



# **Audit Committee**

# **Annual Report**

## **Municipal Year 2018/19**



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

*This report provides an overview of the Audit Committee's activity during the Municipal Year 2018/19. Councillor Nigel Kay 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 2018/19 the Committee met four times and was pleased to note, among the highlights, a further unqualified accounts opinion and value for money conclusion from our external auditors, consideration of the Council's risk management processes and a positive opinion on the Council's control and governance from our internal auditors.*

*Once again during 2018/19 the Committee is grateful for the contributions of its members, as well as to those officers who support its work.*

*Councillor Simon Clark  
Audit Committee Chair*

*29 July 2019*

## 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 on the adequacy of the risk management framework, the control environment and independent scrutiny of the authority's financial performance and reporting. It also considers non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment.

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

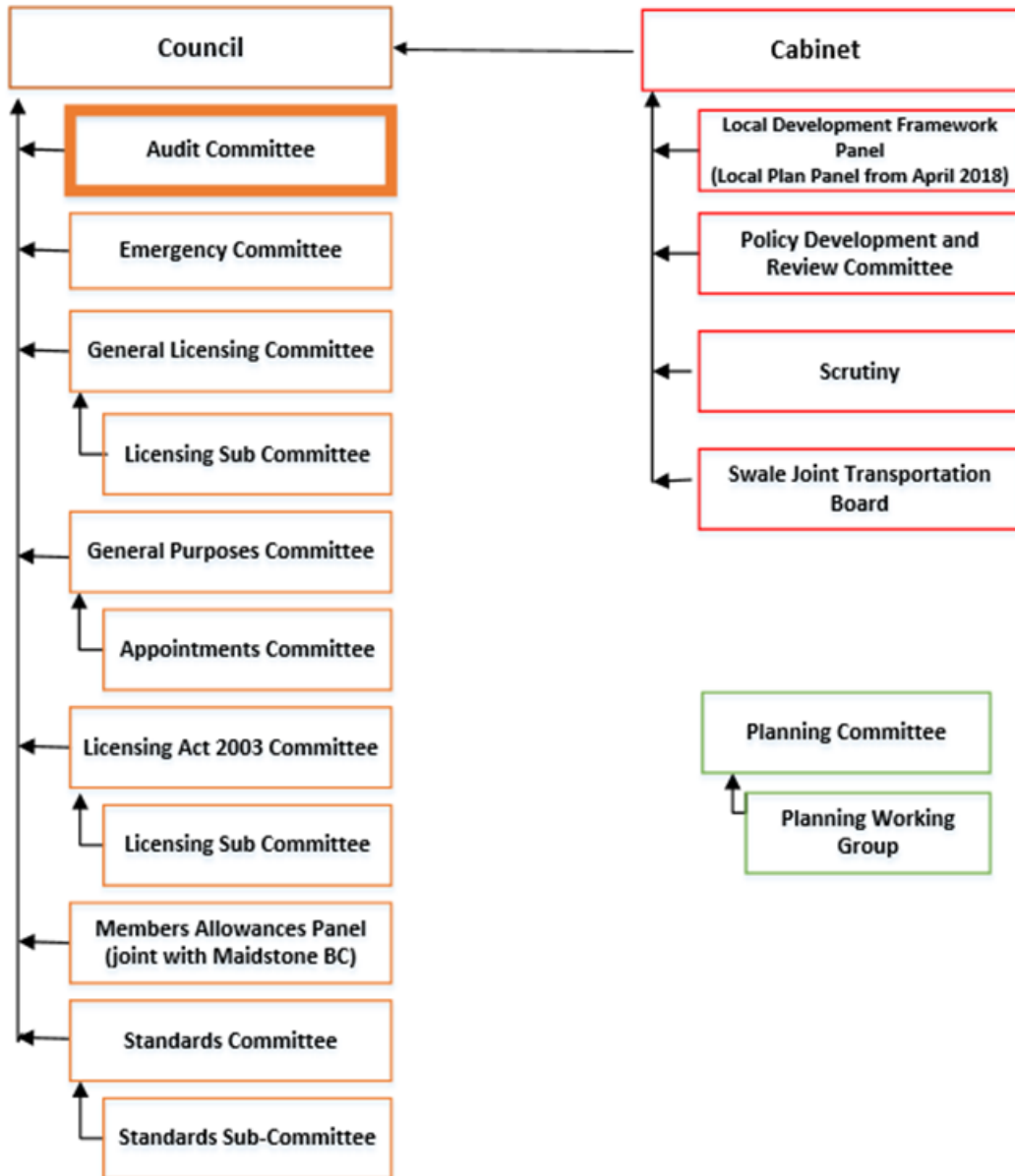
The Committee monitors internal and external audit activity, reviews and comments on the effectiveness of the Council's regulatory framework and reviews and approves the Council's annual statements of accounts.

