	Basis of Allocation
Accounting and other services	Budgeted time spent by staff, as predicted by budget managers
Legal services	Actual time spent by staff, as recorded on time recording systems
Administrative Buildings	Per capita
IT support of corporate financial systems	Actual direct costs (hardware costs etc.) plus cost of estimated staff resources
Network/PC support	Per capita

Executive Support, Call Centre, Customer Contact Centre and Printing	Actual use, as recorded by monitoring systems
Internal Audit	Per audit plan
Payroll and Personnel Costs	Per capita
Debtors and Creditors	Per transaction

5. Council Tax and National Non-Domestic Rates

Revenue relating to council tax and business rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions. Revenue is recognised when it is probable that the economic benefits of the transaction will flow to the Council and the amount of revenue can be measured reliably.

The council tax and business rates income included in the Comprehensive Income and Expenditure Statement is the accrued income for the year, which consists of:

- The Council's council tax precept and business rate share from the Collection Fund i.e. the amount billed for the year; and
- The Council's share of the actual council tax and business rates surplus or deficit on the fund at the preceding year-end that has not been distributed or recovered in the current year.

The latter is not required by regulation to be credited to the General Fund and so is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves on the General Fund balance. The Council, as billing authority, recognises the creditor in its balance sheet for cash collected from taxpayers and businesses on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors.

6. Charges to Revenue

Service and Support Service Accounts are debited with amounts to record the cost of holding non-current assets used in the provision of services. These amounts include the annual provision for depreciation, certain revaluation gains/losses and impairment losses and the amortisation of intangible assets. The amounts are subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account so that they do not impact on the amounts required from local taxation.

Capital charges made to the Housing Revenue Account are the amounts as determined by statutory provision.

External interest payable is debited in the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure

Statement and amounts set aside from revenue for the repayment of external loans, are charged to the General Fund Balance in the Movement in Reserves Statement.

7. Revenue Expenditure Funded from Capital Under Statute

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the expenditure being carried on the Balance Sheet as Property Plant and Equipment. The purpose of this is to enable it to be funded from capital resources rather than being charged to the General Fund and have a direct impact upon Council Tax. These items are generally grants and expenditure on property not owned by the Council. Such expenditure is charged to Cost of Services in the Comprehensive Income and Expenditure Statement but subsequently reversed in the Movement in Reserves Statement to the Capital Adjustment Account.

8. Government Grants and Contributions

Grants received are credited to the Comprehensive Income and Expenditure Statement when the income is recognised and, once conditions have been met. Revenue Grants specific to a particular service will be shown against the service expenditure section. General Revenue Grants, in the form of Revenue Support Grant, and Capital Grants are credited and disclosed separately in the Taxation and Non-specific Grant Income section in the Comprehensive Income and Expenditure Statement.

Capital Grants and Capital Contributions will subsequently be transferred through the Movement in Reserves Statement to the Capital Adjustment Account or the Grants Unapplied Account, if expenditure has not been incurred.

If conditions have not been met, grants will be held as a creditor (Grants received in advance) on the Balance Sheet until conditions are met or grants are repaid.

9. VAT

VAT is accounted for separately and is not included in the Comprehensive Income and Expenditure Statement, whether of a capital or revenue nature. Input VAT, which is not recoverable from HM Revenue and Customs, will be charged to Service Revenue Accounts, or added to capital expenditure as appropriate. The Council's partial exemption status is reviewed on an annual basis.

10. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. The goodwill arising from acquisitions of subsidiaries is included in intangible assets, tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is tested for impairment at least annually. Should the test indicate

that the net realisable value of the subsidiary is less than current carrying value, an impairment loss will be recognised immediately in the Comprehensive Income and Expenditure Account. Subsequent reversals of impairment losses for goodwill are not recognised.

11. Heritage Assets

Heritage assets are carried at valuation (e.g. insurance valuation) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon. Valuations are determined by the insurance valuation or where not available, the historical cost. Although there are no prescribed minimum periods for review, the assets will be reviewed in line with the insurance policy and material changes will be incorporated into the accounts. A de-minimis level has been set at £10,000 for heritage assets based on the method of valuation above.

12. Assets Held for Sale (Current Assets)

These assets have been declared surplus to the Council's operational requirements, are being actively marketed for disposal and have an estimated sale date within twelve months of the Balance Sheet date. They are reported on the Balance Sheet, at the lower of the carrying amount or the fair value (market value) of the asset, less the costs to sell the asset. Assets held for sale are not subject to depreciation. Potential 'Right-to-buy' sales are not accounted for until the date of sale, as they are not actively marketed in any conventional way.

13. Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will benefit the Council for more than one financial year.

An intangible asset is initially measured at cost but will be revalued where the fair value of the asset differs significantly from its carrying value. The depreciable amount is amortised over its useful economic life to the relevant service section in the Comprehensive Income and Expenditure Statement, but subsequently reversed through the Movement in Reserves Statement to the Capital Adjustment Account.

14. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). The cost of items of inventory which take a substantial period of time to complete includes attributable borrowing costs.

The net realisable value of inventories is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provisions are made for any slow-moving, obsolete or defective inventories.

15. **Investment Assets**

These assets are held solely to earn rentals and/or capital appreciation. The property cannot be used for any other purpose to be classed as an investment asset.

They are held initially at cost and subsequently at fair value, being the price that would be received to sell such an asset.

Properties are not depreciated but are revalued annually according to market conditions at the year-end.

16. **Property, plant and equipment**

16.1. **Recognition**

All expenditure on the acquisition, creation, or enhancement of these assets is capitalised on an accruals basis. These assets are depreciated on a straight-line basis.

16.2. **Recognition Definition**

Property, plant and equipment are tangible assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

The category is split into seven subcategories.

- Council Dwellings;
- Other Land and Buildings;
- Vehicles, Plant, Furniture and Equipment;
- Infrastructure Assets;
- Community Assets;
- Surplus Assets;
- Assets Under Construction.

The Accounting policy for each type of asset is detailed below:

16.3. **Council dwellings**

These assets are held on the Balance Sheet at current value but discounted to allow for the Existing Use Value for Social Housing (EUV-SH).

An annual valuation is carried out by a qualified surveyor in accordance with the latest guidance issued by the Royal Institute of Chartered Surveyors (RICS) as at 31 March. Material changes will be reflected in the accounts if they arise after the valuation.

16.4. Other Land and Buildings

These assets are held on the Balance Sheet initially at cost, however are revalued and updated with a desktop revaluation annually. All property and land will be fully valued at least once within the 5-year cycle.

IFRS requires the consideration of componentisation for material items of property, plant and equipment, where they are of a material financial nature or have significantly differing life expectancies. The Council has set a minimum asset value of £1,000,000 and a component size of at least 10% of the value.

16.5. Vehicles, Plant, Furniture and Equipment

These assets are recognised in the Balance Sheet at cost and are subject to straight-line depreciation over the expected life of the asset.

16.6. Infrastructure Assets

These assets are recognised in the Balance Sheet at cost and are subject to straight-line depreciation over the expected life of the asset.

16.7. Community Assets

These are defined as assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and allotments. These assets are held on the Balance Sheet at historic cost and are not subject to revaluation or depreciation.

16.8. Assets under Construction

This covers assets currently not yet ready for operational purposes. The Council does not depreciate nor revalue assets under construction. These assets are held at cost on the Balance Sheet.

16.9. Surplus Assets

These assets are not being used to deliver services and are held at fair value which is the price that would be receivable if sold.

16.10. Valuations

Increases in valuations are matched by credits to the Revaluation Reserve to recognise revaluation gains. However, where the increased valuation follows a previous reduction in the carrying value below its historic cost, gains would be credited to the service expenditure in the Comprehensive Income and Expenditure Statement to reverse the loss previously charged to a service. The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account. On revaluation, accumulated depreciation is written out.

16.11. Depreciation

Depreciation on assets with a finite useful life, in line with International Accounting Standard (IAS) 16, is calculated on a straight-line basis according to the following policy:

- All assets with a finite useful life are depreciated on a straight-line basis over the asset life. The life of buildings is reviewed as part of the asset revaluation. The life of vehicles, plant and equipment is generally taken to be five years, unless evidence exists to support a longer or shorter life.
- Newly acquired assets and enhancements are depreciated in year one, assets in the course of construction are not depreciated until they are ready for use, starting in the following year.
- In accordance with recognised accounting practice, land owned by this Council is not depreciated.

Following removal of the transitional arrangements from 1 April 2017, Council Dwellings and other HRA land and property are depreciated in line with proper accounting practices.

