

SWALE BOROUGH COUNCIL

Audit Committee Annual Report

September 2023



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 2022/23.

The Council has continued to face challenges from the impact of the cost-of-living crisis and rising inflation. 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 Municipal Year 2022/23.

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.

During 2022/23 the Committee met four times and I was pleased to note, among the highlights for the year, our internal auditors provided us with a positive opinion on the Council's risk, control and governance. We also reviewed the updated Corporate Risk Register, and provided robust scrutiny and challenge of the Authority's financial performance.

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 Simon Clark – Audit Committee Chairman

Purpose of the Committee

The Audit Committee operates in accordance with the [Audit Committees, Practical Guidance for Local Authorities](#). This guidance (updated in 2022) sets out the purpose of an Audit Committee and is published by the Chartered Institute of Public Finance (CIPFA).

CIPFA's Position Statement:

Audit Committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that arrangements are effective.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

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 (Appendix A). 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.

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.

Membership & Meetings

During 2022/23 the Audit Committee was comprised of 9 Members and met 4 times, including a meeting to elect the chairs only as part of the annual council meeting on 18 May 2022. Changes to the timetable were once again necessary in 2022/23 to accommodate the changes to the reporting timetable for final accounts that arose due to the COVID-19 pandemic.

The Committee is supported throughout the year by senior officers and managers of the Council who are regularly present. In addition, the Council's External Auditors (Grant Thornton) regularly attend meetings of the Committee.

The following table outlines Member and Officer attendance at 2022/23 Audit Committee meetings.

Name of Attendees	Role	18 May 2022	25 July 2022	15 Nov 2022	30 Jan 2023
Cllr Derek Carnell	Chair	Present	Present	Present	Present
Cllr Mike Henderson	Vice-Chair	Present	Apologies	Absent	Present
Cllr Simon Clark	Member		Present	Present	Present
Cllr Pete Neal	Member	Present	Present	Present	
Cllr Ann Hampshire	Member	Apologies	Apologies	Present	Apologies
Cllr Angela Harrison	Member	Present	Absent	Present	Apologies
Cllr Peter Marchington	Member	Present	Present	Apologies	Apologies
Cllr Peter MacDonald	Member	Present	Present	Apologies	
Cllr Alan Horton	Member	Present (sub)			
Cllr Richard Palmer	Member				Present
Cllr Tony Winckless	Member				Present (sub)
<i>Cllr Steve Davey</i>	<i>Visiting</i>				<i>In attendance (virtual)</i>
Cllr Denise Knights	Member	Present	Present (Virtual)	Present (Virtual)	Present
<i>Cllr Ken Rowles</i>	<i>Visiting</i>		<i>In attendance (virtual)</i>	<i>In attendance (virtual)</i>	
<i>Cllr Steve Davey</i>	<i>Visiting</i>			<i>In attendance (virtual)</i>	
<i>Cllr Cameron Beart</i>	<i>Visiting</i>		<i>Present (sub)</i>	<i>In attendance (virtual)</i>	
<i>Cllr Tim Gibson</i>	<i>Visiting</i>			<i>In attendance (virtual)</i>	<i>In attendance (virtual)</i>
Officer	Capacity	Audit Committee Meeting Date			
		18 May 2022	25 July 2022	15 Nov 2022	30 Jan 2023
Larissa Reed	Chief Executive	In attendance			
Claudette Valmond	Head of Legal Services	In attendance			
David Clifford	Monitoring Officer	In attendance			

Lisa Fillery	Director of Resources		In attendance	In attendance	In attendance
Andrew Townsend	Interim Head of Audit Partnership		In attendance (virtual)		
Alison Blake	Interim Deputy Head of Audit Partnership		In attendance		
Julie Hetherington	Audit Manager		In attendance (virtual)	In attendance (virtual)	
Darren Wells	External Audit		In attendance (virtual)	In attendance (virtual)	
Richmond Nyarko	External Audit		In attendance (virtual)	In attendance (virtual)	
Claire Stanbury	Head of Finance & Procurement				In attendance
Katherine Woodward	Head of Audit Partnership				In attendance
Deborah Walton	Finance			In attendance (virtual)	
Duncan Ellis	Officer			In attendance (virtual)	
Jo Millard	Committee Services	In attendance			
Philippa Davies	Committee Services	In attendance			In attendance
Billy Attaway	Committee Services		In attendance	In attendance	
Kellie Mackenzie	Committee Services			In attendance (virtual)	In attendance (virtual)

The Committee received the following all-member training sessions during 2022/23.

