

AUDIT AND GOVERNANCE COMMITTEE

Tuesday, 2 July 2019

**Present: Councillor Barrington-King (Chairman)
Councillors Reilly (Vice-Chairman), Bailey, Everitt, Horwood, Neve, Ms Palmer, Warne,
Independent Members Mr Quigley and Mr Shiels,
Parish/Town Councillors Edwards and Mackonochie**

Officers in Attendance: Cheryl Clark (Democratic Services Officer), Rich Clarke (Head of Audit Partnership), Frankie Smith (Audit Manager, Mid Kent Audit Partnership), Lee Colyer (Director of Finance, Policy and Development (Section 151 Officer)), Jane Fineman (Head of Finance and Procurement) and Keith Trowell (Team Leader (Corporate Governance))

Other Members in Attendance: Councillor Hayward

Other Persons in attendance: Elizabeth Jackson, Engagement Lead, Grant Thornton

CHAIRMAN'S INTRODUCTION

AG6/19 The Chairman opened the meeting, introduced Committee members and officers in attendance, and outlined procedural matters of the meeting. The Chairman also advised a change to the order of business with Item 9. being brought forward to be considered first.

APOLOGIES FOR ABSENCE

AG7/19 There were no apologies for absence.

DECLARATIONS OF INTEREST

AG8/19 No declarations of interest were made.

NOTIFICATION OF VISITING MEMBERS WISHING TO SPEAK (IN ACCORDANCE WITH COUNCIL PROCEDURE RULE 18):

AG9/19 No notifications of any visiting members wishing to speak had been received but it was noted that Councillor Hayward was in attendance to observe the proceedings.

MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE DATED 2 APRIL 2019

AG10/19 The minutes of the meeting of the Audit and Governance Committee dated 2 April 2019 were submitted.

RESOLVED – That the minutes of the Audit and Governance Committee dated 2 April 2019 be approved as a correct record.

MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE DATED 22 MAY 2019

AG11/19 The minutes of the meeting of the Audit and Governance Committee dated 22 May 2019 were submitted.

RESOLVED – That the minutes of the Audit and Governance Committee

dated 22 May 2019 be approved as a correct record.

DRAFT ANNUAL FINANCIAL REPORT FOR 2018/19

AG12/19 Mrs Fineman, Head of Finance and Procurement introduced and summarised the contents of this report, which submitted the draft Annual Financial Report for 2018/2019 including the Statement of Accounts. The audit was almost complete as outlined in Grant Thornton's Audit Findings Report. It was noted that the Auditors intended to issue an "unqualified" Audit Opinion, they had reported that draft statements were of a high quality and work had been completed 5 days earlier than anticipated.

Formal approval was required from the Audit and Governance Committee in order that the Annual Financial Report could be published before the statutory deadline of 31 July 2019. Mrs Fineman updated that it had been the intention for the accounts to have been signed off today following this meeting but for the matter indicated in note 19.1 of the statement of accounts, which related to a High Court judgement known as the "McCloud Pensions Case". The Council's Pension Fund Actuaries had indicated that the impact relative to this matter would be immaterial as far as the Council's accounts were concerned but it remained for Grant Thornton along with other local authority auditors to decide how this matter should be reported within the accounts.

At the invitation of the Chairman, Mrs Jackson, Engagement Lead on the audit by Grant Thornton, confirmed the position already outlined by Mrs Fineman and additionally summarised the audit risks as set out in their Audit Findings document and also that sign off from the KCC Pension Fund Audit was also required before all matters could be finalised. The Chairman declared at this point his membership of the KCC Superannuation Committee.

Mrs Jackson also proceeded to explain and confirm her unqualified Value for Money conclusion, clarifying that this related not to the decisions made by the Council but to the appropriate control and governance procedures that were in place underpinning those decisions. In 2016/17 a public objection had been received in respect of the Calverley Square Project and had been fully investigated. In 2017/18 there were no new arrangements to be considered. She also confirmed the audit of payments through the reserves met relevant accounting standards and limits.

