

## **MAIDSTONE BOROUGH COUNCIL**

### **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

#### **MINUTES OF THE MEETING HELD ON 14 NOVEMBER 2022**

##### **Present:**

<b>Committee Members:</b>	<b>Councillor Bartlett (Chairman) and Councillors Cleator, Coulling (Parish Representative), Cox, Forecast, Jeffery, Knatchbull, Titchener (Parish Representative) and Trzebinski</b>
<b>External Attendee:</b>	<b>Mr Paul Dossett (Grant Thornton – External Auditor)</b>

##### 43. APOLOGIES FOR ABSENCE

It was noted that apologies for absence had been received from Councillors Bryant and D Wilkinson.

##### 44. NOTIFICATION OF SUBSTITUTE MEMBERS

It was noted that Councillor Cleator was substituting for Councillor D Wilkinson.

##### 45. URGENT ITEMS

The Chairman said that he had agreed to take the following documents as urgent items as they were not available when the agenda was published and were relevant to the matters to be discussed at the meeting:

External Auditor's Audit Findings Report 2020/21  
External Auditor's Annual Report 2020/21

##### 46. NOTIFICATION OF VISITING MEMBERS

There were no Visiting Members.

##### 47. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

##### 48. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

##### 49. EXEMPT ITEMS

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

50. MINUTES OF THE MEETING HELD ON 27 SEPTEMBER 2022

**RESOLVED:** That the Minutes of the meeting held on 27 September 2022 be approved as a correct record and signed.

51. QUESTION AND ANSWER SESSION FOR LOCAL RESIDENTS

There were no questions from local residents.

52. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members.

53. COMMITTEE WORK PROGRAMME 2022/23

The Committee considered its work programme for the remainder of the 2022/23 Municipal Year.

In response to a question, the Director of Finance, Resources and Business Improvement confirmed that an item could be included in the work programme relating to the status and financing of major projects with a view to an update being provided in due course.

**RESOLVED:** That the Committee work programme for the remainder of the 2022/23 Municipal Year be noted.

54. INFORMATION GOVERNANCE REPORT – ANNUAL REPORT

The Corporate Insight, Communities and Governance Manager and the Senior Information Governance Officer introduced their report providing performance data on the management of information governance to ensure corporate oversight and minimise risk to the Council.

The Corporate Insight, Communities and Governance Manager explained that:

- Last year she had provided details of a restructure within her team, the aim of which was to combine and fully resource all the information governance functions within the Council. This encompassed the complaints process, logging and responding to information requests (Freedom of Information (FOI) and Environmental Information Regulation (EIR)), data protection, records management and correspondence with Members of Parliament.
- The annual complaints and data protection reports, previously presented to the Committee separately, had been combined and the scope widened to provide Members with a clearer overview across the Council of the volume of work, performance and trends. The report also provided details of national changes of note in data protection, the Local Government Ombudsman's Annual Report and progress against the Data Protection Action Plan.
- As part of the new structure, a Senior Information Governance Officer had been appointed.

The Senior Information Governance Officer advised the Committee that:

- The report included a summary of the work completed by the Information Governance Team predominantly focussing on the past year but looking at historic data too.
- 467 FOI and 434 EIR requests were received in 2021/22. 679 stage 1 complaints were received in 2021/22, fewer than the number recorded during the year preceding the pandemic. The total number of data incidents reported in 2021/22 was 29. Of these 26 were found to be data breaches after investigation but the majority of these were low to no risk.
- The Information Governance Annual Report 2021/22 included details of the work, volume and types of requests processed by the Information Governance team. This included historical data to provide context and demonstrate trends.
- Performance remained consistent within the team, typically falling within the 10% tolerance for all its targets.
- The annual report from the Local Government Ombudsman (LGO) provided insight about the Council's approach to complaints. Only 6 complaints were fully investigated by the LGO. This represented 0.009% of the overall number of complaints in 2021/22 and the Council was required to take further action in respect of 4 of these 6 cases.
- Progress against the Data Protection Action Plan was positive. The number of actions completed had increased over the past year and the remaining open actions had been reassigned with revised timelines to ensure that they are completed within the next year.

