

Audit & Governance Committee

Annual Report 2016/17



Introduction by Chairman of Audit & Governance Committee

This report provides an overview of the Audit & Governance Committee's activity during the municipal year 2016/17.

I am pleased to report the continued good work of the Committee in providing an independent overview of the Council's governance. 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 2016/17 the Committee met six times and 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.

Once again during 2016/17 the Committee is grateful for the contributions of its members, including independent and parish members, as well as to those officers who support its work.



*Councillor Len Horwood
Audit & Governance Committee Chairman (2016/17)*

Introduction

Tunbridge Wells Borough Council has always supported and understood the value and benefits of having an independent Audit Committee. The Council established the Audit and Governance Committee in 2012; its functions incorporate those undertaken by the former Audit Committee as well as some of the functions previously the responsibility of the Standards Committee.

The Audit Committee is an essential check on the corporate governance framework; providing an independent and high-level overview of the internal control, governance and risk management for the Council.

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 independent from the Council's Executive and Scrutiny functions and has clear reporting lines and rights of access to discharge its responsibilities in line with its Terms of Reference (Appendix I). This includes direct access to the Council's Appointed Auditor and Head of Audit Partnership without the presence of other officers where appropriate.

The Committee is not a substitute for the Executive function in the management of 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.

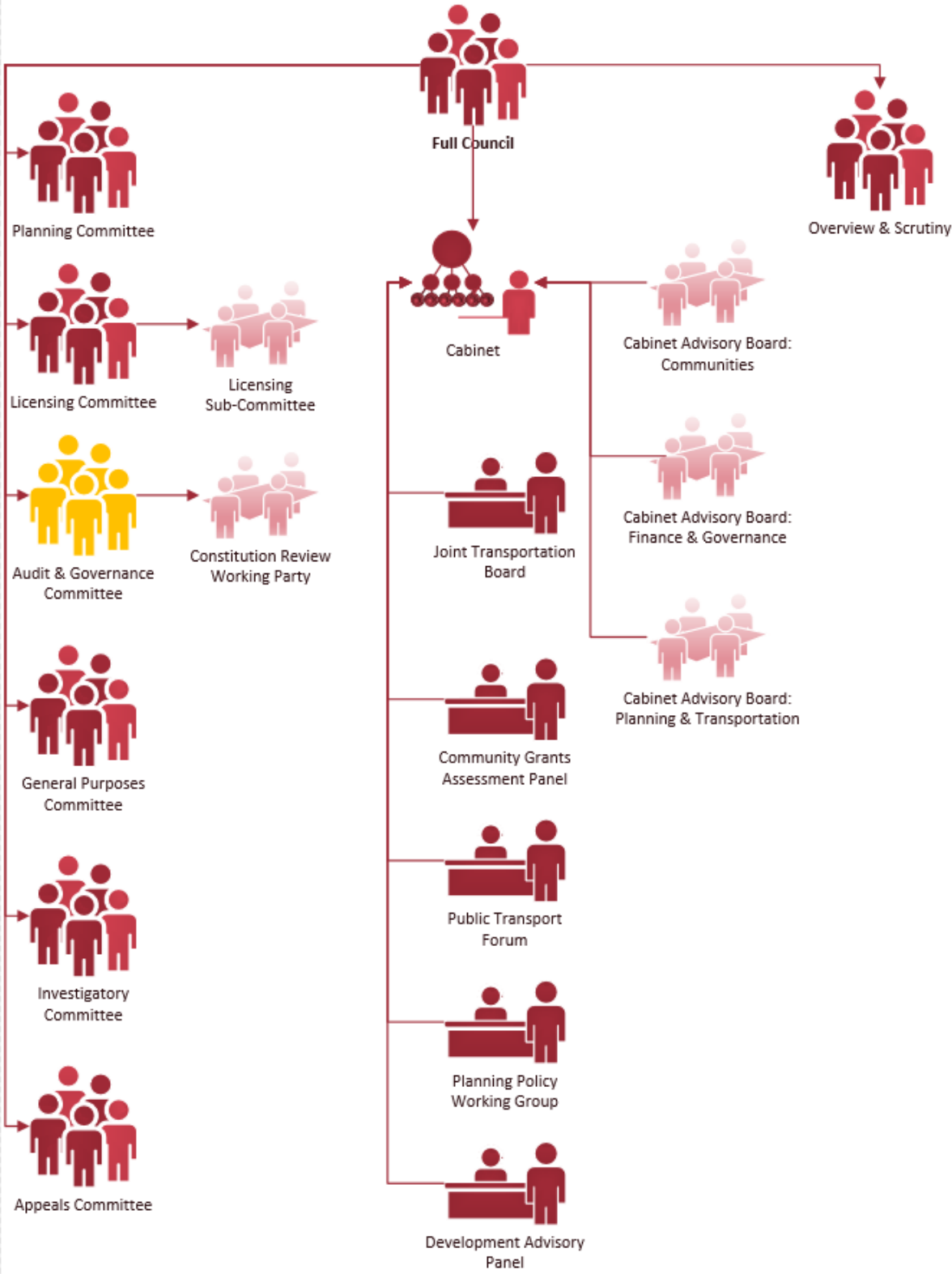
Benefits

Effective audit committees can bring many benefits to local authorities:

- Increased public confidence in the objectivity and fairness of Council financial and other reporting.
- Reinforcing the importance and independence of internal and external audit and similar review processes.
- Providing additional assurance through the process of independent review and challenge.
- Increasing emphasis and awareness of internal control, governance and risk management.

*CIPFA's Audit Committees
- Practical Guidance for
Local Authorities*

Tunbridge Wells BC Committee Structure



