

# Governance and Audit Committee

ANNUAL REPORT 2022/23

## **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 2022/23.

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 2022/23. My thanks also go to the Council officers who have supported me in my role as Chair, and in the work of the 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.
  - 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.
- 1.4 This year the need for a strong and effective governance has been demonstrated. As reported elsewhere on this agenda the Council has made good progress on implementing the Independent Monitoring Officer and External Auditor's section 24 recommendations.

## 2. 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](http://www.thanet.gov.uk)). Attendance details for 2022/23 are as follows:

	Members	27 <sup>th</sup> Jul. 2022	28 <sup>th</sup> Sep. 2022	30 <sup>th</sup> Nov. 2022	8 <sup>th</sup> Mar. 2023
COMMITTEE	Cllr Boyd (C)	✓	✓	✓	✓
	Cllr Dexter (VC)	Ab	✓	Ab	✓
	Cllr Austin				✓
	Cllr Braidwood	A	A	A	Ab
	Cllr Duckworth	✓	✓	✓	✓
	Cllr Garner	✓	✓	✓	✓
	Cllr Hopkinson	A	✓	✓	
	Cllr Kup	✓	A		
	Cllr Leys	✓	A	✓	✓
	Cllr Pat Moore	A	Ab	Ab	Ab
	Cllr Shrubbs	✓	✓	✓	✓
	Cllr Towing	✓	✓	✓	✓
	Cllr Whitehead	✓	✓	✓	A

R S					
R E S E R V E S	Cllr Everitt	NA	NA	NA	NA
	Cllr Wright	NA	S	NA	NA
	Cllr Yates	NA	S	S	NA

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

### 3.0 Programme of reports 2022/23

3.1 Detailed below is the programme of reports considered by Governance and Audit Committee during 2022/23, and how they relate to the Committee's terms of reference.

Function/Issue	Responsible Officer / Body	27th Jul. 2022	28th Sept. 2022	30th Nov. 2022	8th Mar. 2023
<b>Audit activity</b>					
Quarterly Internal Audit Update Report	EKAP	✓	✓	✓	✓
Internal Audit Annual Report 2021-22	EKAP	✓			
Internal Audit Charter & Draft Internal Audit Plan 2023-24	EKAP				✓
<b>Regulatory framework</b>					
Risk Management Strategy	DF	✓	✓	✓	
Corporate Risk Management – Quarterly Update	DF	✓			
Annual Treasury Management Review 2021-22	DF	✓			✓
Update to RIPA Policy and Annual Report 2020/21 Statement of Accounts	DF	✓			
Quarter 1 Review 2022-23: Treasury Management and Annual Investment Strategy	DF		✓		
Annual Governance Report	DLD		✓		
An Update on Corporate Property Issues	DP			✓	
Mid Year Review 2022-23: Treasury Management and Annual Investment Strategy	DF			✓	
Draft Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2023-24	DF			✓	
Quarter 3 Review 2022-23: Treasury Management and Annual Investment Strategy	DF				✓
Procurement Waivers 2022-23	DF				✓
Homes England Audit – New Build	DP				✓
ICT Security Update	ICT				✓

#### **Key**

DLD Director of Law and Democracy and acting Monitoring Officer  
 EKAP East Kent Audit Partnership  
 DP Director of Place  
 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 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.
- 5.2 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.
- 5.3 There have been substantial delays to the completion of the 2020/21 audit and also the publication of the 2021/22 draft accounts. This has limited the committee's ability to approve the council's statement of accounts in accordance with regulations.
- 5.4 Whilst the committee has received regular updates from the s151 officer about the progress that has been made, and acknowledges that these matters are systemic across the local government sector, the committee has voiced its concern and frustrations at the pace of progress.
- 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 The Annual Governance Statement was approved by this Committee on 28th September 2022, which was slightly delayed following the departure of the Head of Legal. The Interim Head of Legal was appointed in July which meant a slight delay in the report being submitted to this committee. Link to the Annual Governance Statement is attached at <https://democracy.thanet.gov.uk/documents/s78832/Accessible%20Corporate%20Report.pdf>;
- 5.11 The Governance and Audit committee's action plan for 2023/24 is attached at Appendix 2