In respect of questions from members, Mr Colyer advised that in respect of the Extraordinary Full Council meeting on 17 June 2019, a Cabinet response was still awaited to the motions passed but there was no impact on the accounts for the period 2018/2019. He also explained that the Calverley Square project would continue to be reported to the Committee via existing Internal Audit processes and the Strategic Risk Review. Otherwise the delivery status of the Council's big 8 projects would continue to be reported via Cabinet and there was an opportunity for any members to contribute to the Finance & Governance Cabinet Advisory Board beforehand. Mrs Fineman responded to member questions relating to Accounting Standards and Mr Colyer also responded to questions on the retention of Business Rates, issues over the setting of fees to enable cost recovery and central Government funding.

The Chairman and Vice-Chairman commended the Finance Team on an excellent set of financial statements and a positive end of year outturn.

RESOLVED – That the Audit and Governance Committee

1. Notes Grant Thornton's Audit Findings Report;
2. Approves the draft Statement of Accounts and the Annual Governance Statement ;
3. Authorises the Chairman and the Director of Finance, Policy & Development to sign a Letter of Representation based on the draft Statement of Accounts (Appendix A) and the Audit Findings Report (Appendix B) of the agenda report; and
4. The Director of Finance, Policy & Development (Section 151 Officer) be given delegated authority in consultation with the Chairman to make any necessary amendments to the Statement of Accounts.

AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT 2018/19

AG13/19 Mrs Smith, Audit Manager, presented this report, which outlined how the Audit and Governance Committee had effectively discharged its duties during 2018/19. In respect of personal development a request was made for members to gain a better understanding of the whole issue of Risk Management. A suggestion was also made that a member of the Audit and Governance Committee should be included on project boards to oversee and scrutinise proceedings (note: appointments to Cabinet working groups were made by the Leader).

RESOLVED –

1. That the Audit and Governance Committee 2019/20 Member Development Programme be noted;
2. That the Audit and Governance Committee Annual Report for 2018/19 be agreed; and
3. That the Audit and Governance Committee Annual Report be presented to Full Council on 17 July 2019 to demonstrate how the Committee has discharged its duties.

ANNUAL INTERNAL AUDIT REPORT & OPINION 2018/19

AG14/19 Mr Clarke, Head of Audit Partnership introduced and summarised this report, which provided his annual internal audit opinion and a summary of the supporting evidence, in accordance with the Public Sector Internal Audit Standards (PSIAS). Accordingly he advised he was satisfied over the system of control in operation during 2018/19 and that the corporate governance framework complied in all significant respects with the best practice guidance issued by CIPFA/SOLACE and the Council's risk management processes were effective. He also provided assurance over the professional qualification of the Internal Audit team.

In response to questions from members, he advised that the Council had

undertaken procurement in accordance with the required frameworks, major projects such as Calverley Square would continue to be considered over a number of years of audits and a contingency had been retained within the plan for the forthcoming year. Mr Clarke and Mrs Smith also expanded on matters relating to the Financial Resilience Index, recommendations relating to the Licensing Partnership and payment of expenses via the iTrent system. An outstanding query raised at the last Overview and Scrutiny meeting would continue to be taken forward outside this meeting of Audit and Governance. Apologies were given by the Committee Administrator for graphics from this report not visible on the mod.gov app on members' tablets. These were available on printed copies of the agenda available both at the meeting and also on the public website. The Chairman commended the professionalism demonstrated by the Internal Audit team and in particular the CIPFA qualification achieved by their Auditor Ben Davis.

RESOLVED – That the Audit and Governance Committee

1. Notes the Head of Audit Partnership opinion. The opinion states that, in the view of internal audit, the Council's system of internal control, corporate governance and risk management arrangements have operated effectively during 2018/19.
2. Notes the work underlying the opinion and the Head of Audit's assurance it was completed with sufficient independence and conformance with Public Sector Internal Audit Standards.

