

# **MAIDSTONE BOROUGH COUNCIL**

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

### **MINUTES OF THE MEETING HELD ON 13 MARCH 2023**

#### **Present:**

<b>Committee Members:</b>	<b>Councillor Cox (in the Chair) and Councillors Cleator, Coulling (Parish Representative), Forecast, Garten, Jeffery, Knatchbull and Trzebinski</b>
<b>Lead Members:</b>	<b>Councillor Perry (Lead Member for Corporate Services)</b>
<b>External Attendees:</b>	<b>Ms Sophia Brown and Mr Trevor Greenlee (Grant Thornton - External Auditor)</b>

#### 78. APOLOGIES FOR ABSENCE

Apologies for absence were received from the Chairman (Councillor Bartlett) and Councillors Khadka and D Wilkinson.

In the absence of the Chairman, the meeting was chaired by the Vice-Chairman (Councillor Cox).

#### 79. NOTIFICATION OF SUBSTITUTE MEMBERS

Councillor Cleator was present as a Substitute Member for Councillor D Wilkinson.

#### 80. URGENT ITEMS

There were no urgent items.

#### 81. NOTIFICATION OF VISITING MEMBERS

There were no Visiting Members although Councillor Perry, the Lead Member for Corporate Services, was in attendance for the following agenda items:

Item 12 – Risk Management Annual Report 2022/23

Item 13 – Internal Audit and Assurance Plan 2023/24

Item 14 – External Auditor’s Progress Report and Sector Update

Item 15 – Budget Strategy – Risk Assessment update

#### 82. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

#### 83. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

84. EXEMPT ITEMS

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

85. MINUTES OF THE MEETING HELD ON 16 JANUARY 2023

**RESOLVED:** That the Minutes of the meeting held on 16 January 2023 be approved as a correct record and signed.

86. QUESTION AND ANSWER SESSION FOR LOCAL RESIDENTS

There were no questions from local residents.

87. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members to the Chairman.

88. COMPLAINTS RECEIVED UNDER THE MEMBERS' CODE OF CONDUCT

The Team Leader (Contentious and Corporate Governance) introduced a report setting out details of complaints received under the Members' Code of Conduct during the period 1 September 2022 to 28 February 2023. It was noted that five new complaints had been received during this period. Two of the complaints had been concluded with no breach of the Code established. The remaining three complaints were currently being considered by the Monitoring Officer.

In response to questions, the Team Leader (Contentious and Corporate Governance) undertook to consider how this information might be presented in future reports to the Committee to provide more context and to enable trends and further training needs to be identified without compromising anonymity.

**RESOLVED:** That the report be noted.

89. RISK MANAGEMENT ANNUAL REPORT 2022/23

The Interim Deputy Head of Audit introduced the Risk Management Annual Report 2022/23, the purpose of which was to provide assurance on the Council's risk management arrangements. It was noted that:

- The report was set out in two parts; the first part provided the assurance that the risk management processes were working effectively in 2022/23 and the second part set out the work programme for ensuring ongoing effective delivery of the risk management arrangements in 2023/24.
- The Committee's role was to seek assurance that the Council's risk management arrangements were working effectively to support the Council in achieving its priorities.
- The risk management processes had operated throughout the year in line with the Council's Risk Management Framework. The arrangements had been enhanced through the implementation of the Council's risk management software (JCAD) which was available to all risk owners and senior management allowing them to view and update their risks and which provided

a more efficient risk management process and more effective reporting of risk information.

- Key areas of work identified for 2023/24 included reviewing and updating the Council's Risk Management Framework; maintaining routine risk processes; providing risk training; refreshing the Council's Corporate Risk Register; and continuing to refine and enhance JCAD. In addition, the Council could enhance its risk management arrangements in terms of project risk management and consideration of risk in decision-making, but delivery of this work was dependent on Mid-Kent Audit resources being available.

Having considered the response to its questions relating to the mitigations in place to manage the risks associated with the introduction of voter ID; the changes to the current risk profile; the reasons for the reduction in the number of risk management days delivered in 2022/23; the effectiveness of the new JCAD software and the feedback on the training sessions provided on the system; and the monitoring of risks on the horizon which were not yet sufficiently clear to articulate as risks and manage, but which could have a significant effect on the delivery of the Council's strategic priorities, the Committee:

**RESOLVED:** That the Risk Management Annual Report 2022/23 be noted.

90. INTERNAL AUDIT AND ASSURANCE PLAN 2023/24

The Head of Mid-Kent Audit Partnership presented the Internal Audit and Assurance Plan 2023/24 describing how the Plan was compiled, the resources available through the Partnership and the specific audit activities and engagements to be delivered over the course of the year to support the 2023/24 Head of Internal Audit Opinion. It was noted that:

- The Public Sector Internal Audit Standards required the Audit Partnership to produce and publish a risk-based Plan at least annually to determine the priorities for the year. The Plan needed to be flexible and responsive to emerging and changing risks and changing Council priorities.
- In terms of resourcing the Plan, Mid-Kent Audit was currently going through a period of significant staffing change. The Head of Mid-Kent Audit Partnership was reviewing the structure of the team and it was likely to be July before all the posts were filled. However, Mid-Kent Audit also had access to sources of specialist expertise through framework agreements with audit firms which included access to subject matter experts.

