

# 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 **1<sup>st</sup> February 2022**.

## **Present:**

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

Cllrs. Hayward (from item 262), Shorter, Smith, C. Suddards (from item 262), Walder.

## **Also in Attendance (virtually):**

Deputy Chief Executive, Accountancy Manager, Accounts Officer, Interim Head of Audit Partnership, Interim Deputy Head of Audit Partnership, Audit Manager, Development Partnership Manager.

Audit Manager – Grant Thornton UK

## **In attendance:**

Solicitor to the Council and Monitoring Officer, Principal Litigator, Senior Member Services Officer.

## **261 Minutes**

### **Resolved:**

**That the Minutes of the Meeting of this Committee held on the 5<sup>th</sup> October 2021 be approved and confirmed as a correct record.**

## **262 Invitation to Become an Opted-In Authority – Public Sector Audit Appointments (PSAA)**

Prior to the start of the item, the Chairman advised that a report from Grant Thornton was originally due to be presented to the November meeting, and subsequently this meeting. He proposed, with the consent of the Committee to write to Grant Thornton to express the Committees disappointment at the delay, by almost a quarter, of the publication of the report.

The Accountancy Manager advised that due to resourcing issues Grant Thornton had been unable to complete the work substantially to give an option prior to this meeting. Officers accepted this however did make it clear to Grant Thornton that they expected something to be presented to the March meeting of this Committee. To put the matter into context, only 9% of Local Authority Audits hit the statutory deadline for 2021, therefore this was a sector wide issue. The PSAA would need to ensure that processes and timeframes were put in place to ensure those targets were achieved. Retention in the sector was a major issue. The delays also hindered the work of the Accounts Team, as well as the work of the Audit Committee.

The Audit Manager – Grant Thornton UK advised that he fully understood and shared the frustration of the Committee and Officers. They were struggling with resources and a high turnover of staff had had an impact on their ability to deliver. Coupled with the natural desire to ensure that a quality audit was produced this meant that audits were taking longer. He did not want the Committee to be left with the impression that Grant Thornton were sitting on their laurels, they were actively trying to resolve their recruitment issues. They were constantly “out to market”, however the market in this Country was quite weak and the demand for experienced public sector auditors was so high and the salaries being offered by some employers in the sector, such as the National Audit Office, were very attractive and therefore the audit market had been distorted. Engagement with Grant Thornton’s overseas firms had seen a deployment of staff from the Philippines and India to boost the local staff resource which had helped, however they were behind. Overall, they were ahead of the audit market, but that did not detract from the fact that delivery was low. The Audit Manager – Grant Thornton UK extended his apologies on behalf of Grant Thornton for the current position.

The Chairman thanked the Audit Manager – Grant Thornton UK for explaining the situation. He felt that it was important to raise this issue with the senior management at Grant Thornton so they were aware of the Committees discontent with their service.

The Accounts Officer introduced the item - Invitation to Become an Opted-In Authority – Public Sector Audit Appointments (PSAA). He advised that the PSAA tendered and procured contracts between Local Authorities and audit firms whilst also acting as a regulator to confirm that any fee variations raised by external auditors were fair, appropriate and in line with regulations. The Council previously appointed PSAA in 2016 and the Council now needed to decide whether it wanted to become an Opted-In Authority for the next five year appointing period (2023/24 to 2027/28). It was recommended that the Audit Committee proposed to Council that the Council gives its intention to the PSAA before 11 March 2022. Taking such a decision, would save time, resources and money for the Council. Should the Council not there would be a need to set up an Independent Auditor Panel and manage the contract for its duration whereas Opting-In would ensure that PSAA undertook all of that work.

The Portfolio Holder for Finance & IT endorsed the report to the Committee. He drew attention to paragraph 20 of the report and the shortcomings of the historical system which the PSAA implemented over the past four years. He wanted to ensure that the lessons learned from the previous delivery were taken forward into the commissioning of the next round. It was important that those winning contracts were appropriately resourced to deliver going forward. His comments within the report also reflected that concern.

