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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, 19 September 2018 from 7.02pm - 8.03pm.

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

Trevor Greenlee (Grant Thornton).

**OFFICERS PRESENT:** Rich Clarke, Philippa Davies and Nick Vickers.

**ALSO IN ATTENDANCE:** Councillor Duncan Dewar-Whalley.

**APOLOGIES:** Councillors Andy Booth, Mick Galvin, Harrison and Ken Pugh.

### **213 EMERGENCY EVACUATION PROCEDURE**

The Chairman drew attention to the emergency evacuation procedure.

### **214 MINUTES**

The Minutes of the Meeting held on 30 July 2018 (Minute Nos. 170 – 178) were taken as read, approved and signed by the Chairman as a correct record.

### **215 DECLARATIONS OF INTEREST**

No interests were declared.

#### **Part B Minutes for Information**

### **216 WORK PLAN (INCLUDING PROFESSIONAL UPDATES)**

The Chief Financial Officer introduced the report which set-out an updated 12 month Work Plan. He advised that the 'Update' item from the External Auditors needed to be added to the March 2019 and July 2019 meetings.

The Chief Financial Officer explained that the 'Fraud and Compliance' report normally would have been submitted to this meeting in the cycle, but would now be considered at the 28 November 2018 meeting. He added that as this was later than usual, the report would cover more than solely the previous financial year. In response to a question, the Chief Financial Officer confirmed that the report would be considered in two parts, 12 months (for the previous financial year) and 6 months (to cover the additional time up to the November meeting).

In response to a question, the Chief Financial Officer explained that the draft Audit Committee Terms of Reference would be considered by the Audit Committee at the 28 November 2018 meeting, prior to them being submitted to the General Purposes Committee.

**Resolved:****(1) That the Annual Work Plan be noted.****217 MEMBER TRAINING AND DEVELOPMENT**

The Head of Audit Partnership gave a presentation on the 'Role of the Audit Committee' and provided an overview of the following:

- History of the Audit Committee
- Development of the Audit Committee
- Three Lines of Defence
- Chartered Institute of Public Finance and Accountancy (CIPFA) Statement on the Role of the Audit Committee
- Audit Committee Core Functions
- Communication, Knowledge and Skills
- Assessment Review and Development

The presentation would be made available to all Councillors via their weekly despatch, and the Chairman requested that the quarterly CIPFA updates be forwarded to the Audit Committee.

**Part A Minute for Recommendation to Council****218 ANNUAL TREASURY MANAGEMENT REVIEW**

The Chief Financial Officer introduced the report and explained that the Council was required by CIPFA to produce annual Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. He explained that the report would be submitted to Council on 10 October 2018.

The Chief Financial Officer stated that there had been no breaches of the Council's strategy. He drew Members' attention to paragraph 2.6 in the report which outlined the Council's budgeted income, and income received. He explained that the CCLA Property Fund investment had been highly successive for the Council, resulting in the Council achieving well in the actual income received. The Chief Financial Officer reported that the Council had still not undertaken any borrowing, and as such was debt-free.

In response to a Member's question on the 'downgrading' of risk, as outlined in paragraph 2.19, and how this would be achievable in an uncertain market, the Chief Financial Officer explained that Money Market Funds ensured that investments had good liquidity. In response to a further question, the Chief Financial Officer explained that the financial advisers for the Council were reviewed every five years, and the next review was due in 2020.

A Member asked how the lack of debt was sustainable, when there was no borrowing? The Chief Financial Officer explained that a weekly update report was submitted to the Chairman of the Audit Committee, the Cabinet Member for Finance and Performance and the Chief Executive. He advised that, with the construction of the leisure element of the regeneration in Sittingbourne, there might need to be

some borrowing in this financial year, which would likely be short-term, at less than 1% interest.

A Member questioned the risk of relying on rental income from the Sittingbourne Town Centre regeneration to fund capital financing costs, and whether there were any business incentives, i.e. rent reductions? The Chief Financial Officer explained that the income received, was hugely higher than debt costs, so there was a huge net saving/gain. He added that no companies coming into the Retail Park were getting rent incentives. The Chief Financial Officer further explained that there were significant rent-free periods for new businesses in the Retail Park, and he was confident that the Council could handle the interest rates, and that it was a manageable risk.

The Head of Audit Partnership confirmed that the agreement that treasury management duties were passed to the Investments Section at Kent County Council, as set-out in paragraph 1.5 of the report, was included in the Audit Plan agreed at the meeting in March 2018.

In response to further questions, the Chief Financial Officer advised that the Council had not invested in bonds. He also acknowledged that this report was 'late', going to Council in October 2018. However, it had not been possible to submit it earlier to Council as no Council meetings had been scheduled for August and September.

The Chief Financial Officer agreed to check whether the investments set-out in paragraph 2.10 were book cost investments.

***Recommended:***

***(1) That the Treasury Management Stewardship report for 2017/18 be approved.***

***(2) That the Prudential and Treasury Management Indicators within the report be approved.***

**Part B Minutes for Information**

**219 ANNUAL AUDIT LETTER**

Mr Trevor Greenlee (Grant Thornton) introduced the Annual Audit Letter which summarised the key findings from the work carried out by Grant Thornton for the Council for the year ended 31 March 2018.

A Member welcomed the unqualified opinion and value for money conclusion, but questioned how relevant the third paragraph on page 25 of the agenda was with regard to homelessness in the Borough, and the recent Government social housing announcement. The Chief Financial Officer considered the £2bn funding proposal from Government was not enough, and was unlikely to come to Swale.

In response to a question, Mr Greenlee explained that this was the first year of the new accelerated timetable of working, and it had been a stretch over all the organisations. He added that Grant Thornton would look at different ways on how to approach issues, and look at what worked best. The Chief Financial Officer

considered the new approach 'sharpened' things up, the process had gone well, some work could be prepared in advance, and some flexibility was required.

A Member congratulated the team on the work they had carried out.

***Resolved:***

***(1) That the Annual Audit Letter for Swale Borough Council be noted.***

**220 UPDATE**

Mr Greenlee introduced the Audit Committee Update which reported on progress in delivering Grant Thornton's responsibilities as the Council's external auditors, and included a summary of emerging national issues and developments that may be relevant to the Council. He explained that the report set-out the framework and timetable for the next year.

In response to a question, the Chief Financial Officer explained that if there was anything of significance that Grant Thornton needed to look at, that they would have spoken to the Chairman, Cabinet Member for Finance and Performance and the Chief Executive in the first instance.

***Resolved:***

***(1) That the Audit Committee update be noted.***

Chairman

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