

## DARTFORD BOROUGH COUNCIL

### AUDIT BOARD

**MINUTES** of the meeting of the Audit Board held on Wednesday 22 July 2020 at 1.30 pm.

**PRESENT:** Councillor D A Hammock (Chairman)  
Councillor Mrs. J A Ozog (Vice-Chairman)  
Councillor D Butler-Ruhle  
Councillor R Gosine  
Councillor S N Gosine  
Councillor P M Harman  
Councillor A R Lloyd

**ABSENT:** None

**IN ATTENDANCE:** Sarah Martin – Strategic Director (Internal Services) & Section 151 Officer  
Marie Kelly-Stone – Head of Legal Services  
Tim Sams – Financial Services Manager  
Fran Chivers – Internal Audit Manager (Chief Audit Executive)  
Glen Moore – Counter Fraud Manager  
Mr. I Murray – Grant Thornton UK (External Auditors)  
Mr. K Mungadzi – Grant Thornton UK

#### 36. APOLOGIES FOR ABSENCE

The Chairman welcomed Members to the first virtual meeting of the Audit Board via the Zoom platform, which was also being streamed live to the public via YouTube, as per the link published on the Council website.

He extended a special welcome to Mr Ian Murray and Mr Keith Mungadzi from the Council's External Auditors, Grant Thornton UK, and noted the remote presence of the Council's Strategic Director (Internal Services) & Section 151 Officer, the Head of Legal Services, the Financial Services Manager, and the Counter Fraud Manger, and gave a special welcome to the Council's recently appointed Internal Audit Manager (Chief Audit Executive) Fran Chivers, who was attending her first Board meeting.

Members were also advised that the Democratic Services Manager and the Transformation Manager were in attendance remotely, to assist the Committee Co-ordinator with the IT processes for the meeting, whilst he clerked the proceedings.

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The Chairman advised of a change to the published agenda order of business: Item 14 (Member Code of Conduct: Adoption of IHRA Definition of Ant-Semitism), would be taken after Item 7 (Fraud Compliance Update), to allow the Head of Legal Services to depart the proceedings prior to the Board's consideration of the standard finance items.

There were no apologies absence, with the Vice-Chairman subsequently joining proceedings following a prior work commitment.

### **37. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **38. CONFIRMATION OF THE MINUTES OF THE MEETING HELD ON 21 JANUARY 2020**

RESOLVED:

1. That the Minutes of the Board meeting held on 22 January 2020 be confirmed as accurate.

### **39. URGENT ITEMS**

The Chairman confirmed that there were no urgent items for the Board to consider.

### **40. REFERENCES FROM OTHER COMMITTEES (IF ANY)**

None.

### **41. REPORT FROM EXTERNAL AUDITOR - 2019-20 AUDIT PLAN**

The covering report from the Financial Services Manager (FSM) presented the External Auditor's 2019-20 Audit Plan for the Council's Accounts [Appendix A to the report].

The FSM's covering report advised Members that due to the COVID-19 pandemic, and the subsequent cancellation of the Board meeting in April, the deadlines for submission and audit of the Council's statement of accounts had been extended from 31 July 2020 to 1 September 2020. Given these developments, and the statutory publishing deadlines required, rather than update Members on the progress of their audit work, it had been necessary for Grant Thornton, as External Auditor, to submit to the Board their 2019-20 Audit Plan (attached as Appendix A). However, it was still expected that the Council's Statement of Accounts would be published, audited and ready for approval well within the extended timescales.

Ian Murray (Grant Thornton Engagement Lead) gave a brief summary of his 2019-20 External Audit Plan for Dartford for the Year ending 31 March 2020. He advised Members that the increase in risk posed by the Covid-19

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pandemic to the Council's property holdings and pension obligations had been recorded in the External Auditor's Plan before the Board [Section 3, p 5-7, agenda pages 17-19 refer]. In terms of Value for Money (VfM) the External Auditor would be monitoring all Council arrangements put in place to manage the impact of COVID-19 in terms of loss of the Council's demand-led income and increase on Council services [Section 8, p.10, agenda p 22 refers]. Similarly, the onset of the COVID-19 pandemic, allied to changes to audit working practices imposed by the FRC as the regulatory authority, had led to an increase in audit fees for the Council to those previously agreed with the PSAA on 1 April 2018. The revised external audit fee structure was set out for Members in Section 10 of the Plan [report pages 12/13, agenda pages 24/25 refer], and had been discussed with the Strategic Director (Internal Services) and the Financial Services Manager, prior to presentation to the Board.

