

# **Audit, Governance & Standards Committee**

## **Annual Report**

**2019/20**



# Purpose of the Committee

The Audit 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.*

At Maidstone, the role of the Audit Committee extends further than this. In 2015 the Committee was expanded to incorporate some functions previously undertaken by the Standards Committee. Specifically, this expanded role means that we also consider Member conduct and complaints. The functions of the Committee is aligned to the guidance to provide independent assurance over the Council's internal control environment, governance, and risk management. In addition to helping the Council maintain strong public financial management.

Key activities include:

- To promote and maintain high standards of Councillor and Officer conduct within the Council
- Adopting and reviewing the Council's Annual Governance Statement and related actions
- To provide independent assurance over the adequacy of financial and risk management and the overall control environment
- To oversee the financial reporting regime and annual financial statements

The Committee is independent from management and other Committees, this is important as it ensures that duties can be discharged in line with the agreed Terms of Reference (attached as an appendix to this report). This includes rights of access and reporting lines direct to statutory officers, the Head of Audit Partnership and appointed external auditors where appropriate.

The Committee is not a substitute for the management function of internal audit, risk management, governance, or any other sources of assurance. The role of the Committee is to examine these functions and to offer views and recommendations on the way in which these functions are managed and conducted.

The production and presentation of an annual report is required by the Committee's Terms of Reference. The purpose of this report is to outline where the Committee has gained assurance during the year, particularly over areas of governance, risk management, Standards, and internal control.

# Membership & Meetings

In accordance with the Constitution, the Audit, Governance and Standards Committee comprises 9 Members (plus 2 non-voting Parish Councillors appointed by the Council for a three-year term of office).

**Councillor Harvey** was elected as Chair of the Committee on the 21 May 2019, to be supported by **Councillor Adkinson** as Vice-Chair for the Municipal Year 2019/20.

The Council have satisfied themselves that the members of the Committee are competent and have recent and relevant experience.

The Committee met 6 times in 2019/20:

- [21 May 2019](#) *(please note this meeting is to elect a Chair and Vice-Chair for the Committee)*
- [30 July 2019](#)
- [16 September 2019](#)
- [18 November 2019](#)
- [13 January 2020](#)
- [16 March 2020](#)

The Committee is supported throughout the year by senior officers and managers of the Council who are always present. Including the Director of Finance & Business Improvement (Section 151), the Head of Audit Partnership and Audit Managers, Head of Policy, Communications & Governance, and Legal Services. Throughout the year, the Chair and Vice-Chair have met with the Director of Finance & Business Improvement and the Head of Audit Partnership, allowing opportunity to discuss any issues in more detail directly.

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

All the Audit, Governance & Standards Committee agenda papers and minutes are published on the Council's [website](#), along with video recordings of the meetings.

# Activity

Over the course of the year the Committee considered, examined, and made decisions on the following areas within its Terms of Reference (the frequency of standing items are flagged below – items not marked are one/off or ad-hoc reports to the Committee):

## Internal Audit Activity

- Internal Audit Annual Opinion for 2018/19 
- Internal Audit Charter 
- Internal Audit Interim Report 
- Declarations of Interest Audit Review
- Internal Audit & Assurance Plan for 2020/21 

## Finance Activity

- Final Statement of Accounts for 2018/19 
- Budget Strategy Risk Assessment 
- Treasury Management Annual Review for 2018/19 
- Treasury Management Mid-Year review 2019/20 
- Treasury Management, Investment & Capital Strategies for 2020/21 
- Updated Capital Strategy 
- Annual Accounts 2018/19 Update
- Redmond Review – Call for Views
- Anti-Money Laundering Policy & Guidance

## External Audit Activity

- Fee Letter for 2019/20 
- Annual Audit Letter 
- Audit Progress Report and Sector Update 
- Housing Benefit Grant Claim 
- External Audit Plan 2019/20 

## Governance & Standards Activity

- Annual Governance Statement for 2018/19 & Action Plan 
- Annual Governance Statement & update for 2019/20 
- Annual Complaints Report for 2018/19 
- Complaints Received Under the Members' Code of Conduct 
- Update to the Covert Surveillance and Access to Communications Policy
- Annual Risk Management Report 
- Counter Fraud & Corruption Policy
- Fraud & Compliance Team Annual Update 
- Contract Management Update 
- Maidstone Property Holdings Ltd Governance
- General Data Protection Regulations (GDPR) Action Plan 

KEY: Annual  Quarterly  Periodically 

# Sources of Assurance

In drawing our conclusion this year, we have gained assurance from the following sources:

## **The work undertaken by our Internal Audit Partnership**

- The Council received an unqualified Annual Opinion from the Head of Audit Partnership. This opinion considers the overall adequacy of the internal control, governance, and risk management arrangements for the Council
- Throughout the year we have been regularly informed of the outcomes of internal audit work and audit findings. The Committee has not only received overall summaries of work and the performance of the internal audit plan, but has also considered specific projects and findings in greater detail where appropriate (Contract Management, Declarations of Interest and Subsidiary Company Governance)
- The annual audit and assurance plan considered key risks for the coming year, including alignment to the Council's Corporate Risks. The plan provided assurance over the skills, expertise, and resources within the internal audit partnership to deliver the plan and respond to the audit needs of the Council.