The Chairman proposed that the letter that would be sent to Grant Thornton, also be copied to PSAA to ensure they were aware of the disappointing performance of their appointed auditor.

A Member questioned whether the Council had the ability to select the appointed auditor from a list. The Accountancy Manager advised that PSAA would procure a

range of approved auditors through their tendering process and then allocate an auditor to the Council for the appointing period.

There was some discussion regarding the work that would be required should the Council decide not to Opt-In. The PSAA route was the appropriate route for this Council and would ensure that the procurement process was carried out appropriately and the resource capability should be competent, capable and able to deliver.

## **Resolved**

### **That the Audit Committee**

#### **Recommends**

- i. to Council that the Authority gives its intention to become an opted-in authority to the Public Sector Audit Appointments for the 5 year appointing period commencing 2023/24.**

### **That the Audit Committee**

#### **Resolves**

- i. to write to Grant Thornton UK to express their dissatisfaction at the delays to audits over the period 2021/22, and;**
- ii. to send a copy of the letter to Grant Thornton to the PSAA, as the appointing body.**

## **263 Homes England – Compliance Audit Annual Report 2021/22 for Ashford Borough Council**

The Development Partnership Manager introduced the item, the Councils Housing Revenue Account (HRA) had a strong and ambitious affordable homes delivery programme and to ensure that the Councils schemes were viable and there was a robust HRA business plan they regularly applied for Homes England Grants. This was traditionally around £30,000 per unit but could be as high as £60,000 per unit if social rent was delivered as part of the scheme. When grants were awarded there was a possibility of “spot checks” by Homes England on the delivery of such schemes and how the Council was spending and handling the grant that had been awarded. There was a period of no spot checks, but recently they were selected for the grant awarded for the independent living scheme at East Stour Court, an independent living scheme for older persons, containing 29 homes that opened in October 2021. An independent auditor was appointed to undertake the work which was then ratified by Homes England. For this report Homes England awarded a “green” grade with no breaches of funding conditions or recommendations for improvement. This was the fourth compliance audit since 2014, and in each case the Council had been awarded a “green” grade. This was important and was pivotal to the Councils success as a trusted deliverer of affordable housing. It also set the tone and set the Council in good stead for the funding of future schemes. There was just one point to

note, previously the Chair of the Audit Committee had been asked to sign off the paperwork, but there was no requirement for this at the current time.

A Member congratulated the Officers on their hard work and questioned how the Council compared to other Local Authorities? The Development Partnership Manager advised that he did not have that data readily available however he would speak to Homes England and feedback to the Committee.

**Post Meeting Note: Homes England advised that they were unable to share Compliance Audit outcomes of other Local Authorities as these were confidential. Homes England thanked Ashford Borough Council for their hard work in ensuring that the scheme selected for audit was fully compliant in meeting their funding conditions and Capital Funding Guide requirements.**

The Committee wished it to be put on record their thanks and gratitude to Officers for a successful audit.

### **Resolved**

**That the report be received and noted.**

## **264 Legal Services Instruction and Administrative Processes – Internal Audit Report**

The Interim Deputy Head of Audit Partnership introduced the item. In September 2021 the final report of the Legal Services Instruction and Administrative Processes Audit was published. It was important to note the scope of the review was on the instruction and administration process and how the cases were managed. No opinion had been given on the quality of the legal advice as that was outside the scope of the audit. Throughout the audit a number of controls were identified that were not operating effectively and therefore a weak assurance rating was given. A number of remedial actions were identified and agreed with the Service in order to address those weaknesses. The Service engaged really well during the process and had been committed to redressing the weakness identified. The Committee had a copy of the full report advising of the actions that had been agreed by the Service and those actions already fallen due had been completed. There were a further three actions that had been delivered early.

