

# Public Document Pack



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## GOVERNANCE AND AUDIT COMMITTEE

20 MARCH 2012

A meeting of the Governance and Audit Committee will be held at **7.00 pm on Tuesday, 20 March 2012** in the Austen Room, Council Offices, Cecil Street, Margate, Kent.

### Membership:

Councillor Savage (Chairman); Councillors: Campbell (Vice-Chairman), Binks, Day, D Green, Matterface, W Scobie, M Tomlinson and Worrow

## SUPPLEMENTARY AGENDA NO.1

Item  
No

9. **REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE AND AUDIT COMMITTEE AND ANNUAL REPORT – ANNEX 1** (Pages 1 - 12)

This replaces the annex previously distributed in the main agenda document which omitted the 'tick' detail.

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# Governance and Audit Committee

ANNUAL REPORT 2011/12



## Foreword by Councillor Jason Savage, Chairman of the Governance and Audit Committee

I am pleased to introduce the annual report of the Governance and Audit Committee covering the year to 31 March 2012. During the year, the Committee has continued to build in strength and effectiveness and this was evidenced by increased interest and attendance by other Members of the council.

Good governance is important to all officers and members of Thanet District Council. It is a key responsibility for the Leader and Chief Executive, and it is also important for other Members of Cabinet, full Council and Senior Management Team, and in particular the Governance and Audit Committee who are responsible for monitoring and providing assurance on our governance arrangements.

I would like to take this opportunity to thank my fellow committee members for their attendance and contributions towards the Committee's objectives during the year, and also to officers of the council for their professional approach to governance matters and to the business of the Governance and Audit Committee.

### 1.0 Introduction and Background

- 1.1 The council established a Governance and Audit Committee in March 2006. Whilst there is no statutory obligation to have an Audit Committee, they are widely recognised as a core component of effective governance. In recent years there has been a significant amount of regulation and guidance issues in governance arrangements for private and public sector bodies, the common feature of governance arrangements being the existence of an Audit Committee.
- 1.2 The purpose of the council's Governance and Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent review 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.
- 1.3 There are many benefits to be gained from an effective Audit Committee. In fulfilling its role the Committee will:
  - reduce the risks of illegal or improper acts;
  - reinforce the importance and independence of internal and external Audit;
  - increase confidence in the objectivity and fairness of financial reporting.
- 1.4 Stricter internal control and the establishment of a Governance and Audit Committee can never eliminate the risks of serious fraud, misconduct or misrepresentation of the financial position. However, it will:
  - give additional assurance through a process of independent and objective review; and
  - raise awareness of the need for internal control and the implementation of audit recommendations.

## 2.0 Membership

2.1 For the period June to September 2011 the Governance and Audit Committee comprised of eight members, this increased to nine members in December 2011 and met on six occasions. Committee agenda papers and minutes are available on the council's website ([www.thanet.gov.uk](http://www.thanet.gov.uk)). There were some changes to the membership during the year, but this did not impact on the effectiveness of the Committee.

Member / Officer	22/06/11	29/06/11	10/08/11	29/09/11	13/12/11	20/03/12
<b>Members</b>						
Cllr R Binks	✓	A	✓	✓	✓	
Cllr P Campbell (VC)	✓	✓	✓	✓	✓	
Cllr K Coleman-Cooke		S				
Cllr S Day	✓	✓	✓	✓	✓	
Cllr I Driver (#1)	✓	✓				
Cllr R Everitt				IA		
Cllr M Fenner				IA		
Cllr D Green	✓	✓		✓	✓	
Cllr I Johnston (#3)		IA	✓	✓	A	
Cllr J Matterface	✓	A	✓	✓	✓	
Cllr A Poole				IA		
Cllr J Savage (C)	✓	✓	✓	✓	✓	
Cllr W Scobie		S			S	
Cllr M Tomlinson	✓	A	✓	✓		
Cllr Z Wiltshire		S				
Cllr J Worrow (#2)					✓	
<b>Officers</b>						
Sarah Martin, Financial Services Manager (Deputy S151 Officer)		✓	✓	✓	✓	
Sue McGonigal, Chief Executive (S151 Officer)				✓	✓	
Nikki Morris, Business Support and Compliance Manager	✓	✓		✓	✓	
Harvey Patterson, Corporate & Regulatory Services Manager (Monitoring Officer)	✓	✓	✓	✓	✓	
<b>EK Services</b>						
Mark Gillmore, Payments Manager				✓	✓	
Andrew Stevens, Assistant Director				✓	✓	
<b>East Kent Audit Partnership</b>						
Christine Parker, Head of the Audit Partnership	✓				✓	
Simon Webb, Audit Manager	✓			✓	✓	
<b>Audit Commission</b>						
Andy Mack, District Auditor	✓				✓	
Lisa Robertson, Audit Manager	✓	✓		✓		
Harpal Singh, Team Leader			✓	✓	✓	

