

MAIDSTONE BOROUGH COUNCIL

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

MINUTES (PART I) OF THE MEETING HELD ON 11 APRIL 2024

Present:

Committee Members:	Councillor Cox (Chairman) and Councillors Bartlett, Coulling (Parish Representative), Harper, Jones, Knatchbull, Titchener (Parish Representative) and Trzebinski
Cabinet Members:	Councillor John Perry – Cabinet Member for Corporate Services
External Attendees:	Ms Sophia Brown – Grant Thornton (External Auditor)

82. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Forecast.

83. NOTIFICATION OF SUBSTITUTE MEMBERS

There were no Substitute Members.

84. URGENT ITEMS

The Chairman stated that:

There was an urgent update to item 12 (Revised Members' Code of Conduct and Arrangements for Dealing with Councillor Conduct Complaints) which he had accepted. There were (a) changes to the definition of "Co-opted Member" and the composition of the Hearings Panel and (b) the Complaint Form referenced in Annex 1 (Procedure on Receipt of a Complaint) was now included. The recommendations had been amended to reference the urgent update.

There was also an urgent update to item 15 (Statement of Accounts 2022/23) which he had accepted. Recommendation 2 in the report had been amended as there were updated figures on one page of the External Auditor's Audit Findings Report to reflect the accounting treatment of grants received in advance.

85. NOTIFICATION OF VISITING MEMBERS

Councillor Perry was present as a Visiting Member for all reports on the agenda.

86. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

87. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

88. EXEMPT ITEMS

RESOLVED: That the items on Part II of the agenda be taken in private as proposed because of the likely disclosure of exempt information for the reason specified, having applied the Public Interest Test.

89. MINUTES (PARTS I AND II) OF THE MEETING HELD ON 15 JANUARY 2024

RESOLVED: That the Minutes (Parts I and II) of the meeting held on 15 January 2024 be approved as a correct record and signed.

90. QUESTION AND ANSWER SESSION FOR MEMBERS OF THE PUBLIC

There were no questions from Members of the public.

91. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members to the Chairman.

92. COMPLAINTS RECEIVED UNDER THE MEMBERS' CODE OF CONDUCT

The Monitoring Officer introduced his report setting out details of complaints received and closed under the Members' Code of Conduct for the period 1 March 2023 to 28 February 2024.

During the discussion on this report, it was suggested that the Maidstone Area Committee of the Kent Association of Local Councils be asked to seek the views of its members as to whether they would like a Parish Council to be identified when one of its Councillors, remaining anonymous, was the subject of a complaint to enable trends to be identified and training provided.

Concern was expressed that putting more information into a monitoring report such as this which could identify people would not be in the public interest. None of the complaints listed in this report had been upheld, having failed the local assessment criteria and/or the legal jurisdiction test. If a complaint was upheld, the Monitoring Officer would discuss the matter with the person concerned and action would be taken. Training should be provided for Borough and Parish Councillors on the Code of Conduct and the Nolan Principles, but it was a separate issue from disclosing information.

The Chief Executive assured the Committee that notwithstanding complaints having to satisfy particular criteria before being progressed, if the Officers began to see clusters or patterns there had been occasions in the past when she had spoken informally to the Chairman of the Maidstone Area Committee of the Kent Association of Local Councils about the support that could be provided for example to the Chairman of a Parish Council or to a Parish Council more widely.

Without a recommendation being made, it was felt that it would be helpful if the Chief Executive could have a conversation with the Chairman of the Maidstone

Area Committee of the Kent Association of Local Councils on the issues raised during the discussion on this report.

RESOLVED: That the report setting out details of complaints received and closed under the Members' Code of Conduct for the period 1 March 2023 to 28 February 2024 be noted.

93. REVISED MEMBERS' CODE OF CONDUCT AND ARRANGEMENTS FOR DEALING WITH COUNCILLOR CONDUCT COMPLAINTS

The Monitoring Officer introduced his report and urgent update setting out proposed changes to the Council's Member Code of Conduct and arrangements for dealing with Councillor conduct complaints following a review of Local Government Ethical Standards by the Committee on Standards in Public Life and the consultation exercise carried out with the Maidstone Area Committee of the Kent Association of Local Councils (KALC) as requested at the last meeting.