PLANNED AUDIT FEE 2019/20

AG15/19 Mr Colyer, Director of Finance, Policy and Development presented this report, which outlined the planned audit fee for 2019/20 as notified by the External Auditor, Grant Thornton. The scale of fees had been set by the Public Sector Audit Appointments Limited (PSAA) following the closure of the Audit Commission in March 2015. There were no further questions or matters raised by members of the Committee.

RESOLVED - That the Audit and Governance Committee considered and agreed the planned audit fee.

UPDATE ON COMPLAINTS RECEIVED UNDER THE MEMBERS' CODE OF CONDUCT

AG16/19 Mr Trowell, Team Leader (Corporate Governance) and Deputy Monitoring Officer introduced this report which provided an update on complaints received under the Members' code of Conduct since the last meeting on 2 April 2019. Since the agenda report had been published, the four complaints against a Parish Councillor, which had been treated as one matter had been investigated and the Monitoring Officer had concluded that no breach of the Code of Conduct had taken place. No further action was therefore necessary.

There were no other new or outstanding matters to report.

RESOLVED – That members note the update on complaints received under the Members' code of Conduct.

STRATEGIC RISK REVIEW

AG17/19 Mr Colyer, Director of Finance, Policy and Development introduced and summarised this report, which set out the proposed strategic risks identified by the Council following a review undertaken and facilitated by Zurich Insurance Limited. The appendices included both the Zurich report and the revised risk register with an update on the evaluated threat level and controls in place for each risk issue. Comments were welcome from members of the Audit & Governance Committee before reporting via Finance and Governance Cabinet Advisory Board to Cabinet.

In response to questions from members, Mr Colyer advised that any risk highlighted black would trigger an immediate escalation process via the Chairman of the Audit and Governance Committee to either the Committee or the wider membership as appropriate. Mr Colyer also responded to reiterate and expand on the reasons for discontinuing risks relating to the Cinema site and resident engagement. Concerns were raised about the monitoring of risks on the Calverley Square project, since the Development Advisory Panel (DAP) had ceased to meet, a perceived disconnect between the risk register and the RAG status of this project and the resulting delays in obtaining information due to retrospective reporting. Mr Colyer advised that regular updates at both Overview & Scrutiny and Finance & Governance Cabinet Advisory Board/Cabinet were now available to all members and had largely replaced the need for the DAP. This had previously been set up by the previous Leader when a much wider range of subjects had been under discussion. In summary, Mr Colyer confirmed that the issues raised would be recorded in the minutes.

RESOLVED – The Audit and Governance Committee notes the risk management report and arrangements for managing strategic risk and recommends the same to Finance and Governance Cabinet Advisory Board and Cabinet.

DRAFT AUDIT AND GOVERNANCE WORK PROGRAMME 2019/20

AG18/19 The Chairman referred members to the Draft Audit and Governance Work Programme for the period 2019/20 and asked Mr Colyer to comment on the provision of member development on matters relative to this Committee. Mr Colyer explained that in previous years a half hour session had been provided after Audit and Governance Committee meetings on a number of relevant subjects. He proposed repeating this process with the following sessions, with the dates to be advised to members by Democratic Services in due course:

- The Statement of Accounts – Mrs Fineman, Head of Finance and Procurement
- The external audit process - Mrs Jackson, Lead Engagement, Grant Thornton
- The risk management framework – Mr Clarke, Head of Audit Partnership

The Chairman supported all opportunities for member development and the Vice-Chairman also recommended a number of courses available to members from the Local Government Association.

RESOLVED – That the work programme be noted and updated with the proposed training sessions.

URGENT BUSINESS

AG19/19 **RESOLVED** – That there was no urgent business for consideration.

DATE OF NEXT MEETING

AG20/19 **RESOLVED** – That the next meeting of the Committee take place on Tuesday 10 September 2019.

NOTES:

1. For full details of the proceedings, an audio recording of this meeting is available on the Tunbridge Wells Borough Council website.
2. The meeting concluded at 8:10pm.