



WATCH LIVE
on MK Council's YouTube channel
www.youtube.com/MiltonKeynesCouncil

Milton Keynes
City Council

Minutes of the meeting of the AUDIT COMMITTEE held on WEDNESDAY 27 JULY 2022

Present: Councillor Montague (Chair)

Councillors Cannon, Hall, Hosking, M Khan, Lancaster, Mahendran and Wardle and Independent Member Mr D Fletcher.

Officers: S Richardson (Director of Finance and Resources), J Fru (Chief Internal Auditor), A Rulton (Head of Finance), R Bates (Group Head of Revenue and Benefits), D Lamb (Audit and Risk Manager) and P Brown (Head of Democratic Services).

Also Present: Dr R Milford (Milford Research and Consultancy).

Apologies: Councillor Hussain, N Khan (substituted by Councillor M Khan) and B Nolan (substituted by Councillor Mahendran) and Independent Members Mr I Farookhi and Ms M Lynch.

AC03 INTRODUCTIONS AND WELCOME

The Chair welcomed members of the public and councillors, advising that the meeting was being held at the Civic Offices and a recording of the meeting would be available to view post-meeting via YouTube.

AC04 MINUTES OF PREVIOUS MEETINGS

RESOLVED -

That the minutes of the meetings of the Audit Committee on 2 February 2022 and May 18 2022 be agreed as an accurate record and signed by the Chair as an accurate record.

AC05 DECLARATIONS OF INTEREST

There were no declarations of interest.

AC06 PUBLIC PARTICIPATION

No questions or requests to speak on agenda items from the public had been received.

AC07 CHAIR'S ANNUAL REPORT

The Chair introduced the item and thanked the Chief Internal Auditor for helping to produce the report. Further points included:

- Attention was drawn to a necessary correction raised ahead of the meeting, whereby Councillor Baume was incorrectly listed as a Liberal Democrat councillor, rather than Labour.

- The Chair also gave thanks to D Wilkinson and D Imbimbo for their contributions to the Committee, as both had departed the Council since the last meeting.
- Two new Independent Members were recruited in 2021/22 – Ms M Lynch and Mr D Fletcher.

The Head of Democratic Services advised the Committee that the Chair's Annual Report would be taken to the Full Council in meeting in September with the necessary corrections.

RESOLVED –

1. That the work that the Committee completed during 2021/22 be noted and the Annual Report agreed, subject to an amendment to correct the Political Group of the late Carole Baume.
2. That the Annual Report be referred to Full Council.

AC08

DRAFT INTERNAL AUDIT ANNUAL REPORT

The Chief Internal Auditor introduced the report and highlighted the key points:

- The report provided Internal Audit's over-arching opinion on governance controls within the authority and formed an important part of the Council's control framework.
- The opinion of Internal Audit was that governance controls were satisfactory, which in terms of the definition states that some audit findings throughout the year were considered significant.
- Some of these findings were highlighted in the limited assurance opinion at 3.1 of the report.
- For the majority of the reviews, controls had operated as expected and therefore the rating was not lower than satisfactory.

Members of the Committee commented and heard:

- The number of items deferred or postponed was not considered extraordinary.
- The Committee were advised that the Housing Disrepairs Report referred to how the Council handled recouping funds from social housing tenants for repairs that were considered the responsibility of the tenant.
- Some of the findings considered significant had been actioned, but not completed at the time of the report. These actions would be covered as part of Internal Audit's follow-up process.
- During the Covid-19 pandemic, the Finance Team provided additional support to budget managers across the Council,

including assistance in completing some of the budget forecasts.

