

Audit & Governance Committee

Annual Report

2019/20



Statement from the Chairman

This report provides an overview of the Audit & Governance Committee's activity during the municipal year 2019/20.

This year so far has presented big challenges for the Council following the Covid-19 pandemic, but we have continued throughout this, and I am pleased to report the continued good work of the Committee in providing an independent overview of the Council's governance arrangements. This role includes detailed consideration of the work of external and internal audit plus robust scrutiny and challenge of the Council's financial performance and, through our Standards role, the approach the Council takes in investigating complaints made about Members.

During 2019/20 the Committee met four times and I was pleased to note, among the highlights, a further unqualified accounts and value for money opinion from our external auditors and a positive conclusion on the Council's control and governance from our internal auditors. In addition, the Committee continued to provide robust challenge and oversight over key risks facing the Council and sought assurances over the management of largescale projects and areas of spend.

I would like to take this opportunity to thank the Committee Members and Officers that have supported the Committee over the last year. Their professionalism, integrity, and openness have helped us to discuss, challenge and debate key issues and agree solutions and improvements where appropriate to do so.



Councillor Paul Barrington-King - Audit & Governance Committee Chairman

Purpose of the Committee

The Audit and Governance Committee operates in accordance with the [Audit Committees, Practical Guidance for Local Authorities](#). This guidance was updated in 2018 and is published by the Chartered Institute of Public Finance (CIPFA). This guidance defines the purpose of an Audit Committee as:

Audit Committees are a key component of an authority's governance framework. Their function is to provide an independent and high-level resource to support good governance and strong public financial management.

The purpose of an Audit Committee is to provide 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. By overseeing internal and external audit it makes an important contribution to ensuring that effective assurance arrangements are in place.

The Committee is independent from other executive management and the Cabinet and has clear reporting lines and rights of access to discharge its responsibilities in line with the agreed Terms of Reference (Appendix I). This includes direct access to the Council's Appointed Auditors and Head of Audit Partnership without the presence of other Officers, where appropriate.

The Committee monitors internal and external audit activity, reviews, and comments on the effectiveness of the Council's regulatory framework, and reviews and approves the Council's annual statements of accounts.

The Committee is not a substitute for the management function in relation to internal or external audit, risk management, governance, or any other review or assurance function. It is the Committee's role to examine these functions, and to offer views and recommendations on the way the management of these functions is conducted.

Membership & Meetings

The Audit and Governance Committee comprised of 8 Borough Councillors, 2 co-opted independent members and 2 parish/town council representatives. The below table details committee members throughout the year:

Committee Members
Cllr Barrington-King (Chairman)
Cllr Reilly (Vice-Chairman)
Cllr Bailey
Cllr Horwood
Cllr Palmer
Cllr Neve
Cllr Warne
Cllr Everitt
Parish Cllr Mackonochie
Parish Cllr Edwards
Mr Quigley (Independent)
Mr Shiels (Independent)

The Committee met 4 times in 2019/20 (see Appendix II for full table of meeting attendance):

- [22 May 2019](#) (appointments to constitutional Review Working Group only)
- [2 July 2019](#)
- [10 September 2019](#)
- [26 November 2019](#)
- **04 February 2020** (this meeting was cancelled)
- **31 March 2020** (this meeting was cancelled, reports were reviewed and agreed virtually)

The Committee is supported throughout the year by senior officers and managers of the Council who are regularly present. Those in regular attendance include the Director of Finance, Policy & Development (Section 151 Officer), the Head of Finance & Procurement, the Head and Deputy Head of Audit Partnership, Audit Managers and Legal Services.

In addition, the Council's External Auditors (Grant Thornton) regularly attended meetings of the Audit Committee during 2019/20.

Continued Member development is key to the effective operation of the Audit Committee. During 2019/20, the Committee members were offered a development session on "The Role of the Risk Management".

All Audit Committee agenda papers and minutes are available on the Council's [website](#).

Activity

Over the course of the year the Committee considered, examined, and made decisions on the following areas within its Terms of Reference:

Internal Audit Activity	Frequency
Internal Audit Annual Report & Audit Opinion	
Internal Audit Interim Report	
Internal Audit Plan	
Strategic Risk Review	
Finance Activity	
Draft Financial Report	
Annual Financial Report and Audit Findings	
External Audit Activity	
Planned Audit Fee	
Annual Audit Letter	
Audit Plan	
Governance Activity	
Update on Complaints received under the Members' Code of Conduct	
Appointments to the Constitution Review Working Party	
Strategic Risk Updates	
Annual Governance Statement	
Annual Complaints Report and Local Government Ombudsman Annual Review	
Audit Committee Future Work Programme	
Audit and Governance Committee Annual Report	

KEY: Annual  Quarterly  Periodically 

Sources of Assurance

In drawing our conclusion this year, to how we have discharged our duties as a Committee, we have considered assurance from the following sources:

The work undertaken by our Internal Audit Partnership

- Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils and has kept the Committee updated on the outcomes of internal audit work throughout the year.
- The Council received an unqualified Annual Opinion from the Head of Audit Partnership. This opinion considers the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control arrangements for the Council.
- The Internal Audit plan for 2020/21 included a breakdown of internal audit assurance work for the coming year, and the Committee were given the opportunity to comment on the work of internal audit prior to endorsing the plan for delivery.
- The Committee has received regular updates on the Council's strategic risks, and risk owners have attended meetings to provide assurance to Members on the effectiveness of mitigation strategies.

