

SWALE BOROUGH COUNCIL

Audit Committee

2023/24

Annual Report



1. Introduction by Chairman of Audit Committee

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 2023/24.

The Council continues to face challenges from the impact of the cost-of-living crisis, rising inflation and economic pressures facing the authority. 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 2023/24.

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 2023/24 the Committee met six times and I was pleased to note, among the highlights, the sign off of the 2022/23 Annual Accounts, consideration of the Council's risk management processes and a positive opinion on the Council's control and governance from our internal auditors.

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

2. Purpose of the Audit Committee Annual Report

Under CIPFA best practice the Audit Committee should produce an annual report on its performance to Full Council. This report summarises the work of the Audit Committee during 2023-24 and how it has fulfilled its duty. To assess its performance the following key areas have been considered, as aligned to CIPFA best practice:

- Purpose of the Committee
- Membership and Attendance
- Performance in delivery of its Terms of Reference
- Compliance to CIPFA Audit Committee Best Practice Self-Assessment
- Conclusions including training and development

3. 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). The guidance states:

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 management and other Committees, this is important as it ensures that duties can be discharged in line with the agreed Terms of Reference (attached as an appendix to this report). This includes rights of access and reporting lines direct to statutory officers, the Head of Audit Partnership and appointed external auditors where appropriate.

The Committee is not a substitute for the management function of internal audit, risk management, governance, or any other sources of assurance. The role of the Committee is to examine these functions and to offer views and recommendations on the way in which these functions are managed and conducted.

The production and presentation of an annual report is required by the Committee's Terms of Reference. The purpose of this report is to outline where the Committee has gained assurance during the year, particularly over areas of governance, risk management, Standards, and internal control.

4. Membership & Meetings

During 2023/24 the Audit Committee was comprised of nine Members and met six times, including a meeting to elect the chairs only as part of the annual council meeting on 18 May 2023

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 attendance at 2023/24 Audit Committee meetings.

Name	Role	17-Apr-23	17-May-23	24-July-23	23-Oct-23	24-Jan-24	19-Feb-24
Cllr Simon Clark	Chair	Apologies	✓	✓	✓	✓	✓
Cllr Derek Carnell	Vice-Chair	✓ (Chair)	✓	✓	Apologies	Apologies	✓
Cllr Andy Booth	Member		✓	✓	Apologies	✓	Apologies
Cllr Ann Hampshire	Member	Absent					
Cllr Angela Harrison	Member	✓		✓	✓	✓	✓
Cllr Mike Henderson	Member	Apologies	Apologies	✓	Apologies	Apologies	Apologies
Cllr Denise Knights	Member	✓					
Cllr Rich Lehmann	Member		✓	✓	✓ Virtual	✓ Virtual	Apologies
Cllr Peter Marchington	Member	Absent					
Cllr Pete Neal	Member	Apologies					
Cllr Tara Noe	Member		✓	✓ (Virtual)	✓	✓	✓
Cllr Richard Palmer	Member	✓		Apologies	✓	✓	✓
Cllr Dolly Wooster	Member		✓	Apologies	✓	✓ Virtual	✓
Cllr Tim Gibson	Visiting Member	✓ Substitute					
Cllr Elliot Jayes	Visiting Member	✓ Virtual					
Cllr Ann Cavanagh	Visiting Member			✓ Substitute	✓ Virtual		
Cllr Angie Valls	Visiting Member			✓ Substitute			
Cllr Chris Palmer	Visiting Member				✓ Substitute	✓ Substitute	
Cllr Tony Winckless	Visiting Member				✓ Virtual		
Cllr Claire Martin	Visiting Member					✓ Substitute	

The Committee is supported throughout the year by senior officers and managers of the Council who are regularly present, including:

- Chief Executive
- Director of Resources
- Director of Regeneration and Neighbourhoods
- Monitoring Officer
- Head of Finance
- Head of Mid Kent Audit Partnership
- Audit Delivery Manager
- Audit Planning Manager
- Head of Regeneration, Economic Development and Property and Interim Head of Planning
- Climate Change Officer

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

5. Delivery of the Committees Terms of Reference

The Audit Committee have drawn on a variety of sources of assurance to fulfil their responsibilities. During 2023/24 the Committee considered, examined and made decisions on the following areas within its Terms of Reference:

Finance Activity
<p>Treasury Management Outturn Report for 22/23 – July 2023</p> <p>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 2022/23, and the Prudential and Treasury Management Indicators.</p>
<p>Mid-Year Treasury Management Review for 23/24 – Jan 2024</p> <p>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.</p>
<p>Annual Financial Report 2022/23 and Audit Findings Report – Oct 23 and Jan 2024</p> <p>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.</p>
<p>Treasury Management Strategy 2024/25 – Jan 2024</p> <p>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.</p>
Internal Audit Activity
<p>Internal Audit and Assurance Plan 2023/24 – April 2023</p> <p>The internal Audit plan for 2023/24 was presented to members for their approval. Members approved the 2023/24 plan, and noted there was enough resource to deliver the plan independently and without inappropriate influence from management.</p>
<p>Annual Internal Audit Report & Opinion 2022/23 – July 2023</p> <p>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</p>
<p>Interim Internal Audit & Assurance Report 2023/24 – Jan 2024</p> <p>The internal audit update report presented to Members, detailed the progress against the audit plan for 2023/24. Members noted the report</p>
<p>Outstanding Audit Actions Update – Feb 2024</p> <p>The Committee requested and received an update on the outstanding audit actions relating to Planning Obligations. Progress was discussed and noted.</p>
External Audit Activity
<p>External Audit Plan 2022/23 – April 2023</p> <p>External audit presented to Members the report which included an overview of the scope, cost, and timing of the audit for 2022/23. Members noted the External Audit Plan.</p>
<p>External Audit Annual Report 2021/22 and 2022/23– April 2023 and Jan 2024</p>

The Annual Financial Reports for 2020/21 and 2022/23 were 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.

External Audit Progress Report 2022/23 – July 2023

The progress on the 2022/23 audit was presented to the committee. Members noted the progress.

Other Activity

Audit Committee Annual Report 2022/23 – Oct 2023

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.

Risk Management Annual Update 2022/23 – April 2023

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

6. CIPFA Self-Assessment of Good Practice

The 2022 CIPFA Audit Committee Guidance provides a framework for assessing the Audit Committee against good practice. Where an Audit Committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee. A regular self-assessment should be used to support the planning of the Audit Committee work programme and training plans.

This can be found at Appendix B. It will also inform this annual report.

Assessing the Audit Committee against that framework, the following areas were identified for development:

- Review the Committees Terms of Reference to determine if any further improvements could be made in line with guidance available.
- An assessment be undertaken of the committee's knowledge and skills.
- Develop training and support arrangements for committee members following the knowledge and skills assessment.
- Evaluate how the committee adds value to the organisation and explore obtaining feedback on the committee's role within the organisation.
- Develop and action plan to support the committee.

There was one area of non-compliance on the subject of appointing an independent member to the committee. It is considered best practice for Audit Committees to have an independent member and is the recommendation of standard setters in the field, however, this committee has decided that it will not appoint an independent member at this time and will be reviewed again following the next Local Elections.

7. Conclusions

Whilst the Audit Committee generally complies with the CIPFA Position Statement and the self-assessment, there are some areas that could be improved upon for full compliance (see section 6 for details).

The committee understand the importance of receiving training to keep its skills and knowledge current and has regularly undertaken training throughout 2023/24, including the following to support the committee's development:

- Overview of the Audit Committee, Annual Governance Statement, and Internal Audit
- Statement of Accounts
- Treasury Management

These sessions have been well attended by members of the committee.

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.

In addition to receiving and commenting on regular reports and attending training and development opportunities, the committee also makes recommendations to other committees and officers of the council on important items that arise through the committee's discussions.

Through this review the Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2023/24 and this can also be seen as set out in the respective minutes.

Appendix A – Audit Committee Terms of Reference

Membership: Nine (9) Members

Purpose: The purpose of the 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 nonfinancial 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
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 Policy and Resources Committee or the Council.
To consider reports dealing with the management and performance of Internal Audit Services, including consideration and endorsement of Internal Audit Plans.	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 oversee 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.

Appendix B

CIPFA Self-Assessment of Good Practice – Swale Borough Council

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Audit committee purpose and governance

1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3	Has the committee maintained its advisory role by not taking on any decision-making powers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
7	Does the governing body hold the audit committee to account for its performance at least annually?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:					
<ul style="list-style-type: none"> compliance with the CIPFA Position Statement 2022 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> results of the annual evaluation, development work undertaken and planned improvements 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<ul style="list-style-type: none"> how it has fulfilled its terms of reference and the key issues escalated in the year? 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Functions of the committee					
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Risk management arrangements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Internal control arrangements, including: <ul style="list-style-type: none"> financial management value for money ethics and standards counter fraud and corruption 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Annual governance statement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Financial reporting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Assurance framework	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Internal audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
External audit	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
10 Over the last year, has adequate consideration been given to all core areas?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
12 Has the committee met privately with the external auditors and head of internal audit in the last year?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?					
• Separation from executive	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
• A size that is not unwieldy and avoids use of substitutes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
18 Is adequate secretariat and administrative support provided to the committee?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
22 Are meetings effective with a good level of discussion and engagement from all the members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
23 Has the committee maintained a non-political approach to discussions throughout?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
26 Do audit committee recommendations have traction with those in leadership roles?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
27 Has the committee evaluated whether and how it is adding value to the organisation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
28 Does the committee have an action plan to improve any areas of weakness?	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29 Has this assessment been undertaken collaboratively with the audit committee members?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Subtotal score	0	0	8	42	105
Total score					155
Maximum possible score					200**