16.12. Impairment of Non-current Assets

A review for impairment of non-current assets, whether carried at historical cost or valuation, is carried out at year-end to ascertain whether events or changes in circumstances, indicate that the carrying amount of the asset may not be recoverable. Examples of events and changes in circumstances that indicate impairment may have been incurred include:

- a significant decline in the asset's fair value during the period;
- evidence of obsolescence or physical damage to the asset;
- a significant adverse change in the statutory or other regulatory environment in which the authority operates;
- a commitment by the authority to undertake a significant reorganisation.

In the event that an impairment is identified, the value will either be written off to the Revaluation Reserve where sufficient reserve levels for that asset exist, or written off to Service Expenditure through the Comprehensive Income and Expenditure Statement where the carrying value falls below the historic value of the asset. Any impairment at the Balance Sheet date is shown in the notes to the core financial statements, along with the name, designation and qualifications of the officer making the impairment.

If the impairment is identified on an investment property, the value is written out to the Financing and Investment Income section in the Comprehensive Income and Expenditure Statement.

16.13. Gains or Losses on Disposal of Property Plant and Equipment

When an asset is disposed of or de-commissioned, the carrying value of the asset and any receipts from the sale, together with the costs of disposal, are shown on the Other Operating Expenditure section in the Comprehensive

Income and Expenditure Statement which, therefore, bears a net gain or loss on disposal.

Where the receipt is in excess of £10,000, it is appropriated to the Capital Receipts Reserve, via the Movement in Reserves Statement, where it can be used for any approved capital purpose, e.g. for new capital investment. The carrying value of the disposed asset is appropriated to the Capital Adjustment Account from the Movement on Reserves Statement. Costs of disposal are accounted for within the Other Operating Expenditure section in the Comprehensive Income and Expenditure Statement.

17. Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or series of payments, the right to use an asset for an agreed period.

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease. A definition of a lease includes hire purchase arrangements.

17.1. Finance Leases

As lessee, the Council shall recognise finance leases as assets and liabilities at amounts equal to the fair value of the property or, if lower, the present value of the minimum lease payments.

Minimum lease payments are apportioned between the finance charge (interest) and the reduction of the outstanding liability. The finance charge is calculated to produce a constant periodic rate of interest on the remaining balance of the liability.

The Council recognises an asset under a finance lease in the Balance Sheet at an amount equal to the net investment of the lease.

Assets recognised under a finance lease are depreciated; the depreciation policy for leased assets is consistent with the policy for other property, plant and equipment. Where it is not certain that ownership of the asset will transfer at the end of the lease, the asset is depreciated over the shorter of the lease term and its useful economic life. After initial recognition, assets recognised under a finance lease are subject to accounting policies in the same way as any other asset.

As lessor, the Council derecognises the asset and show this as a long-term debtor. Lease rentals receivable are apportioned between a charge for the acquisition of capital (applied to write down the lease debtor) and finance income – which is credited to the Financing and Investment Income section in the Comprehensive Income and Expenditure Statement. The Code required this income to be treated as a capital receipt and therefore, it is reversed out via the Movement in Reserves Statement to the Capital Receipts Reserve. For finance leases that existed at 31st March 2010, regulations allow these capital receipts to remain credited to the Comprehensive Income and Expenditure Statement.

17.2. Operating Leases

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the benefits received by the Council.

18. Current Assets and Liabilities

18.1. Short term Debtors and Creditors

With exception set out above (policy no 2), the Revenue and Capital accounts of the Council are maintained on an accruals basis in accordance with the Code and other relevant IASs. That is, sums due to or from the Council during the year are included, whether or not the cash has actually been received or paid in the year.

18.2. Impairment Allowance for Bad and Doubtful Debts

The figure shown in the Statement of Accounts for Debtors is adjusted for bad debts. This amount is to provide for debts that are unlikely to be collected in future years. The percentage used to reduce the Debtors figure is based on historical evidence of collection and management judgements.

19. Contingent Assets and Contingent Liabilities

Contingent assets are not recognised in the Statement of Accounts. They are disclosed by way of notes if the inflow of a receipt or economic benefit is probable. Such disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

Contingent liabilities are not recognised in the accounting statements. They are disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits. For each class of contingent liability, the nature of the liability is disclosed together with a brief description, an estimate of its financial effect, an indication of the uncertainties relating to the amount or timing of any outflow and the possibility of any reimbursement.