Finance and Governance information

- The Committee reviewed and provided robust challenge to the annual accounts prior to approval and publication and received financial updates throughout the year.
- The Committee specifically gains assurance from the Annual Governance Statement which is a statutory document that explains the processes and procedures in place to enable the Council to carry out its functions effectively. The statement is produced following a review of the Council's governance arrangements and includes actions to address any significant governance issues identified. The Committee reviewed and approved the 2018/19 Annual Governance Statement.
- Following a review of the Constitution by the Constitution Review Working Party, a report was presented to the committee including several proposed amendments to the Constitution. The Committee supported and recommended the proposed changes to Full Council.
- Appointments were made and agreed by Committee to the Constitution Review Working Party.

The work of our External Auditors – Grant Thornton

- The Committee considered and agreed External Audit Plan presented by the Engagement and Audit Manager from Grant Thornton.
- The External Auditors presented an unqualified opinion for the Councils financial statements and value for money conclusion for 2018/19. The Committee provided effective challenge to the External Auditors and gained assurance from the reports and updates provided by Grant Thornton during the year.

Dealing with Complaints about Council Members

The Localism Act 2011 obliges councils to have both a Code of Conduct and a procedure for dealing with allegations that a member has breached that Code of Conduct. The Act further provides that the district/borough council for the area is responsible for dealing with complaints against all the parish and town councillors for its area as well as dealing with complaints against Borough Councillors. Full Council, at its meeting on 18 July 2012, resolved to adopt the 'Kent Procedures' for dealing with Member Complaints. The 'Kent Procedures' are so called because they were devised by the Kent Monitoring Officer Group and have been adopted by Kent County Council and most of the Kent Districts/Boroughs. The concept of proportionality runs through the procedures such that the level of resource and decision on each complaint should be proportionate to the seriousness of the complaint. This very much represents the guidance from central government which has stressed councils should not adopt 'gold plated' arrangements.

Under the procedures, authority is delegated to the Monitoring Officer to make an initial assessment of the complaint (in consultation with the Independent Person appointed under the provisions of the Localism Act 2011) and, if appropriate, the Monitoring Officer will seek to resolve the complaint informally. If it is decided the complaint should be investigated then following that investigation a Sub-Committee of the Audit and Governance Committee will determine the complaint.

The Localism Act 2011 sets out the role of the Independent Person in any procedures designed for investigating allegations that a member has breached the Code of Conduct. The Independent Person's views must be sought and taken into account prior to a decision being made following an investigation into a complaint and whose views may be sought at other times during the process. This Council's Independent Person, Mr Michael O'Higgins, was appointed by Full Council in October 2015 following an interview process and his appointment was subsequently extended until October 2023.

During the year ending 31 March 2020, twelve new member complaints were received. Nine of the complaints were made against borough councillors and three against parish councillors.

Of the complaints against borough councillors, one was rejected as there was insufficient evidence to substantiate the complaint and three were rejected for failing to meet the Council's local assessment criteria. The remaining complaints were dealt with by way of informal resolution with apologies being given by the subject members.

As to the complaints against parish councillors, one was not pursued by the complainant, one was rejected for having insufficient evidence and one was dealt with through informal resolution with training being provided to the subject member.

Conclusion

The Audit and Governance Committee, in partnership with the Council's Internal and External Auditors, and with the support of officers, has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues.

The Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2019/20.

Terms of Reference & Responsibilities

Audit Activity

- a) To consider the Internal Audit Manager's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the council's corporate governance arrangements.
- b) To agree the external Audit Plan for the year.
- c) To approve the cost of the Audit.
- d) To consider summaries of specific internal audit reports as requested.
- e) To consider reports dealing with the management and performance of the providers of internal audit services.
- f) To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.
- g) To consider the external auditor's annual letter, relevant reports and the report to those charged with governance.
- h) To consider specific reports as agreed with the external audit work and to ensure it gives value for money.
- i) To comment on the scope and depth of external audit work and to ensure it gives value for money.
- j) To liaise with the Audit Commission over the appointment of the Council's external auditor.
- k) To commission work from internal and external audit.
- l) To oversee the whistle-blowing policy and make appropriate recommendations for change to the policy;
- m) To liaise with the Overview and Scrutiny Committee Chairman to coordinate cross-cutting issues and avoid duplication.

