

This report will be made public on 14 May 2019



Report number **A/19/06**

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**To:** Council  
**Date:** 22 May 2019  
**Status:** Non-executive decision  
**Chairman:** Councillor David Owen, Chairman of the Audit and Governance Committee

**SUBJECT: ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2018/19**

**SUMMARY:** This report summarises the achievements of the Audit and Governance Committee against the terms of reference for the period 1 April 2018 to 31 March 2019 and details the impact that it has made on the overall system of internal control in operation.

**REASONS FOR RECOMMENDATION:**

The Council is asked to agree the recommendation below to ensure that the Audit and Governance Committee is fulfilling its duties and performing effectively. This report sets out the steps it has taken to ensure the effectiveness of its work.

**RECOMMENDATIONS:**

1. To receive and note report A/19/06.

## **1. INTRODUCTION**

- 1.1 The purposes of the Council's Audit and Governance Committee are outlined in the constitution.
- 1.2 Listed below are the terms of reference for the Audit part of the Committee:
- a) Review and approve the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.
  - b) To consider the Head of Internal Audit's annual report and opinion on the Council's corporate governance arrangements.
  - c) To conduct reviews of the effectiveness of the Council's system of internal audit.
  - d) Be satisfied that the authority's assurance statement, including the annual governance statement, properly reflects the risk environment and any actions required to improve it.
  - e) Approve (but not direct) internal audit's strategy, plan and monitor performance.
  - f) Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken, where necessary.
  - g) Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements, and seek assurance that action is being taken to mitigate those risks identified.
  - h) To make recommendations to Council on Contract Standing Orders.
  - i) To make recommendations to Council on the Financial Procedure Rules.
  - j) To maintain an overview of the Council's Whistle-blowing Policy.
- 1.2 The Audit and Governance Committee seeks to ensure it has effective communication with the authority, which includes the Executive, the Council's statutory officers, the Head of Internal Audit, the external auditor and other stakeholders. This is mainly achieved through the work of the Committee, but is further enhanced by the submission of this annual report to the Council's annual meeting.

## **2. ANNUAL REPORT**

- 2.1 This report summarises the work of the Audit and Governance Committee over the past year and concludes that it has received clear, concise and relevant information, has received appropriate training 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.
- 2.2 The Committee has a well-established forward plan which is agreed by the Committee at the start of each year. This plan is reviewed at each meeting to ensure the responsibilities and audit needs are addressed.
- 2.3 Members of the Audit and Governance Committee seek to robustly challenge any weaknesses in the reports from auditors and officers. In particular we will continue to ask senior officers to attend meetings to

outline and identify risks within their service areas; how they are mitigating those risks; and meeting their responsibilities.

- 2.4 The Audit and Governance Committee is assured on the integrity of data held in the financial statements. It receives clear, concise reports and actions are dealt with in an appropriate timescale. The members of the Committee receive specific training which gives them the skills required to carry out these functions effectively.
- 2.5 The work of the Internal and External Audit provides detailed assurance on the reliability and integrity of the information held in the financial statements.
- 2.6 The Corporate Director for Customer, Support and Specialist Services, Assistant Director – Finance, Customer and Support Services, external audit and internal audit together support the Committee in forming their opinion of the financial statements, enabling the Committee to agree to sign them off in accordance with regulations.
- 2.7 The Committee receives a regular report on agreed actions from the annual governance assurance process. The Committee is able to request senior officers and, where necessary, the relevant Cabinet member to attend the Committee to give an update on progress against agreed actions to reduce risk and/or improve governance.
- 2.8 The Committee considers the effectiveness of internal audit by reviewing the annual assessment of the Assistant Director – Finance, Customer and Support Services, the view of external audit and the quality of reports, actions and follow up through the quarterly reports submitted throughout the year to Committee.
- 2.9 During the year the committee has considered a large number of reports including:
  - Regular detailed updates from the East Kent Audit Partnership (EKAP), the Council's internal auditors
  - Regular detailed updates from Grant Thornton, the Council's external auditors
  - The annual Statement of Accounts
  - Financial Procedure rules Audit
  - Local Code of Corporate Governance
  - Annual Governance Statement
  - Applications for dispensations under the Code of Conduct for Directors of Oportunitas
  - Corporate Risk Register
  - Annual Report 18/19

### **3. GOVERNANCE**

- 3.1 Listed below are the terms of reference for the Governance part of the Committee:

- a) To promote and maintain high standards of conduct by members and co-opted members of Folkestone and Hythe District 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 District Council on the adoption of, or revisions to, its Code of Conduct.
- d) To advise, train, or arrange to train, district members, co-opted members and parish/town councillors on matters relating to the Code of Conduct.
- e) To assist the district councillors, co-opted members and parish/town councillors to observe their respective Codes of Conduct.
- f) To monitor and assess the operation and effectiveness for dealing with 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 District 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 District Council's ethical governance arrangements.
- m) To make recommendations to Council on the appointment of an Independent Person(s) under S28 of the Localism Act 2011.
- n) To grant dispensations pursuant to Section 33(2) of the Localism Act 2011 and paragraph 8 of the adopted Code of Conduct where:
  - so many members of the decision-making body have Disclosable Pecuniary Interests in a matter, that it would impede the transaction of the business; or
  - without a dispensation, no member of the executive would be able to participate on a particular item of business;
  - without a dispensation, the representation of different political groups, on the body transacting the business, would be so upset as to alter the outcome of any voting on the matter;
  - that the authority considers that the dispensation is in the interests of persons living in the area; or
  - where the committee considers that it is otherwise appropriate to grant a dispensation.

3.2 The Committee has granted dispensations under the Constitution to members who are also directors of Oportunitas, to allow them to speak and vote at meeting where the company's business is discussed. The committee also noted the report of the Monitoring Officer in granting a

dispensation in circumstances where it was not possible to convene a meeting of the committee.

#### **4. COMPLAINTS**

4.1 There were no 'code of conduct' complaints in the council year 18/19.

#### **6. LEGAL, FINANCIAL AND OTHER CONTROLS/POLICY MATTERS**

##### **6.1 Legal officer's comments (AK)**

There are no legal issues arising out of this report.

##### **6.2 Finance officer's Comments**

There are no financial issues directly arising out of this report.

##### **6.3 Diversities and equalities implications (AK)**

This report does not directly have any diversity and equality implications.

#### **7. CONTACT OFFICERS AND BACKGROUND DOCUMENTS**

Councillors with any questions arising out of this report should contact the following officer prior to the meeting:

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The following background documents have been relied upon in the preparation of this report: None