

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING

Date: Monday 29 July 2024
Time: 6.30 pm
Venue: Town Hall, High Street, Maidstone

Membership:

Councillors Barwick, Burke, Couch, Coulling (Parish Representative), Dawes, Field (Chairman), Greenan (Vice-Chairman), Khadka, Round, Titchener (Parish Representative) and Trzebinski

The Chairman will assume that all Members will read the reports before attending the meeting. Officers are asked to assume the same when introducing reports.

<u>AGENDA</u>	<u>Page No.</u>
1. Apologies for Absence	
2. Notification of Substitute Members	
3. Urgent Items	
4. Notification of Visiting Members	
5. Disclosures by Members and Officers	
6. Disclosures of Lobbying	
7. To consider whether any items should be taken in private because of the possible disclosure of exempt information	
8. Minutes of the Meeting held on 21 May 2024	1
9. Presentation of Petitions (if any)	
10. Questions and answer session for Members of the Public (if any)	
11. Questions from Members to the Chairman (if any)	
12. Committee Work Programme 2024-25	2 - 3
13. Information Governance Report - Annual Report for 2023-2024	4 - 27
14. Annual Governance Statement 2023/24	28 - 50
15. Internal Audit Report and Annual Audit Opinion 2023/24	51 - 79

Issued on Friday 19 July 2024

Continued Over/:



Alison Broom, Chief Executive

16. Treasury Management Annual Review 2023/24	80 - 89
17. Draft Annual Accounts 2023/24	90 - 95
18. External Auditor's Audit Plan 2023/24	96 - 164
19. Budget Strategy - Risk Assessment Update	165 - 182

INFORMATION FOR THE PUBLIC

In order to ask a question at this meeting, please call **01622 602899** or email committee@maidstone.gov.uk by 5 p.m. one clear working day before the meeting (i.e. by 5 p.m. on 25 July 2024). You will need to provide the full text in writing.

If your question is accepted, you will be provided with instructions as to how you can access the meeting.

In order to make a statement in relation to an item on the agenda, please call **01622 602899** or email committee@maidstone.gov.uk by 4 p.m. one clear working day before the meeting (i.e. by 4 p.m. on 25 July 2024). You will need to tell us which agenda item you wish to speak on.

If you require this information in an alternative format please contact us, call **01622 602899** or email committee@maidstone.gov.uk.

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MAIDSTONE BOROUGH COUNCIL

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

MINUTES OF THE MEETING HELD ON TUESDAY 21 MAY 2024

Present:

Committee Members:	Councillor Field (Chairman) and Councillors Barwick, Burke, Mrs Gooch, Greenan, Jeffery, Khadka, Round and Trzebinski
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1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Couch and Dawes.

2. NOTIFICATION OF SUBSTITUTE MEMBERS

The following Substitute Members were noted:

Councillor Mrs Gooch for Councillor Dawes
Councillor Jeffery for Councillor Couch

3. ELECTION OF CHAIRMAN

RESOLVED: That Councillor Field be elected as Chairman of the Committee for the Municipal Year 2024/25.

4. ELECTION OF VICE-CHAIRMAN

RESOLVED: That Councillor Greenan be elected as Vice-Chairman of the Committee for the Municipal Year 2024/25.

5. DURATION OF MEETING

6.30 p.m. to 6.34 p.m.

2024/25 WORK PROGRAMME

	Committee	Month	Origin	CLT to clear	Lead	Report Author
AGS Committee Annual Report 2023/24	AGS	23-Sep-24	Governance	No	Katherine Woodward	Katherine Woodward
External Audit update	AGS	23-Sep-24	Governance	No	Mark Green	Mark Green
Budget Strategy Risk Assessment Update	AGS	23-Sep-24	Officer Update	No	Mark Green	Mark Green
Code of Conduct Matters - Six Month Update	AGS	11-Nov-24	Officer Update	No	Claudette Valmond	Russell Fitzpatrick
Housing Benefit Subsidy Claim 2022/23	AGS	11-Nov-24	Governance	No	Georgia Hawkes	Zoe Kent
Fraud and Compliance Team Update	AGS	11-Nov-24	Officer Update	No	Georgia Hawkes	Zoe Kent
Annual Governance Statement Mid-Year Update and Update of Local Code of Corporate Governance	AGS	11-Nov-24	Governance	Yes	Angela Woodhouse	Angela Woodhouse
Internal Audit Interim Report 2023/24	AGS	11-Nov-24	Governance	No	Katherine Woodward	Katherine Woodward
Treasury Management Mid-Year Review 2023/24	AGS	11-Nov-24	Governance	No	Mark Green	John Owen
Budget Strategy Risk Assessment Update	AGS	11-Nov-24	Officer Update	No	Mark Green	Mark Green
Treasury Management, Investment and Capital Strategies 2024/25	AGS	13-Jan-25	Strategy Update	No	Mark Green	John Owen
2023/24 Audited Statement of Accounts	AGS	10-Mar-25	Governance	No	Mark Green	Paulk Holland
External Auditor's Annual Report	AGS	13-Jan-25	Governance	No	Mark Green	Paul Holland
External Auditor's Progress Report and Sector Update	AGS	13-Jan-25	Governance	No	Mark Green	Paul Holland
Budget Strategy Risk Assessment Update	AGS	13-Jan-25	Officer Update	No	Mark Green	Mark Green

2024/25 WORK PROGRAMME

	Committee	Month	Origin	CLT to clear	Lead	Report Author
Code of Conduct Matters - Six Month Update	AGS	10-Mar-25	Officer Update	No	Claudette Valmond	Russell Fitzpatrick
Annual Risk Management Report 2023/24	AGS	10-Mar-25	Governance	Yes	Katherine Woodward	Katherine Woodward
Internal Audit Charter Update	AGS	10-Mar-25	Governance	No	Katherine Woodward	Katherine Woodward
Internal Audit and Assurance Plan 2024/25	AGS	10-Mar-25	Governance	No	Katherine Woodward	Katherine Woodward
Budget Strategy Risk Assessment Update	AGS	10-Mar-25	Officer Update	No	Mark Green	Mark Green

Agenda Item 13

Audit, Governance and Standards Committee

29 July 2024

Information Governance Report – Annual Report for 2023-2024

Timetable	
Meeting	Date
Audit, Governance and Standards Committee	29/07/2024

Will this be a Key Decision?	No
Urgency	Not Applicable
Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service	Anna Collier, Head of Insight Communities and Governance Manager
Lead Officer and Report Author	Georgia Harvey, Information Governance Manager
Classification	Public
Wards affected	All

Executive Summary

The Information Governance Team oversees the management of complaints, information requests (Freedom of Information (FOI) & Environmental Information Regulation Requests (EIR)), subject access requests (SAR), information sharing requests as well as handling data breaches. This report provides performance data on the management of information governance to ensure corporate oversight and minimise risk to the Council. The report also includes details concerning the Ombudsman's new complaint handling code.

Purpose of Report

To note the report.

Information Governance Report – Annual Report

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"> • Embracing Growth and Enabling Infrastructure • Safe, Clean and Green • Homes and Communities • A Thriving Place • We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council’s overall achievement of its aims as set out in section 3. 	Georgia Harvey, Information Governance Manager
Cross Cutting Objectives	<p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"> • Heritage is Respected • Health Inequalities are Addressed and Reduced • Deprivation and Social Mobility is Improved • Biodiversity and Environmental Sustainability is respected <p>The report recommendation(s) supports the Council’s cross cutting objectives where applicable.</p>	Georgia Harvey, Information Governance Manager
Risk Management	Refer to section 5.	Georgia Harvey, Information Governance Manager
Financial	The proposals set out in the recommendation are all within already approved budgetary headings and so need no new funding for implementation.	Finance Team
Staffing	We will deliver the recommendations with our current staffing.	Anna Collier, Head of Insight

		Communities and Governance Manager
Legal	Accepting the recommendations will fulfil the Council's duties under the Data Protection Act 2018, Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Failure to accept the recommendations without agreeing suitable alternatives may place the Council in breach of these Acts.	Gary Rowland – Senior Legal Advisor
Information Governance	The recommendations do not impact personal information the Council processes.	Information Governance Team
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	Nicola Toulson, Equalities & Communities Officer
Public Health	We recognise a data breach may have varying impacts on the health of the population or individuals within Maidstone. Therefore, we have completed a separate health impact assessment at Appendix 1.	Georgia Harvey, Information Governance Manager
Crime and Disorder	There are no implications to Crime and Disorder.	Georgia Harvey, Information Governance Manager
Procurement	Not applicable.	Georgia Harvey, Senior Information Governance Officer
Biodiversity and Climate Change	The implications of this report on biodiversity and climate change have been considered and there are no implications on biodiversity and climate change.	Georgia Harvey, Senior Information Governance Officer

1. INTRODUCTION AND BACKGROUND

- 1.1. The Information Governance Team are responsible for managing:
- The complaints process including unreasonable and unreasonably persistent persons,
 - Logging and responding to information requests (also known as Freedom of Information - FOI and Environmental Information Regulation - EIR),
 - Data protection (including subject access requests, CCTV requests, data protection impact assessments, data sharing, and records of processing activities),
 - Records management, and
 - Correspondence with members of parliament.
- 1.2. This report provides performance data on the management of information governance to ensure corporate oversight and minimise risk to the Council. The report also includes details concerning the Ombudsman’s new complaint handling code which we are piloting in phased approach from April 2024. Performance data can be seen at Appendix 1.

Information Requests

- 1.3. The term ‘information requests’ covers both Freedom of Information (FOI) and Environmental Information Regulation (EIR).
- 1.4. The time limits for responding to these requests are set out in statute as 20 working days, subject to qualifying criteria. If the Council doesn’t hold the information requested or doesn’t believe it should be shared, then an exemption (FOI) or exception (EIR) can be applied to all or part of the request.
- 1.5. The total number of FOI and EIR requests received in is shown in the table below. For comparison purpose, data from the past two years is also included.

Year	FOI	EIR	Total
2021-2022	465	434	899
2022-2023	579	319	898
2023-2024	417	706	1123

- 1.6. The increase in request is reflected in the levels reported across the country. In May 2024, PDP (PDP is the publisher of leading expert journals in the fields of data protection and freedom of information.) reported “According to the newly released data, there were a little over 70,000 FOI requests made to public bodies in 2023. This is by far the highest total ever recorded and marks a significant spike on the preceding years. Alongside this increase, the proportion that resulted in all requested information being provided dropped from 39% in 2022 to a new low of 34% last year.”
- 1.7. A target of 100% of responses sent on time is set to reflect the requirements by law, however it is highly ambitious. The ICO accept that

Councils won't always achieve this and concentrates its investigations and penalties on those organisations with backlogs. Performance data is shown in the table below. For comparison purpose, data from the past two years is also included.

Year	On Time
2021-2022	95%
2022-2023	90%
2023-2024	83%

- 1.8. The drop in performance of responses sent in time, reflects the increase in workload and that the team was not fully staffed until 8 May 2024.
- 1.9. If the requestor doesn't agree with the Council's decision, then they can appeal via internal review, and these are reviewed by Legal Services. The requestor can further complain to the Information Commissioner's Office (ICO), who will make the ultimate decision.
- 1.10. The total number of internal review requests received is shown in the table below. For comparison purpose, data from the past two years is also included.

Year	FOI	EIR	Total
2021-2022	7	8	15
2022-2023	4	5	9
2023-2024	10	9	19

- 1.11. The total number of internal review requests compared to the total number of information requests is shown in the table below. For comparison purpose, data from the past two years is also included.

Year	Total Internal Reviews	Total Information Requests	Percentage of Information Request Escalated to Internal Review
2021-2022	15	899	2%
2022-2023	9	898	1%
2023-2024	19	1123	2%

- 1.12. Legal Services have the option to uphold or not uphold the Council's decision. The outcome of internal reviews is shown in the table below. For comparison purpose, data from the past year is also included.

Year	Uphold	Not Uphold	Total
2022-2023	9	0	9
2023-2024	18	1	19

Complaints

1.13. The Council operates a three stage complaints process:

1. All stage 1 complaints will be investigated by the service manager and responded to within 10 working days.
2. Customers have the right to take the complaint to stage 2 for an independent assessment by the Information Governance Team. The Information Governance team will then undertake an assessment of the complaint, within 5 working days, in order to determine whether a full investigation would be able to add anything to the stage 1 response and/or achieve the desired outcome. If the assessment concludes that further investigation is warranted, then a full response is sent within 20 working days.
3. If, after following our complaints process, customers are still unhappy, they can contact the Local Government and Social Care Ombudsman (LGO), an independent service set up by the Government to investigate complaints about most council matters. The Ombudsman will not investigate complaints until they have been through both stages of the Council's complaints process.

1.14. The total number of stage 1 complaints is shown in the table below. For comparison purpose, data from the past two years is also included.

Year	Total	Percentage Increase
2021-2022	681	20%
2022-2023	679	0%
2023-2024	921	36%

1.15. The increase in complaints is attributed to change of policy regarding payments for broken bins commencing April 2023, as well as the start of the change of waste contractor at the end of March 2024. In addition, there has been a general increase in complaints across all service areas which is attributed to shifts in the way that customers contact us, with an increasing volume relating to a single issue which is harder to manage, as well as an increase in requests that are unclear and require clarity before proceeding.

1.16. Positively, the Local Government and Social Care Ombudsman does not consider a high volume of complaints as a negative, as it can be indicative of a well-publicised and accessible complaints process. Low complaint volumes are potentially a sign that individuals are unable to complain.

1.17. The total number of stage 2 assessments is shown in the table below. For comparison purpose, data from the past two years is also included.

Year	Total
2021-2022	139
2022-2023	144
2023-2024	200

1.18. The total number of stage 2 complaints is shown in the table below. The table also shows the percentage of stage 2 complaints escalated from the stage 1 complaints received at stage 1. For comparison purpose, data from the past two years is also included.

Year	Total	Percentage from stage 1
2021-2022	95	14%
2022-2023	63	9%
2023-2024	103	15%

1.19. The overall on-time rate for complaints is shown in the table below. For comparison purpose, data from the past two years is also included. To give context, the target timeframe for complaints to be completed is:

- Stage 1 - 90% sent in 10 working days
- Stage 2 – 80 % sent in 20 working days

Year	Stage 1	Stage 2
2021-2022	95%	96%
2022-2023	92%	75%
2023-2024	85%	85%

The decrease in performance at stage 1 is attributed to an increase in complaints.

1.20. Household Waste continues to receive the most complaints at both stage 1 and stage 2. The Waste Team provide a service that affects every household in the Borough, so it is expected that this service will receive more complaints than others by nature of its size alone.

1.21. To further understand the cause of household waste complaints, we collected and analysed complaints by the type of waste and location to better understand the nature of the complaints. As with last year, the data shows the most common type of waste complaints were general waste, followed by garden waste. Although this data provides useful insights it does not identify the cause of the issue, therefore in 2024-2025 the data collected for waste complaints will be amended to capture the reason for the complaint rather than the waste type impacted.

1.22. Although some of the increase in waste complaints in 2023-2024 is attributed to the change of waste contractor at the end of March 2024, a further increase in waste complaints will be reported in 2024-2025 as the impact continued into the next financial year.

Local Government and Social Care Ombudsman

1.23. Each year the Local Government and Social Care Ombudsman (LGSO) produces statistics for each local authority showing how many complaints it received, what they were about and how they were resolved. The report provides insight about how we approach to complaints and the findings from the LGSO. The 2023/24 has not yet been received and will be provided to this committee once it has been published.

1.24. The Local Government and Social Care Ombudsman (LGSCO) has developed a Joint Complaint Handling Code with the Housing Ombudsman Service (HOS). Maidstone Borough Council has been accepted as a pilot Council for the new code and we are staging the implementation of the new code over the course of 2024-2025.

1.25. The proposed key changes to note are:

- A definition of service requests as follows “a request that the organisation provides or improves a service, fixes a problem or reconsiders a decision”.
- 2.2 Organisations should accept complaints referred to them within 12 months of the issue occurring, or the individual becoming aware of the issue. Organisations should consider whether to apply discretion to accept complaints made outside this time limit where there are good reasons to do so.
- 2.3 A complaints policy should set out the circumstances in which a matter might not be considered or escalated. Organisations should ensure that these are reasonable and should not deny individuals access to redress.
- 6.2 Complaints should be acknowledged and logged at stage 1 of the complaints procedure within five working days of the complaint being received.
- 6.13 Individuals should not be required to explain their reasons for requesting a stage 2 consideration. Organisations should make reasonable efforts to understand why an individual remains unhappy as part of its stage 2 response.
- 7.2 Any remedy offered should reflect the impact on the individual as a result of any fault identified.
- 8.1 Organisations should produce an annual complaints performance and service improvement report for scrutiny and challenge.
- 9.5 In addition to this, organisations should assign lead responsibility for complaints in governance arrangements to support a positive complaint handling culture. We refer to this as the ‘Member Responsible for Complaints’ (the Member). This role could be carried out by an individual or committee depending on the governance arrangements in place.
- 9.6 The Member should receive regular information on complaints that provides insight on the organisation’s complaint handling performance. The Member should have access to suitable information and staff to perform this role and report on their findings.
- 9.7 As a minimum, the Member should receive:

- regular updates on the volume, categories, and outcomes of complaints, alongside complaint handling performance
- regular reviews of issues and trends arising from complaint handling; and
- the annual complaints performance and service improvement report.

Compliments

1.26. The Council records compliments received from members of the public.

1.27. The total number of compliments received is shown in the table below. For comparison purpose, data from the past two years is also included. The department with the highest number of recorded compliments was Waste.

Year	Total
2021-2022	61
2022-2023	42
2023-2024	44

Data Incidents

1.28. A personal data breach is a breach of security leading to the accidental or unlawful destruction, loss, alteration, unauthorised disclosure of, or access to, personal data.

1.29. All potential breaches are investigated by the Information Governance team and must be completed within 72 hours in case they need to be reported to the ICO. All breaches are signed off by the Data Protection Officer or Deputy Data Protection Officer and are reported to the Information Management Group, which meets quarterly.

1.30. The total number of data incidents reported, alongside the percentage increase from the previous year, is shown in the table below. For comparison purpose, data from the past two years is also included.

Year	Total	Percentage increase
2021-2022	29	7%
2022-2023	53	83%
2023-2024	79	49%

1.31. Of the 53 reports, 26 did not constitute a data breach, 41 were assessed as low risk breaches, 8 were assessed as medium risk breaches, 4 were assessed as high-risk breaches.

1.32. In 2023-2024, 6 incidents were reported to the supervisory authority (the Information Commissioner's Office). This comprised of the 4 high risk breaches plus two low risk breaches. Of the high-risk breaches, two were reported by the sub processors, who liaised with the ICO directly and updated us during the investigation, as the breaches impacted all customers using the sub processors. The remaining 2 high risk breaches, as well as the 2 low risk breaches, were reported by the Information Governance who

complied fully with the resulting ICO investigations. Although not considered reportable in terms of risk, the two low risk breaches were reported due to customers advising that the incident had resulted in distress, which is considered an aggravating factor when contacting the ICO. No fines were received from the ICO.

- 1.33. The increase in data breaches has been recognised by the Information Management Group, and action is being taken to raise this with managers to reduce the number of data incidents.
- 1.34. The Council has fostered a culture whereby employees actively report data breaches. This has been supported by additional team training provided by the Information Governance Team during the year to ensure employees understand their obligations. This combined approach means that employees report data breaches as soon as they are aware, which in turn enables the Council to react quickly to mitigate the impact.
- 1.35. Most data breaches are caused by human error, with no intended malice, resulting in a loss of confidentiality. This is typically as a result of post or e-mails being sent to the wrong person.

Data Subject Rights Requests

- 1.36. There are seven types of rights requests we can receive including subject access requests and erasure requests. All requests must be processed by the Information Governance team.
- 1.37. Rights requests can be extremely time consuming, due to the need to source and review all personal data to identify what information is in scope of the request and to undertake relevant redaction.
- 1.38. The total number of requests received, broken down by each type is shown in the table below. For comparison purpose, data from the past two years is also included. We have continued to see a growth in requests as the public becomes more aware of their rights and how to access them.

Year	Access	Erasure	Objection	Total
2021-2022	38	1	1	40
2022-2023	62	4	0	66
2023-2024	79	5	2	86

- 1.39. The timeframe from responding requests is one calendar month, however in certain circumstances, this can be extended to up to 3 months. The average number of days taken to respond to a rights request, alongside the percentage sent on time, is shown in the table below. For comparison purpose, data from the past two years is also included.

Year	Average Response Time	On Time
2021-2022	16	95%
2022-2023	37	86%

2023-2024	29	87%
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Information Sharing Requests

1.40. Information sharing requests from other organisations are requests for personal data where there is a legal basis to request it. In the main these are processed via the Information Governance Team, with the exception of Fraud and Compliance Team, who process requests directly given the nature of the role.

1.41. The total number of requests received, alongside the percentage increase from the previous year, is shown in the table below. For comparison purpose, data from the past two years is also included.

Year	Total	Percentage increase
2021-2022	318	35%
2022-2023	510	60%
2023-2024	759	49%

1.42. The breakdown per type of requesting organisation is below:

Organisation Type	Total
Law Enforcement Agency - Kent Police	863
Utility Company	655
Local Authority	90
Insurance Company	65
Individual	55
Central Government/Gov Department	36
Law Enforcement Agency - Not Kent Police	31
Legal Firm	15
Housing Association	7
Debt Collector	3
Councillor	1
Credit Union	1
Total	1822

1.43. The majority of requests are received from the police, predominantly for CCTV. The increase in requests is attributed to the rise in contact from utility companies, specifically Southeast Water. South East Water has a statutory power to charge and a corresponding obligation to collect charges and pursue debt. der section 142 of the Water Industry Act 1991.

MP Correspondence

1.44. Correspondence both to and from members of parliament on behalf of constituents is recorded and monitored by the Information Governance Team; with requests assigned to the relevant departments to prepare any required responses. This does not include correspondence between departments and members of parliament to discuss and resolve Council matters.

1.45. The total number of recorded correspondences with MPs, alongside the percentage completed within 20 working days, is shown in the table below. For comparison purpose, data from the past two years is also included. The department with the highest number of recorded compliments was housing.

Year	Total	On Time
2021-2022	257	98%
2022-2023	260	88%
2023-2024	341	87%

The decrease in performance is attributed to the volume and complexity of requests, which require additional time to investigate. To help improve our responses times, we have amended the process to enable housing to respond directly to MPs.

Data Protection Action Plan

1.46. The Council continues to work proactively to improve how we manage and hold personal data in-line with the Data Protection Act and UK GDPR. The Action Plan provides an update on key changes and highlights the areas where further work is required.

1.47. The total number of requests for data protection impact assessments is shown in the table below. For comparison purpose, data from the past two years is also included. Although numbers have declined, the scale of the projects and the associate mitigation needed to reduce risks have increased, linked to our growing use of data to automate processes.

Year	Total
2021-2022	15
2022-2023	38
2023-2024	25

1.48. Key projects completed over the past year include supporting the DWP audit, completing the NHS Digital Toolkit, updating the Data Protection Policy, supporting the scoping of drones and AI within the organisation.

1.49. An update on the Action Plan is enclosed at Appendix 2. The Action Plan is filtered to show changes in the last year.

1.50. The proposed Data Protection and Digital Information Bill is currently on hold pending the outcome of the General Election.

Summary

1.51. Performance has varied throughout the year. There was an increase in performance from the previous year in terms of responding to stage 2 complaints and rights request but performance in regard to responding to information requests and stage 1 complaints decreased. This is attributed to three main factors:

1. Similar to 2022-2023, volumes across the service continue to increase alongside the scope of requests are becoming larger and more complex.
2. There continues to be shifts in the way that customers contact us, with an increasing volume relating to a single issue which is harder to manage. In addition, there is an increase in requests that are unclear and require clarity before proceeding.
3. The team have continued to see a number of changes in staffing. The changes of staffing have also impacted team performance in 2024-2025.

3. AVAILABLE OPTIONS

- 3.1 Audit Governance and Standards Committee could choose not to receive or receive a reduced report on the performance of Information Governance activities in the Council however this wouldn't be recommended as good information governance protects the Council from risk.
- 3.2 The current report represents the broad spectrum of information governance and therefore the best practice.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 To continue to receive updates and note progress.
-

5. RISK

- 5.1 This report is presented for information only and has no risk management implications.
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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 None
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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The next annual report will be provided for year 2024-2025 midyear review.
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8. REPORT APPENDICES

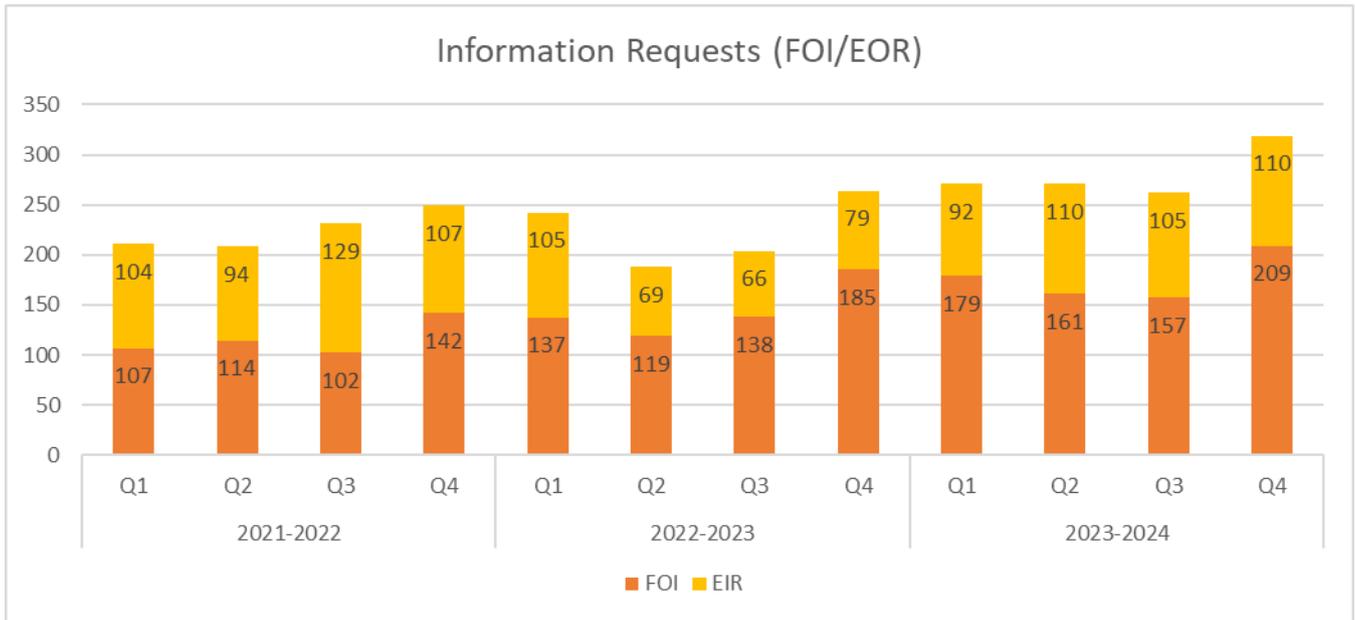
- Appendix 1: Information Governance Report – Annual Report 2022-2023
 - Appendix 2: Data Protection Action Plan
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9. BACKGROUND PAPERS

9.1 None

Information Governance Annual Report for 2023-2024

Information Requests



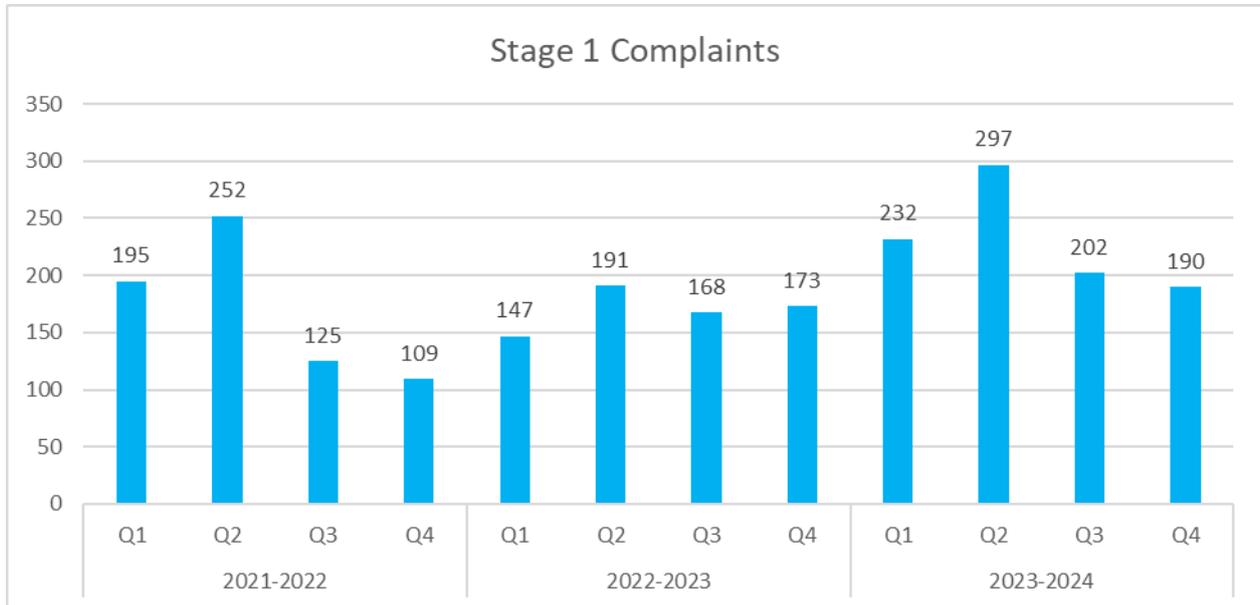
The total number of requests in 2023-2024 was 1123. This represents a percentage increase for the same period last year of 25%. As per previous years, Q4 continues to receive the largest number of incoming requests each year. This is attributed to the end of financial year. The Council receives more FOI requests than EIR, which is expected based on previous years.

