

Ashford Borough Council Audit Committee

Minutes of a Virtual Meeting of the Audit Committee held on Microsoft Teams on the 16th March 2021.

Present:

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

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

Apology:

Cllr. Mulholland.

In attendance:

Cllrs. Campkin, Clarkson, Ledger.

Director of Finance & Economy, Head of Finance & IT, Accountancy Manager, Compliance & Data Protection Manager, Deputy Head of Audit Partnership, Audit Manager, Member Services Officer.

Engagement Manager – Grant Thornton UK.

276 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 24th November 2020 be approved and confirmed as a correct record.

277 Internal Audit and Assurance Plan 2021/22

The Deputy Head of Partnership introduced the Plan, which was a standing annual item on the agenda. He explained that it was a risk-based plan, and the risks taken into consideration included local, global and sector risks. The pandemic had demonstrated how volatile the environment could be and highlighted the importance of the Audit Plan's response to those risks. The process of compiling the Plan was outlined, and attention was drawn to paragraph 24 regarding the audit days available from the Partnership to ABC. The Audit Partnership recognised that demand for resources could become challenging in the future as the Council expanded, but the Deputy Head of Partnership confirmed that he was satisfied that the programme of work over the coming year could be delivered.

The audit engagements for the year ahead were outlined in the report, along with an indicative scope and focus for the review. Based on the risk assessment and consultations with management, a priority level had been allocated to each of the audit projects. Additional contingency had been built into the Plan, to acknowledge the likely uncertainties in the coming year.

The report was then opened up for discussion and the following points/questions were raised:

- The Chairman explained that extra days from the Audit Partnership could be used in the event that Ashford Port Health required extra time/resources, since it was an unknown.
- In response to a question asking where consultancy work fitted within the priorities, whether it was on an ad-hoc basis or interwoven throughout the year, it was confirmed that the allocations process had been carried out and Priorities 1 and 2 were scheduled over the 12-month period. The outputs would be reported back to the Committee.
- It was established that recruitment to the vacancies mentioned in paragraph 20 would be from April 2021 onwards. The Partnership were keen to nurture internal talent and supported the apprenticeship scheme. A Member voiced his support of both the growth of skillsets within the team and the enlistment of apprentices. The Deputy Head of Partnership confirmed that there had been no pressure on the Partnership Team to reduce resources, and the current vacancy would be recruited to. The term 'cross cutting' was explained as referring across authorities to bring greater insight and learning together. A Member observed also that at paragraph. 21 the 420 days mentioned had been rounded.
- Progress of the Plan would be reported back to the Committee, and a forecast would be presented, alongside the Audit Committee Report Tracker.

Resolved

That the Audit Committee:-

- i) Voted and unanimously approved the Internal Audit & Assurance Plan for 2021/22 (Appendix A).**
- ii) Noted the view that the Partnership had sufficient resources to deliver the plan and a robust Annual Audit Opinion.**
- iii) Noted that the plan was compiled independently and without inappropriate influence from management.**

278 Internal Audit Charter & QAIP 2021/22

The Deputy Head of Partnership presented this item and advised that the report sought the Committees approval. The first part of the report set out the Council's version of implementing the Public Sector Internal Audit Standards. The Charter, which had previously been approved, had been updated largely to reflect the administrative changes following appointment of the Deputy Head of Audit Partnership as Chief Audit Executive for the Council. The second part of the report was the Quality Assurance and Improvement Programme and outlined the two key

objectives of the programme. The first objective was to clarify how the Partnership upheld the quality and integrity of their work and the second was to make plain their commitment to self-reflection on reviewing and improving delivery. The Committee's attention was drawn to one specific point concerning the assurance ratings and findings priorities, which was likely to be delayed, owing to the pandemic.

Resolved:

The Committee voted and unanimously approved the Internal Audit Charter 2021/22 and noted the QAIP.

279 Presentation of Financial Statements

The Accountancy Manager introduced this item, which ensured the Council followed the statutory guidance for the publication of its published accounts 2020/21. He highlighted a couple of changes including IFRS 16 Leases being deferred to 2021/22 and the continual need to provide additional evidence and focus around assumptions the Council made. Following the pandemic, the Accountancy Team were looking to bring forward the closing of accounts to the end of May, to avoid the audit budget-setting round. The audit sign-off was expected to be in September, although there were a number of factors that could impact on this date being delayed.

A Member asked for clarification about the distribution of grants by ABC, and whether there would be external audits of those grants and their allocation. It was confirmed that these were grant specific; those that came from central government were not audited, Sales, Fees and Charges were reviewed by Ministry of Housing Community & Local Government as the data was submitted, and grants received from Kent County Council did require a report back to them.

Resolved:

The Committee voted unanimously to approve the accounting policies for the 2020/21 accounts in Appendix A and noted the report.

280 Corporate Risk Register Report

The Compliance & Data Protection Manager introduced this item and confirmed that the report was the six monthly update of the risk register. The Committee was being asked to agree the assessments and the adequacy of key controls to manage the risks, and also to determine whether there were any specific risks that would benefit from a more detailed report to be brought to a future meeting. As with the previous update six months ago, the risk profiles remained elevated due to the impact of the pandemic. Some key changes to the strategic risks since the last meeting included the impacts caused by Stodmarsh, and other planning related risks including Chilmington and the delivery to expected timescales of planning permissions. There was also a new risk to reflect the work around the Port Health Authority. Financial risks had increased in areas linked to income streams, there was however healthy resilience in reserves. Although there were no specific changes to compliance risks, it was important to be mindful of these in the current environment.

