

Audit Committee

**Audit Committee
Annual Report
2021/22**

Ashford Borough Council

Introduction from the Chair - Cllr Larry Krause

As the Chair of the Audit Committee, it is my pleasure to introduce the annual report of the Committee's activity during April 2021 to March 2022. This report looks back and gives us the opportunity to reflect on the activity of the Committee during the year. I am pleased to confirm that the Committee has been able to discharge its responsibility to provide independent assurance on the adequacy of the Council's risk management framework and the associated control environment.

The Committee has met five times in the last year. As Hybrid meetings are now becoming the norm, it is pleasing to note that while some Members, and Officers, joined the meeting remotely, these meetings were successful in being inclusive. As per the Council's Constitution, all the meetings were quorate, with at least a quarter of the committee Members' attending. In addition, as per legislation, there was enough in person attendance to allow formal decision making to be made and recorded.

During the year we have received, reviewed and, where necessary, challenged reports relating to the Council's internal and external audit, risk and governance arrangements, and financial activity. We have routinely reviewed the updated Corporate Risk Register, including risks associated with the Ashford Port Health Service and Cyber Security. We also have robust processes in place to review weak assurance internal audit reports and ensure services are taking appropriate action to address the findings from these.

Among the highlights for the year, we noted the positive assurance opinion provided by the interim Head of Internal Audit on the Council's risk and control environment. In addition, in March 2022, Grant Thornton had substantially completed the audit, and were looking to give an unqualified opinion. While this is good news in providing assurance over the quality of our financial arrangements, the ongoing delays around delivery of the final report remain frustrating.

We have provided robust scrutiny and challenge of the Authority's financial performance. Including writing a letter to Grant Thornton expressing our disappointment in the delays to the audit for 2021/22. A copy of this letter was provided to the PSAA for their information, and it is our hope that these issues are addressed during the procurement of external audit for the five years following the 2022/23 audit.

Finally, I would like to take this opportunity to thank Members and Officers that have supported the Committee over the last year.



Cllr Larry Krause,
Chair of the Audit Committee

What is the purpose of the Audit Committee?

The Audit Committee operates in accordance with the [Audit Committees, Practical Guidance for Local Authorities 2018](#),. Published by the Chartered Institute of Public Finance (CIPFA). The guidance recommends that audit committees should report annually on how they have discharged their duties, and sets out the purpose of an Audit Committee.

As per CIPFA's Position statement: Audit Committees in Local Authorities and Police:

"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 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.

Ashford Borough Council – Audit Committee Purpose as per the 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.

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.

Key challenges

The Council is still feeling the effects of the pandemic, and as we approached March 2022 other effects from geopolitical unrest and a weakening economy were becoming clearer. As a committee there have been some key challenges in the last year. Some of these are noted below:



Hybrid Working

The Council has adapted well to remote working, but more is needed to understand how to work effectively in a hybrid environment. Including how to maintain connections and informal discussions, and considerations around the amount of physical office space that is required.



Administration of business grants and community grants

The Council is involved in a number of significant projects, e.g. New Towns Work, and Audit Committee needs to understand the governance arrangements in place to manage these and have assurance they are suitably robust.



Cyber Security

Cyber Security continues to be a key threat to Council operations and requires ongoing management and monitoring to ensure that the Council remains as protected as it can be.



Internal Audit

While Mid Kent Audit has remained operational and been able to deliver the bulk of the Council's 2021-22 audit plan it has experienced significant difficulties retaining and recruiting staff. This includes delays in recruiting to the Head of Audit post which has been vacant since January 2022.



Carbon Neutral Targets

The Council, as with other authorities, has ambitious targets for being carbon neutral by 2030. As such a key challenge is ensuring delivery of these targets and maintaining momentum as other pressures on the Council increase.



Delivering the Port Health Service

The Council continues to work with Government to set-up the Port Health Service. However there continues to be changes and delays to timescales and the scope of service provision.

Membership & attendance during the year

The Committee met five times over the course of the year. These meetings were hybrid meetings. While some Members and Officers attended the meeting at the Council offices, Microsoft Teams was used for those attending virtually.

When there is not a lockdown in place, as per Government guidance, Members can only vote in a committee if they are actually in attendance, (i.e., they cannot vote if they attend virtually). All five meetings were quorate (as per the Terms of Reference), including those that attended in person to be able to vote if required.

