

# **Audit, Governance & Standards Committee**

# **Annual Report 2017/18**



## **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 2017/18.*

*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 controls. Through our Ethical Standards role, the committee also has oversight of the approach the Council takes in investigating complaints made about Members.*

*During 2017/18 the Committee was pleased to note, among the highlights, further unqualified accounts and value for money opinions from our external auditors and a positive conclusion on the Council's control and governance from our internal auditors. The Committee has continued to engage with the Council's risk management process and to provide challenge when considering key internal audit findings.*

*Once again during 2017/18 the Committee is grateful for the contributions of its members and parish members, including engagement with respect to attending briefing sessions, as well as to those officers who have presented and provided support.*



*Councillor Steve McLoughlin  
Audit, Governance & Standards Committee Chairman (2017/18)*

## 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.

Adopting 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.

Oversee the financial reporting processing.

*Maidstone Borough  
Council Constitution*

## Meetings & Attendance

The Audit, Governance & Standards Committee met five times in 2017/18:

- 25 June 2017
- 18 September 2017
- 20 November 2017
- 15 January 2018
- 19 March 2018

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

During 2017/18 the Audit, Governance and Standards Committee was comprised of 10 members: 9 Borough Councillors and 1 Parish Councillor. The following Councillors were Members of the committee at various points during the year:

Members	
Cllr McLoughlin (Chairman)	Cllr Garland
Cllr English (Vice-Chairman)	Cllr Gooch
Cllr Adkinson	Cllr Harvey
Cllr Butler	Cllr Perry
Cllr Daley	Cllr Webb
Cllr Field	Parish Cllr Coulling
Cllr Fissenden	

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 & Governance
- Legal Services

In addition, the Council's External Auditors (Grant Thornton) attended each meeting of the Audit Committee during 2017/18.

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:

<b>Audit Activity</b>
• Internal Audit Annual Report & Opinion
• Interim Internal Audit & Assurance Report
• Internal Audit & Assurance Plan
• Counter Fraud & Corruption Policy
<b>External Audit (Grant Thornton)</b>
• Fee Letter
• External Audit Update
• Annual Audit Letter
• Housing Benefit Grant Claim Certification
• Audit Plan
• External Audit Appointment
<b>Finance</b>
• Statement of Accounts
• Treasury Management Annual Review
• Treasury Management Half Yearly review
• Treasury Management Strategy
• Budget Strategy Risk Assessment
<b>Governance</b>
• 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
• Contract Management Arrangements
• Co-opted Independent Members
• Update on General Data Protection Regulations
• Appointment to the Enforcement Sub Committee

The work of the Committee during 2017/18 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 Counter Fraud & Corruption Policy
- Oversight 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 2017/18, 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:

<b>The Work of Internal Audit</b>
The Head of Audit Partnership issued an unqualified Head of Audit Opinion for 2016/17 which concluded that the Council was operating a 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 the implementation of audit recommendations. It has also been kept aware of emerging risks and the risk management process.
The Internal Audit plan for 18/19 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.
The Council has agreed its Counter Fraud and Corruption Policy and the processes for dealing with incidents.
Following the Committees agreement of the Whistleblowing Policy in September 2016, the Committee has obtained assurance on how matters raised are handled.
<b>The Work of External Audit (Grant Thornton)</b>
The external auditors report back to the Audit, Governance and 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.
<b>Finance &amp; Governance Reports</b>
The Committee provided challenge prior to approving the statements of accounts and financial statements in September 2017.
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.
Assurance is obtained from the Annual Governance Statement which the Committee reviews and approves. The statement is produced following a review of the Council's governance arrangements and includes actions address any significant governance issues identified. The Committee receives updates on progress towards remedying these issues throughout the year.
Updates on the implementation of General Data Protection Regulation action plan, and progress towards achieving compliance with the new legislation.

## 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 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. The appointment of the Council's Independent Person, Ms Barbara Varney, was extended in July 2017, for 3 years, by the Democracy Committee.

