

MAIDSTONE BOROUGH COUNCIL

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

MINUTES OF THE MEETING HELD ON 11 JULY 2016

Present: Councillor McLoughlin (Chairman) and Councillors D Burton, Daley, English, Fissenden, Garland, Perry and Vizzard

Also Present: Councillors Mrs Blackmore and Cuming
Darren Wells of Grant Thornton (External Auditor)

1. **APOLOGIES FOR ABSENCE**

It was noted that apologies for absence had been received from Councillors Butcher (Parish Representative), Mrs Riden (Parish Representative) and Revell.

2. **NOTIFICATION OF SUBSTITUTE MEMBERS**

It was noted that Councillor D Burton was substituting for Councillor Revell.

3. **NOTIFICATION OF VISITING MEMBERS**

Councillor Mrs Blackmore indicated her possible wish to speak on all items on the agenda.

Councillor Cuming attended the meeting as an observer.

4. **ELECTION OF CHAIRMAN**

RESOLVED: That Councillor McLoughlin be elected as Chairman of the Committee for the Municipal Year 2016/17.

5. **ELECTION OF VICE-CHAIRMAN**

RESOLVED: That Councillor English be elected as Vice-Chairman of the Committee for the Municipal Year 2016/17.

6. **DISCLOSURES BY MEMBERS AND OFFICERS**

There were no disclosures by Members or Officers.

7. **DISCLOSURES OF LOBBYING**

There were no disclosures of lobbying.

8. EXEMPT ITEMS

RESOLVED: That the items on the agenda be taken in public as proposed.

9. MINUTES OF THE MEETING HELD ON 21 MARCH 2016

RESOLVED: That the Minutes of the meeting held on 21 March 2016 be approved as a correct record and signed.

10. ANNUAL GOVERNANCE STATEMENT 2015/16 AND LOCAL CODE OF CORPORATE GOVERNANCE REVIEW

The Head of Policy and Communications presented the draft Annual Governance Statement 2015/16 and a refreshed version of the Local Code of Corporate Governance for review and approval by the Committee prior to submission to the Policy and Resources Committee for agreement and then sign-off by the Leader of the Council and the Chief Executive. It was noted that:

- The purpose of the Annual Governance Statement was to provide assurance on the Council's governance arrangements. The Statement included a review of the effectiveness of the arrangements in place for 2015/16, an update on the action taken to address governance issues in 2015/16 and an action plan for 2016/17.
- Action taken to address governance issues in 2015/16 included reviews by the Democracy Committee of the operation and effectiveness of the new Constitution adopted to support the introduction of a committee system of governance and of the process for electing the Mayor/appointing the Deputy Mayor.
- The action plan for 2016/17 included training and communication on information management; developing and implementing a residents' survey action plan; establishing risk appetite; and following up audit reviews with a weak assurance rating (Safeguarding, Business Continuity and Mote Park and Cobtree Manor Park cafés).
- The purpose of the Local Code of Corporate Governance was to set out the core principles of corporate governance and the arrangements in place to fulfil these responsibilities. The Code was adopted in 2003 and had been reviewed annually to ensure that it remained fit for purpose and up to date. Minor revisions had been made to the Code as part of the annual review.
- In 2016/17, the Annual Governance Statement and the Local Code of Corporate Governance would need to be significantly overhauled to reflect the new "Delivering Good Governance Framework" which was published by CIPFA/Solace in April 2016 and was intended to be used as best practice for developing and maintaining a locally adopted code of governance.

In response to questions by Members, the Officers explained/confirmed that:

- The purpose of the Performance Plan was to set out how the Council was performing against the Key Performance Indicators and strategic actions that directly contributed to its corporate priorities. Progress made against Key Performance Indicators and strategic actions was reported to the Policy and Resources Committee on a quarterly basis and would also be reported to the other Service Committees this year. Covalent was an in-house performance and risk management system which was used to produce performance monitoring reports. The Annual Governance Statement could be amended to include an explanation of the system.
- The contract for the new webcasting system had been awarded to Public-i. It was hoped that the system, which included new microphones and an optional facility to manage voting at Council/Committee meetings, would be installed very soon as the Town Hall would be used for the Local Plan examination in October/November. Use of the new voting system would have governance implications which would be considered initially by the Democracy Committee. The Officers were confident that Public-i being market leaders would have solutions to any equalities issues associated with use of the new webcasting system.
- Following a review, 'Reach the Summit', an internal performance management tool, was no longer in existence and a new system would be introduced later in the year that acknowledged and rewarded teams that had performed well. The review had shown that people did not like the competitive nature of 'Reach the Summit' and felt that their performance was being measured against targets that were out of their control or external to them. An update on the operation of the new system would be provided six months after it had come into effect. The annual awards ceremony for staff where staff/Members were encouraged to nominate individuals or teams, focused on the Council's six core values (STRIVE) in the delivery of services, was well established and budgeted for.
- A report would be submitted to the Policy and Resources Committee in September with options for conducting the annual consultation on the budget. Last year the consultation with the public was carried out as part of the Residents' Survey, but a roadshow with Committee Chairmen and Vice-Chairmen or an online consultation could be arranged to engage with local people.
- In terms of channel shift, there had been a significant drop in face to face contacts together with an increase in the use of online forms and contacts by phone. Whilst there was a questionnaire seeking feedback on the Council's website, the issue of whether there was a satisfaction survey in respect of online consultations/transactions would be followed up and the details circulated. A new search function was being trialled on the Council's website to direct people to the information required

