

Ashford Borough Council: Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber Civic Centre, Tannery Lane, Ashford on the **19th March 2024**.

Present:

Councillor Krause (Chair);

Cllrs. Mrs Bell, Chilton, Hayward, McGeever, Shilton.

In accordance with Procedure Rule 1.2(c) Councillors Mrs Bell and Chilton attended as Substitute Members for Councillors Smith and Dean respectively.

Apologies:

Cllrs. Dean, Gambling, Smith.

In attendance:

Cllr. Bell.

Deputy Chief Executive, Senior Accountant, Housing Development and Regeneration Manager, Head of Mid Kent Audit Partnership, Audit Planning Manager, Senior Democratic Services Officer.

Also in Attendance (virtually):

Head of Policy and Performance.

Key Audit Partner – Grant Thornton UK.

365 Minutes

Resolved:

That the Minutes of the Meeting of this Committee held on the 28th November 2023 be approved and confirmed as a correct record.

366 Declaration of Interest

Councillor	Interest	Minute No.
Mrs Bell	Made a Voluntary Announcement as a Member of Kent County Council who were highlighted within the Strategic Risk Register due to their ongoing budget pressures.	367

367 Corporate Risk Register

The Head of Policy and Performance introduced the report which was update report providing the latest information on the Council's Corporate Risk Register. It also provided additional information on specific risks where this has been requested by the Committee. Attention was drawn to the key changes, which included a new risk to acknowledge that Kent County Council's budget pressures could impact local service delivery; the risk of transport disruption to the Town Centre due to the EU entry/exit system being implemented in the Autumn of 2024 and the addition of a new risk had been included on the register relating to the introduction of a Joint Complaint Handling Code by the Housing Ombudsman and Local Government and Social Care Ombudsman. The Head of Policy and Performance advised that work had recently taken place to review a number of key risks on the Delivery Register for the Council's Housing Service. These related to the Council's property management framework. A new regulatory approach was being introduced from April 2024 by the Regulator of Social Housing. In readiness, the Council had commissioned an independent, thorough assessment which had highlighted some key areas where further work was required to provide the assurance and high standards required of the Council as a landlord. It was suggested that risks and mitigations relating to the property management framework could be an area of focus when the Audit Committee next considered the Corporate Risk Register.

A Member suggested that the two risks in relation to transport disruption, to the Town Centre and the Border Control site, be subject to a deep dive at a future meeting of the Committee.

Attention was drawn to the supply of affordable rented housing and managing nutrient neutrality in the Stour risks – as these risks were high impact risks, a Member questioned what monitoring mechanisms were in place, particularly in relation to the on-site waste water treatment plan. The potential impact on accountability and loss of revenue was also highlighted as a concern. The Deputy Chief Executive advised that the function, and regulation, of wastewater treatment plans lay within the remit of Ofwat and the Environment Agency. During the planning stage the Council would undertake 'appropriate assessments' which was a form of test against the mitigation procedures proposed for that site – if the mitigation meets the criteria and test the liability of the Council ends. The tests were an upfront calculation, in respect of the Council's retrofitting programme the Housing Revenue Account would undertake to replace any equipment or systems installed with anything that was less efficient. The Wetlands proposal would require long term funding to be in place, whether that be through a service charge or commuted sum.

The risk relating to insufficient reserves to respond to an unforeseen event was discussed. Whilst the Council had sufficient reserves, they had also seen a draw on those reserves in relation to the acquisition of Picture House, and there were concerns highlighted by a Member relating to other projects that the Council was involved in, and whether an overall risk could be added in relation to the reputational risk to the Council should one or a number of projects cause further draws on depleted reserves. The Head of Policy and Performance advised that there was not a standalone risk in relation to the reputational risk to the Council, however it was considered consequently to each risk on the Risk Register. A review of the risks

would be carried out to highlight where the reputational risk was – it was noted that as part of the scoring matrix the reputational risk was considered as part of the process. The confidence of the general public in the Council, and its ability to deliver projects was a considered by some Members to be low and any further risk to its reputation should be considered as part of the Risk process.