Attendance for each meeting is set out below.

Members	15 Jun 21	20 Jul 21	05 Oct 21	01 Feb 22	15 Mar 22
Cllr Krause (Chair)	Present	Present	Present	Present	Present
Cllr Buchanan (Vice Chair)	Present	Present	Apologies	Present	Present
Cllr Camp kin	-	-	-	-	Present
Cllr Hayward	*Sent Substitute	Present	Present	Present from item 262	Virtually
Cllr Mulholland	Present	Present	Virtually	-	-
Cllr Ovenden	-	-	Virtually	-	-
Cllr Shorter	Apologies	Present	Present	Present	Present
Cllr Smith	Apologies	-	-	Present	Present
Cllr Spain	-	-	-	-	Virtually
Cllr C Suddards	Virtually	Present	Present	Present from item 262	-
Cllr Walder	Present	Present	Apologies	Present	-
Cllr Wright	-	-	-	-	Apologies
Cllr Harman	*Substitute	-	-	-	-
Cllr Burgess	Visiting Member	Visiting Member	Virtually	-	-
Cllr Forest	Visiting Member	-	-	-	-
Cllr Sparks	Visiting Member	Visiting Member	-	-	-

Officers	15 Jun 21	20 Jul 21	05 Oct 21	01 Feb 22	15 Mar 22
Deputy Chief Executive	Attended	Attended	Attended	Virtually	Attended
Head of Finance and IT	-	Attended	Attended	--	
Accountancy Manager	Attended	Attended	Attended	Virtually	Virtually
Senior Accountant	-	-	-	-	Virtually
Accounts Officer	-	-	-	Virtually	
Head of Planning & Development	-	-	-	-	Apologies
Investigations & Enforcement Support Manager	-	Apologies	-	-	-
Head of Service Port Health	-	-	Attended	-	-
Port Health Manager	-	-	Attended	-	-
Ombudsman Complaints Officer	-	Attended	Attended		Attended
IT Manager	-	-	-	-	Virtually
Compliance and Data Protection Manager	-	-	Attended	-	Virtually
Head of Audit	-	-	Attended	Attended	-
Interim Head of Audit	-	-	-	-	Attended
Deputy Head of Audit	Attended	Attended	-	-	-
Interim Deputy Head of Audit	-	-	-	-	Virtually
Audit Manager	Attended	-	Attended	-	Virtually
External Audit Engagement Manager	Attended	Attended	-	-	Virtually
Member Services	Attended	Attended	Attended	Attended	Attended

There were a few changes to the political balance at the start of 2022. To ensure that the Committee's political balance remained intact, some changes of membership were required during this time.

Of the current Members for 2022/23, six were Members of the committee during 2021/22. This provided some stability, while providing challenge from new Members.

Key decisions & insights

The reports presented to Members by Officers and External Audit throughout 2021/22 are noted in the table below. They detail what the content of the reports, and Members' action taken where applicable.

Internal Audit Activity

15 June 2021 – Internal Audit Annual Report and Opinion 2020/21

The Deputy Head of Audit gave a presentation and introduced the report. This included the progress of the internal audit plan, implementation of management actions, which all contributed to the annual assurance opinion. The Deputy Head of Audit opinion stated that the Council had an effective framework of governance, risk management and internal control for 2020/21, which is a positive opinion.

The Audit Committee noted the internal audit report and annual opinion.

1 February 2022 – Internal Audit Report: Instruction and administrative processes of Legal Services.

The Interim Deputy Head of Audit presented the report. In September 21, a final internal audit report of the Legal Services Instructions and Administrative Process, was issued with a Weak assurance opinion. The report detailed the findings, recommendations made. Legal Services attended the meeting to provide an overview of action taken so far and to detail further planned actions to address the findings.

The Audit Committee noted the report.

1 February 2022 - Internal Audit Interim and Assurance Report

The Interim Head of Audit presented the report. It detailed the Head of Audit interim Opinion for 2021/22, closing of the 2020/21 plan, progress against the 2021/22 audit plan, other work, and implementation of agreed actions.

The Audit Committee noted the report.

15 March 2022 – Internal Audit Plan for 2022/23

The Interim Head of Audit presented the report. It detailed how the audit plan came about, the audits with their indicative scopes, other work to be conducted such as consultancy, planning and how the audit plan will be resourced.