and consideration was being given to the provision of interactive online support.

- The reference to the Communication and Engagement Strategy in the Local Code of Corporate Governance would be amended to show that the Strategy was in place and reviewed annually. A refreshed action plan based on the results of the Residents' Survey would be reported to the Policy and Resources Committee in September.

RESOLVED: That subject to the points raised in the discussion, the draft Annual Governance Statement 2015/16 and the refreshed Local Code of Corporate Governance be approved for submission to the Policy and Resources Committee for agreement and then sign-off by the Leader of the Council and the Chief Executive.

11. ANNUAL INTERNAL AUDIT REPORT & OPINION 2015/16

The Head of Audit Partnership presented the Internal Audit Annual Report and Opinion 2015/16 to the Committee. In accordance with the Public Sector Internal Audit Standards, the report included:

- The annual opinion of the Head of Audit Partnership on the overall adequacy and effectiveness of the Council's framework of internal control, governance and risk management;
- A summary of the work undertaken by Mid-Kent Audit that supported the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards.

The Head of Audit Partnership advised the Committee that he was satisfied from audit work completed during 2015/16 that the Council could place assurance on the internal controls in place during the year. The audit work provided assurance that the Council's corporate governance framework complied in all material respects with guidance issued by CIPFA/Solace and that the risk management processes were effective.

The Head of Audit Partnership confirmed that he was satisfied that Mid-Kent Audit had upheld proper independence and conformance with Public Sector Internal Audit Standards. He had reached his conclusions independently and without any undue pressure from Officers or Members.

In response to questions by Members, the Officers explained that:

- It had been concluded from the audit work that there were weak controls in place surrounding business continuity across the Council as a whole. The overall plan was last updated in 2008 since which time the Council had changed premises. Whilst some Officers and services (including ICT) had plans in place, an overarching plan was required. A follow-up exercise was about to commence, and an update on the

implementation of the recommended actions arising from the review would be reported to the Committee in November 2016.

- It had been concluded from the audit work that there were weak controls in place for the management of cash and stock at Mote Park and Cobtree Manor Park cafés. Whilst there was no evidence of fraud, working practices needed to be brought up to standard across both sites. Machines would be installed the following week to enable card payments to be made at both cafés, and this would provide more certainty over controls.

The Committee congratulated the audit team on its achievements in terms of ongoing professional development.

RESOLVED:

1. That the Committee notes the Head of Audit Opinion for 2015/16 that it can place reliance on the overall adequacy of the Council's framework of internal control, governance and risk management.
2. That the Committee notes the work underlying the Opinion and the Head of Audit's view that the internal audit service has upheld proper independence and conformance with Public Sector Internal Audit Standards.

12. SPEAKING UP POLICY (WHISTLEBLOWING)

The Head of Audit Partnership presented a proposed new Policy to support people working for or with the Council who wished to speak up and raise concerns. It was noted that:

- In September 2015, the Committee had commissioned Mid-Kent Audit to undertake a review of the effectiveness of the Council's arrangements for raising concerns at work. At that time these arrangements were set out in a Whistleblowing Charter which had not been reviewed for some considerable time and, in particular, did not reflect changes in the Council's structure or developments in regulations and best practice around whistleblowing.
- The opportunity had been taken to expand the scope of the work to include comparative information from Ashford and Tunbridge Wells Borough Councils.
- The review had concluded that whilst arrangements were not fundamentally deficient, the opportunity should be taken to update and refresh the Whistleblowing Charter and to raise its profile among staff. The new Policy conformed to best practice guidance issued by CIPFA and Public Concern at Work, an independent charity that provided support and advice regarding whistleblowing. It also sought to resolve significant issues associated with the previous Charter by clearly establishing a route for reporting concerns, ownership of the Policy and

integration with other developing policy approaches such as Safeguarding.