In response to questions, the Officers explained that:

- No updates had been received as to when the Data Protection and Digital Information Bill might become an Act. It was understood that it was the intention to make changes to the terminology, but processes would remain the same. Some requirements had been lessened particularly for small businesses, but this would not impact upon the Council on a day-to-day basis.
- 4 of the 6 complaints fully investigated by the LGO were upheld (67%). However, 6 complaints represented only 0.009% of the overall number of complaints (679) in 2021/22. The complaints received, particularly at stage 2, were reviewed continuously in an attempt to resolve them, but sometimes there was a difference of opinion about what would be an acceptable outcome.
- The number of complaints about household waste (refuse, recycling, garden etc.) varied throughout the year. The number of people working at home both during and after the pandemic had impacted on access to properties. It would be useful in future reports to include trend and theme analysis.
- Details of the one high risk data breach in 2021/22 would be circulated to the Committee.
- Every complaint was taken seriously and there was a robust complaints procedure in place. Details of the 4 complaints upheld by the LGO, the

services and the remedies required, would be circulated to the Committee. Any such details would be included in future reports to the Committee.

- Consideration would be given to how the report is structured and presented in future to assist Members.
- Consideration would be given to prioritisation of and a timeline for the development of an Information Risk Register.

**RESOLVED:** That subject to the points raised in the discussion, the report be noted.

#### 55. INTERNAL AUDIT INTERIM REPORT 2022-23

The Interim Head of Internal Audit introduced her report summarising the work completed so far on the 2022/23 Audit and Assurance Plan and providing an update on changes within the Mid-Kent Audit Partnership. It was noted that:

- Since March 2022, further changes had been experienced within the Internal Audit team. The result was that the team currently had two vacancies and there would shortly be another. The new Head of Audit Partnership would take up her post in December 2022 and one of her first tasks would be to review the structure of the team and recruit as needed.
- Some of the staffing shortfall had been managed so far through the procurement of a contractor who would deliver twelve audits across the Partnership from November to April. However, some audits might not be completed, and the new Head of Audit Partnership would review the audits completed and those planned and take a view as to whether this was sufficient to deliver the Audit Opinion at the end of the year.
- The report included details of other work completed, including follow-up of agreed actions, and there were no concerns to raise.
- The IT Project Management audit had now been finalised with a strong assurance rating and no significant concerns identified.
- The planned IT audits and their priority would be reviewed by the new Head of Audit Partnership. Due to their technical nature, it would be necessary to engage external consultants to undertake this work, but reliance could be placed on external assurance already received by the IT team around the cyber security arrangements.

In response to questions, the Officers explained that in terms of the planned audit of the Waste Contract Tendering:

- The procurement function was carried out by Officers. The Internal Audit team was capable of reviewing the process and providing a professional opinion as to whether it was appropriate. It was not appropriate for the Audit, Governance and Standards and Committee to be involved in the procurement process.
- The Internal Audit team would look, mainly retrospectively, at whether the tendering process was appropriate, and the lessons learned in terms of

outcome. The team had previously audited the Waste Tender contract (the procurement process for the current contract, the operation of that contract and the governance arrangements) and fed the outcomes back to the three Councils. This would be factored into the terms and conditions being worked on.

**RESOLVED:** That the work completed so far on the 2022/23 Audit and Assurance Plan be noted.

## 56. PROGRESS REPORT ON EXTERNAL AUDIT

The Director of Finance, Resources and Business Improvement introduced the report providing an update on progress with the audits of the 2020/21 and 2021/22 accounts. It was noted that:

- Grant Thornton had now completed their audit of the 2020/21 financial statements. The Audit Findings Report setting out the results of the audit and the External Auditor's Annual Report setting out recommendations arising from the audit on economy, efficiency and effectiveness had been circulated.
- There was no decision for the Committee as it had approved the accounts in November 2021 and delegated approval of any further non-material changes to the Director of Finance, Resources and Business Improvement in consultation with the Chairman.
- As set out in the Audit Findings Report, there had been some changes to the accounts, but they had not changed the fundamental figures within the accounts.
- In November 2021, the Committee had also approved the Letter of Representation setting out that the Council had provided the External Auditor with the information they needed to form their opinion. That Letter had changed in one minor respect acknowledging that there had been some amendments to the accounts.
- The final audit of the accounts for 2021/22 had not yet started, so there was no prospect of meeting the deadline of 30 November 2022.

Mr Paul Dossett of Grant Thornton apologised for the late circulation of the reports and advised the Committee that:

- The Audit Findings Report detailed the various accounting issues that had held up the completion of the audit. Local authority accounting was extremely complex. The accounting for capital projects had to be in accordance with International Financial Reporting Standards and it was a time-consuming process. Most of the time spent on the audit over the last six months plus had been about resolving these accounting issues. For example, the appropriate accounting treatment for construction costs relating to the Brunswick Street and Union Street housing developments, the arrangements for accounting for capital receipts and the calculation of the Council's capital financing requirement. Amendments had been made to the accounts as a result of this work.

