



Audit Committee Annual Report 2015/16



Introduction by Chairman of Audit Committee

This report provides an overview of the Audit Committee's activity during the municipal year 2015/16.

I am pleased to report that the Audit Committee continues to make progress in terms of discharging its responsibilities to provide independent assurance on the adequacy of the Council's risk management framework and the associated control environment, and in providing robust scrutiny and challenge of the Authority's financial performance.

During 2015/16, the Audit Committee met four times and of particular note are:

- 1. once again, a high quality statement of accounts and an unqualified value-for-money assessment from the external auditor;*
- 2. Swale is in the position of being the only authority covered by Mid Kent Audit Partnership with no weak/poor internal audit reports in 2015/16; and*
- 3. no instances of or suspected frauds or irregularities were indentified in the year.*

The Audit Committee will continue to seek best practice to satisfy itself that the Council maintains effective systems of internal control, governance and risk management. In particular, the Audit Committee will continue to oversee the external audit arrangements with Grant Thornton.

Following a request from Members, I am also pleased to report that regular briefing sessions appertaining to the work Audit Committee will commence from 08 June 2016 and will further help Members to discharge their responsibilities with the appropriate rigour that has been a feature of the Audit Committee to date.



*Councillor Nicholas Hampshire ACA, BA (Hons)
Audit Committee Chairman*

Introduction

Swale Borough Council has always supported and understood the value and benefits of having an independent Audit Committee.

The Audit Committee is an essential check on the corporate governance framework; providing an independent and high-level overview of the internal control, governance and risk management for the Council.

The Committee monitors internal and external audit activity, reviews and comments on the effectiveness of the Council's regulatory framework and reviews and approves the Council's annual statements of accounts.

The Committee is independent from the Council's Executive and Scrutiny functions and has clear reporting lines and rights of access to discharge its responsibilities in line with its Terms of Reference (Appendix 1). This includes direct access to the Council's Appointed Auditor and Head of Audit Partnership without the presence of other officers where appropriate.

The Committee is not a substitute for the Executive function in the management of internal or external audit, risk management, governance, or any other review or assurance function. It is the Committee's role to examine these functions, and to offer views and recommendations on the way the management of these functions is conducted.

Effective audit committees can bring many benefits to local authorities and these benefits are described in CIPFA's Audit Committees - Practical Guidance for Local Authorities as:

- Increased public confidence in the objectivity and fairness of Council financial and other reporting.
- Reinforcing the importance and independence of internal and external audit and similar review processes.
- Providing additional assurance through the process of independent review and challenge.
- Increasing emphasis and awareness of internal control, governance and risk management.

Statement of Purpose

The purpose of an 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.

*Swale Borough Council
Constitution*

Membership

The Audit Committee for 2015/16 comprised of nine members:

- **Cllr Nicholas Hampshire** (Chairman)
- **Cllr Andy Booth** (Vice-Chairman)
- **Cllr Adrian Crowther**
- **Cllr Mick Galvin**
- **Cllr Angela Harrison**
- **Cllr Alan Horton**
- **Cllr Nigel Kay**
- **Cllr Samuel Koffie-Williams**
- **Cllr Peter Marchington**



Meetings & Attendance



The Audit Committee met four times in 2015/16:

- 10 June 2015
- 21 September 2015
- 09 December 2015
- 09 March 2016

On all occasions the Committee was quorate and able to fulfil its duties.

The Audit Committee is supported by senior officers of the Council who are regularly present at meetings, including:

- Corporate Services Director
- Head of Finance (Section 151 officer)
- Head of Audit Partnership

In addition, the Council's External Auditors (Grant Thornton) attended each meeting of the Audit Committee during 2015/16.

All of the Audit Committee agenda papers and minutes are available on the Council's [website](#).

