

Audit and Governance Committee

Held at:	Council Chamber - Civic Centre Folkestone
Date	Wednesday, 15 March 2023
Present	Councillors Mrs Ann Berry (Chairman), Laura Davison, Terence Mullard, Patricia Rolfe (Vice-Chair) and Rebecca Shoob
Apologies for Absence	Councillor Gary Fuller
Officers Present:	Amandeep Khroud (Assistant Director), Sue Lewis (Case Officer (Committee)), Lydia Morrison (Interim S151 Officer), Mrs Christine Parker (Head of Audit Partnership), Susan Priest (Chief Executive), Charlotte Spendley (Director of Corporate Services) and Brian Thompson (Interim Chief Financial Services Officer)
Others Present:	Andy Vanburen, Independent Member, Paul Dossett and Sophia Y Brown, Grant Thornton

66. **Declarations of Interest**

Councillors Mrs Ann Berry, Patricia Rolfe and Terence Mullard informed they are Directors of Oportunitas and elected members of the main shareholder.

Councillor Rebecca Shoob informed she is a Director of Otterpool Park LLP.

NB: Councillor Terence Mullard informed the committee that he did not think 4 days was sufficient enough time to read the very large agenda pack and therefore informed he would abstain from voting on the first two items – Statement of Accounts 2020/2021 and 2021/2022.

67. **Minutes**

The minutes of the meeting held on 7 December 2022 were submitted, approved and signed by the Chairman.

68. **Statement of Accounts 2020/21**

In accordance with the Accounts and Audit (Amendment) Regulations 2021 the audit of the 2020/21 Accounts has now been fully completed. The final audit findings in relation to the audit of the 2020/21 Statements of Account are set out in Grant Thornton's Audit Findings report.

The Interim Chief Financial Service Officer (CFSO) advised that committee that the 2020/21 accounts had been agreed by the committee on 8 December 2021. The accounts had thus been approved but subject to a delay. The full set of accounts was again being presented to the committee and due to the size of the accounts pack, a 2 page Briefing Note had previously been despatched to committee members to explain the key highlights and any changes to the accounts. The Interim CFSO advised the committee that the Chairman and S151 Officer would be required to sign the Letter of Representation and other pages of the accounts at the conclusion of the meeting if the item was approved.

Approval of the accounts was delayed due to a national accounting issue around Infrastructure Assets which took time to resolve, this has now been resolved with a Statutory Over-ride issues to all accounting bodies and the accounts are now ready to be finally signed by the Chairman and S151 Officer with the final Grant Thornton audit report and opinion. The Interim CFSO also advised the committee that a separate disclosure note on infrastructure assets had been included on page 149 of the agenda pack.

The interim CFSO advised the committee that there had been no significant adjustments required to the accounts that would impact the council's useable reserves or balances.

Grant Thornton advised that there had been some minor adjustments by Auditors but once signed off then they will end the audit of accounts for this year with an un-qualified (un-modified) opinion.

Grant Thornton explained that matters raised by local electors are still being considered but do not form an opinion of the accounts but any significant issues will be considered where appropriate.

A report is being prepared in respect of governance and gifts and interests register which will be taken to CLT in due course with the Monitoring Officer giving assurance and recommendation to publish information as appropriate.

Proposed by Councillor Patricia Rolfe
Seconded by Councillor Rebecca Shoob and

Resolved:

- 1. To receive and note Report AuG/22/24.**
- 2. To consider Grant Thornton's final 2020/21 Audit Findings report (ISA 260) on the 2020/21 Statement of Accounts.**

- 3. To consider the Auditors final 2020/21 Annual Report covering the Value for Money conclusion.**
- 4. To note the 2020/21 Audit Opinion which was unqualified**
- 5. To receive and approve the audited 2020/21 Statement of Accounts.**
- 6. To note and approve the Letter of Representation.**

(Voting: For 4; Against 0; Abstentions 1)

69. Statement of Accounts 2021/22

In accordance with the Accounts and Audit (Amendment) Regulations 2022 the the audit of the 2021/22 Accounts has now been fully completed. The final audit findings in relation to the audit of the 2021/22 Statements of Account are set out in Grant Thornton's Audit Findings report.

