



**MINUTES of
PERFORMANCE, GOVERNANCE AND AUDIT COMMITTEE
18 NOVEMBER 2021**

PRESENT

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| Chairman | Councillor Mrs J C Stilts |
| Vice-Chairman | Councillor K W Jarvis |
| Councillors | Mrs J L Fleming, CC, M S Heard, A L Hull, J V Keyes and E L Stephens |
| In attendance | Councillor C Morris |

381. CHAIRMAN'S NOTICES

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

382. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors R G Boyce and M R Edwards.

383. MINUTES

RESOLVED that the Minutes of the meeting of the Committee held on 23 September 2021 be approved and confirmed.

384. DISCLOSURE OF INTEREST

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

385. PUBLIC PARTICIPATION

No requests had been received.

386. INTERNAL AUDIT REPORTS

The Committee considered the report of the Director of Resources and associated Internal Audit reports from BDO LLP attached on the agenda at 6a to 6e, *Progress Report; Follow-up of Recommendations Report; Covid Recovery Plan Report; Partnerships Report and Fraud Risk Assessment.*

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. The *Progress Report* referenced the reports on today's agenda, a further six reports on the work plan due to be considered at the February Committee meeting together with the sector update. The *Follow-up of Recommendations report* contained some outstanding recommendations around flooding and affordable housing which would be completed in time for the meeting in February 2022.

Addressing the *Covid Recovery Plan* he advised that this was a very positive report with a substantial level of assurance for both design and effectiveness of controls. A very clear plan with good scrutiny and reporting lines. The auditors had undertaken some benchmarking and it compared well to others in the sector.

With reference to the *Partnerships Report* he advised that the level of assurance was moderate on both design and effectiveness of controls. The Council had identified its partnerships and there were good arrangements in place for nominating members. Areas to address were around distinguishing between the two different types of partnerships, both the strategic and formal partnerships; updating the thematic strategies to align with the refresh of the Corporate Plan and more formal feedback from partnerships in terms of minutes and Terms of Reference. It was noted that work was already in train on the two latter areas.

Finally, he addressed the *Fraud Risk Assessment* which was an advisory piece of work. It was noted that the last fraud risk assessment, assisted by Internal Audit, had taken place in 2014/15, therefore this was in need of updating to help inform and support the Council's counter fraud strategy. Overall there were good controls in place however, the Council could benefit from more data reviews around procurement and flagged the removal of councillor signatures from documentation. On the whole the report was very positive and it was noted that the Council had an Action Plan in place to cover aforementioned issues.

In response to Councillor Heard's question regarding the impact of Covid on the CRM audit the Director of Resources advised that the delay was due to demands made on both officer time and availability, having to manage business as usual together with managing the impact of Covid-19.

Councillor Jarvis addressing the final three reports said that he welcomed the work being done to provide formal feedback from partnership meetings. He concluded by congratulating the officers and the Council on the Covid Recovery Plan and the fact that under the Fraud Risk Assessment review table none of the risks were in the red priority zone.

There being no further queries the Chairman moved the recommendations and these were seconded by Councillor Jarvis. She then put them to the Committee and they were agreed by assent.

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

- (i) Internal Audit Progress Report – November 2021 at - **6a**;
- (ii) Follow-up of Recommendations Report - November 2021- **6b**;
- (iii) Covid Recovery Plan Report– October 2021 – **6c**;
- (iv) Partnerships Report– November 2021 at **6d**;
- (v) Fraud Risk Assessment Audit – November 2021 at **6e**.

387. UPDATE ON THE AUDIT OF THE 2020/21 ACCOUNTS

The Committee considered the report of the Director of Resources that provided an update for members on the audit of the 2020/21 accounts. The Chairman introduced the report and deferred to the Director of Resources to present the detail.

He took the Committee through the report and advised that since the last update the Public Sector Audit Appointments (PSAA) announced that only 9% of authorities had accounts audited by 30 September 2021, Covid-19 and pressures in the audit market were contributory factors.