The following departments received the largest volume of requests in 2023-2024:

1. Land Charges (Shared Service)
2. Housing & Inclusion & Health
3. KCC
4. Planning Support (Shared Service)
5. Human Resources (Shared Service)

Complaints

STAGE 1

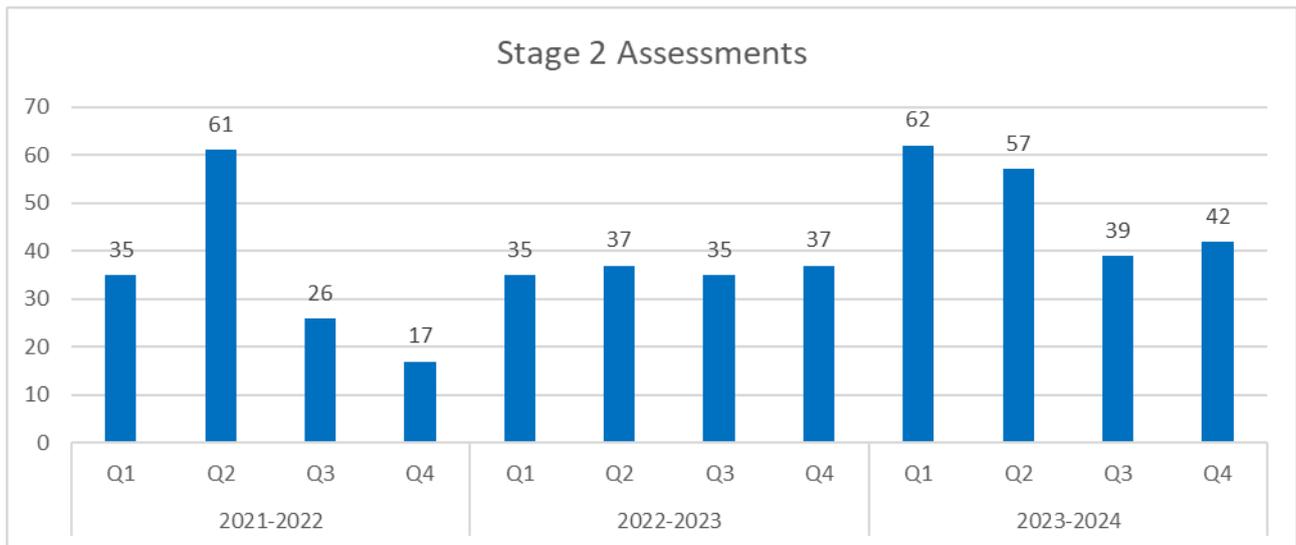


The total number of stage 1 complaints in 2023-2024 was 921. This represents a percentage increase for the same period last year of 37%. There is no consistent discernible trend for the number of complaints received per quarter. The following departments received the largest volume of requests in 2023-2024:

1. Waste – Household *
2. Housing & Inclusion & Health
3. Parking
4. Development Management
5. Council Tax (Shared Service)

* Waste - Household continues to receive more complaints per quarter than any other department. This is expected as waste affected every household in the Borough. Although some of the increase in waste complaints in 2023-2024 is attributed to the change of waste contractor at the end of March 2024, a further increase in waste complaints will be reported in 2024-2025 as the impact continued into the next financial year.

STAGE 2 ASSESSMENTS

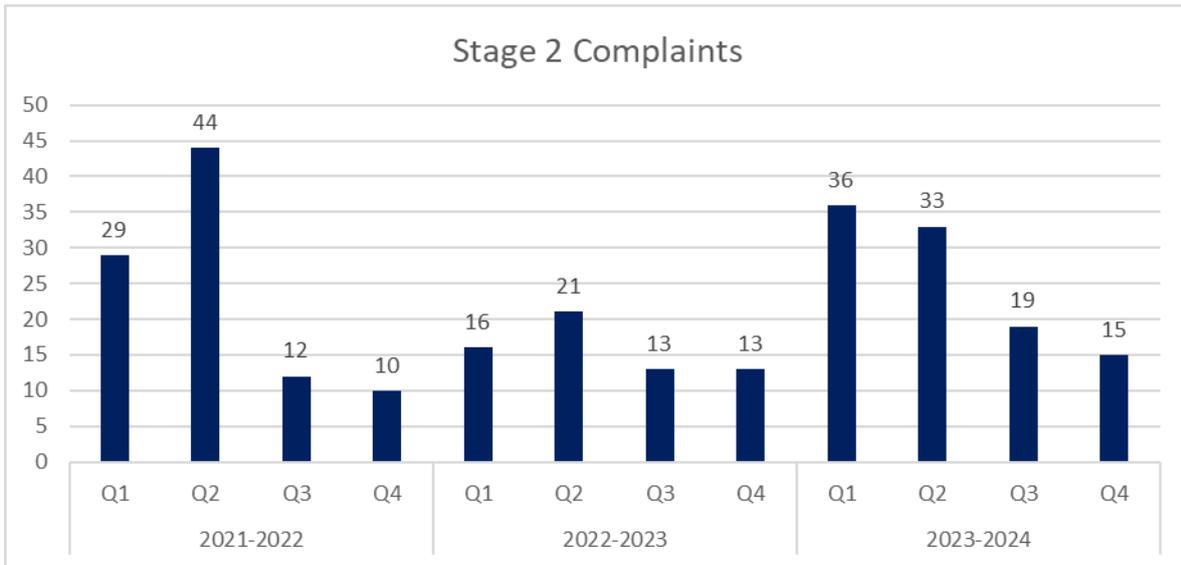


The total number of stage 2 assessments in 2023-2024 was 200. This represents a percentage increase for the same period last year of 39%. The volume of assessments conducted has remained consistently high in 2023-2024. The following departments received the largest volume of requests in 2023-2024:

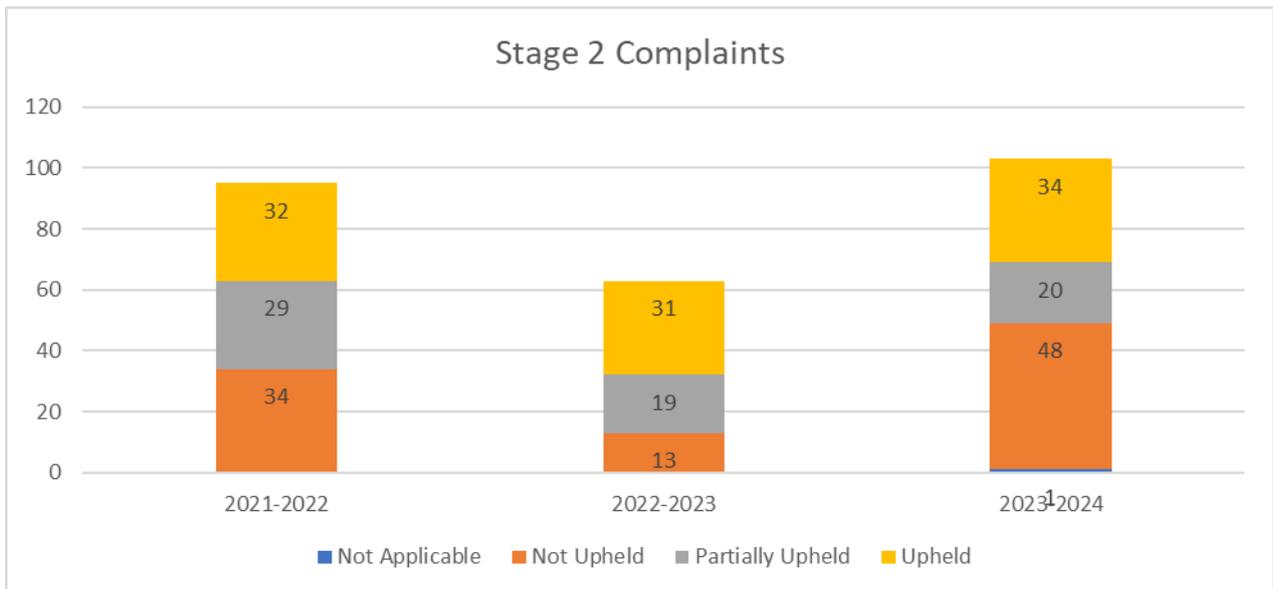
1. Waste - Household
2. Development Management
3. Housing & Inclusion & Health
4. Parking
5. Council Tax (Shared Service) and Community Protection

**Information Governance Report
2022-2023**

STAGE 2

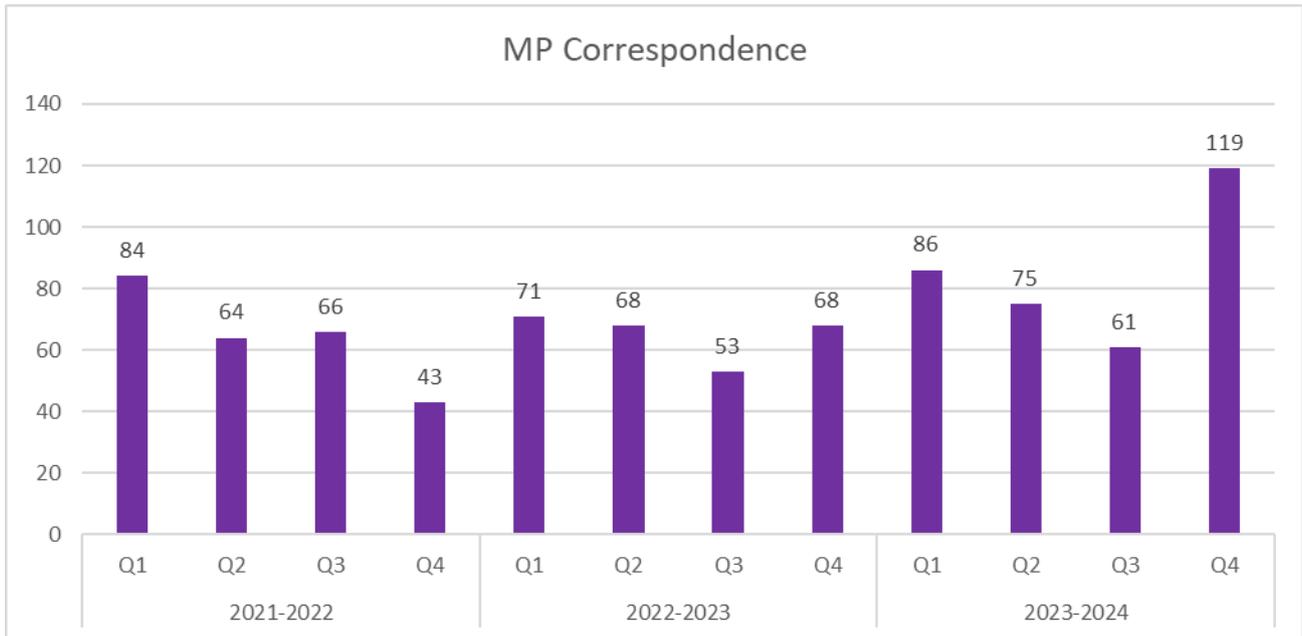


The total number of stage 2 complaints in 2023-2024 was 103. This represents a percentage increase for the same period last year of 63%. Q1 and Q2 of 2023-2024 saw an increase but this levelled out during the remainder of the year.



Of the escalated complaints in 2023-2024 48 were not upheld, 20 were partially upheld and 34 were upheld. The department with the highest number of upheld complaints is Household Waste. The number of complaints for Household Waste exceeds all others. Of those complaint for Household Waste, 11 were not upheld, 14 were partially upheld and 30 were upheld.

MP Correspondence



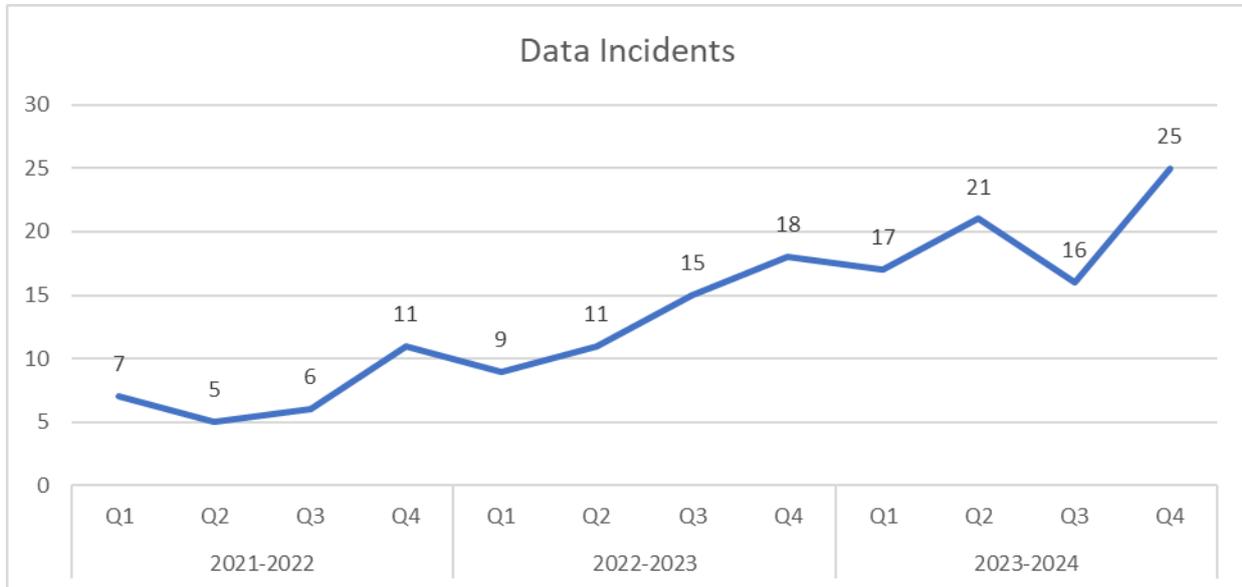
The total number of MP correspondence in 2023-2024 was 341. This represents a percentage increase for the same period last year of 31%. The total number of correspondence from MPs in each quarter of varies, but averages at 72. The following departments received the largest volume of requests in 2023-2024:

1. Housing & Inclusion & Health
2. Homechoice
3. Waste - Household
4. Development Management
5. Community Protection

**Information Governance Report
2022-2023**

Data Protection

BREACHES



The total number of breaches in 2023-2024 was 79. This represents a percentage increase for the same period last year of 49%. The number of data breaches increased in 2023-2024. However, there are no discernible causes that attribute the number of breaches to a particular time of year.

Breaches are assessed on a risk matrix, as shown below, based on severity against likelihood of harm. The majority of Council breaches are low risk.

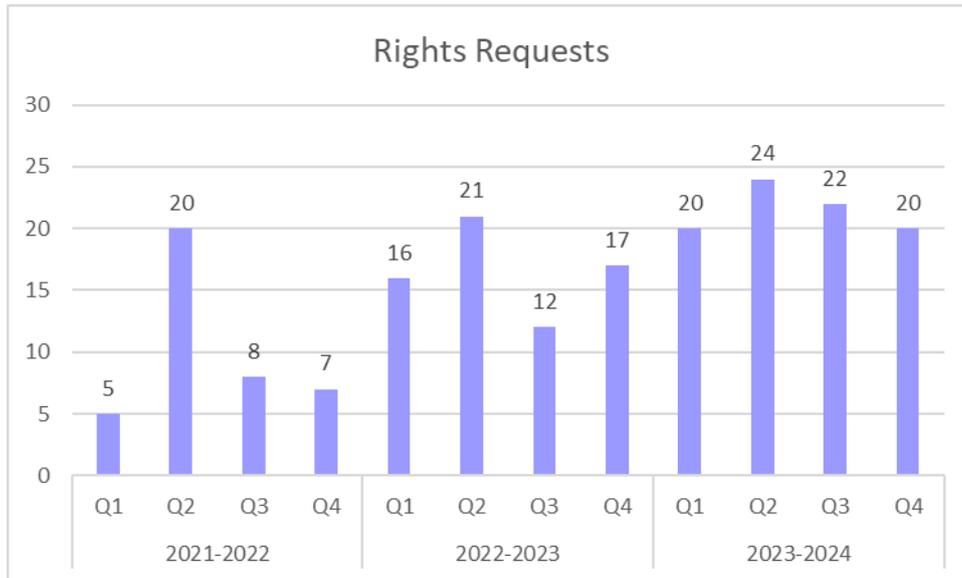
What is the overall level of residual risk after taking additional measures?

Start Date 01/04/2023 **End Date** 31/03/2024

26 No risk - no data breach has not occurred.

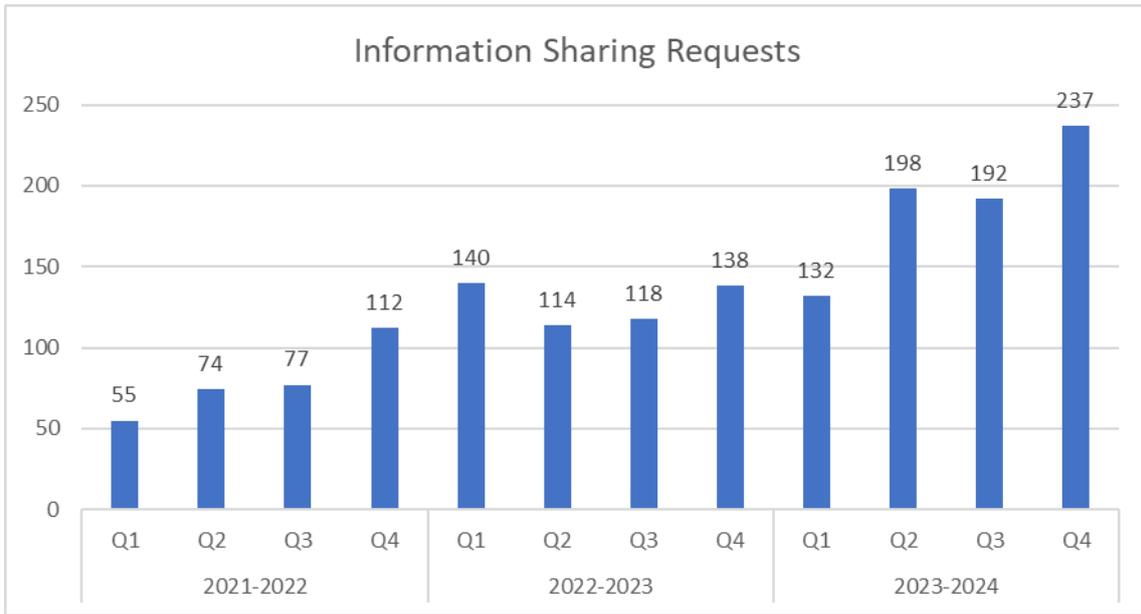
SEVERITY OF IMPACT	Serious Harm	Medium Risk 4	High Risk 3	High Risk 1
	Some Impact	Low Risk 8	Medium Risk 4	Medium Risk 0
	Minimal Impact	Very Low Risk 29	Low Risk 4	Low Risk 0
		Remote	Reasonable Possibility	More Likely Than Not
LIKELIHOOD OF HARM				

Rights Requests

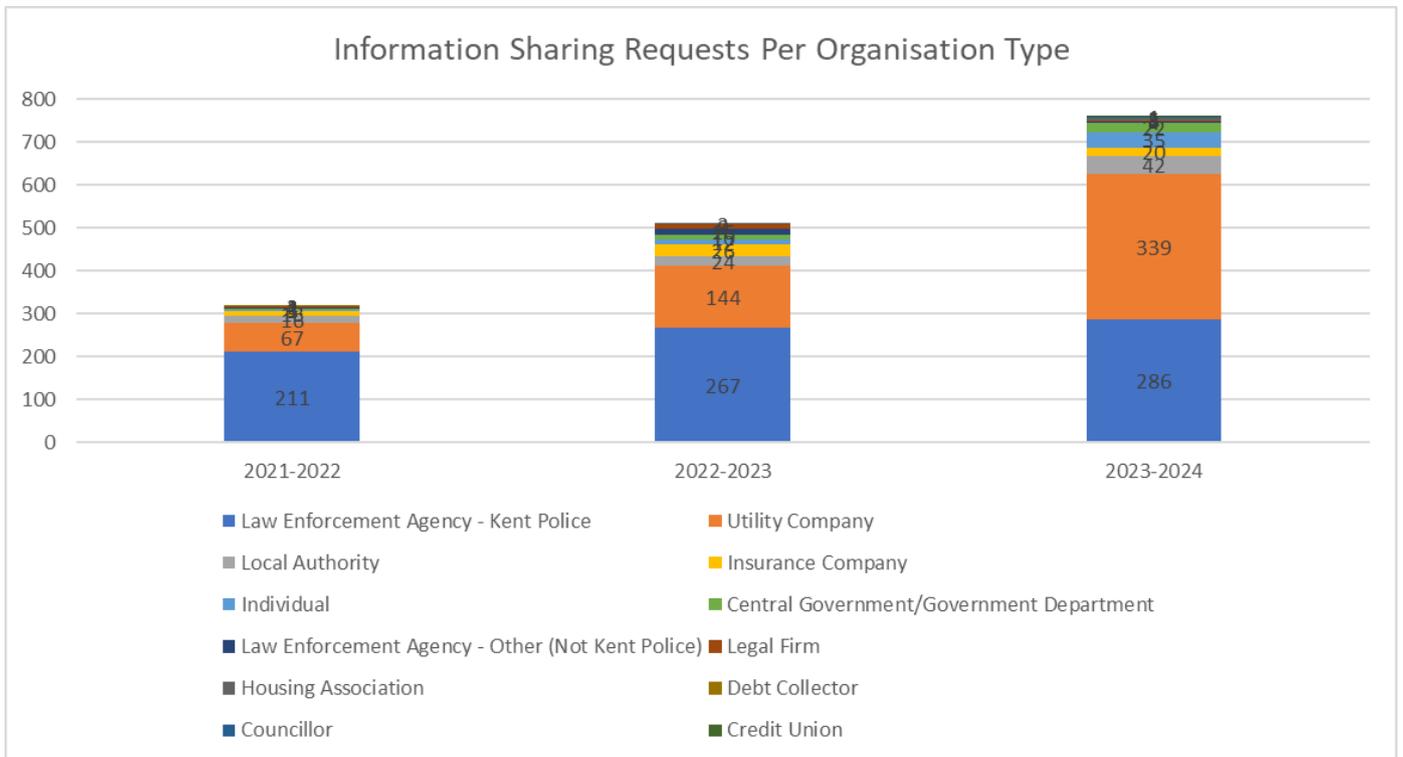


- The total number of rights requests in 2023-2024 was 86. This represents a percentage increase for the same period last year of 30%.
- The number of requests for these have steadily been increasing since the implementation of GDPR in May 2018 as the public's awareness grows.

Information Sharing Requests



The total number of sharing requests in 2023-2024 was 759. This represents a percentage increase for the same period last year of 49%. The number of requests has been on an upwards trajectory over the past three years. The majority of information requests are received from Kent Police and South East Water.



Maidstone Borough Council
Data Protection Action Plan

Last Updated: June 2024

Ref No.	Action	ICO Description	Priority (RAG)	Start Date	End Date	Responsible	Status	Commentary 2024
DP13	Undertake programme of information audits.	Audits should include: an audit of all forms to ensure privacy statement is correct, an audit of privacy notices, an audit of all systems to review progress in erasure, anonymisation, introduce regular survey as part of the programme of ongoing audits, Review use of consents, and audit of the asset register, and agreements with any third parties used to transfer business information between your organisation and third parties. Audits should added to the agenda for operational meetings and information management group, the ROPA should be updated alongside the audits .	Low	01/01/2023	31/12/2024	Deputy Data Protection Officer	In Progress	Progress has been made on auditing Revenues and Benefits. The programme needs to remain flexible to enable the Information Governance to respond to changes within services.
DP18	Review Procurement and Data Protection risks.		Medium	01/01/2023	31/12/2024	Data Protection Officer	In Progress	Initial conversations have taken place with Procurement and suggested wording for inclusion in tenders has been provided.
DP19	Develop information Risk Register.		Low	16/11/2020	32/12/2023	Data Protection Officer	Complete	This has been completed and reviews are considered business as usual.
DP22	Introduce programme of data quality reviews.		Low	17/11/2020	31/12/2024	Data Protection Officer	In Progress	The policy is currently under review.
DP28	Develop page on website to provide to residents in cases of breach or if have privacy concerns.		Low	01/11/2022	31/03/2023	Information Governance Officer	Complete	This has been added to the website.
DP33	Contribution section of AI policy regarding data protection risks.		Medium	01/11/2023	31/03/2024	Deputy Data Protection Officer	Complete	A member of the Information Governance Team has attended training on AI and contributed to the AI Policy.
DP34	Review structure of Information Management Policy.		Medium	01/10/2023	31/12/2024	Deputy Data Protection Officer	Complete	The Data Protection Policy and supporting documentation has been updated and approved.

Agenda Item 14

Audit Governance and Standards Committee

Monday 29 July
2024

Annual Governance Statement 2023/24

Timetable	
Meeting	Date
Audit Governance and Standards Committee	29 July 2024

Will this be a Key Decision?	No
Urgency	Not Applicable
Final Decision-Maker	Audit Governance and Standards Committee
Lead Head of Service	Director of Strategy Insight and Governance
Lead Officer and Report Author	Angela Woodhouse, Director of Strategy Insight and Governance and Georgia Harvey, Information Governance Manager
Classification	Public
Wards affected	All

Executive Summary

The purpose of the Annual Governance Statement is to provide assurance on the council's governance arrangements and identify any improvements that could be made. The statement represents a review of the previous financial year and is attached at Appendix 1.

