

## AUDIT AND GOVERNANCE COMMITTEE

Tuesday 28 June 2016

**Present: Councillor Horwood (Chairman)  
Councillors Dawlings (Vice-Chairman), Chapelard, Hamilton, Moore, Nuttall,  
Ms Palmer and Podbury, Independent Members Mrs Hough, Mr Quigley and Mr Shiels,  
and Parish/Town Councillors Coleman and Henshaw**

**Officers in attendance:** Rich Clarke (Head of Audit Partnership), Lee Colyer (Director of Finance and Corporate Services), Jane Fineman (Head of Finance and Procurement), John Scarborough (Head of Legal Partnership and Monitoring Officer), Frankie Smith (Audit Manager), Darren Wells (Grant Thornton) and Mike McGeary (Democratic Services Officer)

**Members of the public in attendance:** Ms Gillian Douglass

### APOLOGIES FOR ABSENCE

AG5/16 Apologies for absence were reported from independent member Mr James Hedges.

### DECLARATIONS OF INTEREST

AG6/16 Councillor Hamilton declared an interest in minute AG9/16, on the basis that she was a serving member of Paddock Wood Town Council.

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

AG7/16 No notifications of any visiting members wishing to speak had been received.

### MINUTES OF THE MEETINGS OF THE AUDIT AND GOVERNANCE COMMITTEE DATED 29 MARCH AND 25 MAY 2016

AG8/16 The minutes of the meetings of the Audit and Governance Committee dated 29 March and 25 May 2016 were submitted.

The Democratic Services Officer advised that Councillor Heasman had requested that the following sentence be removed at the end of the third paragraph under minute AG41/15 of 29 March (Proposed changes to the Constitution – Planning Committee and its membership and procedure rules – as recommended by the Constitutional Review Working Party): “On the other issues proposed, Councillor Heasman signalled his support”. Councillor Heasman had said that this statement did not reflect his views on the item.

Councillor Moore asked that the minutes of 29 March be amended to record the fact that she had sent her apologies for absence in advance of the meeting.

**RESOLVED** – That, with the above amendments, the minutes of the Audit and Governance Committee dated 29 March and 25 May 2016 be approved as a correct record.

## UPDATE ON COMPLAINTS RECEIVED UNDER THE MEMBERS' CODE OF CONDUCT

AG9/16 John Scarborough, Head of Legal Partnership, presented an update report on complaints received under the authority's Members' Code of Conduct, for the period ending 10 June 2016.

Mr Scarborough advised that, since the last meeting of the Committee on 29 March, one new complaint had been received. He added that, as Monitoring Officer, he had written to the 'subject member', asking for their initial response to the complaint. Mr Scarborough said that there were no outstanding complaints following the last meeting.

As to other issues, Mr Scarborough advised that, since 29 March, Mr Don Wright, one of the Council's two 'independent persons', had resigned. He added that he would be discussing the recruitment of a replacement with the Chairman of the Committee and with the Director of Finance and Corporate Services in due course.

Mr Scarborough also reported that, on 18 April, Paddock Wood Town Council had considered the governance review report prepared by Hoey Ainscough, which they had commissioned following the Hearing Sub-Committee's recommendations in April 2014. He advised that, subject to some minor amendments, members of the Town Council had agreed the action plan in its entirety.

On the last of these issues, the Chairman noted that Paddock Wood Town Council had agreed to the action plan; he asked to what extent this covered the issues in the governance review. Mr Scarborough said that he was satisfied that the action plan covered the issues in the review, adding that the Town Council was not planning to publish a copy of the report or the action on their website.

**RESOLVED** – That the update on complaints received under the Members' Code of Conduct be noted.

## DRAFT FINANCIAL REPORT FOR 2015/16

AG10/16 Jane Fineman, the Head of Finance and Governance, presented the unaudited draft Annual Financial Report for 2015/16. She asked Committee members to comment on the draft and invited suggestions for any improvements on the narrative and presentation, ahead of the submission of the audited version to the meeting on 26 July.

Mrs Fineman summarised the key elements of the formal accounting statements. She also explained how the Government would be requiring local authorities from the 2017/18 accounts onwards to complete the auditing process by the end of July each year. Mrs Fineman said that Tunbridge Wells Borough Council had decided to follow this shorter timetable two years in advance, adding that this had been achieved with the assistance of the authority's external auditors Grant Thornton.

