

MAIDSTONE BOROUGH COUNCIL

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

MINUTES OF THE REMOTE MEETING HELD ON 14 SEPTEMBER 2020

Present: Councillor Harvey (Chairman) and Councillors Adkinson, Brindle, Coulling (Parish Representative), Cox, Daley, Fissenden, Perry, Round and Titchener (Parish Representative)

Also Present: Mr Paul Dossett and Ms Tina James of Grant Thornton (External Auditor)

118. APOLOGIES FOR ABSENCE

There were no apologies for absence.

119. NOTIFICATION OF SUBSTITUTE MEMBERS

There were no Substitute Members.

120. URGENT ITEMS

The Chairman said that, in her opinion, the updated audit findings report and progress report of the External Auditor should be taken as urgent items as the documents related to the 2019/20 Statement of Accounts which were already included on the agenda.

121. NOTIFICATION OF VISITING MEMBERS

There were no Visiting Members.

122. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

123. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

124. EXEMPT ITEMS

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

125. MINUTES OF THE MEETING HELD ON 29 JULY 2020

RESOLVED: That the Minutes of the meeting held on 29 July 2020 be approved as a correct record and signed.

126. QUESTION AND ANSWER SESSION FOR MEMBERS OF THE PUBLIC

There were no questions from members of the public.

127. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members to the Chairman.

128. COMMITTEE WORK PROGRAMME

The Committee considered its work programme for the period 16 November 2020 to 31 March 2021.

The Head of Audit Partnership advised the Committee that the Internal Audit Interim Report 2020/21 was scheduled to be submitted to the Committee in November 2020. However, due to the changes made to the Internal Audit and Assurance Plan to reflect updated priorities as a result of COVID-19, there had been a delay and it was suggested that the Interim Report be put back to January 2021 when more of the Plan will have been completed.

In response to questions, the Head of Audit Partnership advised the Committee that:

- The arrangement was that individual Internal Audit projects would only be reported back to the Committee if they received an adverse assurance rating which was a weak or poor assurance rating in the current system. In the absence of an adverse assurance rating on an individual project, it would be summarised in Internal Audit's interim or annual reporting. Remote IT access had been included in the updated Internal Audit and Assurance Plan and would follow the same path as every other project i.e. if, when the review was completed, there was an adverse assurance rating, it would be reported back to Members as a separate item. If it received a positive assurance rating, the findings would be summarised as part of a larger report.
- Contract management had been reported to Members as a separate item because it had received an adverse assurance rating. The Council was currently working towards implementing the agreed actions arising from the review and it was an area that would be looked at in detail as part of next year's plan. Contract management was an incidental part of a number of other reviews and further information would be gathered as the Plan was completed.
- If issues relating to decision making or governance were encountered as part of other reviews, the Plan was flexible and he might ask the Internal Audit team to look at the topic individually, but it was not included in the Plan at present.
- The Internal Audit team was looking to pilot a piece of work at Ashford Borough Council about remote working and might undertake a similar piece of work at Maidstone in due course. However, based on the risk

landscape at the moment it was not a topic that would be taken forward at Maidstone at this time.

RESOLVED: That subject to the submission of the Internal Audit Interim Report 2020/21 being put back to January 2021, the Committee work programme be noted.

Note: Councillor Fissenden joined the meeting during consideration of the Committee work programme (6.40 p.m.).

129. COMPLAINTS RECEIVED UNDER THE MEMBERS' CODE OF CONDUCT

The Principal Solicitor, Contentious and Corporate Governance, presented her report updating the Committee on complaints under the Members' Code of Conduct (a) previously reported as under consideration and (b) received in the period 1 March 2020 to 1 September 2020. The report also included an update on the Local Government Association's (LGA) draft Model Member Code of Conduct.

The Principal Solicitor, Contentious and Corporate Governance, advised the Committee that:

- The complaints related mainly to Parish Councillors, but only four Parish Councils were involved and there did not appear to be any widespread single issue. Recommendations and suggestions had been made regarding training where appropriate, but no responses had been received. This could be due to the COVID-19 pandemic.
- Following the last meeting of the Committee in July 2020, the Monitoring Officer had contacted the LGA asking for an extension of time on the consultation on the draft Model Member Code of Conduct but did not receive a response. It was understood that the consultation was now closed and that the LGA was considering the responses and would publish its conclusions in due course.

In response to questions, the Principal Solicitor, Contentious and Corporate Governance, explained that:

- The Localism Act 2011 required all Parish Councils to adopt a Member Code of Conduct. They were permitted to adopt their own Code or to adopt that of the Principal Authority. Most Parish Councils in the Maidstone area had adopted a similar Code to the Borough Council based on a Kent-wide model. A few Parish Councils had adopted their own Code. Although Parish Councils were required by law to adopt a Member Code of Conduct, there was no sanction or punishment if they failed to do so. She was not aware of any Parish Councils in the Borough that did not have a Member Code of Conduct. They were mostly adopted around 2012 and were usually published on the Parish Council's website if it had one.
- The complaints made against Parish Councillors involved four Parish Councils, but not necessarily the same complainants or subject

Members and there did not seem to be one issue that was recurring across all Parishes. This type of data was kept under review by the Monitoring Officer.