- The 2021/22 accounts would be updated to reflect these changes and as the audit of those accounts moved forward, the technical accounting issues would be addressed at the front of the process.
- He was required to advise the Committee that the External Auditor's work on investment properties had identified one asset where the value had been understated by £211,000 due to an error in the valuation calculations by the Council's external valuer. As the impact of the error was not material, management had decided not to adjust the accounts.
- Under the National Audit Office Code of Audit Practice, the External Auditor was required to consider whether the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources and to report their commentary on the arrangements under specified criteria (Financial Sustainability, Governance and Improving Economy, Efficiency and Effectiveness).
- The External Auditor's Annual Report had provided a clean bill of health in relation to the Council's value for money arrangements. Some 'Improvement' recommendations had been made which, if implemented, should improve the Council's arrangements, but they were not as a result of identifying significant weaknesses in those arrangements.
- Taking the two reports together, the External Auditor would be able to close the audit and certify it closed. He anticipated that this would happen within the next few days.

In response to questions, Mr Dossett advised the Committee that:

- Major changes, for example in the rate of inflation, could affect the assumptions made by the actuary in relation to the net pension liability.
- Prior period adjustments that would be of particular concern would be those that impacted on the General Fund. The prior period adjustments referred to in the Audit Findings Report were technical adjustments, which were not material to the General Fund balance.
- The audit had taken considerably longer than expected, but any additional audit fees would need to be agreed with the Council and Public Sector Audit Appointments Ltd (PSAA). In terms of fees going forward, PSAA was proposing significant increases for contracts going beyond 2023/24. Since a number of the technical issues had been addressed already, the 2021/22 audit should not take so long and the aim was to report the findings to the Committee in March 2023.
- Once the audit had started, a detailed timetable could be provided.
- The resourcing position in all audit firms was challenging. Grant Thornton had now embarked on a significant recruitment exercise, investing in its Indian team as well as recruiting from overseas. The ambition was to clear the backlog of work by early 2024.

During the discussion, Members thanked the Director of Finance, Resources and Business Improvement and his team for their work on the accounts. The Director

of Finance, Resources and Business Improvement particularly wished to acknowledge the work undertaken by Paul Holland, Senior Finance Manager (Client), and to emphasise that the complexity of the work had arisen out of the accounting framework within which the Council was required to operate, and which was disproportionate for a small District Council.

The Chairman thanked Mr Dossett for his attendance at the meeting.

**RESOLVED:**

1. That the External Auditor's Audit Findings Report for the year ended 31 March 2021 and the External Auditor's Annual Report 2020/21 be noted.
2. That the position regarding the external audit of the 2021/22 accounts be noted.

57. BUDGET STRATEGY - RISK ASSESSMENT UPDATE

The Director of Finance, Resources and Business Improvement introduced his report highlighting the risks faced by the Council in delivering the budget. The Director of Finance, Resources and Business Improvement advised the Committee that:

- Current projections continued to indicate that the Council would remain within budget for the financial year 2022/23, with pressures such as the increase in the cost of providing temporary accommodation offset by savings elsewhere.
- The position for future years was very uncertain. Apart from the multiple sources of uncertainty in the external environment, particularly the future path of inflation, it was not known what the impact would be for the Council as a result of the measures to be outlined by the Chancellor on 17 November 2022 and the forthcoming local government finance settlement for 2023/24. As a result, changes were proposed to the budget risk register relating to the delivery of planned savings, the funding of the capital programme and the financial impact from major emergencies such as Covid-19.
- After the mini budget in September, interest rates rose to over 5% for 50-year borrowing but came down subsequently. There had not been an immediate impact for the Council because it was not in the market for borrowing during that period.
- Quantifying risk was an arbitrary process; the figures in the report were meant to give an idea of the order of magnitude rather than an exact measure of the impact of the risks.
- The Council would borrow to fund capital expenditure because it would be risky to use reserves. In anticipation of higher interest rates, the Council committed in April 2022 to forward borrowing of £80 million which would be drawn down between 2024 and 2026.
- The Residents' Survey was underway for the 2023/24 budget, and he would forward details to Members.

- There had been very few Council Tax referenda, and none had been successful. The cost would be similar to running a local election (£30-40k).

**RESOLVED:** That the updated risk assessment of the budget strategy, attached at Appendix A to the report of the Director of Finance, Resources and Business Improvement, be noted.

58. DURATION OF MEETING

6.30 p.m. to 8.06 p.m.