- From an Audit perspective, this was viewed unfavourably in terms of responsibility for budget holders.
- Audit of the Autism Service Team, which had previously been deferred, was not included in the plan for 2022/23 as the Management Team had indicated the team was well controlled and therefore attention should be given to higher priority areas.
- The number of tenancy fraud cases within the Housing Service did not necessarily indicate that all 45 were instances of fraud, but rather that this was the number of referrals investigated.
- The scope of the Housing Regeneration – Lakes Estate Audit noted in the report was to consider project governance and did not include budgeting.
- In response to questions, the Chief Finance Officer advised that the Milton Keynes Development Partnership (MKDP) was consolidated into the group accounts as it was both wholly owned by and materially significant to the Council.
- The Council, along with all public bodies, was required to contribute towards the National Fraud Initiative (NFI).
- As part of this initiative, national estimate of fraud incidence was provided based on the data supplied but this exercise was not replicated by the Council for Milton Keynes specifically.
- The Office 365 project received a limited assurance rating due to issues with project governance, but the issues found during the audit process were rapidly addressed following publication of the Internal Audit Annual Report.
- The Committee were advised that the Office 365 project audit was undertaken as a project audit, rather than an IT audit. Therefore, officers did not receive technical assurance on the implementation of Office 365.

RESOLVED –

That the report be noted and the Chief Internal Auditors Opinion for 2021/22 of 'satisfactory', be agreed.

AC09

ANNUAL GOVERNANCE STATEMENT

The Chief Internal Auditor introduced the report and advised that the report was a key document for the Council, as it detailed the governance and controls framework in operation within the authority and provided an assessment of how well this framework had operated throughout the year. The statement also formed part of the Financial Statements for the year ending March 2022.

Further salient points included:

- The statement considered the role of management teams within the Council, as they were required to submit a statement of controls and key processes within their area.
- Production of the Annual Governance Statement (AGS) was primarily owned and driven by the Corporate Leadership Team (CLT) in conjunction with Elected Members.
- The AGS considered at this meeting formed part of the Financial Statements for the year ending March 2022.
- The AGS would be subject to the necessary updates until the financial statements were finalised, approved, and audited. As such, it was considered as a second draft with some updates to the inaugural draft being seen by the Committee at its meeting in February 2022.
- It was noted that the Committee had previously commented on the length of the AGS. The format of the report was largely dictated by the Chartered Institute of Public Finance, as officers utilised the prescribed headings.

The Committee asked questions and heard:

- The organisations listed at page 12 and 13 of the report, such as the Planning Improvement Board and Smarter Working Board, would report to CLT and the relevant Scrutiny Committees and would not be inspected by Internal Audit unless there were specific issues highlighted.

RESOLVED –

That the updated draft of the Annual Governance Statement, be agreed, subject to an amendment to correct the committee pictogram on page 4.

AC10

STRATEGIC RISK REGISTER

The Chief Internal Auditor introduced the report and advised that this document was also owned by CLT, with Internal Audit playing a facilitating role. Further key points included:

- Senior management and risk owners were prompted on a quarterly basis to update their risk registers, and checks were carried out throughout the year to ensure that the actions listed within the register implemented.

- Risk owners were also challenged on their assessment of risk where appropriate.
- The Strategic Risk Register had tended to be static as many of the risks were ongoing, such as safeguarding responsibilities within the authority.
- Attention was drawn to the Directorate Risk Registers, which focussed mainly on operational issues and service delivery concerns. Therefore, directors were asked to prioritise their top three areas that may have equated to a strategic risk.

Members asked questions and heard:

- The risk details for cyber-security were deliberately sparse to protect confidentiality and safety.
- Risk owners were challenged on their assessment of risk by Internal Audit on both a quarterly and annual basis and made recommendations as appropriate.
- A significant amount of additional expenditure was incurred within the last financial year related to compliance works for housing stock, which aimed to alleviate some of the risks highlighted in the report.

RESOLVED –

1. That the updates to the Strategic Risk Register, and the Director’s Top 3 risks, be noted.
2. That the outcomes from Internal Audit’s review of the risk registers, be noted.

AC11

INTERNAL AUDIT UPDATE

The Chief Internal Auditor introduced the report and advised that best practice required any changes made by Internal Audit to the audit plan previously approved by the Committee to be reported. The update was designed to draw attention to the proposed changes, which would ordinarily have been included within a much more detailed Progress Update Report, but this was not scheduled until the Committee’s next meeting in September.

