

# Audit Committee

## Annual Report 2020/21

Ashford Borough Council

## **An introduction from Chairman Cllr Larry Krause**

*As we wrapped up our annual report last year, we were already in the midst of the pandemic. We knew the year ahead was going to be unlike any we had faced before, and that the Committee was not immune to the challenges and risks presented by the Pandemic. However, I don't think anyone could have predicted that 18 months later we'd still be feeling the impact and continuing to face risks and challenges from Covid-19. We truly have been working through unprecedented times, not just as Members and Officers, but as a Country.*

*The Committee met 3 times in 2020/21, and I am pleased to say that attendance was maintained, and contributions during those meetings were of a high quality. Like all other Committees, we moved to a fully remote model of governance during the year and utilised new technology to enable Officers to present their reports and updates. While this was a significant change, it was one that the Committee embraced. It enabled us to fulfil our duties, while following Government guidelines and keeping everyone safe. Moving to a remote platform also meant we were able to rethink how to deliver briefings and training. For the first time, we invited all Members to our professional development briefings, and I was encouraged to see good attendance and some lively and constructive debate and enquiries. I am pleased that as a Committee, we have continued to keep the spotlight on governance, internal control, financial stewardship and risk management, despite the significant challenges being faced in the year.*

*We have received updates throughout the year from our internal audit team, including a positive Annual Audit Opinion and a revised and flexible audit plan. This was particularly important this year, as the Committee helped to shape the focus of new audit projects to address key risks, including looking at Remote Working, Staff Wellbeing and Community Support. Maintaining a strong internal control environment has been at the forefront of our minds, and we have received various updates around governance, fraud prevention and detection, risk management and internal control throughout the year.*

*This year, we saw the extension to the submission deadline for the financial statements to 30 November 2020, and we note another unqualified opinion from our external auditors Grant Thornton. However, getting the accounts over the line was not easy, especially given the challenges of having to support a remote audit. We have continued therefore to press and challenge our external auditors to address delays and to keep a watching eye on their progress throughout the year.*

*Finally, I would like to take this opportunity to thank Committee Members and the Officers who have supported the Committee over the year. Their dedication, professionalism and commitment has meant that we have been able to operate and provide robust challenge and oversight even during times of great challenge and change. I am confident that as a Committee we will continue to make a positive contribution to the governance of the Council and fulfil our duties, recommending improvements where it is appropriate to do so.*

## What is the purpose of the Audit Committee?

The Audit Committee operates in accordance with the [Audit Committees, Practical Guidance for Local Authorities 2018](#). This guidance defines the purpose of an Audit Committee as:

*“Audit Committees are a key component of an authority’s governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.*

*The purpose of an Audit Committee is to provide those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.”*

The guidance recommends that audit committees should report annually on how they have discharged their responsibilities.

The Audit Committee is independent from executive management and the Cabinet and has clear reporting lines and rights of access to discharge its responsibilities in accordance with its Terms of Reference (Appendix I). This includes direct access to the Council’s Appointed Auditors (Grant Thornton) and Chief Audit Executive, without the presence of other Officers, where appropriate.

The Committee monitors internal and external audit activity, reviews, and comments on the effectiveness of the Council’s regulatory framework, and reviews and approves the Council’s annual statements of accounts.

The Committee is not a substitute for the management function in relation to internal or external audit, risk management, governance, or any other review or assurance function. It is the Committee’s role to examine these functions, and to offer views and recommendations on the way the management of these functions is conducted.