Regulatory Framework

- a) To maintain an overview of the Council's constitution and the Code of Conduct.
- b) To review any issue referred to it by the Chief Executive, Directors, S151 Officer, Monitoring Officer or any council body.
- c) To monitor the effective development and operation of risk management and corporate governance in the council, and to ensure that these matters are effectively embedded.
- d) To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.
- e) To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- f) To consider the Council's compliance with its own and other published performance standard.

Accounts

- a) To review the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.
- b) To consider the external auditor's report to those charged with governance on issues arising from the audits of the accounts.

Governance

To discharge the functions (other than those which are reserved to Council) as set out in Part 1, Chapter 7 of the Localism Act 2011 including:

- a) To promote and maintain high standards of conduct by Members and Co-opted Members of the Council and to make recommendations to Council on improving standards.
- b) To advise and assist Parish/Town Councils and Parish/Town Councillors to maintain high standards of conduct and to make recommendations to Parish/Town Councils on improving standards.
- c) To advise the Council on the adoption of or revisions to its Code of Conduct.
- d) To advise, train or arrange to train Members, Co-opted Members and Parish/Town Councillors on matters relating to the Code of Conduct.
- e) To assist the Councillors, Co-opted Members and Parish/Town Councillors to observe their respective Codes of Conduct.
- f) To monitor and assess the operation and effectiveness of the Code of Conduct and to review and manage the arrangements for dealing with Code of Conduct Complaints.
- g) To advise on local ethical governance protocols and procedures.
- h) To maintain oversight of the Council's arrangements for dealing with Code of Conduct complaints.
- i) To act as an advisory body in respect of any ethical governance matter.
- j) To monitor and review the procedures for the Register of Members' Interests and declaring gifts and hospitality.
- k) To receive quarterly reports (or less frequently if there are no complaints to report) from the Monitoring Officer on the number and nature of complaints received and action taken as a result in consultation with the Independent Person.
- l) To receive an annual report on the Council's ethical governance arrangements.
- m) To appoint a sub-committee to deal with Code of Conduct complaints, following investigation.
- n) To grant dispensations pursuant to S33(2) of the Localism Act 2011 and paragraph 8 of the adopted Code of Conduct where:
 - i. without the dispensation, the representation of different political groups on the body transacting the business would be so upset as to alter the outcome of any vote on the matter.
 - ii. that the authority considers that the dispensation is in the interests of persons living in its area; or
- o) where the Committee considers that it is otherwise appropriate to grant a dispensation.

Appendix II

The following table outlines details attendance at the Committee meetings for municipal year 2019/20:

Member	Role	22 May 2019	2 Jul 2019	10 Sept 2019	26 Nov 2019
Cllr Barrington-King	Chairman	✓	✓	✓	Apologies
Cllr Reilly	Vice Chairman	✓	✓	✓	✓
Cllr Bailey	Committee Member	✓	✓	✓	
Cllr Horwood	Committee Member	✓	✓	✓	✓
Cllr Palmer	Committee Member	Apologies	✓	✓	✓
Cllr Neve	Committee Member	✓	✓	✓	✓
Cllr Warne	Committee Member	✓	✓	✓	✓
Cllr Everitt	Committee Member	✓	✓	✓	✓
Parish Cllr Mackonochie	Committee Member	✓	✓	✓	✓
Parish Cllr Edwards	Committee Member	✓	✓	✓	✓
Mr Quigley (Independent)	Committee Member	✓	✓	✓	✓
Mr Shiels (Independent)	Committee Member	Apologies	✓	✓	✓
Cllr Hayward	Visiting Member		✓	✓	✓
Cllr Ellis	Visiting Member			✓	
Officers					
Cheryl Clark	Democratic Services Officer	✓	✓	✓	
Claudette Valmond	Principal Solicitor				✓
Emer Moran	Democratic Services Officer				✓
Finbar Gibbons	Head of Policy and Governance			✓	
Frankie Smith	Internal Audit Manager		✓		
Jane Fineman	Head of Finance and Procurement		✓		✓
Jen Warrillow	Internal Audit Manager				✓
Keith Trowell	Team Leader, (Corporate Governance) and Deputy Monitoring Officer	✓	✓	✓	
Lee Colyer	Director of Finance, Policy and Development (s151 Officer)		✓	✓	✓
Patricia Narebor	Head of Legal Partnership				
Paul Taylor	Director of Change and Communities			✓	
Rich Clarke	Head of Internal Audit Partnership		✓	✓	
William Benson	Chief Executive				✓
Grant Thornton					
Ade Oyerinde	Senior Engagement Manager			✓	
Elizabeth Jackson	Engagement Lead		✓	✓	