



AGENDA

AUDIT COMMITTEE MEETING

Date: Wednesday, 8 June 2016

Time: 7.20pm – **Please note the time**

Venue: Committee Room, Swale House, East Street, Sittingbourne, Kent, ME10 3HT

Membership:

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

Quorum = 3

Pages

1. Emergency Evacuation Procedure

The Chairman will advise the meeting of the evacuation procedures to follow in the event of an emergency.

2. Apologies for Absence and Confirmation of Substitutes

3. Declarations of Interest

Councillors should not act or take decisions in order to gain financial or other material benefits for themselves or their spouse, civil partner or person with whom they are living with as a spouse or civil partner. They must declare and resolve any interests and relationships.

The Chairman will ask Members if they have any interests to declare in respect of items on this agenda, under the following headings:

(a) Disclosable Pecuniary Interests (DPI) under the Localism Act 2011. The nature as well as the existence of any such interest must be declared. After declaring a DPI, the Member must leave the meeting and not take part in the discussion or vote. This applies even if there is provision for public speaking.

(b) Disclosable Non Pecuniary (DNPI) under the Code of Conduct adopted by the Council in May 2012. The nature as well as the existence of any such interest must be declared. After declaring a DNPI interest, the Member may stay, speak and vote on the matter.

(c) Where it is possible that a fair-minded and informed observer, having considered the facts would conclude that there was a real

possibility that a Member might be predetermined or biased the Member should declare their predetermination or bias and then leave the room while that item is considered.

Advice to Members: If any Councillor has any doubt about the existence or nature of any DPI or DNPI which he/she may have in any item on this agenda, he/she should seek advice from the Director of Corporate Services as Monitoring Officer, the Head of Legal or from other Solicitors in Legal Services as early as possible, and in advance of the Meeting.

4. Minutes

To approve the Minutes of the Meeting held on 9 March 2016 (Minute Nos. 575 - 583) 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.

Part B Reports for Decision by the Audit Committee

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| 5. | Internal Audit Annual Report 2015/16 | 1 - 32 |
| 6. | Annual Governance Statement | 33 - 44 |
| 7. | Audit Committee Annual Report | |
| | This report is to follow. | |
| 8. | Fee Letter 2016/17 | 45 - 48 |
| 9. | Future Appointment of External Auditors | 49 - 54 |
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| 11. | Work Programme | 75 - 80 |

Issued on Tuesday, 31 May 2016

The reports included in Part I of this agenda can be made available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, **please contact DEMOCRATIC SERVICES on 01795 417330**. To find out more about the work of the Audit Committee, please visit www.swale.gov.uk

Director of Corporate Services, Swale Borough Council,
Swale House, East Street, Sittingbourne, Kent, ME10 3HT

Audit Committee Meeting	
Meeting Date	8 June 2016
Report Title	Internal Audit Annual Report 2015/16
Cabinet Member	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance
SMT Lead	Mark Radford – Director of Corporate Services
Head of Service	Rich Clarke – Head of Audit Partnership
Lead Officer	Rich Clarke – Head of Audit Partnership
Key Decision	No
Classification	Open
Forward Plan	Reference number: N/A
Recommendations	<ol style="list-style-type: none"> 1. The Committee notes the Head of Audit 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. 2. The Committee notes the work underlying that opinion and the Head of Audit’s view that the audit service has maintained appropriate independence and conformance with Public Sector Internal Audit Standards through 2015/16.

1 Purpose of Report and Executive Summary

- 1,.1 This report meets the Head of Internal Audit annual reporting requirements mandated by the Public Sector Internal Audit Standards (PSIAS). The report includes the Head of Audit Partnership’s 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.
- 1.2 PSIAS, in particular Standard 2450: Overall Opinions, direct that the annual report must incorporate:
- The annual internal audit opinion,
 - A summary of the work completed that supports the opinion, and
 - A statement on conformance with PSIAS.

2 Background

- 2.1 Internal audit is a required service under Regulation 5 of the Accounts and Audit Regulations 2015. The principle objective of internal audit, under that Regulation is to:

... undertake [audit work] to evaluate the effectiveness of [...] risk management, control and governance processes, taking in account public sector internal auditing standards and guidance.

- 2.2 As those charged with overseeing Governance, the Terms of Reference for this Audit Committee require it to:

...consider summaries of internal audit reports produced and review management action taken on associated recommendations. To consider and comment upon any items relevant to the internal audit function.

- 2.3 The overall scope of the Council's audit service – which is delivered as part of a four way partnership with Maidstone, Ashford and Tunbridge Wells – is set out in the Audit Charter and Annual Plan. The Charter and Plan for 2015/16 were agreed by this Committee in March 2015. This Committee also received an interim update on progress to date in December 2015.

- 2.4 We have completed the work set out in the plan, subject to modifications as described in accordance with PSIAS. Where there is work outstanding at the time of writing, it is sufficiently progressed that the Head of Audit Partnership is satisfied its conclusions will not materially affect the Head of Audit Opinion. The final conclusions of any work outstanding will be reported verbally at the meeting (if available) and/or included within the first interim update of 2016/17.

3 Proposal

- 3.1 The Head of Audit Partnership is satisfied the Council can place assurance on the system of control in operation during 2015/16. Furthermore he is satisfied that the corporate governance framework complies in all significant respects with the best practice guidance issued by CIPFA/SOLACE. Finally, he is satisfied that the Council's risk management processes are effective. We ask the Audit Committee to note these opinions.
- 3.2 Please see the appendix for the full Annual Report for 2015/16 which includes a summary of all work conducted to support the opinion and confirms the independence and effectiveness of the internal audit service.

4 Alternative Options

- 4.1 The role of the Audit Committee includes considering the Annual Report of internal audit as a required part of its purpose. We recommend to alternative course of action.

5 Consultation Undertaken

- 5.1 All findings and recommendations identified within reviews are consulted on with the appropriate Head of Service and action plans are agreed with management to implement recommendations. The headline messages within the report are as discussed with the Director of Corporate Services and s151 Officer across the year, and have been communicated to the s151 Officer to assist with his preparation of the Council's Annual Governance Statement. The report in full was shared and discussed with the Cabinet Member for Finance before presentation as part of Committee papers. The attached report is adapted for comments received.

6 Implications

- 6.1 This report is provided for information rather than decision and consequently raises no new issues and implications.

Issue	Implications
Corporate Plan	Not applicable
Financial, Resource and Property	Not applicable
Legal and Statutory	Not applicable
Crime and Disorder	Not applicable
Sustainability	Not applicable
Health and Wellbeing	Not applicable
Risk Management and Health and Safety	Not applicable
Equality and Diversity	Not applicable

7 Appendices

The following documents are to be published with this report and form part of the report:

- Appendix I: Swale Borough Council Annual Internal Audit Report 2015/16.

8 Background Papers

None

MID KENT AUDIT

Annual Internal Audit Report and Opinion

2015/16

Swale Borough Council



Introduction

1. Internal audit is an independent and objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
2. Statutory authority for Internal Audit is within the Accounts and Audit Regulations 2015, which require at Regulation 5 that:

"[the Council] must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance".
3. The currently operating standards are the [Public Sector Internal Audit Standards](#) published by HM Government for effect from April 2013 across the UK public sector.
4. In addition, all internal audit services in whatever sector must also abide by the *Code of Ethics* and International Professional Practices Framework. .
5. The Head of Audit Partnership must provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of control, governance and risk. This considers:
 - Internal Controls: Including financial and non-financial controls.
 - Corporate governance: Including effectiveness of measures to counter fraud, and
 - Risk Management: Principally, effectiveness of the risk management framework.

Independence

6. Mid Kent Audit is a shared service partnership involving Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils working to a collaboration agreement refreshed in July 2014. As a service, we report to the Mid Kent Services Director and the MKIP Board.
7. Within Swale BC, the Head of Audit Partnership has direct and unrestricted access to the Chief Executive, senior management and Members, including the Chairman of the Audit Committee. This right of access is contained within and reinforced by the Audit Charter agreed by management and Audit Committee in March 2015.
8. On no occasion have Senior Officers or Members sought to inappropriately restrict the scope of audit work or change any report prepared by or for the Head of Audit Partnership.
9. We are satisfied that Internal Audit is organisationally independent and fully meets the necessary standards for independence and objectivity.

Head of Audit Partnership Annual Opinion

10. I provide this opinion statement for Swale Borough Council (the Council) to inform its Annual Governance Statement which is published alongside the Statement of Accounts for the year ended 31 March 2016.

Scope of responsibility

11. The Council is responsible for ensuring its activities are conducted in accordance with the law and proper practices and that its resources are safeguarded and properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
12. In discharging this responsibility the Council must also ensure it operates a sound system of internal control which allows for effective exercise of the Council's functions and arrangements for risk management.

The purpose of the system of internal control

13. The system of internal control is designed to manage risk to an acceptable level rather than eliminate entirely the risk of failing to achieve objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and manage them efficiently, effectively and economically.
14. The Public Sector Internal Audit Standards (the 'Standards') state that the control environment includes the following elements:
 - Integrity and ethical values.
 - Management's philosophy and operating style.
 - Organisational structure.
 - Assignment of authority and responsibility.
 - Human resource policies and practices.
 - Competence of personnel.
15. In examining the control environment, I have had regard to these elements and how they support the Council's framework of governance, risk management and internal control.

Basis of assurance

16. Mid Kent Audit has conducted its work both in accordance with the Standards and good practice as represented in our internal quality assurance system, which include operating to an agreed audit manual with adequate supervision and review.
17. My opinion is limited to the work carried out by Mid Kent Audit during the year on the effectiveness of the management of those risks identified within the Council's assurance framework that are covered within the audit programme or associated sources of assurance. Where risks are identified within the Council's assurance framework that do not fall within the scope of audit's coverage or associated sources of assurance I am satisfied that an assurance framework is in place that provides reasonable assurance that these risks are being managed effectively.
18. Our work for the year to 31 March 2016 and up to the date of this opinion was completed in line with the operational plan approved by the Audit Committee in March 2015.

Internal Control

19. From the internal control work undertaken in relation to 2015/16 it is my opinion that I can provide assurance that the system of internal control that has been in place at the Council for the year ended 31 March 2016 accords with proper practice. This assurance extends to both financial and non-financial systems of the Council insofar as they have been subject to audit review or associated sources of assurance.

Corporate Governance

20. In my opinion the corporate governance framework operating at the Council for the year ended 31 March 2016 complies in all significant respects with the guidance on corporate governance issued by the Chartered Institute of Public Finance Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) in 2006 and updated in 2012.

Risk Management

21. I am satisfied that the risk management processes operating at the Council for the year ended 31 March 2016 are effective and provide reasonable assurance to officers and Members.
22. I have based these opinions on the work outlined in the detail of this report.

Internal Control

23. The system of internal control is the process for assuring achievement of the Council's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies. It incorporates both financial and non-financial systems.
24. We obtain audit evidence to support the Head of Audit opinion on internal control principally through completing the reviews set out within our agreed audit plan, approved by this Committee in March 2015.

