

## **MAIDSTONE BOROUGH COUNCIL**

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

#### **MINUTES OF THE MEETING HELD ON MONDAY 15 MARCH 2021**

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

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

170. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Cuming and Fissenden.

171. NOTIFICATION OF SUBSTITUTE MEMBERS

Councillor Garten was present as Substitute Member for Councillor Cuming.

172. URGENT ITEMS

The Chairman agreed to take the External Auditor's qualification letter, as Appendix 1 to Item 12 – Housing Benefit Subsidy Claim 2019-20, which was not available when the agenda was published.

173. NOTIFICATION OF VISITING MEMBERS

There were no Visiting Members.

174. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members and Officers.

175. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

176. EXEMPT INFORMATION

**RESOLVED:** That all items be taken in public as proposed.

177. MINUTES OF THE MEETING HELD ON 18 JANUARY 2021

The Head of Audit Partnership updated Members that the revised assurance rating framework would be presented to the Committee in the Spring of 2022, rather than 2021. The Minute was correct however.

**RESOLVED:** That the Minutes of the meeting held on 18 January 2021 be agreed as a correct record and signed at a later date, subject to an amendment to Minute 168 to read:

*'reducing the cost of borrowing from the Public Works Loan Board by 1 percentage point'.*

178. QUESTION AND ANSWER SESSION FOR MEMBERS OF THE PUBLIC

There were no questions from Member of the public.

179. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members to the Chairman.

180. COMPLAINTS RECEIVED UNDER THE MEMBERS' CODE OF CONDUCT

The Senior Lawyer (Corporate Governance) introduced the report which covered the period 1 September 2020 to 1 March 2021. Since the last update had been provided to the Committee, three existing Parish Council (PC) complaints had been concluded; two through informal resolution and one was rejected.

A further four PC complaints had been received; three were rejected and one was not taken further due to a lack of engagement from the complainant. A complaint received against a Borough Councillor found that no breach of the code of conduct had occurred.

In response to questions, the Principal Lawyer highlighted that the Council's Constitution and Code of Conduct outlined the formal and informal routes in dealing with a code of conduct complaint.

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

181. HOUSING BENEFIT SUBSIDY CLAIM 2019-20

The Head of Revenues and Benefits Shared Services introduced the report and stated that the Council provided Housing Benefit on behalf of the Department of Work and Pensions, a condition of which is annual certification by external audit. The certification was undertaken by Grant Thornton.

The number of amendments made by staff members exceeded 50,000 for the year, with three errors identified resulting in changes to the claim form originally submitted. These amounted to an alteration in the claim submitted to the DWP of £168.

**RESOLVED:** That the findings of the Housing Benefit Grant Claim Certification undertaken by Grant Thornton be noted.

182. FRAUD & COMPLIANCE TEAM UPDATE 2019/20

The Head of Revenues and Benefits Shared Service introduced the report, stating that the fraud and compliance team worked across the Maidstone, Swale and Tunbridge Wells Authorities. An understanding had been reached for the team to generate at least £400,000 in savings whilst being mainly funded by Kent County Council (KCC).

In 2019/20 the focus on the National Fraud Initiative data and small business rate relief accounts and New Homes Bonus had generated a total of £1.3 million in savings.

For the current year, the re-deployment of staff during the Covid-19 pandemic was highlighted, however £1.5 million had been identified in savings so far in the current financial year.

KCC had introduced debt brought back into recovery into the fraud and compliance figures through online tracing of those residents that had absconded. A report providing the final savings figures generated for the current financial year would be presented to the Committee in the Summer of 2021.

In response to questions, it was confirmed that the savings figure for New Homes Bonus of £543,200 had been generated across all three local authorities.

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

183. ANNUAL RISK MANAGEMENT REPORT

The Deputy Head of Audit Partnership introduced the report and highlighted the importance of the Risk Management Framework (RMF) in delivering the Council's objectives. The RMF was last reviewed in 2019. In referencing Appendix 1 to the report, the three levels of risk identified were corporate, operational and project risks.

Risk owners were expected to actively manage the risks that fell above the Council's tolerance, which would be demonstrated through categorisation in the red or black areas within the risk matrix. A quarterly update on the corporate risks was provided to the Policy and Resources Committee.

The Risk Management Plan aimed to continually improve risk management, including the potential implementation of software to create, generate and increase the efficiency of the intelligence used for risk management purposes.

