



Audit, Governance & Standards Committee

Annual Report 2015/16



Introduction by Chairman of Audit, Governance and Standards Committee

This report provides an overview of the Audit, Governance and Standards Committee's activity during the municipal year 2015/16.

I am pleased to report the continued good work of the Committee in providing an independent overview of the Council's governance. This role includes detailed consideration of the work of external and internal audit plus robust scrutiny and challenge of the Council's financial performance and, through our Ethical Standards role, the approach the Council takes in investigating complaints made about Members.

During 2015/16 the Committee met five times and was pleased to note, among the highlights, a further unqualified accounts and value for money opinion from our external auditors and a positive conclusion on the Council's control and governance from our internal auditors.

Notably, the Committee commissioned its first piece of work itself this year to investigate the effectiveness of the Whistleblowing arrangements for the Council. We worked with our internal auditors and are really pleased as a result of the review to have made a significant contribution to improving the arrangements.

Once again during 2015/16 the Committee is grateful for the contributions of its members and parish members, as well as to those officers who support its work.



*Councillor Steve McLoughlin
Audit, Governance & Standards Committee Chairman (2015/16)*

Introduction

Maidstone Borough Council has always supported and understood the value and benefits of having an independent Audit Committee. In 2015 the Council established the Audit, Governance and Standards (AGS) Committee. Its functions incorporate those undertaken by the former Audit Committee as well as some of the functions previously the responsibility of the Standards Committee.

The AGS Committee is an essential check on the corporate governance framework, providing an independent and high-level overview of the internal control, governance and risk management for the Council.

The Committee monitors internal and external audit activity, reviews and comments on the effectiveness of the Council's regulatory framework and reviews and approves the Council's annual statements of accounts.

The Committee is independent from the Council's executive management and Service Committee functions and has clear reporting lines and rights of access to discharge its responsibilities in line with its Terms of Reference (Appendix I). This includes direct access to the Council's Appointed Auditor and Head of Audit Partnership without the presence of other officers where appropriate.

The Committee is not a substitute for the management function in relation to internal or external audit, risk management, governance, or any other review or assurance function. It is the Committee's role to examine these functions, and to offer views and recommendations on the way the management of these functions is conducted.

Effective audit committees can bring many benefits to local authorities and these benefits are described in CIPFA's Audit Committees - Practical Guidance for Local Authorities as:

- Increased public confidence in the objectivity and fairness of Council financial and other reporting.
- Reinforcing the importance and independence of internal and external audit and similar review processes.
- Providing additional assurance through the process of independent review and challenge.
- Increasing emphasis and awareness of internal control, governance and risk management.

Statement of Purpose

The promotion and maintenance of high standards 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 processing.

*Maidstone Borough
Council Constitution*

Membership

The Audit, Governance and Standards Committee comprised of 11 members: 9 Borough Councillors and 2 Parish Councillors.

Audit, Governance and Standards Committee Members 2015/16	
Borough Councillors	Parish Representatives
Cllr McLoughlin (Chairman)	Parish Cllr Butcher
Cllr Mrs Gooch (Vice-Chairman)	Parish Cllr Mrs Riden
Cllr Butler	
Cllr Clark	
Cllr Garland	
Cllr Perry	
Cllr Daley	
Cllr Ross	
Cllr Vizzard	

Meetings & Attendance

The Audit, Governance and Standards Committee met five times in 2015/16:

- 20 July 2015
- 21 September 2015
- 23 November 2015
- 18 January 2016
- 21 March 2016

On all occasions the Committee was well attended and able to fulfil its duties.

The Audit, Governance & Standards Committee is supported by senior officers of the Council who are regularly present at meetings, including:

- Head of Finance & Resources (Section 151)
- Head of Audit Partnership & Deputy Head of Audit Partnership
- Head of Policy & Resources
- Head of Shared Revenues & Benefits
- Fraud Manager

In addition, the Council's External Auditors (Grant Thornton) attended each meeting of the Committee during 2015/16.

All of the Committee agenda papers and minutes are available on the Council's [website](#).

Business

During the year the Audit, Governance & Standards Committee has commented, examined and reviewed the following:

Audit Activity
• Internal Audit Annual Report
• Internal Audit Interim Report
• Internal Audit Plan
• Internal Audit Charter
• Whistleblowing review
External Audit (Grant Thornton)
• Fee Letter
• Findings Report
• Audit Committee Update
• Annual Audit Letter
• Grant Claim Certification
• Audit Plan and Update
Finance
• Statement of Accounts
• Treasury Management Annual Review
• Treasury Management Half Yearly review
• Treasury Management Strategy
Governance
• Update on Complaints received under the Members' Code of Conduct
• Local Code of Corporate Governance
• Annual Governance Statement
• Annual Governance Statement – Action Plan Update
• Audit, Governance & Standards – Member Briefings
• Benefit Fraud Annual Report
• Work Programme & Audit Committee Annual Report

Conclusion

The Audit, Governance & Standards Committee, in partnership with the Council's Internal and External Auditors, and with the support of Officers has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues.

The Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2015/16.

Sources of Assurance

In drawing a conclusion for the year, the Audit, Governance and Standards Committee gained assurance from the following sources:

The work of Internal Audit

The Head of Audit Partnership issued an unqualified Head of Audit Opinion in 2014/15 which concluded that the Council was operating an effective sound system of internal control, governance and risk management. Throughout the year the Committee has been kept up to date with delivery of the Internal Audit plan, implementation of audit recommendations, and has been kept aware of any emerging risks.

The Internal Audit plan for 16/17 included a breakdown of internal audit assurance for the coming year, and the Committee were given the opportunity to comment on the work of internal audit prior to endorsing the plan for delivery.