Purpose of Report

Approve

This report makes the following recommendation to the Committee:

That the Annual Governance Statement at Appendix 1 to the report be approved and submitted to the Leader and Chief Executive for signature.

Annual Governance Statement 2023/24

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"> • Embracing Growth and Enabling Infrastructure • Safe, Clean and Green • Homes and Communities • A Thriving Place <p>Effective corporate governance arrangements ensure the Council's priorities are understood and delivered</p>	Director of Strategy Insight and Governance
Cross Cutting Objectives	<p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"> • Heritage is Respected • Health Inequalities are Addressed and Reduced • Deprivation and Social Mobility is Improved • Biodiversity and Environmental Sustainability is respected <p>Effective corporate governance arrangements ensure the Council's priorities are understood and delivered</p>	Director of Strategy Insight and Governance
Risk Management	Risk management is considered as part of the annual governance statement	Director of Strategy Insight and Governance
Financial	The proposals set out in the action plan are all within already approved budgetary headings and so need no new funding for implementation.	Director of Strategy Insight and Governance
Staffing	We will deliver the recommendations with our current staffing.	Director of Strategy Insight and Governance
Legal	Regulation 6(1) of the Accounts and Audit Regulations 2015 requires all local authorities to:	Deputy Head of Mid Kent Legal

	<p>a) conduct a review of the effectiveness of the system of internal control which:</p> <p>(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;</p> <p>(b) ensures that the financial and operational management of the authority is effective; and</p> <p>(c) includes effective arrangements for the management of risk; and</p> <p>b) prepare an annual governance statement; Under the Council's Constitution the Audit, Governance and Standards Committee is to adopt and review the production of the Council's Annual Governance Statement. The Annual Statement demonstrates measures are in place to ensure good governance arrangements which enable the Council to meet its statutory requirements.</p>	Services Partnership
Privacy and Data Protection	No implications	Policy and Information Team
Equalities	Effective corporate governance arrangements include behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law as set out in the code of corporate governance.	Equalities & Communities Officer
Public Health	We recognise that the recommendations will not negatively impact on population health or that of individuals.	Director of Strategy Insight and Governance
Crime and Disorder	There are no implications to Crime and Disorder	Director of Strategy Insight and Governance
Procurement	No implications	Director of Strategy Insight and Governance
Biodiversity and Climate Change	Principle C defining outcomes in terms of sustainable economic, social and environmental benefits is evidenced in the statement.	Director of Strategy Insight and Governance

2. INTRODUCTION AND BACKGROUND

- 2.1 The Council reviews its governance arrangements to ensure they remain effective and identify any improvements for the forthcoming year. The purpose of the review is to provide assurance that governance arrangements are adequate, operating effectively and to identify action which is planned to ensure effective governance in the future. The outcome of the review takes the form of an Annual Governance Statement (AGS) at Appendix A prepared on behalf of the Leader of the Council and Chief Executive.
- 2.2 Overall, we can confirm that the Council has the appropriate systems and processes in place. Whilst we are satisfied the governance arrangements in general work well our review has identified additional actions to ensure good standards of governance are maintained.
- 2.3 Updates on the actions will be provided to the Audit Governance and Standards Committee on a six-monthly basis and kept under review by the internal Corporate Governance Group.
- 2.4 Several improvement actions were identified in the 2022/23 action plan and Appendix B to the Annual Governance Statement sets out the progress that has been made. Progress has been made against all areas including:
- Carbon Literacy Training
 - Training on the Nolan Principles
 - Activities to prepare for the change to 4 yearly elections
 - Creation of a new workforce strategy
 - Regular review of the constitution by Democracy and General Purposes Committee
- 2.5 The areas for improvement in 2024/25 are set out in the table at Appendix C to the Annual Governance Statement. The include actions to
- Address audits where a weak or partially weak rating has been given
 - Refreshing the approach to transformation
 - Updating Modern.gov the system used for agendas, decisions and minute papers
 - Responding to the staff survey
 - Training
 - Ensuring economic, social and environmental benefits are considered in decision making
- 2.6 The Local Code of Corporate Governance has been scheduled for review in October 2024 and will be submitted to the Audit Governance and Standards Committee.

3. AVAILABLE OPTIONS

- 3.1 The Annual Governance Statement is a statutory requirement and provides assurances as to the Council's governance arrangements.
 - 3.2 The Committee is asked to approve the Annual Governance Statement for 2023/24 as it has been presented or make amendments as appropriate.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Committee is asked to approve the Annual Governance Statement as it has been presented or make amendments.
-

5. RISK

- 5.1 The Annual Governance Statement considers and gives assurance to the Council's approach to risk management.
-

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Members of the Wider Leadership Team and the Corporate Governance officer working Group have all been consulted on the council's governance arrangements for 2023/24 the views gathered have been included in the statement.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 Following the Audit, Governance and Standards Committee's approval the statement will be included in the final statement of accounts and published on the Council's website.
-

8. REPORT APPENDICES

The following document is to be published with this report and form part of the report:

- Appendix 1: Annual Governance Statement 2023/24
-

9. BACKGROUND PAPERS

None

Annual Governance Statement

Financial Year
2023-2024

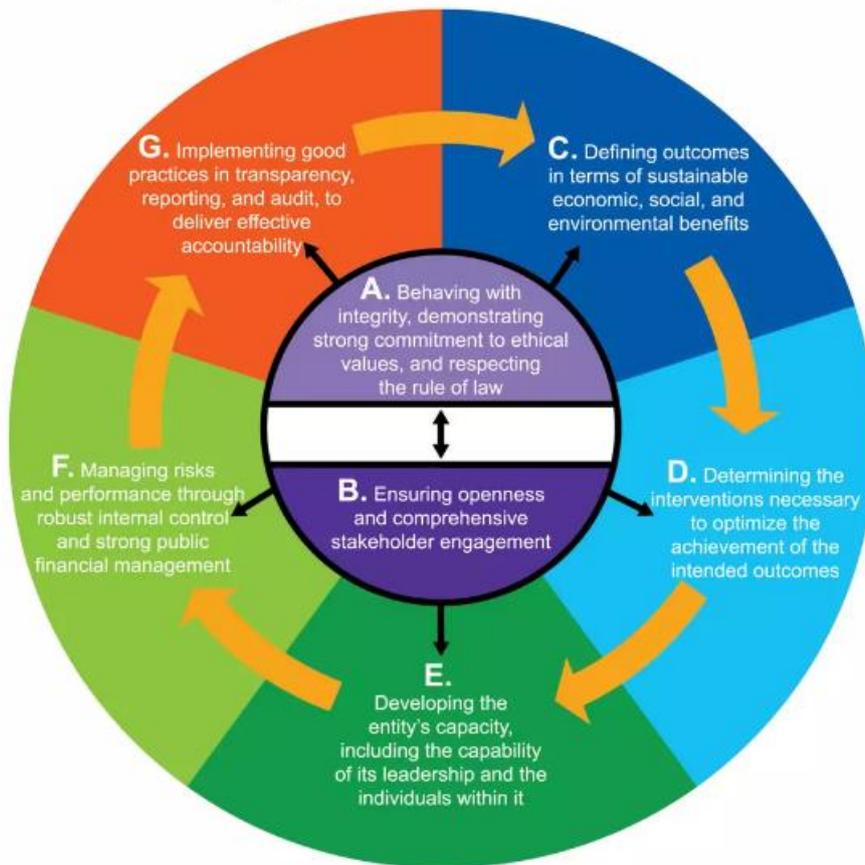


Executive Summary

The Annual Governance Statement is a commitment to, and a review of, the effectiveness of our governance arrangements against the seven core principles identified in Delivering Good Governance in Local Government Framework 2016 (Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive's (SOLACE)).

Appendix A provides evidence of how we have met the principles in 2023/24. We are satisfied that the Council has the appropriate systems and governance arrangements in place when considering the seven principles.

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



Description: Diagram showing the CIPFA & SOLACE principles

Introduction

Effective governance arrangements ensure that the Council is doing the right things, in the right way for the benefit of our residents in a timely, inclusive, open, honest, and accountable manner. Governance is the system by which the organisation is controlled, operates and the mechanisms by which it, and its people are held to account.

The Annual Governance Statement evaluates the effectiveness of our governance arrangements and our system of internal control for the previous financial year. It provides an opinion on whether the current governance arrangements are fit for purpose. When producing this statement, information has been prepared with input from the Chief Executive, Directors (including Section 151 Officer), Monitoring Officer and Heads of Service. The statement has also been reviewed and endorsed by the Leader of the Council and Audit Governance and Standards Committee.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This Annual Governance Statement also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) which requires an authority to conduct a review of the effectiveness of its system of internal control and the duty to prepare an annual governance statement.

The Annual Governance Statement is published, to report publicly on the extent to which we comply with our own Local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year.

The Council acknowledges its responsibility for ensuring that there is effective governance within the Council and as such has developed a Code of Corporate Governance that defines the principles and practices that underpin the governance arrangements operating within the Council. The Council approved and adopted a Local Code of Corporate Governance in 2017 which has been updated regularly with the last revision in November 2023. The code is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive's (SOLACE) Framework [Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016](#). Despite the challenging financial challenges, it is important to put residents at the heart of services we are providing and to get the basics right.

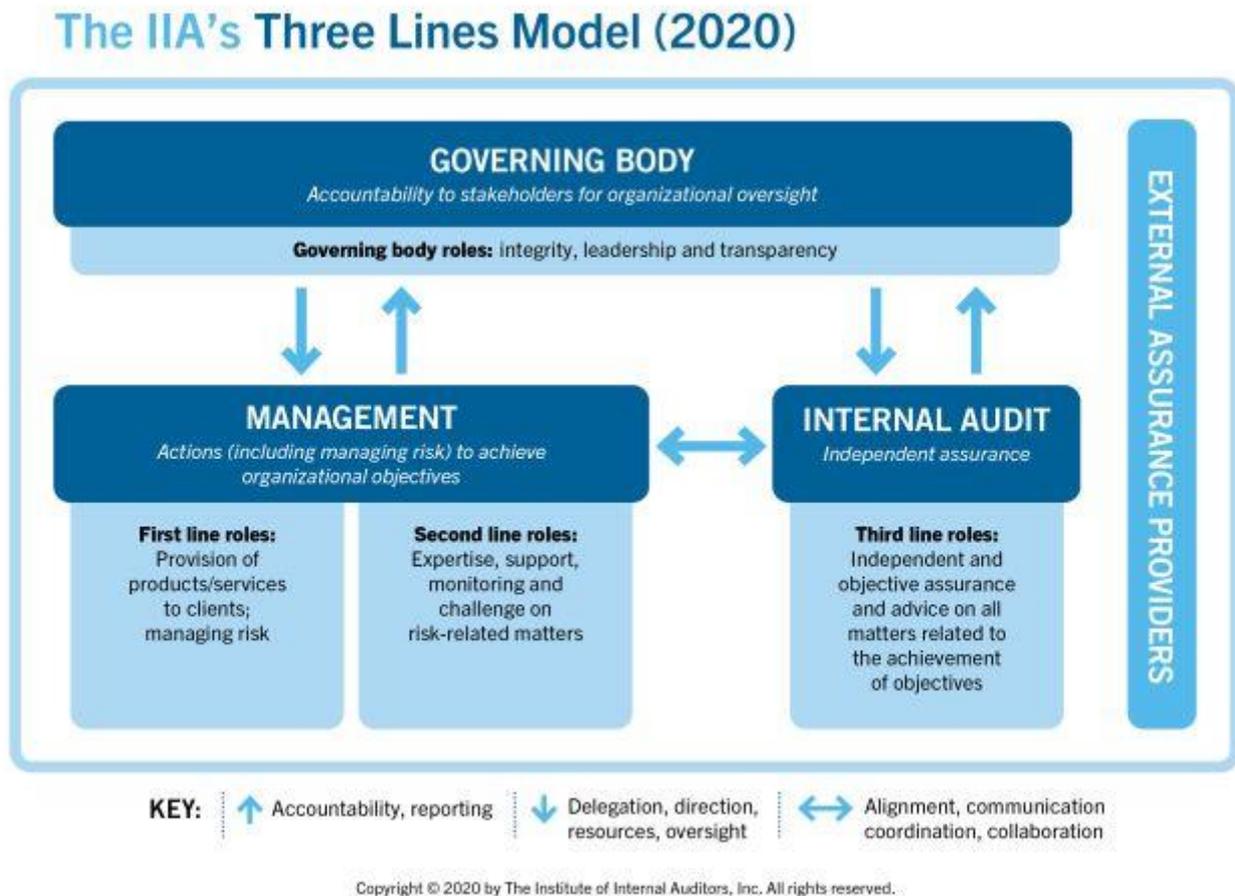
Compliance is assessed against the seven core principles identified in Delivering Good Governance in Local Government Framework 2016 (Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive's (SOLACE)). Each principle is assessed in turn in appendix A, with identification of whether any further action is needed, this is added to the action plan for 2024/25.

Governance Model

In discharging this responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

The Three Lines of Assurance

The Three Lines of Assurance model identify the different sources of assurance within the Council. Each of the categories contributes to an overall level of assurance, as shown in the diagram below.



1. The First Line – the functions that own and manage risks at an operational level. This includes responsibility and accountability for directly identifying, assessing, controlling and mitigating risks for example managers and Heads of Service. Appendix A, provides an assessment of the effectiveness of this first line of defence using information from the leadership team through survey and discussion.
2. The Second Line - functions that oversee risk and ensure compliance. This line monitors the effectiveness of risk management arrangements put in place by the first line, for example HR, Finance and IT functions.
3. The Third Line - functions that provide independent assurance on the management of risks for example Internal Audit. Internal Audit have identified a number of areas of strength and a number of areas where improvement is needed these are set out below and follow up on recommendations for improvement will be in the action plan for 2024/25:

- Subsidiary Company Governance
The Council's governance arrangements with Maidstone Property Holdings (MPH) were reviewed against recent, national guidance from CIPFA (Local Authority owned companies: A Good Practice Guide). There were significant issues in relation to:
 - ◆ Conflict of interests of board members, who are also council officers.
 - ◆ Weaknesses in the Business Plan, Articles of Association and the Operational Agreements.
 - ◆ Key documents are out of date.
 - ◆ Governance arrangements around meetings, performance management and risk management need to be reviewed and updated.
- Grounds maintenance
Areas of weakness were identified in relation to a lack of Health and Safety Policies and procedures specifically for Grounds Maintenance related work and risk assessments being out of date. There were also areas from improvement identified relating to training records and asset register/ equipment inventory.
- Facilities Management
The audit focused on the arrangements in place between the Council and Fidum, as the facilities management provider for the Lockmeadow leisure complex and elements of Maidstone House. The audit made recommendation relating to :
 - ◆ Formalisation of existing arrangement
 - ◆ Scoping facilities management services (at Maidstone House)
 - ◆ Contract monitoring
 - ◆ Market testing and procurement
- Contract management (partial weakness)
The audit identified that previously accepted management risks regarding the decision not to recruit a resource as part of the Partnership Agreement, combined with a lack of guidance and training, is affecting the councils' ability to have effective corporate oversight and governance of contract management. Legislative requirements are only partially met. 12 findings and recommendations were raised identifying opportunities to strengthen and improve these processes and increase corporate knowledge of the requirement of effective contract management.

Particular areas of strength that were identified as part of internal audit work were in the Council's Learning and Development service, Land Charges service and the work undertaken in Conservation and Heritage.

In addition to internal governance arrangements, external auditors, regulators and other bodies outside of the Council have an important role in the Council's overall governance and control structure. The external auditor's [review of the 2022/23 accounts](#) went to the Audit Governance and Standards Committee in March 2024.

Roles and Responsibilities

Structure	Roles and Responsibilities
Council	The Council has a Leader and Cabinet model of executive arrangements. Full Member engagement is encouraged through Policy Advisory Committees who review all reports to advise the Cabinet prior to decisions being taken. The Council agrees the budget and policy framework, such as the Business Plan, Medium

	Term Financial Strategy, including the General Fund Budget and Council Tax levels and the Commercial and Investment Strategy.
Cabinet	The Cabinet is the Council's principal decision-making body, charged with implementing the budget and policy framework agreed by the Council.
Chief Executive	Alison Broom who is Head of Paid Service with overall corporate management and operational responsibility.
Section 151 Officer	Mark Green is the Council's Chief Financial Officer/ s151 Officer is to ensure that all parts of the Council act in accordance with the budgetary and policy requirements in connection with the setting of the budget and financial administration standards within the Council.
Monitoring Officer	Robin Harris is the statutory officer responsible for the legal governance of the council, the custodian of the Council's Constitution and has a legal duty to ensure the Council fulfils its statutory obligations and applies its codes of conduct.
Director of Strategy, Insight and Governance	Angela Woodhouse also has responsibility for corporate governance and is the Council's Senior Information Risk Owner and Deputy Monitoring Officer
Head of Internal Audit Partnership	Katherine Woodward is responsible for the delivery of internal audit and the audit plan.
Audit, Governance and Standards Committee	The Committee plays a vital role in overseeing and promoting good governance, ensuring accountability, and reviewing how things are done. It provides an assurance role to the council by examining areas such as audit, risk, internal control, anti-fraud, and financial accountability. The Committee works closely with Internal Audit and senior management to continually improve the governance, risk, and control environment.
Overview and Scrutiny Committee	Overview and Scrutiny undertake select committee style reviews and can call-in decisions for review as well as carry out pre-decision scrutiny. They hold the executive to account.

Head of Internal Audit Opinion

Following two years of reduced capacity of the internal audit team due to significant staff changes and shortages, a partially successful recruitment has led to a period of greater stability within the team. Overall progress on the planned programme of work delivered by internal audit has improved with a greater number of audits completed in 2023/24. In addition to the results of the internal audit work concluded during the year some additional sources of assurance have also been included to support the opinion. A summary of where it has been possible to place reliance on the work of other assurance providers is presented in the annual internal audit report. Utilising all these forms of assurance I can draw a positive conclusion as to the adequacy and effectiveness of Maidstone Borough Council's risk management, control and governance processes. In my opinion, Maidstone Borough Council has adequate and effective risk management, control and governance processes in place to manage the achievement of their objectives.

Conclusion

Based on the evidence provided in this report and the appendices, the Council has appropriate and effective governance arrangements in place. In particular, there are clear processes in place to manage risk and respond to any governance concerns that are identified.

Signatures

Councillor Stuart Jeffrey Leader Date:	
Alison Broom Chief Executive Date:	

Appendix A - Annual Governance Review

Principle	Evidence	Action
<p>A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>	<p>The Council has comprehensive policies and codes of conduct that clearly outline our commitment to integrity, ethical behaviour, and compliance with the law. These documents are easily accessible to all employees and regularly reviewed and updated as needed.</p> <p>The Council's Values developed with staff are used as part of the recruitment process to ensure everyone can show the standards of behaviour and a commitment to integrity. The staff survey conducted between 30 January and 3 March 2024 with a 60% response rate identified that 87.4% of respondents are committed to delivering the council's values.</p> <p>Training on the Nolan principles and standards in public life was delivered to Councillors in February 2024</p> <p>A new Local Code of Conduct for Councillors was developed in 2023/24 across Kent, the Audit, Governance and Standards Committee had an opportunity to review and amend the new code for Maidstone. Some discontent was expressed by Parish Colleagues who now have the opportunity to adapt and adopt the code as they deem appropriate.</p> <p>Annual renewal and inspection of certifications where appropriate for the role, such as legal, planning and property.</p>	<p>Annual Member training programme to include Nolan principles and standards in public life</p>
<p>B: Ensuring openness and comprehensive stakeholder engagement</p>	<p>Town Centre User Group meetings were held with members and stakeholders for both Environmental Services and Economic Development as well as regular cluster meetings on community safety issues with the Council and Kent Police.</p> <p>Member's briefings were held throughout the year on key topics as well as a Depot Open Day for Members.</p> <p>The Council continues to develop links to local groups and organisations, including: Kent Invicta Chamber of Commerce, Federation of Small</p>	

Principle	Evidence	Action
	<p>Business, Kent universities, Locate In Kent, Kent and Medway Economic Partnership, One Maidstone, Mid Kent College, Parishes and Neighbourhood forums. It also holds two Anchor Institution Partnership meetings each year for the Borough.</p> <p>During 2023/24 the Policy, Communities & Engagement team carried out 37 consultations; 7 of these were internal, aimed at staff or members and 30 were public, resident or stakeholder consultations. Overall, over 9,500 responses were received to consultations run by the Policy, Communities & Engagement team in 2023/24 and over 25,000 people visited our consultation portal 'Let's Talk'.</p> <p>Public consultations were undertaken on a variety of topics. Some focussed on specific geographical areas in the borough such as the Town Centre Public Spaces Protection Order and Marden & Staplehurst Conservation Area Management Plans and other consultations sought information about specific policies or how residents felt about particular issues. For example, the Climate Change Survey sought residents' views on the proposed action in the action plan as well seeking to understand residents' attitude to climate change. The Lockmeadow survey sought suggestions about how we could use Coronation Square and to understand what residents expect from the facility.</p> <p>The information gathered through these surveys has been used to support decision making. Survey data has also been used to identify and prioritise ongoing improvements to service delivery.</p> <p>Communications continues to play a key role for Maidstone Borough Council, supporting and promoting the services and projects that it leads on. The Communications, Marketing & Events Team works closely with partner organisations to deliver messaging which builds pride in place for Maidstone as the County Town of Kent.</p> <p>In 2023/24 the team has supported front line services and projects including the Local Plan Review, Town Centre Strategy, #CleanUpMaidstone and the launch of the new waste and recycling contract. Other MBC campaigns that it has helped promote include the Creative Community</p>	

Principle	Evidence	Action
	<p>Grants, Community Resilience Fund, Rural England Prosperity Fund, Home Upgrade Grant and Summer Community Grant Funding.</p> <p>A number of events have been held including the opening of the Mote Park Café, the inaugural Maidstone Literary Festival, two visits from the Archbishop of Canterbury, the launch of the Magical Beast Trail and App, Medieval Fayre, a Community Variety Show in Whatman Park, plus a Coronation Celebration of King Charles and Queen Camilla where over 200 local school children were invited to a traditional street party. In addition, we introduced the Maidstone Christmas Donation Hub which was open for six weeks in November and December 2023. The project saw over 800 donations made to 11 local charities at the approximate value of £15k.</p> <p>The Council's Borough Insight community magazine distributed to residential properties twice yearly across the borough. 165 press releases were issued as well as using our social media channels to broadcast daily messages to 70k users.</p>	
<p>NC: Defining outcomes in terms of sustainable economic, social, and environmental benefits</p>	<p>The Council has a team responsible for biodiversity and climate change. The team provided Carbon Literacy Training to employees and Councillors. A revised Biodiversity and Climate Change Action Plan was agreed in 2023/24. And a plan was agreed for investment in 2024/25 in the greening and lighting of our town centre following a feasibility study carried out in 2023/24.</p> <p>A new strategy for preventing financial exclusion was developed and out in place in 2023/24. A new welfare officer post has been created and approved as a growth item in our budget. Community Larders were added to in 2023/24 with trinity being added to the offer, plans have been made to make the service sustainable beyond the external project funding for 2024/25</p> <p>The Council continued to implement flexible working arrangements with the support of technology to allow less travel into the workplace, improve employee well-being, and increase productivity.</p>	<p>Carbon Literacy Training has been rolled out but only a small number of staff and councillors have been trained, work will continue on this in 2023/24</p> <p>Triple Bottom Line remains a live topic and will be a new action aligned to the new administration's priorities to ensure economic, social and environmental benefits are considered in decision making</p>

Principle	Evidence	Action
	<p>The Council has an awareness of green standard requirements when undertaking building project, lettings, and property management. When considering leases and license and disposal and contract management, the Council is compelled to seek open market best value and consider social benefits and value.</p> <p>In 2023/24 the Council was successful in its bid for government grant funding to decarbonise Maidstone House and the Link. The Council appointed a Carbon Projects Manager to assist with program of the SALIX grant for decarbonisation of Maidstone House.</p> <p>The Council continues to look at ways to cut printing, including encouraging the use of e-billing and Members receiving agendas via email rather than on paper.</p> <p>Work on the Town Centre Strategy in 2023/24 led to a series of actions agreed by Cabinet in December 2023 to complete work on the town centre economy, creating high quality town centre living, and workstreams on heritage, leisure and hospitality, infrastructure, creative and culture and transport as well as future engagement work planned.</p> <p>The Economic Development team have continued to progress the council's Economic Development Strategy with particular projects on the Business Terrace and Maidstone Innovation Centre.</p>	<p>Updates are needed to Modern.gov to enable better use of the application and reduce the need for paper agendas for Members and Officers</p>
<p>D: Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<p>The Council introduced a Local Insights Tool, data from this was used to inform policy and decision making for example the new Housing Strategy and Preventing Financial Exclusion Strategy.</p> <p>We have also continued the roll out of dashboards to ensure informed decision making. As well as ensuring our managers and directors are informed about workload. Data can be used to identify areas for a deep dive to assist with continuous improvement - as part of our philosophy of being evidence based, objectives led and outcome focussed. For example, the Leadership Team regularly receive data insight reports looking at homelessness and temporary accommodation.</p>	

Principle	Evidence	Action
	<p>The use of data analytics to prevent homelessness is monitored quarterly to ensure it provides the intended outcomes.</p> <p>The Council developed posts to meet organisational needs; including the creation of a new Heads of Service to lead Spatial Planning and Economic Development, New Business (for housing and regeneration projects) and the Council's Property and Leisure Portfolio.</p> <p>The development of business case for expanding or developing services including the Bereavement Services cafe / florist and Partnership Board for Mid Kent Waste Partnership.</p> <p>Managers review employee workload to inform decisions about work allocation.</p> <p>Cross departmental training is provided between Customer Services, Business Rates, Licensing and Development Management.</p> <p>A new productivity plan was developed towards the end of the 2023/24 year with sign off in 2024/25.</p> <p>In 2023/24 we reviewed our transformation capability and in 2024/5 we will complete this and implement the outcomes as well as refreshing our transformation programme. The programme in 2023/4 focussed on supporting the new waste contract, the expansion of our 2-way revenues and benefits shared service to a 3-way service and support to other services including voice bot piloting in customer services.</p>	<p>Complete review of Transformation Capability and implement refreshed Transformation Programme</p>
<p>E: Developing the entity's capacity, including the capability of its leadership and the individuals within it</p>	<p>A new workforce strategy for 2024-2029 was developed with the Wider Leadership Team and approved in 2023/24. Actions to support the delivery of the strategy will begin in 2024/25 across all four themes.</p>	<p>Wider Leadership Team to develop actions in response to the staff survey listening sessions with all colleagues</p>

Principle	Evidence	Action
	<p>Managers discuss workload in 1-2-1 meetings. Where possible, managers provided a flexible structure that enables teams to respond to a changing environment that meets the needs of our residents.</p> <p>Restructures were conducted where necessary based on the business need; including Parks and Open Spaces being combined with the Operational Grounds Maintenance Team and Communications being combined with events.</p> <p>Insight Discovery: Colour Works is used to help employees understand working relationships within teams and their own strengths and areas of development to improve self-awareness and team performance.</p> <p>Opportunities for development are encouraged and supported through the Council's learning and development programme. This included management and leadership training aimed at current and future managers. Employees are asked to consider their training needs at one to ones.</p> <p>The staff survey identified that 78.9% of respondents believed their manager motivated them to be more effective in their job, 83.25% were positive about their line manager's skills and 71.25% identified that they were able to access the right learning and development opportunities.</p> <p>Democracy and General Purposes Committee oversee a Member development programme ensuring training is delivered for Councillors on topics such as chairing skills, standards and planning and licensing. To plan for the reduction in Councillors the committee also considered the current governance arrangements and recommended a reduction to the Policy Advisory Committees from 4 to 3 in 2024/25.</p> <p>.</p>	<p>Democracy and General purposes to consider the number of members on larger committees such as planning to identify if in light of the reduction in the number of members change is needed</p>
<p>F: Managing risks and performance through robust internal control and strong public financial management</p>	<p>Internal Audit undertake audits across the organisation. In addition, external auditors are used to review the Statement of Account and Payroll.</p> <p>Human Resources support the segregation of duties to prevent conflicts of interest and reduce the risk of fraud or error. There are processes in place</p>	