During the year ending 31 March 2018, 7 new Member complaints were received. 3 of the complaints related to Borough Councillors. The remaining 4 complaints related to parish councillors.

- 3 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.
- 2 concluded that there was no breach.
- 1 reached an informal resolution.
- 1 investigation was underway as at the 31<sup>st</sup> March 2018.

## Member Development

As part of this annual report the Committee agrees a programme of development briefings. These are delivered prior to each Committee meeting, and the invite is extended to all Members not just those on the Committee. For 2017/18 Members continued to show an interest to continually develop their knowledge and skills and as such the following sessions were delivered over the year:

Briefing theme & topics	Delivered in
<b>Understanding local authority accounts</b> <ul style="list-style-type: none"> <li>○ General understanding of accounts</li> <li>○ Specific update/annual issues</li> <li>○ Comparative review of LG accounts</li> </ul>	September 2017
<b>Corporate Fraud &amp; Corruption</b> <ul style="list-style-type: none"> <li>○ Investigative practice</li> <li>○ Fraud risks and the Councils response</li> <li>○ Governance polices</li> </ul>	November 2017
<b>Reviewing an audit plan</b> <ul style="list-style-type: none"> <li>○ Member roles in relation to internal audit</li> <li>○ Ensuring effective internal audit</li> </ul>	January 2018
<b>Commissioning, procurement and contracting</b> <ul style="list-style-type: none"> <li>○ Trends in commissioning</li> <li>○ Effective procurement processes</li> </ul>	March 2018

## Proposed Programme 2018/19

The table below details a proposed programme of updates and briefings that could be delivered during 2018/19. Other areas could be added, including those of more specific local interest, or skills / knowledge development in line with CIPFA's recent position statement 2018 (see appendix II). Any of these development briefings can be added or adapted at the request of the Committee.

Briefing theme & potential specific topics	Proposed timing
<b>Assurance across partnerships</b> <ul style="list-style-type: none"> <li>○ Governance challenges in partnership working</li> <li>○ Review on specific partnerships</li> </ul>	Flexible timing at any point in the 2018/19 year
<b>Standards/Code of Conduct</b> <ul style="list-style-type: none"> <li>○ The Kent Code</li> <li>○ Hearing practices</li> <li>○ Case studies</li> </ul>	Flexible timing at any point in the 2018/19 year
<b>Role of internal and external audit</b> <ul style="list-style-type: none"> <li>○ Differences in internal/external audit role</li> <li>○ Assuring effective external audit</li> <li>○ External auditor appointment</li> </ul>	Flexible timing at any point in the 2018/19 year

Briefing theme & potential specific topics	Proposed timing
<b>Risk Management</b> <ul style="list-style-type: none"> <li>○ Risk appetite</li> <li>○ Specific strategic and operational risks</li> <li>○ Risk management strategy</li> <li>○ Local government risk outlook</li> </ul>	Proposed to undertake this in January or March 2019.
<b>Internal Audit Standards</b> <ul style="list-style-type: none"> <li>○ How standards are set and monitored</li> <li>○ Specific work on IA conformance</li> </ul>	Not proposed for 2018/19; no external assessment required until 2020.
<b>Assurance on value for money</b> <ul style="list-style-type: none"> <li>○ How external audit assess VfM conclusion</li> <li>○ Measuring value for money in local government</li> <li>○ Data quality and performance measurement</li> </ul>	Not proposed for 2018/19
<b>Internal Audit Standards</b> <ul style="list-style-type: none"> <li>○ How standards are set and monitored</li> <li>○ Specific work on IA conformance</li> </ul>	Not proposed for 2018/19
<b>Treasury Management</b> <ul style="list-style-type: none"> <li>○ Investment and borrowing options for local authorities</li> <li>○ Prudential Code</li> <li>○ Financial outlook for local authorities</li> </ul>	Not proposed for 2018/19
<b>Reviewing the Annual Governance Statement</b> <ul style="list-style-type: none"> <li>○ The AGS within the Council's governance</li> <li>○ Specific topics within the AGS</li> </ul>	Not proposed for 2018/19

## 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 2017/18.

## 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.