Adverse audit opinions and progress against the implementation of audit recommendations have been presented to the Committee and at request, have been provided with regular progress updates on the implementation of audit recommendations.

The Committee has continued to show its support to the Internal Audit team throughout the year, and has recognised the role, responsibility and authority of the service within the Audit Charter which was updated and agreed by the Committee in March 2016.

Whistleblowing

This year the Committee also commissioned a specific piece of work to review the Whistleblowing arrangements. Resulting from this work, the Council has updated its policy and is taking necessary steps to improve the arrangements.

The work of External Audit (Grant Thornton)

The external auditors report back to the Audit, Governance & Standards Committee providing regular updates on their programme of work. During the year, the External Auditors presented an unqualified value for money conclusion and an unqualified opinion on the financial statements.

The Committee has provided effective challenge to the External Auditors as appropriate and gained assurance from the reports and updates provided during the year.

Finance & Governance Reports

The Committee provided robust challenge prior to approving the financial reports of the Council in September 2015.

The Committee receives updates on the Councils Treasury Management activity and have provided robust challenge and comment to the overall Strategy and performance of investments.

The Committee specifically gains assurance from the Annual Governance Statement which is a statutory document that explains the processes and procedures in place to enable the council to carry out its functions effectively.

The statement is produced following a review of the council's governance arrangements and includes actions to address any significant governance issues identified. The Committee reviewed and approved the 2014/15 Annual Governance Statement.

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. The 'Kent Procedures' are so called because they were devised by the Kent Monitoring Officer Group and have been adopted by Kent County Council and most of the Kent Districts/Boroughs. The concept of proportionality runs through the procedures such that the level of resource and decision on each complaint should be proportionate to the seriousness of the complaint. This very much represents the guidance from Central Government which has stressed Councils should not adopt 'gold plated' arrangements.

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 taken into account 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. This Council's Independent Person, Ms Barbara Varney, was appointed by Full Council in July 2013 following an interview process.

During the year ending 31 March 2016, eight new Member complaints were received. Four of the complaints did not proceed because they did not satisfy either the legal jurisdiction test or the local assessment criteria set out in the Kent Procedures. The remaining four complaints resulted in findings of no breach of the respective Code of Conduct. Five of the complaints related to Borough Councillors. The remaining three complaints related to parish councillors.

Member Development

In March 2014 the Committee agreed a programme of development briefings to be conducted prior to each Committee meeting. This programme was revised and updated in September 2015 and the Committee Members continued to show desire and support to want to continually develop their knowledge and skills.

The programme of available briefing sessions and suggested timings are attached below:

Briefing theme & potential specific topics	Suggested timing
Reviewing an audit plan <ul style="list-style-type: none"> ○ Member roles in relation to internal audit ○ Ensuring effective internal audit ○ Performance measures in audit 	Delivered in January 2016
Reviewing the Annual Governance Statement <ul style="list-style-type: none"> ○ The AGS within the Council's governance ○ Specific topics within the AGS ○ Comparative review of AGS across local gov 	Spring to align with AGS approval in June
Countering Fraud <ul style="list-style-type: none"> ○ Whistleblowing ○ Investigative practice ○ Fraud risks and the Councils response ○ Governance polices 	Delivered in March 2015
Risk Management <ul style="list-style-type: none"> ○ Risk appetite ○ Specific strategic and operational risks ○ Risk management strategy ○ Local government risk outlook 	Delivered in January 2015
Role of internal and external audit <ul style="list-style-type: none"> ○ Differences in internal/external audit role ○ Assuring effective external audit ○ External auditor appointment 	Delivered in June 2015
Understanding local authority accounts <ul style="list-style-type: none"> ○ General understanding of accounts ○ Specific update/annual issues ○ Comparative review of LG accounts 	Spring/Summer to align with September accounts
Assurance across partnerships <ul style="list-style-type: none"> ○ Governance challenges in partnership working ○ Review on specific partnerships 	Flexible timing at any point in the year
Commissioning, procurement and contracting <ul style="list-style-type: none"> ○ Risks in commissioning ○ Effective procurement processes 	Flexible timing at any point in the year
Assurance on value for money <ul style="list-style-type: none"> ○ How external audit assess VfM conclusion ○ Measuring value for money in local government ○ Data quality and performance measurement 	Delivered in March 2016
Internal Audit Standards <ul style="list-style-type: none"> ○ How standards are set and monitored 	Autumn to align with external assessment

Briefing theme & potential specific topics	Suggested timing
<ul style="list-style-type: none"> ○ Specific work on IA conformance 	
Treasury Management <ul style="list-style-type: none"> ○ Investment and borrowing options for local authorities ○ Prudential Code ○ Financial outlook for local authorities 	Winter to align with approval of treasury management policy
Standards/Code of Conduct <ul style="list-style-type: none"> ○ The Kent Code ○ Hearing practices ○ Case studies 	Delivered in June 2015

Proposed Programme 2016/17

The table below sets out the proposed programme of updates and briefings to be delivered 2016/17:

Briefing theme & potential specific topics	Proposed timing
Internal Audit Standards <ul style="list-style-type: none"> ○ How standards are set and monitored ○ Specific work on IA conformance 	19 September 2016
Risk Management <ul style="list-style-type: none"> ○ Risk appetite ○ Specific strategic and operational risks ○ Risk management strategy ○ Local government risk outlook 	21 November 2016
Treasury Management <ul style="list-style-type: none"> ○ Investment and borrowing options for local authorities ○ Prudential Code ○ Financial outlook for local authorities 	16 January 2017
Reviewing the Annual Governance Statement <ul style="list-style-type: none"> ○ The AGS within the Council's governance ○ Specific topics within the AGS ○ Comparative review of AGS across local gov. 	20 March 2017

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. 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.