The Interim Chief Financial Service Officer (CFSO) advised that committee that the 2021/22 accounts had been reported to the committee on 21 September 2022 and at that time, the accounts were still subject to audit and also delayed due to the national infrastructure issues, which has now been resolved. The final version of the draft 2021/22 accounts had been signed and published on 23 January 2023. The Interim CFSO advsed the committee that the Chairman and S151 Officer would be required to sign the Letter of Representation and other pages of the accounts at the conclusion of the meeting if the item was approved.

The audit of the 2021/22 was now complete and Grant Thornton were in a position to present their final audit report and opinion.

Grant Thornton advised that there had been some minor adjustments by Auditors but once signed off then they will end the audit of accounts for this year with an un-qualified (un-modified) opinion.

Grant Thornton explained that matters raised by local electors are still being considered but do not form an opinion of the accounts but any significant issues will be considered where appropriate.

The Interim CFSO advised the committee that there had been no adjustments required to the accounts that reduced the council's useable reserves or balances. The majority of audit adjustments had been reclassifications with the main adjustment being an impairment for a loan to Otterpool Park LLP of £712k, but again this adjustment had not impacted upon useable reserves or balances.

Due to the size of the accounts item on the agenda, a 2 page Briefing Note had been provided to committee members to highlight any key items or changes to the accounts.

Grant Thornton informed that their anticipated audit report opinion will be unmodified.

They paid particular attention to the following:

Value for Money (VFM) arrangements where weaknesses were identified in respect of breach in council's contract management and procurement arrangements and this will be revisited in Grant Thornton's work for 2022-23.

It is also noted that the Council acted swiftly to address some of the issues raised and these can be found within the documents provided.

Appendix C Audit Adjustments no change other than to note VFM above.

A number of improvement recommendations were reported in respect of financial stability, governance and economy, efficiency and effectiveness these can be found within the documents provided.

Grant Thornton's key recommendation asked that the Council fully action the recommendations set out by Internal Audit and although no definitive timeframe has been set to complete this work it must be noted that an action plan has already been produced by officers, with a number of actions already been completed.

A follow up report will be brought to the committee in due course.

The Chairman and S151 Officer will sign off the accounts once approved today.

Proposed by Councillor Patricia Rolfe
Seconded by Councillor Shoob and

Resolved:

- 1. To consider Grant Thornton's final 2021/22 Audit Findings report (ISA 260) on the 2021/22 Statement of Accounts.**
- 2. To consider Grant Thornton's 2021/22 Annual Report on Value for Money.**
- 3. To receive and approve the audited 2021/22 Statement of Accounts.**
- 4. To note and approve the 2021/22 Letter of Representation.**

(Voting: For 3; Against 0; Abstentions 2)

70. Quarterly Code of Conduct Complaints Update Report

This report provided an update to the Committee on Member Code of Conduct complaints received during quarter 3 of 22/23 (1 October to 31 December 2022).

It was agreed that future reports would include an "Action Taken" (if applicable) to update members on what has been agreed.

Proposed by Councillor Rebecca Shoob
Seconded by Councillor Patricia Rolfe and

Resolved:

1. To receive and note report AuG/22/27.

(Voting: For 5; Against 0; Abstentions 0)

71. Annual Report - Maintaining Ethical Standards

This annual report to the Audit and Performance Committee is submitted in accordance with the Committee's term of reference as follows:

"To receive an annual report on the District Council's ethical governance arrangements".

One of the roles of the council's Monitoring Officer is to advance good governance and ensure the highest standards of ethical behaviour are maintained through the effective discharge of their statutory duties.

The Monitoring Officer informed that although this is a simple report it sets out her views. She is not aware of national statistics but does keep a watch on neighbouring authorities.

Proposed by Councillor Patricia Rolfe
Seconded by Councillor Terence Mullard and

Resolved:

1. To receive and note report AUG/22/31.

(Voting: For 5; Against 0; Abstentions 0)

72. Annual report of the Audit and Governance Committee

This report summarised the achievements of the Audit and Governance Committee against the terms of reference for the period 1 April 2022 to 31 March 2023 and details the impact that it has made on the overall system of internal control in operation.

