

Governance and Audit Committee

ANNUAL REPORT
2020/21

Foreword by Councillor Garner, Chairman of the Governance and Audit Committee

This report provides an overview of the Governance and Audit Committee's activity during the municipal year 2020/21, a year which has seen 2 different Councillors Chair the committee. I was elected Chair in Feb after the previous Chair, Cllr Simon Day, left the Committee. I'd like to thank him for his work during the majority of the year and for helping me to take over from him.

I am pleased to report that the Committee continues to discharge its responsibilities to provide independent assurance on the adequacy of the council's risk management framework and the associated control environment, and endeavours to provide robust scrutiny and challenge of the Authority's financial performance and of its Governance processes.

As outlined in the body of this report, the Committee has been actively engaged with both internal and external audit, and I would like to thank all the Members who served on the Committee during 2020/21. My thanks also go to the Council officers who have supported me in my role as Chairman, and in the work of the Committee.

In looking forward to the next year, 2021/22, there will be a lot for the Committee to focus on and given the continued financial pressures facing the Council, the importance of an effective Governance and Audit Committee remains critical.

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 The Governance and Audit Committee comprised of between 12 and 14 Members. Committee agenda papers and minutes are available on the Council's website (www.thanet.gov.uk).

	Members	22 Jul 2020	23 Sept 2020	25 Nov 2020	10 Feb 2021 *Ex	03 Mar 2021
C o m m i t t e e M e m b e r s	Cllr Boyd	✓	✓	✓	✓	✓
	Cllr Braidwood	✓	A	Ab	✓	A
	Cllr Campbell	✓	Ab	A		NA
	Cllr Crittenden	✓	✓	A	✓	✓
	Cllr Currie	Ab	✓	✓	✓	✓
	Cllr Day	C	C	C		
	Cllr Dexter	VC	Ab	VC	VC	VC
	Cllr Duckworth				✓	Ab
	Cllr Garner	✓	✓	✓	✓	C
	Cllr Kup	A	✓	✓	✓	A
	Cllr Pat Moore	✓	✓	Ab	✓	A
	Cllr Pugh				✓	A
	Cllr Shrubbs	✓	✓	✓	✓	✓
	Cllr Towning	✓	✓	✓	✓	✓
R e s e r v e s	Cllr Potts (R)	NA	NA	NA	NA	NA
	Cllr Rattigan (R)		NA	NA	NA	✓S
	Cllr Roper (R)	NA	NA	NA	NA	NA
	Cllr Whitehead (R)	NA	NA	NA	NA	NA
	Cllr Scott (R)	NA	NA	NA	NA	NA
	Non-Committee Members					
	Cllr Ashbee	IA		IA	IA	
	Cllr Bambridge				IA	
	Cllr Hart	IA				
	Cllr Pugh	IA				
	Cllr Saunders			IA		

Key

C/VC	Chair/Vice Chair	NA	Not Applicable	S	Present as Substitute
A	Apologies	IA	In Attendance	Ab	Absent

3.0 Programme of reports 2020/21

3.1 Detailed below is the programme of reports considered by the Governance and Audit Committee during 2020/21, and how they relate to the Committees terms of reference.

Function/Issue	Resp. officer/ body	22 Jul 2020	23 Sept 2020	25 Nov 2020	10 Feb 2021 *Ex	03 Mar 2021	To be heard 28 Jul 2021
Audit activity							
External Audit Annual Letter	GT						✓
Internal Audit Annual Report	EKAP	✓					
External Audit Findings Report	GT			✓		✓	
External Audit Plan 2020-21 (This has been deferred because of the delay in signing off the accounts, which occurred 3 March 2021)	GT						✓
Internal Audit Charter and Draft 2021-22 Internal Audit Plan	EKAP					✓	
Internal Audit Quarterly Update Report	EKAP	✓	✓	✓		✓	
External Audit Update Report	GT	✓					
Audit Committee Assurance Statement	DF			✓		✓	
Regulatory framework							
Annual Governance Statement	DCG	✓					
Annual Governance Statement Action Plan 2019/20 Progress Report (The AGS was approved in November 2020. The Action Plan progress report will be rolled forward to the next Audit and Governance Committee)	DCG						✓
Annual Treasury Management Review 2019/20	DF	✓					
Corporate Risk Management Quarterly Update	DF	✓	✓	✓		✓	
2019-2020 & 2021-22 Accounting Policies	DF	✓				✓	
Treasury Management Strategy Statement and Annual Investment Strategy - Mid Year Review Report 2020-21	DF			✓			
Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2021-22	DF			✓			
Final Statement of Accounts 2019-20 and Management's Letter of Representation	DF			✓		✓	
In-depth insight into the impact of Covid-19 on financial reporting in the Local Government Sector	GT	✓					