The Monitoring Officer advised the Committee that:

- This matter was deferred at the last meeting to provide an opportunity for KALC to be consulted on the proposed amendments to the Member Code of Conduct. He had considered the suggestions provided by KALC and as a result additional amendments were proposed.
- When considering the proposed amendments, it should be borne in mind that the purpose of the Code of Conduct was to regulate behaviours of Maidstone Borough Councillors and Co-opted Members, but a Parish Council was free to adopt its own Code of Conduct pursuant to Section 27 of the Localism Act 2011.
- The urgent update included an amended definition of Co-opted Member to align with the definition in Section 27 of the Localism Act 2011; the reinstatement of the deleted words "plus one non-voting Parish Councillor when a Parish Councillor is the subject of a complaint" at paragraphs 2.1 and 2.2 of the Hearing Panel Rules of Procedure; and a copy of the Complaint Form to be attached to the Procedure on Receipt of a Complaint.

During the discussion on the report, it was suggested by the Parish Council representatives that no changes be made to the Council's Member Code of Conduct and arrangements for dealing with Councillor conduct complaints at the present time to enable further work to take place to achieve a model which can be adopted by all Parish Councils without change.

RESOLVED:

1. That the proposed update to the Member Code of Conduct at Appendix 4 to the report of the Monitoring Officer be noted together with the urgent update.

Voting: 4 – For 3 – Against
Chairman's casting vote in favour

2. That the proposed update to the arrangements for dealing with Councillor conduct complaints at Appendix 4 to the 15 January 2024 report of the Monitoring Officer be noted together with the urgent update.
3. That the Democracy and General Purposes Committee be recommended to recommend to the Council that the Constitution be updated to include the Member Code of Conduct at Appendix 4 to the report of the Monitoring Officer, and the arrangements for dealing with Councillor conduct complaints at Appendix 4 to the 15 January 2024 report of the Monitoring Officer, together with the urgent update.

Voting: 4 – For 3 – Against
Chairman’s casting vote in favour

4. That the Council be recommended to adopt the Member Code of Conduct at Appendix 4 to the report of the Monitoring Officer, and the arrangements for dealing with Councillor conduct complaints at Appendix 4 to the 15 January 2024 report of the Monitoring Officer, together with the urgent update.

Voting: 4 – For 3 – Against
Chairman’s casting vote in favour

5. That the Monitoring Officer in consultation with the Chairman of the Audit, Governance and Standards Committee be authorised to effect editorial amendments prior to a report being submitted to the Democracy and General Purposes Committee.

Voting: 4 – For 3 – Against
Chairman’s casting vote in favour

Councillors Coulling and Titchener wished to emphasise that as Parish Council representatives on the Committee they did not have a vote on this matter.

94. HOUSING BENEFIT SUBSIDY CLAIM 2021/22

The Interim Head of Mid-Kent Revenues and Benefits Partnership introduced the report on the outcome of the work undertaken by Grant Thornton, the External Auditor, to certify the Housing Benefit Subsidy claim for 2021/22. It was noted that:

- The Housing Benefit Subsidy claim for 2021/22 was completed by Maidstone Borough Council Officers in April 2022 and checked during 2022/23. Unfortunately, due to staff resource issues at Grant Thornton, the External Auditor, the claim was not signed off until March 2024. Whilst the audit identified four errors for which an adjustment had to be made, the original claim as presented by the Council was held to be 99.99% accurate.
- The Housing Benefit Subsidy claim for 2022/23 had still to be reviewed by Grant Thornton.

In response to questions, the Interim Head of Mid-Kent Revenues and Benefits Partnership explained that the rigorous audit was a requirement of the Department for Works and Pensions (DWP) to ensure the accuracy of the Housing

Benefit Subsidy claim, and the Council did receive an administration grant from the DWP which partly offset the Officer cost involved.

RESOLVED:

1. That the findings of the audit of the Housing Benefit Subsidy claim 2021/22 undertaken by Grant Thornton be noted.
2. That the Revenues and Benefits Service be thanked for the accuracy of its work.

95. INTERNAL AUDIT AND ASSURANCE PLAN 2024/25

The Head of Mid-Kent Audit Partnership introduced her report summarising the risk assessment and consultation process undertaken by Internal Audit to compile the programme of work that would lead up to the 2024/25 Head of Internal Audit Opinion. It was noted that:

- The purpose of the Internal Audit and Assurance Plan was to provide adequate coverage of audits to deliver the annual Head of Internal Audit Opinion at the end of the financial year. The Public Sector Internal Audit Standards required audit planning to be built upon a risk assessment considering internal and external risks, including global and sector risks. When compiling the Internal Audit Plan, these risks were assessed along with other factors such as corporate priority, previous results, and the time since the last review. Organisational knowledge and the outcome of discussions with the relevant Officers would also feed into production of the Plan.
- In terms of resourcing the Internal Audit Plan, Mid-Kent Audit had been through a period of significant staffing change. There were still some vacant posts within the team following a recruitment campaign. A further recruitment campaign would commence shortly, and the opportunity would be taken to use contractors where necessary to bridge the resource gap.
- The Internal Audit Plan included details of how each of the audits would be delivered and the assurance themes that the audits were categorised under together with details of the planned audit engagements for the year ahead. There were audits covering the Council's financial systems, governance, infrastructure, operational services, and people policy. It was considered that this represented a sufficiently broad range to deliver a balanced audit opinion at the end of the year.

