



# **Audit Committee**

# **Annual Report**

## **Municipal Year 2017/18**



## **Introduction by Chair of Audit Committee**

*This report provides an overview of the Audit Committee's activity during the Municipal Year 2017/18. Councillor Nicholas Hampshire A.C.A, B.A (Hons) was the Chair of the Committee for that Municipal Year and I would like to record the Committee's thanks to him for his service to it as Chair.*

*As the new Chair it falls to me to report that the Audit Committee continues to make progress in terms of discharging its responsibilities to provide independent assurance on the adequacy of the Council's risk management framework and the associated control environment, and in providing robust scrutiny and challenge of the Authority's financial performance.*

*During 2017/18 the Committee met four times and was pleased to note, among the highlights, a further unqualified accounts and value for money opinion from our external auditors, consideration of the Council's risk management processes and a positive conclusion on the Council's control and governance from our internal auditors.*

*Once again during 2017/18 the Committee is grateful for the contributions of its members, as well as to those officers who support its work.*



*Councillor Nigel Kay F.C.C.A., A.C.I.B., C.T.A..  
Audit Committee Chair*

*30 July 2018.*

## Introduction

Effective audit committees can bring many benefits to local authorities and these benefits are described in CIPFA's Audit Committees - Practical Guidance for Local Authorities as:

- Increased public confidence in the objectivity and fairness of Council financial and other reporting.
- Reinforcing the importance and independence of internal and external audit and similar review processes.
- Providing additional assurance through the process of independent review and challenge.
- Increasing emphasis and awareness of internal control, governance and risk management.

The purpose of an audit committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Swale Borough Council (the Council) has always supported and understood the value and benefits of having an independent Audit Committee.

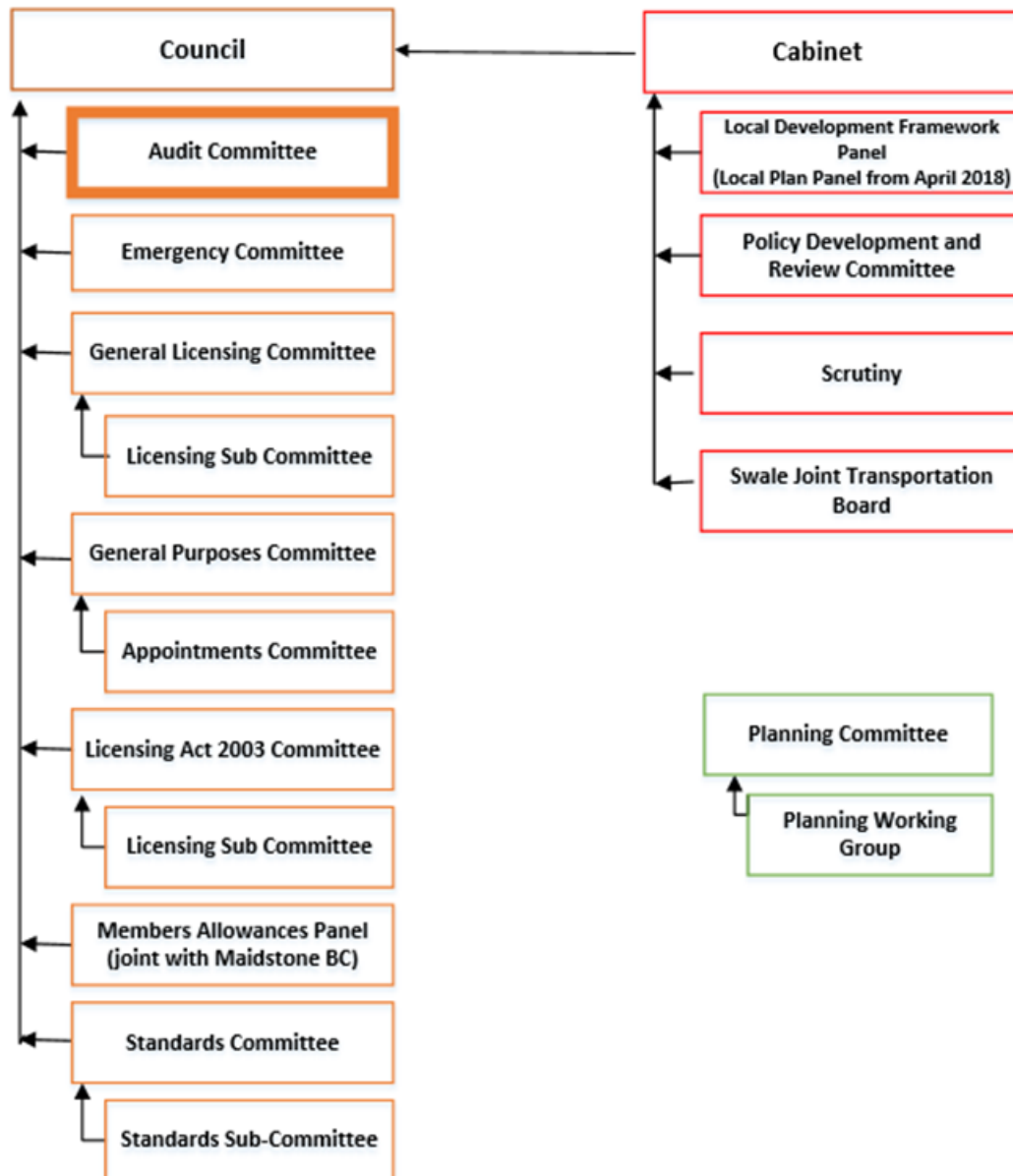
The Committee monitors internal and external audit activity, reviews and comments on the effectiveness of the Council's regulatory framework and reviews and approves the Council's annual statements of accounts.