- The new Policy had been produced in booklet form and would be featured at forthcoming training and development sessions.

During the discussion on the proposed new Policy, Members raised a number of issues as follows:

- There was a possible requirement for an Equality Impact Needs Assessment to be undertaken in respect of the new Policy (the Head of Audit Partnership indicated that he would give further consideration to this).
- The new Policy should be called the "Whistleblowing Policy" rather than the "Speaking Up Policy".
- There was a need to make people aware of the protection given to whistleblowers by the Public Interest Disclosure Act 1998 and to provide assurance that the Council values staff who raise their concerns, will give those concerns proper consideration and will protect confidentiality.
- There was a need to place greater emphasis in the document to the Council's commitment to protecting and supporting whistleblowers (by making specific reference in the introduction) and to clearly establish overall responsibility for whistleblowing at an Officer level.
- The sentence in section five of the new Policy stating that "It will never be appropriate to alert the media" should be deleted. However, staff should be strongly encouraged to seek advice before reporting externally, especially before contacting the media, and avoid divulging confidential or personal sensitive information.

In response to questions by Members, the Head of Audit Partnership explained that:

- The Public Interest Disclosure Act 1998 fundamentally related to protecting people from harassment, but in terms of anonymity, it was not possible to protect a person if their identity was not known. However, action could be taken to protect a person's identity by not disseminating information beyond the need to know.
- If a member of staff wished to blow the whistle about the actions of a person working for another organisation, they would have to use that organisation's whistleblowing policy.
- The new Policy had not been trialled in practice, but once in operation amendments could be made if necessary.

The Committee approved the principle of the new Whistleblowing Policy, but asked the Head of Audit Partnership to report back to the next

meeting of the Committee with a revised draft incorporating the points raised by Members during the discussion. Members also asked that all Members of the Council be given the opportunity to see and comment on the revised draft prior to it being reported to the Committee for approval.

RESOLVED:

1. That the principle of the new Whistleblowing Policy be approved, but the Head of Audit Partnership be requested to report back to the next meeting of the Committee with a revised draft incorporating the points raised by Members during the discussion.
2. That all Members of the Council be given the opportunity to see and comment on the revised draft prior to it being reported to the Committee for approval.
3. That in the meantime, the Head of Audit Partnership be requested to continue with existing commitments to raise the profile of whistleblowing among staff.
4. That appropriate periodic updates on matters raised through the Whistleblowing Policy once approved be included in the Committee's work programme.

Voting: 7 – For 1 – Against 0 – Abstentions

13. STATEMENT OF ACCOUNTS 2015/16

The Committee considered the draft un-audited Statement of Accounts which had been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and which had been signed off by the Director of Finance and Business Improvement as the Officer responsible prior to being submitted for external audit. It was noted that:

- The final audited Statement of Accounts would be submitted to the Committee for approval in September 2016.
- The Statements were preceded by a Narrative Report summarising the Council's performance over the financial year 2015/16 and highlighting the most significant elements of the financial statements.
- As part of the external audit process and to comply with International Auditing Standards, the External Auditor was required to make enquiries to establish how the Committee gained assurance over management processes and arrangements in place to prevent and detect fraud and to ensure compliance with laws and regulations. The enquiries had been addressed in the first instance to the Chairman of the Committee and the Committee was asked to endorse his proposed responses. Similar questions had been asked of management and a response had been provided.

In response to questions by Members, the Head of Finance and Resources said that in his opinion, the key issues facing the Council related to homelessness, projects aimed at reducing the cost to the Council of providing temporary accommodation, performance in relation to the commercialisation agenda, the deficit on the Collection Fund and the consultation just released on 100% retention of business rates to go with changes in responsibilities.

The Committee indicated that it was satisfied with the Chairman's proposed responses to the External Auditor's enquiries subject to it being made clear when referring to the Whistleblowing Policy that it is subject to further review.

RESOLVED:

1. That the draft un-audited Statement of Accounts for the year ending 31 March 2016, attached as Appendix I to the report of the Director of Finance and Business Improvement, be noted.
2. That subject to it being made clear when referring to the Whistleblowing Policy that it is subject to further review, the Chairman's proposed responses to the External Auditor's enquiries, attached as Appendix II to the report of the Director of Finance and Business Improvement, be endorsed.

