
AUDIT COMMITTEE

MINUTES of the Meeting held in the Committee Room, Swale House, East Street, Sittingbourne, Kent, ME10 3HT on Monday, 29 July 2019 from 7.00pm - 8.14pm.

PRESENT: Councillors Derek Carnell, Simon Clark (Chairman), Simon Fowle, James Hall (Vice-Chairman), Ann Hampshire, Denise Knights, Peter Macdonald, Peter Marchington and Julian Saunders.

OFFICERS PRESENT: Rich Clarke, Philippa Davies, Frankie Smith, Nick Vickers and Phil Wilson.

Trevor Greenlee (Grant Thornton).

ALSO IN ATTENDANCE: Councillors Tim Gibson, Alan Horton and Ken Rowles.

167 EMERGENCY EVACUATION PROCEDURE

The Chairman drew attention to the emergency evacuation procedure.

168 MINUTES

The Minutes of the Meeting held on 13 March 2019 (Minute Nos. 548 – 557) were taken as read, approved and signed by the Chairman as a correct record.

169 DECLARATIONS OF INTEREST

Councillor Peter Macdonald declared a Disclosable Non-Pecuniary Interest as he was a trustee of the Dolphin Barge Museum which was mentioned in item 8, Annual Financial Report 2018/19.

Councillor Julian Saunders declared a Disclosable Non-Pecuniary Interest as he was a trustee of Faversham Swimming Pools which was mentioned in item 8, Annual Financial Report 2018/19.

Part B Minutes for Information

170 WORK PLAN (INCLUDING PROFESSIONAL UPDATES)

The Chief Financial Officer introduced the report which set out the Annual Work Plan for the Municipal Year 2019/20.

The Head of Audit Partnership drew attention to pages 4 and 5 of the report which set out in more detail the work of the Audit Committee. He welcomed questions from Members.

Resolved:

(1) That the Annual Work Plan be noted.

171 INTERNAL AUDIT REPORT

The Head of Audit Partnership introduced 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 2018/19.

The Head of Audit Partnership reported that he had given an overall positive assurance opinion, which he considered to be a good result for the Council. He went through the report, highlighting the following:

Page 16 – this provided more details of the work carried out, with 470 audit days, and a contingency of 40/50 days.

Page 17 – this provided a summary of projects, with assurance ratings showing as consistently green.

Page 18 – there were a couple of items waiting to be concluded and there would be a full report on these in November 2019.

Page 19 – this was an executive summary and the Head of Audit Partnership was happy to provide more detailed reports to Members.

Page 25 – this included recommendations to management, with improvements that could be made, and follow-up actions. The Head of Audit Partnership explained that there was a small number of items overdue, but these were not a matter of concern. He added that there had been a high level of cooperation from officers.

Page 26 – this showed broader work on governance. In relation to fraud, no matters had been brought to the Head of Audit Partnership's attention.

Page 27 – he advised that the risk register would be refreshed shortly to review any new risks.

Page 28 – this outlined the work carried out on standards and ethical compliance.

Page 32 – audit of the auditors; internal auditors were externally audited every five years.

The Head of Audit Partnership outlined the training and qualifications within the audit team, and congratulated staff on the qualifications they had achieved. He thanked his team for the work they had completed in providing the conclusion of this audit.

A Member referred to page 18 of the report and the removal of one of the projects from the 2018/19 Plan. The Head of Audit Partnership explained that the project had been removed following the death of a member of staff.

A Member congratulated Ben Davis, Auditor, Andy Billingham, Auditor and Louise Taylor, Trainee Auditor on their achievements and wished them well in the future.

Resolved:

(1) That the Head of Audit Partnership's opinion that, in the view of internal audit, the Council's system of internal control, corporate governance and risk management arrangements have operated effectively during 2018/19, be noted.

(2) That the work underlying the opinion and the Head of Audit Partnership's assurance that it was completed with sufficient independence and conformance with Public Sector Internal Audit Standards, be noted.