### **Terms of Reference:**

The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority’s financial and non-financial performance to the extent that it affects the Authority’s exposure to risk and weakens the control environment, and to oversee the financial reporting process  
(Minute No. 408/12/06 refers)

## Key challenges this year

The Council entered 2020/21 during a global pandemic and a national lockdown. As a Committee we faced many uncertainties and key challenges as the year unfolded, we set out some of these below:

	<p><b>Remote &amp; virtual working</b></p> <p>Officers were asked to work from home and follow guidance to self-isolate and reduce travel. The Council implemented Microsoft Teams to enable staff to work from home as if they were in the office, and Committee meetings were conducted online.</p>
	<p><b>Mass redeployment of staff</b></p> <p>Officers were redeployed from across the Council to set-up, support and deliver community and business support services. This included setting up a distribution centre to help vulnerable residents to access food and essentials.</p>
	<p><b>Responding to changes in Government guidance</b></p> <p>Government announced changes regularly, and guidance was not always available in real time. The Council needed to respond quickly to changes. This included shifting to remote model of governance and decision making.</p>
	<p><b>Administration of business grants and community grants</b></p> <p>The Council became the conduit by which local businesses and communities could access a variety of support grants. Processes needed to be put in place to check eligibility, ensure integrity and to prevent fraud and error.</p>
	<p><b>The need to maintain effective internal controls</b></p> <p>Every service was required to work in new ways, this presented the potential for internal controls to be diluted, by-passed, or removed altogether. Assurance was needed through the revised audit plan and internal audit projects / support.</p>
	<p><b>Working with community partners &amp; volunteers</b></p> <p>New relationships were forged across the Borough with local community groups and volunteers. These relationships were vital to the success of delivering support to clinically vulnerable residents and those who had no support network.</p>
	<p><b>Responding to new risks on the horizon</b></p> <p>As the year progressed the risk register was updated to respond to, and reflect, the changing risk landscape. Covid-19 and the Pandemic were significant triggers which elevated several of our corporate level risks as higher threats than previously assessed.</p>
	<p><b>Delivering the Port Health Service</b></p> <p>The Council also worked with Government to plan and commence set-up the Port Health Service. Resources and expertise were needed from across the Council to manage and deliver a project of significant scale and complexity, including a large-scale recruitment and onboarding programme.</p>

## Membership & attendance during the year

The Committee met 3 times over the course of the year, this is a reduction by 2, as the Summer meetings were postponed due to the Pandemic. Meetings were held virtually using Microsoft Teams and were open to the public. Officers reported to the Committee at these live events, and reports / supporting papers were made available to all Committee members in the usual way.

Attendance for each meeting is set out below. All 3 meetings were quorate:

Name	29 September 2020	24 November 2020	16 March 2021
Cllr Krause (Chairman)	✓	✓	✓
Cllr Buchanan	✓	✓	✓
Cllr Hayward	✓	✓	✓
Cllr Mulholland	✓	✓	Apologies
Cllr Shorter	✓	Apologies	✓
Cllr Smith	Ill health	Ill health	Ill health
Cllr Suddards	✓	✓	✓
Cllr Walder	✓	Apologies	✓
Also in attendance	Cllr Burgess	Cllr Burgess	Cllr Campkin Cllr Clarkson Cllr Ledger

All but 2 members have continued to serve on the Committee since the last annual report in November 2020, with Cllrs Buchanan and Walder joining the Committee for the new municipal year. Throughout the year the Committee has remained politically balanced.

The continuity of membership, experience and knowledge is seen as a key strength for the Committee, certainly due to the technical nature of some of the topics for decision throughout the year. However, this experience is balanced well with the objective and fresh perspectives brought by new members. This has enabled healthy and robust challenge of items and decisions throughout the year.

## Officer support

The Committee has continued to be well supported by officers and experts throughout the year, including:

- Deputy Chief Executive
- Head of Finance & IT
- Accountancy Manager
- Chief Audit Executive
- Audit Manager
- Head of Corporate Policy, Economic Development & Communications
- Compliance & Data Protection Manager
- Investigation & Enforcement Support Manager
- Member Services
- Grant Thornton (External Auditors)

Officers have presented a mix of written reports, presentations, and briefings to the Committee during the year. By using a variety of formats, it has enabled the Committee to explore, challenge and debate topics in detail as well as to request specific items for presentation and consideration.

