



**MINUTES of
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
29 JULY 2021**

PRESENT

Chairman	Councillor Mrs J C Stilts
Councillors	M R Edwards, Mrs J L Fleming, CC, M S Heard, A L Hull, S P Nunn and E L Stephens
In attendance	Councillors C Morris and N J Skeens

181. CHAIRMAN'S NOTICES

The Chairman welcomed all present and took the Committee through some housekeeping arrangements for the meeting.

182. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors R G Boyce and K W Jarvis.

183. MINUTES

RESOLVED by assent that the Minutes of the meeting of the Committee held on 25 March 2021 be approved and confirmed.

184. DISCLOSURE OF INTEREST

Councillor J L Fleming declared a non-pecuniary interest as a Member of Essex County Council in relation to any items on the agenda pertaining to that organisation.

185. PUBLIC PARTICIPATION

No requests had been received.

186. INTERNAL AUDIT REPORTS:- PROGRESS REPORT; AFFORDABLE HOUSING & HOUSING NEED AUDIT; KNOWLEDGE MANAGEMENT AUDIT AND FOLLOW-UP OF RECOMMENDATIONS REPORT

The Committee considered the report of the Director of Resources and associated appendices that covered four reports from the Internal Auditors BDO LLP namely, the *Progress Report*, *Affordable Housing & Housing Needs Audit*, *Knowledge Management Audit* and the *Follow-up of Recommendations Report*.

The Chairman introduced the reports and deferred to the Internal Audit Partner to present the detail. He took the Committee through the four reports in turn, starting with the *Progress Report*. He advised that the *Fraud Risk Audit* would be submitted to the next meeting, that a number of areas in the work plan for 2021/22 were now underway and that the Climate Change and Sustainability Strategy Audit had been moved to 2022/23. This was to allow for development of new sustainability strategies and plans to be completed before undertaking an Audit, thus ensuring a meaningful exercise.

Addressing the *Housing Needs and Affordable Housing Audit* he reported the key findings. The level of assurance was moderate on both design and effectiveness with good processes in place for putting together a strategy and identifying housing needs. Following a slow start, due to fewer schemes online at the introduction of affordable housing targets, the Council had since exceeded its target in 2018/19 and 2021/22. There was still work to be done to ensure the Council met its target year on year, the Housing Service Business Plan should be finalised and disseminated to all staff and a strategy put in place to manage S106 spend. It was noted that overall the response from Officers was positive and that COVID 19 had adversely impacted delivery rates in some areas.

The level of assurance on the *Knowledge Management Audit* was moderate in both design and effectiveness. The key findings included good processes in place in terms of identifying and documenting efficiencies and ensuring staff engagement. The next steps should include robust documentation of the prioritisation process and updating the Business Continuity Plan, in particular updating the lead officers.

With reference to the Follow-up of Recommendations report it was noted that three recommendations had been signed off and two were still overdue since the last iteration of the report. The overdue recommendations were Building Control and Flooding Risk Management. The Committee was reassured that since the resource issue had been resolved the Building Control work was underway with a revised completion date of September 2021. The Flooding Risk Management recommendation had a revised completion date of December 2021.

At this point the Chairman moved the recommendations in the report and these were seconded by Councillor Nunn. The Chairman then opened the debate.

In response to questions Officers provided the following information:

- That whilst the Council had exceeded its affordable housing targets in both 2018/19 and 2021/22 these were not consecutive years. The aim must be to consistently meet targets in each year of the Housing Strategy period. It was clarified that the Management Response was available on page 29 of the meeting pack.
- That now the vacancy had been appointed to in Building Control work was back on track and the audit recommendation would be implemented in September 2021.
- That Climate Change and Sustainability was one strategy. The aim was to provide enough lead in time to develop the strategy therefore it was more effective to move the completion date to 2022/23 when there was a concrete strategy to audit.
- That although the Housing Strategy was initially slow in meeting affordable housing targets there had been a marked improvement in the last three years, therefore, it was deemed on track to deliver planned targets.

- That the rumours about London Boroughs buying up affordable housing in the district was unfounded. That on the strategic sites residents had 100% nomination rights to affordable units.
- That the figures on completed and expected units (both 2021 and previous years) were maintained by Housing who continuously monitored, in liaison with Housing Associations and Developers, each step of the development on units. Those figures were then relayed to the Section 106 Officer who in turn reported on a bi-annual basis to this committee.

The Chairman then put the recommendations to the Committee and they were agreed by assent:

RESOLVED by assent that the Committee considered, commented and approved the:

- (i) Internal Audit Progress Report - July 2021 at appendix 1;
- (ii) Affordable Housing & Housing Need Audit – July 2021 at appendix 2;
- (iii) Knowledge Management Audit – June 2021 at appendix 3;
- (iv) Follow-up of Recommendations Report – March 2021 at appendix 4.

