

<b>Audit Committee Meeting</b>	
<b>Meeting Date</b>	25 July 2022
<b>Report Title</b>	Audit Committee Annual Report – 2021/22
<b>EMT Lead</b>	Lisa Fillery – Director of Resources
<b>Head of Service</b>	Alison Blake – Interim Head of Audit Partnership
<b>Lead Officer</b>	Alison Blake – Interim Head of Audit Partnership
<b>Classification</b>	<b>Open</b>
<b>Recommendations</b>	<p>1. That the Audit Committee Annual Report for 2021/22 (appendix I) <b>is agreed.</b></p> <p>2. That the Chairman of the Audit Committee presents the report to a meeting of Full Council to demonstrate how the Committee has discharged its duties.</p>

## **1 Purpose of Report and Executive Summary**

- 1.1 The report details how the Audit Committee effectively fulfilled its duties during 2021/22. This report provides assurance to the Council that the Committee has monitored and addressed issues of governance, risk management and internal control throughout the year.

## **2 Background**

- 2.1 The Audit Committee is required to monitor internal and external audit activity, review and comment on the effectiveness of the Council's governance framework and review and approve the Council's annual statement of accounts.

## **3 Proposals**

- 3.1 To agree the Audit Committee Annual Report as attached in Appendix I.
- 3.2 That the Chairman of the Audit Committee presents the report to a meeting of the Full Council setting out how the Committee has discharged its duties.

## **4 Alternative Options**

- 4.1 The production and presentation of an annual report is required by this Committee's terms of reference. Therefore, no other alternative could be recommended.

## 5 Consultation Undertaken or Proposed

- 5.1 The draft report was sent to the Chairman of the Audit Committee for consultation prior to submission for this meeting.

## 6 Implications

Issue	Implications
Corporate Plan	None identified at this stage.
Financial, Resource and Property	The role of the Audit Committee includes the review of the financial reports for the Council, including the approval of the Annual Statement of Accounts.
Legal, Statutory and Procurement	None identified at this stage..
Crime and Disorder	None identified at this stage.
Environment and Climate/Ecological Emergency	None identified at this stage.
Health and Wellbeing	None identified at this stage.
Safeguarding of Children, Young People and Vulnerable Adults	None identified at this stage.
Risk Management and Health and Safety	None identified at this stage.
Equality and Diversity	None identified at this stage.
Privacy and Data Protection	None identified at this stage.

## 7 Appendices

- 7.1 The following documents are to be published with this report and form part of the report:
- Appendix I: Audit Committee Annual Report 2021-22

## 8 Background Papers

- Audit Committee Reports, Agendas and Minutes

SWALE BOROUGH COUNCIL

# Audit Committee Annual Report

July 2022



## Statement from the Chairman

As the Chair of the Audit Committee, it is my pleasure to introduce the annual report, providing an overview of the Committee's activity during the Municipal Year 2021/22.

The Council has continued to face big challenges because of the Covid-19 pandemic. As a Committee, we have maintained our focus on the issues facing the Council from a risk, control, and governance perspective. This report looks back and gives us opportunity to reflect on the activity and achievements of the Committee during the year.

We have met four times in the last year, either in person or virtually. The Committee has discharged its responsibility to provide independent assurance on the adequacy of the Council's risk management framework and the associated control environment.

We have also provided robust scrutiny and challenge of the Authority's financial performance. Among the highlights for the year, I am pleased to note a further unqualified accounts opinion and value for money conclusion from our external auditors. Alongside this, our internal auditors provided us with a positive opinion on the Council's control and governance.

We also reviewed the updated Corporate Risk Register, and an internal audit plan for 2022/23.

I would like to take this opportunity to thank Members and Officers that have supported the Committee over the last year. Their professionalism, integrity, and openness have helped us to discuss, challenge and debate key issues and agree solutions and improvements where appropriate to do so.



**Councillor Derek Carnell - Audit Committee Chair**

# Purpose of the Committee

The Audit Committee operates in accordance with the [Audit Committees, Practical Guidance for Local Authorities](#) (updated 2018). This guidance:

- is published by the Chartered Institute of Public Finance (CIPFA)
- recommends that audit committees should report annually on how they have discharged their responsibilities
- sets out the purpose of an Audit Committee.