20. Short term and long-term Provisions

The Council sets aside provisions for specific liabilities or losses which are likely or certain to be incurred, but the amounts or the dates on which they will arise are uncertain. The value of the provision must be the best estimate of the likely liability or loss. When utilised, the payment is charged to Provisions and not to Service Expenditure.

21. Reserves

The Council holds Usable and Unusable Reserves. Usable Reserves give the Council discretion to meet expenditure without having a direct impact on Council Tax. In contrast, Unusable Reserves do not give the Council such discretion and are kept to manage the accounting processes for non-current assets, financial instruments and employee benefits.

Usable Reserves are created when the Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. These reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. No expenditure is charged directly to a reserve but is charged to the service revenue account within the Comprehensive Income and Expenditure Statement; this is then offset by a reserve appropriation within the Movement in Reserves Statement. The exception is amounts required for the repayment of external loans and for financing capital expenditure from revenue sources. Where this applies, amounts are appropriated from the General Fund Balance in the Movement in Reserves Statement.

The General Fund Balance acts as a working contingency to meet unforeseen and unforeseeable costs including those relating to emergencies. Earmarked reserves, such as the repairs and renewals reserve, are for specific purposes. The Capital Receipts Reserve can only be used for certain statutory purposes such as financing capital expenditure.

The Major Repairs Reserve is required by statutory provision to be set up in relation to the Housing Revenue Account.

22. Employee Benefits

Three categories of employee benefits exist, under IAS 19 and IPSAS 25 Employee Benefits, as detailed below.

22.1. Benefits payable during employment

- Short-term employee benefits arise during a financial year or are those due to be settled within 12 months of the year-end. They include wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees, and are recognised as an expense for services in the year employees render service to the Council.
- Benefits earned by current employees but payable twelve months or more after the end of the reporting period such as, long-service leave or jubilee payments and long-term disability benefits.

Where considered of a material nature these are accrued.

22.2. Termination benefits including Exit Packages

This covers costs that are payable as a result of either an employer's decision to terminate an employee's employment before the normal retirement date; or

an employee's decision to accept voluntary redundancy in exchange for those benefits. These are often lump-sum payments, but also include enhancement of retirement benefits and salary until the end of a specified notice period, if the employee renders no further service that provides economic benefits to the entity.

In the event of notice of termination being served on an employee, the costs of redundancy are accrued to the year that the notice is served, but other costs will be charged to the year they are incurred. These costs are charged on an accruals basis to the appropriate service or, where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement where the Council is committed to the termination of employment.

22.3. Post-employment benefits

As part of the terms and conditions of employment of its employees, the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Code requires the Council to account for this benefit at the time that employees earn their future entitlement. The amount charged to the Comprehensive Income and Expenditure Statement for employee's pensions is in accordance with IAS19 Retirement Benefits, subject to the interpretations set out in the Code. This is accounted for in the following ways:

- Pension liabilities, attributable to the Council, are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and projected earnings for current employees etc.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return.
- The assets of the pension fund attributable to the Council are included on the Balance Sheet at their fair value:
 - Quoted securities – current bid price;
 - Unquoted securities – professional estimate;
 - Unitised securities – current bid price;
 - Property – market value.
- The change in net pensions liability is analysed into five components:
 - Current service cost – the increase in liabilities as result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the service where employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non-Distributable Costs.

- Net interest on the net defined benefit liability (asset) – the change during the period in the net liability (asset) that arises from the passage of time. This is debited/ (credited) to the Financing and Investment Income and Expenditure section of the Comprehensive Income and Expenditure Statement.
- Gains/losses on settlements and curtailments – the result of actions to relieve the Council of liabilities or actions that reduce the expected future service or actuarial benefits of employees - debited to the net cost of services in the Comprehensive Income and Expenditure Statement as part of the Non-Distributable Costs.
- Actuarial Gains and Losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the assumptions have been updated - debited to the Comprehensive Income and Expenditure Statement.

Under IAS 19, the Council recognises as an asset or liability, the surplus/deficit in pension costs calculated in accordance with the standard. This surplus/deficit is the excess/shortfall of the value of assets when compared to the present value of the pension liabilities. Where the contributions paid into the Pension Fund do not match the change in the Council's recognised liability for the year, the recognised cost of pensions will not match the amount required to be raised in taxation. Any such mismatch is to be dealt with by an equivalent appropriation to or from the Pension Reserve together with any actuarial gains/losses. The difference between the recognised net pension liability and the amounts attributed to this Council in Kent County Pension Fund are shown in the Balance Sheet as Pensions Liability and this is offset by the Pensions Reserve (an adverse balance). The Local Government Pension Scheme, applicable to this Council, is administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension's liabilities with investment assets over the average future working life of its employees.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The latest formal valuation of the Kent County Pension Fund was at 31 March 2019 and changes to contribution rates as a result of that valuation took effect on 1 April 2020.