In response to a specific question from the Cabinet Portfolio Holder for Finance (attending as a Board Member), the GT Engagement Lead confirmed for the Board that he had no concerns over the progress of the 2019-20 External Audit: matters had been delayed by the need to work remotely via the Team and Zoom virtual platforms, but the audit process remained ongoing with a continued excellent relationship between GT and the Council's finance staff at all levels.

The Chairman thanked the GT representatives for their attendance and submission of their 2019-20 External Audit Plan, and asked Mr Murray to extend his and the Board's best wishes to his predecessor, Mrs Liz Jackson, who had diligently audited the Council's accounts over many years.

### RESOLVED:

1. That the Board notes the contents of the covering report from the Financial Services Manager, and the External Auditor's Audit Plan 2019-20 for the Council accounts (Appendix A to the covering report).

#### **42. FRAUD COMPLIANCE TEAM ANNUAL REPORT 2019-20**

The report from the Counter Fraud & Compliance Manager (CFCM) presented at Appendix A for the Board's consideration, a summary of the work undertaken by the Counter Fraud & Compliance Team (CF&C Team) during the year ending 31 March 2020.

The CFCM highlighted two specific areas of that work for Members:

- **Business Rates** [table agenda p.33 refers]: The CF&C Team had continued to concentrate its efforts in support of the Business Rates Team [Dartford & Sevenoaks Revs & Bens Joint Service] to identify businesses who had failed to register to pay Business Rates tax. The CF&C Team had successfully identified 10 (ten) business cases during 2019/20 which had resulted in an accrued increase of revenue for the Council of **£64,956**, with a further **£33,308** due to accrue to the Council

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in 2020/21 financial year, as a consequence of those 10 business registrations;

- **Council Tax 2019/20** [table agenda p.34 refers]: The work of the Team in the period under review had produced an increase in tax yield of **£179,263** from 198 adjusted cases.

Members were advised that as part of the Council's response to the COVID-19 pandemic, some team members had been diverted to support the Council's new business grant support scheme, but would be returning to the Team's traditional areas of work soon.

In response to a specific question from the Chairman, the CFCM confirmed that that no members of the CF&C Team had been diverted to any general duties in support of the Council's efforts to combat COVID-19. He also undertook to discuss with the Leader of the Council [and the Communications Team] the Chairman's proposal that the Council issue a press release to this effect, to re-assure the public that the Council's efforts to combat fraud had not been diluted. The Cabinet Member for Finance supported the Chairman's proposal.

### RESOLVED:

1. That the Board notes the work undertaken by the Counter Fraud & Compliance Team during the 2019/20 financial year as set out in detail in Appendix A to the report;
2. That in consultation with the Leader of the Council, the Counter Fraud & Compliance Manager issues a press release confirming that the core anti-fraud duties of his team had continued to be met throughout the Corona virus pandemic.

### **43. MEMBER CODE OF CONDUCT: ADOPTION OF THE INTERNATIONAL HOLOCAUST REMEMBRANCE ALLIANCE DEFINITION OF ANTI-SEMITISM**

The report from the Head of Legal Services asked Members to consider and endorse an amendment to the Member Code of Conduct to incorporate the provisions of the International Holocaust Remembrance Alliance's definition of anti-Semitism in '*the broader context of respect, tolerance, inter-faith understanding and equality*', as set out in para. 3.6 of the report (wording attached as Appendix A), as recommended by the General Assembly of the Council [13.01.2020:Min. No. 74 refers].

In addition to her offer to respond to any questions Members had, the Head of Legal Services advised the Board that the Member Code of Conduct was being reviewed on a national basis, and asked Members to consider responding to that national consultation (closing date 17 August 2020).

### RESOLVED:

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1. That the Board endorses the proposed amendment to the Member Code of conduct, to apply the International Holocaust Remembrance Alliance definition of anti-Semitism, *in the broader context of respect, tolerance, inter-faith understanding and equality*, as set out in para. 3.6 of the report as per the revised wording (attached as Appendix A to the report).