14. TREASURY MANAGEMENT ANNUAL REVIEW 2015/16

John Owen, Finance Manager, presented a report setting out details of the activities of the Treasury Management function for the 2015/16 financial year in accordance with CIPFA's Code of Practice on Treasury Management in Local Authorities. It was noted that:

- Following a tendering exercise, Arlingclose had been selected as the Council's Treasury Advisors for a period of three years from 1 January 2016, replacing Capita Asset Services who had acted in that capacity for over fifteen years.
- During 2015/16, the Council's investment balances had ranged between £18m and £47m. The average investment balance for the year was £33.7m. Investment income for the year totalled £252k against a budget of £270k. The shortfall was due to the fact that interest rates had not increased in line with the original forecasts made by the Council's Treasury Advisors.
- All investments during 2015/16 had been short term due to interest rates not being sufficient to justify the risk of investing funds for longer periods. Property funds had been considered and discussed with Arlingclose, but it appeared that yields had peaked due to the property market slowing down. Funds would need to be invested for a minimum of 3 to 5 years in order to earn a modest return and the property market could fluctuate over that time. Having regard to the Council's

current Capital Programme, it was considered less of a risk to run down balances.

- The Council had not needed to borrow during 2015/16 except on two occasions for short term cash flow purposes. The total cost of the borrowing was £139.73.
- Following the EU referendum decision, rating agencies had downgraded the UK's sovereign credit rating and it was likely that the ratings of UK banks and building societies would follow suit. Arlingclose's advice was that the Council should run down its balances to avoid counterparty risks associated with lower rated institutions and to borrow as and when necessary with interest rates being very low.

In response to a question by a Member, the Director of Finance and Business Improvement confirmed that deposits with overseas banks were sterling deposits with no exchange rate risk.

RESOLVED:

1. That the review of the financial year 2015/16 which has been compiled in accordance with CIPFA's Code of Practice on Treasury Management in Local Authorities be noted.
2. That no amendments are necessary to the current treasury management procedures as a result of the review of activities in 2015/16.

15. EXTERNAL AUDIT UPDATE JULY 2016

The Committee considered the report of the External Auditor on the progress to date against the 2015/16 Audit Plan. The report also included a summary of emerging national issues and developments of relevance to the local government sector.

Mr Wells of Grant Thornton (External Auditor) advised the Committee that the audit was now in its second week, and nothing had arisen so far that he needed to draw to the attention of Members. In terms of the Value for Money conclusion, the scope of the work had changed and there was now one single criterion for auditors to evaluate which was "In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". The report set out details of the work the External Auditor intended to undertake to address this.

In response to a question regarding the significant risk associated with the Council's financial position going forward and the possibility of increasing income to offset diminishing grant funding from Central Government, Mr Wells explained that the External Auditor planned to look at the arrangements the Council had made to ensure that its future was financially sustainable. The External Auditor was aware of the Council's

commercialisation agenda and might well look at aspects of that (looking more broadly at expenditure, including the assumptions arrived at and predicted expenditure profiles over the next few years, and income projections as well).

RESOLVED: That the External Auditor's update report, attached as Appendix I to the report of the Director of Finance and Business Improvement, be noted.

16. EXTERNAL AUDIT FEE LETTER 2016/17

The Committee considered the report of the Director of Finance and Business Improvement setting out details of the proposed external audit fees for 2016/17. It was noted that the main audit fee for the financial statements audit and Value for Money conclusion had been set at £50,475. The indicative fee for grant claim certification (certification of the Housing Benefits subsidy claim) had been set at £11,418. The proposed fees represented no change from the 2015/16 fees.

RESOLVED: That the proposed audit fee of £61,893 for the 2016/17 audit work to be undertaken by Grant Thornton be noted.

17. COMMITTEE WORK PROGRAMME 2016/17

The Committee considered its work programme for 2016/17. It was noted that the Committee's Annual Report 2015/16 would be submitted to the next meeting.

During the discussion on the work programme it was suggested and agreed that the Chairman and Vice-Chairman should frame an item for inclusion on the agenda for a future meeting of the Committee to enable consideration to be given to the risks associated with the Council's commercialisation projects.

RESOLVED: That the Audit, Governance and Standards Committee work programme for 2016/17 be noted and that the Chairman and Vice-Chairman be requested to frame an item for inclusion on the agenda for a future meeting of the Committee to enable consideration to be given to the risks associated with the Council's commercialisation projects.

18. DURATION OF MEETING

6.30 p.m. to 8.40 p.m.