The Audit Committee approved the Internal Audit Assurance Plan, noted that the partnership has sufficient resources to deliver the plan and the annual assurance opinion, and the plan had been compiled independently and without inappropriate influence from Management.

External Audit Activity

15 June 2021 – Audit Progress Report and Sector Update

The Audit Manager from Grant Thornton presented the report. They detailed the progress on the audit plan, the timeline for the deliverables for 2020/21 audit, and an update on the planning enquiries including a revision to the ISA (UK) 540 Accounting Estimates.

They also provided a sector update, which included insight into account for grants in the pandemic, finance in the pandemic, and good practice in annual reporting.

The Audit Committee noted the report.

External Audit Activity (continued)

5 October 2021 – Audit Fee Letter

The Accountancy Manager presented the report. It detailed the scale of fees as set by the Public Sector Audit Appointments (PSAA) and confirm the fee should be £74,440 for 2021/22.

The Audit Committee noted the proposed fee for 2021/22 for the final accounts audit.

Risk and Governance

5 October 2021 – Strategic Risk Management

The Compliance and Data Protection Manager presented the report. The report detailed the risk registers for strategic, delivery, financial and compliance risks. It also reported on the emerging risks.

The Audit Committee agreed the assessment of the key controls to manage the risks, and considered the risks associated with the Ashford Port Health Service. In addition, they requested a more detailed report on cyber security to a future meeting in order for the controls to be assessed.

5 October 2021- Annual Governance Statement (AGS) – Progress on Remedying Exceptions

The Compliance and Data Protection Manager presented the report. The report detailed the progress to date on the areas previously identified where continued work was required.

The Audit Committee noted the report.

5 October 2021 – Annual Report of the Audit Committee

The Audit Manager introduced this item. They explained that the contributions Members had made at a recent workshop had been captured in the report. The report confirmed that the Audit Committee had successfully undertaken its duties during 2020/21.

Members agreed the report, and the Chair of the Audit Committee will present the report to a future meeting of Full Council.

5 October 2021 – Corporate Enforcement Support and Investigations Team Annual Report 2020/21

The Head of Finance and IT presented the report. It detailed the work of the Investigation and Enforcement Support Team up to March 2021. It reported that there were 268 investigations and a number of specific campaigns to identify irregularity and fraud, and identified £616k of public funds (£220k relating to the Council).

The Audit Committee noted the report.

15 March 2022 – Corporate Risk Register

The Compliance and Data Protection Manager presented the report. The report detailed the risk registers for strategic, delivery, financial and compliance risks. It also reported on the emerging risks, and those where the risk profile was reduced. At the request of the Audit Committee, risks associated with Cyber Security and their mitigating controls was presented to the committee.

The Audit Committee agreed the assessments of key controls to manage the risks. They also considered the risks associated with Cyber Security.

Risk and Governance (continued)

15 March 2022 – Annual Governance Statement (AGS)

The Compliance and Data Protection Manager introduced the report. The report detailed the progress on recommendations from the previous AGS. It also detailed the governance arrangements for 2021/22, with input from the Interim Head of Audit. The conclusion of the report is that governance arrangements remain appropriate, effective, and adaptive to change as circumstances dictated.

The Chair raised at the pre-meeting the adequacy of the Trading and Enterprise Board arrangements and need for them to be incorporated into the New Towns Work and Project Green Projects.

The Audit Committee approved the 2021/22 annual governance statement, subject to the inclusion of the additional work regarding the Trading and Enterprise Board.

Financial Activity

20 July 2021 – Draft Statement of Accounts 2020/21

The Accountancy Manager presented the report. They explained training sessions to Members had taken place to assist them in reviewing and commenting on the accounts. The report presented the draft statement of accounts, which will be used to commence the Public Inspection Period which will begin before the end of July 2021. They will also be passed to Grant Thornton (external audit) to form the basis of the 2020/21 audit.

The report included the Statement of Accounts, Financial Results and Activity for 2019/20, Core Financial Statements, Housing Revenue Account, and Collection fund.

Members noted the draft statement of accounts 2020/21 and support the presentation to External Audit, and for Public Inspection.

1 February 2022 – Invitation to become an Opt-In Authority: Public Sector Audit Appointments (PSAA)

The Accounts Officer presented the item. They advised that the Council previously appointed the PSAA in 2016 for five years, and now needs to decide whether to opt in for the next five years, (2023/4 to 2027/28), which was the preferred option. The other option was to appoint the auditors either by themselves or jointly with another council.

