

Governance and Audit Committee

ANNUAL REPORT 2021/22

Foreword by Councillor Kerry Boyd, Chair of the Governance & Audit Committee

This report provides an overview of the Governance and Audit Committee's activity during the municipal year 2021/22.

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 provides robust scrutiny and challenge of the Authority's financial performance.

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 2021. My thanks also go to the Council officers who have supported me in my role as Chair, and in the work of the Committee.

To assist the committee in improving their understanding of the council's financial accounts, and discharge its responsibility for approving them, a novel subgroup was established with the remit of undertaking a detailed review of the 2021-22 accounts. I would like to thank the members, who fully engaged with and participated in the work of the subgroup, and the officers for their support.

This has been a difficult year, with the continuation of the pandemic and restrictions on meeting in person. However, the committee and all committees, have overcome the challenges by embracing virtual meetings when necessary and meeting in person in different venues.

The Council has also faced the challenge this year of receiving the Statutory Recommendations made by Grant Thornton under Section 24 of the Local Audit and Accountability Act 2014. Work to address those recommendations is ongoing, but I am pleased that the council has accepted the recommendations and members and officers are cooperating fully with the work of the Independent Monitoring Officer, Mr Quentin Baker.

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.

1.5 This year, more than ever, the need for a strong and effective Governance and Audit Committee has been demonstrated. The Committee has been actively engaged in responding to and receiving the findings of Grant Thornton, the external auditor, in its review of culture and governance, which led to the issuing of the Statutory Recommendations.

2.0 Membership

- 2.1 The Governance and Audit Committee comprises between 12 and 14 Members. Committee agenda papers and minutes are available on the Council's website (www.thanet.gov.uk). Attendance details for 2021/22 are as follows:

	Members	28 Jul 2021	29 Sept 2021 - cancelled	01 Dec 2021	
C o m m i t t e e M e m b e r s	Cllr Boyd (C)	✓		✓	
	Cllr Dexter (VC)	✓		✓	
	Cllr Braidwood	Ab		✓	
	Cllr Duckworth	✓		A	
	Cllr Garner	A		✓	
	Cllr Hopkinson	✓		Ab	
	Cllr Kup	✓		✓	
	Cllr Pat Moore	✓		✓	
	Cllr Pugh	✓		✓	
	Cllr Shrubb	A		✓	
	Cllr Towning	✓		✓	
	Cllr Whitehead	✓		✓	
R e s e r v e s	Cllr Everitt	NA		NA	
	Cllr Yates	NA		NA	
	Non-Committee Members				
	Cllr Ashbee	IA			
	Cllr M. Saunders	IA			
	Cllr D.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 2021/22

3.1 Detailed below is the programme of reports considered by Governance and Audit Committee during 2021/22, and how they relate to the Committee's terms of reference.

Function/Issue	Responsible officer/body	28 Jul 2021	29 Sept 2021 - cancelled	01 Dec 2021	09 Mar 2022
Audit activity					
External Audit Annual Letter	GT				
Internal Audit Annual Report	EKAP	✓			
External Audit Findings Report	GT			✓	✓
External Audit Plan	GT	✓			
Internal Audit Charter and Draft 2022-23 Internal Audit Plan	EKAP				✓
Internal Audit Standards Self Assessment	EKAP				
Internal Audit Quarterly Update Report	EKAP	✓		✓	✓
External Audit Update Report	GT			✓	
Audit Committee Assurance Statement	DF				✓
Update on Grant Thornton's Review of Governance	GT	✓			
Regulatory framework					
Annual Governance Statement	DLD	✓		✓	
Annual Governance Statement Action Plan 2021/22 Progress Report	DLD				✓
Update to the Local Code of Corporate Governance	DLD				✓
Annual Treasury Management Review 2020/21	DF	✓			
Corporate Risk Management Quarterly Update 2022/23 Accounting Policies	DF	✓		✓	✓
Treasury Management Strategy Statement and Annual Investment Strategy - Mid Year Review	DF			✓	
Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2020/21	DF			✓	
Final Statement of Accounts 2021/22	DF				✓