#### **44. ANNUAL GOVERNANCE STATEMENT 2019/20**

The covering report from the Financial Services Manager (FSM) informed the Board of the review of governance arrangements which had taken place for the system of internal control which had operated during the 2019/20 financial cycle. The report enclosed for the Board's approval the Annual Governance Statement 2019/20 (Appendix A), the Governance Action Plan (GAP) 2020/21 (Appendix B), together with the GAP 2020/21 Review (Annex 1 to Appendix B).

The FSM reminded Members of the interrelationship between the appendices, and how they contributed to the Council's ability to publish an Annual Governance Statement (GAS) each financial year. The GAS 2020/21 (Appendix A to the report) was supported by the 2020/21 GAP document (Appendix B), which contained a pictogram (agenda p.51) which set out the various stages in that annual cycle that the Council undertook to comply with its own Code of Governance and the seven principles of the CIPFA/SOLACE Framework. The 2020/21 GAP document had identified nine (9) actions for Officers to undertake [Appendix B agenda p. 56 refers], as underpinned by the GAP 2020/21 Review [App. B Annex 1 agenda pages 59/60]. The 2020/21 GAP took account of the impact of COVID-19 on staffing levels within the Finance Department, and would continue to do so.

In response to specific questions from the Cabinet Member for Finance, the FSM confirmed that resource levels were sufficient to carry out the action plan despite the current impact of COVID-19, and that he was also satisfied with the security measures in place for staff to work remotely from home [App. B, GAP Action 6 (agenda p.56) and Internal Audit Annual Opinion (July 2020) Min. No. 45 refer].

#### **RESOLVED:**

1. That the Board notes the review of the Council's Governance arrangements that has taken place for the 2020/21 financial year as set out in the report;
2. That the Board approves the Annual Governance Statement 2019/20 (attached as Appendix A to the report), for inclusion in the Annual Statement of Accounts, together with the Governance Action Plan for 2020/21 (attached within Appendix B to the report).

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### **45. INTERNAL AUDIT ANNUAL OPINION 2019-20**

The report from the recently appointed Audit Manager (Chief Audit Executive), asked the Board to note the Internal Audit Annual Opinion (July 2020) attached as Appendix A to the report, on the effectiveness of the Council's internal control, governance and risk management arrangements, as required under Public Sector Internal Audit Standards (PSIAS).

She reminded Members that the annual Internal Audit Opinion was a mandatory requirement for the Council, and gave an overview of all the internal audit work and performance during the 2019/20 financial year, as derived from the Internal Audit Plan agreed by the Board in April 2019 [Min. No.43 refers]. Due to a long-term vacancy in the Internal Audit team during the period under review, exacerbated by the re-allocation of two (2) team members to the Council's Community Hub (to help combat the effects of COVID-19 in the Borough); less internal audit work had been undertaken than was proposed in the 2019/20 Plan [Limitations – agenda p.67 refers]. However, in overall terms, the work of the Internal Audit team had been good, and no new risks had been identified in the Council's financial procedures. The Team was performing well in terms of client satisfaction [agenda p.81 refers], but needed to improve on delivery within budget. With regard to the outstanding Food Safety recommendation, the Council's Environmental Health Department had been unable to undertake any inspections of food premises since March 2020, due to COVID-19 lock-down restrictions.

The Audit Manager advised that she had been in post since 11 May 2020 and appreciated the opportunity to meet the Board and work with Members going forward. If there had been any 'gaps' in her presentation she was happy to respond to questions, or revert on any points she was unfamiliar with by email.

In response to a specific question from the Chairman, regarding client feedback in 2019/20 '[Q3 – 'could have done better' - agenda p.84 refers]; the Audit Manger advised that the comment referred to the need for Internal Audit to keep clients aware of the audit process throughout (rather than at the conclusion), and that the point had been taken on board going forward.

#### RESOLVED:

1. That the Board notes the Annual Audit Opinion 2019-20 (July 2020) attached as Appendix A to the report.

### **46. INTERNAL AUDIT PLAN 2020-21**

The covering report from the Audit Manager reminded the Board that, in accordance with Public Sector Internal Audit Standards (PSIAS); the Council's Internal Audit service was required to establish a risk-based plan to determine its priorities and areas for review, together with details of the audit planning process and the resources necessary to deliver that Plan; and the Audit Board

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was required, through its Terms of Reference, to consider and approve the Plan each year.