A Member asked where the Property Company, the Council's commercial portfolio and K College would appear on the risk register, and whether the Council could be exposed to some risk, either reputational or commercially. The Chairman confirmed that K College was listed on the risk register. In regards to the Property Company and commercial property, the Compliance & Data Protection Manager explained that it would have its own arrangements and risk assessment in place, and she confirmed that commercial property was listed in the register under financial risks. The Director of Finance & Economy expounded on this in terms of the treasury management risk, an example of which would be the risk of defaulting on loans. Steps to mitigate these types of losses were in place in the form of charges on the properties and securing loans on that basis.

A Member asked for clarity around the point on page 7 of the report concerning reduced risk profile in relation to insufficient reserves in response to an unforeseen event. The risk remained high due to the remaining Covid situation, and the Member wondered whether it should instead be listed as a continuing risk, rather than a reducing one. The Director of Finance & Economy explained that when the original risk was identified, the Council had poor income levels and there were significant budget pressures at that time. The Government had responded well to the pandemic in their provision of funding, and taking a broad viewpoint across the sector, the Council were now able to balance the budget. The level of earmark reserves were around the same level as they were at the end of the previous financial year, and so it was right that although the risk remained, it had reduced somewhat. If a new pandemic were to happen, and government funding was no longer forthcoming, then this would result in an increase to that risk. The Member and Chairman acknowledged and thanked the Finance Team involved with completing the budget during such an adverse period, and extra acknowledgement was given across the Council to the corporate effort in reducing the budget.

Resolved:

The Committee voted and unanimously agreed the assessments and the adequacy of key controls to manage the risks.

281 Approval of Annual Governance Statement

The Compliance & Data Protection Manager introduced this item, explaining that the Statement was submitted annually to the Committee as a requirement of the Accounts and Audit Regulations 2015. It was designed to summarise the effectiveness of the Council's governance arrangements over the last year, and also provided details of additional areas where the organisation's governance would develop further over the forthcoming year. She highlighted the Councils need to operate differently in response to Covid, which was detailed within the Statement. Areas of focus for improvement were identified as:

1. Developing a Digital Communication Strategy, to build on the successful digital communications campaigns delivered during 2020.
2. Developing an equalities policy, which reflected the council's objectives and explained how it intended to deliver them.

3. Review the council's risk appetite statement as set out in the Risk Management Framework.
4. Review cyber security and data protection arrangements in light of remote working during 2020 and continue to communicate cyber security and data protection advice to staff.
5. Reviewing the Executive arrangements in the constitution to ensure they present in a clear fashion the Local Government and Public Involvement in Health Act 2007, and to capture the new Port Health service.

Resolved:

The Committee voted and unanimously approved the 2020/21 Annual Governance Statement.

282 2019/2020 Annual Audit letter

The Engagement Manager from Grant Thornton introduced this item, which summarised the key findings arising from the work carried out at Ashford Borough Council for the year ending 31st March 2020. Grant Thornton were satisfied that the Council had put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources, and this was reflected in the audit report to the Council on 21st January 2021.

Resolved:

The Audit Committee noted the Annual Audit Letter.

283 Audit Progress Report

The Engagement Manager from Grant Thornton presented this item, which provided a report on progress in delivering on responsibilities as the Council's external auditors. He highlighted the knock on effect of the pandemic which meant that Audits were taking longer to complete and in response, Grant Thornton had explored ways of addressing that issue. One solution was to change the programme of work across 12 months to ensure efficiency in terms of addressing the accounts at the end of the year. He went on to speak about the 2019/20 Housing Benefit Claim, and out of a sample of sixty, there were two errors found which required additional auditing. The results of which were negligible, some minor amendments and reports sent to Department for Work & Pensions, but the subsidy would remain at the same level and the Engagement Manager stated that it was commendable that there was such a relatively low error rate, given the high volume of claims. He gave particular thanks to the Revenues & Benefits Manager and his team for their help with that work.

The Chairman and Members echoed the thanks and praise given by the Engagement Manager and acknowledged the Revenues & Benefits Team for their hard work and efforts, particularly considering the vast amount of transactions within the Claim and the detail it went into. The Director of Finance & Economy would pass on this message of thanks and recognition. He added that in addition to the Housing

Benefit Claim, many members of that team had also been administering extra Business Rate Grants Relief and Test & Trace awards.

The Director of Finance & Economy also drew Members attention to the section of the report detailing the Redmond Review, which put into context some of the issues that Local Authorities were experiencing.

Resolved:

The Audit Committee noted the Audit Progress Report.

284 Report Tracker & Future Meetings

The Chairman invited Committee Members to contact him directly with any suggestions for future topics. The next Audit Committee Meeting was scheduled for 15th June 2021.

The Deputy Head of Audit Partnership reminded the Committee that they had previously agreed a programme of briefings, and invited Members to voice any preferred subjects they would like covered at those sessions. The Chairman mentioned a training session that he had recently attended, after a recommendation from the Deputy Head of Audit Partnership and said that it was extremely useful. Another Member voiced her thanks to the Committee and Officers for their efforts in making all the reports and documents concise and relevant.

Resolved:

That the Report Tracker be noted.