### Key

C	Chairman	VC	Vice Chairman		
A	Apologies	IA	In Attendance	S	Substitute

## Notes

- #1 14/07/11 - Council adopted changes to the Group nominations following Cllr I Driver's resignation, appointing Cllr I Johnston.
- #2 08/12/11 – Council appointed Cllr J Worrow to the Committee.
- #3 19/01/12 - Council agreed the replacement of Cllr I Johnston, due to the change in political power and Cllr I Johnston being appointed to Cabinet, with Cllr W Scobie.

## 3.0 Programme of reports 2011/12

- 3.1 Detailed below is the programme of reports considered by Governance and Audit Committee during 2011/12, and how they relate to the Committees terms of reference. Also shown are the items of training provided to the Committee.

Function/Issue	Responsible officer/ body	22/06/11	29/06/11	10/08/11	29/09/11	13/12/11	20/03/12
<b>Audit activity</b>							
Annual Audit Fee Letter	AC	✓					
Annual Audit Letter 2010/11	AC					✓	
Annual Grant Certification report 2010/11	AC						✓
Annual Internal Audit report	EKAP	✓					
Housing Benefits quarterly testing	EKS				✓		
Internal Audit arrangement review	CE						✓
Internal Audit Plan, Charter and Strategy	EKAP						✓
Opinion Audit Plan	AC						✓
External Audit update report	AC	✓				✓	✓
Internal Audit update report	EKAP	✓			✓	✓	✓
<b>Regulatory framework</b>							
Annual Governance Statement action plan	BSCM	✓				✓	✓
Corporate Risk Register	BSCM	✓			✓	✓	✓
Data Quality Framework	BSCM						✓
Debt write off protocol	CRSM / EKS		✓		✓		
Draft Annual Governance Statement	BSCM		✓				
External Funding Protocol	FSM					✓	
Final Annual Governance Statement	BSCM				✓		
G&A programme of reports	BSCM						✓
G&A review and annual report	G&A Chairman						✓
G&A terms of reference	BSCM						✓
Governance Framework and Local Code of Corporate Governance	BSCM					✓	
Governance Matters newsletter	BSCM				✓		
Risk Management Strategy and Process	BSCM				✓		
Treasury Management Strategy	FSM					✓	
Treasury Management update	FSM		✓		✓	✓	✓
<b>Accounts</b>							
Annual Governance report	AC					✓	
Debt Write Offs for 2010/11	FSM		✓				
Draft Statement of Accounts	FSM		✓	✓			
European Regional Development Fund	FSM		✓				
Final Statement of Accounts	FSM				✓		

Function/Issue	Responsible officer/ body	22/06/11	29/06/11	10/08/11	29/09/11	13/12/11	20/03/12
<b>Training</b>							
External Funding Protocol	FSM					✓	
Members Guidance Pack	BSCM	✓					
National Fraud Initiative	SIO						✓
Statement of Accounts	FSM		✓				
The role of the Governance and Audit Committee	AC					✓	

### Key

AC	Audit Commission	CE	Chief Executive (S151 Officer)
BSCM	Business Support and Compliance Manager	CRSM	Corporate & Regulatory Services Manager (Monitoring Officer)
EKAP	East Kent Audit Partnership	EKS	EK Services
FSM	Financial Services Manager (Deputy S151 Officer)	G&A	Governance and Audit Committee
SIO	Senior Incomes Officer		

