

# Governance and Audit Committee

ANNUAL REPORT 2023/24

## **Foreword by Councillor Will Scobie, Chair of the Governance & Audit Committee**

This report presents a comprehensive overview of the activities conducted by the Governance and Audit Committee throughout the municipal year 2023/24.

I am pleased that the Committee has continued to fulfill its obligations, which includes furnishing independent assurance regarding the adequacy of the council's risk management framework and the corresponding control environment. Additionally, the Committee diligently scrutinises and challenges the Authority's financial performance.

As outlined within this report, the Committee has remained actively engaged with both internal and external audit functions. I extend my gratitude to all Councillors who served on the Committee during the period of 2023/24, as well as Councillor Yates as the Cabinet Member for attending our meetings. Furthermore, appreciation is due to the Council officers who have provided invaluable support in my capacity as Chair and in the Committee's endeavours.

Of particular note is the effort undertaken by the Committee in addressing outstanding recommendations from the internal auditor, thereby ensuring the Council's continued trajectory towards improvement. Concerns regarding the prevalence of audits returning Limited Assurance, No Assurance, or partial assurance were raised and subsequently addressed by the Leader and the Chief Executive, indicating a commitment to long-term enhancements. Furthermore, the Committee highlighted concerns regarding cybersecurity risks, corroborated by both the Limited Assurance audit report received in March 2024 and the cyber incident that occurred in January 2024. It is critical that this remains a priority area for the Council and I am grateful to the Leader for setting up a Cabinet Advisory Group to specifically look at this issue.

On a different note, I do wish to bring to the attention of the Full Council a concern regarding the composition of the Governance and Audit Committee. While I acknowledge and appreciate the dedication displayed by members throughout the preceding year, it is important that the Committee's work remains a priority. The composition of the Committee following the May 2023 elections revealed a discrepancy in experience levels, with only three returning Councillors out of thirty-two from the preceding term as members and twelve newly elected Councillors out of twenty-four as members. Given the immediate tasks confronting the Committee, such as the approval of accounts and addressing various internal audit findings, this presented a challenge. I implore Group Leaders to ensure a balanced representation of experienced and new members on the Governance and Audit Committee in future appointments.

## 1. Introduction and Background

- 1.0 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.
- 1.1 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.
- 1.2 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.

## 2. Membership

- 2.1 The Governance and Audit Committee comprises 15 Councillors on the Committee with 9 in reserve. Committee agenda papers and minutes are available on the Council's website ([www.thanet.gov.uk](http://www.thanet.gov.uk)). Attendance details for 2023/24 are as follows:

	Councillors	26 <sup>th</sup> Jul. 2023	27 <sup>th</sup> Sep. 2023	29 <sup>th</sup> Nov. 2023	6 <sup>th</sup> Mar. 2024
COMMITTEES	Cllr W. Scobie (C)	IA	IA	IA	IA
	Cllr K. Bright (VC)	IA	IA	IA	A
	Cllr Barlow	IA	IA	A	NA
	Cllr Braidwood	IA	A	A	Ab
	Cllr Britcher	S	S	S	A
	Cllr d'Abbro	IA	IA	IA	A
	Cllr Davis	NA	S	S	IA
	Cllr Donaldson	IA	IA	IA	IA
	Cllr Farooki	A	IA	IA	IA
	Cllr Garner	IA	IA	IA	IA
	Cllr Manners	IA	A	IA	IA
	Cllr Munns	IA	IA	IA	IA
	Cllr Nichols	IA	IA	Ab	Ab
	Cllr Packman	A	IA	IA	A

E R S	Cllr Pope	IA	IA	IA	IA
	Cllr Towing	IA	IA	IA	IA
R E S E R V E S	Cllr Austin	NA	NA	NA	NA
	Cllr Crittenden	NA	NA	NA	NA
	Cllr Kup	NA	NA	NA	NA
	Cllr Matterface	S	NA	NA	S
	Cllr Pugh	NA	NA	NA	NA
	Cllr H. Scobie	NA	NA	NA	S
	Cllr Wing	NA	NA	NA	NA
	Cllr Wright	NA	NA	NA	NA
	Cllr Worrow	NA	NA	NA	NA

**Key**

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

### 3. Programme of reports 2023/24

- 3.1. Detailed below is the programme of reports considered by the Governance and Audit Committee during 2023/24, and how they relate to the Committee's terms of reference.

