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4th February, 2020

Dear Cllr Krause,

**Ashford Borough Council – Financial Statements for the year ended
31 March 2020**

To comply with International Auditing Standards, we need to establish an understanding of the management processes in place to prevent and detect fraud and to ensure compliance with law and regulation. We are also required to make inquiries of management as to their knowledge of any actual, suspected or alleged fraud. International Auditing Standards also place certain obligations on auditors to document Management's view on some key areas affecting the financial statements.

To assist us in meeting these requirements, I would be grateful if you would consider and formally respond to the matters set out in the schedule set out in **Appendix 1**.

I would be grateful for your response by Tuesday 11th February 2020.

Please contact me if you wish to discuss anything in relation to this request, either by telephone 020 7865 2905 or by email on the following address: ke.ma@uk.gt.com. Alternatively, please contact Trevor Greenlee, Audit Manager on 7880 456 148 or Trevor.Greenlee@uk.gt.com.

Yours sincerely

Ke Ma
Audit Associate
For Grant Thornton UK LLP

Appendix 1: Responses from the Committee

Auditor question	Response
Fraud risk assessment	
Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	<p>The Council has a risk assessment (date) the Council uses this to measure where to focus its anti-fraud initiatives.</p> <p>We also use a risk based verification method in the Revenues and Benefit team when considering risks.</p> <p>In response to the Governments lockdown measures the Council took the decision early in the process to move the date for publication of the draft Statement of Accounts to the 31 Aug 20. This decision allowed officers to ensure the processes and procedures to produce the accounts were still thorough and free from error and fraud.</p>
What are the results of this process?	<p>The audit Committee were presented with the annual results of the Investigation and Enforcement Support Team in October 2019.</p> <p>This report highlighted £656,026 which was identified over various areas such as long term empty properties, council tax and right to buy sales of council stock.</p> <p>The team has also reviewed Small Business Rates Relief, identified as an area of high financial risk, the review will include all 1,800 applications.</p> <p>Business that have not registered for business rates, including properties that have undeclared holiday lets are being reviewed.</p> <p>Working with the Council's housing service cases of subletting, false succession and property abandonment have also been investigated, resulting in a saving of £7,200</p>
What processes does the Council have in place to identify and respond to risks of fraud?	<p>Risk management is an inherent part of the work of members, the management team, service managers, and line managers. We have an established risk management process, that focuses on strategic and service risks and instils a good discipline and culture that is risk aware. These processes link to financial reporting in various ways. Strategic financial risks – the overall financial position, and financial risk associated with key strategic projects – are handled through various reporting processes, including the financial planning processes (this also includes the formal scrutiny stage), and the preparation of business plans and reports to members that take forward our key projects, and the risk register itself (reported to and owned by the Audit Committee).</p> <p>For major projects a governance framework exists (the Ashford Strategic Delivery Board) that monitors and discusses progress, including key financial issues and risks and the management of these.</p> <p>The statutory financial statements are informed by all of these various processes and where necessary disclosures are made</p>

Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	<p>Risk areas :</p> <ul style="list-style-type: none"> • Housing, presents a number of fraud risks which are hard to detect. A number of initiatives have been trailed such as a 'key amnesty' resulting in four sets of keys being returned. A data matching exercise aimed at identifying unlicensed Houses in Multiple Occupation. The Councils housing repairs team have received fraud awareness training. • Revenues discounts and exemptions, the team data match against Abavus/CRM records and electoral roll to remove fraud and error. • Parking permit holders names were matched against council tax and electoral roll in order to highlight discrepancies and errors. This resulted in approximately thirty applications/permits being removed which cleared the waiting list and reduced complaints.
Are internal controls, including segregation of duties, in place and operating effectively?	<p>Yes and these are reviewed on an annual basis by Grant Thornton and also periodically by internal audit.</p> <p>In response to the lock down staff worked from home. All staff had previously been issued with laptops and the ability to log on through a portal and work on their desk top as if still in the work place. The internal controls remained the same and the revised working practices had little impact on these measures.</p>
If not, where are the risk areas and what mitigating actions have been taken?	NA
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	No
Are there any areas where there is a potential for misreporting?	No
How does the Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	The Committee approves the Internal Audit Charter as prescribed by the Public Sector Internal Audit Standards. The audit charter defines the role of internal audit on fraud related work.
What arrangements are in place to report fraud issues and risks to the Committee?	Internal audit report on fraud and other risks to the committee
How does the Council communicate and encourage ethical behaviour of its staff and contractors?	Training, policies, support from specialist staff in contracts and legal, communications in news letters etc. Internal audits compliance with policies.
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	The Council has a 'Speaking Up' Policy which encourages staff to voice concerns at an early stage.

Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	None have been brought to my attention
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2019?	None have been brought to my attention
Laws and regulations	
What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	Each year the Council's Annual Governance Statement sets out how it complies with the local Code of Corporate Governance and its Risk Management Policy. This includes respecting the rule of law. All reports to members are assessed for legal compliance and implications
How does management gain assurance that all relevant laws and regulations have been complied with?	See above
How is the Committee provided with assurance that all relevant laws and regulations have been complied with?	See above
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2019?	No
What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Any litigation and claims would be assessed using our usual accounting policies to assess the appropriate accounting treatment. We assess material claims on an individual basis.
Is there any actual or potential litigation or claims that would affect the financial statements?	No – we understand the material threshold is £1m The NHS claim for charitable business rates relief was unsuccessful. It was a judgement not to accrue for this last year. Whilst the NHS has stated an intention to appeal the case a judgement will be needed to consider the accounting treatment.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	No
Going Concern	
How has the Committee satisfied itself that it is appropriate to adopt the going concern basis in preparing the financial statements?	The Council has set a balanced budget for 2020/21 and this has been scrutinised at Overview and Scrutiny Budget Task Group. The main sources of budget funding remain Council Tax and Business Rates, which are set in advance and remain low risk. The Council has set aside monies in an Economic

	<p>Risk Reserve to mitigate the impact of downturn in its commercial income.</p> <p>The Committee is satisfied that there are robust processes in place for monitoring of variances to the budget during the year. Cabinet receives Financial Monitoring reports at regular intervals.</p> <p>In response to the budget pressure created by the pandemic the Council has reviewed its MTFP and created a Recovery Plan which has been reported to Cabinet in July 20. The Committee is satisfied that these measure and the use of the Council's reserves in the short term are sufficient to allow the Council to adopt the going concern basis in preparing the financial statements.</p>
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Yours sincerely

Councillor Larry Krause

Chairman of the Audit Committee