## 6.0 Future Challenges

- 6.1 The Governance and Audit Committee looks forward to the conclusion of the implementation of the recommendations made by the Independent Monitoring Officer, and by Grant Thornton's Statutory Recommendations.
- 6.2 The committee also looks forward to significant progress being made with the conclusion of audits relating to prior financial years and the publication of the draft 2021/22 and 2022/23 accounts.
- 6.3 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 limitation of resources
  - maintain effective internal control of limited government funding, increased service demands and economic uncertainty
  - update its RIPA policy with the revised Home Office CHIS code of Practice published in December 2022
  - update on the training for our RIPA Authorising Officers/Directorate as well as training for authorising Covert Human Intelligence Sources (CHIS) if necessary.
  - 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

Appendix 2 Governance and Audit Committee Action Plan for the period 2023/24

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

Good practice questions	Yes	Partly	No	Comments/Action
<b>Audit Committee purposes and governance</b>				
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?	✓			
<b>Functions of the committee</b>				
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"> <li>● Good governance</li> </ul>	✓			The committee has actively engaged with GT in its review of culture and governance
<ul style="list-style-type: none"> <li>● Assurance framework</li> </ul>	✓			
<ul style="list-style-type: none"> <li>● Internal audit</li> </ul>	✓			The committee received quarterly reports from internal audit
<ul style="list-style-type: none"> <li>● External audit</li> </ul>	✓			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"> <li>● Financial reporting</li> </ul>		✓		There have been delays to the completion of the 2020/21 audit of the statement of accounts and also delays to the publication of the draft 2021/22 accounts.  This has limited the ability of the Committee to discharge this function.
<ul style="list-style-type: none"> <li>● Risk management</li> </ul>	✓			
<ul style="list-style-type: none"> <li>● Value for money or best value</li> </ul>		✓		This is work also provided by internal and external audit



<ul style="list-style-type: none"> <li>Counter-fraud and corruption</li> </ul>		✓		This is work also provided by internal and external audit.
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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**

<p>Has an effective audit committee structure and composition of the committee been selected?</p> <p>This should include:</p> <ul style="list-style-type: none"> <li>Separation from the executive</li> <li>An appropriate mix of knowledge and skills among the membership</li> <li>A size of committee that is not unwieldy</li> <li>Where independent members are used, that have been appointed using an appropriate process</li> </ul>	<p>✓</p> <p>✓</p> <p>✓</p> <p>n/a</p>	<p>✓</p> <p>n/a</p>	<p>n/a</p>	<p>Members of the Committee are independent of the Executive, however Cllr Kupp was a member of the committee for a period of the year, due to an administrative oversight.</p>
Does the chair of the committee have appropriate knowledge and skills	✓			
Are arrangements in place to support the committee with briefings and training?	✓			<p>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.</p> <p>Training on Treasury Management was provided to committee members by the Council's external advisors and took place during the first quarter.</p>
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 officers, and with internal and external Audit.
Is adequate secretariat and administrative support to the committee provided?	✓			Provided by Democratic Services
<b>Effectiveness of the committee</b>				
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 2022 to April 2023, the issues below were identified and action will be undertaken during the period May 2023 to April 2024 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 2023	Grant Thornton
23-24/02	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 2023	HoL
23-24/03	Update the local Code of Corporate Governance	To be reviewed by this committee and published as a standalone document on the Council's website	June / July 2023	HoL
23-24/04	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	June / July 2023	HoL
23-24/05	Induction training	Induction training for all new and returning members sitting on the Governance and Audit Committee	June / July 2023	DCS

### Key:

HoL            Head of Legal & Monitoring Officer  
DCS            Director of Corporate Services & S151 Officer