The Deputy Chief Executive advised that there was an overarching risk that covered the risk of the Council not being able to meet the expected return on commercial investments. This risk did include the Picturehouse acquisition and rental income risk – however this could be looked at and work undertaken to ascertain whether this particular risk required a separate risk item of its own. The presentation and explanation around risks could also be assessed and how the reputational risk formed part of this.

A Member queried the high-risk rating in respect of radon gas in the workplace. The Housing Development and Regeneration Manager advised that there were pockets of radon gas in the southeast, and during the property purchase process a survey would be requested to ascertain the levels of radon gas. Due to the geology of the area there would be pockets of Ashford with higher levels than others.

The Portfolio Holder for Performance and Direction commended the report to the Committee.

Resolved:

That the Audit Committee

- (i) **notes the assessments and the adequacy of the key controls to manage the risks.**
- (ii) **requests that the risks be reviewed to ensure that reputational risk was considered and drawn out for each risk contained within the register.**

368 Homes England – Compliance Audit Annual Report for Ashford Borough Council

The Housing Development and Regeneration Manager introduced the report. As part of the Council's affordable homes programme, it was often successful in attracting considerable sums of grant funding from Homes England to subsidise delivery. Homes England's grant awards had helped the Council to deliver numerous affordable housing schemes, such as independent living schemes, infill sites and latterly Halstow Way, which was the subject of the audit before the Committee. The report confirmed that the Council had complied with Homes England's policies, procedures and funding conditions. There was a minor breach of funding conditions found – relating to internal communication around the inputting of data around work costs and final room sizes. Ashford Borough Council had had five Compliance Audits since 2014 and in each of those audits had been awarded a Green Grade, which was reassuring.

Resolved:

The Audit Committee notes the contents of the report.

The Chair of the Audit Committee confirmed that he had signed the report, as required.

369 Internal Audit and Assurance Plan 2024/25

The Head of Mid Kent Audit Partnership introduced the report which set out the proposed audit and assurance plan for Ashford Borough Council during 2024/25. Attention was drawn to the recommendations, and the audit plan provided adequate coverage to enable an annual Head of Audit Opinion to be made at the end of the financial year. The Public Sector Internal Audit Standards direct that audit planning was built upon a risk assessment. This assessment must consider internal and external risks – these were highlighted within the report and included risk assessments from the Institute of Internal Auditors and the Councils financial risks. The resources required to deliver the Audit Plan were emphasized, 300 days, alongside how the audits would be delivered. The audits scheduled to be undertaken were identified within the ‘5 year rolling plan’. The rolling plan was a ‘live’ document that was constantly evolving based on organisational priority, service capacity and resource and timing constraints. The Head of Mid Kent Audit acknowledged that there were three audits pertaining to the Housing Revenue Account that were yet to be determined – the Committee would be updated in due course.

The Chair drew attention to the number of audit days allocated within the plan and given the previously discussed issues surrounding the availability of auditors, whether this was achievable. The Head of Mid Kent Audit advised that 300 days was the optimal number of audit days, in respect of resourcing there were some vacancies within the team, with these being covered by consultants. A second round of recruitment was due to commence shortly.

A Member noted that the report highlighted risks however did not allude to the risk that Councillors may pose, especially as the political landscape could change due to being in ‘No Overall Control’. Attention was also drawn to the audit on corporate property, in particular repairs and maintenance, and whether the risk relating to corporate property ownership could have and whether that required a separate risk or inclusion within. In respect of governance, the make up of the Council was considered. Systems and processes, and how decisions were taken would be audited at some point during the plan cycle. There were over 100 areas to audit within the ‘audit universe’ therefore the five-year rolling plan allowed these areas to be audited within a suitable timeframe. A member development audit would be commenced in due course, which would look at the Councillors role and their development programmes – this would assess the level of training provided and required in order for Councillors to perform their duties.

The Portfolio Holder for Performance and Direction expressed thanks to the Head of Mid Kent Audit Partnership for the update, in particular the honesty in dealing with the resourcing issues that they had been experiencing. The Committee appreciated

these issues were difficult to navigate but the way in which they had been, should be commended.