Summary of Audit Plan Work in Swale 2015/16

25. Our plan presented in March 2015 moved away from a fixed number of audit projects and instead towards a total number of productive days per year. This has considerable advantages in providing a flexible basis to keep our plans up to date and respond appropriately to the Council's developing risks and priorities.
26. Up to the date of this report, our outturn days against each type of work separately identified in the plan is as set out below:

Type of work	Plan Days	Outturn days	Difference
Planned 2015/16 assurance projects	301	221	-80
Risk Management and Counter Fraud work	35	30	-5
Recommendation follow ups	40	41	+1
Other audit work ¹	34	53	+19
Concluding 14/15 plan projects ²	0	78	+78
Total	410	423	+13

27. There are still a few days to be accounted as the remaining 2015/16 projects reach conclusion, but up to the date of this report we have delivered 100% of the planned audit days. The variation above, and detailed in the tables to follow, also indicates the advantages to the flexibility and responsiveness of our audit planning.

¹ Includes unplanned reviews, Audit Committee training, preparation and attendance and various ad hoc assurance and advice provided to Swale BC during 2015/16.

² Only including those projects which were not complete at the time of the 2014/15 annual report presented to Audit Committee in June 2015.

Audit Review Findings to Date

28. The table below summarises audit project findings and outturn up to the date of this report. Where there are material matters concluded between report issue and committee meeting we will provide a verbal update. We are satisfied that sufficient work has been completed, and the risk of adverse findings in the remainder sufficiently low, that we can offer our annual opinion.

	Review Type	Title	Plan Days	Actual Days	Report Issue	Assurance Rating	Notes
2014/15 Plan Projects Concluded After 2014/15 Annual Report Issued							
I	Finance	Accounts Payable	n/a	9	May-15	STRONG	
II	Service	Joint Waste Contract Monitoring	n/a	15	Jun-15	STRONG	
III	Service	Cashless P&D Parking	n/a	11	Jul-15	SOUND	
IV	Service	Temporary Accommodation	n/a	17	Jul-15	SOUND	
V	Governance	Freedom of Information	n/a	26	Sep-15	SOUND	
Planned 2015/16 assurance projects completed							
VI	Finance	Business Rates	10	30	Jun-15	STRONG	Extra time associated with new trainee familiarisation
VII	Finance	Procurement	15	24	Nov-15	SOUND	Expanded scope from plan to include monitoring
VIII	Governance	Corporate Projects	10	5	Dec-15	SOUND	
IX	Service	Cemeteries	15	19	Jan-16	SOUND	Expanded scope from plan to include Iwade Cemetery
X	Service	Housing – Front of House	15	18	Feb-16	SOUND	Amended scope to focus on front of house services
XI	Governance	Performance Management	15	16	Feb-16	SOUND	
XII	Service	Discretionary Housing Payments	15	18	Mar-16	SOUND	
XIII	Finance	Budget Setting	15	14	Mar-16	STRONG	
XIV	Finance	Accounts Receivable	15	13	Apr-16	STRONG	
XV	Service	ICT Networks	5 [†]	4 [†]	Apr-16	SOUND	
XVI	Service	Learning & Development	7 [†]	10 [†]	May-16	SOUND	
XVII	Finance	Payroll Deductions	10 [†]	9 [†]	May-16	STRONG	

	Review Type	Title	Plan Days	Actual Days	Report Issue	Assurance Rating	Notes
XVIII	Service	Customer Services	15	18	May-16	STRONG	
Unplanned/additional projects 2015/16							
XIX	Consultancy	Planning Support Disaggregation	n/a	5 [†]	Oct-15	N/A	
XX	Consultancy	Repair & Renew Grant	n/a	10	Dec-15	N/A	
Planned 2015/16 assurance projects underway							
XXI	Governance	Good Governance Framework	5 [†]	4 [†]			Fieldwork stage
XXII	Service	Communications & Social Media	15	14			Draft report stage
Planned 2015/16 assurance projects not completed							
	Finance	Feeder Systems	15	3	Deferred to 16/17 and incorporated within general ledger review following initial scoping work.		
	Governance	Register of Interests	15	1	Deferred to 17/18 as key officer absent in MKLS and assurance gained through Good Governance Framework review.		
	Governance	Data Protection	15	1	Deferred to 16/17 to accommodate absences in Mid Kent Legal Services (MKLS)		
	Service	IT Business & Application Support	5	0	Replaced with extended follow up to 2014/15 ICT Servicedesk review		
	Service	Parking Enforcement	7	0	Deferred to 17/18 due to the Parking Enforcement contract renewal		
	Service	Planning Support	5	0	Replaced by disaggregation review		
	Service	Commercial Property	15	0	Did not proceed following delay in acquisition plans		
	Service	S106 Payments	15	0	Deferred to 16/17 due to planning support disaggregation and new S106 system		
	Service	Grounds Maintenance	15	0	Deferred to 16/17		
	Service	Waste Collection Income	12	0	Deferred to 17/18		

[†]= Project conducted over multiple sites, Swale BC only days shown (e.g. total budget for project XVII on Payroll Deductions was 20 days)

Also note that projects I-V and XIX have been previously reported to this Committee but are included also in this year end report for completeness.

I: Accounts Payable

29. We conclude based on our audit work that there are **STRONG** controls in both design and operation within the Accounts Payable system.
30. The controls within the Accounts Payable system are designed and operate effectively. The Accounts Payable process is well controlled and mitigates the risk of fraud and error. Our testing found no areas of concern or significant areas where the service might reasonably look to improve its operation.

II: Joint Waste Contract Monitoring

31. We conclude based on our audit work that there are **STRONG** controls in operation to enable effective monitoring of the joint Waste Contract.
32. We have established that the Council maintains comprehensive monitoring of its waste contract. The contractor's performance receives regular assessment with effective mechanisms in place to identify and address performance related issues. The Council makes payments in accordance with the contract sum or approved variations and an authorised officer checks and approves all invoices.
33. We identified a few minor areas for improvement relating to records management and review of customer requests.

III: Cashless Pay & Display Implementation

34. We conclude based on our audit work that the service has **SOUND** controls in place to manage the risks associated with the cashless pay and display system. .
35. The cashless pay and display system provided by Bemrose Mobile was successfully rolled out across Maidstone and Swale in October 2014. We tested the service by phone and app, and confirm effective operation in line with the contract. The system is fully integrated to the handheld devices used by parking attendants to enable effective enforcement.
36. We found two respects where operative practice is not in line with the contract: frequency and formality of contract monitoring meetings, and timely payment of income. The Service has highlighted both issues in a recent formal remediation notice issued to the Contractor but revised procedures are not yet agreed.

IV: Homelessness & Temporary Accommodation

37. We conclude based on our audit work that the service has **SOUND** controls in place over the administration and management of temporary homeless accommodation.

38. The Council complies with its statutory duty to provide interim and temporary accommodation with appropriate arrangements to manage allocation. Controls exist to ensure periods of accommodation are checked and verified prior to payment.
39. Management of the Council-owned property intended to provide temporary accommodation for homeless applicants is appropriately assigned. Our review against the property's business plan identified that the Council uses the property to house one family when the projected savings were based on three occupant households. The Council has not allocated separate budgets for the income and expenditure associated with operating the property, so we cannot confirm whether the Council is achieving projected savings.

V: Freedom of Information

40. We conclude based on our audit work that there are **SOUND** controls in place for achieving compliance with Freedom of Information requirements.
41. We established the Council has in place procedures and guidance to achieve compliance with the Freedom of Information Act. There are appropriate controls to administer responses to information requests, in accordance with agreed procedures. We identified no instances where the Council provided inaccurate or incomplete information.
42. Through the course of our testing we highlighted some areas to improve, in particular to ensure consistent application of agreed procedures and processes. In particular, our recommendations seek to reinforce procedures over compliance with statutory deadlines, and over FOI training requirements.

VI: Business Rates

43. We conclude based on our audit work that there are **STRONG** controls in both design and operation of the Business Rates system.
44. The controls within the Business Rates system are designed and operate effectively. The Business Rates process is well controlled and mitigates the risk of fraud and error. Management controls exist to check validity and integrity of systems information. Our testing found successful operation of these controls with no areas of concern, or significant areas where the service might reasonably seek to improve.

VII: Procurement

45. We conclude based on our audit work that the service has **SOUND** controls in place to manage the risks associated with procurement.
46. The Contract Standing Orders (CSOs) underpin the Council's procurement activities. Detailed procedures and template documents are in place and help to guide and assist officers through the procurement process. Our testing identified only minor instances of non compliance which did not fundamentally thwart the CSOs objectives. The most notable of these suggest a need for the Council to ensure its contract templates align with its CSOs.
47. Although yet to conclude, we are satisfied that the Council's move to e-procurement is effective and reflects the CSO requirements. However, we encourage the Council to review the extent of access routinely given to system users to ensure adequate controls are maintained.

VIII: Corporate Projects

48. We conclude based on our audit work that there are **SOUND** controls in place over the management of corporate projects at Swale Borough Council.
49. We found in our sample a good level of adherence to principles of good project management endorsed by the MKIP Board. In particular we noted clear and consistent allocation of roles and responsibilities and effective and well established reporting lines to ensure projects are appropriately monitored by senior management. We identified some minor improvements that could be made to those projects tested, and to the methodology generally, principally around introducing more formalised recording and regular reviewing of project risks consistent with the Council's risk management approach.

IX: Cemeteries

50. We conclude based on our audit work that the Cemetery service has **SOUND** controls in place to manage its risks and support delivery of its objectives.
51. The Cemeteries service has set an objective within their service plan 'to improve management of the cemeteries service. They seek to achieve this objective by ensuring compliance with regulations, effective administration of burials and grounds maintenance, and through strong financial controls over income. We tested 10 burials completed in 2015/16 and confirmed that all burials were completed in accordance with the burial regulations. Good controls exist to ensure that all income due is recorded and banked promptly on receipt.

52. Our testing did identify a number of areas for improvement to enhance procedures and assist the service to continue to progress towards achievement of the objectives. In particular, to ensure that Data Protection principles are complied with when sharing information with Contractors.
53. Our review of the Iwade project identified that there is no project plan in place; we are therefore unable to determine delivery against any milestones or targets. The project manager is due to depart employment with the Council, and therefore without clear plans in place, there is a risk that the project will not be successfully delivered.

X: Housing Options Services – Front of House

54. We conclude based on our audit work that there are **SOUND** controls in operation within the Housing service to manage the 3 main risks identified by management as arising from the provision of the frontline Housing Options service. The 3 key risks as identified by the service are:
 - The ability to manage demand of housing advice and emergency accommodation.
 - Relationships between the Housing Options service and external partner agencies.
 - The procedures for dealing with and accommodating vulnerable persons.
55. Our testing confirms that the Council is meeting its statutory responsibility to provide housing advice and emergency accommodation to eligible persons who are assessed as being both unintentionally homeless, and in priority need.
56. Management initially expressed concerns that demand for the service is increasing significantly resulting in extra pressure continually being placed on frontline officers to deal with, and assess, potentially homeless households. Our review has focussed on this, and concludes that management's assessment of an increased demand for the service is correct. However, our review has identified that other local authorities in Kent are also experiencing similar increases in demand for the service so this issue is not unique to Swale Borough Council. Analysis of the strategies employed at other Authorities identified that there are options available to Swale which if employed could potentially make private sector houses more readily available to homeless households, such as, by introducing an incentive scheme for private sector landlords.

XI: Performance Management

57. We conclude based on our audit work that there are **SOUND** controls in place over the Council's Performance Management system to manage the associated risks and to support individual service areas and the Council in the delivery of its objectives.
58. We found that Swale BC has a comprehensive and embedded performance management process. It covers the full span of Council activities and is supported by detailed guidance and training. It is also supported by a Data Quality Standard and regularised collation and reporting. We also found that the

indicators collected were useful, practical and offer a fair reflection on the priorities and performance of individual services.