Key

- DCG Director of Corporate Governance and Monitoring Officer
- DCX Deputy Chief Executive Section 151 Officer
- EKAP East Kent Audit Partnership
- GT Grant Thornton
- DF Director of Finance

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 The annual report summarises the work of the Committee for the year and concludes that it has received clear, concise and relevant information, 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 approved the Council's 2019-20 Statement of Accounts on 3 March 2021, following the deferral of the approval at the 25 November 2020 meeting. This deferral was necessary due to a technical accounting issue that was identified late in the audit process, which was not able to be resolved in time for the 25 November committee meeting. The technical accounting issues related to estimations for the valuation of the Dreamland site and recognition of liabilities relating to the settlement of the Compulsory Purchase Order. Through the passage of time this accounting issue was resolved with the Council's disposing of the site and settling the liabilities associated with the CPO.
- 5.2 Subsequently the Council's auditors, Grant Thornton (GT), provided an unqualified audit opinion in their Audit Findings Report and concluded that the council's financial statements presented a true and fair view of the financial position, its expenditure and income for the year and had been properly prepared.
- 5.3 GT have still to provide their Value for Money opinion for the 2018-19 and 2019-20 financial years. The council received four objections from local electors in relation to the 2018-19 accounts; substantial progress has been made with three of the four objections, but work is ongoing on the remaining objection, relating to Ramsgate Port, where further enquiries are required to allow GT to conclude on the 2018/19 VFM conclusion. The Value for Money work for 2019-20 centres on ongoing financial sustainability and ongoing governance arrangements. Their work on financial sustainability has been completed, but work is on-going in relation to other matters.
- 5.4 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.
- 5.5 The assurances from the Chief Finance 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.
- 5.6 The Committee reviews the Council's Governance Framework as appropriate and Local Code of Corporate Governance annually.
- 5.7 The Committee reviews the Risk Management Strategy as appropriate and considers the effectiveness of the risk management process both through the work of internal audit and through receiving quarterly risk management reports.

- 5.8 The Committee reviews the Treasury Management Strategy on an annual basis, alongside reporting against the strategy at the mid-year and year-end positions. The members of the Committee receive specific training in order to assist them with their role in receiving comprehensive assurance from the Section 151 Officer and their deputy.
- 5.9 The Committee considers the effectiveness of the internal audit arrangements by reviewing the quality of reports, actions and follow-ups through the quarterly reports submitted during the year to the Committee.
- 5.10 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.
- 5.11 The Chairman and Officers have considered the effectiveness of the Committee. The self-assessment evidence demonstrating achievement of the Committee's terms of reference is attached at Appendix 1.
- 5.12 Due to pressure on staff and resources recommended actions from last year have not been fully implemented. The work has therefore been rolled over into next year. The recommended actions are listed in Appendix 2 attached to this report. They will be incorporated into the council's Annual Governance Statement (AGS).
- 5.13 The Introduction to the Financial Management Code states: "It is for all the senior management team to work with elected members in ensuring compliance with the FM Code and so demonstrate the standard of financial management to be expected of a local authority. In doing this the statutory role of the section 151 officer will not just be recognised but also supported to achieve the combination of leadership roles essential for good financial management." To demonstrate compliance with the Code, a review was planned to take place over the last year. However, Covid 19 has drawn away any resource to enable this review to take place. It is still the intention of the S151 Officer to conduct a review, but not in the immediate future. This is, in part, because of the continuing demands of Covid on the finance service. But it is also because a replacement of the council's financial management system is now under way. This, in itself, uses up staff resources in finance, but it will also enable us to revise and update our financial management processes. It is deemed better timing to allow the new financial system to be in place, before we measure the council's financial management against the requirements of the Code.

