

# **Audit, Governance & Standards Committee**

## **Annual Report**

**September 2022**



# Introduction by Chairman of Audit, Governance and Standards Committee

As the Chair of the Audit, Governance and Standards Committee, it is my pleasure to introduce the annual report, providing an overview of the Committee's activity during the Municipal Year 2021/22.

The Council continues to face challenges from the impact of the Covid 19 pandemic as well as the cost-of-living crisis and rising inflation brought on by the war in Ukraine. As a Committee, we have maintained our focus on the issues facing the Council from a risk, control and governance perspective. This report looks back and gives us opportunity to reflect on the activity and achievements of the Committee during the Municipal Year 2021/22.

The Committee has discharged its responsibility to provide independent assurance on the adequacy of the Council's risk management framework and the associated control environment. We have also provided robust scrutiny and challenge of the Authority's financial performance.

During 2021/22 the Committee met five times and I was pleased to note, among the highlights, consideration of the Council's risk management processes and a positive opinion on the Council's control and governance from our internal auditors.

I would like to take this opportunity to thank 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 Alan Bartlett – Audit, Governance and Standards Committee Chairman

# Purpose of the Committee

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

*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 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 the Committee also consider Member conduct and complaints. The Committee's stated purpose is:

*The promotion and maintenance of Councillor and Officer conduct within the Council, adoption and reviewing the Council's Annual Governance Statement; independent assurance of the adequacy of the financial and risk management framework and the associated control environment, independent review of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting.*

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

During 2021/22 the Audit, Governance and Standards Committee was comprised of nine Members (plus two non-voting Parish Councillors appointed by the Council for a three-year term of office) and met five times.

The Committee is supported throughout the year by senior officers and managers of the Council who are regularly present. In addition, the Council's External Auditors (Grant Thornton) regularly attend meetings of the Committee.

The following table outlines Member and Officer attendance at 2021/22 Audit, Governance and Standards Committee meetings.

Member	Role	Audit, Governance and Standards Committee Meeting Date				
		28-July-21	28-Sep-21	15-Nov-21	17-Jan-22	14-Mar-22
Cllr Alan Bartlett	Member	Present	Present	Present	Present	Present
Cllr Anne Brindle	Member	Present	Present	Present	Present	Present
Cllr Martin Cox	Member	Present	Present	Present	n/a	n/a
Cllr Mike Cumming	Member	Present	Present	Present	Present	Apologies
Cllr Dan Daley	Member	Present	Present	Present	Apologies	Absent
Cllr Nikki Fissenden	Member	Present	Present	Present	Present	Absent
Cllr John Perry	Member	Present	Present	Present	Present	Apologies
Cllr Janetta Sams	Member	Apologies	Apologies	Apologies	Present	Present
Cllr Ziggy Trzebinski	Member	Present	Apologies	Apologies	Present	Present
Cllr Nick de Wiggondene-Sheppard	Member	n/a	n/a	n/a	Apologies	Absent
Peter Coulling	Parish Representative	Present	Present	Present	Present	Present
Peter Titchener	Parish Representative	Apologies	Present	Apologies	Present	Present
Cllr Steve Munford	Substitute Member	Present	Present	n/a	n/a	n/a
Cllr Gordon Newton	Substitute Member	n/a	n/a	Present	n/a	n/a
Cllr Patrik Garten	Substitute Member	n/a	Present	n/a	n/a	Present
Cllr Jonathan Pule	Substitute Member	n/a	n/a	n/a	n/a	Present

Officer	Audit, Governance and Standards Committee Meeting Date				
	28-July-21	28-Sep-21	15-Nov-21	17-Jan-22	14-Mar-22
Principal Solicitor	Present	Present	n/a	n/a	n/a
Head of Policy, Communications and Governance	Present	n/a	Present	n/a	n/a

Officer	Audit, Governance and Standards Committee Meeting Date				
	28-July-21	28-Sep-21	15-Nov-21	17-Jan-22	14-Mar-22
Team Leader – Contentious and Corporate Governance	n/a	n/a	n/a	n/a	Present
Senior Lawyer – Corporate Governance	n/a	Present	n/a	n/a	Present
Head of Audit Partnership	n/a	Present	Present	Present	Present
Deputy Head of Audit Partnership	n/a	n/a	n/a	n/a	Present
Audit Manager	Present	Present	n/a	n/a	Present
Director of Finance and Business Improvement	Present	Present	Present	Present	Present
Head of Finance	Present	Present	n/a	n/a	n/a
Senior Finance Manager	Present	n/a	Present	n/a	n/a
Finance Manager	Present	n/a	Present	Present	n/a
External Auditor – Grant Thornton	Present	n/a	Present	Present	Present
Corporate Insight, Communities and Governance Manager	n/a	n/a	Present	n/a	n/a