The Committee is independent from the Council's Executive and Scrutiny functions and has clear reporting lines, including to Full Council and rights of access to discharge its responsibilities in line with its Terms of Reference (Appendix 2). This includes direct access to the Council's Appointed Auditor and Head of Audit Partnership without the presence of other officers where appropriate.

The Committee is not a substitute for the Executive function in the management of internal or external audit, risk management, governance, or any other review or assurance function. It is the Committee's role to examine these functions, and to offer views and recommendations on the way the management of these functions is conducted.

## Swale Borough Council Committee Structure 2018

The Audit Committee is part of the Council's committee structure. The following organisational chart illustrates where the Audit Committee sits in the committee structure and its reporting line to Full Council.



## Business

During the year the Committee has reviewed the following:

Audit Activity
• Internal Audit Annual Report and Opinion
• Internal Audit Interim Report
• 2018/19 Internal Audit Plan
• Corporate Level Risks & Risk Management Process
• Planning Enforcement Progress Report
External Audit (Grant Thornton)
• Fee Letter
• Audit Plan
• Annual Audit Report
• External Audit – Audit Committee Update
• Certification of Claims & Returns
Finance
• Annual Governance Statement
• Annual Treasury Management Report *
• Annual Financial Report 2016/17 and Audit Findings Report, including Letter of Representation
• Treasury Management Half Yearly Review
Other
• Audit Committee Annual Report 2016/17
• Audit Committee's Work Programme
• Audit Committee Terms of Reference
• MKS Fraud & Compliance Report

\* The Audit Committee provides oversight of Treasury Management reports. All Treasury Management reports are approved by Full Council.

**Appendix A** provides a summary of membership and attendance during 2017/18.

## Sources of Assurance

In drawing the conclusion, the Audit Committee gained assurance from the following sources:

### The work of Internal Audit

Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils.

The Head of Audit Partnership issued an unqualified Head of Audit Opinion in 2016/17 which concluded that the Council was operating an effective sound system of internal control, governance and risk management. Throughout the year the Committee has been regularly updated with delivery of the Internal Audit Plan, implementation of audit recommendations, and has been kept aware of any emerging risks. The Committee has also requested updates on *weak assurance audit reports*, including Planning Enforcement.

The Internal Audit plan for 17/18 included a breakdown of internal audit assurance work for the coming year, and the Committee were given the opportunity to comment on the work of internal audit prior to endorsing the plan for delivery.

There have been no significant issues raised for the Committee's attention during the year by the Internal Audit team. The Committee has continued to show its support to the Internal Audit team throughout the year, and has recognised the role, responsibility and authority of the service within the [Audit Charter](#) which was updated and agreed by the Committee in March 2016.

### The work of External Audit (Grant Thornton)

The Council's external auditors are Grant Thornton, the fifth largest accountancy firm in the UK. Grant Thornton were appointed as the Council's auditors by *Public Sector Audit Appointments Limited (PSAA)*, a wholly owned subsidiary of the Local Government Association. The Council has opted into PSAA's procurement arrangements post-2018 and, under those arrangements, Grant Thornton will continue as the Council's external auditors.

The external auditors report back to the Audit Committee providing regular updates on their programme of work. During the year, the External Auditors presented an unqualified value for money conclusion and an unqualified opinion on the financial statements. Particularly, the External Auditors recognised high quality of the Council financial statements and supporting working papers. The Audit Committee has provided effective challenge to the External Auditors as appropriate and gained assurance from the reports and updates provided by Grant Thornton during the year.