23. Financial Instruments

The Code has significant disclosure requirements relating to Financial Instruments (e.g. loans and investments). They relate to the identification of the various types of Financial Instruments, gains and losses arising from transactions during the year, comparative valuation statements, and the assessment of risks associated with holding Financial Instruments. Detailed disclosure of the Council's holding of Financial Instruments is included in Note **Error! Reference source not found.**

23.1. Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and

Expenditure classification in the Comprehensive Income and Expenditure Statement for interest payable, are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The reconciliation of amounts charged to the Financing and Investment Income section in the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed in the Movement in Reserves Statement by a transfer to or from Unusable Reserves (Financial Instruments Adjustment Account).

23.2. Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)
-

Financial Assets Measured at Amortised Cost Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure sections in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement. Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure section in the CIES.

Financial Assets Measured at Fair Value through Profit of Loss (FVPL) Financial assets that are measured at FVPL are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services, although they are reversed out through a statutory override.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis. The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – unobservable inputs for the asset. Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure section in the Comprehensive Income and Expenditure Statement.

Financial Assets Measured at Fair Value through other Comprehensive Income (FVOCI) It is the policy of the Council that certain equity assets will be designated as Financial Assets Measured at Fair Value through other Comprehensive Income. Designation is considered when the investment would normally fall into the Fair Value through Profit of Loss classification, the investment meets the definition of an equity instrument and is not held for trading.

Any designation is determined so that a reliable accounting policy is maintained for the investment reflecting the long term strategical nature of each investment. Designation is irrevocable so that gain/losses in movements in fair value are not recognised in usable reserves until the investment matures or is sold.

23.3. **Financial Instrument Risk**

The Code requires Authorities to estimate the “Fair Value” of their Financial Instruments and compare them with the carrying amounts which appear on the Balance Sheet. The Fair Value estimate will include the future discounted cash flows associated with the Councils’ Financial Instruments as at 31 March and should reflect prevailing interest rates as at that date.

The Code identifies the following three types of risk associated with Financial Instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

The Code requires Authorities to produce a sensitivity analysis, detailing the impact of a 1% interest rate change. A full assessment of these risks, including the sensitivity analysis, is included in Note 23.

These disclosure requirements are equally applicable to outstanding debtors, see Note **Error! Reference source not found.** for an analysis of debtors. In addition to this, a provision for impairment is also included in the Statement.

24. **Cash and Cash Equivalents**

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of change in value and are shown on the Balance Sheet at their nominal value; these include investments that can be accessed immediately without incurring a penalty, such as call accounts. Cash and cash

equivalents are shown net of any bank overdraft that forms part of the Council's cash management.

25. **Private Finance Initiative (PFI)**

PFI contracts are agreements to receive services, where the responsibility for making available Property Plant and Equipment needed to provide the services, passes to the PFI contractor. As the Council is deemed to control the services that are provided under its PFI schemes and as the ownership of the Property Plant and Equipment will pass to the Council at the end of the contract at no charge, the Council carries the Property Plant and Equipment used under the contract on the Balance Sheet.

The original recognition of these Property Plant and Equipment was balanced by the recognition of a liability, for the amounts due to the scheme operator to pay for the assets, net of any capital contributions made.

The stock is recognised at current value less the EUV-SH factor and additions are measured at cost, as per the contractor model. Lifecycle costs are accounted for when they occur.

Property Plant and Equipment recognised on the Balance Sheet are revalued and depreciated in the same way as Property, Plant and Equipment owned by the Council.

The amounts payable to the PFI operators will be analysed into the following elements:

- Fair value of the services received during the year;
- Finance charge – an interest charge on the balance sheet liability;
- Payment towards the liability.

26. **Group Accounts**

Group Accounts are prepared in accordance with IFRS 10 (consolidated financial statements) and IFRS 12 (disclosure of interest in other entities), where it is considered that the Council has a material interest in subsidiaries. Where applicable the following principles will be followed:

Basis of Consolidation

Group Accounts will be prepared on the basis of a full consolidation of the financial transactions and balances of the Council and a relevant subsidiary. Any gains and losses arising from a subsidiary will be fully reflected in the Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cashflow Statement within the Group column.