All Committee agendas, 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:

July 2021	September 2021	November 2021	January 2022	March 2022
Revision of the Covert Surveillance and Access to Communications Data Policy and Guidance Note	Complaints Received Under the Members Code of Conduct	Annual Complaints Report 20/21	External Auditor's Progress Report and Sector Update	Complaints Received Under the Members Code of Conduct
Annual Governance Statement and Local Code of Corporate Governance 20/21	External Auditor's Audit Progress Report	Data Protection Update	Treasury Management, Investment and Capital Strategies 22/23	Statement of Account 20/21
Annual Internal Audit Report and Opinion 20/21	Annual Accounts 20/21	Annual Governance Statement – Mid Year Update	External Audit Procurement	Risk Management Annual Report 21/22
Financial Management Code	Internal Audit Charter	Interim Internal Audit and Assurance Report 21/22	Budget Strategy – Risk Assessment Update	Internal Audit and Assurance Report 22/23
Annual Accounts 20/21	Audit, Governance & Standards Committee Annual Report 20/21	Treasury Management Mid-Year Review 21/22		Budget Strategy – Risk Assessment Update
Treasury Management Annual Review 20/21	Budget Strategy – Risk Assessment Update	Statement of Accounts 20/21		
Budget Strategy – Risk Assessment Update		Budget Strategy – Risk Assessment Update		

Key

Internal Audit Activity	External Audit Activity	Finance Activity	Standards Activity	Governance Activity
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# Sources of Assurance

The Audit, Governance and Standards Committee have drawn on a variety of sources of assurance to fulfil their responsibilities. During 2021/22 assurance from the following sources was considered:

<b>Finance Activity</b>
The Committee reviewed and provided challenge on the annual accounts.
The Committee considered and reviewed the Financial Management Code, Treasury Management and Budget strategies.
<b>Internal Audit Activity</b>
The Council received an unqualified Annual Opinion from the Head of Internal Audit. This opinion considers the overall adequacy and effectiveness of the authority's framework of governance, risk management and control arrangements.
Both the updated 2021/22 and the 2022/23 audit plans included detail of audit assurance work for the year. The Committee were given the opportunity to comment on the work of internal audit prior to endorsing the plan for delivery.
<b>Governance Activity</b>
The Committee reviewed the Annual Governance Statement which supported the overall conclusion of the Head of Internal Audit Opinion. The Committee specifically gained assurance from this document as it explains the processes and procedures in place to enable the Council to carry out its functions effectively.
The Committee provided independent review of the Data Protection action plan in conjunction with proposed changes in Data Protection legislation.
The annual risk management report provided an overview of the effectiveness of the Council's risk management framework and the controls in place to manage corporate and operational risks.
<b>External Audit Activity</b>
The Committee provided effective challenge to the External Auditors and gained assurance from the reports and updates provided by Grant Thornton during the year.
<b>Standards Activity</b>
The Committee reviewed complaints received under the Members' Code of Conduct and provided challenge around a revised Code.

# Dealing with complaints about Council Members

It is a requirement under the Localism Act 2011 that all Councils adopt a Code of Conduct and that the Code adopted must be based upon the Nolan Principles of Conduct in Public Life. The current Members' Code of Conduct ("the Code") for Maidstone Borough Council is set out in the Constitution.

The Localism Act 2011 requirement to adopt a Code of Conduct also applied to all Parish Councils. Most Parish Councils in the Maidstone area have adopted a similar Code of Conduct to the Borough Council, based on a Kent wide model. A few Parish Councils have adopted their own Code.

Under the Localism Act 2011 Maidstone Borough Council is responsible for dealing with any complaints made under the various Codes of Conduct throughout the Maidstone area.

The Constitution stipulates that oversight of Code of Conduct complaints is part of the remit of the Audit, Governance and Standards Committee.

During the year ending 31 March 2022, 10 new Member complaints were received. Five of the complaints related to a Borough Councillor. Four of these complaints were investigated and no breach of the Code was established, and one complaint failed to meet the preliminary criteria for investigation.

The remaining five complaints related to parish councillors. Four of the complaints established no breach of the code and one complaint is being considered by the Monitoring Officer.

## Conclusion

The Audit, Governance and Standards Committee has worked in partnership with the Council's Internal and External Auditors and received support from Officers. This 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 2021/22 as set out in the respective minutes.



## Appendix I – 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.