59. We also examined the accuracy of the performance data reported and, on our sample, found that 95% of the information reported is materially accurate. However, we did note a significant minority of data – just over one in five of our sample – had some degree of discrepancy against reported outturn.
60. Moreover, our work identified that the process – while still robust – had not been reviewed or reconsidered in some time. This meant that newer officers were less certain of their responsibilities which impacted on the effectiveness of the performance management system's operation. Consequently we recommend that the Council re-evaluate and refresh the process to ensure it remains relevant and efficient.

XII: Discretionary Housing Payments

61. We conclude based on our audit work that the Housing Benefit service has **SOUND** controls in place to manage its risks and support its objectives for Discretionary Housing Payments.
62. We tested 10 Discretionary Housing Payments (DHP) which confirmed that they are assessed, calculated, reviewed and paid in line with the Council's policy and procedures, although the DHP policy and procedures are in need of review.
63. BACS payment files were paid in accordance with agreed procedures and a pre-determined timetable and input to the general ledger in a timely manner.

XIII: Budget Setting

64. We conclude based on our audit work that the Budget Setting process has **STRONG** controls to control its risks and support its objectives.
65. The budget setting process is set out each year in a budget preparation memo sent out to budget holders. High level responsibilities are also set out in the Financial Regulations. Risks associated with the budget and barriers to achieving resource levels required have been considered both within the Medium Term Financial Plan (MTFP) as well as the Finance Service Plan. Consultation of both Members and Officer is present throughout the budget setting process, with responses from a survey sent to budget holders highlighting that they feel actively involved in the budget setting process and that they have full ownership of their budget. Our testing confirmed that the budget has been approved appropriately and accurately input into the Council's Financial Management System, Agresso.

XIV: Accounts Receivable

66. We conclude based on our audit work that there are **STRONG** controls in operation within the Accounts Receivable system.
67. Our work identified that the Council has in place well-designed controls over the Accounts Receivable system. Our testing confirmed that those controls operate effectively. In particular we identified effective controls around user access, creating and managing credit notes and the authorisation process of writing off irrecoverable debts.

XV: ICT Networks

68. We conclude based on our audit work that there are **STRONG** controls in operation within the Shared ICT Service to manage the key risks identified by management surrounding the security of the Mid Kent ICT network.
69. Our testing confirms that the Mid Kent ICT service is taking suitable action to gain independent assurance on the security of the ICT network across all three sites (Maidstone, Swale & Tunbridge Wells). The network undergoes rigorous testing by an external specialist to verify the security measures in place. Our testing confirms that suitable action is taken to respond to any recommendations to address weaknesses identified as a result of these tests. As a result, all three Councils achieved compliance with the Public Services Networks IT Health Check (ITHC) in 2015.
70. We also reviewed controls around user access for officers who have left the Council's employment. Our testing identified that the ICT Service Desk is made aware when an officer is due to leave the Council and takes prompt action to ensure that network access is revoked. We are able to confirm that none of the 12 leavers we tested as part of the audit had accessed the ICT network after ceasing employment with the Council.

XVI: Learning & Development

71. We conclude based on our audit work that the Learning and Development service has **SOUND** controls to manage its risks and support its objectives.
72. We found the Learning and Development service at Swale and Maidstone Borough Councils has an effective process to identify staffs training needs. The service draws on a broad variety of sources when compiling the corporate training calendar. All staff can view the training calendar and book through a straightforward online process open to all.
73. We also examined procurement of training and found that while there is broad adherence to procedure, the service could do more to ensure compliance and evidence retention.

XVII: Payroll

74. We conclude based on our audit work that the Payroll service to Maidstone and Swale has **STRONG** controls, for the area of deductions, to control its risks and support its objectives.
75. Our work confirmed the system materially unchanged from our work in February 2015 which concluded the service had strong payroll controls.
76. This review focussed on payroll deductions. Our testing confirmed robust processes in place to account for, approve and accurately pass on mandatory deductions.
77. We found that a variety of categories for discretionary deductions exist across the two administered payrolls, which should each be supported by an employee instruction. We found a large majority of deductions adequately supported, with documentation absent for only some historic and long standing requests. Given their duration, we are satisfied the deductions are valid and the missing documentation poses no appreciable risk to the Councils or their employees.

XVIII: Customer Services

78. We conclude based on our audit work that Customer Services has **STRONG** controls in place to manage the risks and support the delivery of objectives surrounding the use of the CRM System.
79. Customer Services has three objectives within their service plan. We reviewed two objectives, channel shift and customer service excellence. As a result of our testing we conclude that the service is taking actions to achieve the desired outcomes within the service plan. This includes: providing more self-service options, such as introducing an appointments system for Housing Benefits; encouraging behaviour change by reviewing the content and format of the letters sent for front line services; and achievement of the customer excellence accreditation (CSE). The risks associated with the delivery of the service have been identified and assessed as part of the service plan, and the controls in place to manage these risks have been identified and are kept under review.
80. We also reviewed the CRM System and its usage by back office functions. Our testing confirmed that all cases are recorded on the system and passed promptly to back office services for processing. The CRM System integrates with other Council systems, such as Uniform and Springboard, and creates e-mail cases for those services that do not have access to the system. This enables customer queries to be processed by those services best suited to provide the appropriate response.

XIX: Planning Support: Project Gateway Review

81. The [project] Board has proceeded largely on the basis that the option originally put to TWBC cabinet – of a TWBC withdrawal leaving a two-way partnership – would be the most likely outcome. As a result the Board has sought to fully appraise in greater detail this single and most likely option. While other options have been considered at the early stages of the project, they have not received a similar depth of analysis and, in the case of the option 3; have not been considered at all.
82. No options have been considered that involve TWBC remaining in the partnership as this fell outside of the mandated scope of the project. The Board therefore has largely been an exercise in constructing a business case rather than appraisal of different options as originally mandated.
83. Within those constraints, though, the Board has operated diligently in seeking to obtain the best evidence it can, including commissioning external advice where a need is identified. Each work stream has provided evidence to inform the Board in its decision to pursue the chosen option.
84. The inherent lack of clarity in operating ahead of a formal decision means that some evidence relies upon assumptions and extrapolations which are difficult to pin down with certainty and are subject to wide error bars. This is particularly notable on information regarding human resource and finance considerations and data forwarded by parallel project groups operating in MBC and SBC.
85. However, we are satisfied that the Board has efficiently documented its processes meaning that those assumptions are, in general, apparent, open to fair challenge and not unreasonable.

XX: Repair & Renew Grant

86. After the severe flooding at the end of 2013/2014 Defra established a scheme to provide flood affected homes and business premises in England with up to £5,000 to implement flood resilience measures to reduce the risk of future flooding and to minimise the effects of future flooding. The scheme was called the **Repair and Renew Grant**. As outlined in the accompanying Memorandum of Understanding (MoU), Mid Kent Audit reviewed the scheme to provide independent assurance over the adequacy of the financial controls.
87. We concluded based on the testing conducted as part of the review that the invoices submitted by Swale Borough Council fairly represent the expenditure under the Scheme, and that they have been made in accordance with the MoU between Swale Borough Council and the Secretary of State for Environment, Food and Rural Affairs (DEFRA) signed on 4 June 2014.
88. Our work identified no significant internal control matters of which we believe the Authority must inform DEFRA under the terms of the MoU and therefore conclude with reasonable assurance that the Council maintained sound systems of internal financial control over the scheme.

Follow-up of Internal Audit Recommendations

89. Our approach to recommendations is that we follow up each issue as it falls due in line with the action plan agreed with management when we finalise our reporting. We report progress on implementation to Senior Management Team each quarter, including noting where we have had reason to revisit an assurance rating (typically when a service has successfully implemented key recommendations) and raising any matters of ongoing concern.
90. Our most recent round of reports covered recommendations due for implementation on or before 31 March 2016 and consequently represents the full year outturn for 2015/16. We are pleased to note those reports confirm there are no recommendations outstanding for action beyond their agreed implementation date. This includes a few instances where, after request from the service and having considered the residual risk of delay posed to the Council, we have revised implementation date.
91. In the table below project titles shown in **bold type** are those that originally received an assurance rating of **weak** or **poor**.

Project	Agreed Actions	Falling due on or before 31/3/16	Actions Completed	Outstanding Actions past due date	Actions Not Yet Due
Projects with actions brought forward from 2014/15 and completed during 2015/16					
Housing Benefit Payments	16	16	16	0	0
Housing Benefit System	7	7	7	0	0
Income Controls	3	3	0	0	0
Members' Allowances	3	3	0	0	0
ICT Servicedesk	8	8	8	0	0
PCT & Internet Controls	8	8	8	0	0
Projects with actions issued during 2015/16 and completed during 2015/16					
Cashless P&D Parking	1	1	1	0	0
Procurement	3	3	3	0	0
Projects with actions to carry forward into 2016/17					
Safeguarding	10	9	9	0	1
Waste Management Contract	3	2	2	0	1
Temporary Accommodation	2	1	1	0	1
Freedom of Information	6	2	2	0	4
Corporate Projects Review	3	2	2	0	1
Cemeteries	5	2	2	0	3
Housing – Front of House	2	1	1	0	1
Performance Management	5	0	0	0	5
Discretionary Housing P'ment	4	0	0	0	4
Learning & Development	3	0	0	0	3
TOTAL	92	68	68	0	24
		74%	74%	0%	26%

92. Note that the above list excludes projects where we raised no recommendations for action.
93. We note considerable progress made by managers in addressing the issues identified by our reports. With all 45 due recommendations implemented as agreed, the Council is 74% of the way to full implementation – exactly on track for delivery.
94. Of the 15 audit projects followed up, 3 originally received an assurance rating of **weak** or **poor**. We have previously advised Members in our 2014/15 annual report that 2 of these (ICT Service Desk and Housing Benefit System) had made sufficient progress up to July 2015 for us to revisit the assurance rating as **SOUND**.
95. We also advised Members in our 2015/16 interim report in December 2015 that the Council made sufficient progress in implementing recommendations arising from our review of Safeguarding that we have since also revised the assurance rating of that review to **SOUND**.
96. We have issued no reports at Swale with an assurance rating of **weak** or **poor** since our interim report.

Corporate Governance

97. Corporate governance is the system of rules, practices and processes by which the Council is directed and controlled.
98. We obtain audit evidence to support the Head of Audit Opinion through completion of relevant reviews in the audit plan, as well as specific roles on key project and management groups. We also consider matters brought to our attention by Members or staff through whistleblowing and the Council's counter fraud and corruption arrangements.
99. We attend the Council's Information Governance and Procurement Groups, as well as comment on all waivers requested against the Council's Contract Standing Orders.
100. During the year we also undertook a specific review examining the Council's readiness for compliance with the revised Code of Corporate Governance published by CIPFA/SOLACE in April 2016. We noted the results of that review earlier in this document.

Counter Fraud & Corruption

101. We consider fraud and corruption risks in all of our regular audit projects as well as undertaking distinct activities to assess and support the Council's arrangements.

Investigations

102. During 2015/16 there were no matters raised with us that required investigation.

Whistle-blowing

103. The Council's whistleblowing policy nominates internal audit as one route through which Members and officers can safely raise concerns on inappropriate or even criminal behaviour. During 2015/16 we have received no such declarations.