## Development of knowledge

In [November 2020](#) the Committee adopted a formal programme for continued knowledge development. A series of 10 themes were agreed, aligned directly to the Terms of Reference and key decisions for the committee. Briefings delivered and planned are:

**External Quality Assurance**  
Delivered internally  
supported by CIPFA assessor  
**(Sept 20)**

**Treasury Management**  
Delivered externally by our  
treasury management  
advisors  
**(Mar 21)**

**Local Authority Finance &  
Accounts**  
Delivered internally by our  
finance team  
**(Jun 20)**

**Value for Money**  
Delivered externally by our  
external auditors  
**(Expected Oct 21)**

These briefing sessions have been delivered in the week before the Committee meeting, online, using Microsoft Teams. This has allowed all Members to be invited and has greatly increased attendance and participation. As this has been successful, we will continue this format for the coming year.

## Key decisions & insights

The Terms of Reference for the Committee broadly follow 4 key areas: **Internal Audit activity, Finance, Risk & Governance**, and **External Audit activity**. As a Committee, we demonstrate achievement of our role and discharge of our responsibilities through the consideration of key items and decisions relating to these 4 areas.

Below we set out a summary of our activity for the year, sources of assurance, and key insights gained:

Internal Audit Activity	
Key decisions and sources for assurance	Insights gained
<ol style="list-style-type: none"><li>1. Internal Audit Annual Report 19/20 <b>(Sept)</b></li><li>2. Revised Audit Plan <b>(Sept)</b></li><li>3. Internal Audit Interim Report <b>(Nov)</b></li><li>4. Internal Audit &amp; Assurance Plan 20/21 <b>(Mar)</b></li><li>5. Internal Audit Charter &amp; Quality Improvement Plan <b>(Mar)</b></li></ol>	<ul style="list-style-type: none"><li>• Positive Head of Audit opinion for 19/20 financial year</li><li>• Review and agreement to changes in the risk profile and audit plan – 3 new projects were introduced in response to the pandemic<ol style="list-style-type: none"><li>1. Remote working controls</li><li>2. Staff wellbeing</li><li>3. Community support</li></ol></li><li>• Review of the follow-up processes resulting in a revised process being designed, consulted, and agreed</li><li>• Contributing to the review of assurance ratings and audit action priority ratings</li><li>• Ensuring adequate flexibility in the Audit Plan for 20/21 to respond to new risks, including Port Health</li><li>• Assurance over the Quality Assurance of Internal Audit in conformance with professional standards</li><li>• Supporting the nomination of the Audit Partnership as <b>'Outstanding Team in the Public Sector'</b></li></ul>

### Views from the Committee:

*"It was important that our internal auditors adopted a flexible approach to provide the Committee with relevant and up to date assurance over key risk and internal control issues. By being responsive to these new risks we were able to update the audit plan and add new audit projects to take a detailed look at how the controls were operating"*

## Finance Activity

### Key decisions and sources for assurance

1. Statement of Accounts & Financial Statements **(Nov)**
2. Presentation of Financial Statements **(Nov)**
3. Presentation: Corporate Enforcement Support & Investigations Team Annual Report 2019/20 **(Sept)**

### Insights gained

- Scrutiny of the draft financial statements via presentation including exploring how key projects can be delivered and funded
- Review of key financial risks (as identified on the corporate risk register)
- Supporting the Council through extension of the account submission deadline
- Exploring the assurance processes for the management and distribution of grants awarded in response to the Pandemic (including seeking assurance over the prevention and detection of fraud and error)

## External Audit Activity

### Key decisions and sources for assurance

1. Audit Fees 20/21 **(Sept)**
2. Audit Plan **(Sept)**
3. Progress reports **(Sept & Mar)**
4. Sector Updates **(Sept)**
5. Annual Audit Letter **(Mar)**

### Insights gained

- External Audit of the accounts was unqualified
- Continued to provide robust challenge to external audit updates throughout the year
- Maintained awareness of Sector updates, including developments from the Redmond Review of external audit quality

