
AUDIT COMMITTEE

MINUTES of the Meeting held in the Committee Room - Swale House, East Street, Sittingbourne, Kent, ME10 3HT on Monday, 30 July 2018 from 7.00pm - 8.12pm.

PRESENT: Councillors Andy Booth, Roger Clark, Adrian Crowther, Mick Galvin, Nicholas Hampshire, Nigel Kay (Chairman), Peter Marchington (Vice-Chairman) and Roger Truelove (Substitute for Councillor Harrison).

OFFICERS PRESENT: Rich Clarke, Philippa Davies, Jo Herrington, Nick Vickers and Phil Wilson.

Trevor Greenlee (Grant Thornton).

ALSO IN ATTENDANCE: Councillor Duncan Dewar-Whalley.

APOLOGIES: Councillors Harrison and Ken Pugh.

170 WELCOME

The Head of Audit Partnership introduced Jo Herrington, the newly appointed Audit Manager for Swale.

171 EMERGENCY EVACUATION PROCEDURE

The Chairman drew attention to the emergency evacuation procedure.

172 MINUTES

The Minutes of the Meeting held on 14 March 2018 (Minute Nos. 537 – 545) were taken as read, approved and signed by the Chairman as a correct record.

173 DECLARATIONS OF INTEREST

Councillor Andy Booth declared a Disclosable Non-Pecuniary Interest in respect of the Annual Internal Audit Report and Opinion 2017/18 item, as he was the Chairman of Swale Community Leisure Limited. Councillor Booth did not speak when this item was discussed.

PART B MINUTES FOR INFORMATION

174 WORK PLAN (INCLUDING PROFESSIONAL UPDATES)

The Chief Financial Officer introduced the report which set-out a revised format to this item, plus an update on Terms of Reference issues and Member Development.

The Chairman drew attention to Appendix I in the report which set-out the Audit Committee's Terms of Reference (ToR) within the four Mid-Kent Councils, which included Swale Borough Council (SBC), Ashford Borough Council, Maidstone Borough Council and Tunbridge Wells Borough Council. He considered Maidstone Borough Council's ToR were comprehensive, and explained that he would work

with the Chief Financial Officer to re-draft SBC's ToR, and bring these to the next Audit Committee, prior to them being considered by the General Purposes Committee. Members were happy with this approach.

With regard to Member Development, the Chairman suggested that over the next couple of meetings there be training items on the role of the Audit Committee, and an update on latest developments, from Grant Thornton and the Head of Audit Partnership.

There was some discussion on whether the training sessions should be added to the beginning or end of a meeting. Although the sessions would not be confidential, it could be more beneficial to have them with only the Audit Committee Members present. A Member suggested the sessions be held immediately after the meetings.

Resolved:

- (1) That the General Purposes Committee be requested to consider changes to the Committee's Terms of Reference.**
- (2) That the need for Member Training and Development be endorsed.**
- (3) That the annual work plan be agreed.**

175 ANNUAL INTERNAL AUDIT REPORT AND OPINION 2017/18 REPORT (WAS NAMED ANNUAL STATEMENT OF ACCOUNTS ON AGENDA)

The Head of Audit Partnership introduced the to-follow Annual Internal Audit Report and Opinion 2017/18 Report which included his annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control which could be used to inform the Annual Governance Statement for 2017/18. The Head of Audit Partnership explained that the report met the Head of Internal Audit's annual reporting requirements mandated by the Public Sector Internal Audit Standards (PSIAS). He was satisfied that his Team had undertaken work with full independence and had had sufficient resources to do so.

The Head of Audit Partnership provided a summary of the paragraphs within Appendix I to the report, which included: satisfaction that the Council had been managed effectively and with reliance; an indication of the extent to which work had been carried out; and the range of audit projects that had been undertaken throughout the year.

A Member asked for clarification on the weak results for Local Land Charges. The Head of Audit Partnership explained that this was in the process of being addressed, and as noted in paragraph 67, four out of the six recommendations had been fulfilled.

A Member endorsed the wording on paragraph 53, in respect of debt recovery. He welcomed the comments and thanked the Debt Recovery Team for the work they had carried out.

The Head of Audit Partnership referred to paragraph 124 and stated that he was very satisfied with the progress officers had made in response to recommendations.

Following a question, the Head of Audit Partnership explained the scale of figures outlined under paragraph 148. He reported that the range went from one to 25, and that the inherent risk score was the present situation and the residual risk score was the target score. He further explained that both the scores were officer estimates, and this was worked within a framework to enable consistency. The same Member raised concern with the little movement of the homelessness risk and the data protection risk. In response, the Chief Financial Officer advised that the risks were submitted to Cabinet twice a year and quarterly to the Senior Management Team. He further clarified that the Head of Audit Partnership managed this process on behalf of the Council, and the risks were 'owned' by the Executive, not the Head of Audit Partnership.

The Head of Audit Partnership explained that new audit management software was being used which enabled significant opportunities to develop the quality and consistency of the department's work. He also highlighted and welcomed the training and qualifications that had been achieved in the Audit Team. In response to a final question, the Head of Audit Partnership confirmed that there were sufficient resources to deliver a robust opinion. He then thanked his team for their hard work and dedication.

