

Audit Committee

Minutes of a Meeting of the Audit Committee held in Committee Rooms 1 and 2, Civic Centre, Tannery Lane, Ashford on the **15th June 2021**.

Present:

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

Cllrs. Harman, Mulholland, Walder.

Councillor C Suddards attended remotely, but was not present in the room.

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

Apologies:

Cllrs. Hayward, Shorter, Smith.

Also Present:

Cllrs. Burgess, Forest, Sparks

In attendance:

Deputy Chief Executive, Accountancy Manager, Deputy Head of Audit Partnership, Audit Manager, Member Services Manager.

Audit Manager – Grant Thornton UK.

45 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 16th March 2021 be approved and confirmed as a correct record.

46 Internal Audit Annual Report and Opinion 2021

The Deputy Head of Audit Partnership gave a presentation introducing the report and giving some more background to the report's findings, how Internal Audit had delivered their revised Audit and Assurance Plan and how that work contributed to the annual opinion given. The report advised that the Public Sector Internal Audit Standards required the Chief Audit Executive for Ashford, (a role fulfilled by himself), to deliver an annual opinion for the Council to use to directly inform its Annual Governance Statement. The annual opinion provided a conclusion on the overall adequacy and effectiveness of the Council's framework of corporate governance, risk management and system of internal control.

He advised that it was a positive report and that in his opinion, based on the work conducted by the service over the year, the Council had operated an effective framework over the course of 2020/21. The revised Audit Plan of September 2020, following the original coronavirus lockdown, had been delivered, apart from four areas which were currently in draft form and the outcomes of which would be reported to the Committee in September. He presented more details of: - delivery of Internal Audit work; follow-up of actions; revised procedures and processes; the wider risk and governance framework of the Council; and the Quality Assurance of Mid Kent Audit.

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

- The Committee thanked the Deputy Head of Audit Partnership for the team's hard work during the year and his production of this report. They also congratulated Mid Kent Audit on their nomination for the award of "Outstanding Team: Public Sector" at the Audit and Risk Awards and wished them well when the final results were revealed the following week.
- A Member asked about cyber-security and how that related to Members as well as the digital planning pilot, and what it would take to get the Council to the highest level of assurance. It was recognised that ICT Cyber Security was at a 'sound' assurance rather than a 'strong', although that should not be seen as a negative. This was a rapidly changing area and a nationwide threat, so this rating did not reflect on anything that this Council was particularly doing or not doing. Mid Kent Audit had access to external ICT audit expertise in this area, and in addition to auditing the arrangements, the audit incorporated insight from across the Sector into the audit. Access to this specialist expertise could be (and would be via the Audit Plan) an additional source of ongoing assurance for the Council, with regards to ICT Cyber Security. The Deputy Chief Executive said that, from a Council context, there were two main areas of focus. You could always spend more money on areas such as software and firewalls etc. and whilst there was already significant spend in this area, it was about striking the right balance between investment and risk. The Council already met its statutory connection standards to work with agencies such as the Department for Work and Pensions, the Cabinet Office and to be able to take card payments, so it was felt they were appropriately covered. The second and perhaps most significant area was user vulnerability and there needed to be a continued ongoing focus on awareness and training for both staff and Members. This was perhaps something where more investment would give more "bang for their buck" in this area.
- A Member said that the last year had obviously been traumatic as the country coped with the Coronavirus pandemic, but he asked if there was just as much of a danger around areas such as governance and risk management as the country moved back to some sort of "normality" over the next year or so? The Deputy Head of Audit Partnership said this was certainly something that had been considered through their audit planning for 2021/22. Specifically, trying to anticipate changes or weakening of controls that may have been brought about by new ways of working and 'need for speed' changes to governance. So, there would certainly be a focus on this on a project by project basis as well as from an Audit Plan perspective by monitoring changes and new risks

that were perhaps not originally anticipated. There would be new risks on the horizon, and the Audit Plan, similarly to the last year, would remain 'live' to any shifts in risks to ensure that relevant assurance was being provided throughout the year.

Resolved:

- That (i) the Internal Audit Annual Report and Annual Opinion that, for the 12 months ending 31st March 2021, the Council operated an effective framework of corporate governance, risk management and internal control, be noted**
- (ii) it be noted that the work to support the Opinion was completed with sufficient independence and in conformance with Public Sector Internal Audit Standards.**

47 Audit Progress Report

The Audit 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 timeline for deliverables for the 2020/21 audit; an update on planning enquiries including a revision to ISA (UK) 540 Accounting Estimates; as well as a sector update and links to key publications that were contained within the report.

In terms of the sector-wide updates the Deputy Chief Executive drew attention to the accounting rules for properly dealing with grants during the pandemic and the risk of fraud, as well as Local Government finance in general during the pandemic, and how important these issues were for the Council and this Committee.

Resolved:

That the Audit Progress Report and Sector Update as provided by Grant Thornton be received and noted.

48 Report Tracker & Future Meetings

It was clarified that there would be an additional meeting of the Committee on the 20th July to consider the draft Statement of Accounts for 2020/21. The reasons for this were outlined in the Tracker.