As with the previous update the audit of Essex Pension Fund, which the auditors required for assurance on the Council's pension figures, was still outstanding and no completion date was yet known. However the audit of the accounts continued and the auditors had identified a classification error with some of the covid grants. In addition the auditors had used the gross figure, which included the covid grants, to inform their audit methodology and due to the high value of the grants this had a significant impact on the outcome. The auditors now needed to revisit their approach and conduct additional testing which impacted on both time and audit fees.

He concluded by reporting that revised figures were now with the auditors and that they were jointly working on a revised timetable to complete the audit.

In response to questions the Director of Resources advised:-

- That this was not a double audit, however, the usual round of checks and balances needed to be completed.
- That materiality was part of the methodology that set a threshold for items that the auditors were interested in. The materiality level informed the testing and reporting undertaken.
- That a written response regarding the top slicing of the Additional Restrictions Grant (ARG) would be circulated to all committee Members following the meeting.
- That the overall cost of the audit was not yet known, updated figures had been submitted to the auditors and the Council was awaiting further details.

Councillor Jarvis expressed concern regarding the additional fees as there should have been further options offered earlier given that the issue of uncertainty in dealing with covid grants was sector wide. He asked if the auditors had a figure regarding overall costs and if the late identification of the covid grants impact, which created repeat testing work, would be taken into consideration when determining the final cost.

The Director, Audit & Assurance from Deloitte said they were working on the updated figures from the Council, the final cost was not known, however, on the plus side, no new audit areas had been identified. He expected robust negotiations to reach a fair fee and reminded Members that should it not be possible to reach a mutually agreed level that the fees would be arbitrated through the PSAA.

There being no further discussion the Chairman moved the recommendation and it was seconded by Councillor Fleming. The Chairman then put this to the Committee and it was agreed by assent.

RESOLVED that the report was considered.

388. DECISION TO OPT INTO THE NATIONAL SCHEME FOR AUDIT APPOINTMENTS

The Committee considered the report of the Director of Resources that set out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24. The Chairman introduced the report and deferred to the Director of Resources to present the detail.

He took the Committee through the report advising that in December 2016 the Council had opted into the Public Sector Audit Appointments scheme (PSAA) for the period 2022/2023. Procurement was now underway for 2022/2023 and there were three options available 1) the Council arranges its own procurement, 2) works in conjunction with other like bodies or 3) joined the PSAA. Given the additional work involved under options 1) and 2) the recommendation in the report was to opt into the PSAA. The rationale was that this would provide economies of scale, expertise and avoid the risk and resource required to operate an Independent Auditor Panel. Furthermore, in the last operating period only 9 of 485 qualifying authorities opted out of the national scheme, with 2 already opting back in. Those that remained outside were unhappy with current arrangements.

Councillor Jarvis echoed these views and said that it was very expensive to set up the required infrastructure locally and that the PSAA had the type of expertise an organisation needed, an economically sound approach. This view was corroborated by the External Auditor who said it was prudent to have the support of the national scheme should difficulties arise.

There being no further discussion the Chairman moved the recommendation and it was seconded by Councillor Jarvis. She then put the recommendation to the Committee and it was agreed by assent.

RECOMMENDED that the Council accepted public sector audit appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

389. SECTION 106 6-MONTHLY UPDATE AND INFRASTRUCTURE FUNDING STATEMENT 2021

The purpose of this report was to provide Members with the 6-monthly update on the monitoring of Section 106 planning obligations and to seek approval of the Maldon District Infrastructure Funding Statement 2021, in accordance with the Council's legal duties.