Prior to the presentation, the Chair expressed their disappointment in the delay of report from Grant Thornton who was due to present at the now postponed November meeting, and then subsequently this meeting. The Audit Committee were advised the delay is due to resources and a high turnover of staff, which is a problem within the sector not just Grant Thornton. The Audit Manager Grant Thornton extended their apologies for the current position.

The Chair thanked the Audit Manager (Grant Thornton), and proposed that a letter would be sent to Grant Thornton, with the PSAA to be copied in so they are aware of the Council's disappointment

The Audit Committee recommended that the Council become an opted in member of the PSAA. They also resolve to write to Grant Thornton to express their dissatisfaction at the delays to the audits over 2021/22, and to send a copy of the letter to the PSAA for their information.

Financial Activity (continued)

15 March 2022 – Statement of Accounts 2020-21, Findings and Letter of Representation

The Accountancy Manager introduced the report. They advised that the Auditors have substantially completed the audit remotely, were looking to give an unqualified opinion. The report noted an amendment to the financial statements due to an error in classification of low risk / best practice recommendations. The outstanding work on the valuation of the Council's housing stock was due to be completed by the 31/03/22.

The Audit Committee:

- Considered the auditors findings,
- Agreed the bases upon how the accounts had been prepared,
- Approved the substantial audited 2020/21 Statement of Accounts.
- Delegated the authority to the Chair and Chief Financial Officer to agree any further amendments required, but any significant changes to be reported back to the Audit Committee, and
- Approved the Chief Financial Officer's letter of representation to the appointed Auditors.

15 March 2022 – Presentation of Financial Statements

The Senior Accountant introduced the report. The report detailed the time scale for sign off of the 2021/22 accounts, was moved to the 30 November. This will relieve some of the pressure on the external audit team. It also stated that an emergency consultation took place, and as such there may be changes to the code that may affect the 2021/22 and 2022/23 accounts. It also stated that the Council can demonstrate that it is still a 'going concern'.

The Audit Committee noted the report, approved the accounting policies for the 2021/22 accounts, and delegated authority to the Head of Finance and IT to make changes to the accounting policies following the emergency consultation.

Other Work

1 February 2022 – Homes England – Compliance Audit Annual Report 2021/22 For Ashford Borough Council

The Development Partnership Manager presented the report. The report details that Homes England selected Ashford schemes for a compliance audit this year. The scheme selected was East Stour Court. The audit took place between the 11th and 20th August 2021, and awarded the Green Grade with no breach of funding conditions or recommendations for improvement.

The Audit Committee noted the report and wished to put on record their thanks and gratitude to Officers for a successful audit.

Development of Audit Committee

During the year the Committee has received formal training from Officers on understanding the Council's Statement of Accounts. In addition, Members have received further information on the Council's Port Health operations and Cyber Security processes to support the Committees understanding of how these key risks are managed.

As a Committee Members are keen to ensure they continue to develop, and ideas to support this were explored during a workshop held with Committee Members in September 2022. The following ideas for future development were agreed:

- Undertake a **peer review** of the functioning of the Audit Committee to be facilitated by Mid Kent Audit across the partnership authorities. It was considered that this would be useful to support potential changes in Membership following the May 2023 elections.
- Introduce an **induction programme** for all new Committee Members which covers the key aspects and functions of the Audit Committee. Additionally, have a **buddy** system so new Members of the Committee can be supported by Members with experience on the Audit Committee.
- Have a programme of **briefings** delivered to Committee Members during the year which includes topics like: internal audit, external audit, risk, and the annual governance statement.

Audit Committee will also continue to request further details on, and understanding of, the Council's key risks, with risk owners invited to attend a Committee meeting and present on their risk area.

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 2021/22.

Appendix 1 - 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

11. An overview of the council's Constitution in respect of Contract Procedure Rules and Financial Regulations.
12. The effective development and operation of financial management, risk management and those elements of corporate governance within the remit of the Audit Committee.
13. 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.
14. To recommend the Authority's Annual Governance Statement for approval to the Executive. (Minute No. 531/5/10).
15. The council's compliance with its own and other published financial standards and controls.
16. The External Auditor's report on issues arising from the Audit of the Accounts.
17. 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: -

18. 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.

Quorum:

One quarter of the total membership.