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## AUDIT COMMITTEE

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**MINUTES** of the Meeting held in the Council Chamber, Swale House, East Street, Sittingbourne, Kent, ME10 3HT on Wednesday, 8 June 2016 from 7.22 - 8.44 pm.

**PRESENT:** Councillors Andy Booth, Roger Clark, Adrian Crowther, Mick Galvin, Nicholas Hampshire (Chairman), Harrison, Nigel Kay (Vice-Chairman), Samuel Koffie-Williams and Peter Marchington.

**OFFICERS PRESENT:** Rich Clarke, Philippa Davies, Trevor Greenlee (Grant Thornton), Mark Radford, Frankie Smith and Nick Vickers.

**ALSO IN ATTENDANCE:** Councillors Duncan Dewar-Whalley (Cabinet Member for Finance and Performance) and Alan Horton (Cabinet Member for Safer Families and Communities).

### 717 **EMERGENCY EVACUATION PROCEDURE**

The Chairman drew attention to the emergency evacuation procedure.

### 718 **DECLARATIONS OF INTEREST**

No interests were declared.

### 719 **MINUTES**

The Minutes of the Meeting held on 9 March 2016 (Minute Nos. 575 - 583) were taken as read, approved and signed by the Chairman as a correct record subject to the following amendment:

Minute No. 580 second paragraph to read: A Member considered it important to have a formal record of the corporate risk appetite. He made the observation that it may prove necessary to have that by department, because there may be some parts of the business in which Swale Borough Council will be by necessity highly risk averse and others in which they are prepared to accept higher risk.

### 720 **INTERNAL AUDIT ANNUAL REPORT 2015/16**

The Head of Audit Partnership introduced the report which set out his annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control which can be used to inform the Annual Governance Statement for 2015/16.

The Head of Audit Partnership drew Members' attention to Appendix I to the report which set out the evidence that formed the conclusion. He explained that the table on page nine of the Appendix set out a summary of specific projects with assurance ratings of strong/sound, and stated that Swale Borough Council (SBC) were unique within the audit partners in that there were no projects with issues, which was something to be proud of. The Head of Audit Partnership advised that full reports on all the findings were available from him on request. He referred to page 20 of

the Appendix and drew attention to the 68 actions due and completed which was a key piece of assurance.

A Member stated the report was very thorough and very readable. She suggested that training be provided on counter fraud and corruption, as this could be beneficial to all Members in enabling them to have an input on reducing this issue. In response, the Head of Audit Partnership reported that the Single Fraud Investigation Service had commenced this year; the Revenue and Benefits Section at SBC were looking into how this could help their department, and an update on this could be provided at the next Audit Committee. He agreed that it would be timely to have a briefing on this topic.

Another Member congratulated the Head of Audit Partnership on the extremely well documented report, and he encouraged all Members of the Council to read it. The Member raised some concern with the 'sound' controls in place over the Council's Performance Management and considered there should be improvements to this, to make it 'strong'. He considered Risk Management was an issue that all Members should be aware of, as it became more prevalent.

The Director of Corporate Services, in his role as Monitoring Officer, stated that it was important to take a step back and see how good the levels of assurances outlined in the report on the Council had been this year. He considered this to be a really good picture and thanked the Head of Audit Partnership and his Team for the revised way of working, and flexibility of the Team and responses to issues. The Monitoring Officer considered the report to be pitched at the right level and the overall picture presented assured both him and the Head of Finance in their statutory roles.

A Member raised concern with some themes that had not been included within the report, for example, HR risks, HM Revenue and Customs, and Value Added Tax. In response, the Head of Audit Partnership explained that the report was part of a four-year plan and not every issue was looked at each time. He added that there would be a review of HR in 2016/17; Payroll was included in paragraph 74 of the report; VAT work was scheduled for January 2017, and he advised that Pay As You Earn had a strong record of compliance at SBC.

The Committee congratulated the Audit Team on the recent qualifications they had achieved.