The Chairman introduced the report and deferred to the Lead Specialist: Local Plans to present the detail. The report provided a 6 month update on S106 activity and also sought approval from the committee to publish the council's Infrastructure Funding Statement (IFS) 2020/2021. With reference to S106 she advised that since the last committee report the council had received payments from developers of just under £140,000 which funded health and youth facilities and £8,000 towards allotments all in Burnham-on-Crouch. A sum of £50,000 was paid to Essex Wildlife Trust for works to the Blue House Farm nature reserve. In addition the council had secured 11 affordable houses, 9 rented and 2 shared accommodation homes.

Addressing the IFS she advised that this was a mandatory requirement on the Council to publish the statement by the 31 December each year. During the 12 month period covered by the IFS requests for payments had generated £121,620 together with 150 affordable homes, 116 of which were affordable rented and 34 affordable shared ownership homes.

In response to questions officers provided the following information:

- That a workshop would be arranged to provide a refresh on S106 activities and to explore more effective ways of reporting S106 income to include amounts due; amounts triggered; amounts received; amounts spent.
- That the Infrastructure Implementation Group was an operational group and Member oversight was through the Performance, Governance and Audit Committee.
- That there was regular review to ensure monies were spent on time, working proactively with partners to encourage prompt delivery.
- That once development started and triggers were met the developers have to meet the triggers and pay the monies due within the terms of the S106 and most were area specific. All requests for payment were up-to-date.
- That further details of which developments had generated monies and where this had been spent would be circulated following the meeting.
- That the health funds currently held in the balance sheet would be spent by the NHS. The process was that they requested the funds and the Council remit the NHS as appropriate.
- That an update regarding progress on the surgery in Southminster, together with details of the location and developer in respect of affordable homes, would be circulated following the meeting

There being no further discussion the Chairman moved the recommendations and they were seconded by Councillor Jarvis and the Committee agreed them by assent.

RESOLVED

- (i) That the Committee considered the 6-monthly update on Section 106 planning obligations.
- (ii) That the Committee approved the Maldon District Council Infrastructure Funding Statement 2020-2021 for publication and government submission as set out in Appendix 1.

390. PROCESS IMPROVEMENT FRAMEWORK

The Committee considered the report of the Director of Strategy, Performance and Governance that introduced Members to the process improvement framework which provided context and detail about how the Council delivered continual improvement in line with best practice.

The Chairman introduced the report and deferred to the Programmes, Performance and Governance Manager to present the detail. She took the Committee through the report and drew attention to the full process improvement framework provided at Appendix 1 which outlined the Council's approach to continual improvement work at Maldon District Council.

The work commenced as part of the 2019 Council transformation and current activity was part of the existing staffing structure and formed an important part of the Council's

wider approach on performance issues and implementation of processes, identified as part of internal audits. The work also informed organisational learning from the last few years, supported both the value for money criteria of Maldon as a local authority, and wider corporate objectives, such as those set out in the Information and Communications Technology policy (ICT). The Committee noted the case studies of the type of work the team undertook, future plans, potential risks to delivery together with appropriate mitigations in place.

Finally she referred to recommendation (ii) and the request that the Committee appointed two members of the Performance, Governance and Audit Committee to work closely with the Process Improvement Team. The Chairman advised that two Members had declared an interest in doing so, namely, Councillor E L Stephens and Councillor Mrs J L Fleming and the Committee agreed this by assent.

Councillor Jarvis commended the report and said that the work had his full support as it added value. He asked for clarification that there was no additional cost involved and the Director of Resources advised the Committee that the process improvement activity required no additional resource input as it formed part of the existing Council structure.

There being no further discussion the Chairman moved the recommendations and these were seconded by Councillor Jarvis. She then put these to the Committee and they were agreed by assent.

RESOLVED

- (i) That the committee reviewed and fed back on the process improvement framework set out at Appendix A.
- (ii) That the committee appointed two member representatives and seeks two representatives from Overview and Scrutiny committee at its next scheduled meeting, to work closely with the team around website testing and customer feedback.

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

The meeting closed at 8.35 pm.

MRS J C STILTS
CHAIRMAN