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:
- oversee corporate risk management within the context of change arising from the continued reduction in resources
 - maintain effective internal control in a period of government funding reductions and service change.
 - make the Code more of a forward facing document by identifying and planning future changes in governance arrangements
 - moving documents to the Council's website and provide links to those documents in reports

7.0 Appendices

Appendix 1 Governance and Audit Committee Annual Assessment for the period 2020/21

Appendix 2 Governance and Audit Committee Action Plan 2021/22

Governance and Audit Committee Self-assessment of good practice - Appendix 1

Good practice questions	Yes	Partly	No	Comments/Action
Audit Committee purposes and governance				
Does the council have a dedicated Audit Committee?	✓			
Does the Audit Committee report directly to full council?	✓			Annual Report of Governance and Audit Committee is considered by the Council annually
Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?		✓		Action; Review the terms of reference against the CIPFA's Position Statement
Is the role and purpose of the audit committee understood and accepted across the authority?	✓			Set out in the constitution and understood by Members and officers
Does the audit committee provide support to the authority in meeting the requirements of good governance? Is an annual calendar of meetings/reports prepared to ensure all duties noted in the terms of reference are fulfilled?	✓			Meeting dates are arranged with deadline dates in mind to ensure they are met. The Council's protocol is to issue agenda at least 5 clear working days prior to the meeting. Meeting dates, details of the committee, agendas and minutes are all published on the Council's website.
Are the arrangements to hold the committee to account for its performance operating satisfactorily?		✓		Action; Undertake a more detailed review of the committee's operation in the coming year
Are the Committee fully trained and fully engaged in the work they do?		X		Action: Ensure a full programme of relevant training post Annual Council and that members are fully briefed on technical reports.
Functions of the committee				
Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?	✓			
• Good governance	✓			
• Assurance framework	✓			
• Internal audit	✓			
• External audit	✓			
• Financial reporting	✓			
• Risk management	✓			
• Value for money or best value		✓		Covered by work provided by internal and external audit
• Counter-fraud and corruption	✓			

Is an annual evaluation undertaken to assess whether the committee is fulfilling its terms of reference and that adequate consideration has been given to all core areas?	✓			Annual report sets out the work undertaken in accordance with the committee terms of reference. This includes all core areas.
Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?		✓		Action: To be undertaken as part of the terms of reference review
Where coverage of core areas has been found to be limited, are plans in place to address this?			n/a	Core areas sufficiently covered
Has the committee maintained its non-advisory role by not taking on any decision-making powers that are not in line with its core purpose?	✓			
Membership and support				
Has an effective audit committee structure and composition of the committee been selected? This should include: <ul style="list-style-type: none"> • Separation from the executive • An appropriate mix of knowledge and skills among the membership • A size of committee that is not unwieldy • Where independent members are used, that have been appointed using an appropriate process 	✓	✓	✓	Members of the Committee are independent of the Executive.
Does the chair of the committee have appropriate knowledge and skills	✓			
Are arrangements in place to support the committee with briefings and training?	✓			There is a Governance and Financial section within the formal Induction Programme for Members following Elections. Training sessions are also provided throughout the year, especially for the Statement of Accounts. Member briefings are also provided for particular issues as necessary. Members also request training when required.
Has the membership of the committee been assessed	✓			

against the core knowledge and skills framework and be found to be satisfactory?				
Does the committee have good working relations with key people and organisations, including external audit, internal audit and the chief finance officer?	✓			
Is adequate secretariat and administrative support to the committee provided?	✓			
Effectiveness of the committee				
Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	✓			The Charter and Strategy cover these areas. Also customer feedback which is detailed in the quarterly Internal Audit update reports and the Internal Audit Annual Report.
Has the committee evaluated whether and how it is adding value to the organisation?		✓		Partly through the Annual Report
Does the committee have an action plan to improve any areas of weakness?	✓			See actions recommended above.

Governance and Audit Committee Action Plan 2021/22 - Appendix 2

Following the completion of an annual assessment of the performance of the Governance and Audit Committee for the period May 2020 to April 2021, the issues below were identified and action will be undertaken during the period May 2021 to April 2022 to address these.

Ref	Good practice principle / description / issue identified	Proposed Action	Proposed completion date	Responsible officer / body
21-22/01	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's Position Statement?	Review the terms of reference against the CIPFA's Position Statement	September 2021	DCG
21-22/02	Has the audit committee considered the wider areas identified in CIPFA's Position Statement and whether it would be appropriate for the committee to undertake them?	To be undertaken as part of the terms of reference review	September 2021	DCG
21-22/03	Move to make the Code web rather than paper based	Create a dedicated web page on the internet site	July 2021	DCG
21-22/04	Does the committee monitor the effectiveness of the control environment, including arrangements for ensuring value for money, supporting standards and ethics and for managing the authority's exposure to the risks of fraud and corruption?	To undertake a review of financial management in accordance with the CIPFA Financial Management Code. The review of financial management, recommended as part of this Committee's actions, will contribute to improving the internal control environment and good governance.	TBC 2021(see comments at 5.12 above)	DCX

Key:

DCG Director of Corporate Governance & Monitoring Officer
DCX Deputy Chief Executive/S151 Officer
CE Chief Executive