
AUDIT COMMITTEE

MINUTES of the Meeting held in the Committee Room, Swale House, East Street, Sittingbourne, Kent, ME10 3HT on Tuesday, 21 January 2020 from 7.00pm - 7.53pm.

PRESENT: Councillors Derek Carnell, Simon Clark (Chairman), Simon Fowle, James Hall (Vice-Chairman), Ann Hampshire, Alan Horton and Julian Saunders.

OFFICERS PRESENT: Alison Blake, Rich Clarke, Kellie MacKenzie and Nick Vickers.

Trevor Greenlee (Grant Thornton).

ALSO IN ATTENDANCE: Councillors Roger Clark and Ken Rowles.

APOLOGIES: Councillors Denise Knights and Peter Macdonald

463 **EMERGENCY EVACUATION PROCEDURE**

The Chairman drew attention to the emergency evacuation procedure.

464 **MINUTES**

The Minutes of the Meeting held on 18 September 2019 (Minute Nos. 230 – 235) were taken as read, approved and signed by the Chairman as a correct record.

465 **DECLARATIONS OF INTEREST**

No interests were declared.

Part A Minute for recommendation to Council

466 **MID-YEAR TREASURY MANAGEMENT REVIEW FOR 2019/20**

The Chief Financial Officer introduced the report which set-out the mid-year outturn position on treasury management transactions for 2019/20, including compliance with treasury limits and Prudential and Treasury Performance Indicators. The report would be submitted to Full Council on 26 February 2020.

The Chief Financial Officer reported that from October 2019 the Government had increased the Public Works Loan Board loan rates by 1%, but this had not impacted on Swale Borough Council (SBC). He drew attention to the Investments and Borrowings as at 30 September 2019 set-out on page 7 of the report, and advised that the Council had now paid-off one loan and taken out two new loans. He considered that short-term borrowing was the way forward.

In response to queries from a Member, the Chief Financial Officer advised that leaving the Church, Charities and Local Authorities Property Fund would not be straight forward. With regard to concerns raised in respect of sale of Council

owned land in Minster, the Chief Financial Officer explained that legal were currently considering those issues.

A Member asked if there was a limit on the amount the Council could borrow? The Chief Financial Officer explained that there was not, as long as a sound business case could be provided and you could demonstrate the base costs could be paid. The Chief Financial Officer stated that he would not support buying any assets outside of the borough.

Recommendations:

- (1) That the performance information for 2019/20 be noted.**
- (2) That the prudential and treasury management indicators be approved.**

Part B Minutes for Information

467 FRAUD AND COMPLIANCE TEAM ANNUAL REPORT FOR 2018/19

The Chief Financial Officer introduced the report which provided an update on the shared fraud and compliance team for Council Tax, business rates and other council services.

The Chief Financial Officer drew attention to Table 1 on page 16 of the report which provided a summary of revenue generated from 2018/19 totalling £240,784 and Table 2 on page 17 of the report which provided a summary of revenue generated from 2019/20 totalling £298,169. The Chief Financial Officer welcomed the positive outcomes provided by the team, but was concerned that most of the income generated was from the New Homes Bonus government grant.

Members asked the following questions:

- What was the initial cost to SBC in setting-up the team?; and
- Query the wording under 'Financial, Resource and Property' on page 18 of the report, as this seemed to imply that if successful funding would be lost?

The Chief Financial Officer agreed to forward these questions to the Revenues and Benefits Manager for a response. Responses would be forwarded to Committee Members via Democratic Services.

Post Meeting Note: Responses were forwarded to Members on 27 January 2020.

Resolved:

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

468 INTERNAL AUDIT INTERIM REPORT FOR 2019/20

The Head of Audit Partnership introduced the report which updated Members on progress completing the 2019/20 Internal Audit and Assurance Plan. It also provided the update information required by Audit Standards, including an

assessment of available audit time, results of audit work and commentary on performance of the audit service.

