



Audit, Governance & Standards Committee

Annual Report 2016/17



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 2016/17.

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 2016/17 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.

Once again during 2016/17 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 (2016/17)*

Introduction

Maidstone Borough Council has always supported and understood the value and benefits of having an independent Audit Committee. The role of the committee was expanded in 2015 when 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 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.

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 comprises of 11 members: 9 Borough Councillors and 2 Parish Councillors.

Borough Councillors	Parish Representatives
CLlr McLoughlin (Chairman)	Parish Cllr Mrs Riden
CLlr English (Vice-Chairman)	Parish Cllr Coulling
CLlr Daley	
CLlr Fissenden	
CLlr Garland	
CLlr Perry	
CLlr Revell (resigned March 2017)	
CLlr Vizzard	
CLlr Adkinson	

Meetings & Attendance

The Audit, Governance & Standards Committee met five times in 2016/17:

- 11 July 2016
- 19 September 2016
- 21 November 2016
- 16 January 2017
- 20 March 2017

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:

- Director of Finance & Business Improvement (Section 151)
- Head/Deputy Head of Audit Partnership
- Head of Policy, Communications and Governance
- Deputy Head of Legal Services

In addition, the Council's External Auditors (Grant Thornton) attended each meeting of the Audit Committee during 2016/17.

All of the Audit, Governance & Standards 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 & Opinion
• Interim Internal Audit & Assurance Report
• Internal Audit & Assurance Plan
• Whistleblowing Policy
External Audit (Grant Thornton)
• Fee Letter
• External Audit Update
• Annual Audit Letter
• Housing Benefit Grant Claim Certification
• Audit Plan
• External Audit Procurement
Finance
• Statement of Accounts
• Treasury Management Annual Review
• Treasury Management Half Yearly review
• Treasury Management Strategy
• Budget Strategy Risk Assessment
Governance
• Complaints received under the Members' Code of Conduct
• Annual Governance Statement & Local Code of Corporate Governance Review
• Annual Governance Statement Action Plan
• Audit, Governance & Standards Committee Annual Report
• Work Programme

The work of the Committee during 2016/17 has resulted in recommendations which have enhanced the operation of the Committee and wider Council functions. In particular:

- Discussion around the Annual Governance Statement ahead of its approval at Policy & Resources Committee
- Amendments to the Whistleblowing Policy and endorsement of raising its profile
- Requests for assurances over the adequacy of the Councils contract monitoring arrangements
- Regular budget strategy risk updates reviewed and commented on by Members

The business outlined above has been fulfilled in accordance with the Committees agreed Terms of Reference (detailed in Appendix I). Furthermore the Committee has, where applicable to 2016/17, undertaken the functions outlined within the Terms.

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 (Mid Kent Audit)

The Head of Audit Partnership issued an unqualified Head of Audit Opinion for 2015/16 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 and implementation of audit recommendations.

The Committee has been kept aware of emerging risks, and enhancements to the risk management process. They have also been provided with a briefing on the risk management process during the year.

The Internal Audit plan for 17/18 included a breakdown of internal audit assurance work 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. At Members' request the Committee has been provided with regular 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 agreed by the Committee in March 2016.

Whistleblowing

The Council has agreed its Whistleblowing policy and has taken steps to improve the arrangements for reporting concerns.

The work of External Audit (Grant Thornton)

The external auditors report 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 2016.

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 address any significant governance issues identified. The Committee reviewed and approved the 2015/16 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 2017, 12 new Member complaints were received. 9 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 investigations for the remaining 3 complaints were ceased part way through as the members in question resigned and it was not deemed in the public interest to continue. 3 of the complaints related to Borough Councillors. The remaining 9 complaints related to parish councillors.

Member Development

In September 2015 the Committee agreed a programme of development briefings to be conducted prior to each Committee meeting. Members continue to show desire to continually develop their knowledge and skills.

The training delivered in 2016/17 is outlined below:

Briefing theme & topics	Timing
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 ○ Specific work on IA conformance 	Delivered in September 2016
Risk Management <ul style="list-style-type: none"> ○ Risk appetite ○ Specific strategic and operational risks ○ Risk management strategy ○ Local government risk outlook 	Delivered in November 2016
Treasury Management <ul style="list-style-type: none"> ○ Investment and borrowing options for local authorities ○ Prudential Code ○ Financial outlook for local authorities 	Delivered in 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 	Delivered in March 2017

Proposed Programme 2017/18

The table below sets out the proposed programme of updates and briefings to be delivered in 2017/18:

Briefing theme & potential specific topics	Proposed timing
Countering Fraud <ul style="list-style-type: none"> ○ Whistleblowing ○ Investigative practice ○ Fraud risks and the Councils response ○ Governance polices 	September 2017
Commissioning, procurement and contracting <ul style="list-style-type: none"> ○ Risks in commissioning ○ Effective procurement processes 	January 2018
Assurance across partnerships <ul style="list-style-type: none"> ○ Governance challenges in partnership working ○ Review on specific partnerships 	March 2018

Briefing theme & potential specific topics	Proposed timing
Understanding local authority accounts <ul style="list-style-type: none"> ○ General understanding of accounts ○ Specific update/annual issues ○ Comparative review of LG accounts 	June / July 2018 to align with approval of the accounts
Standards/Code of Conduct <ul style="list-style-type: none"> ○ The Kent Code ○ Hearing practices ○ Case studies 	Not proposed for 2017/18
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 	Not proposed for 2017/18
Internal Audit Standards <ul style="list-style-type: none"> ○ How standards are set and monitored ○ Specific work on IA conformance 	Not proposed for 2017/18; no external assessment required until 2020.
Risk Management <ul style="list-style-type: none"> ○ Risk appetite ○ Specific strategic and operational risks ○ Risk management strategy ○ Local government risk outlook 	Flexible timing at any point in the 2018/19 year
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 	Flexible timing at any point in the 2018/19 year

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 areas.

The Audit, Governance & Standards Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2016/17.

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.