The Solicitor to the Council and Monitoring Officer wished to provide assurance that that the agreed remedial steps were in hand and on track. He drew attention to the background factors during the audit, there were a number of senior vacancies within the service and fully remote working was in place. These led to some inconsistencies in administration during this period. During that period the professional standards were not compromised, the risks were identified but projects and legal transactions were carried out as they should be. The Council was a leader in introducing new legal procedures for democratic meetings during the lockdown periods and were, and still are, trailblazers in the litigation field in getting injunctions and prosecuting fly-tipping in numbers that were not seen in Local Authorities. The legal income target had also been exceeded during this period, legal income was a requirement that Legal Services had to bring in from external parties, from planning agreements and court cases that were won where costs were awarded. Good

progress had been made on the recruitment front and two senior solicitors had been appointed since the report was published, a senior property lawyer and a senior regulatory lawyer. The regulatory lawyer worked with the Principal Litigator and had freed up some time for her to act as Practice Manager and work on the action plan to implement the audit recommendations. The Solicitor to the Council and the Monitoring Officer and the entire Legal Services Team welcomed the recommendations in the audit. A detailed, internal action plan had been produced to implement the audit recommendations and to ensure that each and every one of those recommendations was implemented on time. There were 10 recommendations, 16 actions in total and he was pleased to advise that 8 of the 16 actions had already been implemented. The action plan broke down the themes of the recommendations as follows:

Theme 1 -- improve corporate processes:

- to better engage legal services
- to improve the PID process
- improve the committee report process

These recommendations had been implemented and were in place.

Theme 2 - improve client engagement

- utilising the smarthub
- using abavus to create a suite of forms to better inform and instruct work from legal services

These recommendations had been implemented and were in place.

Theme 3 - security of case management system

These recommendations had been partly implemented and were in place, with only one outstanding action to be completed

Theme 4 – improve client care procedures

- capture key processes
- receipt of instruction
- risk assessment
- case monitoring

These would be captured in a procedure manual by the spring.

Theme 5 – investment in the service

- upgrading the case management system

This recommendation would be completed by the spring.

The Solicitor to the Council and the Monitoring Officer advised that they were on track and he handed over to the Principal Litigator to demonstrate some of the work they had undertaken to date.

The Principal Litigator, using screen sharing technology, gave the Committee an overview of the work undertaken to date on meeting the audit recommendations. As part of this demonstration, she showed the Committee the Legal Services introduction page on the Smarthub, along with the suite of forms that had been produced. She selected several forms to demonstrate the process to the Committee and also demonstrated the back office procedures once these were submitted. The forms had been produced in conjunction with the Council's Digital Officer and the Principal Litigator wished to put on her record her thanks for all of his help and guidance during a lengthy process.

The Chairman thanked Officers for such a detailed update. This report had been due to be presented to the November meeting of the Committee, which was cancelled due to a surge in Coronavirus cases in the area. He, along with the Portfolio Holder for Finance and IT, had met with the Solicitor to the Council and Monitoring Officer and Principal Litigator in December to ensure that the matters raised in the audit were being taken seriously. He was pleased to report that the Legal Services Team had done a lot of work to implement the recommendations of the audit and he thanked Officers for that work.

A Member questioned whether the resources required for the service were now in place, or whether there was still an issue surrounding this. Further, would a lack of resources lead to future weaknesses within the service? The Solicitor to the Council and the Monitoring Officer advised that at the time of the audit the resource gap was significant, however as he mentioned in his introduction they have since appointed two senior lawyers and still had 1.6 FTE vacant posts, however there was a temporary resource in place. Those vacant posts were being advertised and he was hopeful that he would be able to report even better news on the vacancy front in the near future. The Solicitor to the Council and the Monitoring Officer was of the opinion that any future resourcing issues would not lead to such weaknesses, procedures were now in place for remote working and new procedures, as seen by the Committee that evening, were being implemented.

The Principal Litigator further advised that another positive of the audit was the upgrade of their case management system. There had not been the opportunity for this for several years due to budget limitations. The improvements to IKEN, along with remote working and the digitalisation were all positive steps.

The Chairman wished it to be noted that none of the issues raised in the audit impacted on the legal ability of the Council. The issues related solely to the administrative process of the service. The solicitors to the Council did a magnificent job.

