

Audit Committee

Minutes of a Meeting of the Audit Committee held in Committee Room 1, Civic Centre, Tannery Lane, Ashford on the **20th July 2021**.

Present:

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

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

Also Present:

Cllrs. Burgess, Sparks.

In attendance:

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

Audit Manager – Grant Thornton UK.

79 Minutes

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

Resolved:

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

80 Draft Statement of Accounts 2020/21

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

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

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

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

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

Resolved

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

81 2020/21 Audit Plan - Grant Thornton

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

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

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

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

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

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

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

Resolved

That the Audit Committee

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

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

82 Report Tracker & Future Meetings

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

Resolved:

That the Report Tracker be received and noted.