### Views from the Committee:

*"Without a doubt, the impact of the Pandemic was felt across all organisations, including the private sector and our audit firms. Across the Country External Audit deadlines were being missed and questions were being asked regarding audit quality and value for money. Even with the extension to the account deadline, our External Auditors were not able to deliver as they needed to (and had achieved previously). Their regular presence at the Committee meant that we were able to challenge, probe and hold them to account"*

## Risk Management & Governance Activity

Key decisions and sources for assurance	Insights gained
<ol style="list-style-type: none"><li>1. Corporate Risk Register <b>(Sept &amp; Mar)</b></li><li>2. Annual Governance Statement &amp; Progress <b>(Nov)</b></li><li>3. Annual Report of the Audit Committee <b>(Nov)</b></li><li>4. Annual Governance Statement 20/21 <b>(Mar)</b></li><li>5. Corporate Enforcement &amp; Investigations Annual Report <b>(Sept)</b></li></ol>	<ul style="list-style-type: none"><li>• Encouraging greater publication and awareness of the positive outcomes delivered by the Fraud Team to protect public assets and public services</li><li>• Exploring resilience risks both in terms of operations (small teams) and reliance on IT hardware</li><li>• Greater engagement and interest to understand more detail about risks to major projects</li><li>• Exploring further the new risks presented by, and relating to, Port Health</li><li>• Good progress to address and improve governance issues during the year (as outlined in the governance action plan)</li></ul>

### Views from the Committee:

*“Effective risk management has never been more important; it is a key part of our governance and enables us to be better prepared in the face of major uncertainty. Over the last year our risk management practices have been stress tested, and it was encouraging to see new risks enter the corporate risk register as they were identified. This included risks arising from Covid-19 and from Port Health. We have explored these risks in more detail than ever before and sought to drive transparency of risk information over the course of the year. This has meant we have been able to keep the spotlight on risk, control, and governance at a time when it has been most important”*

### Conclusion

The Audit Committee, in partnership with the Council's Internal and External Auditors, and with the support from Officers has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues.

It is our conclusion that we can demonstrate that we have appropriately and effectively fulfilled our duties during 2020/21.

## Terms of Reference & Responsibilities

The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non-financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process (Minute No. 408/12/06 refers).

To consider/monitor or advise the council as appropriate upon:

### Audit Activity

1. The Head of Internal Audit's Annual Report and Opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's Corporate Governance arrangements.
2. The summary of internal audit reports issued in the previous period.
3. Reports on the management and performance of the Audit Partnership Agreement.
4. Reports from the Head of Internal Audit on agreed recommendations not implemented within a reasonable timescale.
5. The External Auditor's Annual Management Letter and relevant reports.
6. Any detailed responses to the External Auditor's Annual Letter.
7. Specific reports as agreed with the External Auditor.
8. The scope and depth of external audit work and to ensure it gives value for money.
9. Liaison with the Audit Commission on the appointment of the Council's External Auditor.
10. The commissioning of work from internal and external audit.

## Regulatory Framework / Risk Management

1. An overview of the council's Constitution in respect of Contract Procedure Rules and Financial Regulations.
2. The effective development and operation of financial management, risk management and those elements of corporate governance within the remit of the Audit Committee.
3. Council policies on "raising concerns at work" i.e. whistle-blowing in the context of the Anti-Fraud and Anti-Corruption Strategy and the council's complaints process.
4. To recommend the Authority's Annual Governance Statement for approval to the Executive. (Minute No. 531/5/10).
5. The council's compliance with its own and other published financial standards and controls.
6. The External Auditor's report on issues arising from the Audit of the Accounts.
7. The ability to refer matters to the Overview and Scrutiny Committee for their consideration (Minute No. 62/6/09).

**Note:** The Overview and Scrutiny Committee has a similar provision to refer matters to the Audit Committee.

### Delegations

To exercise the powers and duties of the council relative to:-

1. The approval of the Annual Statement of Accounts in line with the statutory requirements including those relating to the publishing deadlines. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the Audit that need to be brought to the attention of the council.