

Meeting Date	11 June 2014
Report Title	Audit Committee Annual Report 2013/14
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	Russell Heppleston – Audit Manager
Key Decision	No
Classification	Open
Recommendations	1. That the Audit Committee agree the Audit Committee Annual Report for 2013/14
	2. That the Chairman of the Audit Committee provides the report to a meeting of the full Council to demonstrate how the Committee has discharged its duties.

1 Purpose of Report and Executive Summary

- 1.1 The report has been proposed to demonstrate that the Audit Committee has effectively discharged its duties during 2013/14. The report provides assurance to the Council that important internal control, governance and risk management issues are being monitored and addressed by the Committee. The report seeks to provide additional assurance to support the Annual Governance Statement.

2 Background

- 2.1 The Audit Committee is required to monitor audit activity (internal and external), review and comment on the effectiveness of the Council's regulatory framework and review and approve the Council's annual statements of accounts and scrutinise associated strategy and policy. This reports sets out how this has been achieved during 2013/14.
- 2.2 This will be the third year that the Audit Committee has reported its annual activity to full Council.

3 Proposal

- 3.1 To agree the Audit Committee Annual Report as attached in Appendix I
- 3.2 That the Chairman of the Audit Committee provides the report to a meeting of full Council setting out how the committee has discharged its duties.

4 Alternative Options

- 4.1 The production and presentation of an annual report is required by this Committee's terms of reference. Therefore no other alternative could be recommended.

5 Consultation Undertaken or Proposed

- 5.1 We provided this report to the current and former Chairs of the Audit Committee for consultation prior to submission for this meeting.

6 Implications

Issue	Implications
Corporate Plan	None identified at this stage
Financial, Resource and Property	The role of the Audit Committee includes the review of the financial reports for the Council, including the approval of the Annual Statement of Accounts.
Legal and Statutory	None identified at this stage.
Crime and Disorder	None identified at this stage.
Sustainability	None identified at this stage.
Health and Wellbeing	None identified at this stage.
Risk Management and Health and Safety	The role of the Audit Committee requires it to consider the effectiveness of the Councils risk management arrangements. There are no Health and Safety implications identified at this stage.
Equality and Diversity	None identified at this stage.

7 Appendices

- 7.1 Appendix I: Audit Committee Annual Report 2013/14

8 Background Papers

- 8.1 None.

APPENDIX I

Audit Committee Annual Report 2013/14



1. The Role of the Audit Committee:

Swale Borough Council understands and supports the value of having an independent Audit Committee as an essential component of the Council's governance framework.

The Swale Audit Committee comprises nine members whose key purpose is to monitor audit activity (internal and external), review and comment on the effectiveness of the Council's regulatory framework and review and approve the Council's annual statements of accounts and scrutinise associated strategy and policy

The Committee is independent from the Council's Executive and Scrutiny functions and has clear reporting lines and rights of access in order to discharge its responsibilities in line with its terms of reference. This includes direct access to the Council's Appointed Auditor and Head of Internal Audit where appropriate.

The Committee holds, develops and maintains skills, interests and knowledge in finance and risk management, accounting concepts, standards and regulation. It is required to provide independent and unbiased scrutiny to promote apolitical discussion, as well as maintain ability to challenge the Executive and senior officers of the Council when required.

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.

2. Terms of Reference

The Committee's detailed terms of reference are set out in the Council's Constitution and are based on the Chartered Institute of Public Finance and Accounting (CIPFA) model.

In summary, the Committee is responsible for providing independent assurance to the Council in relation to the areas of governance. Key terms are to:

- 1) Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- 2) Seek assurances that action is being taken on risk-related issues identified by auditors.
- 3) Be satisfied that the authority's assurance statements, including the Annual Governance Statement, 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.

3. Membership 2013/14

The Audit Committee comprised of nine members in 2013/14:



Cllr Nicholas Hampshire
Chairman



Cllr Pat Sandle
Vice Chair



Cllr Andy Booth



Cllr John Coulter



Cllr Adrian Crowther



Cllr Ed Gent



Cllr Angela Harrison



Cllr Peter Marchington



Cllr Tony Winckless

4. Committee Attendance 2013/14

The Committee met on four occasions in 2013/14. Audit Committee meetings are held in public, and members of the Council and the public are welcome to attend. All of the Audit Committee agenda papers and minutes are available on the Council's [website](#).

The Audit Committee has been well supported throughout the year by both Members and Officers. Regular attendees to the Audit Committee meetings include the Director of Corporate Services/ Monitoring Officer, the Head of Finance (with S151 responsibility), the Head of Audit Partnership and the Audit Manager and senior representatives from the external auditor. The Committee also has the right to call any other officers or agencies of the Council as required.

Attendance records for 2013/14 are set out in the table below:

Cllr/Officer	26 June 2013	25 September 2013	11 December 2013	26 March 2014
Audit Committee Members				
Councillor Nicholas Hampshire (Chairman)	✓	✓	✓	✓
Councillor Pat Sandle (Vice-Chairman)	✓		✓	✓
Councillor Andy Booth	✓	✓	✓	✓
Councillor John Coulter	✓	✓	✓	✓
Councillor Adrian Crowther	✓		✓	
Councillor Ed Gent	✓			
Councillor Angela Harrison	✓	✓	✓	✓
Councillor Tony Winckless	✓	✓		
Councillor Peter Marchington		✓	✓	
Substitute Members				
Councillor Prescott				✓
Officers				
Director of Corporate Services	✓	✓	✓	✓
Head of Finance	✓	✓	✓	✓
Chief Accountant		✓		
Head of Audit Partnership	✓	✓	✓	✓
Audit Manager	✓	✓	✓	✓
Benefit Fraud Team Manager		✓	✓	✓
External Audit – Grant Thornton				
Swale BC Audit Manager	✓	✓		
Swale BC Audit Manager			✓	✓
Engagement Lead				✓
Democratic Services				
Democratic Services Officers	✓	✓	✓	✓