Resolved:

(1) That the Head of Audit Partnership's opinion that, in the view of internal audit, the Council's system of internal control, corporate governance and risk management arrangements have operated effectively during 2017/18, be noted.

(2) That the work underlying the opinion and the Head of Audit Partnership's assurance that it was completed with sufficient independence and conformance with Public Sector Internal Audit Standard, be noted.

176 ANNUAL FINANCIAL REPORT 2017/18 AND AUDIT FINDINGS REPORT (WAS NAMED AUDIT FINDINGS REPORT ON AGENDA)

The Chief Financial Officer introduced the report which sought the Audit Committee's approval of the Council's Annual Financial Report for 2017/18 and included the external auditor's Audit Findings Report. He explained that the Ministry of Housing, Communities and Local Government had brought forward the timetable for submission of the report and this had added additional pressure for officers to meet the deadlines. He thanked the Financial Services Manager and Trevor Greenlee (Grant Thornton), and referred to the tabled papers.

The Chairman suggested that more colour included in the document would be beneficial in making the report clearer and easier to understand.

The Financial Services Manager provided an overview of the Annual Financial Report. He drew Members' attention to the significant items in the Expenditure and Funding Analysis, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet and the Cash Flow

Statement. In response to a question, he advised that the pension figure in the accounts met the requirements of the accounting regulation IAS 19, but this did not affect the actual amount which the Council paid to the Kent Pension Fund.

The Financial Services Manager explained that there had been an increase in the Council's reserves of £2million, resulting in total usable reserves of £19.9million, and that there had been a large increase in the Property, Plant and Equipment figures as a result of the Sittingbourne Town Centre Regeneration, a consequent reduction in Short Term Investments and that the cash flow had slightly increased by £1million.

Members congratulated the Financial Services Manager and his Team for a comprehensive and applaudable set of accounts.

Mr Trevor Greenlee (Grant Thornton) was invited to introduce the Audit Findings for the Year ending 31 March 2018. He acknowledged the time constraints in producing the report in a shorter timescale, and he outlined the approach taken, what worked best, as well as getting some of the work completed early, to try and reduce pressure at the end.

A Member raised concern with the scenario of there being issues with the accounts and the target dates then not being reached. In response, the Chief Financial Officer explained that the accounts had been published on 25 May 2018, before the 31 May 2018 deadline. He added that he spoke regularly with Grant Thornton, the Financial Services Manager and the Chief Executive, so that any issues could be resolved quickly. The Chief Financial Officer also noted that because of the change in deadlines, this had resulted in the accounts being put to the Committee for approval two months earlier.

Mr Greenlee referred to the Headline section and that an area at one of the Council's leisure centres had not been included in the initial valuation. He explained that this had since been resolved and there were no outstanding issues related to this. This had, though, resulted in a net understatement of £363,000 in the value of the asset, but this was not material against the total value of the Council's year assets, so the accounts had not been adjusted. A Member raised concern that there had been an error in the original valuation.

Mr Greenlee explained that there were measures in place to address this going forward.

Mr Greenlee stated that in general the standard of accounts was very high, with some very minor changes required. He advised that there were no risks that were Swale-specific, and there was nothing of concern in relation to the accounting policies. The Chief Financial Officer in response to a comment from Mr Greenlee, advised that he would investigate further the instance where a response had not been received from a third party, as noted on page 13 of the tabled paper.

Mr Greenlee said that looking ahead, proper arrangements were in place to ensure the Council delivered value for money. Mr Greenlee thanked the Financial Services Manager and his Team for their proactive work with presenting complex accounting issues, which had resulted in the accounts being completed to a very high standard.

A Member endorsed Mr Greenlee's comments, and he also thanked the Chief Financial Officer, the Finance Team and the Cabinet Member for Finance and Performance.

The Chairman referred to the letter of representation and asked the Cabinet Member for Finance and Performance, the Chief Financial Officer, the Head of Audit Partnership, and the Financial Services Manager for their formal confirmation that they were not aware of any reasons why the Audit Committee should not approve the letter and whether there was any information that the Committee needed to be aware of prior to approving the letter. They individually gave the Committee the necessary confirmation.

The Cabinet Member for Finance and Performance thanked the Audit Committee and Finance Team and the Audit Team for the reports and thanked Mr Greenlee for his guidance over the years.

Resolved:

- (1) That the external auditor's Audit Findings Report (Appendix I) be noted.***
- (2) That the letter of representation (Appendix II) be approved on behalf of the Council.***
- (3) That the Annual Financial Report for the year ended 31 March 2018 including the Annual Governance Statement (Appendix III) be approved.***
- (4) That the Audit Committee Chairman signs and dates the Annual Financial Report for the year ended 31 March 2018 be approved.***

177 EXTERNAL AUDIT FEE LETTER

There was no discussion on this item.

Resolved:

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

178 AUDIT COMMITTEE ANNUAL REPORT

This report outlined how the Audit Committee had effectively discharged its duties during 2017/18. The report provided assurance to the Council that important internal control, governance and risk management issues were being monitored and addressed by the Committee. The report also sought to provide additional assurance to support the Annual Governance Statement.

Resolved:

- (1) That the Audit Committee Annual Report for 2017/18 be agreed.***
- (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.***

Chairman

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