Having considered the responses to its questions relating to the risks associated with staff wellbeing and turnover; following up previous projects which had resulted in 'weak' audit assurances such as Contract Management, Safeguarding and Planning Enforcement; linking the Risk Register to the Audit Plan and the development of a five-year rolling programme of audit projects; the prioritisation of audit projects; the Collaboration Agreement and the calculation for determining the number of audit days allocated to each partner authority; and the timeframes for responding to audit findings and how this would be addressed in the Audit Charter, the Committee:

## **RESOLVED:**

1. That the Internal Audit and Assurance Plan for 2023/24, attached as Appendix 1 to the report of the Head of Mid-Kent Audit Partnership, be approved with a delegation to the Head of Mid-Kent Audit Partnership to keep the Plan current for in-year emerging risks.
2. That the Head of Mid-Kent Audit Partnership's view that Internal Audit currently has sufficient resources to deliver the Plan and a robust Head of Audit Opinion be noted.
3. That the Head of Mid-Kent Audit Partnership's assurance that the Plan is compiled independently and without inappropriate influence from management be noted.

### 91. EXTERNAL AUDITOR'S PROGRESS REPORT & SECTOR UPDATE

Sophia Brown, Key Audit Partner from Grant Thornton, the External Auditor, presented a report providing an update on progress with auditing the 2021/22 Statement of Accounts drawing attention to the key areas of outstanding work which were audit sample testing; supporting information from the Council's external valuer in connection with work on Property, Plant and Equipment and investment property revaluations; and 'hot review queries' which required further work by management to clarify the position.

Ms Brown explained that following the drafting of the progress report she and Trevor Greenlee, the Engagement Manager had met with the Director of Finance, Resources and Business Improvement and the Head of Finance to discuss how the audit could be progressed further particularly in the area of valuations. As a result, the Council had facilitated a meeting with the external valuer which would take place the following day. The External Auditor was aiming to conclude the audit in April 2023, ahead of starting work on NHS accounts, and to report their findings to the July 2023 meeting of the Committee. Subject to completion of the work on the 2021/22 audit, the aim was to commence planning work on the 2022/23 audit in July 2023.

In response to questions, Ms Brown explained that:

- In terms of time frames and audit planning, it was important to set realistic and achievable targets to give the best chance of getting the work done in a timely manner to the quality necessary to meet auditing standards.
- Grant Thornton now had a stable team in place for the Maidstone audits.
- A review would be undertaken at the end of March to identify the areas to be focused on to get the fieldwork complete.

Concern was expressed about the delay in completing the 2021/22 audit and that Grant Thornton would stop work across the whole local government sector to enable it to move on to NHS accounts.

The Committee discussed the Audit and Risk Assurance Committee Effectiveness Tool published by the National Audit Office (NAO) to support Audit Committees in assessing their effectiveness.

The Director of Finance, Resources and Business Improvement explained that this was a matter for the Executive to consider in the context of other things it might do; for example, the Local Government Association had a process of corporate peer challenges which was another way to assess the Council's performance more broadly than just in terms of audit. He would raise the matter with the Executive.

The Head of Mid-Audit Partnership undertook to consider the NAO's guide when engaging with the Committee on its Annual Report to the Council on its role and effectiveness.

**RESOLVED:** That subject to the points raised during the discussion, the External Auditor's progress report and sector update, attached as Appendix 1 to the report of the Head of Finance, be noted.

## 92. BUDGET STRATEGY - RISK ASSESSMENT UPDATE

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

- As the financial year end for 2022/23 approached, there was a reasonable level of confidence that the Council would remain within budget for the year. Looking forward to 2023/24, the Council had set a balanced budget for the year at its meeting on 22 February 2023. However, the Council faced a number of significant risks in continuing to deliver its strategic priorities within the budget framework.
- There were significant service pressures, notably the Council's obligation to provide temporary accommodation. Whilst the budget allows for current levels of demand continuing over the medium term, there was a risk that expenditure could increase still further.
- £700,000 of ongoing new revenue budget expenditure in 2023/24 had been funded from one-off sources, which created further pressure to deliver savings in future years.
- The Council had an ambitious Capital Programme. Capital investment was subject to a high degree of risk, arising from the volatility of input prices and the inherent risk associated with construction projects. Additional costs would make it more difficult to fund the Capital Programme.
- The long delayed 'fair funding settlement' by the Government, whilst now unlikely to be implemented before the next General Election, might impact Maidstone adversely.

Having considered the responses to questions relating to the implications of (a) the use of funding from one-off sources to increase the salary budget and (b) the 3% Council Tax referendum limit being well below the level of inflation, the Committee:

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

93. DURATION OF MEETING

6.30 p.m. to 8.40 p.m.