The Head of Audit Partnership reminded members that internal audit worked completely independently of both officers and members. He stated that if there were any inappropriate risks being taken by management, this would be reported. The Head of Audit Partnership reported that a couple of members of staff had left the team, he welcomed the return of Russell Heppelston who had been working on secondment at another authority, and Alison Blake who had recently returned from maternity leave.

The Head of Audit Partnership went through the report, highlighting the following:

- Page 27 – this provided details of completed assurance projects since the annual report in June 2019. All projects had been given a sound assurance rating;
- Page 35 – this showed agreed action follow-up results. It was noted that a high number of these had been quickly acted upon by officers;
- Pages 36 and 37 – provided an update on risk management and update on counter-fraud. A new strategic risk register was being prepared relating to the new Corporate Plan. The National Fraud Initiative had identified persons on the housing waiting list that should not have been there. The estimated saving for this was £3,240; and
- Page 38 – showed that the audit team remained compliant with the Code of Ethics. The Chartered Institute of Public Finance and Accountancy would begin a review of the audit team commencing February 2020 to ensure that they conformed to the public sector internal audit standards and external quality assessment. A report on their findings would be considered at the July committee meeting.

In response to a query from a Member, the Head of Audit Partnership explained that if the Council were deemed to be over-cautious this would be examined in the same way as if the Council were deemed to be taking too many risks. If the Council were spending too much time and money on unnecessary controls, this would be identified as a risk.

A Member spoke about how the Council wished to be more carbon neutral and how was a suitable framework could be worked-on to allow officers to be more creative in achieving this? The Head of Audit Partnership stated that that was a question for management.

A Member raised concern that not all interview panels had an officer that had received recruitment and selection training. The Head of Audit Partnership reported that this was being reviewed by Human Resources; he explained that there were already mitigating procedures in place.

A Member was pleased to note that controls for parking enforcement were properly managed and commended all staff involved in achieving this.

In response to a query from a Member, the Head of Audit Partnership stated that they assessed all risks against their likelihood, and there were few risks that were

purely financial. The Chief Financial Officer advised that the risk approach would need to be updated as the priorities of the new administration were very different from the previous administration.

Resolved:

(1) That the report be noted.

469 EXTERNAL AUDIT UPDATE REPORT FOR 2019/20

Mr Greenlee (Grant Thornton) introduced the external audit update for 2019/20 which reported on progress in delivering Grant Thornton's responsibilities as the Council's external auditors, including a summary of emerging national issues and developments. Mr Greenlee advised that they were currently reviewing the Council's 2018/19 Housing Benefit Subsidy but he was not aware of any issues. A full report of their findings would be presented to the Audit Committee at their meeting on 11 March 2020.

Mr Greenlee reported that due to changes and improvements within the audit service their fees would be increasing and details of these were set-out in the Annual Audit Letter which was to be considered under Agenda item no. 9 of the Agenda. Mr Greenlee advised that the proposed fee variation would need to be approved by the Public Sector Audit Appointments.

The Chief Financial Officer thanked Mr Greenlee for the report and noted that Mr Darren Wells was the new Engagement Lead. He spoke about the importance of having the continuity of Grant Thornton and considered the proposed increase in audit fees was justified.

A Member referred to the annual audit letter and welcomed the statements provided in relation to the work of Grant Thornton and congratulated both SBC staff and Grant Thornton.

Resolved:

(1) That the External Audit Update Report for 2019/20 be noted.

470 2018-19 ANNUAL AUDIT LETTER SWALE BOROUGH COUNCIL OCTOBER 2019

Mr Greenlee introduced the Annual Audit Letter which summarised key findings from the work carried out by Grant Thornton for the Council for the year ended 31 March 2019, and a proposed increase in audit fees.

Resolved:

That the Annual Audit Letter 2018/19 be noted.

Chairman

Copies of this document are available on the Council website <http://www.swale.gov.uk/dso/>. If you would like hard copies or alternative versions (i.e. large print, audio, different language) we will do our best to accommodate your request please contact Swale Borough Council at Swale House, East Street, Sittingbourne, Kent, ME10 3HT or telephone the Customer Service Centre 01795 417850.

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