187. INTERNAL AUDIT - ANNUAL REPORT AND STATEMENT OF ASSURANCE 2020/21

The Committee considered the report of the Director of Resources together with the Internal Audit – Annual Statement of Assurance 2020/21 from BDO LLP attached at Appendix 1.

The Chairman deferred to the Internal Audit Partner to present the detail. He reported that the level of assurance of moderate was their second highest level of assurance on governance risk and control. On the whole he felt that looking at the individual opinions there was an improvement on last year with no limited opinions. This was a very positive conclusion despite the constraints of Covid and the pressures on staff. Given there were still some issues to address the Committee's attention was drawn to the 'Themes' section within the report where areas the Council might benefit focussing on had been summarised. It was acknowledged that there were ongoing challenges due to Covid, but overall plan delivery was on track.

The Chairman then moved the recommendation and this was seconded by Councillor Nunn.

In response to a query regarding the issue of limited opinion reports the Internal Audit Manager clarified there had been no limited opinion reports issued for this year ending 31 March 2021, however, as outlined in the report, one had been issued for 2019/20.

There being no further queries the Chairman put the duly seconded recommendation to the committee and it was agreed by assent.

RESOLVED by assent that the Committee considered, commented and approved the Internal Audit Annual Report and Annual Statement of Assurance 2020/21 at appendix 1.

188. EXTERNAL AUDIT - AUDIT PLANNING REPORT TO 31 MARCH 2021

The Committee considered the report of the Director of Resources together with the External Audit Planning report to March 2021 from Deloitte LLP, the Council's External Auditor attached at Appendix 1.

The Chairman introduced the report and deferred to the Audit Partner from Deloitte LLP to present the detail. The Audit Partner commenced by reminding Members that the work he carried out was in accordance with the Code of Audit Practice and supporting regulations which were published by the National Audit Office (NAO). The scope of the work included the audit of the accounts along with being satisfied that the Council had made proper arrangements for securing Value For Money (VFM). There had been significant changes to the code with respect to VFM which were set out in detail in the report. The materiality level used had been set on a consistent basis as in previous years and all areas over £60,000 were reported. He said that the pandemic had continued to impact the audit in terms of the risk profile as well as the way it was conducted and this was also detailed in the report.

There were two significant risks focussed on this year, the first was management override of controls, areas focussed on were preparation of accounting estimates, looking at inappropriate journal entries and transactions with no economic substance. The second was the recognition of Covid – 19 related income. There were a number of new grants with significant value that were accounted for in different ways. Additional areas of focus included pension liability and the valuation of property, plant and equipment..

The Chairman then moved the recommendation and this was seconded by Councillor Nunn.

In response to questions Officers provided the following information:

- That the pension scheme was administered by Essex County Council (ECC) and the Local Government Pension Scheme (LGPS) made the investment decisions. However, pension figures provided by ECC to Maldon District Council were impacted by those LGPS decisions. It was therefore imperative that the figures were audited to ensure they were correct as they constituted a large net liability on the Council's balance sheet..
- That in respect of the External Auditor's fees a number of discussions had taken place with the External Auditors and a briefing note circulated to all Members of the Committee. The scale fees were set some years back subject to fee variations and due to the nature and increases in audit requirements which had been substantial, those scale fees had seen a lot of increase. The current fees had been reduced through initial discussions. Once the Audit had been concluded the Auditor would submit the fees to the Public Sector Audit Appointments Limited (PSAA) who will review and give judgement on those. They will also liaise with the Council so we can put our views across. The PSAA benchmark across all local authorities' audits but the actual fee will not be agreed until the audit has been completed.. The Briefing Note will be re-circulated.
- That those uncorrected misstatements reported related to last year's accounts, they were below materiality, so no adjustments. The Valuation of the office related to the overflow carpark where there was a double count including the carpark twice. That in terms of the Mc Cloud Judgement, which related to the pension scheme, there was a late adjustment to the original pension value but because of the size of the scheme and the fact it was an estimate, this was not adjusted when subsequent information was received from the actuaries around the impact of the Mc Cloud judgement on the scheme.

There being no further queries the Chairman put the recommendation to the Committee and it was agreed by assent.

RESOLVED by assent that the Committee considered the External Audit Planning report as shown in appendix 1.

189. ANY OTHER ITEMS OF BUSINESS THAT THE CHAIRMAN OF THE COMMITTEE DECIDES ARE URGENT

There were none and the Chairman thanked all in attendance for their contributions prior to closing the meeting.

The meeting closed at 8.10 pm.

MRS J C STILTS
CHAIRMAN

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