
AUDIT COMMITTEE

MINUTES of the Meeting held in the Committee Room, Swale House, East Street, Sittingbourne, Kent, ME10 3HT on Wednesday, 13 September 2017 from 7.00 - 8.39 pm.

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

OFFICERS PRESENT: Katherine Bescoby, Russell Heppleston, Zoe Kent, Iain Murray (Grant Thornton), Frankie Smith, Nick Vickers and Phil Wilson.

ALSO IN ATTENDANCE: Councillor Alan Horton.

APOLOGIES: Councillors Roger Clark and Peter Marchington, and Councillor Duncan Dewar-Whalley (Cabinet Member for Finance and Performance).

218 EMERGENCY EVACUATION PROCEDURE

The Chairman outlined the emergency evacuation procedures.

219 MINUTES

The Minutes of the Meeting held on 21 June 2017 (Minute Nos. 46 – 55) were taken as read, approved and signed by the Chairman as a correct record.

220 DECLARATIONS OF INTEREST

No interests were declared.

Part A Minute for Recommendation to Council

221 ANNUAL TREASURY MANAGEMENT REPORT 2016/17

The Chief Financial Officer introduced the report which set out the Council's financing and investment activity for 2016/17, drawing attention to the extra income that had been generated as a result of a higher level of balances and investment in the CCLA Property Fund as set out in paragraph 2.19 of the report. He drew attention to Appendix I which was set out in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA's) requirements.

In response to questions, the Chief Financial Officer advised that there was a level of risk in investing in the CCLA Property Fund and that the Council had deliberately chosen not to invest in bonds as this was seen as higher risk. In response to a question about possible slippage in the Sittingbourne Town Centre regeneration works, he confirmed that the Council was on a fixed rate contract with Spirit of Sittingbourne, and so any slippage would not affect the cost for the Council. He outlined how in the first phase, funding would be via internal borrowing but this would be likely to change as cashflow was generated, and this would be monitored

by the Council's Treasury advisors, Arlingclose. He confirmed that there was a strategy in place regarding internal borrowing. There was some discussion regarding the business rates generated from the Aldi Distribution Centre, and when it was likely to open. The Chief Financial Officer advised that Swale had the highest growth in business rates in the county which was good in terms of generating income and also for employment and spending in the area. Members thanked the Chief Financial Officer and his team for the well presented report.

Recommended:

(1) That the Treasury Management Stewardship report for 2016/17 be approved.

(2) That the prudential and treasury management indicators within the report be approved.

Part B Minutes for Information

222 ANNUAL FINANCIAL REPORT 2016/17 AND AUDIT FINDINGS REPORT

The Committee considered the report of the Chief Financial Officer which sought the Audit Committee's approval of the Council's financial statements for 2016/17, and asked the Committee to consider the external auditor's Audit Findings Report.

The Chief Accountant introduced the report, taking Members through the various tables/statements set out in the report on pages 38, 39, 40, 41 42 and 43. He drew attention to the increase in the value of the Council's assets of £4m to £4m and the increase in pension liability of £6m, which resulted in a reduction in the value of the Council's net assets.

The Chief Accountant, Chief Financial Officer and Revenues and Benefits Manager (Technical and Financial) answered questions concerning the future reduction in Revenue Support Grant to zero, and whether it was right for the Council to fund a government service referring in particular to housing benefit. The Revenues and Benefits Manager (Technical and Financial) referred to the loss of admin grant and that the council tax support assessors were funded from Business Rates, and gave examples of the impact of Universal Credit in Dover and Thanet. She drew attention to the member training session that would be held on this topic, and the implications in terms of the potential for homelessness if assistance was not provided, however, this would be a decision for Members to make. In response to further comments and questions, the Chief Financial Officer agreed to liaise with the Cabinet Member for Finance and Performance regarding the wording of the introduction; the Deputy Head of Audit Partnership gave an update on the risk management framework; and the Chief Accountant agreed to provide a Member with a copy of the Accounts and Audit Regulations 2015. A Member drew attention to the fact that the Council had been recognised in the Top 100 Not for Profit organisations to work for in the Best Companies Survey in February 2017, and was only one of three councils nationwide to make the list.

The Chairman thanked the Chief Accountant and his team for their work on the accounts, and invited Mr Iain Murray of Grant Thornton to present the Audit Findings report. In introducing the report, the Chairman expressed his

disappointment about the delay in the Findings Report from Grant Thornton, as the papers should have been circulated with the rest of the agenda to ensure sufficient time for all to review the documents in advance of the meeting. Iain Murray apologised for the lateness in providing the reports and advised that they would be reviewing their work programme for next year to meet the earlier deadlines. He thanked the Chief Accountant and his team for their support and the high quality of the accounts and working papers. He drew attention to page 17 of the report, which set out details of CIPFA's 'Telling the Story' agenda, and explained that this was reported as an Adjusted Misstatement which they were bound to report but it had no impact on the 'bottom line'. He confirmed that they would be giving an unqualified audit opinion on both the financial statements and value for money.

