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## AUDIT COMMITTEE

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**MINUTES** of the Virtual Meeting Via Skype\* held on Wednesday, 30 September 2020 from 7.00pm - 8.05pm.

**PRESENT:** Councillors Derek Carnell, Simon Clark (Chairman), Steve Davey (substitute for Councillor Julian Saunders), Simon Fowle, James Hall (Vice-Chairman), Ann Hampshire, Nicholas Hampshire, Denise Knights and Peter Macdonald.

**OFFICERS PRESENT:** Alison Blake, Rich Clarke, Kellie MacKenzie, Nick Vickers and Darren Wells (Grant Thornton).

**ALSO IN ATTENDANCE:** Councillors Tim Gibson, Carole Jackson and Ken Rowles.

**APOLOGY:** Councillor Julian Saunders.

### 140 INTRODUCTION

The Chairman explained that the meeting would be conducted in accordance with the Local Authorities and Police and Crime Panel (Coronavirus) (Flexibility of Local Authority Police and Crime Panel Meetings) (England and Wales) Regulations 2020 No. 392.

In welcoming all Members and members of the public, the Chairman explained which Swale Borough Council officers were in attendance. The Chairman also welcomed Mr Darren Wells from Grant Thornton.

### 141 MINUTES

The Minutes of the Meeting held on 11 March 2020 (Minute Nos. 623 – 629) were taken as read, approved and signed by the Chairman as a correct record, subject to the inclusion of Mr Trevor Greenlee and Mr Darren Wells (Grant Thornton) as being in attendance.

### 142 DECLARATIONS OF INTEREST

No interests were declared.

### 143 ANNUAL INTERNAL AUDIT REPORT & OPINION 2019/20

The Head of Audit Partnership introduced the Annual Internal Audit Report, set-out at Appendix I of the 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 2019/20. The report met the Public Sector Internal Audit Standards.

The Head of Audit Partnership stated that he was satisfied his team had undertaken work with full independence from Council officers. He reported that in his opinion the Council's internal controls were adequate and provided sound assurance.

The Head of Audit Partnership drew attention to page 22 of the report which set-out the 60 follow-up actions which he noted were all of a standard nature. He also drew attention to page 27 of the report which set-out the training and qualifications of the audit team in 2019/20.

The Head of Audit Partnership drew attention to the Chartered Institute of Public Finance and Accountancy's (CIPFA) external quality assessment which was set-out at Appendix II of the report. He reported that it was their opinion that Mid-Kent Audit fully conformed to the Public Sector Internal Audit Standards.

The Chairman congratulated the Audit team for their work and thanked the Head of Audit Partnership for his support.

A Member congratulated the team and considered that they were doing brilliant work especially compared to some other Local Authorities.

**Resolved:**

- (1) That the Head of Audit Partnership's opinion be noted.**
- (2) That the work underlying the opinion and the Head of Audit Partnership's assurance of its completion with sufficient independence and conformance with appropriate standards be noted.**
- (3) That the conclusion of CIPFA's External Quality Assessment of Mid-Kent Audit that the Partnership Fully Conforms with Standards be noted.**

**144 UPDATED INTERNAL AUDIT & ASSURANCE PLAN 2020/21**

The Head of Audit Partnership introduced the report which provided an update to the Internal Audit and Assurance Plan for 2020/21, following significant changes to the Council's risks and priorities during the Covid-19 pandemic.

The Head of Audit Partnership explained how the pandemic had significantly altered the authority's risks and priorities. He spoke about how officers had been diverted to setting-up the community hub to support vulnerable people during the period of lockdown and drew attention to page 60 of the report which set-out the planned changes to audit engagements.

A Member asked about the impacts of the pandemic on the Council's 'going concerns' such as the leisure contracts. The Chief Financial Officer explained that the 'going concern' element for local authorities was not the same as it was in the private sector and would not therefore have an affect on the Council. He stated that Sport England were looking at the effects of the pandemic on leisure.

In response to a query from a Member, the Head of Audit Partnership stated that CCTV would be kept under review and brought back onto the Audit Plan if required.

**Resolved:**

- (1) That the updated 2020/21 Internal Audit and Assurance Plan be approved.***
- (2) That the approach for keeping the plan current through the year be noted.***
- (3) That the Head of Audit Partnership's conclusion that he had updated the plan with independence and objectivity, free from undue influence be noted.***

#### **145 AUDIT COMMITTEE ANNUAL REPORT 2019/20**

The Head of Audit Partnership introduced the report which set-out how the Audit Committee had fulfilled its duties effectively during 2019/20. He explained that it was a requirement of the Committee's Terms of Reference that an annual report be presented to Council providing assurance that the responsibilities of the Committee had been met.