National Fraud Initiative

104. We have continued as co-ordinator of the Council's response to the National Fraud Initiative (NFI). NFI is a statutory data matching exercise, and we are required by law to submit various forms of data. Since March 2015, the NFI exercise has been administered by the Cabinet Office.

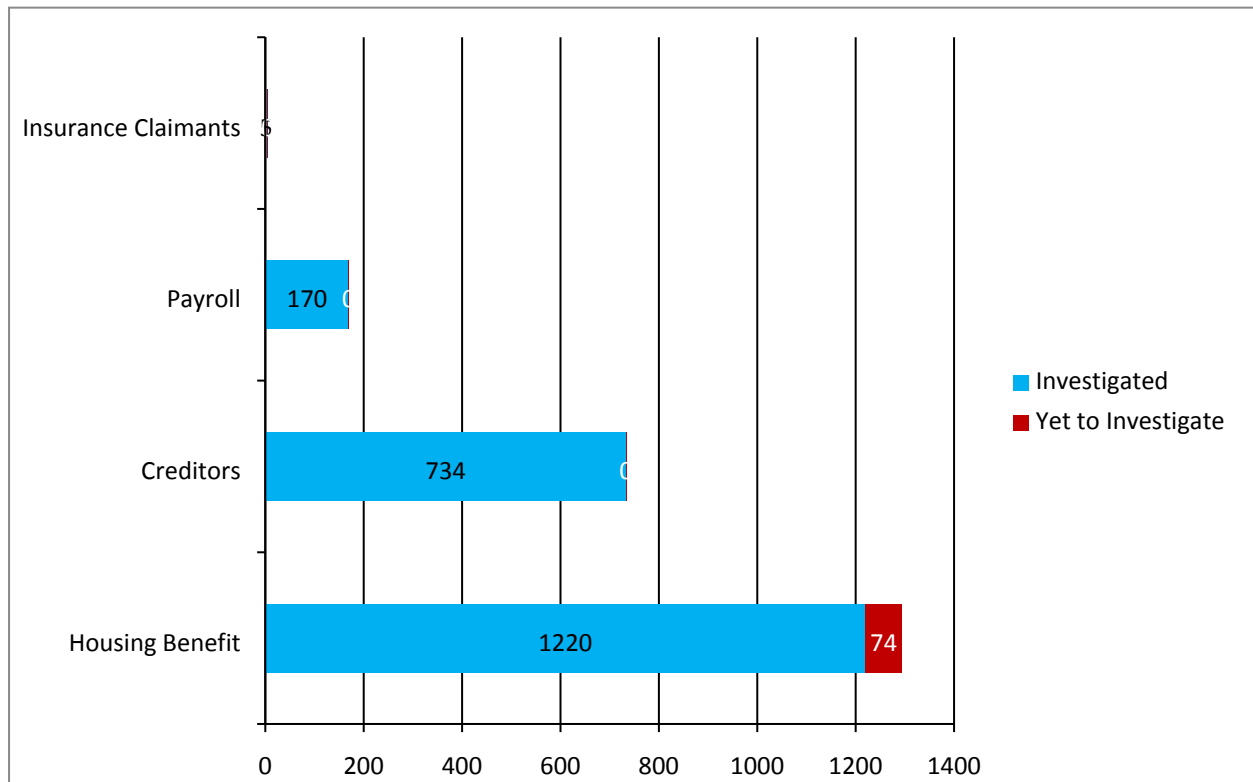
105. The current NFI exercise has been releasing data in tranches since January 2015 and includes the following services:

- Housing Benefits (1,205 total matches)
- Creditors (734 total matches)
- Payroll (170 total matches)
- Insurance Claimants (5 total matches)

106. Two further categories (Residents' Parking and Licensing) returned no matches for the Council.

107. The graph below plots progress to date. Up to the end of March 2016, in reviewing the matches the Council has identified 39 cases of fraud or error leading to the recovery of £40,558. Cabinet Office guidance is that all matches should be investigated within the two year cycle of NFI data (so, by January 2017).

NFI Matches Investigation Progress



108. In keeping with the enhanced skill base of the audit team, and to ensure greater independence and efficiency in matches, Mid Kent Audit will be taking on direct examination of non-benefits matches (rather than just co-ordination) with the commencement of the next round of NFI.

National Fraud Initiative – Outcomes validation

109. In January 2016 the Cabinet Office announced they would be asking key contacts at each authority to undertake a separate testing exercise validating the NFI outcomes recorded on through the web portal. Mid Kent Audit played a key role in this consultation; the eventual wording of the declaration asked of key contacts is the same as the form we proposed and reads:

The Cabinet Office require NFI outcomes to be validated by Key Contacts prior to reporting these outcomes externally, e.g. in a national report or to public accounts committee. Key Contacts are responsible for co-ordinating an approach that is deemed appropriate for validating outcomes at their respective authorities.

I declare that reasonable checks have been undertaken to ensure that 2014/15 and FMS outcome summaries are a fair reflection of outcomes achieved by Swale Borough Council.

110. In response we designed a work programme that tested 10% of cases that recorded a costed outcome and 1% with a nil outcome (making for a total of 134 cases across the partnership).
111. We identified only one issue relating to an outcome where evidence was incomplete as a counter fraud officer had left the Council without leaving clear documentation behind. However, we were satisfied in that instance of being reasonably certain through inspection of other material that the outcome was accurate.
112. Consequently, in line with the Cabinet Office's deadlines, we made a positive declaration for the Council on 14 April 2016.
113. We understand that Cabinet Office will make this validation an annual requirement and so will, in consultation with partners across Kent, review our approach and methodology to the 2016 exercise to ensure it remains effective and efficient.

Counter Fraud and Corruption Tracker

114. During 2015/16 we also contributed to the CIPFA Counter Fraud Centre annual survey, using the NFI data and other information obtained from our own records and held by the shared Revenues and Benefits Counter Fraud team. In February 2016 CIPFA published the full summary of results (available for free download [here](#)) which included the table below giving an indication of the major fraud threats in local government:

Types of fraud	Fraud cases	% of the total	Value £m
Council tax SPD	30,184	52.7%	£10.7m
Housing benefit	12,989	22.7%	£56.9m
Council tax CTR	4,142	7.2%	£2.0m
Housing and tenancy fraud	3,002	5.2%	£77.5m
Disabled parking concession (Blue Badge)	2,545	4.4%	£1.0m
Council tax other	1,556	2.7%	£1.4m
Debt	997	1.7%	£0.5m
Other types of fraud (see table below)	1,829	3.2%	£21.0m
Total	57,244	100%*	£171m

Figure 2.1

Other types of fraud	Fraud cases	% of the total	Value £m
Social care	287	0.5%	£2.0m
Abuse of position	155	0.27%	£2.0m
Payroll	137	0.24%	£0.3m
Insurance	133	0.23%	£2.6m
Welfare assistance	104	0.18%	£1.6m
Business rates	102	0.18%	£0.8m
Procurement	60	0.10%	£2.2m
Recruitment	58	0.10%	£0.2m
Expenses	56	0.10%	£0.1m
Economic and voluntary sector	28	0.05%	£1.1m
Manipulation of data	24	0.04%	N/A
Pensions	20	0.03%	£0.2m
Investment	11	0.02%	£0.0m
Other fraud	654	1.14%	£7.8m

Figure 2.2

Attempted Frauds

115. We previously advised Members in our interim report that another Council within the Mid Kent area were subject to a fraud attempt involving the use of a 'spoofed' email account purporting to be that of a Council employee and requesting a bank transfer. Our investigation could not identify the culprit – 'spoof' emails are created easily enough and very difficult to trace – but we did examine the Council's controls and investigated to determine whether any similar attempts had been successful and undetected.
116. In the remainder of 2015/16 we did not identify any further such attempts which, coupled with successful operation of financial and IT controls, led us to identify this as a low fraud risk. Consequently, we have provided advice to finance teams on remaining vigilant and have reported the matter to the police but plan no continuing action unless there are further developments.

Risk Management

117. Risk management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.
118. We obtain audit evidence to support the Head of Audit Opinion through completion of our audit plan plus continuing monitoring of and contribution to the Council's risk management processes.
119. We previously updated the Committee in March 2016 of the Council's revised risk process which included a workshop in January 2016 with Senior Management Team that identified five major themes for risk:
- Regeneration projects, including Sittingbourne Town Centre
 - Infrastructure and planning
 - Safeguarding
 - Resource constraints (both financial and workforce)
 - Devolution and partnerships.
120. Following adoption of a revised Audit Charter by this Committee in March 2016 which clarified the extent of our role in risk management we will be leading within the Council in establishing a *comprehensive risk register*. This will draw together risks identified in the course of service planning and corporate projects and inform the overall risk register as well as ongoing audit planning.
121. We will continue to report outcomes and progress to the Audit Committee through the year.

Mid Kent Audit Service Update

Team Update

122. During 2015/16 following the departure of a long-serving manager, absences for maternity leave and a pair of recruitment exercises, the audit service averaged a vacancy rate of 2.5 FTE, around 20% of establishment. However, due to a variety of factors including around 1xFTE of short term contractor support, efficiencies arising from our mid-year restructure and resilience of working in a shared service across four authorities we have been able to complete the work set out in this report which supports a definitive Head of Audit Opinion.
123. The whole management team of Mid Kent Audit convey their public thanks to the team for their hard work and dedication through 2015/16.
124. We have continued through the year to support our staff in their professional development. During 2015/16 the audit team has added the following skills and qualifications to help support our partner authorities:
- Frankie Smith (Audit Manager, Swale & Tunbridge Wells) achieved Chartered status with the Institute of Internal Auditors (IIA) (CMIIA designation)
 - Jo Herrington (Senior Auditor) achieved the practitioners' diploma from the IIA (PIIA designation)
 - Helen Pike (Trainee Auditor) achieved the IIA's Certificate in Internal Audit and Business Risk (IACert designation)
 - Alison Blake (Audit Manager, Ashford & Maidstone) achieved the professional qualification of the Institute of Risk Management (IRM designation)
 - Russell Heppleston (Deputy Head of Audit Partnership) achieved the International Certificate in Risk Management from the IRM.
 - Rich Clarke (Head of Audit Partnership) achieved the Chartered Institute of Public Finance & Accountancy (CIPFA) professional qualification as an Accredited Counter Fraud Specialist (ACFS designation)
 - Mark Goodwin (Senior Auditor) achieved CIPFA's professional qualification as an Accredited Counter Fraud Technician (ACFT designation)
125. We congratulate all in the team on these achievements during 2015/16 and anticipate further exam success in 2016/17.

Quality and Improvement

126. Under the Public Sector Internal Audit Standards we must each year assess our conformance to those standards and report the results of that assessment to Members. At least every five years that assessment must be external and independent.
127. We underwent an external independent assessment from the IIA in 2014 which confirmed our full conformance with all but 5 of the standards and partial conformance to the remainder. In 2015, following action to implement the IIA's recommendations, we were re-assessed as being in full conformance to the standards – the first English local authority audit service to be so assessed by the IIA.
128. In 2016 we have undertaken a self assessment against the Standards and confirm to Members we remain in full conformance.
129. Beyond simple conformance, as reported to Members in our interim report, we go further and comply with the requirements of the IIA's revised International Professional Practices Framework (IPPF) unveiled in July 2015 but not mandatory for local government internal audit until 2016/17. We are assisted in remaining at the leading edge of developing standards by the presence of the Head of Audit Partnership as the English Local Government representative on the Internal Audit Standards Advisory Board (IASAB), as well as roles as Chairman of Kent Audit Group and on the Executive Board of the London Audit Group.
130. During 2016/17 we hope to capitalise on this position by beginning to offer Quality Assessments against the Standards either in our own right or in partnership with a national body. Aside from the benefits of sharing good practice, we hope that this route will provide income to the authorities. We will keep Members updated on progress in this regard through our update reports.