In response to questions, the Deputy Head of Audit Partnership confirmed that there had been increased engagement with the Corporate and Wider Leadership Teams from the outset of the pandemic on the corporate risk register. The Policy and Resources Committee now received quarterly

updates detailing all of the corporate level risks, as opposed to the previous 6-monthly updates.

Further explanation was given regarding the evaluation of risks against the impact categories, in that the risks were scored against all of the categories, not just finance. Detailed risk registers were maintained and would show individual impact scores against each category. The Deputy Head of Audit Partnership stated that the RMF was reviewed annually, which included risk appetite and tolerance, and that this took into account whether the levels of impact needed to be re-adjusted. The Corporate Leadership Team received quarterly updates on the RMF.

The Director of Finance and Business Improvement confirmed that the risks surrounding the Council's pensions scheme were considered from the Council's budget risks, rather than within the Risk Register, as it related to payroll costs.

**RESOLVED:** That the Risk Management Annual Report attached at Appendix 1 to the report, be discussed and noted.

184. INTERNAL AUDIT & ASSURANCE PLAN 2021/22

The Head of Audit Partnership introduced the report, referencing the importance of the Council's adherence to the Public Sector Internal Audit Standards. The consultations undertaken with various Council officers in producing the Audit Plan were outlined. It was noted that there was 500 available audit plan days for the period 2021/22, with 60% to focus on the core risk-based audit work. It was hoped that a staff vacancy within the service would be filled shortly.

It was stated that the Council had grown in complexity as an organisation, with the importance of providing the assurance needed with even greater efficiency and scope noted. However, the Head of Audit Partnership stated that he was satisfied that there was sufficient resources and capacity available to deliver the Internal Audit and Reassurance Plan and Head of Audit Opinion.

Particular attention was drawn to the High Priority Engagements within appendix 1 to the report, which had to be undertaken to produce a robust audit opinion. The Climate Emergency response had been delayed from the 2020/21 plan due to the Covid-19 pandemic, with Phishing responses included as a high priority due to the importance of managing the Council's IT system's integrity whilst staff were working remotely. Procurement had moved into a shared service with Tunbridge Wells Borough Council and it was important to assess its functionality. Residents' Parking had not been assessed for several years and with the transition from a paper-based to an electronic system, it was necessary to assess the service to ensure it retained a high level of control.

The medium priority engagements were referenced and would be updated throughout the year. The 'either/or' options for these engagements were

intended to moderate the impact of the work on other officers within the Council.

The follow-up actions were noted, with the possibility of verifying the Council's distribution of Covid-19 related business support grants highlighted, alongside the time allocated to Risk Management and Counter Fraud support. It was hoped that further training would be provided to Members and Officers on the latter, to include counter bribery.

The outcomes of the External Quality Assessment were referenced as the Committee had been provided with a Quality Assurance and Improvement Plan guide attached within Appendix 1 to the report. This included a list of the full audit universe.

The Head of Audit Partnership stated that every staff member in the Audit Team had either achieved or was working towards a professional qualification.

In response to comments, the Head of Audit Partnership stated that Contract Management was categorised as a medium priority due to Procurement having become a shared service, which had increased its priority. Contract Management would be prioritised within the medium priority actions. The Development [of] Capital Projects action could be included within the eight medium priority actions to be completed, depending on the level of progress made to the Council's capital programmes over the next year.

Business Continuity had not been considered since 2015/16 and the original list of areas to consider within the action had been significantly longer. The list had been reduced due to resource implications and it was felt that a retrospective exercise could be undertaken next year to assess Business continuity instead. Election Management would include postal voting, however the task would need to be conducted at a suitable time given the number of elections occurring in May 2021.

It was likely that Staff Performance Management would be considered. Tech Support was placed as a medium priority due to the importance of network security and phishing within the high priority action list. The Director of Finance and Business Improvement would continue to be consulted on Property Acquisition, for its inclusion in the Audit Plan when necessary. The flexibility of the plan was reiterated.

In response to questions, it was confirmed that the Councils' waste collection service was being considered. If Members wished to comment on any of the Council's services, they could contact the Head of Audit Partnership.

The Talent Management medium priority would consider how staff are supported in remote working and would likely be considered in next year's plan.

It was confirmed that the Committee would be presented with an executive summary of the work undertaken in completing Pre-Application Planning priority.

The Committee expressed their thanks for work undertaken.