Accounting Policies

Group Accounts will be prepared using consistent accounting policies where possible; where there are conflicting policies with IFRS requirements, then the requirements of the Code of practice for Local Authority accounting will be adopted for consolidation purposes.

Where Intra-group charges occur, they will be removed during consolidation of the accounts.

The decision to group account is determined by Qualitative and Quantitative materiality, therefore when considering whether to group, not only the values are relevant, the interest to all stakeholders is also taken into account.

27. Exceptional Items and Prior Year Adjustments

Exceptional items are included in the cost of the service to which they relate, or on the face of the Comprehensive Income and Expenditure Account, if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item is given within the notes to the accounts.

Prior year adjustments arise as a result of a change in accounting policies or to correct a material error. When either of the circumstances applies, the Council will show the extent of the adjustment in a table, reconciling the adjusted opening and closing balances and/or comparative amounts shown for a prior period.

28. Events after the Balance Sheet Date

Where an event occurs after the Balance Sheet date, favourable or unfavourable, which provides evidence of conditions that existed at the Balance Sheet date, the amounts in the Statement of Accounts and any affected disclosures should be adjusted.

Where an event occurs after the Balance Sheet date and is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts should not be adjusted but a disclosure made, including:

- the nature of the event;
- an estimate of the financial effect.

Events after the Balance Sheet date should be reflected up to the date when the Statement of Accounts is authorised for issue, as per the approved policies by the council.

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Audit Committee - Future Meetings

2023/24

Dates to Note			
Date of Meeting	21/03/2023		
Publication of Agenda Date	09/03/2023		
Reports to Management Team	02/03/2023		
Full Council	20/04/2023		
Items for Inclusion on the Audit Agenda			
Part I - For Decision			
1	Section 106 Audit – Weak Assurance Report – Follow Up	AB/SC	
2	Parking Cash Collection – Partial Weak Assurance	KW/AB	
3	Corporate Risk Register (on agenda every six months)	CH	
4	Approval of Annual Governance Statement	AS	
5	Internal Audit and Assurance Plan 2023/24	KW	
6	Progress update on the 2021/22 External Audit	Gr Th	
7	Presentation of Financial Statements	MH	
Part II - Monitoring/Information Items			
8	Report Tracker for Future Meetings	KM	

Dates to Note		
Date of Meeting	20/06/2023	
Publication of Agenda Date	08/06/2023	
Reports to Management Team	01/06/2023	
Full Council	20/07/2023	
Items for Inclusion on the Audit Agenda		
Part I - For Decision		
1	Internal Audit Annual Report & Opinion 2022/2023	KW
2	Informing the Audit Risk Assessment 2023/24	LF/Gr Th
Part II - Monitoring/Information Items		
3	External Audit Progress Report	Gr Th
4	Report Tracker & Future Meetings	KM

Dates to Note		
Date of Meeting	03/10/2023	
Publication of Agenda Date	21/09/2023	
Reports to Management Team	07/09/2023	
Full Council	19/10/2023	
Items for Inclusion on the Audit Agenda		
Part I - For Decision		
1	Corporate Risk Register (on agenda every six months)	CH
2	Annual Governance Statement – Progress on Remediating Exceptions	CH
3	Corporate Enforcement Support & Investigations Team Annual Report 2022/23	DD
4	Annual Report of the Audit Committee	KW
5	Audit Fee Letter	MH
Part II - Monitoring/Information Items		
6	External Audit Progress Report	Gr Th
7	Report Tracker & Future Meetings	KM

Dates to Note		
Date of Meeting	19/12/2023	
Publication of Agenda Date	07/12/2023	
Reports to Management Team	16/11/2023	
Full Council	07/03/2024	
Items for Inclusion on the Audit Agenda		
Part I - For Decision		
1	Statement of Accounts 2021/22 and External Auditors Findings	LF
2	Homes England – Compliance Audit Annual Report for Ashford Borough Council	MJ
Part II - Monitoring/Information Items		
3	Internal Audit Interim Report	KW
4	2022/23 Audit Plan (External Audit)	Gr Th
5	External Audit Progress Report	Gr Th
6	Report Tracker & Future Meetings	KM

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