Performance

131. Aside from the progress against our audit plan we also report against a number of specific performance measures designed to monitor the quality of service we deliver to partner authorities. The Audit Board (with Mark Radford as Swale's representative) considers these measures at each of its quarterly meetings, and they are also consolidated into reports submitted to the MKIP Board (which includes the Council's Chief Executive and Leader).
132. Note that all figures are for performance across the Partnership. Given how closely we work together as one team, as well as the fact we examine services shared across authorities, it is not practical to present authority by authority data.

Measure	2014/15 Outturn	2015/16 Target	2015/16 Outturn
Cost per audit day	Met target	Meet target	Met target
% projects completed within budgeted number of days	47%	60%	60%
% of chargeable days	75%	68%	63%
Full PSIAS conformance	56/56	56/56	56/56
Audit projects completed within agreed deadlines	41%	60%	76%
% draft reports within ten days of fieldwork concluding	56%	70%	68%
Satisfaction with assurance	100%	100%	100%
Final reports presented within 5 days of closing meeting	89%	90%	92%
Respondents satisfied with auditor conduct	100%	100%	100%
Recommendations implemented as agreed	95%	95%	98%
Exam success	100%	75%	100%
Respondents satisfied with auditor skill	100%	100%	100%

133. Of particular note in the figures above is the continuing improvement in completing projects within the scheduled budgeted days. This has shown steady improvement as the year progressed and our refreshed audit methodologies became more established, with a 78% outturn in quarter 4. This bodes well for meeting the stretched 2016/17 target of 75%.

134. We also note the continued strong performance in customer satisfaction. This has remained at a high level even as, with the help of the audit team's new administrative assistant, we have increased response rate more than fivefold.

135. A note too on chargeable days (which is the percentage of audit time spent directly progressing the audit plan as opposed to, for example, training, administration, personnel management and so on). This was affected during the year by the departure of one of our trainees during his probationary period meaning lost time both in the new recruitment and supporting integration of his replacement. However, as noted earlier, by using additional contractor support, resilience in the team, and efficiencies introduced in our restructure this did not impair our ability to substantially complete the audit plan.

Acknowledgements:

We would also like to thank Managers, Officers and Members for their continued support, assistance and co-operation as we complete our audit work during the year.

Appendix I: Assurance & Priority level definitions

Assurance Ratings 2015/16

Full Definition	Short Description
<p>Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any; recommendations and those will generally be priority 4.</p>	<p>Service/system is performing well</p>
<p>Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.</p>	<p>Service/system is operating effectively</p>
<p>Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.</p>	<p>Service/system requires support to consistently operate effectively</p>
<p>Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.</p>	<p>Service/system is not operating effectively</p>

Recommendation Ratings 2015/16

Priority 1 (Critical) – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

Priority 2 (High) – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council's aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

Priority 3 (Medium) – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

Priority 4 (Low) – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

Advisory – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.

Audit Committee

Meeting Date	8 June 2016
Report Title	Annual Governance Statement
Cabinet Member	Duncan Dewar-Whalley, Cabinet Member for Finance
SMT Lead	Nick Vickers, Head of Finance
Head of Service	Nick Vickers, Head of Finance
Lead Officer	Nick Vickers, Head of Finance
Recommendations	1. To agree the Annual Governance Statement.

1 Purpose of Report and Executive Summary

- 1.1 The Council is required by statute to seek the agreement of the Audit Committee to the Annual Governance Statement.

2 Background

- 1.2 Whilst the production of an Annual Governance Statement is a statutory requirement its format is not specified. However, it has to meet certain requirements set out in the Chartered Public Finance and Accountancy/Society of Local Authority Chief Executives "Delivering Good Governance in Local Government" document and the Accounts and Audit Regulations.
- 1.3 This year's document is largely unchanged in the format from the heavily revised version submitted last year which focussed on the processes from which members can draw assurance on the effective operation of the control and governance processes.

3 Proposal

- 1.4 To agree the document attached in Appendix I.

4 Alternative Options

- 1.5 This is a statutory requirement.

5 Consultation Undertaken or Proposed

- 1.6 Key Officers in the Council responsible for governance and engagement have been consulted on the draft document.

6 Implications

Issue	Implications
Corporate Plan	Supports the objective of being a Council to be proud of.
Financial, Resource and Property	Agreement of the AGS is a key part of the process for producing and agreeing the Council's statutory accounts.
Legal and Statutory	Need to comply with the Accounts and Audit (England) Regulations.
Crime and Disorder	None identified.
Sustainability	None identified.
Health and Wellbeing	None identified.
Risk Management and Health and Safety	The Council's approach to strategic risk management is one of the areas considered in the statement.
Equality and Diversity	None identified.

7 Appendices

The following documents are to be published with this report and form part of the report

- Appendix I: Annual Governance Statement

8 Background Papers

None

SWALE BOROUGH COUNCIL

2015/16 ANNUAL GOVERNANCE STATEMENT

1. Scope of Responsibility

- 1.1 Swale Borough Council is responsible for ensuring that:
 - (i) its business is conducted in accordance with the law and proper standards;
 - (ii) public money is safeguarded and properly accounted for; and
 - (iii) public money is used economically, efficiently and effectively.
- 1.2 The Council also has a duty under the Local Government Act 1999 to make arrangements to secure 'Best Value' in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.3 In meeting this obligation, the Council has a responsibility for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk. A schematic summarising how the Council meets this obligation is set out in Appendix I.
- 1.4 The Council has adopted a local code of corporate governance, which is consistent with the principles of the Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework 'Delivering Good Governance in Local Government'. This document reflects the update published by CIPFA on 1 April 2016.
- 1.5 This Statement explains how Swale Borough Council has complied with the principles of good governance and reviews the effectiveness of these arrangements. It also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2011.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled, and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives, and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework, and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and therefore can only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to:
- (i) identify and prioritise the risks to the achievement of Council's policies, aims and objectives;
 - (ii) evaluate the likelihood of those risks being realised and the impact should they be realised; and
 - (iii) manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at the Council for the year ended 31 March 2016, and up to the date of approval of the Statement of Accounts.

3. The Council's Governance Framework

- 3.1 A brief description of the key elements of the Council's governance framework is described below.

Communicating the Council's vision

- 3.2 The Council's Corporate Plan, Making Swale a Better Place, sets out an overarching statement of the Council's strategic objectives for the period April 2015 to March 2018. The Plan is structured around three high level priorities, each containing a number of specific objectives. The three themes are:
- A Borough to be Proud Of
 - A Community to be Proud Of
 - A Council to be Proud Of

- 3.3 This is the Council's third corporate plan, and the latest is very much an evolution based upon what has preceded it. In governance terms it is the document that sets out the Council's priority outcomes in terms of sustainable economic, social, and environmental outcomes.
- 3.4 The Council has a range of performance indicators it uses to monitor the quality of its services and measure progress against its objectives. These are set out in the performance reports considered by the Strategic Management Team on a monthly basis, and by Cabinet and Scrutiny Committee on a quarterly basis.

Management of Resources

- 3.5 The Council seeks to use its resources efficiently and obtains value for money via a number of arrangements. These include:
- (i) a medium term financial strategy and annual budget process that ensures that financial resources are directed to the Council's priorities;
 - (ii) partnership working with a range of organisations where there are shared objectives and clear benefits from joint working. The most significant of the partnership arrangements is the Mid Kent Improvement Partnership with Maidstone and Tunbridge Wells Borough Councils; and
 - (iii) a co-ordinated and structured approach to better procurement practices across the Council. Whilst significant improvements have taken place across the board in the Council's procurement of goods and services, the joint waste and street cleansing contract with Kent County Council and Maidstone and Ashford Borough Councils stands out, both for service improvement and the very substantial cost savings achieved.

Member and officer working arrangements

- 3.6 Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. The Cabinet is the main decision-making body of the Council, and for 2015/16 it was made up of nine members who have responsibility for particular portfolios.
- 3.7 The Council also appoints a number of committees to discharge the Council's regulatory and scrutiny responsibilities. These arrangements, and the delegated responsibilities of officers, are fully set out in the Council's Constitution.
- 3.8 The Constitution also includes both a Member and an Officer Code of Conduct, which describe and regulate the way in which members and officers should interact to work effectively together.

- 3.9 The Council's overview and scrutiny arrangements have continued to evolve. Since March 2014 there has been a Scrutiny Committee which scrutinises decision-making and performance, and holds Cabinet to account for these; and a Policy Development and Review Committee, which does not have formal scrutiny powers but which provides a mechanism for members to consider and feed into policy proposals before formal decisions are taken.
- 3.10 The Council's Audit Committee has a remit consistent with those identified in the CIPFA publication 'Audit Committees – Practical Guidance for Local Authorities'. It provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework, and internal control environment. The Committee regularly reviews the internal audit work programme, the results of internal audit work, and management's implementation of audit recommendations.
- 3.11 A central role on governance issues is undertaken by the Council's three statutory officers; the Head of Paid Service, the Monitoring Officer/Proper Officer, and the Chief Financial Officer.
- 3.12 The Chief Executive (and Head of Paid Service) is accountable for the delivery of the Council's services, its budget, the work of the Council's employees, and the work undertaken for the Council by a variety of partners and contractors who deliver a wide range of services to the community. The role of Chief Executive is a permanent appointment, which requires the approval of the full Council following the recommendation of a candidate for the role by the Appointments Sub Committee of General Purposes Committee.
- 3.13 Section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 Local Government Act 2000, requires the Council to designate one of its senior officers as the Monitoring Officer. This role is undertaken by the Director of Corporate Services, who is responsible for:
- (i) ensuring that the Council acts and operates within the law. He or she has a duty to report to the whole Council if the Council has broken or may have broken the law;
 - (ii) maintaining arrangements to support the Council's functions and activities, including regular reviews of the Council's Constitution;
 - (iii) supporting the Council's Standards Committee, and helping to promote and maintain high standards of conduct by Council members, officers, partners and contractors;
 - (iv) establishing and maintaining a register of interests (including receipts of gifts and hospitality); and
 - (v) receiving reports and taking action under the Council's Confidential Reporting Code, which supports whistleblowing by staff.

- 3.14 The Director of Corporate Services is a direct report to the Chief Executive.
- 3.15 The Head of Finance, as the Section 151 Officer appointed under the 1972 Local Government Act, is the Council's Chief Financial Officer, who carries overall responsibility for the financial administration of the Council. The Council's governance arrangements relating to the role of the CFO comply with those arrangements set out in the CIPFA statement on the role of the Chief Financial Officer (CFO) in Local Government (2010).
- 3.16 The role of Head of Internal Audit is assigned to the post of the Head of Audit Partnership, an arrangement covering the three MKIP Councils and Ashford Borough Council. This role is responsible for the Council's internal audit service, including drawing up the Internal Audit Strategy and related annual plan, and giving the annual Audit Opinion. The Council's arrangements conform to Public Sector International Audit Standards, as independently assessed by the Institute of Internal Audit. The Standards are the "proper practices in relation to internal control" referenced in the Accounts and Audit Regulations 2011. The Head of Audit Partnership's operational responsibilities are set out in the Internal Audit Charter, and are consistent with the independence requirements set out in the Standards. The Head of Audit Partnership role also conforms to the principles set out in the CIPFA statement on the role of the Head of Internal Audit in Public Service Organisations (2010). Swale BC is in the position of being the only Council covered by the partnership with no weak/poor reports in 2015/16.
- 3.17 The Council has clearly set out terms and conditions for the remuneration of members and officers, and there is an effective structure for managing the process of review. A Scheme of Members' Allowances has been set by the Council, having regard to a report of an Independent Panel made up of non-Councillors. The Council sets and publishes a 'Pay Policy Statement' which provides transparency with regard to the Council's approach to setting the pay of its employees. The 'Pay Policy Statement' is reviewed annually.
- 3.18 All employees have clear conditions of employment, and job descriptions which set out their roles and responsibilities.