## **Swale Borough Council Audit Committee Purpose:**

To consider summaries of internal audit reports produced and review management action taken on associated recommendations. To consider and comment upon any items relevant to the internal audit function. To receive the annual management letter and report from the Council's External Auditors, to include any value for money studies.

The Committee is independent from other executive management and Cabinet and has clear reporting lines and rights of access to discharge its responsibilities in line with its Terms of Reference as per the constitution (Appendix 1). This includes direct access to the Council's Appointed Auditors and Head of Audit Partnership without the presence of other Officers, where appropriate.

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 not a substitute for the management function in relation to 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.

## **As per CIPFA's Position statement: Audit Committees in Local Authorities and Police:**

Audit Committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

The purpose of an Audit Committee is to provide those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes.

# Membership & Meetings

During 2021/22 the Audit Committee was comprised of Members and met four times. It was agreed. A quorum of three was present at each meeting. The attendance of the meetings can be found in the table below.

In addition to the above meeting, an additional meeting was held in May 22, to elect a new Chair and Vice Chair for the Municipal Year 2022-23. It was resolved that Cllr Derek Carnell be elected Chair, and Mike Henderson the Vice Chair.

Name of Attendees	Role	26th Jul 2021	26th Oct 2021	24th Nov 2021	9th Mar 2022
Cllr Simon Clark	Chair	Present	Present	Apologies	Present
Cllr James Hall	Vice Chair	Apologies	Remotely	Apologies	Remotely
Cllr Derek Carnell	Member	Present	Present	Apologies	Present
Cllr Steve Davey	Member	Present	Present	Present	Present
Cllr Simon Fowle	Member	Absent	Present	Apologies	Apologies sent substitute
Cllr Ann Hampshire	Member	Present	Present	Apologies sent substitute	Present
Cllr Denise Knights	Member	Present	Apologies	Present	Remotely
Cllr Peter MacDonald	Member	Present	Present	Present	Present
Cllr Eddie Thomas	Member to Oct 21	Apologies	Apologies sent substitute	-	-
Cllr Mike Henderson	Member from Nov 21	-	Present as substitute	Apologies	Present
Cllr Mike Whiting	Substitute Member	-	-	Present as substitute (Temp. Chair)	Present as substitute
Cllr Roger Clark	Visiting Councillor	-	-	-	Remotely
Cllr Peter Neal	Visiting Councillor	-	-	-	Remotely
Cllr Cameron Beart	Visiting Councillor	Remotely	In attendance	Remotely	Remotely
Cllr Ken Rowles	Visiting Councillor				Remotely
Cllr Hannah Perkin	Visiting Councillor	-	-	Remotely	-
Philippa Davies	Committee Services	In attendance	-	-	-
Billy Attaway	Committee Services	In attendance	-	-	In attendance
Kellie MacKenzie	Committee Services	-	In attendance	In attendance	-
Jo Millard	Committee Services		In attendance	In attendance	Remotely
Alison Blake (Officer)	Deputy Head of Audit Partnership	In attendance	In attendance	-	In attendance
Rich Clarke (Officer)	Head of Internal Audit	-	In attendance	In attendance	-
Julie Hetherington (Officer)	Internal Audit Manager	-	-	-	Remotely

Andrew Townsend (Officer)	Interim Head of Internal audit	-	-	-	Remotely
Lisa Fillery (Officer)	Director of Resources			In attendance	In attendance
Phil Wilson (Officer)	Financial Services Manager	In attendance	In attendance	-	In attendance
Richmond Nyarko (External Audit)	External Audit	-	-	-	Remotely
Darren Wells (External Audit)	External Audit	In attendance	-	-	Remotely

We did not arrange any all-Member training sessions for 2020/21. However, / in addition Members have been able to consult Officers with questions outside of the meetings. The Committee has also arranged training for prior to the July 22 committee meeting, and has agreed additional training throughout the year.

All Committee agendas, papers, and minutes are available on the [Council's website](#).

## Committee Activity

Over the course of 2020/21 the Committee has drawn on a variety of sources to fulfil their responsibilities. They have considered, queried, examined, and made decisions on the following areas within its Terms of Reference:

### Finance Activity

#### **Treasury Management Outturn Report for 20/21 – Oct 2021**

The report presented to Members was prepared in line with the CIPFA's Code of Practice on Treasury Management. It included Prudential Indicators and Treasury Management Strategy Statement on Financing and Investment Activities.