Principle	Evidence	Action
	<p>to ensure that no single individual has control over key aspects of operations.</p> <p>The Council maintains a risk register which identifies high risk, high profile and high value matter so that managers have oversight. A quarterly finance, performance and risk monitoring report is considered by the Leadership Team, Policy Advisory Committees and Cabinet.</p> <p>Business continuity plans are reviewed regularly. A business impact analysis was undertaken in 2023/24 with priority services and actions identified as a result plans were reviewed and updated.</p> <p>The breadth and complexity of complaints is a challenge for service areas to respond to within the time frames. Complaints performance is reported Annually to the Audit, Governance and Standards Committee alongside the Local Government and Social Care Ombudsman's annual letter. A new complaint handling code was consulted on in 2023/24 by the Local Government and Social Care Ombudsmen, the code will be implemented in 2026/27.</p> <p>An information governance group meets quarterly chaired by the Senior Information Risk Owner, issues considered this you include working abroad, data sharing and information management in relation to new projects and new working practices for example to use of artificial intelligence.</p>	<p>Ensure the medium term financial strategy, and capital programme are revised to align to the new strategic plan with robust financial analysis</p> <p>Prepare to implement new complaint handling code and update our policies to reflect this.</p>
<p>G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability</p>	<p>Reports are reviewed through internal processes before publication with Section 151 officer sign off to ensure value for money is achieved and that wider impacts are considered. Their assessment is included in Committee reports.</p> <p>Departments work closely with the Internal Audit to ensure that working practices align with the Council's Constitution. Departments are supportive of recommendations from audit reports and seek to implement these to improve service delivery and compliance.</p>	<p>New internal audit standards are due to implemented in 2024-2025 and provisions are in place to support this. Updated to Audit Charter and Audit</p>

Principle	Evidence	Action
	<p>In 2023/24 out of 66 decisions taken by the Cabinet, 6 had appendices with exempt information and 1 decision was wholly exempt. This is reported annually to the Democracy and General Purposes Committee.</p> <p>The ongoing programme of data dashboard development includes transparency as an aim to make data publicly available. There are 9 dashboards available on our website</p> <p>The Council considered the Freedom of Information Act and obligations under the Environmental Information Regulations 2004 when disclosing information. An annual report was presented on information governance to the Audit Governance and Standard's Committee.</p> <p>The Council's leadership team has considered the use of Artificial Intelligence, it is yet to introduce policies to govern the use of artificial intelligence. Some teams are piloting artificial intelligence tools.</p> <p>The Audit Team has conducted 19 reviews in 2023/24. As well as providing assurance across a number of areas 3 areas were identified as needing improvement and given a weak rating and another with a partial weak rating.</p>	<p>Strategy will be required.</p> <p>Framework/policy for the use of artificial intelligence</p> <p>Monitor recommendation implementation of Audit's with weak ratings</p>

Appendix B - Update on previous action plan 2023-2024

Corporate Governance Area	Update
Introduce Triple Bottom Line accounting for decision making	This project was not completed in 2023/24. Research was undertaken and a report was prepared, work was delayed awaiting the election. This is a priority for our new administration as part of their proposal to use Doughnut Economic Model to inform decision making.
Implement the Local Insight system which provides access to a wide range of data sets borough wide to neighbourhood level. This system will enable swift access to information, trends and benchmarking to help inform service and policy development and reduce the need for extensive data research either internally or externally at a cost	System has been implemented and rolled out to users across the council and external partners. Data from the tool has been used to inform strategies in 2023/24 including the Housing Strategy and Financial Exclusion Strategy and Action Plan.
Ensure public and stakeholder engagement on the Town Centre Strategy.	Stakeholders were involved in the development of ideas and options for the town centre. The Town Centre Strategy did not progress to public consultation
Review and update the Workforce Strategy	A new workforce strategy was developed and introduced in 2024.
Review of the constitution	The Constitution is subject to review every year.
Training for Councillors and Officers to prepare for all out elections and a four yearly term of office in 2024.	A programme of sessions was organised with the Local Government Association to brief and engage Councillors and Officers on the change in terms of decision making over a four-year cycle and preparing for change post-election.
Training for Councillors on the Nolan Principles and Carbon Literacy Training	A training session was held on the Nolan Principles in March 2024 and two carbon literacy training sessions were held for Councillors.
Corporate risk - General Financial Uncertainty Unexpected changes to government funding, failure to achieve income or savings targets, and increases in inflation and contractor costs and deteriorating economic environment	The Council has a strong budget and policy framework which helps to mitigate this risk. Specific measures that are in place include: <ul style="list-style-type: none"> - regular budget monitoring - an up-to-date medium term financial strategy - use of scenario planning to identify future risks and to inform budget setting - planned and deliverable savings to address known short-term budget gaps. The Council has uncommitted revenue reserves amounting to around four months of gross revenue, which is considered to be adequate to address known risks whilst not being excessive.
Corporate risk - Greater challenge or failure for a general election in the next three years	Risk registers and project plans are in place for a General Election. Staff have been trained on the changes through in person training and further supported by polling station inspectors and the electoral services team. The changes were also covered

<p>Elections Act 2022 implications in terms of Voter ID, Postal Votes and Overseas Voters</p>	<p>in guidance given to candidates and agents and new processes and forms have been introduced to manage the changes required to postal votes. A new burdens grant was allocated and this has been used to increase staff in registration.</p>
<p>Corporate risk - Significant changes in construction costs which may also result in a contractor insolvency. As they are generally locked into delivering schemes at a fixed price, and so need to manage their exposure to rising costs in their supply chain. Inflation continues to rise and a significant economic event (e.g. further pandemic impacts, BREXIT, supply chain issues)</p>	<p>This risk remains on the corporate risk register. There are nine controls that have already been put in place, all of which are listed on the JCAD risk monitoring system. The control that is ongoing is to work closely with our retained architect and employer's agent to ensure that our new schemes are well designed, so as to be efficient and cost effective to build, and well as fully meeting our required design quality standards. In the main though, this risk is managed through monitoring the contractors financial standing, pre and post contract, and monitoring the quality and progress of their work on site, ensuring that their monthly payment requests for WiP are supported by our Employer's Agent to ensure that the Council is only advancing monies for completed works.</p>
<p>Corporate risk - Housing pressures increasing on the Council. The broader housing and cost of living crisis</p>	<p>This risk remains on the corporate risk register. The risk has been retitled to "Rising Temporary Accommodation (TA) Costs". The Council is assembling its own TA portfolio, owned, and leased, to rise to 215 units (currently 125). This will then mean that the Council's reliance on expensive nightly paid private sector temporary accommodation should be largely eradicated, on the basis that numbers of households in TA remain steady at circa 200-250. More broadly the Council has an ambition to build 1,000 affordable homes over the medium to longer term, which will alleviate housing need in due course. Finally, the Council continues to invest considerably in its homelessness advice team, that aims to work with clients to avoid them ultimately becoming homeless and becoming in need of TA. The Council has fourteen controls already in place, and a further six in progress.</p>

Appendix C: Corporate Governance Action Areas 2024-25

Corporate Governance Area	Lead Officer	By When
Annual Member training programme to include Nolan principles and standards in public life	Director of Strategy, Insight and Governance	June 2024
Democracy and General purposes to consider the number of members on larger committees such as planning to identify if in light of the reduction in the number of members change is needed.	Director of Strategy, Insight and Governance	September 2024
Carbon Literacy Training to continue for employees and Members in 2024/25	Head of Insight, Communities and Governance	March 2025
Ensure economic, social and environmental benefits are considered in decision making	Director of Strategy, Insight and Governance	March 2025
Update Modern.gov to enable better use of the application and reduce the need for paper agendas for Members and Officers	Director of Strategy, Insight and Governance	March 2025
Introduction of a transformation programme in 2024/25	Director of Finance, Resources and Business Improvement	October 2025
Wider Leadership Team to develop actions in response to the staff survey listening sessions with all colleagues	Chief Executive	October 2024 and March 2025
Ensure the medium term financial strategy, and capital programme are revised to align to the new strategic plan with robust financial analysis	Director of Finance, Resources and Business Improvement	February 2025
Prepare to implement new complaint handling code and update our policies to reflect this	Head of Insight, Communities and Governance	March 2025
New internal audit standards implemented in 2024-2025 with appropriate changes made to the Audit Charter and Audit Standards	Head of Internal Audit Partnership	March 2025
Introduce a framework/policy for the use of artificial intelligence	Head of Insight, Communities and Governance	October 2024
Monitor recommendation implementation of Audit's with weak ratings	As per review	As identified in the reviews

Audit, Governance and Standards Committee

29 July 2024

Internal Audit Report and Annual Audit Opinion 2023/24

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service	Katherine Woodward – Head of Mid Kent Audit Partnership
Lead Officer and Report Author	Katherine Woodward – Head of Mid Kent Audit Partnership
Classification	Public
Wards affected	All

Executive Summary

The Annual Internal Audit report includes the Head of Audit Partnership’s overall opinion on the Council’s internal control, risk management and governance for the year 2023/24. Based on the work completed, as summarised in the report, the opinion is positive and informs the Council’s Annual Governance Statement.

Purpose of Report

Noting

This report makes the following recommendations to this Committee:

1. That the Head of Audit Partnership’s opinion be noted.

2. That the work underlying the opinion and the Head of Audit Partnership’s assurance of its independent completion in conformance with proper Standards be noted.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	29 July 2024

Internal Audit Report and Annual Audit Opinion 2022/23

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities or cross cutting objectives. However, they will support the Council's overall achievement of its aims by contributing to effective corporate governance.	Katherine Woodward – Head of Mid Kent Audit Partnership
Cross Cutting Objectives		
Risk Management		
Financial		
Staffing		
Legal	This report fulfils the Council's responsibility under the Accounts & Audit Regulations 2015 for maintaining an effective internal audit.	Katherine Woodward – Head of Mid Kent Audit Partnership
Privacy and Data Protection	All information collected by the service was handled in line with the data protection policy of Maidstone BC, as the service's host authority	
Equalities	There are no direct equalities implications associated with this report.	
Public Health	There are no direct public health implications associated with this report.	
Crime and Disorder	There are no direct crime and disorder implications associated with this report.	
Procurement	Completing the plan involved procurement of services from an external contractor.	

Biodiversity and Climate Change	There are no direct biodiversity and climate change implications associated with this report.	
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2. INTRODUCTION AND BACKGROUND

- 2.1 Internal audit is a compulsory service for authorities as set out by Regulation 5 of the Accounts and Audit Regulations 2015. The principal objective of internal audit as described in that Regulation is: “[to] undertake [audit work] to evaluate the effectiveness of [...] risk management, control and governance processes, taking into account public sector internal auditing standards and guidance”.
- 2.2 This report delivers the Head of Internal Audit annual reporting directed by the Public Sector Internal Audit Standards (the “Standards”). The report includes the Interim Head of Audit Partnership’s annual opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control.
- 2.3 The Standards, in particular Standard 2450 (Overall Opinions) direct the annual report to include:
- The annual audit opinion
 - A summary of work completed that supports the opinion, and
 - A statement on conformation with Standards
- 2.4 We have completed the work set out in the plan in full conformance with the Standards. We have also worked independently, free from undue influence of either officers or Members.

3. Preferred Options and Reasons for Recommendations

- 3.1 The Head of Audit Partnership is satisfied the Council can place assurance on the system of control in place during 2023/24. The Committee is asked to note this opinion.
- 3.2 The full Annual Report for 2023/24 is attached as an Appendix. This report includes a summary of all work conducted to support the opinion and affirms the independence and effectiveness of the internal audit service.
- 3.3 We present the opinion and associated report for noting and for Members to consider alongside their evaluation of associated year end reports into the Council’s finance and governance. This report does not seek any substantive decision or action from the Council as a direct result.

4. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 4.1 We consult and agree with relevant Heads of Service before finishing all findings and recommendations arising from individual audit engagements. The headline messages in our report have been discussed with the

Management Board and have been shared to help prepare the Annual Governance Statement.

5 REPORT APPENDICES

5.1 The following documents are to be published with this report and form part of the report:

- Appendix 1: Internal Audit Annual Report and Opinion 2023/24
-

6 BACKGROUND PAPERS

6.1 Full reports which support the audit engagements summarised in this annual report are available.

**Internal Audit Report &
Annual Audit Opinion
2023/24**

**Maidstone Borough
Council**



MID KENT AUDIT

Introduction

1. This is the 2023/24 Annual Report by Mid Kent Audit on the internal control environment at Maidstone Borough Council ('the Council'). The annual internal audit report summaries the outcomes of the reviews that have been carried out on the Council's framework of governance, risk management and internal control and is designed to assist the Council making its annual governance statement.
2. This report provides the annual head of audit opinion ('Opinion statement') and a summary of the key factors taken into consideration in arriving at the Head of Audit Opinion statement, as at 30 May 2024.

Head of Internal Audit Opinion statement

3. The Head of Audit Opinion draws on the work carried out by Mid Kent Audit during the year on the effectiveness of managing those risks identified by the Council and covered by the audit programme or associated assurance. Not all risks fall within the agreed work programme. For risks not directly examined reliance has been taken, where appropriate, from other associated sources of assurance to support the Opinion statement (an explanatory note is included at Annex A).
4. The Head of Audit Opinion statement for 2023/24 is:

Following two years of reduced capacity of the internal audit team due to significant staff changes and shortages, a partially successful recruitment has led to a period of greater stability within the team. Overall progress on the planned programme of work delivered by internal audit has improved with a greater number of audits completed in 2023/24. In addition to the results of the internal audit work concluded during the year some additional sources of assurance have also been included to support the opinion. A summary of where it has been possible to place reliance on the work of other assurance providers is presented in the annual internal audit report. Utilising all these forms of assurance I can draw a positive conclusion as to the adequacy and effectiveness of Maidstone Borough Council's risk management, control and governance processes. In my opinion, Maidstone Borough Council has adequate and effective risk management, control and governance processes in place to manage the achievement of their objectives.

MID KENT AUDIT

Matters impacting upon the Opinion statement

5. Organisations design internal controls to manage to an acceptable level rather than remove the risk of failing to achieve objectives. Consequently, internal controls can only provide reasonable and not complete assurance of effectiveness. Designing internal controls is a continuing exercise designed to identify and set priorities around the risks to the Council achieving its objectives. The work of designing internal controls also evaluates the likelihood of those risks coming about and managing the impact should they do so.
6. Mid Kent Audit recognises the considerable financial challenges and the difficult decisions that the Council had to deal with during 2023/24, however, the professional and regulatory expectations on public bodies to ensure that their internal audit arrangements, including providing the annual Opinion statement, conform with the Public Sector Internal Audit Standards (PSIAS) have not changed.
7. Factors that need to be taken in to account in reaching the Opinion statement include:
 - Changes in ways of working: Have these led to gaps in the governance, risk management and control arrangements?
 - Independence of internal audit: Have any limitations in the scope of individual audit assignments resulted in it only being possible to place partial assurance on the outcome?
 - Internal audit coverage: Has any reduction in internal audit coverage compared to what was planned resulted in insufficient assurance work?

Changes in ways of working

8. The following are the main considerations which impacted upon the provision of the Opinion statement for 2023/24. These are not in any priority order and in a number of cases there is an inter-relationship between two or more of these considerations.
 - Remote working and greater use of digital forms of operation and communication has now been in place for three years following the rapid introduction during the pandemic. This change in ways of working

MID KENT AUDIT

is now considered normal and the adaptations are being managed as business as usual.

- The significant increase in cyber-attacks against all organisations to obtain unauthorised access to data and the consequential need for ongoing updating and vigilance in terms of security of data held.

Independence of internal audit

9. Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. A Shared Service Board including representatives from each Council supervises the service under a collaboration agreement.
10. Within the Council during 2023/24 Mid Kent Audit has continued to enjoy complete and unfettered access to officers and records to complete its work. On no occasion have officers or Members sought or gained undue influence over the scope or findings of any of the work carried out.

Internal audit coverage

11. Mid Kent Audit has experienced significant turnover of staff in previous years, and this year saw the appointment of an Audit Planning Manager and an Audit Delivery Manager through promotions within the service. In addition to these promotions, an auditor and senior auditor were also recruited to the team. There are still some vacant posts within the team and further recruitment campaigns are underway to fill the remaining posts. The Head of Mid Kent Audit Partnership started in December 2022 and an assessment of the structure was undertaken to determine the maximum optimisation of the resources required to deliver the service. It is acknowledged that a significant level of local knowledge and experience of the Council was lost during previous years and the current structure has provided some stability to the service.
12. The Council's Audit Committee approved the 2023/24 Audit & Assurance Plan on 13 March 2023. The selection, prioritising and scoping of the audit reviews in this Plan was undertaken by the Head of the Audit Partnership.
13. There has been a reduction in terms of the planned internal audit coverage for 2023/24. This has been due to the impact of the late completion of the 2022/23 planned work and the significant churn in terms of staff within Mid Kent Audit. The knock-on effect is that a number of planned audit reviews have either been deferred or cancelled.



MID KENT AUDIT

As a consequence a number of the audit reviews set out in the 2023/24 Internal Audit Plan have not been completed to inform the 2023/24 Opinion Statement, however, the incomplete reviews from the previous year have been included in the 2023/24 Opinion Statement. This is a timing matter, rather than systematic of any issue in respect to the Council's governance, risk and control framework. The team at Mid Kent Audit has worked diligently at the delivering the work and this timing issue is not a reflection upon the efforts of the current team. Any outstanding audits from the 2023/24 audit plan, have been restated on the approved 2024/25 audit plan, so should reset the balance.

Arriving at the Opinion statement

Reliance on internal audit work performed

14. Audit evidence to support the Opinion statement on internal control is derived principally through completing the reviews set out within the agreed Audit Plan. The 2023/24 Audit & Assurance Plan provided for 23 reviews to be carried out.
15. For the reasons explained in paragraph 13, above, only 14 of these reviews were completed in time to inform the 2023/24 Opinion statement. There are five audits from 2022/23 that was completed during this year so will be included in the Opinion statement. This means that 19 audits were completed during the year and one review is still underway (compared to 8 completed reviews for 2022/23). These reviews are shown in the table below. There were no Critical actions raised and 11 high risk actions raised which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority.

See table below for details of completed audits that informed the annual audit opinion.

MID KENT AUDIT

Audit Review	Assurance rating		Number of Actions by Priority Rating			
			Critical	High	Medium	Low
<i>Contract Management (draft)</i>	Weak	Sound				
Social Media	Sound			-	-	2
Conservation and Heritage	Strong			-	-	1
Planning Enforcement	Sound			-	2	4
Grounds Maintenance	Weak			1	6	3
Complaint Handling	Sound			-	1	3
Public Health Funerals	Sound			-	-	3
Property Income -Commercial	Sound			-	3	1
Facilities Management	Weak			4	-	-
Private Water Supplies	Sound			-	-	5
Subsidiary Company Governance	Weak			4	3	-
Capital Projects	Sound			-	4	1
Learning and Development	Strong			-	-	-
Land Charges	Strong			-	-	1
Cyber Security	Sound			-	1	2
IT Disaster Recovery	Sound			1	1	2
Compliance with Computer use Policy	Sound			-	-	2
Council Tax Reduction Scheme	Sound			-	2	-
Business Rates	Sound			1	1	3

16. A summary of the Assurance and Action priority level definitions is provided in Annex B.
17. There were four weak assurance audit reviews identified in 2023/24. Each of these audits has an agreed management action plan to identify the actions required to mitigate the control weakness identified during the audit. Progress on these actions is monitored as part of the follow up process (see note 23)
18. An overview of the key findings from each of the finalised reviews for which details have not been previously provided in the 2023/24 Progress Report to

MID KENT AUDIT

the Audit, Governance and Standards Committee is provided in Annex C. These findings do not indicate any significant Council-wide weaknesses in the corporate governance, risk or control framework.

19. Where appropriate, reliance has been placed upon previous internal audit work and other work performed by Mid Kent Audit, including:
 - The unqualified 2022/23 Head of Audit Opinion and the findings of previous years' internal audit work carried out (paras 20 below refers).
 - The outcomes of the follow up work carried out to confirm control weaknesses identified by internal audit have been effectively mitigated (paras 21 - 22 below refers).
 - The outcomes of other work performed by Mid Kent Audit for the Council (para 24 below refers).

20. **Previous years' internal audit work:** The unqualified opinion Internal Audit Report for 2022/23 advised that there no audit review carried out by Mid Kent Audit during the financial year where there were assurance assessments of 'Weak' or 'Poor'.

21. **Following up Actions:** Actions are made in the audit reports to further strengthen the control environment in the area reviewed. Management provides responses as to how the risk identified is to be mitigated. Throughout the year Mid Kent Audit carried out checks to ascertain the extent to which the agreed Actions had been addressed by management and that the risk exposure identified has been mitigated.

22. During 2023/24, a revised process for following up on actions was developed within the internal audit team. All prior year's actions were followed up and there are eight currently in progress. There are 16 actions remaining from 2022/23 that are in progress.
The table below also includes the number of actions from 2023/24 audits and the progress made on these to date, most of which are not due.

MID KENT AUDIT

	High	Medium	Low	Total
Total actions 2022/23				
Actions agreed	9	20	12	41
Actions cleared	8	9	8	25
Actions not due	1	11	4	16
Outstanding actions 2022/23	0	0	0	0
Total actions 2023/24				
Actions agreed	3	14	25	42
Actions cleared	0	2	5	7
Actions not due	3	12	20	35
Outstanding actions 2023/24	0	0	0	0
Total Outstanding actions	0	0	0	0

23. Outcomes of other work carried out by Mid Kent Audit:

Work was carried out on the Section 31 Grant Determination 31/6499 Biodiversity Net Gain certification. The Head of the Audit Partnership reviewed the certification completed by the council on grant spend and provided a signed assurance confirming it was in line with the guidance.

Reliance on other sources of assurance

24. For the reasons set out earlier in the report it has been necessary for 2023/24 to place some reliance upon a number of 'other assurance providers' to support the annual audit opinion and these are summarised below:

- Public Services Network Connection Compliance (Para 25 details)

25. The ICT department are regularly verified by the Cabinet Office to ensure that it's ICT systems and infrastructure are sufficiently secure and that the connection to the Public Services Network would not present an unacceptable risk to the security of the network. The organisation received a certificate of compliance to demonstrate the achievement.



MID KENT AUDIT

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26. Information on Mid Kent Audit which supports the delivery of the internal audit and other work carried out in the financial year is summarised in Annex D. Overall, despite the significant staffing changes during the year, Mid Kent Audit has maintained a PSIAS compliant service and there has been no diminution in the robustness of the work performed.

Acknowledgements

27. Managers, Officers and Members are thanked for their continued support throughout the year which has assisted in the efficient delivery of the audit work.



MID KENT AUDIT

Annex A

Other Sources of assurance for 2023/24

The corporate governance, risk and control framework

The corporate governance, risk and control framework for the Council is dynamic and there will be changes to the processes throughout the year. The key consideration for arriving at the annual Head of Audit Opinion is the materiality of any changes in terms of possibly increasing the exposure of the Council to activities and decisions which do not conform with the approved strategies and policies.

Obtaining additional sources of assurance

CIPFA provided guidance on utilising other forms of assurance to support arriving at a Head of Audit Opinion. This means that where the agreed internal audit plan of work has not been fully carried out additional assurances can be obtained from 'other assurance providers' (this being the CIPFA terminology).

Three lines of defence

The three lines of defence model, below, explains how the level of assurance that can be taken by the Head of Audit reduces if the source of assurance is from the second line of defence and reduces even further if it is from the third line of defence.

As a consequence the additional assurance utilised to assist in supporting the 2023/24 Head of Audit Opinion has only relied upon second line of defence sources of assurance (i.e. where the author is not directly involved in the day-to-day operation of the corporate governance, risk and control arrangements they are reporting upon).



MID KENT AUDIT

Reduction in reliance due to passage of time

Due to the dynamic nature of the corporate governance, risk and control framework for the Council the reliance which can be placed on forms of assurance reduces as time passes. This has particularly been the case over the last three financial years with all the short-notice changes that were made to respond to the business disruption due to the COVID 19 pandemic. As a consequence the additional assurance placed on work carried out prior to the start of 2023/24 has been kept to a minimum.

MID KENT AUDIT

Annex B

Assurance and priority level definitions

Full Definition	Short Description
<p>Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. Reports with this rating will have few, if any, recommendations and those will generally be priority 4.</p>	<p>Service/system is performing well</p>
<p>Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.</p>	<p>Service/system is operating effectively</p>
<p>Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.</p>	<p>Service/system requires support to consistently operate effectively</p>
<p>Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.</p>	<p>Service/system is not operating effectively</p>

MID KENT AUDIT

Finding, Recommendation and Action Ratings

Priority 1 (Critical) – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

Priority 2 (High) – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council’s aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

Priority 3 (Medium) – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

Priority 4 (Low) – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

Advisory – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.

Summary of Audit Findings

Contract Management (draft)

Sound / Weak

Social Media

Sound

Our opinion based on our audit work is that the Council has Sound arrangements in place for social media which are essential to manage the key risks and support achievement of its objectives in this area. We provide the definitions of our assurance ratings at appendix II.

We are satisfied that there are appropriate controls in place for social media channels under Maidstone Borough Council's brand, that ensure effective communication with the public, stakeholders, and staff, contributing to the Strategic plan and service area objectives. Our testing confirmed that procedures for governing, managing and monitoring social media channels were in place to avoid potentially inappropriate officer conduct.

We found some areas of improvement with regards to training practices, including followup training for social media users after initial induction sessions, and the social media action plan that sits within the strategy.

Conservation and Heritage

Strong

We are satisfied that there are appropriate processes and controls in place in respect of the following:

- there is sufficient, regular, direct conservation and heritage input into the creation of internal policies, procedures and guidance to protect and enhance the historic environment so that the Council meets its duties, including the maintenance of an up-to-date conservation or heritage strategy for the Council.
- the Council has access to or maintains a Historic Environment Record and that this record is regularly refreshed. Internal procedures are in place for

MID KENT AUDIT

notifying national heritage bodies of new sites and amendments of sites on the National Heritage List for England (NHLE).

- the Council systematically creates, updates, and monitors designated conservation area appraisals and management plans in line with legislative requirements and best practise.
- planning applications, proposals, appeal statements and representations, and public inquiries confirm Planning Officers have received sufficient specialist heritage advice to inform decisions in a timely manner and affected heritage assets have been adequately identified.
- heritage enforcement cases are pursued according to Council procedure and in accordance with the Planning (Listed Building and Conservation Areas) Act 1990.
- in-house and external training offered to Planning and Conservation Officers is suitable and CPD logs are maintained.
- arrangements are in place to ensure information about the historic environment is gathered as part of policymaking or development management is publicly accessible and updated, including the provision of accessible guidance for development in the historic environment.

Planning Enforcement

Sound

The Council's Local Enforcement Plan and response targets were agreed by Members in 2018 and are easily accessible via the Council's website. Our assessment of the Local Enforcement Plan found no review has been completed since it was introduced, meaning some of the links did not work and the general content of the document was not as comprehensive as that of neighbouring authorities. However, the service acknowledge the plan needs to be reviewed.

The service have processes in place for receiving, recording and responding to reports around breaches. However, our testing highlighted an inconsistent approach to updating UNIFORM and IDOX, communicating results to complainants, and completing site visits. All Enforcement Notices issued during 2023 were appropriately authorised by senior officers, however, compliance date monitoring was found to be adhoc.

