

## Audit Committee

Minutes of a Meeting of the Audit Committee held in the Council Chamber, Civic Centre, Tannery Lane, Ashford on the **19<sup>th</sup> March 2019**.

### Present:

Cllr. Barrett (Vice-Chairman);

Cllr. Dyer, Hicks, Link, Smith, Suddards.

### Apologies:

Cllr. Shorter

Head of Finance - ABC.

### Also Present:

Director of Finance & Economy, Compliance & Data Protection Manager, Head of Audit Partnership, Community Safety & Resilience Team Leader, Senior Auditor, Senior Accountant, Member Services Officer.

Director - Grant Thornton UK

## 388 Election of a Chairman

### Resolved:

**That in the absence of the Chairman and Vice-Chairman at the start of the meeting, Councillor. Link was elected as Chairman for this Meeting.**

## 389 Declarations of Interest

Councillor	Interest	Minute No.
Smith	Made a Voluntary Announcement as he drew and received added years for a Local Government Pension	393

## 390 Minutes of the Meeting held on 5<sup>th</sup> December 2018

### Resolved:

**That the Minutes of the Meeting of this Committee held on 5<sup>th</sup> December 2018 be approved.**

## **391 Brexit Presentation**

The Compliance & Data Protection Manager introduced this item. The presentation outlined the Council's preparations in conjunction with the Kent Resilience Forum (KRF) in respect of a 'no-deal' Brexit, although the terms defining how the UK would leave the EU had still not been agreed in Parliament. The various strategic groups, both internal and external, continued to meet regularly to monitor and review the situation.

The presentation drew attention to the key risks, including business and service continuity, labour and monitoring of funding. The principal concern however was transport disruption.

**At this point in the Meeting, the Vice-Chairman arrived and assumed the Chair for the remainder of the Meeting.**

A Member advised that at the recent Joint Transportation Board Meeting, a presentation had been made by the KCC Senior Highway Manager, which underpinned the core points relating to travel disruption alluded to in the Brexit presentation.

The Vice-Chairman in the Chair expressed his gratitude to the Compliance & Data Protection Manager and the Community Safety & Resilience Team Leader for the work undertaken so far and was reassured that the Council were well prepared. He asked whether funding allocated by Central Government could be retained if the UK's departure from the EU was delayed, as currently looked to be the case. The Director of Finance & Economy explained that £17k had already been received and a further £137k was available to be paid over the course of 2 years. He added that it was unusual for Government to recall funding.

**Resolved:**

**That the work undertaken on the Brexit Risk Register be noted.**

## **392 Certification of Grant Claims – Annual Letter**

The Director of Finance & Economy introduced this item and explained that the customary letter had been received from Grant Thornton signing off the Housing Benefit subsidy claim. The amendment value was an immaterial amount; to give some perspective to the Committee he explained that the main statement amount was £1.9 million, whilst the amount for this claim was in the region of £3k.

It was confirmed that Grant Thornton were voluntarily selected by the Council as the Auditor to sign off the claim, in response to a question from a Member.

**Resolved:**

**That the Certification of Grant Claims Annual Letter be noted.**

### 393 Presentation of Financial Statements

The Senior Accountant introduced the report and explained that the Council were required to follow statutory guidance when publishing its accounts. Each year this code of practice was reviewed and updated, and for the year 2018/19, three changes had been made to the code;

- IFRS 9 Financial Instruments was the new accounting standard for investments, borrowing, receivables and payables. The significant change would be the need to make recognition for expected credit losses on financial assets.
- IFRS 15 Revenue from Contracts with Customers. This amendment required the Council to recognise revenue from income streams they expected to receive in exchange for goods and services e.g. large planning fees. A review was under way to assess the materiality of this amendment and if a disclosure note would be required.
- IAS7 Statement of Cash flows required disclosure showing the reconciliation between opening and closing liabilities.

Clarification was sought regarding Page 7 of the report, around Council Tax and NNDR being included as a reconciling item in the Movement in Reserves on the General Fund balance. The Senior Accountant confirmed that the movement was a technical accounting adjustment, similar to the way depreciation was reversed back out of the accounts.

A Member asked whether the £10k insurance level set for Heritage assets was sufficient, since it seemed a low amount. It was confirmed that the level had been set at cost and would be reviewed in line with the insurance policy.

The Vice-Chairman in the Chair asked whether the term 'sensitivity analysis' denoted forward planning. The Senior Accountant confirmed that under IFRS9 Financial Instrument Risk, the Council now had to look at their loans and assess the likelihood of defaults occurring. Another Member queried the meaning of 'amortise', which was an accounting term for the depreciation of intangible assets.

The Committee then discussed the use of financial jargon within the reports. This was not a criticism of the Officers; merely an observation that Members sometimes had difficulty grasping an understanding of the reports, owing to the type of language used. The Vice-Chairman in the Chair queried whether using simpler terminology would alleviate any confusion. The Senior Accountant advised that Member training was being held on the 18<sup>th</sup> June and she invited Members to email her with specific areas or documents that they would like explanation on, to enable her to tweak the training programme to their needs. Further to this, Members requested a list of broad headings under which they could then request further training, since the topic was so vast. An overview from the Director of Finance & Economy and a synopsis of the training was also suggested. The Vice-Chairman in the Chair wanted it noted that he fully approved of the training being offered and felt that it was valid and

necessary.