Promoting values and upholding high standards of conduct and behaviour

- 3.19 The Council has a Standards Committee to promote high standards of member conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties.
- 3.20 In the last two years the Committee has met once a year to receive an annual report from the Director of Corporate Services in his role as Monitoring Officer.

- 3.21 Officer behaviour is governed by the Officer Code of Conduct. The Code has been formulated to provide a set of standards of conduct expected of employees at work and the link between that work and their private lives.
- 3.22 The Council takes fraud, corruption and maladministration seriously, and as such has established policies and processes which aim to prevent or deal with such occurrences. These include:
- (i) an Anti-Fraud and Anti-Corruption Strategy;
 - (ii) a Whistleblowing Policy;
 - (iii) various HR policies regarding discipline of staff involved in such incidents;
 - (iv) various procurement policies; and
 - (v) a corporate complaints procedure exists to receive and respond to any complaints received.
- 3.23 Arrangements exist to ensure that members and employees are not influenced in their decision-making by prejudice, bias or conflicts of interest in dealing with different stakeholders. These include:
- (i) registers of disclosable pecuniary interests and disclosable other interests;
 - (ii) declarations of disclosable pecuniary interests and disclosable other interests at the start of each meeting in which discussions involve a matter in which a member has an interest;
 - (iii) registers of gifts and hospitality for Officers;
 - (iv) an Equalities Scheme and Equal Opportunities Policies; and
 - (v) comprehensive member induction.

Taking informed and transparent decisions and managing risk

- 3.24 The Council's decision-making processes are clear, open and transparent. The Council's Constitution sets out how the Council operates and the processes for policy and decision-making. Key decisions are published in the Council's Forward Plan. Agendas and minutes of all meetings are published on the Council's website.
- 3.25 The Council provides decision-makers with full and timely access to relevant information. The Cabinet report template requires information to be provided explaining the legal, financial and risk implications of decisions, as well as inter alia implications for each of the corporate priorities, and any equality and diversity implications.

3.26 During the year the Council reviewed and updated its approach to Risk management. Previously there were five high level strategic risks, and a large number of operational risks identified at service unit level. Work is currently underway on a new approach which will result in a comprehensive risk register bringing together risk across the Council. This approach has identified five major themes:

- Regeneration Projects (including Sittingbourne Town Centre);
- Infrastructure and Planning;
- Safeguarding;
- Resource Constraints (both financial and workforce); and
- Devolution and partnerships.

Developing the capacity and capability of Members and Officers

3.27 The Council recognises that the success of its business is built upon the knowledge, expertise, and commitment of its workforce. Development and retention of staff therefore remains a priority for the Council.

3.28 The Council continues to put great emphasis on the management and development of its key resource - the people who work for the Council. There are well-established performance appraisal and development processes for all staff. The Council has developed its values - Fairness, Integrity, Respect, Service and Trust (FIRST) - to clearly describe how we do things, and all employees have been engaged in activities to help them be aware of how we expect them to work so that they behave in ways which are consistent with these values.

3.29 The Council also has a Staff Engagement Strategy. Communications with staff are paramount, with a monthly Team Talk document, three all staff briefings a year led by the Chief Executive, weekly Strategic Management Team meetings, monthly Corporate Leadership Team meetings, monthly team meetings, and quarterly of third tier managers. These processes are supplemented by a staff group with direct access to SMT. During 2015/16 the strength of the processes was verified by the award of the Investors in People Gold standard.

3.30 The cross-party Member Development Working Group takes an overview of the approach to member development. It continues to operate to the principles which underpin the Member Development Charter.

Engagement with local people and other stakeholders to ensure robust public accountability

- 3.31 The Council has reviewed its approach to engagement with residents, and in particular the roles played by the three Local Engagement Forums and the Rural Forum. A report was brought to Council in March 2016 recommending that the four bodies should be abolished as they were not providing a fit-for-purpose approach in an age of social media. The recommendation was agreed.
- 3.32 In their place the Council will arrange for public meetings to be organised on an ad hoc but timely basis where there is a significant or contentious local issue that requires discussion. Greater reliance will also be placed on the quarterly Inside Swale magazine, more use of direct mail on specific issues, and use of more immediate communication routes such as Twitter and Facebook. There are also well-established processes for formal consultation where required on specific policy issues.
- 3.33 The Council also engages with partners and stakeholders through various partnerships such as the Public Services Board, the Community Safety Partnership, the Swale Economy and Regeneration Partnership, the local Health and Wellbeing Boards, and the Green Grid Partnership, to ensure collaboration on strategic issues and joint responsibility for working together for the benefit of the residents of Swale.
- 3.34 The Council also engages with the voluntary, community and business sectors, working closely with Swale CVS and communicating through the Swale Community Empowerment Network. It also disseminates and incorporates information about the Council within various e-bulletins and newsletters that go to these groups eg the Business Bulletin and Active Swale Bulletin.

4. Review of Effectiveness

- 4.1 The Council annually reviews the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by managers within the Council who have responsibility for the development and maintenance of the governance environment, through the work of internal audit, and by comments made by the external auditors and other inspection agencies.
- 4.2 The processes applied in maintaining and reviewing the effectiveness of the system of governance include:

- (i) the work of the Audit Committee;
- (ii) the work of the Standards Committee;
- (iii) the role of the Scrutiny Committee in holding the Cabinet to account;
- (iv) the operation of the Council's performance management frameworks, including the an Annual Report and the wider approach to risk management;
- (v) the work of Internal Audit as an assurance function that provides an independent and objective opinion to the Council on its control environment;
- (vi) the external auditor's opinion report on the Council's financial statements, and his conclusion on whether the Council has put in place proper arrangements to secure efficiency and effectiveness in its use of resources (the Value for Money conclusion);
- (vii) the roles of the Council's Statutory Officers;
- (viii) the corporate complaints procedure; and
- (ix) the anti-fraud and corruption and whistleblowing framework.

4.3 In the 2014/15 Annual Governance Statement three main areas for attention moving forward were identified. The latest position on these is as follows:

Issue	Updated position
Revising the Council's approach to prioritisation of resources and meeting the financial challenge in the new political environment in the Council.	2016/17 budget balanced without any reductions in front line services.
Updating the approach to strategic and operational risk management.	Substantial progress has been made, and will be reported to Audit Committee.
Updating the Fraud and Corruption Policy, and embedding it within the Council	<p>Following movement of much of the Council's external facing counter fraud work to the DWP's Single Fraud Investigation Service in early 2016, the Council has been considering a way forward on its counter fraud and corruption approach.</p> <p>This will include amendments to the Internal Audit Charter in March 2016, which clarifies how Internal Audit can take a more active role in Counter Fraud (including ownership of corporate policies) in a way that it consistent with the Public Sector Internal Audit Standards. Following this</p>

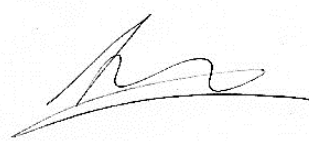
	clarification we expect progress on refreshing the Fraud and Corruption Policy in 2016/17, but the existing policy remains in place until updated.
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5. Significant Governance Issues

5.1 The main areas for member and senior management attention in the coming year are:

- (i) managing the implications of becoming financially self-sustaining, and ensuring proper governance of new income generation opportunities;
- (ii) fully embedding the revised approach to risk management; and
- (iii) updating the Fraud and Corruption Policy, and embedding it in the Council.

Agreed:



Leader of the Council

Chief Executive



Grant Thornton

An instinct for growth™

Abdool Kara
Chief Executive
Swale Borough Council
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Kent ME10 3HT

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26 April 2016

Dear Abdool

Planned audit fee for 2016/17

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset. As you are not a highway authority, this change for accounting for highways assets is not applicable to you.

PSAA have proposed that 2016/17 scale audit fees (excluding work completed on the Highways Network Asset) are set at the same level as the scale fees applicable for 2015/16. Your scale fee for 2016/17 has been set by PSAA at £60,739.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary. Should the proposed fee change from the scale fee set out in this letter we will communicate this to you at the relevant time.

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Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether you have put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies a single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Certification of grant claims and returns

Your indicative grant certification fee has been set by PSAA at £18,611. This fee covers the cost of certifying the housing benefit subsidy claim only and is based on final 2014/15 certification fees.

The indicative fee for certification work is based on the expectation that you provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2016	15,184
December 2016	15,184
March 2017	15,184
June 2017	15,187
Total	60,739

Grant Certification	
March 2017	18,611

Outline audit timetable

We will undertake our audit planning and interim audit procedures from November 2016 to March 2017. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2017, along with our work on the Whole of Government Accounts return.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2016- March 2017	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	July 2017	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	July 2017	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2017	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2017	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Grant certification 2017	April – November	Grant certification report	A report summarising the findings of our grant certification work
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Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Iain Murray	020 7728 3328	Iain.g.murray@uk.gt.com
Engagement Manager	Trevor Greenlee	01293 554071	Trevor.Greenlee@uk.gt.com

Additional work

The scale fee excludes any work requested by you that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with you.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett our Public Sector Assurance regional lead partner (paul.dossett@uk.gt.com).

Yours sincerely



Iain Murray
Engagement Lead
For Grant Thornton UK LLP

Audit Committee	
Meeting Date	8 June 2016
Report Title	Future Procurement of External Auditors
Cabinet Member	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance
SMT Lead	Mark Radford, Corporate Services Director
Head of Service	Nick Vickers, Head of Finance
Lead Officer	Nick Vickers, Head of Finance
Classification	Open
Forward Plan	Reference number:
Recommendations	1. To receive an update on the options for the future procurement of external auditors.

1 Purpose of Report and Executive Summary

- 1.1 This report provides and update on the latest position on the future procurement of external audit, and to seek the Committee's views on the way forward.

2 Background

- 2.1 Prior to its abolition the Audit Commission was responsible for appointing external auditors for all public bodies, including local authorities. Between 31 March 2015 and 31 March 2017 transitional arrangements were put in place, and Public Sector Audit Appointments Limited (an independent company established by the Local Government Association) was responsible for setting fees and appointing auditors under existing contracts.
- 2.2 On 5 October 2015 the Secretary of State notified his intention to extend the transitional arrangements, whereby auditors are appointed by Public Sector Audit Appointments Limited under the contracts previously negotiated by the Audit Commission. Whilst NHS and smaller local government bodies will move to the new appointment regime on 1 April 2017, larger local government bodies will remain on current appointments contracts until the completion of the 2017/18 audits. This means new appointments will need to be made by 31 December 2017.
- 2.3 There are three main options for the Council going forward.

Option	Commentary
1. The Council could	The Council would need to set up its own Auditor Panel consisting of a majority or even entirely independent members.