Our review of a Planning Enforcement prosecution case found the Planning Contravention Notice was suitably approved, served, and Mid Kent Legal Services



MID KENT AUDIT

correctly instructed. However, we did identify gaps within the recording of key events/dates meaning it was difficult to understand the chronology of the case.

Grounds Maintenance

Weak

The service does not operate any Health & Safety policies or procedures relating specifically to Grounds Maintenance work, and instead places reliance on corporate policies which may not adequately cover this specialist work. We do, however, acknowledge that some reference is made to Health & Safety measures within the officer induction and through adhoc 'toolbox talks'. Operatives are made aware of the need to report accidents and near misses through their induction, but we found anomalies between incident reporting data held by the service, and that held by the Council's Corporate Health and Safety Officer. Some risk assessments for the service were out of date and accessibility of these documents on the Council's SharePoint site varied whilst we carried out our work.

The service operates a training matrix, and hold training records for each operative, but our review found the matrix to be unclear and out of date. As such, we were unable to determine what specific training was required to fulfil individual roles, and whether adequate training had been received.

While the service holds an asset/inventory register, it is out of date. We identified through sample testing that one asset was missing, and although the service believe that this item was disposed of some time ago, evidence could not be provided to substantiate this. The service does not carry out any periodic asset checks, and expectations around personal use and security of equipment is not conveyed to operatives.

Complaint Handling

Sound

The Complaint handling process at Maidstone Borough Council is generally well designed and correctly operated. We found that suitable policies and procedures, support the complaints process and our work returned mainly positive results from the testing completed. The service provides regular reports to both Senior Management and Members which provides effective oversight of the arrangements.



MID KENT AUDIT

We note that the service have responded positively ahead of the new LGSO Joint Complaint Handling Code, with a review completed against the Council's existing Complaints policy and a new training programme in traction to raise awareness amongst complaint administrators.

Our work identified opportunities to strengthen some areas notably around updating the Council's complaints policy to reflect implementation of the LGSO Joint Complaint Handling Code and reinforcing training for complaint administrators to improve conformity with the complaint policy. The audit also raises some lower priority matters including the need for the complaints policy to reference a privacy statement.

Public Health (Funerals)

Sound

We found that the Bereavement team adhered to s46 Public Health (Control of Diseases) Act 1984 with regards to the statutory duty of the authority to bury or cremate should no other arrangements be made. However, we found that procedure notes had not been updated since January 2002.

Individual case files retained on the shared drive for each funeral were not maintained in line with ICCM guidance, and the records held for each funeral conducted were incomplete. This included an absence of Next of Kin (NOK) declarations when the deceased's family were unable or unwilling to fund the funeral. However, during the audit, it was established that hard copies of documents were retained at the Bereavement Office and were subsequently uploaded to the system to enable us to retest. As a result of the retesting, it was found only one case had insufficient records retained.

While the Council can recover all expenses incurred as a result of making funeral arrangements under s46 of the Act, our work identified that there was no specific procedural document in place to support this work. It should be noted however that the testing showed that effort was made to recover funds in all cases.

We found that officers working within the Bereavement Team receive training to ensure that they are aware of their responsibilities around Public Health Funerals and we are satisfied that there are adequate business continuity arrangements in place in the event of officer absence

MID KENT AUDIT

Private Water Supplies

Sound

The Mid Kent Environmental Health (MKEH) function is regulated by the Private Water Supplies (England) Regulations 2016 and the Private Water Supplies (England) (Amendment) Regulations 2018. We found officers across the partnership were suitably experienced and qualified (where necessary) to deliver its primary functions - registration, risk assessments and sampling.

We found that MKEH function is fulfilling its statutory obligation of annually submitting data to the (DWI). Likewise, we found the MKEH function publishes Private Water Supply information across its three partnership websites. However, we found it to be out of date and does not outline the approved fees and charges applicable.

The MKEH function has produced a number of procedure and guidance notes, which cover the main processes (registration, risk assessments and sampling). We found some of these to be out of date, which was acknowledged by the partnership. We also identified a disparity between the Private Water Supplies records held and those required under Schedule 4 Private Water Supplies (England) Regulations 2016. We found risk assessments are completed, but identified two supply types where one was not carried out within the regulatory five-year period. In the main, sampling is completed but through our testing we identified one supply type which has not been sampled. It was also unclear from the records checked and the conversations held with officers, whether the supply type is active or inactive. We also found six supply types had missing or incomplete sampling paperwork.

Subsidiary Company Governance

Weak

The Council's governance arrangements with Maidstone Property Holdings (MPH) were reviewed against recent, national guidance from CIPFA (Local Authority owned companies: A Good Practice Guide). There were significant issues in relation to:

- ◆ Conflict of interests of board members, who are also council officers.
- ◆ Weaknesses in the Business Plan, Articles of Association and the Operational Agreements.
- ◆ Key documents are out of date.



MID KENT AUDIT

- ◆ Governance arrangements around meetings, performance management and risk management need to be reviewed and updated

Capital Projects

Sound

The Council's Capital Strategy conforms with CIPFAs Prudential Code and performs its function of providing a clear and concise view of how the Council determines its priorities for capital investment. We assessed that the strategy and associated Capital Programme has been subject to sufficient oversight, review and approval.

The Capital Strategy defines a clear process for submission and approval of Capital Projects. However, we found that the Council's project management framework was out of date, and that there were limited oversight mechanisms outside of respective service areas, meaning that methods of project management vary and may not meet the Council's expectations. A failure to address these issues will increase reputational risk if a publicised Capital Project fails.

We found that the process to monitor and report spend on Capital Projects and variances provides for sufficient oversight and scrutiny and note that further steps are being taken to strengthen financial monitoring of Capital Projects even further.

Learning and Development

Strong

We are satisfied that there are appropriate controls in place for Learning & Development at Maidstone Borough Council (MBC) and Swale Borough Council (SBC). Both MBC and SBC have developed comprehensive workforce strategies that address the needs and challenges facing their respective workforce.

The training programmes incorporated a blend of workshops, seminars, online courses and in-person sessions from industry experts and the Learning & Development team. The programmes for MBC & SBC established training sessions to improve staff competencies needed to meet the requirements of the role. Both programmes included qualification and certification opportunities to encourage staff to take on senior responsibilities within each council.



MID KENT AUDIT

Our testing confirmed that procedures for implementing and managing a successful training programme was in place at each council that supports strategic priorities.

Land Charges

Strong

Our testing focused on controls to ensure that fees received are accurate and that income is accurately reconciled with the general ledger.

We found that fee amounts are checked by officers and queried if the amount is wrong. This includes BACS payments which need to be checked manually. Automatic receipts are sent to customers after officers manually input the payment into the system. Officers send VAT receipts to the respective Councils once payments have been processed.

Reconciliations are carried out quarterly and are authorised by managers before being sent to the Finance teams of the respective Councils for review. The processes in place are effective in detecting discrepancies which are resolved with management oversight. However, we noted a weakness in how authorisations are recorded and retained to substantiate the supporting checks and to provide an audit trail.

At the time of our work the service was undertaking a consultation exercise on fees and charges and therefore fee setting was not covered as part of our work.

Cyber Security

Sound

We are satisfied that Mid Kent ICT has arrangements in place to ensure staff at the Councils it serves (Maidstone, Swale and Tunbridge Wells Borough Councils) have access to suitable training materials complemented by awareness campaigns, to encourage and promote good cyber security practices.

Central to our work was an all staff and Councillor survey covering all Councils. The results of the survey identified some themes to develop and strengthen existing arrangements, notably around enhancing the role of senior management in response



MID KENT AUDIT

to a cyber threat and better sign posting of cyber security policies to ensure greater awareness amongst staff.

Our work also identified correct use of passwords as an area of focus with the results of our survey identifying a high proportion of respondents not using a different password for their work accounts.

We note that the service is slightly behind its ambition to run phishing campaigns on a quarterly basis but intends to catch-up with an exercise scheduled during the first quarter of 2024/25.

IT Disaster Recovery

Sound

We established that the IT disaster recovery plan (the DR plan) is readily accessible on Teams and One-drive, ensuring availability to all IT staff members. The DR plan undergoes regular update and review, to ensure it remains relevant and effective. We found that while the plan incorporates some of the National Cyber Security Centre's (NCSC) best practices, there are further opportunities to embed these requirements, particularly in areas such as outlining statutory requirements. Furthermore, we found a lack of clarity to roles and responsibilities in the DR plan, caused by inconsistent terminology and overlapping responsibilities.

We found that the Business Impact Analysis (BIA) lacks important elements such as recovery time objectives (RTO), deviating from government guidelines. Integration of the risk assessment into the plan is currently minimal and the risk matrices are incomplete. Our discussion with officer also identified that training exercises to test the DR plan have not been recently performed (within at the last 5 years), highlighting the need for completing such exercises including broader training to involve all IT staff.

Compliance with Computer Use Policy

Sound

The Council's Computer Usage Policy was implemented in 2018. Our review found it to be up to date, and accessible to officers via the Mid Kent ICT Customer Portal. Results from our survey of officers and elected Members confirmed that the policy is communicated and accessible.



MID KENT AUDIT

The policy outlines the monitoring procedures for identifying breaches and references key areas such as Password and Email policy, Web Access, and Digital Security Incidents. We are unable to provide assurance that the Council acts on policy breaches as our discussions with officers confirmed none have been identified.

We have identified an improvement opportunity relating to the possible security risks computers users may face when using Microsoft Teams, and two low recommendations to ensure the policy is clearly embedded as part of the induction process for officers and Members, and that both are aware of their individual responsibilities to ensure compliance.

Council Tax Reduction Scheme

Sound

The Council Tax Reduction scheme undergoes an annual review and approval process, which follow established governance arrangements at each Council. We found that the published scheme for Tunbridge Wells, available to the public on its website, was outdated, pertaining to the 2021/22 period.

Testing of a sample of claims, which covered both Councils, revealed that all were appropriately verified, assessed, and awarded in accordance with the CTR scheme. The application process demonstrated robust arrangements, with supporting documentation retained where necessary to validate the accurate application of discounts. The approach ensures the integrity and reliability of the claims process.

The audit identified an imbalance within the Council Tax system to payments received. It was established that the reconciliation controls to detect such differences had lapsed.

Business Rates

Sound

The business rate relief process at Maidstone and Tunbridge Wells Borough Council is generally well designed and correctly operated. We found that suitable policies, procedures, and legislation supported the application assessment and approval of



MID KENT AUDIT

business rates reliefs, with positive results returned from the testing completed. The service provides regular reports to both Senior Management and Central Government which provides effective oversight of the arrangements.

However, our work identified some opportunities to strengthen some areas notably around review exercises to confirm ongoing entitlement of reliefs, which the audit found had lapsed. The audit also found discretionary rate relief policies require updating and raises some lower priority matters to update website content and strengthen the application form to reference a privacy statement.



MID KENT AUDIT

Annex D

About Mid Kent Audit

Standards and ethical compliance

- A. Government sets out the professional standards that Mid Kent Audit must work to in the Public Sector Internal Audit Standards (PSIAS). These Standards are a strengthened version of the Institute of Internal Audit's global internal audit standards, which apply across public, private and voluntary sectors in more than 170 countries around the world.
- B. The Standards include a specific demand for reporting to Senior Management and the Audit Committee on Mid Kent Audit's conformance with the Standards.

Conformance with the PSIAS

- C. CIPFA carried out a comprehensive External Quality Assessment (EQA) in May 2020 which confirmed that MKA was in full conformance with the Standards and the CIPFA Local Government Application Note (LGAN). The Standards requires an EQA to be carried out at least once every five years, but does not stipulate specific time intervals for Internal Quality Self-Assessments (ISA) in the intervening period.
- D. In February 2021 the interim Head of Audit for Mid Kent Audit carried out an ISA of conformance with the PSIAS. This review confirmed conformance with the PSIAS and raised 13 advisory or low priority action points. These points are currently being reviewed and managed by the substantive Head of Mid Kent Audit.
- E. The scope of this ISA did not include consideration of either the risk management or counter fraud work carried out by MKA. The scope did not include consideration of the resourcing of MKA, the audit risk prioritisation process or the appropriateness of the times allocated to the different stages of individual audit assignments.

Resources

- F. 2023/24 was a year of continuing staff change within Mid Kent Audit. Details of a number of these changes have previously been reported to the Audit Committee in the reports submitted by Mid Kent Audit. At the end of the financial year there were still vacancies and recruitment is underway. There



MID KENT AUDIT

will still be an impact during 2024/25, but the position will improve over the course of the year.

Use of an external provider to assist with audit reviews

- G. In September 2022, following a procurement process, Veritau was appointed to carry out a number of the audit reviews for which Mid Kent Audit did not have the available resources in-house. This contract was renewed in June 2023. This reflects that Mid Kent Audit has ensured the difficulties with staffing experienced during the year have been partially mitigated.

Agenda Item 16

Audit, Governance & Standards Committee

29 July 2024

Treasury Management Annual Review 2023/24

Timetable	
Meeting	Date
Audit, Governance & Standards Committee	29 July 2024

Will this be a Key Decision?	No
Urgency	Not Applicable
Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Adrian Lovegrove – Head of Finance
Lead Officer and Report Author	John Owen – Finance Manager
Classification	Public
Wards affected	All

Executive Summary

The Chartered Institute of Public Finance and Accountancy's Treasury Management Code requires that authorities report on the performance of the treasury management function at least twice a year (at mid-year and year-end) and monitor it through quarterly reporting within the Budget Monitoring Reports.

Council has delegated the role of considering these reports to the Audit, Governance and Standards Committee. This report sets out the activities of the Treasury Management function for 2023/24 financial year.

Purpose of Report

This report requires noting from the Committee.

This report makes the following recommendation to the Committee:

1. That the review of the financial year 2023/24 in accordance with CIPFA's Code of Practice on Treasury Management along with the prudential and treasury indicators is noted.
2. That no amendments to the current treasury management procedures are necessary as a result of the review of activities in 2023/24.

Treasury Management Annual Review 2023/24

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Treasury Management Function ensures the safeguarding of Council finances and the liquidity of funds when liabilities become due to support the strategic plan objectives.	Head of Finance
Cross Cutting Objectives	The report recommendations support the achievements of all the cross cutting objectives in the way stated above.	Head of Finance
Risk Management	Risks are highlighted for the treasury management function within the Treasury Management Strategy Statement 2023/24 report. This report is purely for information purposes and has no risk management implications.	Head of Finance
Financial	This report relates to the financial activities of the council in respect of treasury management and specific financial implications are therefore detailed within the body of the report.	Section 151 Officer & Finance Team
Staffing	None.	Head of Finance
Legal	Under Section 151 of the Local Government Act 1972 (LGA 1972) the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management. The legal implications are detailed within the body of the report which is compliant with statutory and legal regulations such as the CIPFA Code of Practice on Treasury Management in Local Authorities.	Deputy Head of Legal Partnership
Information Governance	None.	Information Governance Team
Equalities	The report is for noting and contains no recommendations that would propose a change in service, therefore no equalities impact assessment will be required.	Equalities & Communities Officer

Public Health	None.	Finance Manager
Crime and Disorder	There are no implications to Crime and Disorder.	Head of Finance
Procurement	None.	Head of Service & Section 151 Officer
Biodiversity and Climate Change	There are no implications on biodiversity and climate change.	Finance Manager

2. INTRODUCTION AND BACKGROUND

2.1.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2023/24. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

2.1.2 The Treasury Management Strategy Statement (TMSS) for 2023/24 states the reporting requirements for the following reports:

- an annual treasury strategy in advance of the year (Full Council 22nd February 2023);
- a mid-year treasury update report (Audit, Governance & Standards Committee 13th November 2023);
- an annual review following the end of the year describing the activity compared to the strategy (Audit Governance & Standards Committee - this report).

2.1.3 In addition, the Council received quarterly treasury management update reports during 2023/24, by the Corporate Services Policy Advisory Committee (now Climate Transition, Corporate and Environmental Services Policy Advisory Committee).

2.1.4 The Authority's Treasury Management Strategy Statement for 2023/24 stated that the authority would:

- to utilise cash balances rather than loan debt to finance the capital programme in the short term, due to low investment returns and high counterparty risk in the current economic climate;

- to further diversify its portfolio, as far as is operationally feasible, ensuring that a combination of secured and unsecured investments are considered;
- Keeping investments short term to meet demand of liabilities when due.

2.2 Economic Overview

2.2.1 UK interest rates have continued to be volatile right across the curve, from Bank Rate through to 50-year gilt yields, for all of 2023/24. UK 10-year yields have been stubbornly high.

2.2.2 The Bank of England kept bank rate at 5.25% at their March meeting for a fifth time in a row, with all members voting not to increase rates and 2 members voting for rates to drop.

2.2.3 The UK economy has started to perform a little better in Q1 2024 but is still recovering from a shallow recession through the second half of 2023. Quarter 4 2023 saw negative Growth Domestic Product (GDP) growth of -0.3% while year on year growth was also negative at -0.2%.

2.2.4 Unemployment was sub 4% at the end of the year, against a backdrop of still over 900k of job vacancies, and annual wage inflation is running at above 5%. With gas and electricity price caps falling in April 2024, the CPI measure of inflation - which peaked at 11.1% in October 2022 - is now due to slide below the 2% target rate in early 2024/25.

2.2.5 Interest rate forecasts initially suggested further gradual rises in short, medium and longer-term fixed borrowing rates during 2023/24. Bank Rate had initially been forecast to peak at 4.5% but it is now expected to have peaked at 5.25%. This is shown within Link's latest interest rate forecast, where rates are forecasted to fall by September 2024.

Link Group Interest Rate View	08.01.24												
	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27
BANK RATE	5.25	5.25	4.75	4.25	3.75	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3 month ave earnings	5.30	5.30	4.80	4.30	3.80	3.30	3.00	3.00	3.00	3.00	3.00	3.00	3.00
6 month ave earnings	5.20	5.10	4.60	4.10	3.70	3.30	3.10	3.10	3.10	3.10	3.10	3.10	3.10
12 month ave earnings	5.00	4.90	4.40	3.90	3.60	3.20	3.10	3.10	3.10	3.10	3.10	3.20	3.20
5 yr PWLB	4.50	4.40	4.30	4.20	4.10	4.00	3.80	3.70	3.60	3.60	3.50	3.50	3.50
10 yr PWLB	4.70	4.50	4.40	4.30	4.20	4.10	4.00	3.90	3.80	3.70	3.70	3.70	3.70
25 yr PWLB	5.20	5.10	4.90	4.80	4.60	4.40	4.30	4.20	4.20	4.10	4.10	4.10	4.10
50 yr PWLB	5.00	4.90	4.70	4.60	4.40	4.20	4.10	4.00	4.00	3.90	3.90	3.90	3.90

2.2.6 PWLB rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. At the close of the day on 28 March 2024, all gilt yields from 1 to 50 years were between 3.81% and 4.56%, with the 1 year being the highest and 6-7 years being the lowest yield.

2.2.7 There is likely to be a fall in gilt yields and PWLB rates across the whole curve over the next one to two years as Bank Rate falls and inflation (on the Consumer Price Index measure) moves below the Bank of England's 2% target.

2.2.8 The Bank of England is also embarking on a process of Quantitative Tightening. The Bank's original £895bn stock of gilt and corporate bonds will gradually be sold back into the market over several years.

2.3 Investment Activity

2.3.1 The CIPFA Code and Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles. The Council has adhered to these principles during 2023/24.

2.3.2 The Authority held invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2023/24 the Authority's investment balances ranged between £8.5m and £61.6m, with the average investment balance being £20.9m. The Council held investments totalling £33.24m as at 31st March 2024, which is higher than previous years due to the forward borrowing funds of £40m received in February 2024 to fund future capital expenditure. Investments were held in money market funds, call accounts and short fixed term deposits with other local authorities during the year. A full list of the investments can be found within **Appendix A**.

2.3.3 Investment income for the year totalled £1.072m which was mainly due to the high investment rates available. The average rate of interest on investments was 4.83%.

2.3.4 The Council has invested its funds within the parameters set within the Treasury Management Strategy for 2023/24.

2.4 Borrowing Activity

2.4.1 During 2023/24, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as it reduces cost of carry and minimises counterparty risk on placing investments.

2.4.2 The Council started the year with £10m of loan debt funded by other local authorities and long term PWLB borrowing. As stated in 2.2.2, the Council received £40m of long term debt which it procured back in April 2022 at a rate of 2.87%. This was used to repay the expensive short term borrowing, with the remainder being held to fund the future capital programme.

2.4.3 The Council has also committed to a further £40m, (£20m February 2025 and £20m February 2026), all at the same rate of 2.87%. The total amount of loan debt as at 31st March 2024 was £45m, which a full list of can also be found in **Appendix A**.

2.5 Prudential and Treasury Indicators

2.5.1 The Local Government Act 2003 requires the Authority to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the

Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the indicators that must be set and monitored each year.

2.5.2 The Council has operated within its Prudential and Treasury Indicators set out in the Treasury Management Strategy 2023/24 and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators can be found in **Appendix B**.

2.5.3 The Council's Ratio of Financing Costs to Net Revenue Stream is a negative figure at the end of the year as the investment income is higher than the interest paid on borrowing. This is likely to change to a positive figure in future years when additional borrowing is required to fund the capital programme.

2.5.4 Capital expenditure for 2023/24 totalled £29.943m compared to a budget £38.994m. This has increased the Council's Capital Financing Requirement (CFR) by £22m to £96.687m, with external borrowing increasing by £35m totalling £45m as at 31st March 2024.

2.5.5 All Treasury Indicators have been complied with during 2023/24.

2.6 Compliance Report

2.6.1 The Director of Finance, Resources & Business Improvement can confirm that all treasury management activities undertaken during 2023/24 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

3. AVAILABLE OPTIONS

3.1 The Audit, Governance and Standards Committee agrees that that the review of the financial year 2023/24 in accordance with CIPFA's Code of Practice on Treasury Management along with the prudential and treasury indicators is noted and that no amendments to the strategy are required in consequence.

3.2 The Audit, Governance and Standards Committee could propose changes to the current procedures as a result of the review of activities in 2023/24.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 The Audit, Governance and Standards Committee agrees that that the review of the financial year 2023/24 in accordance with CIPFA's Code of

Practice on Treasury Management along with the prudential and treasury indicators is noted and no amendments to the strategy are required as there is no justification to make any changes.

5. RISK

5.1 Risks are highlighted for the treasury management function within the Treasury Management Strategy Statement 2023/24 report. This report itself is purely for information purposes and has no risk management implications.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 None.

7. REPORT APPENDICES

7.1 The following documents are to be published with this report and form part of the report:

- Appendix A: List of Investments and Loans as at 31st March 2024.
 - Appendix B: Prudential and Treasury Indicators.
-

8. BACKGROUND PAPERS

8.1 None.

Maidstone Borough Council Investments/Borrowing as at 31st March 2024

Investments

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Aberdeen Standard Liquidity Fund	Money Market Fund	4,180,000			5.37%		£10,000,000
CCLA Public Sector Deposit Fund	Money Market Fund	8,230,000			5.26%		£10,000,000
Reading Borough Council	Fixed Term Deposit	5,000,000	13/02/2024	13/05/2024	5.60%	5 Years	£8,000,000
Fife Council	Fixed Term Deposit	5,000,000	14/02/2024	14/08/2024	5.55%	5 Years	£8,000,000
Telford & Wrekin Council	Fixed Term Deposit	5,000,000	14/02/2024	14/05/2024	5.65%	5 Years	£8,000,000
Eastleigh Borough Council	Fixed Term Deposit	5,000,000	16/02/2024	16/07/2024	5.55%	5 Years	£8,000,000
Lloyds Bank Plc	Call Account	830,000			5.14%	6 Months	£5,000,000
Total Investments		33,240,000					

Borrowing

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Public Works Loans Board	Central Government	2,000,000	11/11/2021	11/11/2071	1.73%
Public Works Loans Board	Central Government	3,000,000	30/12/2021	30/12/2071	1.56%
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2024	13/02/2064	2.87%
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2024	13/02/2074	2.87%
Total Loans		45,000,000			

Committed Borrowing

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2025	13/02/2075	2.87%
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2026	13/02/2076	2.87%
Total		40,000,000			
Total Committed Borrowing		85,000,000			

Prudential and Treasury Indicators

Prudential Indicators

Ratio of Financing Costs to Net Revenue Stream

2022/23 Actual %	2023/24 Estimate %	2023/24 Actual %
(2.20)	(2.13)	(2.66)
2022/23 Actual £000	2023/24 Estimate £000	2023/24 Actual £000
(505.90)	(550.00)	(685.00)

This indicator shows the proportion of the net revenue stream (revenue budget) that is attributable to financing costs of capital expenditure. A negative figure shows investment income is higher than borrowing costs. This indicator is shown as a percentage and as a monetary value of the net revenue budget. Investment income was higher during the year due to interest rate increases, whilst loan balances were lower than predicted.

Capital Expenditure

2022/23 Actual £m	2023/24 Estimate £m	2023/24 Actual £m
16.639	38.994	29.943

This indicator shows the total capital expenditure against budget.

Capital Financing Requirement

	2022/23 Actual £m	2023/24 Estimate £m	2023/24 Actual £m
As at 31st March	71.609	102.373	93.687
Annual Change	21.097	30.764	22.078

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. Borrowing can be made external or using the Council's own resources (internal borrowing). This includes the current year's capital expenditure. The Council is in an under-borrowing position and has predominately used its reserves to fund the capital programme.

Gross Borrowing Requirement

	2022/23 Actual £m	2023/24 Estimate £m	2023/24 Actual £m
Brought forward 1 April	9.000	10.000	10.000
Carried forward 31 March	10.000	37.000	45.000
In year borrowing requirement	1.000	27.000	35.000

This indicator shows the in year borrowing requirement of the Authority.

Gross Debt

2022/23 Actual £m	2023/24 Estimate £m	2023/24 Actual £m
10.000	45.000	45.000

This indicator shows the Council level of gross debt as at 31st March 2024.

Treasury Indicators

Authorised Limit for External Debt

	2022/23 Actual £m	2023/24 Estimate £m	2023/24 Actual £m
Borrowing	16.000	60.000	47.000
Other Long Term Liabilities	1.473	0.905	0.905
Total	17.473	60.905	47.905

This is the main limit which is set as a maximum for external borrowing. It fulfils the requirements under section 3 of the Local Government Act 2003. This includes the level of external borrowing and the financial liability in regards to the leisure centre.

Operational Limit for External Debt

	2022/23 Actual £m	2023/24 Estimate £m	2023/24 Actual £m
Borrowing	16.000	50.000	47.000
Other Long Term Liabilities	1.473	0.905	0.905
Total	17.473	50.905	47.905

This limit should be the focus of day to day treasury management. It is similar to the Authorised Limit but excludes the allowance for temporary cash flow borrowing as perceived as not necessary on a day to day basis. This limit acts as a warning but can be breached temporarily.

Maturity structure of fixed rate borrowing

	Upper Limits %	Lower Limits %
Under 12 months	20	0
12 months to under 24 months	20	0
24 months to under 5 years	20	0
5 years to under 10 years	20	0
10 years and within 20 years	20	0
20 years and within 30 years	20	0
30 years and within 40 years	20	0
40 years and within 50 years	30	0

Maturity structure of borrowing. These gross limits are set to reduce the Authority's exposure to large, fixed rate sums falling due for refinancing, and are required for upper and lower limits. Current borrowing is long term and it not expected to be repaid within the next 40 years, however limits are in place if further shorter term borrowing is required to fund the Capital Programme

Agenda Item 17

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29 July 2024

Draft Annual Accounts 2023/24

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Mark Green, Director of Finance, Resources & Business Improvement
Lead Officer and Report Author	Paul Holland, Senior Finance Manager (Client)
Classification	Public
Wards affected	All

Executive Summary

This report presents the unaudited draft Statement of Accounts for 2023/24. The Statement will be subject to external audit prior to it being brought back to the Committee for formal approval.