Membership & Attendance

The Audit and Governance Committee comprises of 8 Borough Councillors, 4 co-opted independent members and 2 parish representatives.

The following table summarises attendance at all of the Audit and Governance Committees held in 2016/17:

Name	Role	25 May	28 Jun	26 Jul	20 Sep	5 Dec	4 Apr
Tunbridge Wells BC Members							
Councillor Len Horwood	Chairman	✓	✓	✓	✓	✓	✓
Councillor Tom Dawlings	Vice Chairman	✓	✓	Apologies	Apologies	✓	✓
Councillor Ben Chapelard	Committee Member	✓	✓	✓	x	✓	✓
Councillor Joy Podbury	Committee Member	✓	✓	✓	✓	✓	✓
Councillor Ms Beverley Palmer	Committee Member	✓	✓	Apologies	✓	✓	Apologies
Councillor Sarah Hamilton	Committee Member	✓	✓	✓	✓	✓	Apologies
Councillor Sue Nuttall	Committee Member	✓	✓	✓	✓	✓	✓
Councillor Tracy Moore	Committee Member	✓	✓	✓	✓	Apologies	Apologies
Independent Members							
Gary Shiels	Committee Member	Apologies	✓	✓	✓	✓	✓
James Hedges ¹	Committee Member	✓	Apologies	✓	Apologies	✓	
Jane Hough	Committee Member	Apologies	✓	✓	✓	✓	✓
Tony Quigley	Committee Member	Apologies	✓	✓	✓	✓	✓
Parish Representatives							
Parish Councillor Coleman	Committee Member	✓	✓	✓	✓	✓	✓
Town Councillor Henshaw	Committee Member	x	✓	✓	Apologies	✓	✓
Tunbridge Wells BC Officers							
William Benson	Chief Executive				✓		
Lee Colyer	Director of Finance, Policy and Development (S151 Officer)	✓	✓	✓	✓	✓	✓
Jane Clarke	Head of Policy & Governance				✓		
Jane Fineman	Head of Finance & Procurement (Deputy S151 Officer)		✓	✓			✓

¹ Mr Hedges term as an independent member expired in January 2017

Name	Role	25 May	28 Jun	26 Jul	20 Sep	5 Dec	4 Apr
Jane Lynch	Head of Planning Services			✓			
Adam Chalmers	Head of Communities and Engagement						✓
David Candlin	Head of Economic Development					✓	
Stephen Baughen	Acting Head of Planning Services				✓		
Mike McGeary	Democratic Services	✓	✓	✓	✓	✓	✓
Mid Kent Audit (Internal Audit)							
Rich Clarke	Head of Audit Partnership		✓	✓	✓		✓
Russell Heppleston	Deputy Head of Audit Partnership					✓	
Frankie Smith	Audit Manager		✓			✓	✓
Mid Kent Legal Services							
John Scarborough	Head of Legal Services and Monitoring Officer	✓	✓		✓		
Estelle Culligan	Interim Head of Legal Partnership and Monitoring Officer					✓	
Keith Trowell	Senior Lawyer and Deputy Monitoring Officer						✓
Grant Thornton (External Audit)							
Ade Oyerinde	External Audit - Grant Thornton			✓	✓	✓	
Darren Wells	External Audit - Grant Thornton		✓	✓			✓

Meetings on 28 June and 4 April were also attended by members of the public.