<p>establish its own independent Auditor Panel</p>	<p>An independent member is defined by the Local Audit and Accountability Act 2014 as someone who had “not been a member or officer of the Council for a period of five years”.</p> <p>If established, the Auditor Panel would be a standing committee as its role extends beyond the appointment of the external auditor into review of the external audit service and monitoring their independence. A summary of the relevant legislation is attached in Appendix I.</p> <p>Whilst with this option the Council would have local input into the decision, it is likely to be a costly exercise to recruit and maintain the Panel, and it is not apparent that there would be a ready availability of suitably qualified individuals. It would also mean no option for the Council to take part in a broader collaborative procurement which could generate additional savings through economies of scale.</p>
<p>2. The Council could join with other Councils to set up a joint independent Auditor Panel</p>	<p>This could be done by setting up a new panel with other councils or using another council’s panel. Again, such a panel would need to be constituted with a majority of independent members.</p> <p>This approach would spread cost and potentially allow for economies of scale to be achieved. However, it does make the process quite remote from the Council.</p>
<p>3. The Council could opt in to a sector-led body</p>	<p>This option would be to opt in to a sector-led body that will negotiate contracts and make the appointment on behalf of all councils who participate, removing the need for an independent Auditor Panel. The LGA is currently examining the feasibility of this option.</p> <p>This approach offers the prospect of generating savings from economies of scale, but without having to establish and fund an Auditor Panel. The cost savings from this approach could be significant. It should also promote competition and takes advantage of central expertise. However, it does mean the Council has no direct input into the appointment.</p>

2.4 If the Council did not take any of these alternative options then the Secretary of State would impose an auditor.

2.5 Although decisions do not have to be taken straight away it is important to start the preparatory work early. The LGA have also asked for early indications of interest in the sector-led approach.

2.6 Discussions have taken place at the Kent Finance Officers (KFOs) meeting and the view at this stage is that in what is likely to be quite a limited market, even a Kent-wide approach may not produce an optimal solution.

3 Proposals

3.1 At this stage the Committee is asked to consider whether it has any preference between the options in order to guide the detailed work which Officers will then undertake.

3.2 The Audit Committee’s views in this regard are important, and they are invited to make a recommendation, but the final decision will be by full Council.

4 Alternative Options

4.1 The Council has to comply with the statutory requirements to appoint an external auditor, and the three possible options have been set out under paragraph 2.3 above.

5 Consultation Undertaken or Proposed

5.1 The Kent Finance Officers Group will ensure cross-County collaboration. Their views are included at paragraph 2.7 above, and they will be receiving a presentation from the LGA on the sector-led body option in June 2016.

6 Implications

Issue	Implications
Corporate Plan	Supports the objective of being a “Council to be proud of”.
Financial, Resource and Property	The external auditor provides external validation of the Council’s accounts, and makes a judgement on the value for money being achieved.
Legal and Statutory	External audit is a statutory requirement under the Accounts and Audit regulations.
Crime and Disorder	Not applicable.
Sustainability	Not applicable.
Health and Wellbeing	Not applicable.
Risk Management and Health and Safety	The external auditor will examine the Council’s approach to risk management as part of their consideration of governance issues.
Equality and Diversity	Not applicable.

7 Appendices

7.1 The following documents are to be published with this report and form part of the report:

- Appendix I: Auditor Panels-Summary of relevant legislation

8 Background Papers

8.1 None.

Auditor Panels - summary of relevant legislation

Local Audit (Auditor Panel) Regulations 2014 in conjunction with the Local Audit and Accountability Act 2014 and other regulations

The Act and associated regulations provide the legislative conditions for the construct and function of auditor panels. The main points are as follows:

a. Auditor Panels:

- i. must have three or more members, with a majority of non-elected independent members one of which must be the chair
- ii. the decision to appoint a panel is not an executive/cabinet decision
- iii. the term of office must be determined by council
- iv. qualifying conditions apply
- v. allowances may be paid
- vi. quorum is three with a majority on independent members present

b. Functions of a Panel

- i. advisory only
- ii. to advise on the maintenance of an independent relationship between the auditor and the council
- iii. advise on the selection and appointment of an auditor
- iv. must advise as the auditor panel considers appropriate and at other times if asked by the council
- v. must advise, if asked, on any proposal to limit the liability of an auditor
- vi. Secretary of State may vary the functions
- vii. auditor panel advice must be published, subject to certain conditions
- viii. panels must take account of any relevant Secretary of State guidance
- ix. panels can call members and officers to meetings and for any documents in aid of its functions
- x. panels must inform the Secretary of State if a council fails to appoint an auditor

c. Meaning of 'independent'

- i. not been a councillor or officer of the council for at least five years (from the start of contract)
- ii. not been connected with the council for at least five years including not being a member or employee of a connected body/company

- iii. not a relative or close friend of any serving councillor or officer
- iv. not having any beneficial interests
- v. not a current or prospective auditor of the council or an employee/member of an auditor of the council for the past five years

d. The Appointed Persons option (this does not need an auditor panel)

- i. designated by the Secretary of State (no designation as yet)
- ii. must invite councils to participate (opt-in)
- iii. must appoint an auditor(s)
- iv. must design and implement systems to oversee auditor independence, monitor compliance and resolve disputes
- v. must agree and consult on fee scales

The Audit Plan for Swale Borough Council

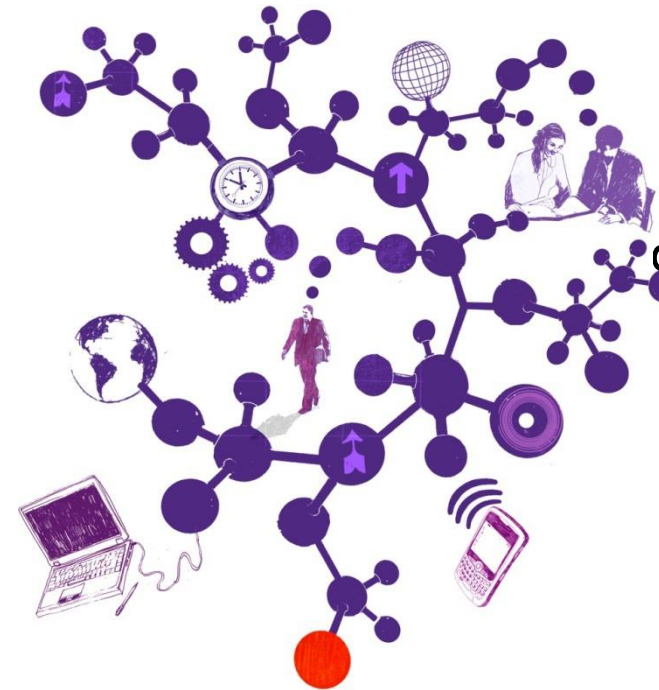
Year ending 31 March 2016

June 2016

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Manager
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Agenda Item 10

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Swale Borough Council
East Street
Sittingbourne
Kent
ME10 3HT

8 June 2016

Dear Nicholas

Audit Plan for Swale Borough Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Swale Borough Council, the Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Iain Murray
Engagement Lead

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Understanding your business

In planning our audit we need to understand the challenges and opportunities you are facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- In his 2015 Autumn Statement the Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding for local government over 5 years.
- For Swale the provisional funding settlement in December 2015 indicates that funding from revenue support grant in future years will be significantly lower than previously anticipated. There is also uncertainty about the level of future funding through New Homes Bonus,
- You will continue to need a robust planning framework to manage these pressures and the planned changes to funding arrangements over the medium term.

2. Regeneration

- You are currently working with private sector partners on a major regeneration programme in Sittingbourne.

3. Delivering efficient and effective services

- In recent years your budget process has been supported by efficiency savings, including from shared services arrangements, contract savings and internal efficiencies. Your financial plans require further efficiency savings in future years.
- The Council is currently working on a range of transformation and income generation initiatives.

4. Devolution

- Proposals for local government devolution in Kent are currently being developed, with a number of different themes emerging across the County.
- Potential areas of focus locally include skills and business growth.



Our response

We will;

- update our understanding of your financial planning framework as part of the work to support our value for money conclusion.

We will;

- continue to liaise with officers to update our understanding of the Council's plans.
- consider any issues which relate to our value for money conclusion for 2015/16

We will;

- consider the action taken by the Council to review the efficiency of services as part of the work to support our value for money conclusion..

We will;

- monitor progress with any devolution proposals and the impact on the Council's strategic plans.

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will require a change in the basis of valuation for surplus assets. There may also be an impact on the valuation of your investment property assets.
- There are a number of additional disclosure requirements under IFRS 13.

2. Corporate governance

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year. This replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

3. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.

4. Other requirements

- You complete a claim for housing benefit subsidy grant on which audit certification is required



Our response

We will;

- keep you informed of changes to the financial reporting requirements for 2015/16 through discussion and invitations to our technical update workshops.
- discuss the issues arising from the introduction of IFRS13 at an early stage, and provide feedback on your draft disclosures to meet the requirements of the new standard.

We will;

- review your arrangements for producing the narrative statement and the AGS, and consider whether these are consistent with our knowledge

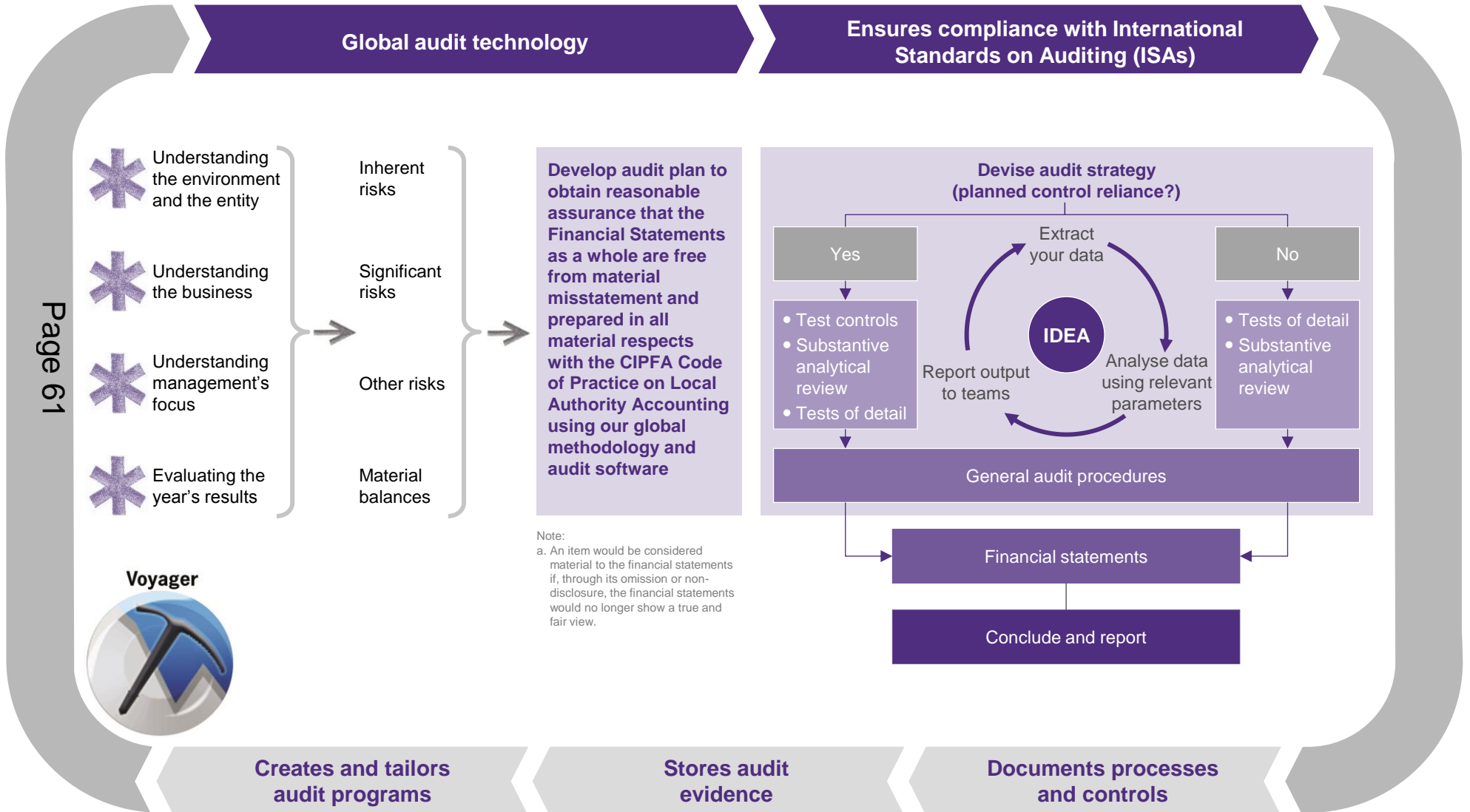
We will;

- continue to work with you to help identify ways of streamlining the process for preparing the financial statements.
- aim to complete all substantive work on our audit of your 2015/16 financial statements by 31 July 2016 as a "dry run" in preparation for the acceleration of the statutory timetable in future years.

