



# **Audit Committee**

# **Annual Report**

## **2016/17**



## **Introduction by Chairman of Audit Committee**

*This report provides an overview of the Audit Committee's activity during the municipal year 2016/17.*

*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 2016/17 the Committee met four times and was pleased to note, among the highlights, a further unqualified accounts and value for money opinion from our external auditors and a positive conclusion on the Council's control and governance from our internal auditors.*

*Once again during 2016/17 the Committee is grateful for the contributions of its members, as well as to those officers who support its work.*



*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:

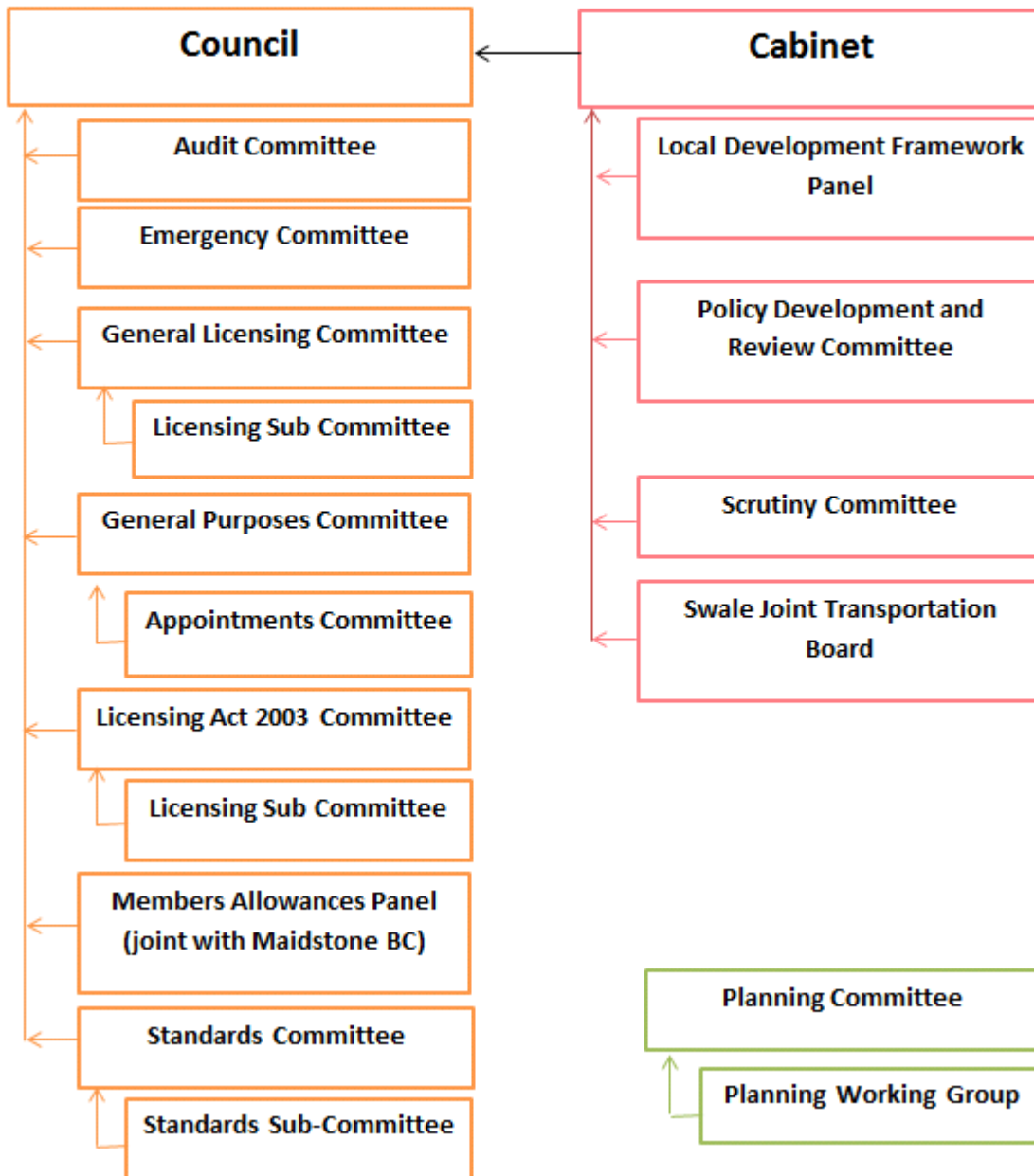
- Increased public confidence in the objectivity and fairness of Council financial and other reporting.
- Reinforcing the importance and independence of internal and external audit and similar review processes.
- Providing additional assurance through the process of independent review and challenge.
- 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*

## Swale Borough Council Committee Structure 2017



## Membership & Attendance

The following table summarises attendance at all of the Audit Committees held in 2016/17:

Name	Role	8 Jun	14 Sep	30 Nov	8 Mar
<b>Committee Members</b>					
CLlr Nicholas Hampshire	Chairman	✓	✓	✓	✓
CLlr Nigel Kay	Vice-Chairman	✓	✓	✓	✓
CLlr Andy Booth	Committee Member	✓	✓	Apologies	Substituted
CLlr Adrian Crowther	Committee Member	✓	x	✓	x
CLlr Angela Harrison	Committee Member	✓	✓	✓	✓
CLlr Mick Galvin	Committee Member	✓	✓	✓	x
CLlr Peter Marchington	Committee Member	✓	x	x	✓
CLlr Roger Clark	Committee Member	✓	✓	✓	Apologies
CLlr Samuel Koffie-Williams	Committee Member	✓	✓	✓	✓
CLlr Mike Dendor	Substitute Committee Member				✓
<b>Visiting Members</b>					
CLlr Duncan Dewar-Whalley	Cabinet Member for Finance & Performance	✓	✓	✓	Apologies
CLlr Alan Horton	Cabinet Member for Safer Families & Communities	✓	✓	✓	Apologies
CLlr Gerry Lewin	Deputy Leader & Cabinet Member for Planning			✓	
CLlr Bryan Mulhern	Deputy Cabinet Member for Planning			✓	
<b>Swale BC Officers</b>					
Mark Radford	Director of Corporate Services (until Feb-17) Chief Executive	✓	✓	✓	
Nick Vickers	Chief Financial Officer	✓	✓	✓	✓
James Freeman	Head of Planning Services			✓	
Phil Wilson	Chief Accountant		✓		
Philippa Davies	Democratic Services	✓		✓	
Katherine Bescoby	Democratic Services		✓		
Kellie McKenzie	Democratic Services				✓
<b>Mid Kent Audit Officers (Internal Audit)</b>					
Rich Clarke	Head of Audit Partnership	✓	✓	✓	
Russell Heppleston	Deputy Head of Audit Partnership				✓
Frankie Smith	Audit Manager	✓		✓	✓
<b>Grant Thornton (External Audit)</b>					
Iain Murray	Engagement Lead		✓		
Trevor Greenlee	Audit Manager	✓	✓	✓	✓

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:

<b>Audit Activity</b>
<ul style="list-style-type: none"><li>• Internal Audit Annual Report</li></ul>
<ul style="list-style-type: none"><li>• Internal Audit Interim Report</li></ul>
<ul style="list-style-type: none"><li>• 2017/18 Internal Audit Plan</li></ul>
<ul style="list-style-type: none"><li>• Risk Management Update</li></ul>
<b>External Audit (Grant Thornton)</b>
<ul style="list-style-type: none"><li>• Fee Letter</li></ul>
<ul style="list-style-type: none"><li>• Audit Plan</li></ul>
<ul style="list-style-type: none"><li>• Annual Audit Letter</li></ul>
<ul style="list-style-type: none"><li>• External Audit – Audit Committee Update</li></ul>
<ul style="list-style-type: none"><li>• Certification of Claims &amp; Returns</li></ul>
<ul style="list-style-type: none"><li>• Progress Report</li></ul>
<b>Finance</b>
<ul style="list-style-type: none"><li>• Annual Governance Statement</li></ul>
<ul style="list-style-type: none"><li>• Annual Treasury Management Report</li></ul>
<ul style="list-style-type: none"><li>• Annual Financial Report 2015/16 and Audit Findings Report</li></ul>
<ul style="list-style-type: none"><li>• Treasury Management Half Yearly Review</li></ul>
<b>Other</b>
<ul style="list-style-type: none"><li>• Work Programme</li></ul>
<ul style="list-style-type: none"><li>• Future Appointment of External Auditors</li></ul>
<ul style="list-style-type: none"><li>• External Auditor Appointment</li></ul>

## 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.

The Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2016/17.

## 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 2015/16 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 17/18 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 2015/16 Annual Governance Statement.

## Member Development

During 2016/17 Audit Committee Members attended a number of development briefings which covered the following areas:

- The role of the Audit Committee
- Risk management
- Counter fraud and corruption

## Proposed Development Programme 2017/18

Continued professional development is key to the effective operation of the Audit Committee. Briefings enable Members of the Committee to be kept up to date on the latest developments in the areas of governance, risk and internal control.

The table below sets out a development programme which could be provided to Members of the Audit Committee in 2017/18. The topics suggested below mirror the responsibilities of the Committee and complement the role the Committee has to oversee the effective governance of the Council:

Briefing theme & potential specific topics
<b>Internal Audit Standards</b> <ul style="list-style-type: none"><li>○ How standards are set and monitored</li><li>○ Specific work on IA conformance</li></ul>
<b>Risk Management</b> <ul style="list-style-type: none"><li>○ Risk appetite</li><li>○ Specific strategic and operational risks</li><li>○ Risk management strategy</li><li>○ Local government risk outlook</li></ul>
<b>Treasury Management</b> <ul style="list-style-type: none"><li>○ Investment and borrowing options for local authorities</li><li>○ Prudential Code</li><li>○ Financial outlook for local authorities</li></ul>
<b>Reviewing the Annual Governance Statement</b> <ul style="list-style-type: none"><li>○ The AGS within the Council's governance</li><li>○ Specific topics within the AGS</li><li>○ Comparative review of AGS across local government</li></ul>



**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.

<b>Audit Activity</b>	<b>Regulatory Framework</b>	<b>Accounts</b>
<p>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.</p>	<p>To review any issue referred to it by the Chief Executive or a Director or any Council body.</p> <p>To monitor the effective development and operation of risk management and corporate governance in the Council.</p>	<p>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.</p>
<p>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.</p>	<p>To monitor council policies on ‘Whistleblowing’ and the ‘Antifraud and Corruption Strategy’.</p>	<p>To consider the external auditor’s report to those charged with governance on issues from the audit of the accounts.</p>
<p>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.</p>	<p>To consider and comment on the authority’s Annual Governance Statement and agree its adoption as part of the approval of the annual accounts.</p>	<p>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).</p>
<p>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.</p>	<p>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.</p>	