- Once there was a national adopted version of the Model Member Code of Conduct, that would be considered by the County Council and they would take a view on what they would want to take forward as their adopted model. That would then be looked at by the Principal Authorities who would decide for themselves what they want to adopt and then Parish Councils would have the discretion to decide whether they wish to adopt the same Code as the Principal Authorities or adopt their own version.

During the discussion concern was expressed that the draft Model Member Code of Conduct was a loosely and badly drafted document and to adopt it would be a retrograde step. The Principal Solicitor, Contentious and Corporate Governance, confirmed that these views had been conveyed to the LGA.

RESOLVED: That the report be noted.

130. AUDIT, GOVERNANCE & STANDARDS COMMITTEE ANNUAL REPORT 2019/20

The Head of Audit Partnership presented the Committee's Annual Report 2019/20. It was noted that:

- The production and presentation of an annual report was required by the Committee's Terms of Reference. The purpose of the report was to outline where the Committee had gained assurance during the year, particularly over areas of governance, risk management, standards and internal control.
- The overall conclusion was that, based on the activity during the year, the Committee could demonstrate that it had appropriately and effectively fulfilled its duties during 2019/20. The Committee had continued to work in partnership with the Council's Internal Auditors, Finance Team, Senior Officers and appointed External Auditors to provide independent assurance to the Council on a wide range of risk, governance, internal control and conduct related issues.

The Committee agreed that subject to minor presentational improvements suggested by the Chairman and Vice-Chairman and accepted by the Head of Audit Partnership, the Audit, Governance and Standards Committee Annual Report for 2019/20 be approved for submission to the Council.

The Head of Audit Partnership advised the Committee that he would be meeting with the Chairman and the Director of Finance and Business Improvement to discuss the programme of updates and development briefings to be delivered during 2020/21. Members were requested to submit suggested topics and formats for consideration. One possible topic

could be the results of the independent review, led by Sir Tony Redmond, into the effectiveness of local authority financial reporting and audit.

RESOLVED:

1. That subject to minor presentational improvements suggested by the Chairman and Vice-Chairman and accepted by the Head of Audit Partnership, the Audit, Governance and Standards Committee Annual Report for 2019/20 be approved for submission to the Council.
2. That the Officers be thanked for their work in difficult circumstances due to COVID-19.

131. 2020/21 UPDATED INTERNAL AUDIT & ASSURANCE PLAN

The Head of Audit Partnership submitted a report setting out an updated Internal Audit and Assurance Plan for 2020/21 following significant changes to the Council's risks and priorities as a result of the COVID-19 pandemic and the diversion of audit time towards the emergency response. It was noted that in preparing the Plan, the Internal Audit team had consulted widely within the audit profession, conducted research on published audit plans across various authorities paying attention to changes that would be relevant to Mid-Kent Audit and consulted senior managers across the Council on changes to their risks and priorities. The Plan reflected these changes and would be kept under review.

The Head of Audit Partnership said that he wished to highlight the work which would be undertaken in relation to (a) Remote IT Access due to the significant increase in remote access demands with homeworking and (b) the Community Hub.

In response to questions, the Head of Audit Partnership advised the Committee that:

- In terms of the implications of a disorderly Brexit, it had been the intention as part of the 2019/20 Plan to undertake an examination of the Council's emergency planning arrangements. That review was not taken forward because the COVID-19 pandemic provided a live test of those arrangements and the assurance required. The Council's approach to Brexit was not included in the Plan at present, but it could be added as the risk develops over the next few months.
- The decision, in consultation with the Planning service, to remove the proposed review of Community Infrastructure Levy arrangements from the Plan and to concentrate audit time on Section 106 agreements was due to the need to prioritise as a result of the overall reduction in audit resources and was in line with the priorities set earlier in the year.
- The proposed review of Planning Administration had been removed from the Plan due to the significant fall in the number of planning applications which lowered the audit risk. This might change, but, at

present, it would be difficult to make a sample that could be examined.

- The audit review of Climate Change would involve looking at the action plan and making sure that arrangements are in place to achieve those actions.
- The audit review of Remote IT Access had been added to the Plan as a high priority. Internal Audit would examine the arrangements for managing access and keeping systems accessed remotely secure. The review was scheduled for completion in quarter two with a final report by the end of the calendar year.