The Deputy Chief Executive also clarified that the Annual Report of the Audit Committee would come to the meeting in September.

In terms of future topics a Member raised the issue of the new Port Health service and wondered if the Committee could receive a report outlining the risks relating to the service and have an opportunity to ask questions. He considered there was currently a lack of understanding in this area. The Deputy Chief Executive advised that Port Health had its own risk register so he suggested that when the Strategic Risk Register was next reported to the Committee (in September) there could be a 'deep dive' into Port Health, with the service risk register appended and discussed to

AU
150621

provide some assurance over the control environment that was being built. The Member advised that he would like the opportunity to ask relevant questions and debate the risks around Port Health – how it was funded and whether costs were being recovered from the Government. The Deputy Chief Executive considered that as well as an opportunity at the September Audit Committee, an all Member briefing later in the year may be a more appropriate avenue for this and he would make some enquiries with the new Head of Service, Anthony Baldock. Members could then decide whether or not further work would be necessary to be completed by the Overview and Scrutiny Committee

Resolved:

That, subject to the discussions above, the Report Tracker be received and noted.

Queries concerning these minutes? Please contact membersservices@ashford.gov.uk
Agendas, Reports and Minutes are available on: <https://ashford.moderngov.co.uk>

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.

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 **5th October 2021**.

Present:

Cllr. Krause (Chairman);

Cllrs. Hayward, Shorter, C. Suddards.

Apologies:

Cllrs. Buchanan, Walder.

Investigations and Enforcement Support Manager.

Also in Attendance (virtually):

Cllrs. Burgess, Mulholland, Ovenden.

In attendance:

Deputy Chief Executive, Compliance and Data Protection Manager, Head of Service Port Health, Port Health Manager, Head of Finance and IT, Accountancy Manager, Audit Manager, Head of the Audit Partnership, Member Services and Ombudsman Complaints Officer.

134 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 20th July 2021 be approved and confirmed as a correct record.

135 Strategic Risk Management

The Compliance and Data Protection Manager introduced this item and drew Members' attention to the key points within the report. She explained that this was a six monthly update report on the risk register, which highlighted risks that were outside the Council's risk appetite. The Compliance and Data Protection Manager and the Head of Service Port Health gave a presentation which covered:

- Introduction to risk in relation to Ashford Port Health.
- Overarching risk of failure to deliver Port Health Service, broken down into areas of concern, with examples of controls in place:
 - BCP designation and legal duties
 - Completion of site and occupation date
 - Deficit recovery
 - Consignment data
 - Relationship with Dover District Council

- Dependence failure with DEFRA
- Recruitment and retention
- Relationship with DEFRA

The presentation concluded with the following points:

- Delivering the Ashford Health Port Authority is a huge undertaking, not without risk
- Strong project governance in place and regular consideration of individual risks at project level
- Member oversight at a strategic level through Audit Committee
- On track to deliver in accordance with timescales.

The Chairman opened up the item for discussion and the following comments were made:

- A Member commented that during the presentation it was stated that most of the risk sat with DEFRA. However, he wished it to be noted that the consequences of any failed delivery would also have significant impacts on the Council.
- In response to a question about fee recovery and staff resources, the Head of Service Port Health said that the main problem was the staffing issue because it may be hard to upscale quickly. The Government had provided assurance that they would adjust the checking regime, but there was still a possibility that if there was more freight than had been calculated, there would be a need to find appropriate staff quickly, and this would be difficult. The Deputy Chief Executive added that DEFRA had provided Letters of Undertaking for the first year, and it may be necessary for the Council to request an extension of this period. The Head of Service Port Health advised that recruitment had currently been frozen until there was a better understand of the volume of service required. He also explained that the fees were based on the 'rest of the world' model, which he considered was the best current model, although it might be argued that the fees within this model were too high for local requirements. The Deputy Chief Executive confirmed that this staffing risk was included in the risk register.
- A Member asked whether there had been any human trafficking incidents to date. The Head of Service Port Health replied that the responsibility for this issue lay with the Border Force, although Port Health staff were appropriately trained to ensure their safeguarding was in place. A protocol was currently being developed and it was hoped that this would be in place shortly.
- In response to a question about veterinary support for the facility, the Head of Service Port Health confirmed that there was a shortage of appropriately trained veterinary staff as most trained vets preferred to work with live animals. Many of the staff currently employed had previously been working as meat inspectors in the UK.
- A Member noted that the Audit Committee had been asked to provide an oversight of the risks relating to the Port Health Service. He requested that

the Audit Committee be provided with an update on this item prior to going live in July 2022. This could either be in the form of a report to a meeting prior to that date or a Member briefing session.