Function/Issue	Responsible Officer / Body	26 <sup>th</sup> Jul. 2023	27 <sup>th</sup> Sep. 2023	29 <sup>th</sup> Nov. 2023	6 <sup>th</sup> Mar. 2024
<b>Audit activity</b>					
External Auditor's Audit Findings Report	GT	✓			
Statement of Accounts	GT	✓			
Quarterly Internal Audit Update Report	EKAP	✓	✓	✓	✓
Internal Audit Annual Report	EKAP	✓			
Indicative External Audit Plan	GT		✓	✓	
External Audit Plan 2021/22	GT			✓	
Audit Progress Report and Sector Update	GT		✓		
Audit Findings Report	GT		✓		
External Auditor's Annual Audit Report on Value for Money	GT			✓	
Audit Committee Assurance Statement	GT			✓	
Draft Internal Audit Plan 2024/25	EKAP				✓
<b>Regulatory framework</b>					
Corporate Risk Management - Quarterly Update	DCS	✓	✓	✓	✓
Contract Standing Order Waivers	DCS	✓		✓	
Annual Governance Statement	HLD	✓			
Updated RIPA Policy	HLD	✓			
Annual Treasury Management Review	DCS	✓			
Treasury Management and Annual Investment Strategy	DCS		✓	✓	✓
Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2024/25	DCS			✓	
Thanet Lottery Update	DCS			✓	

#### Key

- HLD Head of Law and Democracy and Monitoring Officer  
 EKAP East Kent Audit Partnership  
 GT Grant Thornton  
 DCS Director of Corporate Services

### 4. 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. 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. There has been an increased number of internal audits with limited or no assurance opinions in the last couple of years; the Council's management team recognises the significance of this issues and has put measures in place
- 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 2021/22 audit and also the publication of the 2022/23 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 26th July 2023, the link to the Annual Governance Statement is attached at <https://democracy.thanet.gov.uk/documents/s80690/GA%20Annual%20Report%2022-23.docx%20-%20Google%20Docs.pdf>;
- 5.11. The Governance and Audit committee's action plan for 2024/25 is attached at Appendix 2

## **6. Future Challenges**

- 6.1. The Governance and Audit Committee looks forward to and expects to see an

improvement in the number of internal audits that receive a substantial or reasonable assurance opinion in the forthcoming year.

- 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 2022/23 and 2023/24 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. An Action Plan for further work and improvements for the committee to consider over the forthcoming year is set out at Annex 2. During 2024/25 the Committee will need to:
- Continue to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes
  - Consider the outcome of the external assessment of the council's internal audit function
  - Consider and make comments on Grant Thornton's proposed approach to address the current backlog of external audits in local government and specifically the plan for Thanet DC.
  - Undertake a review of the committee members' skills and knowledge and assess the value that the committee adds to the organisation.

## 7.0 Appendices

Appendix 1 **Governance and Audit Committee Self-Assessment of Good Practice**

Appendix 2 **Governance and Audit Committee Action Plan 2024/25**

### 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 Full 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 councillors 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.  The committee provides support to the authority in meeting the requirements of good governance, via its comprehensive programme of work and by councillors full engagement in this.
Are the arrangements to hold the committee to account for its performance operating satisfactorily?	✓			This responsibility is discharged via the Annual Report of Governance and Audit Committee that goes to Full Council
<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 at the authority.
<ul style="list-style-type: none"> <li>• Assurance framework</li> </ul>	✓			G&A approves 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; To consider the external auditor's report on issues from the audit of the accounts and recommend approval to those charged with governance.  The committee has actively engaged with the external auditors, GT.
<ul style="list-style-type: none"> <li>• Internal audit</li> </ul>	✓			The committee considers the annual report and opinion of the East Kent Audit Partnership, and a summary of audit activity (actual and proposed)