172 AUDIT COMMITTEE ANNUAL REPORT 2018/19

The Audit Manager introduced the report which outlined how the Audit Committee had effectively discharged its duties during 2018/19. The report provided assurance to the Council that important internal control, governance and risk management issues were being monitored and addressed by the Committee. The report also sought to provide additional assurance to support the Annual Governance Statement.

The Audit Manager outlined the themes of the report which included where the Audit Committee sat in the Committee structure; the business it had reviewed in 2018/19; attendance at the Audit Committee; assurance of the Audit Committee, by both internal and external auditors; financial matters and the Committee's terms of reference. The Audit Manager outlined some Member training topics and concluded by stating that the Audit Committee had demonstrated that it had fulfilled its duties during 2018/19.

The Chairman explained that there would be a training session for Members 'The Role of the Audit Committee', and this would be held at 7pm on 10 September 2019.

A Member suggested that an additional training topic could be 'Understanding Risk Management and the processes around it'. The Chairman was happy with this suggestion.

Resolved:

(1) That the Audit Committee Annual Report for 2018/19 be agreed.

(2) That the Chairman of the Audit Committee provides the report to a meeting of the Full Council to demonstrate how the Committee has discharged its duties.

173 ANNUAL FINANCIAL REPORT 2018/19 AND AUDIT FINDINGS REPORT

The Financial Services Manager introduced the report which sought the Audit Committee's approval of the Council's Annual Financial Report for 2018/19 and included the external auditor's Audit Findings Report.

The Financial Services Manager explained that the Annual Accounts showed the Council finances in accordance with accounting regulations. He 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.

In response to a question from a Member, the Financial Services Manager explained that the cost of pensions shown in the accounts was based on an International Accounting Standard (IAS 19). This used different assumptions from those used when calculating the actual cost of pensions to the Council which was based on a valuation made every three years by the Kent Pension Fund's actuaries.

A Member asked why, on page 88, there had been two loans of £5 million each. The Financial Services Manager explained that in January 2019 the Council had arranged two external loans of £5 million each, from other local authorities. One loan was for 12 months at a rate of 1.1% and the other for 18 months at a rate of 1.2%. The loans were required to maintain the Council's cash balances. The Member also asked for further information on the package of £369,100 for 14 staff. The Financial Services Manager explained that this was the cost of the exit package, following a staff restructure, resulting in efficiency savings, with staff retiring or taking redundancy.

A Member asked for further information on the sale of vacant land at Minster Cliffs, as outlined on page 120 of the report. The Member had considered the valuation to be low. The Chief Financial Officer reported that Cabinet had decided to sell the land in 2018, and a price of £1 - £1.1 million had been agreed. The Chief Financial Officer agreed to send the Cabinet report to the Member.

A Member asked if there was a particular issue with Council Tax evasion in Swale? The Chief Financial Officer explained that an annual report on this matter was submitted to the Audit Committee each year. Swale had bigger difficulties with this issue than some other local authorities such as Maidstone, but the recovery on business rates was high at over 90%.

Mr Trevor Greenlee (Grant Thornton) was invited to introduce the tabled report on the Audit Findings for the Year Ended 31 March 2019. He apologised for the limited time Members had to read the report and explained the timescales that Grant Thornton worked to.

Mr Greenlee referred to the sections on Headlines; Summary; and Significant findings – audit risks, key judgements and estimates; and Value for Money and drew Members' attention to the key findings and other matters arising from their audit.

In response to questions, Mr Greenlee explained that he was not looking at individual decisions of the Council, but looking ahead, proper arrangements were in place to ensure the Council delivered Value for Money.

Mr Greenlee concluded by stating that he had no issues to raise and confirmed that Grant Thornton would be giving their unqualified opinion on the 2018/19 accounts, and Value for Money. He thanked the Chief Financial Officer, the Financial Services Manager and the Finance Team.

Resolved:

- (1) That the external auditor's Audit Findings Report (Appendix I) be noted.**
- (2) That the Letter of Representation (Appendix II) be approved on behalf of the Council.**
- (3) That the Annual Financial Report for the year ended 31 March 2019 including the Annual Governance Statement (Appendix III) be approved.**
- (4) That the Audit Committee Chairman signs and dates the Annual Financial Report for the year ended 31 March 2019.**

Chairman

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