- July 2022 – Annual Governance Statement & Role of Internal Audit
- November 2022 – Understanding the Statement of Accounts
- January 2023 – Understanding Treasury Management

In addition Members have also been able to consult Officers with questions outside of the meetings. The Committee will consider training opportunities as needed during 2023/24.

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

Activity

Over the course of the year the Committee considered, examined and made decisions on the following areas within its Terms of Reference:

Finance Activity

Treasury Management Outturn Report for 21/22 – July 2022

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 2021/22, and the Prudential and Treasury Management Indicators.

Mid-Year Treasury Management Review for 22/23 – Nov 2021

This report was presented to Members. It outlined the mid-year outturn position on treasury management transactions for 2022/23, including compliance with treasury limits and Prudential and Treasury Performance Indicators. Members noted the report, and the Prudential and Treasury Management Indicators.

Annual Financial Report 2021/22 and Audit Findings Report – Nov 21

The report was presented to Members. It outlined the Council's Annual Financial Report for 2021/22 and included the External Auditors Findings report and the Letter of Representation for the Committees consideration. Members noted the External Auditors Findings report and approved the Annual Financial Report and Letter of Representation.

Treasure Management Strategy 2023/24 – Jan 2023

The report presented to Members included Prudential Indicators and Treasury Management Strategy Statement on Financing and Investment Activities. Members approved the Treasury Management Strategy report for 2023/24, and the Prudential and Treasury Management Indicators.

Internal Audit Activity

Annual Internal Audit Report & Opinion 2021/22 – July 2022

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

Interim Internal Audit & Assurance Report 2022/23 – Nov 2022

The internal audit update report presented to Members, detailed the progress against the audit plan for 2022/23. Members noted the report

Mid-Year Internal Audit Update – Jan 2023

The internal audit update report presented to Members, detailed the progress against the audit plan for 2022/23. Members noted the report

External Audit Activity

External Audit Plan 2021/22 – July 2022

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.

Other Activity

Audit Committee Annual Report 2021/22 - July 2022

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.

Audit Committee Risk Management Update – Risk management Framework 2022 – July 2022

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

Annual Governance Statement 2021/22 – July 2022

The report sought the agreement of the Audit Committee to the Annual Governance Statement (AGS) which would form part of the Council's Annual accounts. The AGS would be signed-off by the Leader of the Council and the Chief Executive and it would be reported back to the Audit Committee in November 2022.

Sources of Assurance

Audit Committee have drawn on a variety of sources of assurance to fulfil their responsibilities. During 2022/23 assurance from the following sources was considered:

Finance Activity
The Committee reviewed and provided challenge on the annual accounts prior to their approval and publication.
The Committee reviewed and provided Challenge on the Treasury Management Strategy, outturn and mid-year review. The Committee were given the opportunity to comment on the performance indicators prior to their approval.
Internal Audit Activity
The Council received an unqualified Annual Opinion from the Head of Internal Audit. This opinion considers the overall adequacy and effectiveness of the authority's framework of governance, risk management and control arrangements.
The 2022/23 audit plans included detail of audit assurance work for the. The Committee were given the opportunity to comment on the work of internal audit prior to endorsing the plan for delivery.
External Audit Activity
The External Auditors presented an unqualified opinion for the Council's financial statements and value for money conclusion for 2021/22. The Committee provided effective challenge to the External Auditors and gained assurance from the reports and updates provided by Grant Thornton during the year.
Other Activity
The annual risk management report provided an overview of the effectiveness of the Council's risk management framework and the controls in place to manage corporate and operational risks.
The Committee reviewed the Annual Governance Statement which supported the overall conclusion of the Head of Internal Audit Opinion and identified actions for improvement. The Committee specifically gained assurance from this document as it explains the processes and procedures in place to enable the Council to carry out its functions effectively.

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 2022/23 as set out in the respective minutes.

Appendix A – Audit Committee Terms of Reference

Audit Activity	Regulatory Framework	Accounts
<p>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>	<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>	<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.</p>
<p>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.</p>	<p>To monitor council policies on ‘Whistleblowing’ and the ‘Antifraud and Corruption Strategy’.</p>	<p>To consider the external auditor’s report to those charged with governance on issues from the audit of the accounts.</p>
<p>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.</p>	<p>To consider and comment on the authority’s Annual Governance Statement and agree its adoption as part of the approval of the annual accounts.</p>	<p>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).</p>
<p>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.</p>	<p>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.</p>	<p>To present an annual report to the Council providing assurance that the responsibilities of the Committee have been met.</p>