Members approved the Treasury Management Stewardship report for 2020/21, and the Prudential and Treasury Management Indicators.

#### **Mid-Year Treasury Management Review for 21/22 – Nov 2021**

This report was presented to Members. It outlined the mid-year outturn position on treasury management transactions for 2021/22, including compliance with treasury limits and Prudential and Treasury Performance Indicators.

Members noted the report, and the Prudential and Treasury Management Indicators were approved.

### Internal Audit Activity

#### **Annual Internal Audit Report & Opinion 20/21 – Jul 2021**

The annual assurance report on the Council's Internal Control, Governance, and Risk Management activities was presented to Members. The report concluded that the Head of Audit was able to provide sound assurance with no qualifications to the opinion.

Members noted the opinion, and the Head of Audit Partnership's assurance of independence and conformance with the standards.

#### **Mid-Year Internal Audit Update – Nov 2021**

The internal audit update report presented to Members, detailed the progress against the audit plan for 2021/22.

Members noted the report.

## **Internal Audit Plan 2022/23 – Mar 2022**

The internal audit plan for 2022-23 was presented to Members for their approval.

Members approved the 2022/23 audit plan, and noted there was enough resources to deliver the plan independently and without inappropriate influence from management.

## **External Audit Activity**

### **External Audit Plan – Jul 2021**

External audit presented to Members the report which included an overview of the scope, cost, and timing of the audit for 2020/21.

Members noted the External Audit Plan.

### **Informing the Risk Assessment – Jul 2021**

External audit presented to Members a report on the communication between them and the Audit Committee, around the responses from management about General Management, Fraud, Laws and Regulations, Related Parties, and Accounting Estimates.

Members noted the report.

### **Annual Report 20/21, and Audit Findings Report – Oct 2021**

The Annual Financial Report for 2020/21 was presented to Members. The report issued an unmodified audit opinion. This meant that no major adjustments were required to the Council's annual financial report.

Members noted the report findings. Members approved the Letter of Representation on behalf of the Council, the Annual Financial Report, and the Annual Governance Statement for year ending March 2021. The Chair of the Committee signed and dated the Annual Financial report.

### **Annual Audit Letter – Mar 2022**

The report presented to Members, provided the audit findings and matter arising from the Annual Financial Report for year ending 31/03/21. It included recommendations to be considered or noted.

Members noted the report and the savings plan in relation to the Medium Term Financial Strategy. Consideration to be given making a clear distinction between statutory and discretionary spending in budget information provided to members and published on the web, and to formalise a consistent approach to benchmarking in relation to potential high unit costs or low outcomes.

## **Other Activity**

### **Audit Committee Annual Report 20/21 – Jul 2021**

A report on the activity of the Audit Committee was presented to members. It outlined the attendance of members, details the Terms of Reference for the committee, and activity of the committee throughout the year.

The Audit Committee Annual report was agreed by Members, and the Chair of the Audit Committee will present the report to Full Council to discharge their duties.

### **Re-appointment of External Auditor – Option to opt into national scheme – Nov 2021**

The report provided proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24, including a decision to opt into the national auditor appointment arrangements.

Members accepted the invitation to opt-in to the national arrangements to appoint external audit.

### **Annual Risk Management Update 21/22 - March 2022**

The report detailed for Members the Council's risk management framework arrangements.

Members noted the risk management framework arrangements.



# Conclusion

The Audit Committee has worked in partnership with the Council's Internal and External Auditors and received support from Officers. This 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 2021/22 as set out in the respective minutes.

# Appendix 1 – Audit Committee Terms of Reference

## **Statement of Purpose – Audit Committee**

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.

**Membership** – nine members

## **Audit Activity**

- 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 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 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 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;

## **Regulatory Framework**

- To review any issue referred to it by the Chief Executive or the Director or any Council body;
- To monitor the effective development and operation of risk management and corporate governance in the Council.
- To monitor council policies on 'Whistleblowing' and the 'Anti-fraud and Corruption Strategy';
- 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 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.

## **Accounts**

- 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 the external auditor's report to those charged with governance on issues from the audit of the 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).

## **Reporting**

- To present an annual report to the Council providing assurance that the responsibilities of the Committee have been met.