We will;

- certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd.

Our audit approach



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Materiality

In performing our audit we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For the purposes of planning the audit we have determined overall materiality to be £1,718,000 (being 2% of gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450 auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £85,000.

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<p>Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • testing of journal entries • review of accounting estimates, judgments and decisions made by management • review of any unusual significant transactions.

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Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures" (ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Operating expenses	Creditors understated or not recorded in the correct period	<p>Work planned:</p> <ul style="list-style-type: none"> • Identification and walkthrough of system controls • Substantive testing of creditor balances • Cut-off testing to ensure that transactions have been recorded in the correct accounting period. • Review of yearend reconciliations to ensure completeness of information in the accounts.
Employee remuneration	Employee remuneration and benefit obligations and expenses understated	<p>Work planned:</p> <ul style="list-style-type: none"> • Identification and walkthrough of system controls • Review of yearend reconciliations to ensure completeness of information in the accounts • Trend analysis to assess completeness of payroll information
Valuation of property, plant and equipment	Revaluation measurements not correct	<p>Work planned:</p> <ul style="list-style-type: none"> • Identification and walkthrough of system controls • Review of management's processes and assumptions for the calculation of the estimate, including review of the work performed by management experts • Review of the competence, expertise and objectivity of any management experts • Testing to ensure information on revaluations is correctly input to the Council's asset register • Evaluation of management's processes to ensure the carrying value of assets not revalued during the year is not materially different from current value at the balance sheet date

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Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures"(ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Employee remuneration: Valuation of pension fund net liability	Pension fund assets and liabilities incorrectly valued.	<p>Work planned:</p> <ul style="list-style-type: none"> • Identification and walkthrough of the Council's controls to ensure that the pension fund liability is not materially misstated • Review the competence, expertise and objectivity of the actuary performing the pension fund valuation • Gain an understanding of the basis for the valuation and undertake procedures to confirm the reasonableness of the actuarial assumptions made • Review the consistency of disclosures in the financial statements with the actuarial report

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Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section. We anticipate these material balances and transaction streams will include;

- Investments (long term and short term)
- Cash and cash equivalents
- Usable and unusable reserves
- Long term liabilities
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- CIPES: Financing and investment income and expenditure
- CIPES: Taxation and non-specific grants
- Segmental reporting note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes

Other audit responsibilities

We will

- undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and that the disclosures are in line with the requirements of the CIPFA Code of Practice.
- carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- give electors the opportunity to raise questions about the accounts and consider and decide upon objections relating to the accounts

Value for Money

Background

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out below:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none">• Acting in the public interest, through demonstrating and applying the principles and values of good governance• Understanding and using appropriate cost and performance information to support informed decision making and performance management• Reliable and timely financial reporting that supports the delivery of strategic priorities• Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none">• Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions• Managing assets effectively to support the delivery of strategic priorities• Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none">• Working with third parties effectively to deliver strategic priorities• Commissioning services effectively to support the delivery of strategic priorities• Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- illustrative significant risks identified and communicated by the NAO.

Our definition of significant risks, based on the definition in the NAO's Code of Audit Practice, is: *A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*

We have set out the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

Reporting

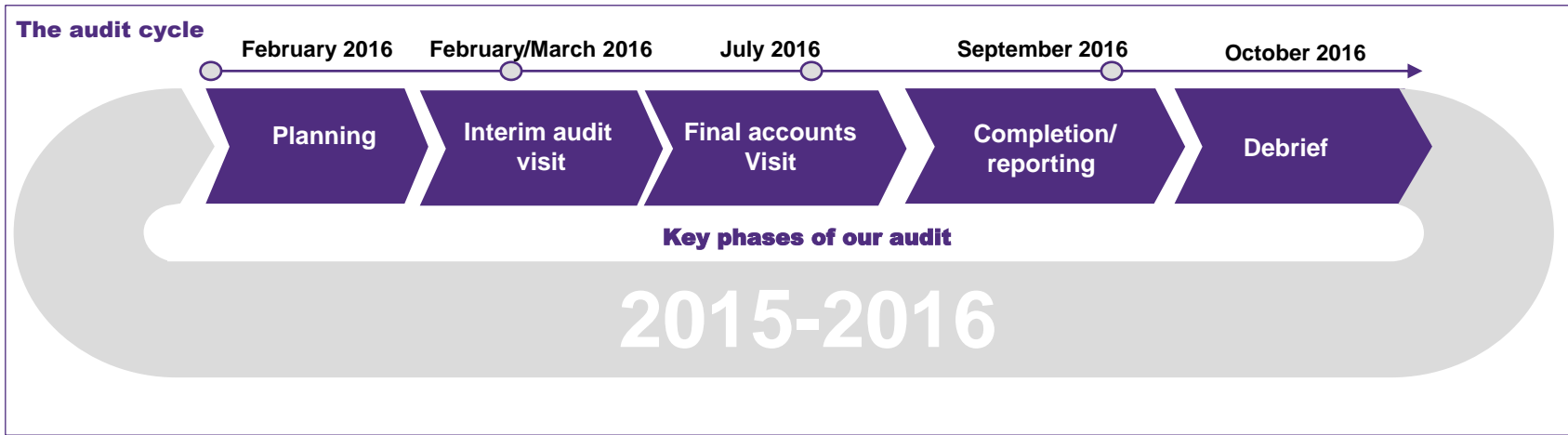
We will continue to review your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report. The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
You are facing further significant reductions in government funding in future years. You will need an effective financial planning framework to manage the impact of these changes.	Sustainable resource deployment	We will update our understanding of your medium term financial planning framework and your planned approach to addressing future reductions in central government funding.

Key dates



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Date	Activity
February 2016	Planning
February/March 2016	Interim site visit
8 June 2016	Presentation of audit plan to Audit Committee
July 2016	Year end fieldwork
TBA	Report audit findings to those charged with governance (Audit Committee)
By 30 September 2016	Sign financial statements opinion and VFM conclusion

Fees and independence

Fees

	£
Council audit	60,739
Grant certification	20,710
Total audit fees (excluding VAT)	81,449

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed information request
- The scope of the Council's activities, and of the audit, has not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited

Fees for other services

Service	Fees £
None	0

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

The plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

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SWALE BOROUGH COUNCIL

AUDIT COMMITTEE

Draft Work Programme

2016/17






Statement of Purpose:

The purpose of the 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, including approval of the annual statement of accounts.

Audit Committee Members:

	<p>Chairman: Councillor Nicholas Hampshire Party: Conservative Ward: Borden and Grove Park Phone: 01795 477560 (evening only), 07739 108756 (daytime) Email: nicholashampshire@hotmail.com</p>		<p>Vice- Chairman Councillor Nigel Kay Party: Conservative Ward: St Ann's Phone: 01795 531298/07710 487129 Email: nigelkay@swale.gov.uk</p>
	<p>Councillor Andy Booth Party: Conservative Ward: Minster Cliffs Phone: 07912 464213 Email: andybooth@swale.gov.uk</p>		<p>Councillor Roger Clark Party: Conservative Ward: Milton Regis Phone: 07960 381095 Email: clark.miltonregis@gmail.com</p>
	<p>Councillor Adrian Crowther Party: UKIP Ward: Minster Cliffs Phone: 01795 874418 Email: Adrian.crowther@kent.gov.uk</p>		<p>Councillor Mick Galvin Party: UKIP Ward: Sheerness Phone: 01795 666903 Email: mickgalvin@swale.gov.uk</p>

	<p>Councillor Angela Harrison Party: Labour Ward: Sheerness Phone: 01795 665029 Email: angelaharrison@swale.gov.uk</p>		<p>Councillor Samuel Koffie-Williams Party: Conservative Ward: Murston Phone: 07484274235 Email: samuelkwilliams@swale.gov.uk</p>
	<p>Councillor Peter Marchington Party: Conservative Ward: Queenborough and Halfway Phone: 01795 661960 (evenings only) Email: petermarchington@hotmail.co.uk</p>		

Audit Committee Terms of Reference

1. Consider the effectiveness of the authority's risk management arrangements, the control environment and associated antifraud and anti-corruption arrangements.
2. Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
3. Be satisfied that the authority's assurance statements, including the Statement on Internal Control, properly reflect the risk environment and any actions required to improve it.
4. Approve (but not direct) internal Audit's strategy and Annual Audit Plan and monitor performance against them.
5. Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
6. Receive the annual report of the Head of Internal Audit
7. Consider the reports of external audit and inspection agencies.
8. Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
9. Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
10. Approve the Annual Statement of Accounts.
11. Present an annual report to the Executive on exceptions and highlights throughout the year.

Work Programme:

Date of Meeting	Title of Report	Key Officer Contact
<i>8 June 2016</i>	Internal Audit Annual Report 2015/16	Rich Clarke
	Annual Governance Statement	Nick Vickers
	Audit Committee Annual Report	Rich Clarke
	Fee Letter 2016/17	External Audit
	Future Appointment of External Auditors	Nick Vickers
	2015/16 Audit Plan – External Audit	External Audit
	Audit Committee Work Programme 2016/17	Democratic Services
<i>14 September 2016</i>	Annual Governance Report and Annual Accounts 2015/16	Nick Vickers
	Annual Treasury Management Report 2015/16	Nick Vickers
	Audit Committee Work Programme	Democratic Services
<i>30 November 2016</i>	Treasury Management Half Year Review	Nick Vickers
	Annual Audit Letter	External Audit
	Audit Committee Update	External Audit
	Internal Audit Interim Report	Rich Clarke
	Audit Committee Work Programme	Democratic Services

<i>8 March 2017</i>	Internal Audit Plan 2016/17	Rich Clarke
	Strategic Risk Register and Action Plans	Rich Clarke
	Certification of Claims and Returns	External Audit
	Audit Committee Work Programme	Democratic Services

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