The Internal Audit Plan 2020/21 [attached as Appendix A to the covering report] for the Board's approval, detailed the audit planning process, the outcomes of planning consultations, and the resources necessary to deliver the Plan. The Internal Audit team had initially lost two (2) members to the Council's Community Hub (combatting the effects of COVID-19 in the Borough); but had been back to full strength since late June and was continuing to catch-up with its core work. The overall 2020/21 Plan had been divided into Plan A and Plan B to prioritise resources: all audits in Plan A were due to be completed, but Plan B audits would only be completed as resources allowed. All clients listed in Plan A and B [agenda pages 104-108 refer] had been contacted by Internal Audit, and audits listed in Plan A had been scheduled. Discussions with Senior Management had confirmed that the review of previously identified risks remained relevant. However, it would be necessary in the ensuing financial year to continually review the overall 2020/21 Plan, and bring any necessary changes back to the Board for approval as required. In 2020/21 the time made available for advisory work had been increased, to further assist the Council's response to COVID-19; including assurance checks on Business Support Grants, together with the Council's Counter Fraud Team.

### RESOLVED:

1. That the Board approves the Internal Audit Plan 2020/21 (attached as Appendix A to the covering report).

#### **47. INTERNAL AUDIT CHARTER (JULY 2020)**

The covering report from the Audit Manager attached at Appendix A, the Internal Audit Charter (July 2020). The Charter set out the scope and remit of the Internal Audit service, including the necessary safeguards required to protect the independence and objectivity of the Service, and provided an overview of governance arrangements. The Charter also authorised Internal Audit's access to all records, personnel and assets, that it deemed necessary to undertake its work. The Audit Board, as the body charged with governance and oversight of the Internal Audit service, was required, through its Terms of Reference, to consider and approve the Charter on an annual basis.

### RESOLVED:

1. That the Board notes and approves the contents of the Internal Audit Charter (July 2020) as attached at Appendix A to the covering report.

#### **48. PUBLIC SECTOR INTERNAL AUDIT STANDARDS - EXTERNAL QUALITY ASSESSMENT PROCUREMENT**

The covering report from the Internal Audit Manager, provided the Board with an update on the intention to procure an external quality assessment (EQA),

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in the 2020/21 financial year of the Council's Internal Audit function, via a self-assessment process as set out in Appendix A to the report; in order to satisfy the requirements of the Public Sector Internal Audit Standards (PSIAS).

The PSIAS required that the internal audit function be externally assessed by an independent and competent assessor on at least a five yearly basis. The last EQA exercise had been conducted in November 2015 and the next EQA was therefore due; to ensure the internal audit function was operating effectively and in accordance with professional standards. However, the regulatory body [IIA], had indicated that due to the impact of COVID-19, some reasonable leeway on timescales would be permitted. Staff resources had been deployed in the 2020/21 Audit Plan to complete the self-assessment exercise, prior to input from the external assessor.

In response to a specific question from the Chairman, the Internal Audit Manger advised that the external assessor had yet to be nominated, but that estimates for the work would be sought from three external providers, including PriceWaterhouseCoopers, given their previous association with and existing knowledge of, the Council's internal audit function.

### RESOLVED:

1. That the Board notes the decision to procure an external quality assessment of the Council's Internal Audit function, via a self-assessment validation, as set out in Appendix A to the report.

#### 49. **SELECTIVE INVOICE CHECKS**

Following the cancellation of the Board meeting in April 2020 due to restrictions imposed by COVID-19, the Chairman had been asked to select three creditor payments by the Internal Audit Manager for checking. The report summarised the outcome of that exercise, and provided the opportunity for Members to select further payments for checking.

Testing of the payments to **Bells Power Services Ltd**, **B R Stacey Fencing Ltd** and **Celebtime** confirmed that the payments had been justified and made promptly, with the third listed not quite according to financial procedures, given the lack of a purchase order.

### RESOLVED:

1. That the Board notes the contents of the report;
2. That the Internal Audit Manager provides the Chairman with a list of further payments for the selection of another five payments for checking.

In bringing the proceedings to a close, the Chairman thanked his Grant Thornton guests for attending the virtual proceedings, congratulated the



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Internal Audit Manager for attending her first meeting of the Board, and all Officers for their reports.

The meeting closed at 2.21 pm

Councillor D A Hammock  
CHAIRMAN