**RESOLVED:** That

1. The Internal Audit and Assurance Plan for 2021/22, including that the Head of Audit Partnership be given delegated powers to keep the plan current as set out in Appendix 1 to the report, be agreed;
2. The Head of Audit Partnership's view that internal audit currently has sufficient resources to deliver the plan and a robust Head of Audit Opinion, be noted; and
3. The Head of Audit Partnership's assurance that the plan is compiled independently and without inappropriate influence from management, be noted.

185. EXTERNAL AUDITOR'S AUDIT PLAN 2020/21

Ms Tina James of Grant Thornton, the External Auditor, introduced the External Audit Plan for the year ending 31 March 2021. The significant risks related to expenditure recognition, management of override controls, valuation of land and buildings and valuation of net pension liability. The additional risks concerning expenditure recognition had been included following the annual risk assessment and review of the areas of focus.

The Committee were informed of the new Auditing Standards concerning Accounting Estimates and that additional work by Grant Thornton was necessary to provide assurance on the management approach and oversight from Members.

Ms James explained that the new Code of Audit Practice included a new approach to the Audit for Value for Money (VFM), which meant that further work concerning financial sustainability, governance and improving economy, efficient and effectiveness was needed. This was due to the widened scope of the VFM; however no significant areas of weakness had been identified thus far. An annual report would be presented to the Committee later in the year to outline the work undertaken in response.

There were concerns expressed that the triviality figure was too high and should be reduced. Ms James stated that the triviality figure was set in relation to the value of the Council's accounts and expenditure and that a 5% triviality figure was the standard value applied to Local Government Audits. Anything below £85,000 would be discussed with the finance team but not reported to the Committee.

In response to further questions, Mr Paul Dossett of Grant Thornton advised that the triviality factor could be reduced, but that the report produced as a result would be longer and that the purpose of an Audit was

to highlight matters of significance. Mr Dossett confirmed that the Audit Fee would unlikely be increased by reducing the triviality figure as the Audit testing was driven by materiality. The reporting threshold would not have an impact on the Audit Fees paid by the Council.

Mr Dossett explained that the 'Valuation of the pension fund net liability' as shown in Appendix 1 to the report, was a significant risk as it represented a significant value within the Council's accounts. Assessing the competence of the actuary that carried out the Council's pension fund valuation was completed through PWC (in this instance) as an Auditor's expert. Grant Thornton would then be given an assessment of the actuary's judgments and set a range in which the Council's valuations of the pension fund net liability should be situated.

By auditing standards, external auditors were not allowed to rely on the internal audit work on the Council's accounts, but that where reviews had taken place these would factor into the external auditor's risk assessments.

**RESOLVED:** That

1. The triviality figure be reduced to 2.5% for one year only; and
2. The External Auditor's Audit Plan be noted.

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

The Director of Finance and Business Improvement introduced the report and referenced the Medium Term Financial Strategy and Budget Proposals that had been agreed at the 24 February 2021 Council meeting. The aim was to eliminate the Council's £1.6 million budget gap over the next three years.

The risk of the resurgence of Covid-19 was highlighted, as the pandemic had significantly affected the Council's income streams. The importance of Central Government funding was noted, however there was no certainty of its longevity, with a new Local Government Funding Settlement to be announced for 2022-23.

The Committee were informed that the risk relating to the 'adverse financial consequence from a disorderly Brexit', as shown in Appendix 1 to the report, had been downgraded. This was as the short-term impacts, such as traffic disruption, had not been as significant as potentially possible. The 'Increased volume and complexity of government regulation' risk had been increased due to the resource implications of administering Covid-19 business grants, with the numerous data submissions required by Central Government highlighted. This was due to the additional responsibility placed upon Officers and the reputational risk of non-compliance.

In response to questions, the Director of Finance and Business Improvement confirmed that the likelihood column within Appendix 1 to

the report, whereby the budget risks were ranked, demonstrated the likelihood of the risk rather than the financial loss associated with each risk.

The risk of 'adverse impact from changes in local government funding' included the lack of assurance concerning central government funding in future years. The types of funding provided to Local Government through the pandemic, in reference to the Council's General Fund Balance, were referenced.

**RESOLVED:** That the updated risk assessment of the Budget Strategy, as shown at Appendix 1 to the report, be noted.

187. DURATION OF MEETING

6.30 p.m. to 8.24 p.m.