
AUDIT COMMITTEE

MINUTES of the Meeting held in the Council Chamber, Swale House, East Street, Sittingbourne, ME10 3HT on Tuesday, 26 October 2021 from 7.00 pm - 7.59 pm.

PRESENT: Councillors Derek Carnell, Simon Clark (Chairman), Steve Davey, Simon Fowle, Ann Hampshire, Mike Henderson (Substitute for Councillor Eddie Thomas) and Peter Macdonald.

PRESENT REMOTELY (NON-VOTING): Councillor James Hall (Vice-Chairman).

OFFICERS PRESENT: Alison Blake, Rich Clarke, Lisa Fillery, Kellie MacKenzie, Jo Millard and Phil Wilson.

ALSO IN ATTENDANCE: Councillor Cameron Beart (Remotely).

APOLOGIES: Councillors Denise Knights and Eddie Thomas.

398 EMERGENCY EVACUATION PROCEDURE

The Chairman ensured that those present were aware of the emergency evacuation procedure.

399 MINUTES

The Minutes of the Meeting held on 26 July 2021 (Minute Nos. 183 – 190) were taken as read, approved and signed by the Chairman as a correct record.

400 DECLARATIONS OF INTEREST

No interests were declared.

Part A Minutes for Recommendation to Council

401 TREASURY MANAGEMENT OUTTURN REPORT FOR 2020/21

The Head of Finance and Procurement introduced the report which detailed the implications of treasury decisions and transactions, and gave details of the outturn position on Treasury Management transactions in 2020/21 and confirmed compliance with Treasury limits and Prudential Indicators. The report had also been prepared in accordance with the CIPFA Treasury Management Code and the Prudential Code.

The Head of Finance and Procurement drew attention to paragraph 2.9 of the report which set-out the treasury management position for the year. He noted that the Council had reduced its borrowing through the year from £25million to £15million. The Head of Finance and Procurement drew attention to Appendix I of the report which set-out the CIPFA Treasury Management and Prudential Indicators which the Council had complied with.

Members made comments and asked questions:

- Pleased to see that in these uncertain times one of the Council's investments still provided a good return;
- needed to be aware when borrowing of any potential interest rate rises;
- considered that the finance team had done very well;
- could the maximum permitted duration for deposits of 13 months be extended?;
- where were the sale of ratepayer assets listed in the report?; and
- Arlingclose had been the Council's treasury advisers for 12 years, would the Council consider a change of advisor?.

In response the Head of Procurement and Finance explained that the permitted duration for deposits had originally been set-up to protect how the Council invested its surplus cash and could be for a longer duration if required. The sale of Council assets were capital receipts and were detailed in the next agenda item, he drew attention to the table on page 12 of the report which detailed how much of the Council's capital receipts had been used to fund capital expenditure. The procurement of the Council's treasury advisor would be reviewed in 2022 and quality was very important in that area of work. The Director of Resources added that there were not many companies providing treasury support for Local Authorities.

Recommended:

- (1) That the Treasury Management stewardship report for 2020/21 be approved.***
- (2) That the Prudential and Treasury Management Indicators within the report be approved.***

Part B Minutes for Information

402 ANNUAL FINANCIAL REPORT 2020/21 AND AUDIT FINDINGS REPORT

The Head of Finance and Procurement introduced the report which sought the Committee's approval of the Council's Annual Financial report for 2020/21 and included the external auditor's Audit Findings Report for consideration. The Head of Finance and Procurement 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.

A Member spoke about London Housing Associations sending persons to Swale, some of whom were unemployed, and he asked whether the Council received any subsidy from Central Government to help with their council tax payment? The Director of Resources stated that Council Tax was the responsibility of the Local Authority. Residents could claim any discount they were entitled to and that was factored into the Council Tax Base when setting the budget.

Mr Oliver Durbin (Grant Thornton) introduced the Audit Findings Report which was set-out in Appendix I of the report. Mr Durbin thanked the Council's Head of Finance and Procurement and the finance team for their excellent collaboration and work in assisting them to deliver a robust audit.

Mr Durbin reported that they would be issuing an unmodified audit opinion which meant that no major adjustments were required to the Council's annual financial report 2020/21, with only minor disclosure adjustments required to the final version. Mr Durbin advised that their Value for Money (VFM) procedures were ongoing and hoped that these would be finalised by the end of 2021.

Mr Durbin spoke about the delay in completing the audit which had been due for completion on 20 September 2021. He advised that this was because of resource limitations within Grant Thornton.

Members raised comments and asked questions, which were responded to by officers including:

- The font size used for the Audit Findings Report was too small to read and totally unacceptable. Mr Darren Wells (Grant Thornton) noted the comment which they would bear in mind for future reports;
- why had the report from the external auditors been so late?;
- with regards to external audit fees there were six items still to be confirmed, Members needed to know the final costs;
- there was no comparison with previous years costs in the Audit Findings report pack so how would Members know whether the Council was getting VFM from its auditors?;
- the external audit costs were highlighted on page 106 of the report and showed a 20% increase in the audit fees;
- would like an explanation of why the fees payable for the certification of grant claims and returns had increased? Mr Wells explained that this referred to the external audit of the housing benefit subsidy return and was a separate piece of work. The programme for this was set by the Department of Work and Pensions (DWP), any errors identified would delay the programme which would mean a rise in costs;
- how many work hours did the audit fee include? Mr Wells agreed to find out for Members;
- there was no key provided for the green dots under, Assessment, on the table on page 31 of the report? Mr Durbin explained that this should have been clearer, and that they identified that the range used by the actuaries were within the expected auditor range; and
- what were the 'regulatory factors costs' referred to on page 42 of the report in respect of the audit fee increase?; Mr Wells explained that it referred to the regulatory factors that external audit were subject to, and unfortunately due to the extra time needed to complete the audit that cost had increased.

Mr Wells said that in respect of the delay in presenting their report, public sector auditing had experienced low fees and difficulty recruiting for some years. The Covid-19 Pandemic had also had an adverse impact on their work. Mr Wells explained that there had been an independent review of the external audit market

and recommended to Government that audit fees had reached a level where they were not sustainable and undermined the continuance of a robust external audit market. The Government had paid £15million to Local Authorities to cover Audit fee increases.

In response to questions from a Member, the S151 Officer also the Director of Resources, agreed to check how much of the £15million grant allocation the Council had received to offset the increase in audit fees for Members. She advised that Government had not yet confirmed funding available to Local Authorities for next year.

The Chairman said that he was not happy that Grant Thornton had requested that the meeting be delayed several times and the impact it had on the Council officers having to reschedule meetings. Mr Wells offered his apologies for the delay and detailed the reasons for them which he said was not due to a lack of effort from the audit team or the Council's finance team.

The Chairman thanked the Head of Finance and Procurement and the finance team for their hard work in finalising the annual financial report.

Resolved:

- (1) That the external auditor's Audit Findings Report (Appendix I) be noted.**
- (2) That the Letter of Representation (Appendix II) on behalf of the Council be approved.**
- (3) That the Annual Financial Report for the year ended 31 March 2021 including the Annual Governance Statement (Appendix III) including the adjustments set out in the Audit Findings Report be approved.**
- (4) That the Chairman of Audit Committee sign and date the Annual Financial Report for the year ended 31 March 2021.**

Chairman

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