Purpose of Report

To give the Committee the chance to review the draft Statement of Accounts and to raise any questions they may have prior to the external audit.

This report makes the following recommendations to this Committee:

1. That the unaudited Statement of Accounts for 2023/24 are noted.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	29 July 2024

Draft Annual Accounts 2023/24

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims in demonstrating accountability and value for money.	Director of Finance, Resources & Business Improvement
Cross Cutting Objectives	There is no specific implication, however sound financial management does support the delivery of the Council's cross cutting objectives.	Director of Finance, Resources & Business Improvement
Risk Management	This is detailed within section 5.	Director of Finance, Resources & Business Improvement
Financial	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2024, and details the council's assets, liabilities and reserves at this date.	Director of Finance, Resources & Business Improvement
Staffing	No implications identified.	Director of Finance, Resources & Business Improvement
Legal	<p>Under section 151 of the Local Government Act (LGA 1972), the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including advising on the corporate financial position and providing financial information.</p> <p>The Council is required to produce a statement of account in accordance with the Accounts and Audit (England) Regulations 2015.</p> <p>It is a function of the Audit, Governance and Standards Committee to review and approve the annual statement of accounts and to consider if appropriate accounting policies</p>	Team Leader Corporate Governance

	<p>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 Corporate Services Policy Advisory Committee or Council.</p> <p>The Statement is required to be signed off by the Director of Finance, Resources & Business Improvement by 31st May 2024 and following the external audit to be approved and published by 30th September 2024.</p>	
Privacy and Data Protection	No implications identified.	Director of Finance, Resources & Business Improvement
Equalities	The report is for noting and contains no recommendations that would propose a change in service, therefore no equalities impact assessment will be required.	Equalities & Communities Officer
Public Health	No implications identified.	Director of Finance, Resources & Business Improvement
Crime and Disorder	No implications identified.	Director of Finance, Resources & Business Improvement
Procurement	No implications identified.	Director of Finance, Resources & Business Improvement
Biodiversity and Climate Change	<p>The implications of this report on biodiversity and climate change have been considered and are;</p> <ul style="list-style-type: none"> • There are no implications on biodiversity and climate change. 	Senior Finance Manager (Client Accountancy)

2. INTRODUCTION AND BACKGROUND

- 2.1 The Council is required to have its audited Statement of Accounts approved by the Audit, Governance and Standards Committee by 30th September 2024 in accordance with the Accounts & Audit Regulations.

- 2.2 Prior to that the Statement has to be signed by the Director of Finance, Resources & Business Improvement as presenting a true and fair view of the Council's financial position by 31st May 2024 and will then be subject to an external audit the date of which is yet to be confirmed.
- 2.3 This report gives the Committee the opportunity to review the Statement prior to the external audit and to raise any questions they may have.
- 2.4 The Statement of Accounts consists of:

Narrative Report – this summarises the Council's performance over the financial year 2023/24 and highlights the most significant elements of the financial statements.

Comprehensive Income and Expenditure Statement (CIES) – shows the accounting position of the council, and whether operations have resulted in a net surplus or deficit. The accounting position includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure represents the value of goods or services received by the authority by 31 March which have not been paid. Similarly, accrued income represents income due, but not yet received.

Movement in Reserves Statement – this is a financial statement which details the balances the council held in reserves at 31st March 2024, analysed into usable reserves (such as the general fund, earmarked balances and capital receipts reserve) and unusable reserves (such as the pensions reserve, revaluation reserve and capital adjustment account).

Balance Sheet – this can be seen as a 'snapshot' of the authority's financial position at a specific point in time, showing what it owns and owes at 31st March 2024.

Cash Flow Statement – sets out the authority's cash receipts and payments during the year, and analyses them into operating, investing and financing activities.

Accounting Policies and Supporting Notes – additional information provided to add context to the numbers presented in the main financial statements, and details judgements made by management in preparing this information.

Collection Fund Statement – this sets out income and expenditure in relation to Council Tax and Business Rates, and represents the position of the Council's role as a billing authority in collection revenue on behalf of other bodies.

- 2.5 The council's financial statements must comply with CIPFA's Code of Practice on Local Authority Accounting, which is based on International Financial Reporting Standards (IFRS). Both frameworks require a number of complex and detailed disclosures which accompany the main financial statements. of complex and detailed disclosures which accompany the

main financial statements.

- 2.6 The audit of the 2022/23 Statement of Accounts was only completed in March 2024. This, along with the longstanding national issue around completing external audits on time has meant that the audit of the 2023/24 Statement has been delayed until October 2024, so the 30th September deadline for the approval of the accounts by this Committee will not be met.
- 2.7 At the time of writing this report the draft Statement of Accounts has not been finalised. It is substantially complete, but further work is needed on some sections due to the late receipt of information from external sources. The finalised Statement will be circulated to Members prior to the meeting, and the key messages and points will be highlighted as part of the presentation of this report at the committee meeting.
- 2.8 Once the 2023/24 Statement is completed then it can be signed by the Director of Finance, Resources and Business Improvement and published on the Council's website.
-

3. AVAILABLE OPTIONS

- 3.1 The recommendation being made to the Committee is to note the draft Statement of Accounts for 2023/24.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 That the draft Statement is noted with the Committee having had an opportunity to review it prior to the external audit commencing.
-

5. RISK

- 5.1 Failure to meet the statutory deadlines for production and audit of the annual accounts would result in this being highlighted in Public Sector Audit Appointments Limited's report on the results of auditors' work, in common with many other authorities where audits are behind schedule. The impact of this risk materialising would in normal circumstances have largely reputational repercussions for the Council and would limit the Council's capacity to demonstrate accountability and value for money in its use of public funds. However, in the current circumstances the impact is mitigated by the fact that many other councils are in the same position.
-

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Members of the public have legal rights to inspect, ask questions about and challenge items in the Council's accounts. Details of this will

published on the Council's website when the accounts are published, and the public will have a specified period submit enquiries.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The external audit is due to take place starting in October 2024.

8. REPORT APPENDICES

- Appendix 1: Narrative Report 2023/24 (TO FOLLOW)
 - Appendix 2: Unaudited draft Statement of Accounts 2023/24 (TO FOLLOW)
-

9. BACKGROUND PAPERS

None

Agenda Item 18

Audit, Governance & Standards Committee

29 July 2024

External Auditor's Audit Plan 2023/24

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Paul Holland, Senior Finance Manager (Client)
Classification	Public
Wards affected	All

Executive Summary

This report from the Council's external auditor, Grant Thornton, sets out the planned approach to delivering the audit of the 2023/24 financial statements and value for money conclusion.

Alongside the formal statement we are also required to provide management's responses to the external auditor's planning inquiries prior to the start of the external audit.

Representatives from Grant Thornton will be in attendance at the meeting to present their report and respond to questions.

Purpose of Report

1. To note the External Audit Plan for 2023/24
2. To approve the management response to the external auditor's planning inquiries.

This report makes the following recommendations to this Committee:

1. That the external auditor's audit plan for 2023/24, attached at **Appendix 1**, be noted.
2. That the management response to the external auditor's planning inquiries, attached at **Appendix 2**, be approved.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	29 July 2024

External Auditor's Audit Plan 2023/24

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's ability to discharge its responsibilities in relation to the 2023/24 financial statements audit and value for money conclusion.	Director of Finance, Resources and Business Improvement
Cross Cutting Objectives	The recommendations set out above will not have any material impact on the cross-cutting objectives.	Director of Finance, Resources and Business Improvement
Risk Management	This report is presented for information only and has no decisions which give rise to risk management implications.	Director of Finance, Resources and Business Improvement
Financial	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2024, and details the council's assets, liabilities and reserves at this date. The work of the external auditor provides independent assurance over this information.	Director of Finance, Resources and Business Improvement
Staffing	No implications identified.	Senior Finance Manager (Client Accountancy)
Legal	The Local Audit and Accountability Act 2014 sets out the framework for audit of local authorities.	Deputy Head of Legal Partnership
Privacy and Data Protection	None identified.	Director of Finance, Resources and Business Improvement

Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment.	Equalities & Communities Officer
Public Health	No implications identified.	Director of Finance, Resources and Business Improvement
Crime and Disorder	No implications identified.	Director of Finance, Resources and Business Improvement
Procurement	No implications identified.	Director of Finance, Resources and Business Improvement
Biodiversity and Climate Change	There are no implications on biodiversity and climate change.	Senior Finance Manager (Client Accountancy)

2. INTRODUCTION AND BACKGROUND

External Audit Plan

- 2.1 The Council is required to have its audited Statement of Accounts approved by the Audit, Governance & Standards Committee. The statutory deadline for approving the 2023/24 Statement is 30th September 2024. However, there have been significant delays and issues with the delivery of external audits both locally and nationally. The Statement for 2022/23 was finally approved by this committee at the meeting on 11th April 2024.
- 2.2 As indicated in the attached report at **Appendix 1 the** external auditors are planning to commence the audit in October 2024, so the statutory deadline will not be met, and a notice has been published on the Council website to advise of this. It is planned that the audited accounts be presented no later than the January 2025 committee meeting. Representatives from Grant Thornton will be in attendance at this meeting to present the report and answer any questions.

Inquiries of Management

- 2.3 **Appendix 2** provides management's responses to the external auditor's planning inquiries. The purpose of this report is to contribute towards the effective two-way communication between the external auditors and Maidstone Borough Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where Grant Thornton is required to make inquiries of the Audit Committee under auditing standards. This report includes a series of questions on each of these areas and the response provided by Maidstone Borough Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.
- 2.4 The management inquiries have been prepared as in previous years, but this is the first year it will be approved by the AGS Committee. Last year due to timing of the audit and the committee dates the AGS chair signed off the documents for the 2022/23 audit.
-

3. AVAILABLE OPTIONS

- 3.1 As the committee charged with responsibility for overseeing the financial reporting process, the Audit, Governance and Standards Committee is asked to consider and note this report. The committee could choose not to consider this report; however, this option is not recommended since the report is intended to assist the committee in discharging its responsibilities in relation to external audit and governance.
- 3.2 Approve the response to the inquiries of management. The committee may decide not to approve the inquiries of management.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The committee is asked to note this report and approve the response to the inquiries of management. The report provides details of the external auditor's audit plan for the statutory audit of the 2023/24 Statement of Accounts and it is considered appropriate for the committee to receive this information and approve the inquiries of management at this time.
-

5. RISK

- 5.1 This report is presented for information only and has no decisions which give rise to risk management implications.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 No consultation has been taken in relation to this report.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The planned timings of the audit should allow the 2023/24 audited financial accounts to be presented for approval at the January 2025 meeting of this committee.

8. REPORT APPENDICES

- Appendix 1: External Auditor's Audit Plan 2023/24
 - Appendix 2: Management's responses to the external auditor's planning inquiries.
-

9. BACKGROUND PAPERS

None

Maidstone Borough Council indicative audit plan

Year ending 31 March 2024

July 2024

101



Contents



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Section	Page	
Key matters	3	The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
Introduction and headlines	5	
Significant risks identified	7	
Other risks identified	10	
Other matters	11	
Progress against prior year recommendations	12	
Our approach to materiality	14	
IT audit strategy	17	
Value for Money arrangements	18	
Audit logistics and team	21	
Audit fees	22	
Independence and non-audit services	25	
Communication of audit matters with those charged with governance	27	
Escalation policy	28	
Addressing the local audit backlog	29	

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Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing section 114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Audit reporting delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) in March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Key matters

Our responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this indicative audit plan.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Director of Finance, Resources and Business Improvement quarterly, as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Audit, Governance & Standards Committee, to brief them on the status and progress of the audit work to date.
- 104 We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We have followed up on management's progress against prior year audit findings recommendations, detailed on pages 12-13.
- For VFM, we will follow up the key recommendation and 13 improvement recommendations raised in the joint year 2021-22 and 2022-23 Auditor's Annual Report, and report on management's progress against these recommendations in our 2023-24 Auditor's Annual Report.
- We will continue to provide you and your Audit, Governance & Standards Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our audit committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Maidstone Borough Council ('the Council') for those charged with governance.

Respective responsibilities

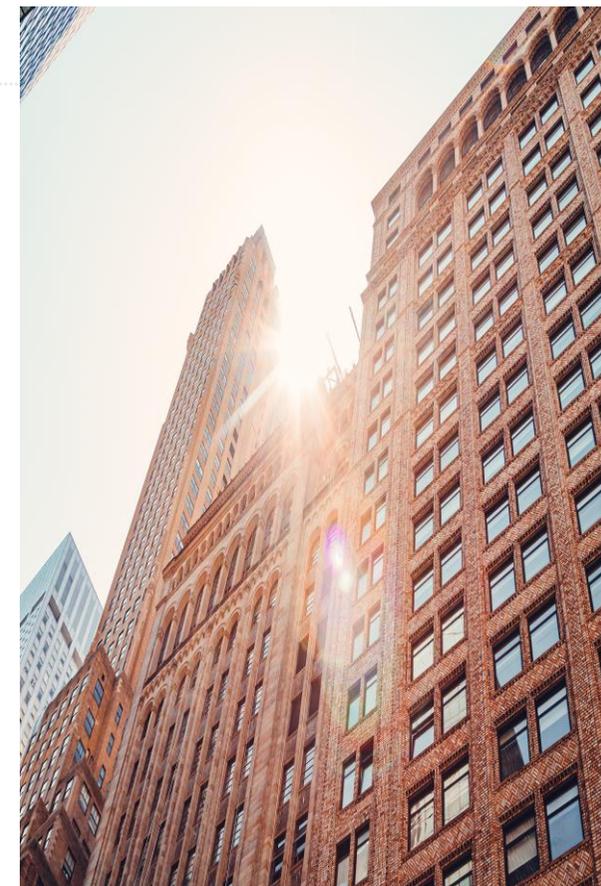
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code. This indicative audit plan sets out the implications of the revised code on this audit. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Maidstone Borough Council. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance the Audit, Governance & Standards Committee; and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit, Governance & Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk-based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Risk of fraud and error in revenue recognition (rebutted for all income streams)
- Management override of controls
- Valuation of land and buildings, including investment properties
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.865m (PY £1.84m) for the Council, which equates to 2% of your prior year gross operating costs for the year.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.093m (PY £0.092m).

We design our procedure to detect errors in specific accounts at a lower level of precision, therefore we have determined lower materiality of £20,000 for an individual senior officer's remuneration, exit packages or termination benefits.

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money for 2023-24 is ongoing. At this stage we have not identified any risks of significant weakness.

We will continue to update our risk assessment until we issue our 2023-24 Auditor's Annual Report.

Audit logistics

Our planning visit took place in March 2024 and our final visit will take place in October 2024. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for all our work to take place on site alongside your officers.

Under our new framework contract with PSAA, our scale fee for the 2023-24 audit will be £149,006 (PY: £90,715) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input. The fee for work in relation to ISA 315 is £7,530. The total proposed fee for 2023-24 is £156,536.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

107

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how it reports performance.</p> <p>We have therefore identified management over-ride of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> Evaluate the design and implementation effectiveness of management controls over journals. Analyse the journals listing using data analytics tools and determine the criteria for selecting high risk unusual journals. Test unusual journals made during the year and at year end for appropriateness and corroboration. Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness. Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.
Risk of fraud and error in revenue recognition (rebutted for all income streams)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA 240 and the nature of the Council revenue streams, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> There is little incentive to manipulate revenue recognition; Opportunities to manipulate revenue recognition are very limited; and The culture and ethical frameworks of local authorities, including that of the Council, meaning that all forms of fraud are seen as unacceptable. <p>We do not consider this to be a significant risk for the Council.</p>	

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.' (ISA (UK) 315)

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings, including investment properties	<p>The Council re-values its other land and buildings, and investment properties to ensure that the carrying value of its assets are not materially different from the current value at the financial statements date.</p> <p>The valuation of land and buildings, and investment properties represents a key accounting estimate which is sensitive to changes in assumptions and market conditions. Management has appointed external valuation expert to carry out the valuation as at 31 March 2024.</p> <p><u>Other land & buildings (PY £118m)</u>: The Council re-values its other land and buildings on a rolling five-yearly basis. The Council applies valuation techniques and key assumptions are made by the valuer to determine the current value of the assets at financial statement date.</p> <p><u>Investment properties (PY £44m)</u>: The Council measures and re-values its investment properties at fair value on an annual basis at each year end.</p> <p>We therefore identified valuation of other land and buildings, and investment properties as a significant risk, particularly key assumptions and inputs applied by the valuer at the financial statement date.</p>	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> Evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation expert and the scope of their work. Evaluate the competence, capabilities and objectivity of the valuation expert engaged by the Council. Write to or discuss with the valuation expert engaged by the Council, the basis on which the valuations were carried out. Challenge the information and assumptions used by the valuers to assess completeness and consistency with our understanding. Test, on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register and financial statements. Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
108	<p>Pinpointing the significant risk:</p> <p>We plan to pinpoint the significant risk around the following:</p> <ul style="list-style-type: none"> Assets that are material; Assets where the change in valuation is outside our expectation based on market indices; Significant changes in key assumptions applied in valuation of assets from the prior year; and Other factors considered to increase the risk of material misstatement based on auditor judgement. 	

Significant risks identified

109

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of the pension fund net liability</p>	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The estimation of the pension fund net liability depends on a number of complex adjustments relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages and mortality rates. A small change in the inputs can have a significant impact on the estimated pension fund liability. The Council has engaged a consulting firm of actuaries (Barnett Waddingham LLP) to complete the valuation of the net pension liability as at 31 March 2024.</p> <p>The pension fund valuation is considered a significant estimate due to the size of the numbers involved net liability of £10.344m as at 31 March 2023 and the sensitivity of the estimate to changes in key assumptions.</p> <p>We have therefore identified the valuation of the Council's pension fund as a significant risk.</p> <p>Pinpointing the significant risk:</p> <p>We plan to pinpoint the significant risk around the following:</p> <ul style="list-style-type: none"> • Key assumptions applied by actuary; • Significant changes in assumptions applied from the prior year; • Material experience gain or losses recorded in the accounting period; and • Other factors considered to increase the risk of material misstatement based on auditor judgement. <p>We have concluded that there is not a significant risk of material misstatement relating to the source data used by the actuary in their calculation. We will reconsider this if it becomes apparent at the year-end that there are significant special events relating to the source date (such as bulk transfers, redundancies or other significant movements) of staff) which would need to be given special considerations during the audit. Despite not being considered a significant risk we still carry out testing and consideration of the source data to obtain sufficient and appropriate audit evidence that there is no material misstatement.</p>	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> • Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls. • Evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work. • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation. • Assess the accuracy and completeness of the information provided by the Council to the actuary to complete the pension fund valuation. • Test the consistency of the pension fund liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • Obtain assurances from the auditor of Kent County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Other risks identified

We will communicate significant findings on this area as well as any other significant matters arising from the audit to you in our Audit Findings Report.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Fraud in expenditure recognition	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>Having considered the risk factors related to this risk and the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted for the Council's expenditure, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are limited; and • the culture and ethical frameworks of local authorities, including that of the Council, mean that all forms of fraud are seen as unacceptable. <p>However, we have identified that due to the level of estimation involved in the manual accruals of expenditure and the potential volume of accruals at year end there is an increased risk of error in expenditure recognition.</p>	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> • Inspect transactions incurred around the end of the financial year to assess whether they had been included in the correct accounting period. • Inspect a sample of accruals made at year end for expenditure but not yet invoiced to assess whether the estimation of the accrual was consistent with the value billed after the year. • Investigate manual journals posted as part of the year end accounts preparation that reduces expenditure to assess whether there is appropriate supporting evidence for the reduction in expenditure.

110

'In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.' (ISA [UK] 315)

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act; and
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Progress against prior year audit recommendations

We identified the following issues in our 2022-23 audit of the Council's financial statements, which resulted in 3 recommendations being reported in our 2022-23 Audit Findings Report. We have followed up on the implementation of our recommendations and all are still in progress.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Ongoing	<p>Debtor and creditor year end listings</p> <p>Management has been unable to prepare year end debtor and creditors listing in a format to show the value of each individual debtor or creditor balance owed at 31 March 2023. Instead, the system computes the year-end balance by taking the rolled forward balance of the prior year, plus or minus the movement in year to compute the aggregate account closing balance.</p> <p>Although the closing balances are not materiality misstated, there is a risk that by not recording the individual debtor/creditor balances the Council may not be able to identify individual debtor or creditor transactions, making it difficult ascertain the correct age of the debtors and creditors, and making it challenging to apply specific provisions if required. Further, this impacts the time taken by the audit team to draw samples and test the closing balances efficiently.</p>	<p>Management is in the process of ensuring that quality assurance is completed for the 2023-24 accounts.</p>
Ongoing	<p>Journal control environment</p> <p>From our understanding of journals entry process control environment and the risk of management override of controls, we identified that two members of the finance team have 'super user' rights for the financial reporting system. We have noted that these individuals are in charge of reviewing access rights on a monthly basis, and they fulfil the responsibilities of any absent individuals.</p> <p>There is a risk of segregation of duties while these individuals temporarily fulfil an absentee's role. Moreover, granting super user rights to finance team members increases the risk of management override of controls since the individuals are involved in the journal posting process and have full access to the system.</p>	<p>Please note that there is only one super user at the Council since one has left.</p>

Progress against prior year audit recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Ongoing	<p>Related parties – declaration forms</p> <p>While reviewing and testing the 2022-23 related parties disclosure we identified that the Council did not obtain related party disclosure forms for 5 Senior Officers and Members (5 responses missing) which is a breach of controls put in place by the Council.</p> <p>There is a risk that all related party transactions and interests are not recorded in a timely manner for reflecting in the financial statements.</p>	<p>Management will endeavour to ensure these are 100% for 2023-24. For key decisions, the councillors involved will have to confirm if they need to disclose any such matter during the meetings (as part of the formal process we run through our governance), which should reduce the risk.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p data-bbox="259 564 472 592">Determination</p> <p data-bbox="259 616 1021 804">We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £1.865m, which equates to 2% of your prior year gross expenditure.</p>	<p data-bbox="1055 564 1704 592">We determine planning materiality in order to:</p> <ul data-bbox="1088 616 2107 943" style="list-style-type: none"> <li data-bbox="1088 616 2107 727">– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; <li data-bbox="1088 735 2107 815">– assist in establishing the scope of our audit engagement and audit tests; <li data-bbox="1088 823 1525 863">– determine sample sizes; and <li data-bbox="1088 871 2107 943">– assist in evaluating the effect of known and likely misstatements in the financial statements.
2	<p data-bbox="259 967 461 994">Other factors</p> <p data-bbox="259 1018 999 1126">An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p data-bbox="1055 967 2074 1046">An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul data-bbox="1088 1054 2107 1166" style="list-style-type: none"> <li data-bbox="1088 1054 2107 1166">– We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £20,000.

Our approach to materiality

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
115	<p>4 Other communications relating to materiality we will report to the Audit, Governance & Standards Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit, Governance & Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit, Governance & Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.093m (PY £0.092m). If management has corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit, Governance & Committee to assist it in fulfilling its governance responsibilities.</p>

Our approach to materiality

	Amount £	Qualitative factors considered
Materiality for the Council financial statements	1,865,000	2% of the gross expenditure for the year ended 31 March 2023.
Trivial matters	93,000	This is 5% of materiality.
Materiality for specific transactions, balances or disclosures - senior officer remuneration	20,000	This note is an element of the accounts which is of genuine concern to the user of the accounts, with the salaries of senior officers sometimes the subject of adverse publicity. The area requiring judgement is what level of error within the disclosures made would result in us qualifying our opinion. We have set a materiality of £20,000 for individual senior officer's remuneration. We will review the senior officer's remuneration, exit packages and termination benefits disclosures which are above this threshold.



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT system has been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Agresso	Financial reporting – general ledger	<ul style="list-style-type: none"> Obtain an understanding of the information technology general controls over the general ledger and review design and implementation of those controls. Review any local controls which are managed within the Council (design and implementation effectiveness only).

We have not identified significant changes during the period affecting the IT controls of the Council and therefore no additional audit procedures will be completed.

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

118



We have yet to conclude on our detailed Value for Money planning procedures. We will update the Audit, Governance and Standards Committee on the outcome of these planning procedures, our resulting risk assessment and our planned response to any identified risks of significant weaknesses in arrangements at a future Audit, Governance and Standards Committee meeting.

Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

119



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

Risks of significant VFM weaknesses

The Audit Code sets out that the auditor's work is likely to fall into three broad areas:

- planning;
- additional risk-based procedures and evaluation; and
- reporting.

We undertake initial planning work to inform this indicative Audit Plan and the assumptions used to derive our fee. A key part of this is the consideration of prior year significant weaknesses and known areas of risk which is a key part of the risk assessment for 2023-24. Our VFM planning work for 2023-24 is not yet complete, and we will update you separately once this has concluded.

Criteria	2022-23 Auditor judgement on arrangements informing our initial risk assessment	Additional risk-based procedures planned
Financial Sustainability	Amber No significant weaknesses in arrangements identified, but one improvement recommendation made.	
Governance	Amber No significant weaknesses in arrangements identified, but five improvement recommendations made.	We will follow up progress against the key recommendation made and ensure that our work assesses the current arrangements in place.
Improving economy, efficiency and effectiveness	Amber No significant weaknesses in arrangements identified, but four improvement recommendations made.	

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Audit logistics and team



121



Sophia Brown, Key Audit Partner

Sophia is responsible for the overall client relationship, quality control, provision of the audit opinion, meeting with key internal stakeholders and final authorisation of reports. Sophia will share her wealth of knowledge and experience across the sector, providing challenge and sharing good practice. Sophia will ensure our audit is tailored specifically to you and is responsible for the overall quality of our audit work.



Asad Khan, Audit Manager

Asad will work with your finance team to ensure efficient delivery of testing and agreement of accounting issues on a timely basis. Asad will undertake review of the team's work and draft reports. He is the key contact responsible for delivery of the audit.

Audited entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations, we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations, we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit (as per our responses to key matters set out on pages 3 and 4)
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2018, PSAA awarded a contract of audit for Maidstone Borough Council to begin with effect from 2018-19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023-24 audit is £149,006.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous audit year (exception for new clients in 2023-24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated auditing standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

	Proposed fee 2023-24
Maidstone Borough Council audit	£149,006
ISA 315	£7,530
Total audit fees (excluding VAT)	£156,536

23

Previous year

In 2022-23 the scale fee set by PSAA was £46,365. The actual fee charged for the audit was £90,715.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

IFRS 16 ‘Leases’ and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months)

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset.

Council's systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

Planning enquiries

As part of our planning risk assessment procedures, we have sent the inquiries to the management with our other audit queries. We would appreciate a prompt response to these enquires in due course.

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx \[publishing.service.gov.uk\]](#)

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified. The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Housing Benefit (Subsidy) Assurance Process 2022-23	£32,400	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the proposed fee for this 2022-23 work was £32,400 in comparison to the total fee for the audit of £90,715, and in particular relative to Grant Thornton UK LLP's turnover overall. Further it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Housing Benefit (Subsidy) Assurance Process 2023-24	TBC	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the proposed fee for this work in 2022-23 was £32,400 in comparison to the total fee for the audit of £90,715, and in particular relative to Grant Thornton UK LLP's turnover overall. Further it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant matters in relation to going concern	•	•
Views about the qualitative aspects of the Council's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud (deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Escalation policy

There are proposals to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial communication with the Director of Finance, Resources and Business Improvement (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

We will have a conversation with the Director of Finance, Resources and Business Improvement to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding.