**Resolved:**

**That a Glossary of Terms be used in future financial reports, with particular fiscal expressions highlighted.**

### **394 Corporate Risk Register**

The Compliance & Data Protection Manager introduced the report and explained that the Audit Committee were required to consider the Council's corporate risks on a six monthly basis.

The Vice-Chairman in the Chair queried how prepared the Council were for a cyberattack, since the report stated the likelihood had increased. The Compliance & Data Protection Manager explained that the network was robustly protected by a Firewall and policies concerning remote device working had been developed. The risk of attack had increased nationally, and this was chiefly due to the increase in volume of electronic communication. The Director of Finance & Economy explained that the Council's technological infrastructure formed part of the bigger Kent Public Services Network (KPSN) and the risk to Ashford was medium, which was consistent with other Councils in the County. He added that the biggest risk factor was the people using the technology, and therefore mandatory training regarding cyber awareness had been rolled out to staff.

The Committee then discussed the strategic risk relating to resourcing, which had been added to the register. It was explained that this stemmed mainly from pressures in Planning and the Property & Projects Team. A number of vacancies had yet to be filled, but measures were in place to recruit new members of staff to those vacancies.

A Member noted the worrying disparity between rents and the Local Housing Allowance and the Director of Finance & Economy agreed that this was a risk. The Council's Social Lettings Agency worked to support both the tenant and the landlord, but it was expected that this risk would logically increase owing to external factors such as Universal Credit and a rise in market rent levels.

The report detailed the removal of Ashford College's facility to deliver engineering courses. The Director of Finance & Economy explained that there was a risk to the £1 million loan provided to the College, and the Council were closely monitoring the situation. The loan was secured against assets of the College. It was understood that an alternative venue at Hadlow Group may have been secured to provide training, but this was yet to be confirmed.

Attention then turned to risks to the Council's commercial investment portfolio and whether any external bodies were involved in the risk assessment process. The Compliance & Data Protection Manager confirmed that calculations of risk were undertaken internally by the Corporate Property and Projects team, and were then reviewed by Management Team. The Senior Accountant added that the risk was mitigated because the majority of the commercial investment was covered by leases.

**Resolved:**

**That the Committee agree the assessments and adequacy of key controls to manage the risk.**

**395 Annual Governance Statement**

The report summarised the Council's approach to governance and the effectiveness of the Council's arrangements. It outlined how the Council had met core principles and areas to focus on, which included the development of social media, a Member/Officer protocol, development of a consultation toolkit and a cyber-security awareness programme.

The Vice-Chairman in the Chair thanked the Compliance & Data Protection Manager for the report and the Committee had no questions.

**Resolved:**

**That the Committee approved the report.**

**396 Internal Audit and Assurance Plan 2019/20**

The Head of Audit Partnership introduced the report, which set out the analysis of risks and the Council's approach for commissioning a new assessment, due in 2019/20. The report drew attention to headline risks and high priority projects including Global and Sector risks, Local risks, Resources, It Network security and IT asset management. The Audit Team had been assessed by the Chartered Institute of Internal Audit as fully conforming in 2015, and they continued to challenge and update their ways of working. Restructure within the team was taking place and with the Audit Manager recently going onto Maternity leave, the Senior Auditor had stepped into the role temporarily. The creation of four-year Audit Apprentice roles also provided scope for additional support.

A Member asked how they proposed to review Leisure Trust Services, as referred to on page 71 of the report. The Head of Audit Partnership explained that a review would be carried out via discussion with the Audit Sponsor, typically the Head of Service, to determine how the Trust operated and assess if objectives were being met.

In response to a question from the Vice-Chairman in the Chair regarding cloud computing, the Head of Audit Partnership and the Director of Finance & Economy explained that this primarily concerned use of online apps by the Council, where data was held by a 3<sup>rd</sup> party. Off-site storage had been established for various departmental software including Revenues and Benefits, Housing and Parking Services. The project sought assurances to ensure reliability and network testing, through a 3<sup>rd</sup> party arrangement. In addition, the Council had their own procedures regarding the safeguarding of data, and the network servers were automatically

backed up to KPSN. An audit had been carried out 18 months ago on IT Network Security and the result was deemed satisfactory.

The Vice-Chairman in the Chair concluded that he was happy with the work carried out by the Internal Audit Team and welcomed Terms of Reference for the assessment.

**Resolved:**

**That the Committee approved and noted the report.**

### **397 External Audit Plan 2018/19**

The Director – Grant Thornton UK introduced the report, which provided an overview on Value for Money arrangements within the Council. He confirmed that three significant risks had been identified, all of which were common to Local Authorities.

The Director confirmed that a dynamic assessment was undertaken and the work of the KRF was also taken into consideration. Grant Thornton would only undertake work where a significant risk was conceivable.

**Resolved:**

**That the Committee note the Audit Plan.**

### **398 Report Tracker for Future Meetings**

The Vice-Chairman in the Chair confirmed that the next meeting of the Audit Committee would be held on the 18<sup>th</sup> June 2019. He hoped that the Member Training sessions, alongside a degree of simplification within the reports and documents, would encourage more pointed questions and discussions in the future.

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