Members were invited to ask questions, during which attention was drawn to item 1 on page 15 of the report. It was confirmed that the Chief Financial Officer was not aware of any fraud investigations and prosecutions during the year, and the report would be amended to reflect that. Attention was also drawn to page 22, and Iain Murray confirmed that there were satisfactory arrangements in place to mitigate risk.

Further discussion ensued regarding page 17 and the new CIPFA requirements and whether the interpretation given by Grant Thornton was correct. The Chief Financial Officer advised that there had been a difference of opinion but independent challenge was to be welcomed and that was provided by Grant Thornton and Internal Audit.

Resolved:

(1) That the external auditor's Audit Findings Report, as set out in Appendix I to the report, be noted, subject to an amendment to item 1 on page 15 of the report to reflect that there had not been any fraud investigations and prosecutions during the year.

(2) That the letter of representation, as set out in Appendix II to the report, be approved on behalf of the Council.

(3) That the Statement of Accounts for the year ended 31 March 2017, as set out in Appendix III to the report, be approved, subject to amendments to the wording of the introduction.

223 MID-KENT SERVICES FRAUD AND COMPLIANCE

The Revenues and Benefits Manager (Technical and Financial) introduced the report which gave a summary of the activities and outcomes of the Mid-Kent Fraud and Compliance Team since March 2016, which was when the responsibility for the investigation of Housing Benefit Fraud moved to the Department for Work and Pensions. The Compliance Team focused on fraud and error within the Council Tax Reduction Scheme, Council Tax and Business Rates discounts, exemptions and reliefs.

Members commended the work of the team and the concise report, during which a Member emphasised the importance of local knowledge and the role of Ward Members in reporting information, and suggested that this should be included in future training for Members. The Revenues and Benefits Manager (Technical and

Financial) explained the figures in the report and the reason for reviewing empty properties in terms of the impact on New Homes Bonus. In response to a question, it was also clarified that if the team did not find savings that were higher than running costs, it was possible that funding may not be provided by the major preceptors in future years.

Resolved:

(1) That the results of the Mid-Kent Services Fraud and Compliance Team for 2016/17 be noted.

224 PROGRESS REPORT - PLANNING ENFORCEMENT

The Audit Manager introduced the report, which gave an update on the implementation of the recommendations arising from the Planning Enforcement audit. Nine of the ten recommendations had been fully implemented, however, whilst progress had been made, further work was required to fully implement recommendation two.

In response to questions, the Audit Manager explained the process undertaken during and following an audit review to ensure that requirements were understood and an action plan agreed, although it was acknowledged that whilst the timetable had been agreed, perhaps in hindsight more time had been needed for recommendation two to be implemented. Discussion ensued regarding the planning enforcement service in general; debate at a recent Scrutiny Committee meeting on this topic; staff changes in the team; and interpretations as to why the recommendation had not been fully implemented. The Chief Financial Officer undertook to bring the issues raised to the attention of Management Team.

The Chairman advised that an update would be given at the next Audit Committee meeting in November 2017, and that if recommendation two had not been fully implemented the Officers would be asked to attend the meeting to answer questions. In response to further questions, the Audit Manager outlined the procedures for testing whether a recommendation had been implemented.

Resolved:

(1) That the progress against the recommendations arising from the Planning Enforcement Audit be noted.

225 AUDIT COMMITTEE WORK PROGRAMME

Members considered the Audit Committee Work Programme. It was noted that an update regarding the Planning Enforcement audit would be included as part of the Internal Audit Interim report, and that the future timetable regarding the accounts may need to be altered.

A discussion ensued as to whether all of the items in the terms of reference were covered in the work programme. It was agreed that this would be looked at and that the terms of reference may be in need of review, which the Deputy Head of Audit Partnership agreed to discuss further with Democratic Services.

Resolved:

(1) That the Work Programme be noted.

Chairman

Copies of this document are available on the Council website <http://www.swale.gov.uk/dso/>. If you would like hard copies or alternative versions (i.e. large print, audio, different language) we will do our best to accommodate your request please contact Swale Borough Council at Swale House, East Street, Sittingbourne, Kent, ME10 3HT or telephone the Customer Service Centre 01795 417850.

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