5. Reports Considered by the Committee

The Committee considered the following reports during 2013/14:

Function / Issue	26 June 2013	25 Sept 2013	11 Dec 2013	26 March 2014
Internal audit annual report 2012/13	✓			
Audit committee annual report	✓			
Internal Audit Charter		✓		
Internal Audit Interim Report			✓	
Internal Audit Operational Plan 2014/15				✓
Internal Audit External Quality Assessment of Conformance with the Public Sector Internal Standards				✓
Internal Audit External Audit Protocol				✓
Fee Letter 2013/14	✓			
Audit Plan 2012/13	✓			
Annual Audit Letter			✓	
Certification Report 2012/13				✓
Audit Plan 2013/14				✓
Audit Committee Work Programme	✓	✓	✓	✓
Sports Development Investigation	✓			
Annual Treasury Management Report 2012/13		✓		
Benefit Fraud Annual Report 2012/13		✓		
Treasury Management Half Year Review			✓	
Strategic Risk Register Update				✓
Sports Development Investigation and Outcome				✓
Annual Governance Statement	✓			
Annual financial report 2012/2013 and audit findings report		✓		

6. Assurance

The Audit Committee has considered the following areas of work over the course of the year to demonstrate how it has effectively fulfilled its duties in line with its terms of reference:

Risk Management

In June 2013 the Committee considered the adoption of the risk based audit planning process, and the internal audit operational plan for 2012/13.

In September 2013 the Committee considered the Benefit Fraud Annual report 2012/13, including summary of fraud prevention and detection activity.

In March 2014 the Committee considered the operational audit plan for 2014/15 in compliance with the Public Sector Internal Audit Standards (PSIAS).

In March 2014 the Committee considered the revised draft strategic risk register (2014/15), and suggested minor changes prior to being submitted to Cabinet for approval and adoption.

Internal Control

In September 2013 the Committee considered the updated Internal Audit Charter including revisions from adoption of the PSIAS.

In December 2013 the Committee considered the Internal Audit interim report including a summary of audit findings and overall assessment levels of controls assurance.

In June 2013 and March 2014 the Committee were presented with the findings and outcomes from the Sports Development Investigation, including summary of control improvements resulting from the investigation.

In June 2013 and December 2013 the Committee considered the Treasury Management activity reports and Prudential Indicators including investment activity and performance.

Audit Activity

In June 2013 the Committee considered the Head of Audit Partnerships Annual Report for 2012/13 which included the opinion on the Council's control environment and performance of the Internal Audit service against delivery of the audit plan.

In March 2014 the Committee considered the outcomes from the Internal Audit External Quality Assessment against the PSIAS, noting the achievement of full or partial compliance against all 56 standards.

In March 2014 the Committee noted the Internal and External Audit protocol.

Accounts

In June 2013 the Committee approved the Annual Governance Statement for 2012/13 for submission to Council.

In September 2013 the Committee approved the Statement of Accounts within the Annual Accounts and Financial Report 2012/13.

Throughout the year the Committee considered various reports from the External Auditor (Grant Thornton). Notably, the Committee agreed the certification of the grant claim, the Annual Audit Letter and agreed the Audit Plan and fee scales for 2013/14.

7. Conclusion

In partnership with its External Auditors, and with the support of Officers, the Audit Committee has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues. It is concluded therefore, that the Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties for 2013/14.

8. Work Programme 2014/15

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

The Members of the Audit Committee will seek to continually enhance their skills, knowledge and experience through training and development in order to be able to provide robust challenge throughout 2014/15. This will include induction of new members, and continual development of existing members of the Committee.

The Audit Committee will face challenges in 2014/15 as the Council continues to operate in times of austerity, but also as the Council continues down a path of adopting new ways of working and delivering services. As the Committee faces the year ahead, the draft work programme for 2014/15 is set out below:

Date of Meeting	Title of Report	Key Officer Contact
11 June 2014	Internal Audit Annual Report 2013/14	Head of Audit Partnership
	Annual Governance Statement	Head of Finance
	Audit Committee Annual Report	Head of Audit Partnership
	Fee Letter 203/15	External Audit
	Internal Audit 2014/15 Reporting Refresh	Head of Audit Partnership
	Work Programme	Democratic Services
17 September 2014	Annual Governance Report and Annual Accounts 2012/13	Head of Finance
	Treasury Management Annual Review	Head of Finance

Date of Meeting	Title of Report	Key Officer Contact
	Benefit Fraud Annual report 2013/14	Benefit Fraud Manager
	Internal Audit Progress Update	Head of Audit Partnership
	Audit Committee Work Programme	Democratic Services
<i>10 December 2014</i>	Treasury Management Half Year Review	Head of Finance
	Annual Audit Letter	External Audit
	Internal Audit Interim Report	Head of Audit Partnership
	Audit Committee Work Programme	Democratic Services
<i>25 March 2014</i>	Internal Audit Plan 2015/16	Head of Audit Partnership
	Strategic Risk Register and Action Plans	Head of Audit Partnership
	Certification of Claims and Returns	External Audit
	Audit Plan and Progress Report	External Audit
	Public Sector Internal Audit Standards	Head of Audit Partnership
	Audit Committee Work Programme	Democratic Services