Resolved:

That the Audit Committee

- (i) **approves the Internal Audit and Assurance Plan for 2024/25 (appendix a to the report)**
- (ii) **notes the view that the Partnership has sufficient resources to deliver the plan and a robust Annual Audit Opinion.**
- (iii) **notes that the plan is compiled independently and without inappropriate influence from management.**

370 Progress update on the 2022/23 External Audit

The Key Audit Partner – Grant Thornton UK introduced the update report which was a value for money report covering both 2021/22 and 2022/23. Grant Thornton UK were required to assess the adequacies of the Council's arrangements to use the resources at its disposal. Those judgments were made across three themes of financial sustainability; governance, economy, efficiency and effectiveness. The report set out the findings over the two years – no significant weaknesses were identified. Nine improvement recommendations were made – these could vary and include where current processes don't follow best practice protocols – for example they had suggested that an Independent Member be sat on the Audit Committee.

In respect of financial sustainability, there had been a lot of coverage regarding Local Authority financial pressures – whilst Ashford Borough Council was not immune from those pressures, Grant Thornton UK felt that the Council was better placed to manage those pressures due to the consistent approach to good financial management over a number of years. The Council's prudence in relation to the use of its reserves was highlighted.

In response to questions from the Committee, the Key Audit Partner – Grant Thornton UK advised that the 2021/22 had yet to be signed off, although this was due to be signed off within weeks. The Government had consulted on a backstop of September 2024, by which point all outstanding audits must be completed by that date. This meant that there would be some audits that could not be started and completed within that timeframe. Discussions had taken place regarding the 2022/23 audit – this would be subject to the backstop deadline. It was suggested that the 2023/24 audit would be started within a timely fashion.

The Committee drew attention to a number of the recommendations contained within Grant Thornton's report, including the Climate Action Plan, sensitivity analysis and the removal of Cabinet Members from the Audit Committee. The Deputy Chief Executive advised that it would be reported to Cabinet. Many issues within that plan were significant and the ability to grapple with and define the actions were under consideration. The Corporate Plan would be presented first, with the Climate Action Plan following on. Sensitivity analysis would take place on individual projects, and the contingencies would depend on the stage of the lifecycle of that project. In

respect of best practice it was suggested that Cabinet Members should not sit on the Audit Committee. There had been a long history of Cabinet Members sitting on the Committee, and this had been positive, providing challenge where needed. The Council, at this time, was not minded to change the make up of the Committee. In respect of the recommendation in relation to an Independent Member on Audit Committee, the Deputy Chief Executive would put together a report on the matter and in doing so make reference to the recommendation regarding the make up of the Audit Committee.

Attention was drawn to the budget gap that was highlighted within the report.

Resolved:

That the progress update on the 2021/22 and 2022/23 External Audit be noted.

371 Presentation of Financial Statements

The Senior Accountant introduced the report. The Council is required to produce an annual statement of accounts for the financial year ending 31 March. These would then be audited by the Council's external auditor and an opinion should be issued by the end of September. The accounts close down process would be overseen by the Senior Accountant, with oversight from the Finance Service Lead. The production date of 24 May 2024 had been estimated, with a statutory date to publish draft accounts being 31 May 2024. There had been no changes to the Local Authority Accounting Practices that would affect the close down process for 2023/24. The accounts were prepared on the basis of a 'going concern' and that the Council would operate for the foreseeable future. A presentation and training session will be held in June for the Audit Committee.

The Key Audit Partner – Grant Thornton UK confirmed that it would be unlikely that the audit opinion would be issued by the end of September, however they had committed to this work being completed by the end of December 2024.

In response to questions from the Committee, the Senior Accountant advised that heritage assets that were not replaceable or able to be rebuilt such as the Tank were valued at their original purchase price.

Resolved:

That the Audit Committee

- (i) **notes the report.**
- (ii) **approves the accounting policies for the 2023/24 accounts in Appendix A to the report.**

372 Report Tracker and Future Meetings

The Deputy Chief Executive advised a report on the Housing Action Plan would be put before Cabinet with a recommendation for the Audit Committee to monitor and would be added to the Tracker.

Resolved:

That the report be received and noted

Queries concerning these minutes? Please contact Democratic Services:
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