Key

- DLD Director of Law and Democracy and acting Monitoring Officer
- EKAP East Kent Audit Partnership
- GT Grant Thornton
- HF 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 is assured on the integrity and reliability of data held in the financial statements. 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 chief finance officer.
- 5.2 The work of internal audit provides independent and objective assurance on the adequacy and effectiveness of those systems on which the Authority relies for its internal control.
- 5.3 The work of external audit provides an opinion as to whether the council's statements of accounts represent a 'true and fair' view of the authority's financial position and transactions, as well as providing an opinion on the council's arrangements in place to secure value for money.
- 5.4 The assurances from the chief finance officer and the work of the external audit together support the Committee discharging their responsibilities and enabling them to approve the council's statement of accounts in accordance with regulations.
- 5.5 The Committee reviews the Council's Governance Framework as appropriate and Local Code of Corporate Governance annually.
- 5.6 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.
- 5.7 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.
- 5.8 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.
- 5.9 The Chair 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.
- 5.10 Due to a delay by Grant Thornton in auditing the accounts for 2020/21, there was also a delay in publishing the Annual Governance Statement. It was approved by this committee on 28 July 2021 and then an update was approved on 1 December 2021. The final document was published in January. Link to Annual Governance Statement: <https://www.thanet.gov.uk/info-pages/council-governance/>
- 5.11 The Governance and Audit committee's action plan for 2022/23 is attached at Appendix 2

6.0 Future Challenges

- 6.1 The Governance and Audit Committee looks forward to the conclusion of the work by the Independent Monitoring Officer, following the acceptance by the Council on 2 November 2021 of the Statutory Recommendations.
- 6.2 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 2021/22
- Appendix 2 Governance and Audit Committee Action Plan for the period 2022/23

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 that goes to Annual Council
Do the terms of reference clearly set out the purpose of the committee in accordance with 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. Council protocol to issue agenda at least 5 clear working days prior to the meeting.
Are the arrangements to hold the committee to account for its performance operating satisfactorily?	✓			
Functions of the committee				
Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement?				
<ul style="list-style-type: none"> • Good governance 	✓			The committee has actively engaged with GT in its review of culture and governance
<ul style="list-style-type: none"> • Assurance framework 	✓			
<ul style="list-style-type: none"> • Internal audit 	✓			The committee received quarterly reports from internal audit
<ul style="list-style-type: none"> • External audit 	✓			The committee receives regular reports from external audit and received particular updates this year about the review of culture and governance, leading to the statutory recommendations
<ul style="list-style-type: none"> • Financial reporting 	✓			
<ul style="list-style-type: none"> • Risk management 	✓			
<ul style="list-style-type: none"> • Value for money or best value 		✓		This is work also provided by internal and external audit
<ul style="list-style-type: none"> • Counter-fraud and corruption 		✓		This is work also provided by internal and external audit.

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?	✓				
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 	✓ ✓ n/a		n/a	n/a	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?	✓			Governance and Financial section within formal Induction Programme for Members following Elections. Training sessions provided throughout the year, especially for the Statement of Accounts. Members also request training when required. The Chair also requested training in Treasury Management at the meeting on 1 December and this will take place during the first quarter.	
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?	✓			The committee has very good working relationships with key officer, eg Director of Finance, Director of law and Democracy, and with internal and external Audit.
Is adequate secretariat and administrative support to the committee provided?	✓			Provided by Democratic Services
Effectiveness of the committee				
Has the committee obtained feedback on its performance from those interacting with the committee or relying on its work?	✓			Customer Feedback 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 below.

Governance and Audit Committee Action Plan 2022/23 - Appendix 2

Following the completion of an annual assessment of the performance of the Governance and Audit Committee for the period May 2021 to April 2022, the issues below were identified and action will be undertaken during the period May 2022 to April 2023 to address these.

Ref	Action	Proposed Action	Proposed completion date	Responsible officer / body
22-23/01	Outcome of the work on the Statutory Recommendations	The committee notes that regular reports on progress are reported to GPC and full Council. As part of its remit to monitor good governance, the committee would expect to receive a report on progress/outcome from GT in due course	July 2022	GT
22-23/02	Review the committee's terms of reference to sure they are up to date and relevant	To be undertaken as part of a general review of terms of reference of committees	December 2022	DLD
22-23/03	Update the local Code of Corporate Governance	To be reviewed by this committee and published as a standalone document on the Council's website	April 2022	DLD
22-23/04	Move to make the Local Code of Corporate Governance web rather than paper based	Create a dedicated web page on the internet site - work underway, see above	April 2022	DLD
22-23/05	Training update to committee members on local authority treasury management	At the request of the chair further training for the committee has been arranged, to be provided by the council's external treasury management advisory firm.	April 2022	DF

Key:

DLD Director of Law and Democracy & acting Monitoring Officer
 DF Director of Finance and acting S151 Officer