RESOLVED -

1. That the changes to the 2022-23 Internal Audit Plan, be agreed.
2. That the progress status of audits started, and the progress on implementation of Internal Audit recommendations, be noted.

STATEMENT OF ACCOUNTS

The Director of Finance and Resources introduced the report and advised that the Draft Statement of Accounts for 20/21 was taken to the Audit Committee meeting in February and at that stage, the accounts were substantially complete.

Further key points included:

- The Committee also received the Draft Audit Results Report in February from the external auditors, Ernst & Young, which confirmed that the audit work was substantially complete and was approaching the finalisation stage.
- At the time of the meeting in February, it was expected that audit of the accounts was to be concluded within a matter of weeks. The report detailed several specific issues as to why this had not been concluded.
- The first issue highlighted remained a live issue and was affected close to half of the Local Authorities with infrastructure assets nationwide.
- The implication of the issue was that the balance sheet for infrastructure assets was overstated, due to the way in which had been reported.
- The outcome of the consultation was being awaited, which would determine if the Statement of Accounts as drafted would be sufficient for audit purposes.
- The Council has sought legal advice over the claim relating to the Residual Waste Treatment Facility, and because it holds the belief that this claim lacks merit, no adjustments had been made to the accounts.
- An adjustment was made to the balance sheet relating to land registered with the Council in the Western Expansion Area, as the asset value had decreased following a court case. The accounts to be signed-off reflect the removal of this asset from the Council's balance sheet.
- Business rate appeals provision was set aside to for appeals against rating valuations, which could be made by businesses for a number of reasons.
- After agreement with the external auditors, adjustments were made to the 2019/20 accounts and the 20/21 appeals provision figure. The adjustment would subsequently flow through in 2023/24.
- Subject to the outcome of the infrastructure assets consultation, all other matters had been signed-off with the external auditors.

The Committee asked questions and heard:

- There were several complicated and unique issues related to the adverse possession claim at Calverton Lane. The Property team, assisted by Internal Audit, had been assessing if other lands within the Council area were impacted in a similar manner.
- Officers could not provide detailed comment on the transfer of ownership to the occupier at Calverton Lane, but it was noted that discussions with the occupier and the development partner were ongoing.
- The 2020/21 accounts were adjusted by removing the Calverton Lane asset from the Council's balance sheet, which reflected the outcome of the legal case.
- This case had been risk assessed, and it was possible to brief the Committee on the outcomes of this case, but not within an open session.
- The accounts before the Committee should have been signed off by the end of November 2021 as per the required deadlines but were delayed by the auditing issues. Only 9% of Local Authorities had met this November deadline.
- It was confirmed that there were no financial penalties or other consequences because of the Statement of Accounts awaiting sign-off and it was anticipated that the 2021/22 accounts audit would commence in September.
- The Chair agreed to consult with the Director of Finance and Resources, along with the Vice-Chairs of the Committee, to agree an appropriate way to update the Committee in respect of the contingent liability resulting from the adverse possession claim at Calverton Lane.

RESOLVED -

1. That the update report and revised timeline for the sign off the 2020/21 Statement of Accounts, be noted.
2. That the Director of Finance and Resources be asked to consult with the Chair and Vice Chairs, with a view to agreeing an appropriate way to update the Committee in respect of the contingent liability resulting from the adverse possession claim at Calverton Lane.

AC13 INDEPENDENT EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT

The Chair advised that this item was for information only and opened the floor to questions and comments from the Committee, of which there were none.

RESOLVED –

That the proposed approach, which had been agreed with management, be noted.

AC 14 AUDIT COMMITTEE EFFECTIVENESS ASSESSMENT

The Chair advised that this item was for information only and opened the floor to questions and comments from the Committee, of which there were none.

RESOLVED -

1. That Committee members review the questions and the provided responses and enter their comments, accepting or querying the items, by no later than 31 August 2022.
2. That the questions and the provided responses, also be circulated to former Committee members for the Council year 2021/22, who remain members of Milton Keynes Council.

THE CHAIR CLOSED THE MEETING AT 20:22.