				<p>and the level of assurance it can give over the Council's governance arrangements.</p> <p>The committee also approves (but not directs) internal audit's strategy, plan and monitors performance. On a quarterly basis the committee considers summaries of specific internal audit reports.</p>
<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>		✓		<p>There have been delays to the completion of the 2021/22 audit of the statement of accounts and also delays to the publication of the draft 2022/23 accounts.</p> <p>This has limited the ability of the Committee to discharge this function.</p>
<ul style="list-style-type: none"> <li>Risk management</li> </ul>	✓			The committee regularly considers reports on the Council's approach to risk management including reporting of the council's most significant corporate risks.
<ul style="list-style-type: none"> <li>Value for money or best value</li> </ul>	✓			The Committee considers the council's arrangements for securing value of money, through its oversight of the work of internal and external audit.
<ul style="list-style-type: none"> <li>Counter-fraud and corruption</li> </ul>	✓			The committee is responsible for approving the council's policies on Anti-Bribery, Whistleblowing, Anti-fraud and Corruption and the External Funding Protocol

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?	✓			The 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?		✓		The committee undertakes some of the activities wider activities set out in the CIPFA Position statement (e.g. oversight of Treasury Management), however the statement needs to be revised in 2024/25
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?	✓			
<b>Membership and support</b>				
Has an effective audit committee structure and composition of the committee been selected? This should include: <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>	✓ ✓ ✓ n/a	n/a	n/a	
Does the chair of the committee have appropriate knowledge and skills	✓			The committee is chaired by an experienced and capable councillor, who has professional expertise in the area of cyber security risk management.
Are arrangements in place to support the committee with briefings and training?	✓			Governance, Audit and Financial training was provided within the formal induction programme for councillors following May 2023 elections.  Training on Treasury Management was provided to committee councillors by the Council's external advisors and took place prior to the committee's September 2023.  Training on Risk Management was also provided ahead of the committee's March 2023 meeting.
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?			✓	Added to the action plan
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 2023/24 - Appendix 2

Following the completion of an annual assessment of the performance of the Governance and Audit Committee for the period May 2023 to April 2024, the issues below were identified and action will be undertaken during the period May 2024 to April 2025 to address these.

Ref	Action	Proposed Action	Proposed completion date	Responsible officer / body
24-25/01	Outcome of the work on the Independent Monitoring Officer	<p>The final recommendation outstanding for implementation from the work of the IMO is in relation to the council's approach to project management.</p> <p>This committee will receive the progress report from Internal Audit's follow up the berth 4-5 project.</p> <p>Subsequently a planned internal audit of Project Management will be undertaken in 2024-25.</p>	March 2025	DCS
24-25/02	Follow up of Outstanding Audit Recommendations	<p>A new process is to be introduced where twice a year the committee will receive an update report that sets out the progress on implementing any audit recommendations that remained outstanding after the follow up audit.</p> <p>The first of these reports will be presented to the committee at its July 2024 meeting.</p>	July 2024	DCS
24-25/03	Audit backlog	<p>To clear the backlog of historical accounts and 'reset' the system, the Department for Levelling Up, Housing and Communities (DLUHC) proposes putting a date in law (the "backstop date") – 30 September 2024 – by which point local bodies would publish audited accounts for all outstanding years up to and including 2022/23.</p> <p>At its July 2024 meeting the committee will receive a report from the external auditors, Grant Thornton, explaining how they intend to address the current backlog of external audits in local government and specifically the plan for Thanet DC.</p>	July 2024	DCS
24-25/04	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 2024	HoL

24-25/ 05	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 2024	HoL / HoS&T
24-25/ 06	Core Knowledge and Skills Framework	The membership of the committee will be assessed against the core knowledge and skills framework.	September 2024	HoL & DCS
24-25/ 07	Councillor training	Any skills or knowledge gaps identified through the above framework will be addressed through a programme of member training throughout the year.	March 2025	HoL & DCS
24-25/ 08	Performance Feedback	A new process will be introduced to obtain feedback on the committee's performance from those interacting with the committee or relying on its work.	March 2025	HoL & DCS
24-25/ 09	Performance Evaluation	Processes will be strengthened to evaluate the extent to which the committee adds value to the organisation.	March 2025	HoL & DCS
24-25/ 10	CIPFA Position Statement on Audit Committees	The committee will consider this position statement in the context of its responsibilities and terms of reference	July 2024	DCL

**Key:**

HoL            Head of Legal & Monitoring Officer  
DCS            Director of Corporate Services & S151 Officer  
HoS&S        Head of Strategy and Transformation