## 4.0 Review of the Governance and Audit Committee's effectiveness

- 4.1 The Governance and Audit Committee should ensure it has effective communication with the authority, to include the Executive, the Head of Internal Audit, the External Auditor and other stakeholders. Consequently it is considered to be best practice for the Committee to be self aware and to submit an annual report to Council.
- 4.2 A meeting was held with the Chairman, Councillor Jason Savage; the Vice Chairman, Councillor Peter Campbell; the Audit Manager, Simon Webb and the Business Support and Compliance Manager, Nikki Morris to review the Committees terms of reference to specifically evidence how the Committee achieved against them and prepare this annual report.
- 4.3 The annual report summarises the work of the Committee for the year and concludes that it has received clear, concise and relevant information, regular training events on topics specific to the business of the Committee, and has done all that it can to meet the aims and objectives for the Committee in the best way that it can.

## 5.0 Annual Report

- 5.1 The Governance and Audit Committee is assured on the integrity and reliability of data held in the financial statement. It receives clear, concise reports and actions are dealt with in an appropriate timescale. The members of the Committee receive specific training in order to assist them with their role in receiving comprehensive assurance from the accounting officer.
- 5.2 The work of internal and external audit provides detailed assurance on the reliability and integrity of the information held in the financial statements as well as on the key control framework in operation across the council.

- 5.3 The assurances from the accounting officer, the work of internal and external audit together support the Committee in forming their opinion of the financial statements, enabling them to agree to sign them off in accordance with regulations.
- 5.4 The Committee receives a regular report on agreed actions from the Annual Governance Statement process. It also reviews the Councils Governance Framework and Local Code of Corporate Governance.
- 5.5 The Committee reviews the Risk Management Strategy on a regular basis and considers the effectiveness of the risk management process both through the work of internal audit and through receiving quarterly risk management reports.
- 5.6 The Committee considers the effectiveness of the internal audit arrangements by reviewing the annual assessment of the Chief Executive (Section 151 Officer), the view of external audit and the quality of reports, actions and follow ups through the quarterly reports submitted throughout the year to Committee.
- 5.7 The Committee is able to request service managers and, where necessary, the relevant portfolio holder to attend the Committee to give an update on progress against agreed actions to reduce risk and/or improve governance.
- 5.8 The Chairman, Vice Chairman and Officers considered the effectiveness of the Committee against the terms of reference at a meeting on the 22 February 2012 and 4 actions were identified which are recommended that will improve performance against best practice for the forthcoming year. The evidence demonstrating achievement of the Committees terms of reference is attached at Annex 1.
- 5.9 The recommended actions are listed in annex 2 attached to this report. They will be incorporated into the councils Annual Governance Statement (AGS) for 2011/12 and then reviewed on a quarterly basis through the AGS action plan. All actions from previous years have now been completed.
- 5.10 The terms of reference for the Committee were also reviewed and changes recommended which the Governance and Audit Committee considered at its meeting on the 20 March 2012.

## **6.0 Future Challenges**

- 6.1 The Governance and Audit Committee will continue with its existing duties whilst continually striving to achieve best practice where this is feasible and affordable. In the forthcoming year, the Committee will need to satisfy itself that shared services are complying with our governance arrangements.

## **7.0 Annexes**

- Annex 1 Governance and Audit Committee Annual Assessment for the period 2011/12
- Annex 2 Governance and Audit Committee Action Plan from 2011/12 assessment to be actioned in 2012/13



**Governance and Audit Committee annual assessment for 2011/12**  
**Evidence from 22 February 2012 meeting**

Present: Councillor J Savage (Chairman), Councillor P Campbell (Vice Chairman), Simon Webb, Audit Manager and Nikki Morris, Business Support and Compliance Manager