Following a request from a Member, the Head of Audit Partnership agreed to amend the layout of the councillor attendance table so that it was set-out in the same style as the officer attendance table.

***Resolved:***

- (1) That the updated 2020/21 Internal Audit and Assurance Plan be approved.***
- (2) That the approach for keeping the plan current through the year be noted.***
- (3) That the Head of Audit Partnership's conclusion that he has updated the plan with independence and objectivity, free from undue influence be noted.***

#### **146 ANNUAL TREASURY MANAGEMENT REVIEW FOR 2019/20**

The Chief Financial Officer introduced the Annual Treasury Management Review 2019/20 report. He stated that there had been no breaches of the Council's strategy and the Council's borrowing was currently £25million, consisting of mainly short-term local authority loans as they offered lower re-payment rates.

The Chief Financial Officer drew attention to paragraph 2.5 of the report which stated that the Council's average daily cash balances had increased. He drew attention to the table on page 75 of the report which summarised the Council's investment portfolio at 31 March 2020. The Council had invested mainly with money market funds as they were often more secure than banks. The investment from the Church, Charities and Local Authorities (CCLA) Investment Property Fund was standing-up reasonably well.

In response to queries from a Member, the Chief Financial Officer explained that income from the Sittingbourne town centre regeneration project was £1.5 million. He explained that the units that had opened were trading well, particularly the Travel Lodge. The offices that CCLA owned were holding out well and of course that was dependent on the tenant.

A Member raised concern that there was no claw-back facility and asked what the financial risk of that was? The Chief Financial Officer stated that there was no significant risk.

**Resolved:**

- (1) That the Treasury Management stewardship report for 2019/20 be approved.**
- (2) That the Prudential and Treasury Management Indicators within the report be approved.**

**147 AUDIT COMMITTEE RISK MANAGEMENT UPDATE**

The Audit Manager introduced the report which provided information on the Council's Corporate Risks, and detailed how operational level risks would be reviewed and updated. The Corporate Risks Register, set-out at Appendix I of the report, provided an overview of the Council's Corporate Risks.

A Member raised concern that the report did not take into account the increased financial pressure due to the Covid-19 pandemic and that the Skills Gap was no longer seen as a risk. The Chief Financial Officer reminded the Member that reports on the Council's approach to recovery had been presented to Cabinet and a further report was to be presented to Full Council. With regard to the Skills Gap, the Chief Financial Officer stated that it was a priority of the current administration. He suggested that the Member contact the Cabinet Member for Economy and Property about his concerns.

**Resolved:**

- (1) That the Council's Corporate Risks and actions to manage those risks be noted.**

**148 EXTERNAL AUDIT PLAN 2019/20: COVID 19**

Mr Darren Wells (Grant Thornton) introduced the External Audit Plan update which outlined significant risks to the Council due to the Covid-19 pandemic.

In response to a question from a Member, Mr Wells stated that risks around 'going concerns' was something that they would be looking at more closely, but that as stated earlier in the meeting it was not the same in the public sector as in the private sector.

The Chief Financial Officer confirmed that there were no issues to report with regard to 'going concerns'.

**Resolved:**

- (1) That the External Audit Plan 2019/20 update be noted.**

**149 EXTERNAL AUDIT PROGRESS REPORT**

Mr Darren Wells (Grant Thornton) introduced the External Audit Progress report which included an update on the impact of the current Covid-19 pandemic on local authorities.

Mr Wells stated that their Audit Findings report which summarised the outcomes of their work on the financial statements and value for money conclusion would be reported to the Audit Committee at their meeting on 25 November 2020. Mr Wells drew attention to page 108 of the report and noted that with regard to Value for Money there were three new sub-criteria auditors which needed to be considered: informed decision making; sustainable resource deployment; and working with partners and other third parties.

Mr Wells spoke about the Redmond review, commissioned by Central Government the details of which were set-out on page 109 of the report. He reported that recommendations from the review included a new regulator, the Office of Local Audit and Regulation which replaced the Financial Reporting Council and PSAA; the deadline for publishing audited local authority accounts were to be extended to 30 September from 31 July each year; and changes to the current fee structure.

***Resolved:***

***(1) That the External Audit Progress report be noted.***

Chairman

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