The Committee is independent of 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 2018/19

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 [agenda items](#):

<b>Internal Audit (Mid Kent Audit)</b>
• Internal Audit Annual Report and Opinion 2017/18
• Internal Audit Interim Report 2018/19
• Internal Audit Plan 2019/20
• Internal Audit Charter
• Strategic Risk Register & Actions Update 2018/19
• Member Training – The role of the Audit Committee
• Member Training – Risk Management
<b>External Audit (Grant Thornton)</b>
• External Audit Annual Fee Letter 2018/19
• External Audit Audit Plan 2018/19
• External Audit Annual Audit Report 2017/18
• External Audit – Audit Committee Update 2018/19
• External Audit – Certification of Claims & Returns 2017/18
<b>Finance</b>
• Annual Governance Statement 2017/18
• Annual Treasury Management Report 2017/18 *
• Annual Financial Report 2017/18 and Audit Findings Report, including Letter of Representation
• Treasury Management Half Yearly Review 2018/19 *
<b>Other</b>
• Audit Committee Annual Report 2017/18
• Audit Committee’s Work Programme
• Audit Committee Terms of Reference
• MKS Fraud & Compliance Report 2017/18

\* 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 2018/19.

## Sources of Assurance

In drawing its conclusions, 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 2017/18 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 Legal Services.

The Internal Audit plan for 18/19 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 November 2018.

### 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 2017/18 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 2018/19 as set out in the respective minutes.

## Appendix 1:

### Membership & Attendance

The following table summarises attendance at all Audit Committees during 2018/19:

Members	Capacity	30-Jul-18	18-Sep-18	28-Nov-18	13-Mar-19
Councillor Nigel Kay	Chairman	Present	Present	Present	Present
Councillor Peter Marchington	Vice-Chairman	Present	Present	Apologies	Present
Councillor Andy Booth	Committee Member	Present	Apologies	Apologies	Present
Councillor Roger Clark	Committee Member	Present	Present	Present	Present
Councillor Adrian Crowther	Committee Member	Present	Absent	Absent	Absent
Councillor Mick Galvin	Committee Member	Present	Apologies	Apologies	Absent
Councillor Nicholas Hampshire	Committee Member	Present	Present	Present	Present
Councillor Angela Harrison	Committee Member	Apologies - substituted by Councillor Roger Truelove	Apologies	Present	Present
Councillor Ken Pugh	Committee Member	Apologies	Apologies	Apologies	Apologies
Councillor Roger Truelove	Substitution	Present			
Councillor Duncan Dewar-Whalley	Visiting Councillor	Present	Present	Present	Present
<b>Officers</b>					
Nick Vickers	Chief Finance Officer	Present	Present	Present	Present
Rich Clarke	Head of Audit Partnership	Present	Present	Present	Present
Phil Wilson	Chief Accountant	Present			
Phillipa Davies	Committee Services	Present	Present	Present	
Jo Herrington	Audit Manager	Present		Present	
Alison Blake	Audit Manager			Present	
Zoe Kent	Revenues & Benefits Manager			Present	
Kellie MacKenzie	Committee Services				Present
<b>Grant Thornton</b>					
Trevor Greenlee	External Audit	Present	Present		Present

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



## Member Development

### Proposed Programme 2019/20

Continued professional development is key to the effective operation of the Audit and Governance Committee. Briefings enable members of the Committee to be kept up to date on the latest developments in the areas of governance, risk and internal control. During 2018/19 the Committee received, as part of its meeting agendas, briefings on the role of the Audit Committee and Risk Management.

So far for 2019/20 the Chairman has agreed one session on **The Role Of The Audit Committee**. Reflecting the significant change in committee membership, this will be a development and expansion of the session originally presented in November 2018. This training session will take place on the evening of **10 September 2019** and Members are encouraged to attend.

Below are some possible topics for further briefings, either as separate sessions or within meetings through 2019/20 for the Committee to consider and discuss.

- Internal Audit Standards and evaluating the quality of internal audit
- Risk Management
- Treasury Management
- Reviewing the Annual Governance Statement
- Local Government Finance
- Counter Fraud & Corruption

## 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.	<p>To review any issue referred to it by the Chief Executive or a Director or any Council body.</p> <p>To monitor the effective development and operation of risk management and corporate governance in the Council.</p>	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 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.