The Chairman, Councillor Horwood, said that the draft Annual Financial Report for 2015/16, circulated with the agenda, "made very good reading". He asked whether members of the Committee had a further period in which to raise questions. Mrs Fineman confirmed that the public inspection period

existed up until 14 July, during which time Committee members were still able to ask questions on the draft.

Councillor Moore referred to section 12 of the 'narrative report', which was headed 'material events after reporting date' and section 13 – impact of current economic climate – specifically the reference to the national economy. She asked whether the result of the EU Referendum would require a change in the authority's forecasting.

Mrs Fineman said that it was still too early to say if there would be such a change. She added that the authority's financial advisors were encouraging a 'business as usual' approach at this stage, which accorded with the views of the Local Government Association. Lee Colyer, the Director of Finance and Corporate Services, added that the Financial Report for 2015/16 was very much a document that focused on the financial year that had ended; he added that any impact of the EU Referendum result would be addressed in the budgetary reports for the current year, starting with the first such report to the Cabinet in August.

Mr Quigley voiced his concern about the change in policy which had resulted in local authorities now being responsible for the financial consequences of business rate appeals, based upon levels first set by the Valuation Officer. He asked if the Borough Council could take any sanctions against the Valuation Officer. Mrs Fineman advised that, while there were no such powers available, the Borough Council did meet regularly with Valuation Office staff, adding that there was increased transparency in place as to how valuations had been calculated.

Mr Quigley also referred to page 27 of the agenda, where the authority's performance in respect of determining planning applications was set out. He felt that the narrative did not match the performance data set out. Mr Colyer advised that the performance of the Planning Service had improved during 2015/16, although not in the category of 'major' applications. He added that he would ask that this section be looked at again, to ensure that the narrative reflected the performance data.

Councillor Moore drew attention to page 75 of the agenda, where reference was made to the authority's 'defined pension liability'. She asked whether there was an element of under-funding suggested by the figures set out. Mrs Fineman said that any additional requirements would appear in the revenue accounts as a result of the outcome of the tri-ennial review, due this year.

**RESOLVED** – That the unaudited, draft Annual Financial Report, containing the unaudited, draft Statement of Accounts, be noted.

## **ANNUAL INTERNAL AUDIT REPORT AND OPINION 2015/16**

AG11/16 Rich Clarke, the Head of the Audit Partnership, presented his annual opinion on the overall adequacy and effectiveness of the authority's framework of governance, risk management and control. He advised that, based upon the audit reviews undertaken in 2015/16 – a summary of which was set out in the full annual report circulated with the agenda – he was satisfied that: (a) the authority could place assurance on the system of control; (b) the corporate governance framework complied in all significant respects with the professional practice guidance; and (c) the authority's risk management

processes were effective.

Mr Clarke drew attention to page 101 of the agenda, where the follow-up work of internal audit recommendations was explained. He advised that, of the 104 agreed actions arising from his team's project work, all 87 that were due for implementation by 31 March 2016 had been undertaken.

Mr Clarke wished to place on record his appreciation to seven members of the Mid-Kent Audit Service team who had achieved additional qualifications during the year, alongside delivering the agreed audit plan work. Details of this were set out on page 109 of the agenda.

Mr Quigley referred to the 'data protection' section of the annual report, specifically paragraph 44, set out on page 96. This stated that "...Mid-Kent Legal Services are currently revising relevant policies with a view to implementation by the end of 2015". He asked what the current position was. Mr Clarke advised that, although the Council was broadly compliant, some work was needed to embed approaches that were currently the subject of specific focus so that they could become part of the Council's ordinary business.

Councillor Hamilton stressed the need to maintain a very close focus on the risks of data protection breaches, an aspect which was constantly changing. Mr Clarke acknowledged the point, adding that there was a need to improve staff training, as had been recognised by the Council, who were exploring further means of delivering training, such as e-learning.

Mr Shiels referred to the summary of audit plan work set out on page 91 of the agenda, specifically the number of days scheduled for 'risk management and counter-fraud work'. He noted that there had been 35 days scheduled for this work but that only 11 had been spent on this activity; Mr Shiels asked whether Mr Clarke was satisfied that this work had received sufficient focus. Mr Clarke said that counter-fraud in particular was largely a reactive process but added that the Revenues and Benefits service had their own, separate, counter-fraud team, which operated in addition to the internal audit function. He also advised that CIPFA had issued a new counter-fraud guidance document in late 2015 that was likely to require a fresh look at the Council's counter-fraud processes; Mr Clarke said that this work was likely to take place across 2016/17.