Step 4 - Escalation to the Audit, Governance & Standards Committee (at next available Audit, Governance & Standards Committee meeting or in writing to Audit, Governance & Standards Committee Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the Audit, Governance & Standards Committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 - Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

Addressing the local audit backlog - consultation

The Department for Levelling Up, Housing and Communities (DLUHC), working with the FRC, as incoming shadow system leader, and other system partners, put forward proposals to address the delay in local audit. The proposals consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022-23, planned to be by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- FRC landing page - [Consultations on measures to address local audit delays \[frc.org.uk\]](https://www.frc.org.uk/consultations)
- DLUHC landing page - [Addressing the local audit backlog in England: Consultation - GOV.UK \[www.gov.uk\]](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)
- NAO landing page - [Code of Audit Practice Consultation - National Audit Office \[NAO\]](https://www.nao.org.uk/consultations/code-of-audit-practice)

The calling of a general election on 4 July 2024 puts the above timetable in considerable doubt. The elected Government will decide if it wants to implement the backstop solution and, if so, determine the timetable by which it happens. In the meantime, we will continue with the timeframe for your 2023-24 audit as outlined in this indicative audit plan, aiming to complete our work by 31 December 2024.



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Informing the audit risk assessment for Maidstone Borough 2023/24

131

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Table of Contents

Section

Purpose

General Enquiries of Management

Fraud

→ Fraud Risk Assessment
Ω

Laws and Regulations

Impact of Laws and Regulations

Related Parties

Going Concern

Accounting Estimates

Accounting Estimates - General Enquiries of Management

Appendix A – Accounting Estimates

Purpose

The purpose of this report is to contribute towards the effective two-way communication between Maidstone Borough Council's external auditors and Maidstone Borough Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Borough Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties,
- Going Concern, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Maidstone Borough Council's management. The Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2023/24?	<p>The key events which are anticipated to have an impact on the 2023/24 financial statements are as follows:</p> <ul style="list-style-type: none"> - Increase in PPE from purchases linked to the approved capital programme. - Valuations revised methodology to ensure we reduce the value of assets in the unvalued assessment.
2. Have you considered the appropriateness of the accounting policies adopted by Maidstone Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	<p>Accounting policies are kept under review throughout the year and are formally reviewed as part of the preparation of the annual financial statements. There are no material changes expected to the Council's accounting policies for 2021/22.</p> <p>One new accounting policies was adopted for 2022/23 regarding Componentisation and with further valuations other assets will be included.</p>
3. Is there any use of financial instruments, including derivatives? If so, please explain	<p>Financial instruments are disclosed within the notes to the accounts and include treasury investments, loans, relevant classes of debtors and creditors.</p> <p>£40m of the £80 forward loan agreement has been received in 2023/24 (as per the original agreement).</p>
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	No.

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	We are not aware of any such circumstances, although this will be subject to review by the external valuer.
6. Are you aware of any guarantee contracts? If so, please provide further details	No.
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	The financial statements incorporate provisions for potential losses, however there are no anticipated losses which would have a material impact on the financial statements
8. Other than in house solicitors, can you provide details of those solicitors utilised by Maidstone Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	<p>The main areas of expenditure were planning enforcement (Ivy Legal Ltd) , council tax - debt enforcement (J E Baring & Co) and employment (Baileyfields Employment Solicitors).</p> <p>No individual matter met the materiality threshold of £100k</p> <p>The matters related to open litigation, not contingent matters.</p>
9. Have any of the Maidstone Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No.

General Enquiries of Management

Question	Management response
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p> <p>138</p>	<p>The most significant area of spend on external advisors are below.</p> <p>Town Centre Strategy / Local Plan Review</p> <ul style="list-style-type: none"> • LUC – Sustainability Appraisal & HRA – addendum, Inspector’s MIQs and Expert witness @ hearings • Megan Thomas KC – Legal advice • KCC – Highways/transport modelling • Jacobs – Highways/transport modelling • Lichfields – Economic Development Needs – Inspector’s MIQs and Expert witness @ hearings • Icení – housing/SHMA – Inspector’s MIQs and Expert witness @ hearings • Aspinall Verdi – Viability assessment – Addendum report, Inspector’s MIQs and Expert witness @ hearings • Figura Planning – Settlement hierarchy – Inspector’s MIQs and Expert witness @ hearings • ARUP – Design and Sustainability DPD • Opinion Research Services (ORS) – GTAA (gypsy/traveller work) • Lepus – G&T SA Scoping Report (as above) • Stantec – MIQs and Expert witness @ hearings (spatial strategy, garden communities, transport); transport work/witness for MBC • Arcadis – Water quality and Fish Legal response for MBC • EFM – education expert witness for MBC • Programme officer – for Examination in Public • PINS Inspector – conducting examination

General Enquiries of Management

Question	Management response
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p> <p>139</p>	<p>Housing Programme MPH Ltd</p> <ul style="list-style-type: none"> • Sibley Pares, property lettings <p>New Business & Housing Development</p> <ul style="list-style-type: none"> • Bond Bryan, architect • Airey Miller, Employer's Agent • Lewis Hickley, Architect • Martin Arnold Associates, Employer's Agent • Calfordseaden, architect • FFT, Employer's agent <p>Heathlands</p> <ul style="list-style-type: none"> • WSP, planning consultant • Barton Wilmore, planning consultant • Pinsent Mason solicitor • Fabrick, communications • Jonathon Roberts Consulting, railway business case • RSK, technical surveys • BE Group, economic development consultancy • Hankinson Duckett Associates, landscape advice • Red Loft, consultancy advice

General Enquiries of Management

Question	Management response
<p>10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?</p> <p>140</p>	<p>Development Management Planning</p> <ul style="list-style-type: none"> • DLP, processing applications. <p>Environment & Street Scene</p> <ul style="list-style-type: none"> • Waste consulting, strategic advice on the re-procurement of the service <p>Corporate property - Our advisors / consultants</p> <ul style="list-style-type: none"> • Fidum – managing agents Maidstone House and Lockmeadow • Sibley Pares – managing agents / letting agents Granada house • Watson Day – managing / letting agents Parkwood estate and Maidstone House • WHE – Rating consultants • Harrisons – letting agents LM • ESH – Letting agents LM <p>Ad hoc advice / specific work items</p> <ul style="list-style-type: none"> • Ashford solicitors – advice on dilapidation claims – adhoc LL&T advice • Hollis Global – dilapidations advice • Sam Gulliver – dilapidations advice <p>Managing agents</p> <ul style="list-style-type: none"> • Caxtons – managing agents Sandling Road

General Enquiries of Management

Question	Management response
11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Service loan of £25k (Kent Savers) is deemed immaterial for fair value reviews . We only had loans in Money Market Funds (MMF) at end 22/23 – fair value estimate is not needed as these are instant access loans.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit Committee and management. Management, with the oversight of the Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Maidstone Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Maidstone Borough Council's management.

Fraud risk assessment

Question	Management response
<p>1. Has Maidstone Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How do the Borough Council's risk management processes link to financial reporting?</p>	<p>The Council has assessed the risk of misstatement in the financial statements due to fraud and concluded that this risk is unlikely to result in material misstatement.</p> <p>The Council's financial systems are safeguarded from the risk of fraud by a robust internal control framework which is subject to regular independent review by internal audit.</p> <p>The Council does not set performance targets linked to financial outturn and the incentive for deliberate misstatement of disclosures within the accounts is therefore considered to be minimal.</p> <p>Risk management processes are forward looking in nature, and focus on future uncertainties regarding the Council's budgetary position.</p>
<p>2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>Housing Benefits, Business Rates, Council Tax and Household support, due to the nature, complexity and volume of transactions.</p> <p>A dedicated fraud team is in place to identify and respond to fraud relating to revenues and benefits.</p>
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Maidstone Borough Council as a whole, or within specific departments since 1 April 2023? If so, please provide details</p>	<p>There was 1 new cases of fraud to report in 2023/24. A successful attempt at changing someone's payroll details occurred from a fraudulent email request. The incident was report to Internal Audit for them to carry out the relevant review. Controls have been put in place to prevent further frauds occurring and a follow up exercise will occur in 2024/25.</p> <p>Risk management forms part of all committee reports. A corporate risk register is in place, and fraud and other risks are also considered by the Corporate Governance Group. The Director of Finance and Business Improvement reports budget strategy risks to all meetings of the Audit, Governance and Standards Committee.</p>

Fraud risk assessment

Question	Management response
<p>4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>Reports on how the Council manages risk, including fraud risk, are presented to the Corporate Leadership Team and to the relevant member committees each quarter. The Audit Governance and Standards Committee takes a close interest in risk management and receives periodic reports relevant to the subject.</p> <p>All fraud should be notified to IA who can review and investigate as needed.</p>
<p>5. Have you identified any specific fraud risks? If so, please provide details</p> <p>Do you have any concerns there are areas that are at risk of fraud?</p> <p>Are there particular locations within Maidstone Borough Council where fraud is more likely to occur?</p>	<p>No material fraud risks have been identified in relation to the financial statements. The risk of fraud at the council is that although the risk is minimal due to appropriate controls being in place, awareness needs to be continually addressed and delivered</p> <p>As identified above, the areas considered to be at the highest risk of fraud are Housing Benefits, Business Rates, Council Tax and Household Support.</p>
<p>6. What processes do Maidstone Borough Council have in place to identify and respond to risks of fraud?</p>	<p>Procedures are in place to ensure compliance with financial regulations and contract procedure rules. These elements of the Council's constitution formally identify the procedures required in relation to financial transactions to reduce the risk of fraud.</p> <p>All financial systems maintained by the Council are subject to regular review by Internal Audit and are monitored by the Director of Finance and Business Improvement. Payments to individual suppliers exceeding £40,000 are approved by bank signatories, and the weekly payment run for creditors is subject to review by the s151 Officer. A dedicated fraud team is in place to identify and respond to fraud relating to revenues and benefits.</p>

Fraud risk assessment

Question	Management response
<p>7. How do you assess the overall control environment for Maidstone Borough Council, including:</p> <ul style="list-style-type: none"> the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details.</p>	<p>The overall approach is set out in the Annual Governance Statement – which is reviewed by Audit, Governance & Standards Committee and approved by Policy & Resources Committee.</p> <p>The internal control environment is subject to annual independent review by Mid Kent Internal Audit, and External Audit provide an Annual Audit Letter to the Committee highlighting any areas of concern and recommendations following the annual audit of accounts.</p> <p>Procedures and processes are designed to minimise the potential for the override of controls. Financial reporting involves a broad spectrum of individuals with differing roles and responsibilities, and this spectrum of input minimises the risk of inappropriate influence over financial reporting.</p> <p>Staff are not placed under any undue pressure in relation to the achievement of financial targets.</p>
<p>8. Are there any areas where there is potential for misreporting? If so, please provide details</p>	<p>As stated elsewhere in this document, the Council does not set performance targets linked to financial outturn and the incentive for deliberate misreporting is therefore considered to be minimal.</p>

Fraud risk assessment

Question	Management response
<p>9. How does Maidstone Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details</p>	<ul style="list-style-type: none"> - Ethical behaviour is encouraged through the Staff Code of Conduct and onboarding process for new staff, the Member Code of Conduct and Contract Procedure Rules. - The Council has a Whistleblowing Charter, Anti-fraud and Corruption and Anti Money Laundering policies in place which are actively promoted to staff. - The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). - We are not aware of any significant concerns raised by staff which would be likely to have material impact on the financial statements.
<p>10. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>High risk areas are posts which require the holder to authorise payments and/or receive income or let contracts on behalf of the Council.</p> <p>Risks are mitigated through general controls including segregation of duties and authorisation protocols, procedures to manage resources, reporting requirements, IT security arrangements, training and professional qualification requirements, risk based internal auditing activity planning, and whistleblowing procedures.</p>
<p>11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>No.</p>

Fraud risk assessment

Question	Management response
<p>12. What arrangements are in place to report fraud issues and risks to the Audit Committee?</p> <p>How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements so far this year?</p>	<p>Internal audit report to the Audit, Governance and Standards committee on a regular basis. The Committee is informed of the assurance ratings for reviews undertaken by internal audit and follow-up actions taken.</p> <p>The Head of Internal Audit's Annual Report and Audit Opinion will be reported to the Audit, Governance and Standards committee.</p>
<p>13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No.</p>
<p>14. Have any reports been made under the Bribery Act? If so, please provide details</p>	<p>No.</p>

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the **Audit Committee**, is responsible for ensuring that Maidstone Borough Council's operations are conducted in accordance with laws and regulations, including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and **the Audit Committee** as to whether the body is in compliance with laws and regulations. Where we become aware of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

 Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Maidstone Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Borough Council's regulatory environment that may have a significant impact on the Borough Council's financial statements?</p>	<p>The Constitution sets out the framework to ensure that all officers, key post holders and Members are able to fulfil their responsibilities in accordance with legislative requirements.</p> <p>Roles and responsibilities for members, committees and senior officers, are documented within the Constitution.</p> <p>The Council's Monitoring Officer and Mid Kent Legal Services review all decision reports prior to publication to ensure that proposals comply with relevant legislation.</p> <p>Management is not aware of any changes to the regulatory environment that would have a significant impact on the financial statements.</p>
<p>149 How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Through the Annual Governance Statement and through the planning and reporting of a risk based programme of internal audit work each year.</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2023 with an on-going impact on the 2023/24 financial statements? If so, please provide details</p>	<p>No</p>
<p>4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details</p>	<p>No, there is no ongoing litigation expected to have a material impact on the financial statements.</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Maidstone Borough Council have in place to identify, evaluate and account for litigation or claims?	The Monitoring Officer is a member of the Corporate Leadership Team and maintains oversight over key events which may give rise to litigation or claims. This information is communicated to the finance team through liaison with the legal team. Finance Officers then consider how this information should be reflected in the accounts.
6. Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance? If so, please provide details	No
7. How does Maidstone Borough Council ensure it has the knowledge of and a plan to deal with legislation or regulation related to the climate that may impact the entity.	<p>Maidstone Borough Council has a Biodiversity and Climate Change Team whose responsibility it is to develop, refresh and ensure delivery of the Biodiversity and Climate Change Strategy. This includes ensuring that the Council is adhering to and delivering on its responsibilities under legislation and regulation. The strategy is overseen by all Council Policy Advisory Committees and Cabinet every six months.</p> <p>The Council is part of the Kent Climate Change Network, monitors its Carbon Footprint for scope 1 and scope 2 and is exploring measuring scope 3 and this is available on the Council's website. Climate Change features as a key corporate risk and is a Key Performance Indicator.</p> <p>Commercial Property - There is a legislative requirement for "let" commercial premises to achieve a certain minimum EPC rating in order to be let. In April 2023 EPC legislation was updated to apply to all leased commercial properties, this means that any leases granted before 2012 or lease renewals granted since 2012 will also be caught by EPC legislation and Landlords of all commercial tenancies will now be legally required to obtain an EPC with a minimum energy rating. The professional property team members keep up to date on changes to such legislation via updates from professional bodies, such as the RICS and attending CPD on the subject matter. As part of the standard letting process that we adopt, we would ensure that buildings are compliant prior to being let, if not compliant we undertake works to increase the EPC rating to a satisfactory score. As part of our overall strategic view on our portfolio, we are mindful about ways we can introduce energy saving into our estate, as an example we are currently investigating the installation of solar panels at Lockmeadow.</p> <p>From a legal perspective, new legislation or regulation that may impact the entity is dealt with in much the same way, regardless of the subject matter. Lawyers and relevant staff are aware of new legislation as it moves through the legislature and can brief senior management. Where the legislation would impact on, for example, a need for specific staffing and resourcing this can then be managed so that there are resources in place in time for the legislation to be enacted or come into force.</p> <p>A good example of this is the recent legislation relating to fire safety and building control, where it was clear that there would be an increased role for local authority building control. Legal services liaised with senior management and procured expert external advice, in order to understand the impact on the Council and to set in motion appropriate changes.</p> <p>The same method would be applied to upcoming climate legislation.</p>

150

Related Parties

Matters in relation to Related Parties

Maidstone Borough Council are required to disclose transactions with bodies/individuals that would be classed as related parties. These may include:

151

- bodies that directly, or indirectly through one or more intermediaries, control, or are controlled by Maidstone Borough Council;
- associates;
- joint ventures;
- a body that has an interest in the authority that gives it significant influence over the Borough Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Borough Council, or of any body that is a related party of the Borough Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Borough Council's perspective but material from a related party viewpoint then the Borough Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Maidstone Borough Council's 2023/24 financial statements?</p> <p>If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Maidstone Borough Council whether Maidstone Borough Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	No
<p>2. What controls does Maidstone Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>All Members and Officers are required to complete an annual declaration of interests to identify related party relationships. The Register of Interests is maintained by Mid Kent Legal Services. Related party transactions are (where material) disclosed in the Statement of Accounts.</p> <p>Members also need to declare interests at each committee meeting that they are involved in. This form part of the formal governance and is captured in the minutes.</p> <p>Training has also been provided to Members on the Nolan principles (to be rerun in the future after the local elections in May 2024).</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Payments to a single supplier exceeding £40,000 are subject to separate authorisation by bank signatories. Adequate segregation of duties exist for the disbursement of funds via any route.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Significant transactions outside of the normal course of business would be referred to the Corporate Leadership Team or Policy and Resources Committee as appropriate.</p>

Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

CP For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for **local government / NHS** bodies presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

Question	Management response
1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Maidstone Borough Council will no longer continue?	The Corporate Leadership Team meets twice a month and receives reports on significant issues relating to service delivery, so it will be appraised if it is likely that a statutory service will cease to be delivered and will take appropriate action.
2. Are management aware of any factors which may mean for Maidstone Borough Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	Management is not aware of any factors likely to impact the ongoing delivery of statutory services or the funding required to enable statutory services to be delivered. No concern for 23/24 and 24/25. We know 25/26 onwards there will be significant decisions to allow us to operate within the funding envelope (MTFS 5 year forecast). The budget process will be used to deliver savings options for consideration during 24/25.
3. With regard to the statutory services currently provided by Maidstone Borough Council, does Maidstone Borough Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Maidstone Borough Council to cease to exist?	The Council expects to continue delivering the existing statutory services for the foreseeable future. Accordingly there are no plans for them to be transferred to other public authorities.
4. Are management satisfied that the financial reporting framework permits Maidstone Borough Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Management is satisfied that the financial reporting framework allows it to prepare accounts on a going concern basis, and that preparing accounts in this way provides a faithful representation of the items in the financial statements.

Accounting estimates

Matters in relation to accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess a body's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the body's risk management process identifies and addresses risks relating to accounting estimates;
- 155 The body's information system as it relates to accounting estimates;
- 95 The body's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	Property valuations, depreciation, pensions liability, arrears and provisions for business rates appeals.
2. How does the Borough Council's risk management process identify and address risks relating to accounting estimates?	<p>It should be noted that although the accounting estimates relating to property and pensions represent some of the most significant numbers in the financial statements in terms of value, the statutory accounting arrangements for local authorities mean that variations in these estimates would be unlikely to impact on the Council's spending power and are therefore not considered to pose a significant risk to financial resilience.</p> <p>The corporate risk register recognises a significant risk in relation to the recoverability of business rates and council tax.</p>
3. How does management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Key management staff engage with the experts, where they are involved, in clearly defining and reviewing the basis and appropriateness of assumptions and source data for use in key accounting estimates used in the financial statements, such as the valuation of property, plant and equipment and pensions liabilities. This is done on an annual basis as part of the preparation for closedown. Discussion and challenge is documented. In other areas, where other key accounting estimates are material, senior finance staff ensure there is a robust system of review and challenge in assuring the appropriateness of methods, assumptions and source data of those estimates.
4. How do management review the outcomes of previous accounting estimates?	<p>Year on year variance analysis is conducted as part of the review of the financial statements prior to publication, in order to assess the reasonableness of current and prior years' estimates, and to understand any significant movements.</p> <p>The process for writing off irrecoverable debt and issuing refunds following a successful rateable value appeal also enables management to carry out an in year assessment of the adequacy of the impairment and provision entries.</p>
5. Were any changes made to the estimation processes in 2023/24 and, if so, what was the reason for these?	No.

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How does management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>Where the estimation techniques involved require input from a qualified professional with reference to technical guidance, management determine whether or not these skills are available in house.</p> <p>Property valuations are undertaken by a suitably qualified external valuer, Harrisons and IAS19 calculations for pensions are supplied by the actuary to Kent Pension Fund, Barnett Waddingham. Provisions for business rates appeals are calculated by finance officers with reference to contextual information supplied by the VOA and Analyse Local. The Council's external treasury management advisor, Link also assists with the provision of fair value information regarding loans and investments where required.</p> <p>Management consider that other estimates referred to in this document can be made by the in house team, under the oversight of the Head of Finance and the Director of Finance and Business Improvement, both of whom are qualified accountants.</p>
<p>7. How does the Borough Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>Property and pension related valuations are prepared on an annual basis and control activities include thorough analysis of the reports and outputs prepared by experts and review for consistency with internal records. Useful lives are estimated for depreciation purposes and are safeguarded through regular review and maintenance by the corporate property team.</p> <p>Arrears are reported to budget managers on a monthly basis, and reviewed in quarterly meetings with service Heads.</p>
<p>8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?</p>	<p>Management derives assurance over the inputs and internal records used in calculating these estimates from periodic internal audit reviews. The relationship with the external valuer, Harrisons, is managed by the Property Services Manager, working closely with the Senior Finance Manager. The relationship with the pensions actuary, Barnett Waddingham is managed by Kent County Council as the pension fund manager, who maintain regular communication with member authorities.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>The nature and extent of the oversight in relation to accounting estimates includes:</p> <ul style="list-style-type: none"> • The agreement of assumptions in advance, including their appropriateness • Verification of the underlying data in advance • The methodology to be used to determine the value of estimates and its appropriateness • Review of the results for reasonableness, including comparative analysis with previous years • Sensitivity of the results to the key assumptions to assess materiality • Senior management sign-off of the outcomes as part of the quality assurance process

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of any transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No
11. Why are management satisfied that their arrangements for the accounting estimates, as detailed in Appendix A, are reasonable?	They are regularly reviewed and tested to ensure they are appropriate.
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	<p>Details of accounting estimates and significant judgements are disclosed to members of the Audit, Governance and Standards committee within this paper, and through the financial statements. Committee members are given the opportunity to review and comment on the draft financial statements prior approving the audited document. Budget risks are also regularly reported to the committee, and this report incorporates future uncertainty and the likelihood and impact of adverse events arising.</p> <p>In the event that significant accounting estimates were so inaccurate as to compromise financial resilience, this would be reported to members through regular budget monitoring updates throughout the year.</p>

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Valuations provided by a qualified external valuer for selected properties on an annual basis.	Operational assets need to be revalued at least every five years, but larger value assets are assessed either annually or bi-annually.	The Council engages the services of a suitably qualified valuer.	The impact of a 10% reduction in estimated values is modelled in the Statement. This is considered to be appropriate in the context of the overall value of the properties.	No
Investment property valuations	Valuations provided by a qualified external valuer for selected properties on an annual basis.	Investment properties are revalued on an annual basis.	The Council engages the services of a suitably qualified valuer.	The impact of a 10% reduction in estimated values is modelled in the Statement. This is considered to be appropriate in the context of the overall value of the properties.	No
Depreciation	Properties depreciated over suitable useful lives based on the level of repairs and maintenance that will be incurred.	Useful lives are reviewed when the properties are revalued.	The appropriate useful life to the Council is determined by the Capital Accountant in consultation with officers from the relevant service area.	The impact of a one year reduction in useful lives is modelled in the Statement. This is considered to be appropriate in the context of the overall value of the properties.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Valuation of defined benefit net pension fund liabilities	The liability is assessed by a pensions actuary.	The actuary uses professional judgement and actuarial data to assess the extent of the liability.	The actuary is appointed by the Kent County Council Pension Fund on behalf of the Council who are one of the members of the scheme.	A 0.1% increase in the discount rate and a 0.1% increased in the assumed level of pension increases is modelled, along with an increase of one year in life longevity. This is considered to be appropriate in the context of the overall value of the properties.	No
Level 2 investments	All valuations on Council's financial assets and liabilities uses level 2.	The TM team use the CIPFA guidance using data held in the Cash/TM data.	External TM advice (Link) as needed.	The accounts are required to show the fair value of the financial assets held by the Council. Fair value is defined as the amount for which an asset could be exchanged assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Level 3 investments	N/A	N/A	N/A	N/A	N/A
Fair value estimates 161	The Council considers the potential for credit losses on financial assets held at amortised cost either on a 12-month basis, where risk has not increased significantly or remains low, or lifetime basis, where risk has increased significantly (Simplified model - Debtors only)	The fair value of the Long Term PWLB loans of £2.243m measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The fair value amount is lower than the balance sheet current value is due to the PWLB loans being at a lower rate to what would be paid if the loan was at the current PWLB new loan rate. Fair value of short term assets and liabilities are not materially different to their carrying values so are shown as being the same.	External TM advice (Link) as needed.	An exception is: Deposits with local authorities – credit losses are not recognised for deposits held with central Government or other local authorities due to statutory provisions (the Local Government Act 2003), which prevent default. Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default (triggering a credit loss) on their obligations. With regard to Debtors, an Impairment Allowance for Bad Debts (IABD) is applied annually based on a set of assumptions on the collectability of external debts based on past experience and future expectations.	No

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions (including NNDR appeals)	An assessment based on data around current and potential losses from appeals against the rateable values of business premises. Other provisions are not material.	Valuation information is provided by the Valuation Office Agency (VOA)	The Council's appeals provision is made with reference to an assessment of potential losses by an external advisor.	A 10% increase in the yield losses from successful appeals is assessed to show the potential impact. Consideration will be given to alternative figures depending on the underlying economic conditions.	No
Accruals	Accruals of income and expenditure are recognised where the value exceeds £5,000 for revenue and £10,000 for capital.	Accruals are identified through commitment accounting and by service accountants in consultation with budget managers.	No	Accruals for income and expenditure have been principally based on known values. Where accruals have had to be estimated the latest available information has been used.	No
Credit loss and impairment allowances	Allowances are made for doubtful receivables. Different methodologies are used for the different classes of debtor. Generally speaking, estimates are based on the age of the debt or known factors which indicate that debts may not be recoverable.	The calculation is derived from aged debtor listings taken from the general ledger and revenues and benefits systems.	No	The notes to the accounts detail the impact on debtor balances and a deterioration in collection rates is modelled.	No

Appendix A Accounting Estimates (Continued)

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
163 Finance lease liabilities	IFRS16 has not yet been implemented by MBC. FRAB advised CIPFA LASAAC that it agreed with the deferral of IFRS 16 Leases until 1 April 2024. ..	N/A	N/A	N/A	N/A
PFI Liabilities	N/A	N/A	N/A	N/A	No



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AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

29 July 2024

Budget Strategy – Risk Assessment Update

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service/Lead Director	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance, Resources and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

The Council remained within budget for 2023/24 and has set a balanced budget for 2024/25. However there are a number of risks that could threaten delivery of a revenue budget out-turn within budget for the year.

Looking further forward, the impact of a change of government on local authorities and Maidstone in particular remains unclear. However, further devolution and constraints on public expenditure are likely to have an impact.

The Council has an ambitious capital programme, which is subject to a number of risks, in particular the cost of finance and risks around delivery.