## **Finance and Governance information**

- The Committee reviewed and provided challenge on the annual accounts prior to approval and publication and receives financial updates throughout the year. Specifically, budget risks are updated, reported, and scrutinised quarterly.
- The Annual Governance Statement supported the overall conclusion of the Head of Audit Annual Opinion, with actions identified for improvements. The Committee has been kept up to date on progress to implement these actions and provided challenge to ensure outcomes are being delivered.
- Annually the Committee review key strategy documents and specific policies, this year has been particularly busy including the update and adoption of 2 new policies for Counter Fraud and Anti-Money Laundering. Key strategies reviewed include risk management, treasury management and investments.
- The annual risk management report provides an update on the effectiveness of the Council's risk framework and the controls in place to manage corporate and operational risks.
- Specific assurances were sought by the Committee on data management, including continued monitoring of compliance with GDPR and changes to related policies.

## **The work of our External Auditors – Grant Thornton**

- The External Auditors presented an unqualified opinion for the Councils financial statements and value form money conclusion for 2018/19. The Committee provided effective challenge to the External Auditors throughout the year during their regular updates.

# 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 5 July 2012, resolved to adopt the 'Kent Procedures' for dealing with Member Complaints. 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, Governance and Standards 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 considered prior to a decision being made following an investigation into a complaint. The Independent Person's views may also be sought at other times during the process. The appointment of the Council's Independent Person, Ms Barbara Varney, was extended in July 2020 for 1 year, by the Democracy and General Purposes Committee.

During the year ending 31 March 2020, **5** new Member complaints were received. None of the complaints related to Borough Councillors with the remaining complaints relating to parish councillors.

- **3** failed to meet the local assessment criteria
- **2** were resolved through informal resolution

## Conclusion

Based on the activity during the year, the Audit, Governance and Standards Committee can demonstrate it has appropriately and effectively fulfilled its duties during 2019/20. The Committee has continued to work in partnership with the Council's Internal Auditors, Finance Team, Senior Officers and appointed External Auditors to provide independent assurance to the Council on a wide range of risk, governance, internal control and conducts related issues.

## Terms of Reference & Responsibilities

### Audit Activity

- a) To consider the Head of Internal Audit Partnership'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 consider reports dealing with the management and performance of Internal Audit Services, including consideration and endorsement of the Strategic Internal Audit Plan and any report on agreed recommendations not implemented within a reasonable timescale; and the Internal Audit Charter.
- c) To consider the External Auditor's Annual Audit Letter, relevant reports, and any other report or recommendation to those charged with governance; and ensure that the Council has satisfactorily addressed all issues raised. To comment on the scope and depth of external audit work and to ensure it gives value for money.
- d) To review and approve 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 Policy and Resources Committee or Council.
- e) Consider and review the effectiveness of the Treasury Management Strategy, Investment Strategy, Medium Term Financial Strategy, Annual Report and Mid-Year review and make recommendations to the Policy and Resources Committee and Council.
- f) Recommend and monitor the effectiveness of the Council's Counter-Fraud and Corruption Strategy.

### Governance

- a) To maintain a financial overview of the operation of Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
- b) In conjunction with Policy and Resources Committee to monitor the effective development and operation of risk management and corporate governance in the Council to ensure that strategically the risk management and corporate governance arrangements protect the Council.
- c) To monitor Council policies on 'Raising Concerns at Work' (Whistleblowing) and the 'Anti-fraud and corruption' strategy.
- d) To oversee the production of the authority's Annual Governance Statement and to agree its adoption.
- e) The Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice and high standards of ethics and probity. This Committee will receive the annual review of the Local Code of Corporate Governance and may make recommendations to Policy and Resources Committee for proposed amendments, as necessary.
- f) To consider whether safeguards are in place to secure the Council's compliance with its own and other published standards and controls.

## Standards

- a) The promotion and maintenance of high standards of conduct within the Council.
- b) To advise the Council on the adoption or revision of its Codes of Conduct.
- c) To monitor and advise the Council about the operation of its Codes of Conduct in the light of best practice, and changes in the law, including in relation to gifts and hospitality and the declaration of interests.
- d) Assistance to Councillors, Parish Councillors and co-opted members of the authority to observe the Code of Conduct.
- e) To ensure that all Councillors have access to training in Governance, Audit and the Councillor Code of Conduct; that this training is actively promoted; and that Councillors are aware of the standards expected under the Councils Codes and Protocols.
- f) To deal with complaints that Councillors of the Borough Council and Parish Councils may have broken the Councillor Code of Conduct.
- g) Following a formal investigation and where the Monitoring Officer's investigation concludes that there has been a breach of the Code of Conduct a hearing into the matter will be undertaken. *See the procedure at 4.2 of the Constitution for dealing with complaints that a Councillor has breached the Code of Conduct.*
- h) Advice on the effectiveness of the above procedures and any proposed changes.
- i) Grant of dispensations to Councillors with disclosable pecuniary interests and other significant interests, in accordance with the provisions of the Localism Act 2011.