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

Business

During the year the Audit and Governance Committee has commented, examined and reviewed the following:

Audit Activity
• Internal Audit Annual Report
• Internal Audit Interim Report
• Internal Audit Plan
• Internal Audit Charter
• Safeguarding audit update
• Strategic Risk Annual Report & Updates
External Audit (Grant Thornton)
• Planned Audit Fee
• Annual Audit Letter
• Audit Committee Update
• Certification of Grant Claims
• Progress Report
Finance
• Draft Financial Report
• Annual Financial Report and Audit Findings
Governance
• Update on Complaints received under the Member's Code of Conduct
• Annual Complaints Report
• Appointments to the Constitution Review Working Party
• Proposed Changes to the Constitution – Planning Committee & Planning Scheme of Delegations
• Benefit Fraud Annual Report
• Work Programme
• Audit and Governance Committee Annual Report
• External Auditor Procurement
• Annual Complaints Report and Local Government Ombudsman Annual Review

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 Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2016/17.

Sources of Assurance

In drawing a conclusion for the year, the Audit and Governance Committee gained assurance from the following sources:

The work of Internal Audit

The Head of Audit Partnership issued an unqualified Head of Audit Opinion in 2015/16 which concluded that the Council was operating an effective sound system of internal control, governance and risk management. Throughout the year the Committee has been kept up to date with delivery of the Internal Audit plan, implementation of audit recommendations, and has been kept aware of any emerging risks.

The Internal Audit plan for 16/17 included a breakdown of internal audit assurance 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.

Adverse audit opinions have been presented to the Committee and at request, have been provided with regular progress updates on the implementation of audit recommendations. The Committee has continued to show its support to the Internal Audit team throughout the year, and has recognised the role, responsibility and authority of the service within the Audit Charter which was updated and agreed by the Committee in March 2016.

The work of External Audit (Grant Thornton)

The external auditors report back to the Audit and Governance Committee providing regular updates on their programme of work. During the year, the External Auditors presented an unqualified value for money conclusion and an unqualified opinion on the financial statements.

The Audit Committee has provided effective challenge to the External Auditors as appropriate and gained assurance from the reports and updates provided during the year.

Finance & Governance Reports

The Committee provided robust challenge prior to approving the financial reports of the Council in September 2016.

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 address any significant governance issues identified. The Committee reviewed and approved the 2015/16 Annual Governance Statement.

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.

During the year ending 31 March 2017, three new member complaints were received. One of the complaints did not proceed and two resulted in findings of no breach of the respective Code of Conduct.

Member Development

Proposed Programme 2017/18

Continued professional development is key to the effective operation of the Audit and Governance Committee. Briefings enable Members of the Committee to be kept up to date on the latest developments in the areas of governance, risk and internal control.

The table below sets out a development programme which could be provided to Members of the Audit and Governance Committee in 2017/18. The topics suggested below mirror the responsibilities of the Committee and complement the role the Committee has to oversee the effective governance of the Council:

Briefing theme & potential specific topics
Internal Audit Standards <ul style="list-style-type: none">○ How standards are set and monitored○ Specific work on IA conformance
Risk Management <ul style="list-style-type: none">○ Risk appetite○ Specific strategic and operational risks○ Risk management strategy○ Local government risk outlook
Treasury Management <ul style="list-style-type: none">○ Investment and borrowing options for local authorities○ Prudential Code○ Financial outlook for local authorities
Reviewing the Annual Governance Statement <ul style="list-style-type: none">○ The AGS within the Council's governance○ Specific topics within the AGS○ Comparative review of AGS across local government

Appendix 1:

Terms of Reference & Responsibilities

Audit Activity
<ul style="list-style-type: none">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
<ul style="list-style-type: none">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 where the Committee considers that it is otherwise appropriate to grant a dispensation.