## **Finance & Governance Reports**

The Council's accounts are reported to the Audit Committee for approval, along with the Annual Governance Statement. The Committee has provided challenge and questioning to the Section 151 Officer on the finance and governance matters.

The Committee specifically gains assurance from the Annual Governance Statement which is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

The statement is produced following a review of the council's governance arrangements and includes actions to address any significant governance issues identified. The Committee reviewed and approved the 2016/17 Annual Governance Statement.

## **Terms of Reference**

The Audit Committee also commenced a review of the Committee's Terms of Reference – Appendix 2.

## **Conclusion**

The Audit Committee, in partnership with the Council's Internal and External Auditors, and with the support of Officers has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues.

The Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2017/18, as set out in the respective minutes.

## Appendix 1:

### Membership & Attendance

The following table summarises attendance at all of the Audit Committees held in 2017/18:

Name	Role	21/6/17	13/9/17	29/11/17	14/3/18
<b>Committee Members</b>					
Cllr Nicholas Hampshire	Chair	✓	✓	✓	✓
Cllr Nigel Kay	Vice-Chair	✓	✓	✓	✓
Cllr Andy Booth	Committee Member	✓	✓	x	x
Cllr Adrian Crowther	Committee Member	✓	✓	✓	✓
Cllr Angela Harrison	Committee Member	✓	✓	✓	x
Cllr Mick Galvin	Committee Member	x	✓	x	x
Cllr Peter Marchington	Committee Member	✓	x	x	✓
Cllr Roger Clark	Committee Member	x	x	x	✓
Cllr Samuel Koffie-Williams	Committee Member	✓	✓	x	✓
Cllr Cameron Beart	Substitute Member		✓		
<b>Visiting Members</b>					
Cllr Duncan Dewar-Whalley	Cabinet Member for Finance & Performance	✓		✓	✓
Cllr Alan Horton	Cabinet Member for Safer Families & Communities	✓	✓		✓
<b>Swale BC Officers</b>					
Jo Millard	Democratic Services	✓		✓	
Katherine Bescoby	Democratic Services		✓		
Kellie McKenzie	Democratic Services				
Nick Vickers	Chief Financial Officer	✓	✓	✓	✓
Phil Wilson	Chief Accountant		✓		
Philippa Davies	Democratic Services				
Zoe Kent	Revenues & Benefits Manager		✓		✓
<b>Grant Thornton</b>					
Iain Murray	Engagement Lead	✓	✓		✓
Trevor Greenlee	Audit Manager			✓	✓
<b>Mid Kent Audit</b>					
Rich Clarke	Head of Audit Partnership			✓	
Russell Heppleston	Deputy Head of Audit Partnership	✓	✓		
Frankie Smith	Audit Manager	✓	✓	✓	✓

All of the Audit Committee agenda papers and minutes are available on the Council's [website](#).



## Appendix 2:

Audit Committee - Terms of Reference		
Purpose		
The purpose of an audit committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.		
Audit Activity	Regulatory Framework	Accounts & Report
To consider the Head of Audit Partnership's annual report and opinion, and a summary of audit activity (actual and proposed) and the level of assurance it can give over the council's governance arrangements, and any report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.	To review any issue referred to it by the Chief Executive or a Director or any Council body.	To review and approve the annual statement of accounts. Specifically, to consider whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the Cabinet or the Council.
	To monitor the effective development and operation of risk management and corporate governance in the Council.	
To consider reports dealing with the management and performance of Internal Audit Services, including consideration and endorsement of the 3 year Strategic Internal Audit Plan.	To monitor council policies on 'Whistleblowing' and the 'Antifraud and Corruption Strategy'.	To consider the external auditor's report to those charged with governance on issues from the audit of the accounts.
To consider the external auditor's annual letter, the report to those charged with governance, and any specific reports as agreed with the external auditor.	To consider and comment on the authority's Annual Governance Statement and agree its adoption as part of the approval of the annual accounts.	To be responsible for ensuring effective scrutiny of the treasury management strategy and policies (Note: Council is responsible for adopting the Treasury Management strategy and policy).
To liaise with the Audit Commission over the appointment of the Council's external auditor, comment on the scope and depth of external audit work and ensure that it gives value for money.	To consider the council's arrangements for governance and whether adequate safeguards are in place to secure compliance with its own and other published standards and controls and best practice.	To present an annual report to the Council providing assurance that the responsibilities of the Committee have been met.