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## AUDIT COMMITTEE

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**MINUTES** of the Meeting held in the Committee Room - Swale House, East Street, Sittingbourne, Kent ME10 3HT on Wednesday, 14 March 2018 from 7.00pm - 8.19 pm

**PRESENT:** Councillors Roger Clark, Adrian Crowther, Nicholas Hampshire (Chairman), Nigel Kay (Vice-Chairman), Samuel Koffie-Williams and Peter Marchington.

**OFFICERS PRESENT:** Zoe Kent, Jo Millard, Frankie Smith and Nick Vickers.

Trevor Greenlee and Iain Murray (Grant Thornton).

**ALSO IN ATTENDANCE:** Councillors Duncan Dewar-Whalley (Cabinet Member for Finance and Performance and Alan Horton (Cabinet Member for Safer Families and Communities).

**APOLOGIES:** Councillors Andy Booth, Mick Galvin and Harrison and Rich Clarke and Russell Heppleston.

### 537 EMERGENCY EVACUATION PROCEDURE

The Chairman drew attention to the emergency evacuation procedure.

### 538 DECLARATIONS OF INTEREST

No interests were declared.

### 539 MINUTES

The minutes of the meeting held on 29 November 2017 (Minute Nos. 364 – 371) were taken as read, approved and signed by the Chairman as a correct record.

### Part B Minutes for Information

### 540 CERTIFICATION OF CLAIMS AND RETURNS

Mr Trevor Greenlee (Grant Thornton), introduced the Certification Report 2016/17 which summarised the outcome for the Council's claim for housing benefit subsidy. Mr Greenlee advised that there was an improvement over the previous year's sample testing, with only one initial error and good outcomes in further testing.

The Revenues and Benefits Manager added that claims were assessed correctly but there were 35,700 claim changes and some figures were incorrectly entered into the system. She added that Swale Borough Council (SBC) had taken part in a pilot scheme with the Department for Work and Pensions and in future only one earnings figure would need to be entered into the system, which would hopefully lead to fewer errors.

In response to questions from Members, Mr Greenlee clarified that the number of test samples were set by Central Government and explained that the main purpose of the testing was the reimbursement of claims.

**Resolved:**

***(1) That the Certification Report 2016/17 be noted.***

**541 STRATEGIC RISK REGISTER AND ACTION PLANS**

The Chief Financial Officer introduced the report which sought to provide Members with a progress update on the Council's risk management processes. He explained that it was the responsibility of the Cabinet to set the risk register, overseen by the Audit Committee.

The Chief Financial Officer drew attention to the high risks in Cyber Security and referred to the potential penalties in non-compliance with the new General Data Protection Regulations coming in May 2018, as detailed on page 27 of the Agenda. He drew attention to the Emergency Plan risk, and the lessons learnt during the recent heavy snow and lack of water in Swale House resulting in its closure.

In response to a question from a Member on why the risk register was only considered by Informal Cabinet, the Chief Financial Officer agreed to report back to Members.

There was a discussion on the Transport Infrastructure risk on page 26 of the Agenda and a visiting Member drew attention to the written description.

In response to a question on whether the External Auditors would consider the Risk Register, Mr Iain Murray (Grant Thornton) explained that they would look at how SBC managed the risks and the processes used, and Internal Audit carried out a more detailed examination. The Chief Financial Officer added that there was regular monitoring including quarterly meetings with himself, the Chief Executive and External Audit.

In response to a question on whether a combination of risks may lead to a high risk, the Chief Financial Officer advised that the worst case risk would be considered.

**Resolved:**

***(1) That the Corporate Level risks for Swale Borough Council be noted.***

**542 INTERNAL AUDIT PLAN 2018/19**

The Audit Manager introduced the report which sought Members' approval of the Internal Audit Plan 2018/19. She explained that the report satisfied the Standards that Internal Audit work within and referred to the Audit Charter. The Audit Manager drew particular attention to pages 54 to 58 of the Agenda which showed completed and planned audits but advised that future audits were subject to change. Finally, the Audit Manager advised that a new Audit Management System would soon be implemented.

A Member asked whether External Audit would examine the Plan and whether amendments were made? In response, Mr Greenlee advised that they would be interested in how the work was scoped and some specifics. The Audit Manager added that there were regular meetings with Heads of Service built into the Audit planning process and changes would be made if necessary.

The Chairman praised the structure of the report.

The Cabinet Member for Finance and Performance praised the excellent presentation of the report as well as complimenting all the Audit team. He was pleased that all Audit staff aimed to achieve such a high standard and especially praised those studying for additional Audit qualifications. The rest of the Audit Committee joined in the praise of the Audit team staff.

**Resolved:**

- (1) That the Internal Audit & Assurance plan for 2018/19 be approved.***
- (2) That the Head of Audit Partnership's view that the service is sufficiently resourced to deliver a robust Head of Audit Opinion be noted.***
- (3) That the Head of Audit Partnership's assurance that the plan is compiled independently and without inappropriate influence from management be noted.***

**543 2017/18 AUDIT PLAN - EXTERNAL AUDIT**

Mr Iain Murray introduced the report which provided an overview of the planned scope and timing of the statutory audit of SBC. He drew attention to the rebranding of the logo and to the changes to the financial reporting requirements as set out on page 68 of the Agenda. Mr Murray explained that there would be more interest in the Spirit of Sittingbourne as the scheme progressed and that there would be faster closing of financial accounts with financial statements due to be produced by the end of May for audit completion by the end of July, in line with the Department of Communities and Local Government changes.

Mr Murray said that there was a good working relationship with SBC and drew attention to the significant risks on pages 69 and 70 which were highlighted as a result of Grant Thornton's change in approach, not a change in risk of the Council. In conclusion, he added that the increase in risk around the Value for Money arrangements on page 74 of the Agenda were due to uncertainty around Local Government funding.

The Chairman drew attention to an error in dates missing at the bottom of page 67 in Audit logistics. Mr Murray agreed to rectify the error.

There was a discussion around the early closing of accounts. The Chief Financial Officer advised that whilst there was lots of work to be done, small changes in processes and working more efficiently were being implemented to assist. Mr Murray added that changes could be made to processes to work for future years and Grant Thornton and SBC were working constructively together to understand what worked best overall. The Chief Financial Officer reminded Members that all

local authorities would be working to the same timetable and there would be pressure on the resource of Grant Thornton.

In response to a question from a Member, the Chief Financial Officer clarified that reference to 'Additional responsibilities for directors and the auditor' on page 79 of the Agenda was standard wording and the management responsibility was Senior Management Team.

The Chairman praised the good working relationship which was vital for the challenge ahead.

**Resolved:**

***(1) That the report be noted.***

#### **544 AUDIT COMMITTEE TERMS OF REFERENCE**

The Chief Financial Officer agreed to discuss the report with the Head of Audit Partnership on his return to the office, and circulate an update.

Members raised points which included changes to the terms of reference should be considered early for consideration at a future General Purposes Committee and specialist training of Audit Committee Members.

**Resolved:**

***(1) That the report be noted.***

#### **545 AUDIT COMMITTEE WORK PROGRAMME**

Members noted the Draft Audit Work Programme 2017/18.

A Member suggested drafting the Audit Work Programme for the next municipal year and including on the final Audit Agenda of the current year, in the future.

Members agreed to remove the photographs from the Work Programme.

**Resolved:**

***(1) That the report be noted.***

Chairman

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