Business

During the year the Committee has commented, examined and reviewed the following:

Audit Activity
• Internal Audit Annual Report
• Internal Audit Interim Report
• Internal Audit Plan
• Internal Audit Charter
• Risk Management Update
External Audit (Grant Thornton)
• Fee Letter
• Annual Audit Letter
• External Audit – Audit Committee Update
• Certification of Claims & Returns
• Progress Report
Finance
• Annual Governance Statement
• Annual Treasury Management Report
• Annual Governance Report and Accounts
• Treasury Management Half Yearly Review
Other
• Benefit Fraud Annual Report
• Work Programme

Conclusion

The Audit Committee, in partnership with the Council's Internal and External Auditors, and with the support of Officers has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues (Appendix 2).

The Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2015/16.

What's next...?

The Audit Committee will continue to seek best practice to satisfy itself that the Council maintains effective systems of internal control, governance and risk management. In particular the committee will continue to oversee the external audit arrangements with Grant Thornton.

The Members of the Audit Committee will continue to enhance their skills, knowledge and experience through training and development to provide robust challenge throughout 2016/17 and briefing sessions before each meeting on developments will commence from 8 June 2016.

Audit Committee - Terms of Reference

Purpose

The purpose of an 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.

Audit Activity	Regulatory Framework	Accounts
To consider the Head of Audit Partnership's annual report and opinion, and a summary of audit activity (actual and proposed) and the level of assurance it can give over the council's governance arrangements, and any report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.	To review any issue referred to it by the Chief Executive or a Director or any Council body.	To review and approve the annual statement of accounts. Specifically, to consider whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the Cabinet or the Council.
	To monitor the effective development and operation of risk management and corporate governance in the Council.	
To consider reports dealing with the management and performance of Internal Audit Services, including consideration and endorsement of the 3 year Strategic Internal Audit Plan.	To monitor council policies on 'Whistleblowing' and the 'Antifraud and Corruption Strategy'.	To consider the external auditor's report to those charged with governance on issues from the audit of the accounts.
To consider the external auditor's annual letter, the report to those charged with governance, and any specific reports as agreed with the external auditor.	To consider and comment on the authority's Annual Governance Statement and agree its adoption as part of the approval of the annual accounts.	To be responsible for ensuring effective scrutiny of the treasury management strategy and policies (Note: Council is responsible for adopting the Treasury Management strategy and policy).
To liaise with the Audit Commission over the appointment of the Council's external auditor, comment on the scope and depth of external audit work and ensure that it gives value for money.	To consider the council's arrangements for governance and whether adequate safeguards are in place to secure compliance with its own and other published standards and controls and best practice.	

Sources of Assurance

In drawing the conclusion, the Audit Committee gained assurance from the following sources:

The work of Internal Audit

The Head of Audit Partnership issued an unqualified Head of Audit Opinion in 2014/15 which concluded that the Council was operating an effective sound system of internal control, governance and risk management. Throughout the year the Committee has been kept up to date with delivery of the Internal Audit plan, implementation of audit recommendations, and has been kept aware of any emerging risks.

The Internal Audit plan for 16/17 included a breakdown of internal audit assurance for the coming year, and the Committee were given the opportunity to comment on the work of internal audit prior to endorsing the plan for delivery.

There have been no significant issues raised for the Committee's attention during the year by the Internal Audit team. The Committee has continued to show its support to the Internal Audit team throughout the year, and has recognised the role, responsibility and authority of the service within the Audit Charter which was updated and agreed by the Committee in March 2016.

The work of External Audit (Grant Thornton)

The external auditors report back to the Audit Committee providing regular updates on their programme of work. During the year, the External Auditors presented an unqualified value for money conclusion and an unqualified opinion on the financial statements. Particularly, the External Auditors recognised high quality of the Council financial statements and supporting working papers.

The Audit Committee has provided effective challenge to the External Auditors as appropriate and gained assurance from the reports and updates provided during the year.

Finance & Governance Reports

The Council's accounts are reported to the Audit Committee for approval, along with the Annual Governance Statement. The Committee has provided challenge and questioning to the Section 151 Officer on the finance and governance matters.

The Committee specifically gains assurance from the Annual Governance Statement which is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

The statement is produced following a review of the council's governance arrangements and includes actions address any significant governance issues identified. The Committee reviewed and approved the 2014/15 Annual Governance Statement.