The Monitoring Officer informed members that if they require further training on any matters covered by any of the reports presented to the Committee then officers would be happy to make arrangements for this to happen.

Proposed by Councillor Rebecca Shoob
Seconded by Councillor Patricia Rolfe and

Resolved:

1. To receive and note report AuG/22/28.

(Voting: For 5; Against 0; Abstentions 0)

73. **Review of Corporate Risk Register**

This report provided an update to the Corporate Risk Register.

Particular attention was paid to the following:

C4 – this now needs updating following the successful award of Levelling up funding.

C2 – an independent organisation has been commissioned to look at Governance and LLP arrangements, with a view to understanding the resources and skills required to deliver the project.

C9 – work is underway to reflect the many changes with promotions and actions to focus on, recruiting to vacant posts and to determine priorities within the HRA business plan.

C15 – significant maintenance costs around Hythe Pool is a growing concern but for now, it is in a stable position.

C13 – the May elections have been highlighted as a risk due to the new extra demands on the team to implement new processes required by government.

It was noted that organisation capacity remains a challenge, with legislative changes and more expectations of districts placed on them from government. An annual report on the adequacy of resources will be presented by the Chief Executive to Personnel Committee in June/July to reflect the risk and members were reminded about the council's financial position requiring a cost savings plan to be prepared which may require some services to be cut or delivered in a significantly different way.

Proposed by Councillor Patricia Rolfe
Seconded by Councillor Laura Davison and

Resolved:

1. To receive and note report AuG/22/29.

2. To receive and note the updated Corporate Risk Register.

(Voting: For 5; Against 0; Abstentions 0)

74. **Review of Risk Management Policy and Strategy**

This report presented an updated Risk Management Policy & Strategy for consideration by the Audit & Governance Committee, ahead of its adoption by Cabinet. The Policy & Strategy provides a framework for the management of risk by Officers and Members. There is a separate report on the agenda which provides an update to the Corporate Risk Register.

It was noted that there had been limited changes other than to inform that there was now an internal operational Risk Management Group. Any changes will be reported to Cabinet and at the next meeting of the committee.

Proposed by Councillor Laura Davison
Seconded by Councillor Rebecca Shoob and

Resolved:

- 1. To receive and note report AuG/22/30.**
- 2. To propose to Cabinet the adoption of the updated Risk Management Policy & Strategy.**

(Voting: For 5; Against 0; Abstentions 0)

75. Local Code of Corporate Governance

This report recommended the approval of a local code of corporate governance for 2023/24.

Proposed by Councillor Terence Mullard
Seconded by Councillor Rebecca Shoob and

Resolved:

- 1. To receive and note report AuG/22/23.**
- 2. To adopt the local code of corporate governance appended.**

(Voting: For 5; Against 0; Abstentions 0)

76. Quarterly Internal Audit Update Report from the Head of East Kent Audit Partnership

This report included the summary of the work of the East Kent Audit Partnership (EKAP) since the last Audit and Governance Committee meeting together with details of the performance of the EKAP to the 31st December 2022.

EKAP gave assurance to the committee that management agree the action plan set out which will be monitored to see if the recommendations have been embedded, been effective and consistently applied.

Proposed by Councillor Laura Davison
Seconded by Councillor Terence Mullard and

Resolved:

- 1. To receive and note Report AuG/22/25.**
- 2. To note the results of the work carried out by the East Kent Audit Partnership.**

(Voting: For 5; Against 0; Abstentions 0)

77. Internal Audit Charter and Draft Internal Audit Plan 2023/24 from the Head of East Kent Audit Partnership

This report included the Audit Charter for the East Kent Audit Partnership which sets out the overarching vision, aims and strategy for the Internal Audit Service together with the draft plan of work for the forthcoming 12 months for approval.

It was noted the plan is sufficient with the necessary resources in place with the level of audit provision being sound.

Proposed by Councillor Patricia Rolfe
Seconded by Councillor Rebecca Shoob and

Resolved:

- 1. To receive and note Report AuG/22/26.**
- 2. That Members approve (but not direct) the Council's Internal Audit Plan for 2023/24.**
- 3 That Members approve to adopt the Internal Audit Charter for delivery of the internal audit service for the next three years.**

(Voting: For 5; Against 0; Abstentions 0)