In response to questions by Members, the Head of Mid-Kent Audit Partnership advised the Committee that:

- Elections Management should have been an audit delivered during the last financial year, but due to electoral law changes and some constraints within the Electoral Registration team, it was considered more appropriate to move the project into 2024/25. The Electoral Services Manager had suggested that the audit take place after the May elections and before the general election to provide the assurance that the changes introduced by the new legislation had been implemented.

- The intention was to deliver as many of the planned audit projects as possible to provide the optimal level of coverage to give the annual Head of Internal Audit Opinion at the end of the financial year. Information relating to the prioritisation of audit projects would be included in future progress reports.

RESOLVED:

1. That the Internal Audit and Assurance Plan for 2024/25 at 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 as set out in the report.
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.

96. STATEMENT OF ACCOUNTS 2022/23

The Director of Finance, Resources and Business Improvement introduced the report setting out the Narrative Statement and audited Statement of Accounts, the External Auditor's Audit Findings Report and the Letter of Representation for 2022/23. It was noted that:

- Grant Thornton, the External Auditor, had completed the audit and had set out in their Audit Findings Report that they would be giving a clean opinion on the accounts.
- It had been reported this week that only 20% of local authorities in England had completed and had audited their accounts for the year 2022/23.
- There was an update to the report in that recommendation 2 had been amended as there were updated figures in the External Auditor's Audit Findings Report to reflect the accounting treatment of grants received in advance.

The Director of Finance, Resources and Business Improvement took the opportunity to thank the Council's Finance team and Grant Thornton for their work in bringing the audited Statement of Accounts 2022/23 to the Committee for approval.

Ms Sophia Brown of Grant Thornton advised the Committee that:

- She was pleased to say that Grant Thornton had completed their work on the 2022/23 financial statements and their value for money work covering both 2021/22 and 2022/23. It was her intention to issue an unqualified opinion for the financial statements and it would be issued once the period of public inspection had expired.
- With regard to the financial statements audit for 2022/23, audit materiality remained at the level set in the Audit Plan presented to the Committee in

January. Grant Thornton had completed all of their planned work against the significant risks identified in the Plan. The impact of the overrunning 2021/22 audit could not be understated. There were issues that Grant Thornton had identified in the prior year that impacted 2022/23. There might not have been time to implement recommendations arising from the 2021/22 audit for the 2022/23 financial statements as they were drafted in July and the 2021/22 audit was signed off in November. As set out in the report and update report, there were some adjusted and unadjusted misstatements and some misclassification and disclosure changes.

- The timing of the audit coincided with a period when the Finance team had a lot of competing priorities and demands, and she wished to thank them for committing to and delivering the audit within the first three months of 2024.
- Further matters to highlight included the engagement with the Council's External Valuer, three errors identified in the accounting of asset revaluations, a prior period adjustment that had been made to the financial statements in relation to Maidstone Museum and the componentised accounting of that asset, issues relating to property, plant and equipment valuations, the need to obtain an updated IAS19 report for 2022/23, and some of the challenges relating to the journal work undertaken and some other areas of the audit.
- She had already discussed with the Director of Finance, Resources and Business Improvement the possibility of having an audit debrief after the opinion was signed to work on improving the audit process for 2023/24. Planning and risk assessment work on the 2023/24 audit was substantially complete. The draft Audit Plan would be shared with management in May and the Audit Plan would be presented to the next meeting of the Committee.

In response to questions, Ms Brown advised the Committee that:

- It was anticipated that the 2023/24 audit would go much more smoothly. The problems experienced with the 2022/23 audit related to issues overrunning from the previous year. The audit was signed off so much later that there was no time to rectify issues identified. That should not be the case for 2023/24. In addition, 2023/24 was not a year in which there was much change in relation to the financial statements.
- The current indication was that the backstop date for the 2023/24 audit would be the end of May 2025. The plan was to have the audit finished by the end of this calendar year with a view to submitting a report to the Audit, Governance and Standards Committee in January 2025, well in advance of the backstop date.

Members wished to emphasise that they had attended a briefing about the accounts with Officers and a representative of Grant Thornton in advance of the meeting.