In response to questions from the Committee, the Principal Litigator advised that there would be customer satisfaction surveys undertaken following the completion of work. In respect of the online forms, which had been in use for the past two weeks, the feedback had been positive. She had contacted each Officer who had completed a form to request feedback and she was happy to report that feedback to

date had been positive. The Solicitor to the Council and Monitoring Officer further advised that during the development stage of the forms, they had been presented to a group of senior managers, who had made comments and some amendments had been made as a result of this feedback.

The Committee wished it to be placed on record their thanks and gratitude to the Principal Litigator and Digital Officer for instigating, developing and producing the online forms. The new forms would benefit all Officers and ensure that the correct legal advice was given.

Members of the Committee acknowledged that when seeking advice from the Legal Services Team they did not follow any specific protocol and contacted the relevant Officer. It was questioned whether they should complete forms to request legal advice. The Solicitor to the Council and Monitoring Officer advised that these forms were directed to professional service clients, but he recognised the point raised and would take it away and give it due consideration.

A Member questioned why it had seemingly taken a “weak” audit assurance for the budget to be made available to upgrade and provide the resources needed for the service. The Deputy Chief Executive advised that there had been no increase in the budget for operational purposes for Legal Services. However, the Council had looked at how core business systems were funded and these required upgrading or improving. Budgets were not permanently allocated to each service as that budget would not be required year on year, it was about identifying the need. There was an allocation of reserves put aside for IT and Digital Transformation that was being used for this upgrade. He assured the Committee that it was not the result of the weak audit that the budget was available, it was down to service need.

In response to a question from a Member, the Interim Deputy Head of Audit Partnership advised that as part of the annual audit planning risk assessment they would look at the last time they audited a service, the results of that audit but they would also factor in the services response to the audit and how effective they were at implementing the recommendations. The quarterly assessment would keep a check on the audit and the annual report, which would be presented to the Committee in the summer would advise on those matters.

A Member questioned what training had been given to Officers on the use of the forms and what contingencies were in place should the online system fail. Would the submitted forms and other work be able to be recovered? The Solicitor to the Council and Monitoring Officer advised that they had attended CMT, a group of approx. 50 senior managers, and had presented the forms to them. There had been some education and familiarisation processes, however nothing compared to using the forms and he was pleased to report quite a few had been received and were well completed. The Principal Litigator advised that the Smarthub and forms were backed up on the central servers, therefore all forms and attachments could be recovered.

## **Resolved**

**That the report be received and noted.**

## **265 Annual Report of the Audit Committee**

The Interim Head of Audit Partnership introduced the item. He advised he had been in position for just over a month and he had been impressed with Mid Kent Audit (MKA) so far. The report was being presented slightly later than usual due to the timing of the Committee meetings. He drew attention to the “interim audit opinion” which had recently been introduced and would ensure that the Committee was aware of progress to date and the main control framework. The plan was slightly behind due to resourcing matters within MKA, which had been reported to the Committee previously. They were confident of delivery, subject to any factors outside of their control. MKA had settled into remote working and the audits were progressing. The Chairman of the Committee and Deputy Chief Executive would be advised should anything significant become apparent. Some reviews required priority and therefore would be given that. Within the MKA team there had been some turnover, however there would be no impact on the service provided to Ashford Borough Council. There would be some changes that will be bought in for the start of the new financial year, which would be ready for the new Head of MKA when they were appointed.

The Chairman thanked the Interim Head of Audit Partnership and the Interim Deputy Head of Audit Partnership for both stepping into their respective roles and noted that the recruitment process was underway with the Head of Audit Partnership position to be filled in due course.

### **Resolved**

**That the report be received and noted.**

## **266 Report Tracker and Future Meetings**

The Deputy Chief Executive advised that there would be an additional item to be added to the agenda for the March 2022 meeting - the Section 106 Audit. That meeting had the potential to be quite lengthy due to the number and detail of those reports to be presented.

A Member questioned when an update on Port Health would be provided to the Committee. The Deputy Chief Executive advised that they had met with DEFRA to discuss the risk and were working together to develop a solution. Assurances had been given and a guarantee was being worked upon.