- A Member noted the risk relating to cyber security and considered that it was appropriate for the Audit Committee to be briefed on this issue at a future meeting via a report from IT. The Compliance and Data Protection Manager confirmed that this matter was high on the national risk register.
- In response to a question about the £1.5m reserve, the Deputy Chief Executive confirmed that the funds would be provided through Government funding, but any delay in operation would impact on the funds. The Council's strategy was to reach a position of having 1 year's worth of funds in reserve over a 3-5 year period, and fees would be set accordingly and adjusted if necessary to avoid accruing a bigger reserve.
- A Member noted that the Ashford Border Post was based around freight from the Channel tunnel. He questioned how the service would be affected if the tunnel were to be closed, for example due to a fire. He asked whether the risk for Ashford Border Post was greater than for other border posts. The Head of Service Port Health replied that much of the work was undertaken digitally and that it was likely that the Ashford Border Post would be asked to assist others, such as Dover, at times when the volume of traffic was high due to freight switch. National central hubs were also under discussion at present and Ashford would be a prime location for such a facility.
- The Members of the Committee considered the remainder of the report and it was agreed that there should be a focus on the Council's cyber security risk the next time the corporate risk register report was presented.

Resolved

That the Audit Committee

- a) Agrees the assessments and the adequacy of key controls to manage the risks.**
- b) Has considered the area of focus of this report on the risks associated with the Ashford Port Health Service**
- c) Would benefit from a more detailed report on cyber security to a future meeting in order for the adequacy of the controls to be assessed.**

136 Annual Governance Statement - Progress on Remediating Exceptions

The Compliance and Data Protection Manager introduced this item and highlighted the key points within the report and tables. She explained that this was a mid-year review which outlined progress in implementing the recommendations highlighted in the Annual Governance Statement. All actions were in hand and within timescales.

Resolved

That the report be received and noted.

137 Corporate Enforcement Support & Investigations Team Annual Report 2020/21

The Head of Finance and IT introduced this item and drew Members' attention to the key points within the report. She said that the overall financial value identified from the Investigations Team's work was almost £616,000 of public funds. This equated to almost £220,000 of Ashford Borough Council funds. The team were now undertaking commercial work, and were working with two East Kent authorities. They were considering working with housing associations moving forward and would shortly embark on a trial project. There would also be a communications campaign to highlight what the team had achieved to deter fraud, and also to encourage members of the public to come forward and report cases of fraud.

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

- A Member noted the savings in public funds made by the Investigations team, and questioned whether the Council was recompensed for this work. The Head of Finance and IT explained that the figures related to fraud detected, rather than money actually made, and these two issues were not necessarily linked. She said that although other bodies did not recompense the Council formally, they did fund administration grants for Council Tax. The Deputy Chief Executive added that the work of the Investigations team protected the public purse, not just the Borough Council, and that it was a flexible boundary. He confirmed that there was reciprocal benefit through shared intelligence with other organisations.
- Members remarked that they were in favour of the communications campaign, which would not only help protect against fraud, but act as a deterrent for future fraud.
- In response to a question about benchmarking against other authorities, the Head of Finance and IT said that this had not been undertaken due to the relative sizes of fraud and investigations teams elsewhere and the level of fraud work undertaken. She said this could be done as there were a handful of other authorities nationally who would provide useful comparisons. The Deputy Chief Executive suggested that it was useful to consider the underlying level of fraud and error in the system against the effectiveness of the team. He said that some years ago an exercise had been undertaken to develop a risk appetite statement for the Council, and the Investigations and Enforcement Support Manager was asked to provide further details on this at a future meeting.

- A Member suggested that an item should be put in the Council's magazine highlighting the work of the Investigations Team, both to act as a deterrent and to encourage members of the public to come forward and report suspected fraud.
- Members agreed that a presentation would be given to Audit Committee at a future stage, including details on the risk appetite statement.

Resolved

That the report be received and noted.

138 Annual Report of the Audit Committee

The Audit Manager introduced this item and explained that the contributions Members had made at a recent workshop had been captured in the report. The report advised that the Committee had successfully undertaken its duties in the year 2020/21. She drew attention to the Value for Money presentation which was due to take place on 14th October. She said that the report provided reassurance that the important internal controls, governance and risk management issues were being addressed by the Committee.

- A Member remarked on the quality of the consultation training, which had been well attended. Another Member was pleased to see the views of Committee Members included within the report.

Resolved

- a) **That the annual report of the Audit Committee for 2020/21 is agreed.**
- b) **That the Chairman of the Audit Committee presents the report to a future meeting of the Full Council to demonstrate how the Committee has discharged its duties.**

139 Audit Fee Letter 2021/22

The Accountancy Manager introduced this item and explained the fees and additional charges.

In response to a question from a Member, the Accountancy Manager confirmed that the deadline for agreement of the audit fee was February 2022. He advised that a report would be submitted to the Committee towards the end of current year on the procurement process and confirmation of interest in remaining with the PSAA.

Resolved

That the Audit Committee notes the proposed Fee for the 2021/22 Final Accounts Audit.

AU
051021

140 Date of Next Meeting

30th November 2021 at 5pm.

Queries concerning these minutes? Please contact membersservices@ashford.gov.uk
Agendas, Reports and Minutes are available on: <https://ashford.moderngov.co.uk>