RESOLVED:

1. That the audited Narrative Statement and Statement of Accounts for 2022/23 be approved.
2. That the External Auditor's revised Audit Findings Report be noted.

3. That the External Auditor's Letter of Representation be noted.
4. That the Finance team and Grant Thornton be thanked for their work on the preparation of the Council's financial statements for the year ended 31 March 2023 and the audit of those statements.

97. EXTERNAL AUDITOR'S ANNUAL REPORT 2021/22 AND 2022/23

The Director of Finance, Resources and Business Improvement introduced the report setting out the External Auditor's Annual Report for 2021/22 and 2022/23. It was noted that alongside the audit of the financial statements, Grant Thornton, the External Auditor, was required to report on the Council's arrangements to secure economy, efficiency, and effectiveness in its use of resources. Grant Thornton's work on the 2021/22 audit was delayed, so the opportunity had been taken, in accordance with NAO guidance, to combine reports for 2021/22 and 2022/23. The report had identified no significant weaknesses, but recommendations had been made which were being addressed.

Ms Sophia Brown of Grant Thornton drew the Committee's attention to the improvement recommendations made in relation to financial sustainability, governance and improving economy, efficiency and effectiveness, and the management responses.

In response to comments regarding the need for more analysis of the full life cost of the current Capital Programme to ensure it is reasonable and affordable, the Director of Finance, Resources and Business Improvement advised the Committee that as set out in the Budget Strategy Risk Assessment Update, the Capital Programme was a very significant risk area for the Council. It was a major undertaking to deliver a Capital Programme of this size and it was important to report on it, monitor the risks and ensure it was affordable. At present the Council did not have significant levels of borrowing, but the Officers were aware of the need to increase the visibility of the costs of borrowing and further details would be added to future Committee reports. Care was taken to ensure that there was a valid business case for all capital expenditure, including the cost of borrowing, as it was necessary as part of the assessment to demonstrate that a sufficient rate of return would be achieved to meet the capital financing costs.

During the discussion, the Finance team and the Internal and External Auditors were thanked for their work.

RESOLVED: That the External Auditors Annual Report for 2021/22 and 2022/23, attached as Appendix A to the report of the Head of Finance, be noted.

98. 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:

- With the final outturn for the 2023/24 financial year expected shortly, it was anticipated that there would be a small overspend. This was the net effect of an overspend on temporary accommodation offset by some underspends, including a reduced level of borrowing costs owing to slippage in the Capital

Programme and a higher level of interest income from holding cash. Although the purchase of property by the Council for temporary accommodation through the Capital Programme would bring down spending, there was a risk of continued overspends in 2024/25.

- The Council had set a balanced budget for 2024/25, but there would be a challenge in delivering savings to offset the budget gap projected for subsequent years.
- There were risks associated with delivery of the Capital Programme. In particular, providing the subsidy necessary to deliver affordable housing depended on the Council continuing to receive central government support.

During the discussion, it was suggested that consideration be given to:

- (a) Splitting out the issues around homelessness and temporary accommodation as a separate major budgetary risk from Risk A (Failure to contain expenditure within agreed budgets); and
- (b) Splitting Risk J (Capital programme cannot be delivered given available budgets and funding) into two risks, one covering the affordable housing programme and one covering the other capital projects.

The Director of Finance, Resources and Business Improvement advised the Committee that he would make the presentational changes suggested, but wished to point out that the budget risk register was not the only way that these issues were addressed as there was also a corporate risk register which looked at all the service and other risks faced by the Council, including housing.

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

- (a) Split out the issues around homelessness and temporary accommodation as a separate major budgetary risk from Risk A (Failure to contain expenditure within agreed budgets); and
- (b) Split Risk J (Capital programme cannot be delivered given available budgets and funding) into two risks, one covering the affordable housing programme and one covering the other capital projects.

99. EXCLUSION OF THE PUBLIC FROM THE MEETING

RESOLVED: That the public be excluded from the meeting for the following item of business because of the likely disclosure of exempt information for the reason specified, having applied the Public Interest Test:

	Head of Schedule 12A and Brief Description
Independent Member	1 – Information Relating to an Individual

100. INDEPENDENT MEMBER

Having considered the further information provided in the report and at the meeting, the Committee:

RESOLVED:

1. That the previous recommendation to the Council that the person proposed by the Selection Panel be co-opted as an Independent Member of the Audit, Governance and Standards Committee, with a six-month review period for both the co-optee and the Council, be not proceeded with.
2. That the Officers be instructed to recommence the selection process.

101. DURATION OF MEETING

6.30 p.m. to 8.40 p.m.