RESOLVED:

1. That the updates to the 2020/21 Internal Audit and Assurance Plan be approved.
2. That the approach for keeping the Plan current through the year be noted.
3. That the Head of Audit Partnership's conclusion that he has updated the Plan with independence and objectivity free from undue influence be noted.

132. ACCOUNTS 2019/20

The Senior Finance Manager (Client) introduced his report setting out an amended audited Statement of Accounts together with an updated audit findings report and progress report from Grant Thornton, the External Auditor.

The Senior Finance Manager explained that:

- The Statement of Accounts was submitted to the meeting of the Committee in July 2020 for approval, but audit work was still ongoing at that time including seeking assurance regarding the pension figures provided by the actuary. Subsequent audit work had led to further adjustments in respect of the capital figures in the Statement which could be summarised as follows:

The Brunswick Street car park should have been written out of the Property, Plant and Equipment balance following the disposal of the site for housing development. The net value of the car park was £0.273m.

The car park at the Lockmeadow Complex was now included as a separate asset as part of Property, Plant and Equipment. It had been previously included within the overall valuation of the Complex. The car park had been valued at £2.825m and the Balance Sheet figures for 2018/19 had been restated to reflect this, together with some other notes.

- Due to the ongoing work on the audit, further changes to the Accounts might be required. The Committee was therefore asked to delegate approval of any further non-material changes to the Director of Finance and Business Improvement in consultation with the Chairman and Vice-Chairman of the Committee. If any material changes were required, particularly in relation to the pensions issue, it would be necessary to report the Statement of Accounts back to the November meeting of the Committee for re-approval.

Mr Paul Dossett of Grant Thornton, the External Auditor, said that he did not anticipate the pensions figures being an issue. There were a few other minor matters that needed to be addressed, the principal one being the adjustment relating to the Lockmeadow car park which would have an impact on the Statement of Accounts. He would not expect any significant material issues to arise at this stage of the audit that would need to be reported to Members.

In response to questions:

Mr Dossett advised the Committee that:

- In terms of the Kent Pension Fund, all of the audit work was very close to completion.
- Typographical, grammatical and presentational errors in the External Auditor's audit findings report identified during the discussion would be corrected in the final version of the report.

The Director of Finance and Business Improvement advised the Committee that:

- The appropriate level of reserves was a matter of judgement, but in developing a new Medium Term Financial Strategy, consideration would be given to increasing the required minimum level of reserves to £4m.
- Action was being taken to improve performance in collecting related party disclosure forms.

The Head of Finance advised the Committee that:

- Typographical errors in the Statement of Accounts identified during the discussion would be corrected in the final version.
- If there were immaterial rounding errors, it was not the policy to go back and correct them as there could be a knock-on effect elsewhere in the Statement.
- A comment would be included in the notes to the Statement of Accounts to explain that the increase in the Chief Executive's salary related to her Returning Officer's pay rather than a general pay increase.

- In terms of revenue recognition, the Council was required to account on an accruals basis for both income and expenditure.
- The figures for Maidstone Property Holdings Limited would have to appear in the Accounts at the point that they became material, but consideration was being given to including them in 2021/22.
- On the Balance Sheet as at 31 March 2019 and 2020, short term liabilities related to the short term loans taken out following the acquisition of the Lockmeadow Complex when short term rates were very competitive. The movement in unusable reserves related to a combination of the pensions reserve and asset revaluations.

RESOLVED:

1. That subject to the typographical, grammatical and presentational errors raised in the discussion being corrected in the final version, the updated audit findings report, attached as Appendix 1 to the External Audit urgent update, be noted and that the representations contained therein be agreed.
2. That the progress report of the External Auditor, attached as Appendix 2 to the External Audit urgent update, be noted.
3. That subject to the points raised in the discussion, the amended audited Statement of Accounts 2019/20, attached as Appendix 1 to the report of the Senior Finance Manager (Client), be approved.
4. That in the event of any further non-material changes being required to the Statement of Accounts, approval be delegated to the Director of Finance and Business Improvement in consultation with the Chairman and Vice-Chairman of the Committee.

133. **BUDGET STRATEGY - RISK ASSESSMENT UPDATE**

The Director of Finance and Business Improvement introduced his report providing an update on the budget risks facing the Council. It was noted that COVID-19 had had a major impact on the Council's financial position. The position had not changed significantly since the last meeting of the Committee in July 2020, except that the likelihood of a rapid economic recovery appeared to have receded still further. There was also an increased risk of a disruptive transition to new trading arrangements with the EU on 31 December 2020 and the likelihood of a further one year funding settlement for local government in 2021/22 meant that the Council continued to lack the assurance needed for robust long term financial planning.

During the discussion, several Members expressed the view that it would be prudent to consider increasing the required minimum level of reserves to £4m.

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

134. DURATION OF MEETING

6.30 p.m. to 8.05 p.m.