**Resolved:**

- (1) That the Head of Audit Partnership's opinion for 2015/16 that reliance can be placed on the overall adequacy and effectiveness of the Council's arrangements for internal control, governance and risk management, be noted.**
- (2) That the work underlying that opinion, and the Head of Audit Partnership's view, that the audit service had maintained appropriate independence and conformance with Public Sector Internal Audit Standards through 2015/16, be noted.**

**721 ANNUAL GOVERNANCE STATEMENT**

The Head of Finance introduced the report whereby the Council was required by statute to seek the agreement of the Audit Committee to the Annual Governance Statement. He advised that reference to the Accounts and Audit Regulations, should be dated 2015, not 2011 as noted in the report.

***Resolved:***

***(1) That the Annual Governance Statement be agreed.***

**722 AUDIT COMMITTEE ANNUAL REPORT**

The Chairman introduced the report which outlined how the Audit Committee had effectively discharged its duties during 2015/16. The report provided assurance to the Council that important internal control, governance and risk management issues were being monitored and addressed by the Committee, and sought to provide additional assurance to support the Annual Governance Statement.

The Director of Corporate Services explained that the purpose of the report was to explain the role of the Audit Committee and how it had discharged its duties, rather than a programme of the audit work and this needed to be clear when reporting to Council.

***Resolved:***

- (1) That the Audit Committee Annual Report for 2015/16 be agreed.***  
***(2) That the Chairman of the Audit Committee provides the report to a meeting of the Full Council to demonstrate how the Committee has discharged its duties.***

**723 FEE LETTER 2016/17**

Mr Trevor Greenlee (Engagement Manager, Grant Thornton), introduced the report which set out the planned audit fee for 2016/17.

***Resolved:***

***(1) That the report be noted.***

**724 FUTURE APPOINTMENT OF EXTERNAL AUDITORS**

Mr Greenlee left the Chamber during consideration of this item.

The Head of Finance introduced the report which provided an update on the latest position on the future procurement of external audit, and sought the Committee's views on the way forward. He explained that this was the first of a series of reports, prior to new appointments being made by 31 December 2017.

The Head of Finance highlighted the three main options for the Council, as noted on pages 49 and 50 of the report.

1. The Council could establish its own independent Auditor Panel;
2. The Council could join with other Councils to set up a joint independent Auditor Panel;
3. The Council could opt into a sector-led body.

The Head of Finance raised the following observations: there was some concern on how to resource an Audit Panel; whether 'independent' meant they would not know enough about the Council; and with reference to the fees charged, it was important to have quality and economies of scale. He stated that sector-led could be a good option, but this could restrict choice.

Members discussed the three options and considered the option needed to be cost effective. They preferred either option 2 or option 3.

The Cabinet Member for Safer Families and Communities stated that a competent auditor was required, and he spoke in favour of being part of a larger group.

**Resolved:**

- (1) *That the Committee's views as set out above be noted.*

**725 2015/16 AUDIT PLAN - EXTERNAL AUDIT**

Mr Greenlee introduced the report which set out an overview of the planned scope and timing of the audit, as required by International Standard on Auditing.

Mr Greenlee stated that there were no risks listed which were specific and local to SBC. He explained that in terms of financial management, SBC had a good record. However, with changes to Government funding and local authorities becoming more self-financing, financial management would need to be looked at to understand how the Council was approaching this, to bridge the funding gaps.

**Resolved:**

- (1) *That the report be noted.*

**726 WORK PROGRAMME**

The Chairman suggested that 20 minutes, prior to each Audit Committee, time be spent on briefing/training Members on what was being considered at that particular meeting.

Discussion ensued and the following points were raised: was this needed?; training should be available for all 47 Members; if Members were unclear on an item, they could contact the relevant officer, prior to the meeting; and consider the meeting should start at 7pm, not 7.20pm.

**Resolved:**

- (1) *That the report be noted.*
- (2) *That Audit Committee meetings continue to commence at 7pm.*

Chairman

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All Minutes are draft until agreed at the next meeting of the Committee/Panel