<b>Good practice principle / description</b>	<b>Agree</b>	<b>Disagree</b>	<b>Achieved through:</b>
<b>Audit Committee practices, structure and operation</b>			
Does the council have a stand alone Audit Committee that reports regularly to Council?	✓		Annual Report of Governance and Audit Committee that goes to Annual Council (17/05/12)
Is the Audit Committee comprised of members who are independent of the executive and financially literate?	✓	✓	The Chairman and Vice Chairman agreed that members of the Committee were independent of the executive, but felt they could not comment on whether members were financially literate.
Are new members inducted, specifically on governance and finance, as well as receiving ongoing training and development opportunities?	✓	✓	Governance and Financial section within formal Induction Programme for Members following Elections. Training sessions at the beginning of each meeting, especially for the Statement of Accounts. Recommended that any new members are given an induction to the Committee.
Does the Audit Committee meet regularly throughout the year? Are these meetings appropriately supported by officers of the council?	✓		Attendance records.
Is an annual calendar of meetings/reports prepared to ensure all duties noted in the terms of reference are fulfilled?	✓		Programme of reports within the Governance and Audit guidance pack.
Are agenda provided to Audit Committee members sufficiently in advance of meetings?	✓		Council protocol to issue agenda at least 5 clear days prior to the meeting.
Is the Audit Committee's performance assessed against the duties and responsibilities detailed in the terms of reference?	✓		Separate meeting with Chairman, Vice Chairman and officers to go through achievement against terms of reference (held 22/02/12)
Is this assessment provided to Council, and are appropriate actions taken to enhance the Committee if necessary?	✓		Annexed to Annual Report. Tailored and specific training provided as necessary.
<b>Financial reporting</b>			
Does the Audit Committee oversee the financial reporting process and credibility of the council's financial information?	✓		Through accepting reports in connection with the council's financial statements.

<b>Good practice principle / description</b>	<b>Agree</b>	<b>Disagree</b>	<b>Achieved through:</b>
Does the Audit Committee receive regular reports on the council's Treasury Management process?	✓		Regular reports on the agenda, detailed in the Programme of Reports.
Does the Audit Committee oversee the council's internal control framework?	✓		Reports to Committee – quarterly Internal Audit update reports, annual Internal Audit report and regular External Audit reports.
Are any issues that may negatively affect the financial information generated from the internal controls processes brought to the Audit Committee's attention?	✓		Discussion of reports at each Committee meeting.
<b>Effective relationships with auditors</b>			
Does the Audit Committee receive regular reports from the external auditors?	✓		Shown through the Programme of Reports.
Does the Audit Committee review and approve the internal auditors work plan and scope of planned audits, as well as their staffing and financial budgets?	✓		The Internal Audit Plan, which includes the Audit Charter and Strategy are programmed in for each March meeting of the Committee. This covers staffing and qualifications.
Does the Audit Committee receive reports dealing with the management and performance of the internal auditors?	✓		The Charter and Strategy cover these areas. Also Customer Feedback which is detailed in the quarterly Internal Audit update reports and the Annual Report in June of each year.
<b>Compliance with laws, regulations and internal policies</b>			
Does the Audit Committee monitor compliance with internal policies, such as the code of conduct?	✓		These feature within the Internal Audit plan, specifically looking at the member and officer Code of Conduct. Also embedded within various audits.
Does the Audit Committee approve those policies / strategies that fall within its remit, such as anti fraud and corruption, whistleblowing, risk management?	✓		Detailed within the Programme of Reports.
Does the Audit Committee have the power to investigate any matters brought to their attention that have a significant impact of the council's financial or governance arrangements?	✓		Governance and Audit Committee have the ability to request appropriate Member/Officer attendance to respond to questions at next available meeting, or to provide a written update if the need is of an urgent nature.
Does the Audit Committee approve the Statement of Accounts and Annual Governance Statement at the appropriate time?	✓		Meeting dates are arranged with deadline dates in mind to ensure they are met.