This report makes the following recommendations to this Committee:

That the Audit Governance and Standards Committee notes the risk assessment of the Budget Strategy provided at Appendix A.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	29 July 2024

Budget Strategy – Risk Assessment Update

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council’s decisions on the allocation of resources to all objectives of the strategic plan.	Director of Finance, Resources and Business Improvement
Cross Cutting Objectives	The cross cutting objectives are reflected in the MTFS and the budget.	Director of Finance, Resources and Business Improvement
Risk Management	Matching resources to priorities in the context of the significant pressure on the Council’s resources is a major strategic risk. Specific risks are set out in Appendix A.	Director of Finance, Resources and Business Improvement
Financial	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process.	Director of Finance, Resources and Business Improvement
Staffing	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Director of Finance, Resources and Business Improvement
Legal	The Council has a statutory obligation to set a balanced budget and development of	Director of Finance, Resources and

	the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	Business Improvement
Information Governance	No implications.	Director of Finance, Resources and Business Improvement
Equalities	The Council's budgeted expenditure will have a positive impact as it will enhance the lives of all members of the community through the provision of resources to core services. In addition it will affect particular groups within the community. It will achieve this through the focus of resources into areas of need as identified in the Council's strategic priorities.	Director of Finance, Resources and Business Improvement
Public Health	None identified.	Director of Finance, Resources and Business Improvement
Crime and Disorder	None identified.	Director of Finance, Resources and Business Improvement
Procurement	None identified.	Director of Finance, Resources and Business Improvement
Biodiversity and Climate Change	None identified.	Director of Finance, Resources and Business Improvement

2. INTRODUCTION AND BACKGROUND

- 2.1 The remit of the Audit Governance and Standards Committee includes consideration of risk. Members have requested that the Budget Risk Matrix and Risk Register be updated and reported to each meeting of the Committee, so that it continues to be fully briefed on factors likely to affect the Council's budget position.

Out-turn for 2023/24

- 2.2 As reported to the Policy Advisory Committees and Cabinet this month, the Council underspent its revenue budget by £22,000 (0.1%) in 2023/24. The impact of overspends on temporary accommodation and property and leisure services were mitigated by use of the contingency budget and higher than expected interest income. Whilst this meant that budget risks were managed successfully, the underlying pressures, particularly around temporary accommodation, mean that there continue to be risks for 2024/25.

Revenue budget 2024/25

- 2.3 The Council agreed a balanced budget for 2024/25 in February 2024. At this relatively early stage in the financial year there remains time for any potential overspends to be addressed, either directly or by offsetting underspends or additional income from other areas of council activity.
- 2.4 Temporary accommodation expenditure, being demand-led, continues to be a big risk to the budget and is now identified separately within the risk register. There was an increase of £450,000 in the temporary accommodation budget for 2024/25, but even this may not be sufficient given that the number of people in temporary accommodation remains close to its peak, being 250 at the end of June. The risk is all the greater because, whilst the number of people presenting as homeless remains high, it is increasingly difficult to move homeless families into permanent accommodation with fewer vacant units coming on stream from social housing providers.
- 2.5 The Council is mitigating the cost impact of providing temporary accommodation by buying its own properties for homeless families, which is much cheaper than externally procured nightly paid accommodation. This is achieving a gradual reduction in costs.

Future position – 2025/26 and subsequent years

- 2.6 There are a large number of variables likely to impact the council's financial position in future years. As reported to the Climate Transition, Corporate and Environmental Services PAC and to Cabinet this month, we will address this by drawing up projections under a range of different scenarios in our medium term financial planning.

2.7 Key variables are as follows:

- external economic environment, which can affect the council by (for example) driving up the number of homeless families and reducing parking income
- government policy on public spending
- government's government and Bank of England monetary policy – high interest rates increase the cost of funding the capital programme
- the council's own capacity to deliver services and respond to changing circumstances.

2.8 The economic environment now appears somewhat more favourable, with inflation within the government's target for two months running, and a moderate level of growth. It is therefore appropriate to downgrade the risk 'inflation rate is higher than 2% government target'.

2.9 So far as government policy on public spending is concerned, the new Labour government has emphasised the difficult financial environment it faces, with severe pressures on public services and record levels of borrowing. This will influence the framework for local authority financing, including the Council Tax referendum limit, the share of business rates that local authorities are able to retain, and the level of one-off government grants. This is reflected in the budget risk register as 'adverse impact from changes in local government funding'.

2.10 More broadly, the government has indicated its desire to see greater devolution to local authorities, which may have impacts for Maidstone and Kent.

Capital Programme

2.11 The Council has an ambitious capital programme, amounting to £430 million over the next ten years. The capital programme is updated every year as part of the budget process. This will allow the new administration, formed in May 2024, to update the programme in light of new strategic priorities. However, assuming that the capital programme remains on the same scale as currently planned, there are a number of risks, eg

- Availability and cost of finance
- Inflation in construction prices
- Contractor failure / liquidation
- Capacity of council to deliver the programme.

2.12 In 2022 the Council locked in £80 million of its borrowing requirement at the relatively low rate of 2.89%, with the first tranche of £40 million being drawn down in February 2024. Borrowing rates are now much higher: the 50 year Public Works Loan Board rate is currently 5.18%. It is possible that rates may remain at similar rates, so funding capital expenditure above and beyond the initial £80 million could become much more expensive, limiting the number of viable capital projects and affecting the Council's ability to

achieve its strategic objectives. This risk has been captured in the risk register under the heading 'Capital Programme cannot be funded'.

2.13 In light of the risks described above, the following changes are proposed to the budget risk register.

Ref	Risk	Factor considered	Implications for risk profile
G	Inflation rate is higher than 2% government target	Inflation has now been within the target for 2 months running.	Impact – major (no change) Likelihood – possible (reduced)
H	Adverse impact from changes in government funding	Uncertainty about new government's plans.	Impact – major (no change) Likelihood – probable (increased)
S (new risk)	Increase in numbers requiring temporary accommodation	Numbers in temporary accommodation are close to a record high level and the lack of permanent housing means that numbers may rise still further.	Impact – major Likelihood – probable

2.14 Details are set out in Appendix A, which lists the budget risks in the form of a Risk Matrix and Risk Register. Additionally, at the Committee's request, the possible monetary impact of the risks has been indicated. Note that it is very difficult to quantify the financial impact of risks in precise terms. The information is provided simply to give an indication of the order of the risks' financial magnitude. The information is also set out in the form of a bar chart.

2.15 Members are invited to consider further risks or to propose varying the impact or likelihood of any risks.

3. AVAILABLE OPTIONS

3.1 Option 1 - The Committee may wish to consider further risks not detailed in Appendix A or vary the impact or likelihood of any risks. This may impact the Council's service planning and/or be reflected in the developing Medium Term Financial Strategy.

- 3.2 Option 2 - The Committee notes the risk assessment set out in this report and makes no further recommendations.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 Option 2 – It is recommended that the Committee notes the risk assessment.
-

5. RISK

- 5.1 Risk is addressed throughout this report, so no further commentary is required here.
-

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Each year the council as part of the development of the MTFS and the budget carries out consultation on the priorities and spending of the council. A Residents' Survey has been carried out for the 2024/25 budget and the results have been reported to Members as part of the budget setting process.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The Audit, Governance and Standards Committee plans to continue keeping the budget risk profile under review at subsequent meetings.
-

8. REPORT APPENDICES

The following document is to be published with this report and forms part of the report:

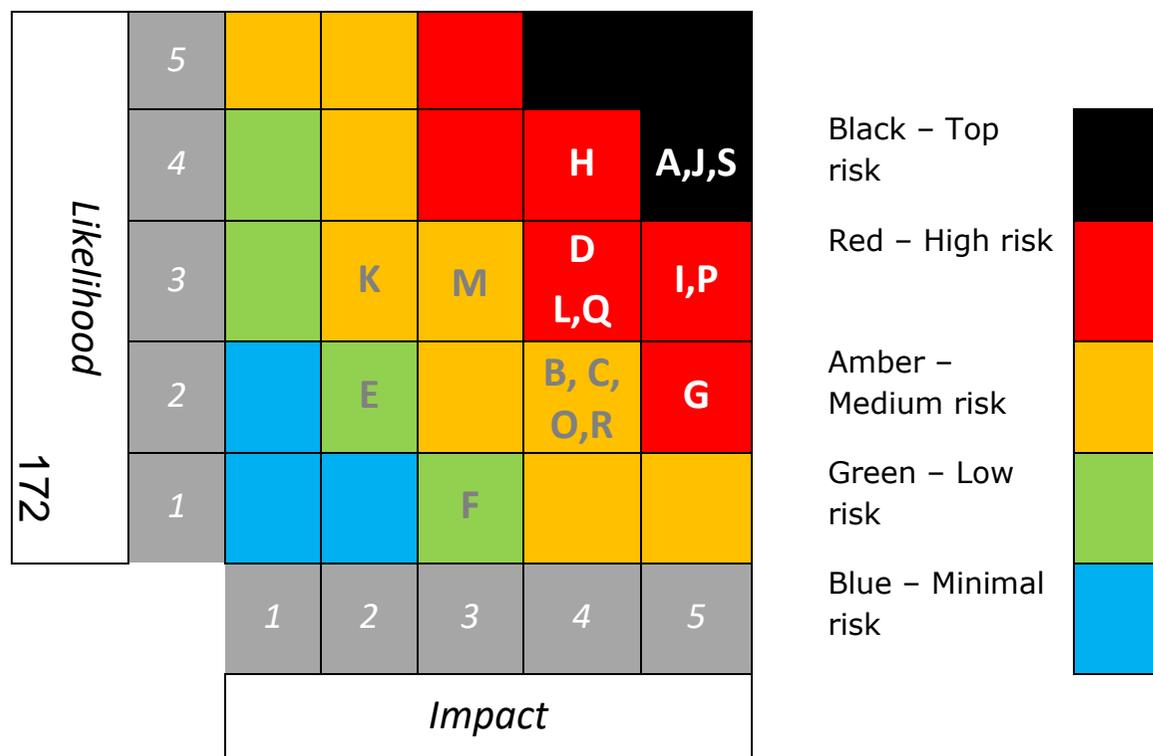
- Appendix A: Budget Strategy Risks
-

9. BACKGROUND PAPERS

None.

Budget Strategy Risks

The risk matrix below provides a summary of the key budget risks. The risk register that follows provides more detail.

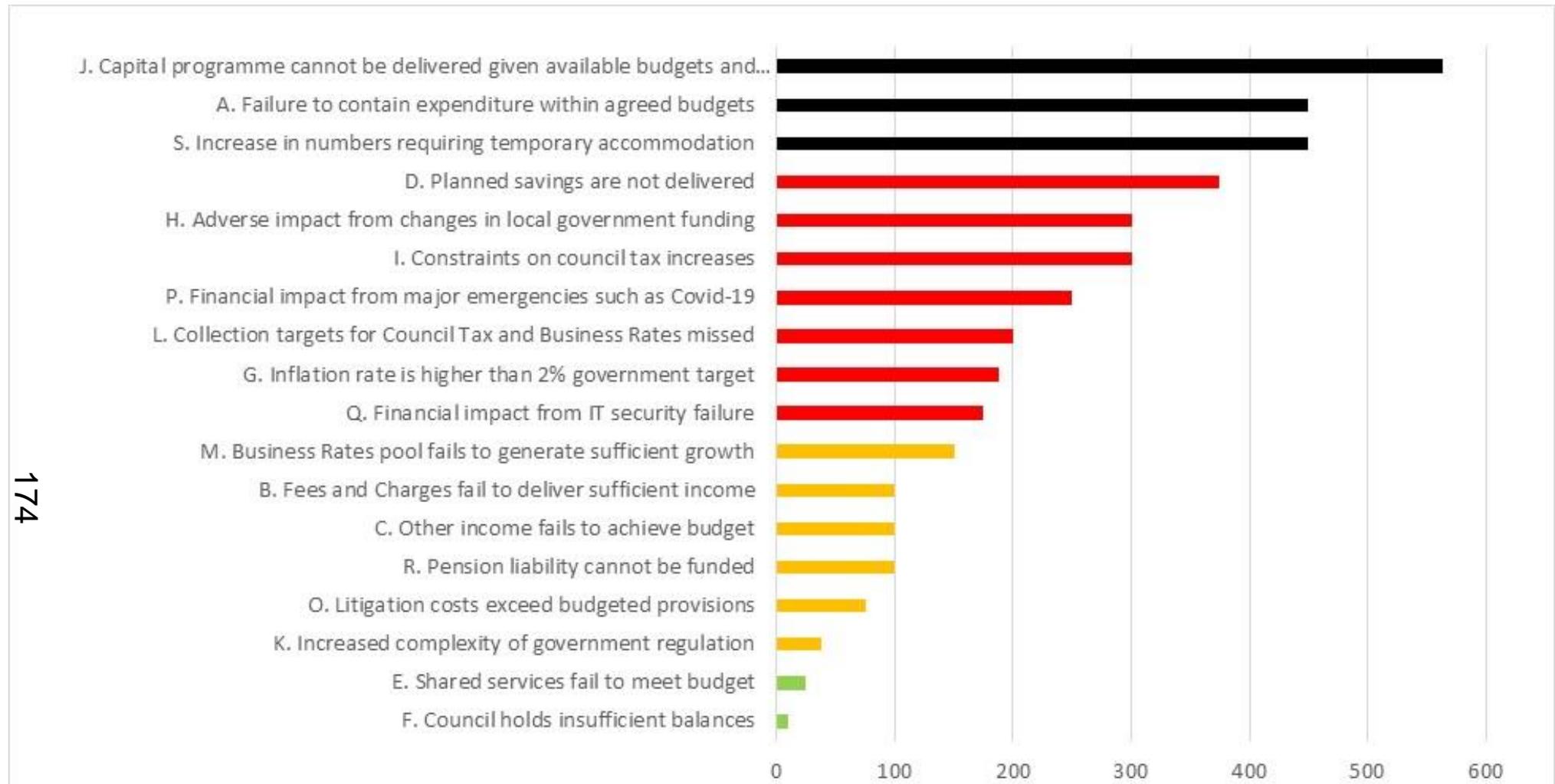


A. Failure to contain expenditure within agreed budgets	K. Increased complexity of government regulation
B. Fees and Charges fail to deliver sufficient income	L. Collection targets for Council Tax and Business Rates missed
C. Other income fails to achieve budget	M. Business Rates pool fails to generate sufficient growth
D. Planned savings are not delivered	O. Litigation costs exceed budgeted provisions
E. Shared services fail to meet budget	P. Financial impact from major emergencies such as Covid-19
F. Council holds insufficient balances	Q. Financial impact from IT security failure
G. Inflation rate is higher than 2% government target	R. Pension liability cannot be funded
H. Adverse impact from changes in local gov't funding	S. Increase in numbers requiring temporary accommodation
I. Constraints on council tax increases	
J. Capital programme cannot be delivered	

The budget risks may be ranked, based on the scores shown below, as follows:

Risk	Ranking	Financial impact (in any one financial year)				
		Lower £000	Upper £000	Mid- point £000	Likelihood %	Weighted £000
J. Capital programme cannot be delivered	1	500	1,000	750	75	563
A. Failure to contain expenditure within agreed budgets	2=	200	1,000	600	75	450
S. Increase in numbers requiring temporary accommodation	2=	200	1,000	600	75	450
D. Planned savings are not delivered	4	250	750	500	75	375
H. Adverse impact from changes in local gov't funding	5=	100	900	400	75	300
I. Constraints on council tax increases	5=	400	800	600	50	300
P. Financial impact from major emergencies such as COVID-19	7	250	750	500	50	250
L. Collection targets for Council Tax and Business Rates missed	8	200	600	400	50	200
G. Inflation rate is higher than 2% government target	9	500	1,000	750	25	188
Q. Financial impact from IT security failure	10	100	600	350	50	175
M. Business Rates pool fails to generate sufficient growth	11	150	450	300	50	150
B. Fees and Charges fail to deliver sufficient income	12=	200	600	400	25	100
C. Other income fails to achieve budget	12=	200	600	400	25	100
R. Pension liability cannot be funded	12=	200	600	400	25	100
O. Litigation costs exceed budgeted provisions	15	100	500	300	25	75
K. Increased complexity of government regulation	16	50	100	75	50	38
E. Shared services fail to meet budget	17	50	150	100	25	25
F. Council holds insufficient balances	18	100	300	200	5	10

Chart - Budget risks



Budget Strategy Risk Register

The following risk register sets out the key risks to the budget strategy. The register sets out the consequences of each risk and the existing controls in place.

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
A 175	<p>Failure to contain expenditure within agreed budgets</p> <p>The Council overspends overall against its agreed budget for the year</p>	<p>Failure to meet the budget makes it more likely that the Council will have to rely on short term expedients to balance the budget from year to year, rather than following a coherent long term strategy.</p>	<ul style="list-style-type: none"> - Embedded and well established budget setting process - Medium Term Financial Strategy - Balanced budget agreed by Council for 2024/25. - Strong controls over expenditure and established process for recovering from overspends 	5	4	20
B	<p>Fees & Charges fail to deliver sufficient income</p> <p>Fee charging services may be affected if there is a downturn in the economy, resulting in Fees and Charges failing to deliver the expected level of income.</p>	<p>The total value of all Council income from fees and charges is around £20 million. A loss of income for service budgets will require restrictions on expenditure levels and delivery of all objectives may not be met.</p>	<ul style="list-style-type: none"> - Fees and charges are reviewed each year, paying careful attention to the relevant market conditions - Where the Council is operating in a competitive market, the aim is to ensure price sensitivity does not lead to a loss of income. - Procedures are in place to ensure that fees and charges are billed promptly (or in advance) and that collection is maximised. 	4	2	8
C	<p>Other income fails to achieve budget</p> <p>In addition to fees and charges, the Council relies on other income from capital investment, which may not deliver the expected level of income.</p>	<p>The medium term financial strategy includes a contribution from investment opportunities, so any shortfall would have an impact on the overall strategy.</p> <p>Income generation from investment activities supports the revenue budget and is required in ordered to pay back capital investment.</p>	<ul style="list-style-type: none"> - Individual risks associated with specific projects within the capital strategy will be assessed, both as part of the project appraisal process and during the course of delivering the projects. 	4	2	8

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
D	<p>Planned savings are not delivered</p> <p>Failure to deliver savings and / or failure to monitor savings means that the Council cannot deliver a balanced budget</p>	<p>The level of saving required to achieve a balanced budget is significant and non-delivery of these savings will have a major consequence on managing financial viability of the organisation.</p> <p>Not achieving savings will impact the overall delivery of the Medium Term Financial Strategy and would require appropriate action, which might include the suspension of some Council services, redundancies, etc.</p>	<ul style="list-style-type: none"> - The risks associated with delivery of savings proposed in the current Medium Term Financial Strategy have been reviewed as part of the budget setting process. - Savings proposals are separately identified and monitored in the Council's general ledger. - The ability to achieve the targeted savings is monitored quarterly in budget monitoring reports to the Corporate Leadership Team and to Service Committees. 	4	3	12
176 E	<p>Shared Services</p> <p>Shared services, which are not entirely under the Council's control, fail to perform within budgeted levels.</p>	<p>Failure of a shared service to manage within the existing budget will have the same consequences as for any overspending budget, ie it would require appropriate action, which might include the suspension of some Council services, redundancies, etc.</p>	<p>The arrangements governing shared services include a number of controls that minimise the risk of budget overspends and service failure, including quarterly reporting to a Shared Service Board comprising representatives of the authorities involved. The shared services are required to report regularly on financial performance and key indicators.</p>	2	2	4
F	<p>Insufficient Balances</p> <p>Minimum balance is insufficient to cover unexpected events</p> <p>OR</p> <p>Minimum balances exceed the real need and resources are held without identified purpose with low investment returns</p>	<p>Additional resources would be needed which would result in immediate budget reductions or use of earmarked reserves.</p> <p>The Council would not gain best value from its resources as Investment returns are low in the current market.</p>	<ul style="list-style-type: none"> - The Council has set a lower limit below which General Fund balances cannot fall of £4 million. - At the beginning of the 2024/25 financial year unallocated General Fund reserves were £17 million. 	3	1	3
G	<p>Inflation rate is higher than 2% government target</p> <p>Actual levels are within target but may rise</p>	<p>Continued high inflation will create an unbudgeted drain upon resources and the Council may not achieve its objectives without calling upon balances.</p> <p>Services have supported the budget strategy through savings. Levels below those expected would result in</p>	<ul style="list-style-type: none"> - Allowances for inflation are developed from three key threads: <ul style="list-style-type: none"> o The advice and knowledge of professional employees o The data available from national projections 	5	2	10

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
		an increase in balances or unused resources that could be used to achieve strategic priorities.	<ul style="list-style-type: none"> An assessment of past experience both locally and nationally <p>- MTFS core inflation projections will be increased to 5% for 2024/25.</p>			
H	<p>Adverse impact from changes in local government funding</p> <p>The financial implications of the new local government funding regime, now unlikely to be introduced until 2026/27, remain unclear.</p>	The Council no longer receives Revenue Support Grant (RSG), but the amount of Business Rates that it retains depends on the funding regime set by central government.	<p>- The Medium Term Financial Strategy to 2028/29 includes an adverse scenario which allows for a significant impact on the Council's resources.</p> <p>- The Council has developed other sources of income to ensure it can maximise its resources while dealing with the consequences of government strategy.</p>	4	4	16
I	<p>Constraints on council tax increases</p> <p>The limit on Council Tax increases means that the Council must manage expenditure pressures even if these potentially give rise to cost increases greater than the referendum limit.</p>	The limit on Council Tax increases means that inflation levels in excess of the referendum limit have to be absorbed by making savings elsewhere.	<p>- The budget for 2024/25 incorporates a Council Tax increase of 3%.</p> <p>- Budget planning is based around the assumption that Council Tax increases will be maximised within the constraints of the referendum limit in subsequent years.</p>	5	3	15
J	<p>Capital Programme cannot be delivered</p> <p>Reduction or total loss of funding sources means that the capital programme cannot be delivered or demands on funding exceed available supply</p>	<p>The main sources of funding are:</p> <ul style="list-style-type: none"> Internal borrowing PWLB borrowing New Homes Bonus Capital Grants Developer contributions (\$106) <p>A reduction in this funding will mean that future schemes cannot be delivered.</p>	<p>- Council has access to borrowing.</p> <p>- Council has confirmed in the past that borrowing is acceptable if it meets the prudential criteria.</p> <p>- Capital expenditure is monitored carefully against the borrowing limits that the Council sets itself.</p>	5	4	20

177

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
K	<p>Increased volume and complexity of government regulation</p> <p>Covid-19 and the range of government support for local authorities and the community have led to a rapid increase in the volume and complexity of reporting and regulation.</p>	<p>Scaling up administrative resources to address the increased volume and complexity of reporting and regulation may divert attention from other priorities.</p> <p>Ultimately, failure to comply with new regulatory requirements could pose financial and reputational risk for the Council.</p>	<p>- The Council has formal procedures for monitoring new legislation, consultations and policy / guidance documents.</p> <p>- Our relationships with organisations such as the Council's external auditor provide access to additional knowledge regarding relevant future events.</p>	2	3	6
L 178	<p>Business Rates & Council Tax collection</p> <p>Council fails to maintain collection targets for business rates and council tax</p>	<p>Failure to achieve collection targets will reduce the level of key resources to ensure a balanced budget. This will mean further cuts in other budgets or the cost of financing outgoing cash flow to other agencies in relation to taxes not yet collected.</p> <p>Business rates amount to around £50 million in 2024/25 and Council Tax due amounts to around £120 million.</p>	<p>- The Council has a good track record of business rates and Council Tax collection.</p> <p>- Steps are taken to maximise collection rates, such as active debt collection, continual review of discounts, etc.</p>	4	3	12
M	<p>Business Rates pool</p> <p>Changes to rateable value (RV) or instability of business rates growth within the pool may not generate projected levels of income</p>	<p>Changes in RV or instability in growth will result in a reduction in income from business rates and a potential consequence for the Council.</p>	<p>- The pool is monitored quarterly Kent wide and Maidstone is the administering authority. The projected benefit of the pool across Kent as a whole is projected to be around £14m in 2024/25.</p> <p>- Provisions have been made when projecting business rates income for bad debts and losses on appeal so any loss of income would relate to the excess over the provisions already made.</p>	3	3	9
O	<p>Litigation costs exceed budgeted provisions.</p> <p>The Council is often engaged in litigation and generally the costs of any award against the Council and associated costs of legal advice can</p>	<p>Costs in excess of budget would require a drawing on reserves and the identification of savings in</p>	<p>- Corporate Leadership Team is updated regularly on outstanding legal cases.</p>	4	2	8

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
	be met from within budgets. However, it is prudent to acknowledge the risk that provisions may not in fact be sufficient to cover all likely costs.	subsequent years in order to replenish the level of reserves.	- Appropriate professional advice is taken at all times.			
P	<p>Financial impact from emergencies such as COVID-19</p> <p>A resurgence of the pandemic or a similar emergency would see similar impact to those experienced in the first wave, eg reduction in fees and charges income arising from lower levels of economic activity and the effect of a broad reduction in economic growth on public finances.</p>	In the short term the Council would need to draw on reserves to cover the financial costs, but in the longer term savings would be required to replenish reserves.	<ul style="list-style-type: none"> - Senior officer group mobilised to address short term impacts - Mitigations to be developed over longer term 	5	3	15
179 Q	<p>Financial impact from IT security failure</p> <p>Local authorities have been subject to cyber attacks over the past few years, often with severe financial and service implications.</p>	The Council might have to suspend normal financial transactions for a period of time.	<ul style="list-style-type: none"> - Anti-virus software - Regular communications with staff to warn about risks - Back-up arrangements with neighbouring authorities 	4	3	12
R	<p>Pension liability cannot be funded</p> <p>There are a range of risks associated with the pension liability, including pension fund investment performance, inflation in salaries and pensions, changes in longevity, and capacity of the organisation to support pension fund contributions.</p>	Additional revenue costs will arise from an increased pension liability	<ul style="list-style-type: none"> - Regular actuarial valuations - Mitigating actions in the form of increases to employer pension contributions 	4	2	8
S	<p>Increase in numbers requiring temporary accommodation</p> <p>Numbers are already at record levels and there is a risk they could increase still further.</p>	Additional cost as housing benefit does not cover the full cost of providing accommodation	<ul style="list-style-type: none"> - Purchase of street properties to mitigate the cost of providing temporary accommodation - Lobbying government to provide a higher level of financial support - Measures to help families find new accommodation before they present as homeless 	5	4	20

Impact & Likelihood Scales

RISK IMPACT

Level	Service risk	Reputation Risk	H&S	Legal Risk	Financial Risk	En'ment Risk
Catas-trophic (5)	Ongoing failure to provide an adequate service	Perceived as failing authority requiring intervention	Responsible for death	Litigation almost certain and difficult to defend. Breaches of law punishable by imprisonment or significant fines	Uncontrollable financial loss or overspend over £500k	Permanent, major environmental or public health damage
Major (4)	Failure to deliver Council priorities Poor service. Disrupted 5 days+	Significant adverse national publicity	Fails to prevent death, causes extensive perm injuries or LT sick	Litigation expected, but defensible Breaches of law punishable by fines	Financial loss or overspend greater than £250k	Long term major public health or environmental incident (1yr+)
Moderate (3)	Unsatisfactory performance Service disrupted/ stopped 3-5 days	Adverse national publicity or significant adverse local publicity	Fails to prevent extensive, permanent injuries or LT sickness	Complaint likely, litigation possible Breaches of regs or standards	Financial loss or overspend greater than £50k	Medium term major public health or environmental incident (up to 1yr)
Minor (2)	Marginal reduction in performance Service disrupted/ stopped 1-2 days	Minor adverse local publicity	Medical treatment required, potential long term injury or sickness	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend greater than £10k	Short term public health or environmental incident (weeks)
Minimal (1)	No significant service impact Service disruption up to 1 day	Unlikely to cause adverse publicity	First aid level injuries	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend under £10k	Environmental incident with no lasting detrimental effect

RISK LIKELIHOOD

Type	Probability	Detail description
Almost certain (5)	90%+	Without action is likely to occur; frequent similar occurrences in local government/Council history
Probable (4)	60%-90%	Strong possibility; similar occurrences known often in local government/Council history
Possible (3)	40%-60%	Might occur; similar occurrences experienced in local government/Council history
Unlikely (2)	10%-40%	Not expected; rare but not unheard of occurrence in local government/Council history
Rare (1)	0%-10%	Very unlikely to occur; no recent similar instances in local government/Council history