Councillor Coleman enquired about the 'national fraud initiative', set out on page 105 of the agenda. He asked how the key contacts were selected and if there was a legal basis to this. Mr Clarke advised that this was a statutory requirement, with which local authorities had to comply. As for the key contact, Mr Clarke said it was the Section 151 Officer in each case; in Tunbridge Wells, he added, the Section 151 Officer (i.e. the Director of Finance and Corporate Services) had delegated the task to a specific post-holder.

In conclusion, the Chairman thanked the Head of the Audit Partnership for the comprehensive report and its findings.

**RESOLVED –**

- (1) That the Committee notes the Head of Audit's report and opinion for 2015/16 that reliance can be placed on the overall adequacy and effectiveness of the Council's arrangements for internal control governance and risk management; and
- (2) That the Committee notes the work underlying that opinion and the Head of Audit's view that the audit service has maintained appropriate independence and compliance with Public Sector Internal Audit Standards through 2015/16.

**AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT**

AG12/16 Rich Clarke, the Head of the Audit Partnership, introduced the Committee's Annual Report for 2015/16. He thanked his Deputy, Russell Heppleston, for having drafted the document and reminded the Committee that its production was a requirement of the group's terms of reference.

Mr Clarke advised that the focus of the Annual Report was to show: (i) how the Committee had monitored both internal and external audit activity; (ii) how it had reviewed and commented upon the effectiveness of the Council's regulatory framework; (iii) how it had reviewed and approved the Council's annual statements of accounts; and (iv) how it had scrutinised the associated strategy and policy.

The Chairman said that the Annual Report as circulated with the agenda was a good reflection of how the Committee had met its obligations throughout 2015/16.

Councillor Moore referred to page 123 of the agenda, where the membership of the Committee for 2015/16 was set out. She asked whether it was correct for former Councillor Glenn Hall to be listed, as she believed he had stood down in May 2015. The Director of Finance and Corporate Services undertook to check whether an amendment was necessary.

One of the independent members, Gary Shiel, added that he had been appointed to the Committee during 2015/16 and asked if the report could be amended to reflect his membership.

**RESOLVED –**

- (1) That, subject to clarification on the Committee's membership in 2015/16, the Audit and Governance Committee agree the Annual Report for 2015/16; and
- (2) That the Chairman of the Committee presents the report to a meeting of the Full Council, in order to demonstrate how the Committee has discharged its duties.

**PLANNED AUDIT FEE 2016/17 AND UPDATE REPORT**

AG13/16 Lee Colyer, the Director of Finance and Corporate Services, reported on the planned audit fee for 2016/17, as notified by the authority's external auditors, Grant Thornton. He added that the scale of fees had been set by Public

Sector Audit Appointments Limited.

Mr Colyer also advised that Grant Thornton had submitted their 'progress and update report' for the year ended 31 March 2016. Darren Wells, the Director of Grant Thornton, explained that the update report provided the Committee with details of the external auditors' progress in delivering their responsibilities to the Council.

The report summarised the progress made under specific activity areas, namely: the audit fee letter; the accounts audit plan; the interim accounts audit; the final accounts audit; the value-for-money conclusion; and 'other activities'.

Councillor Podbury asked what the relevance of the reference to the "value quadrant" was in the covering report. Mr Colyer advised that this related to the authority's 'strategic compass', a document which was largely for internal use.

Mr Quigley advised that the Grant Thornton website links set out on page 140 of the agenda did not appear to be working. Mr Wells undertook to investigate and correct the situation.

#### **RESOLVED –**

- (1) That the planned audit fee for 2016/17 be agreed; and
- (2) That the progress and update report submitted by Grant Thornton be noted.

#### **FUTURE WORK PROGRAMME**

AG14/16 The Committee's work programme was presented for members' information.

The Chairman advised that he had agreed with the Director of Finance and Corporate Services that a number of reports which were due to come to this meeting be deferred until 26 July; this had been reflected in the revised work programme circulated with the agenda.

**RESOLVED –** That the work programme be noted.

#### **DATE OF NEXT MEETING**

AG15/16 It was noted that the next meeting of the Committee would take place on Tuesday 26 July at 6pm.

NOTE: The meeting concluded at 6.45 pm.