<b>Good practice principle / description</b>	<b>Agree</b>	<b>Disagree</b>	<b>Achieved through:</b>
<b>Terms of reference</b>			
<b>Audit activity</b>			
To consider the annual report and opinion of the East Kent Audit Partnership, and a summary of audit activity (actual and proposed) and the level of assurance it can give over the council's governance arrangements;	✓		Receiving East Kent Audit Partnership annual report in June of each year.
To approve (but not direct) internal audit's strategy, plan and monitor performance;	✓		This is directed by the Section 151 Officer, and approved by Governance and Audit Committee at their meeting in March.
To consider summaries of specific internal audit reports as requested;	✓		Achieved through agreeing the annual audit plan, and receiving the quarterly internal update reports.
To consider reports dealing with the management and performance of the providers of internal audit services;	✓		Receiving the 'effectiveness of the council's Internal Audit arrangements' report prepared by the Chief Executive (Section 151 Officer).
To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale;	✓		Contained within the quarterly internal audit reports and the internal audit annual report.
To consider the external auditor's annual letter, relevant reports and the report to those charged with governance;	✓		Receive the Annual Audit Letter normally in December and on a quarterly basis receive an update report from the external auditors.
To consider specific reports as agreed with the external auditor;	✓		The external auditors regularly provide reports to the Governance and Audit Committee on relevant matters.
To consider the annual programme of work and associated fees for the external auditors and provide challenge as appropriate	✓		Receive the annual audit fee from the external auditors.
To commission work from internal and external audit as agreed by the Committee.	✓		This enables Governance and Audit Committee to request work, but this has not been required during 2011/12.
<b>Regulatory framework</b>			
To review any governance / financial issue referred to it by the Chief Executive or a Director, or any council body;	✓		This has not been required during 2011/12.
To monitor the effective development and operation of risk management and governance in the council;	✓		Approve the annual review of the risk management strategy and process, and receive the corporate risk register on a quarterly basis.

Good practice principle / description	Agree	Disagree	Achieved through:
To oversee the application of the council's governance arrangements for partnership activities where the council is the accountable body and / or employer;	✓		Internal audits for EK Services, East Kent Housing and East Kent HR Partnership, reported to Governance and Audit Committee in the quarterly Internal Audit update reports.
To approve the council policies on Whistleblowing and Anti-fraud and Corruption;	✓		Received the reviewed policy for approval and received training on this matter.
To approve the authority's Annual Governance Statement;	✓		Draft Annual Governance Statement agreed by Governance and Audit Committee in June 2011, final document approved at the September meeting.
To consider the council's compliance with its approved Treasury Management Strategy	✓		Agreed by Governance and Audit Committee in December 2011 and receive regular reports on this matter.
To consider the council's arrangements for governance and agreeing necessary actions to ensure compliance with best practice;	✓		Achieved by the Committee receiving the annual review of the Governance Framework and Local Code of Corporate Governance.
To consider the council's arrangements for ensuring adequate data quality;	✓		Governance and Audit Committee are informed of when these documents have been reviewed, ensuring that adequate arrangements are in place.
To consider the council's compliance with its own and other published standards and controls.	✓		Achieved through reviewing the Committee's terms of reference and achievement against them, and production of the Annual Report.
<b>Accounts</b>			
To approve the annual Statement of Accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the council;	✓		Receive and approve the draft Statement of Accounts in June and the Final Accounts in September of each year.
To consider the external auditor's report on issues from the audit of the accounts and recommend approval to those charged with governance.	✓		This is included within the Annual Audit Letter received in December each year.

### Governance and Audit Committee Action Plan 2012/13

Following the completion of an annual assessment of the performance of the Governance and Audit Committee for the period 1 April 2011 to 31 March 2012, the issues below were identified and action will be undertaken during the period 1 April 2012 to 31 March 2013 to address these.

Ref	Issue identified	Proposed Action	Proposed completion date	Responsible officer / body
11-12/01	With the various changes in membership throughout 2011/12, were new members inducted?	If there is a change in membership during a Committee cycle, the new member is given a detailed induction prior to their first attendance.	Ongoing	TBC
11-12/02	Managers do not always complete the customer feedback questionnaires for Internal Audits undertaken.	Request that this be raised at a future Managers Conference and Staff Development session to encourage Managers to complete the questionnaire.	30 Sept 2012	TBC
11-12/03	Three recommended changes to the Terms of Reference for Governance and Audit Committee.	Terms of reference be updated and then agreed through the formal process and then updated within the Constitution.	31 July 2012	BSCM
11-12/04	Are substitutes adequately trained to ensure that the Committee can reasonably achieve against its Terms of Reference.	Look into the possibility of operating a substitutions pool similar to that operated for Planning Committee.	31 Dec 2012	TBC

**Key:**

BSCM      Nikki Morris, Business Support and Compliance Manager  
 TBC        To be confirmed

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