

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 27 September 2017 at 7.00 pm in Council Chamber, Cecil Street, Margate, Kent.

Present: Councillor John Buckley (Chairman); Councillors Hayton, Connor, Day, Dexter, Dixon, Evans, Game, I Gregory, L Piper, Taylor-Smith and Venables.

In Attendance: Councillors Partington, Campbell, Crow-Brown and Larkins.

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Braidwood.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

Councillor Gregory proposed, Councillor Hayton seconded and Members agreed the minutes of the meeting held on 28 June 2017.

4. FINAL STATEMENT OF ACCOUNTS

Mr Willis, Director of Corporate Resources and Section 151 Officer, introduced the report during which it was noted that the external auditor had very recently raised a concern regarding the valuation of some of the Council's assets. This issue would need to be resolved before the accounts could be signed off. The statutory deadline for sign off of the accounts was the end of September.

Mr Wells, Grant Thornton UK LLP (GT) provided Members with a brief summary of the External Audit Findings document which he used to provide an explanation of where the asset valuation concern originated from.

During consideration of the item it was noted that

- Some councils revalued all their investment property assets on an annual basis, however GT recognised that this approach could be prohibitively expensive for the Council. The Council revalued 20% of its Investment property assets annually.
- The valuation method of the Council's assets had remained unchanged from previous years; however the method maybe reconsidered in future.

Councillor Campbell asked the following questions under Council procedure rule 20.1. Mr Prashar, Head of Financial Services responded to each question in turn (response shown in italics):

1/ Page 8, Service Area. Why was there no comparison with previous years?

The context of these paragraphs was to highlight financial management during the period 1 April 2016 to 31 March 2017, so it only compared the spend to the budget rather than to prior years spend.

2/ Page 9, Financing. Why was there a marked difference between budget and actual figures?

The actual figure included parish precepts of £1.146 million to reconcile with Note 10 to the core financial statements which would not be included in the TDC budget.

3/ Page 10, Capital Programme 2017-21. Under the heading Construction, Replacements and Enhancements, and Housing Revenue Account (HRA) Schemes, why was there a marked difference between forecast for 2017/18 and the following years?

There were large schemes to be delivered in 2017/18 such as:

-HRA Schemes - New Build and Housing Intervention Programs.

-Construction, Replacement & Enhancement – Dreamland, Vehicle Replacement and Dalby Square Project.

4/ Page 18, Director of Operational Services. Expenditure had dropped from 2016, where were these savings made?

The difference was a cumulative effect rather than savings. The HAVS provision set up for fines in 2015/16 and charged to operational services (£2 million), was credited back to the service in 2016/17 to be transferred to Risk Reserve to meet potential future liabilities around risk (£1.7 million). This was a net movement of £3.7 million. In addition, costs related to Animal Exports (£1.8 million) reflected in 2015/16, no longer existed in 2016/17.

5/ Page 19, Major Repairs Reserve. There was over £8 million in this fund. Was there a major building programme envisaged?

The Major Repairs Reserve was utilised to manage the peaks and troughs of the HRA Capital Programme over the next 30 years. A new stock condition survey had been undertaken by East Kent Housing which would determine the capital works required to maintain the housing stock at Decent Homes, as well as the added pressures of fire precaution works in light of the government review.

6/ Page 20, Assets Held for Sale. Why was there a marked drop from 2016 to 2017?

The main reason for the decrease in Held For Sale Assets was the disposal of Ramsgate Swimming Pool (£250,000) in 2016/17.

7/ Page 30, Heritage Assets. Have we no heritage assets with environmental qualities? Would our historic parks fall into this category?

Although parks may have historic and environmental qualities, they were also used for the operational purposes of the authority. Accordingly, they were classified as Community Assets within the accounts. In accordance with accounting standards, they only had a nominal value assigned to them in the accounts which was why the Community Assets line in the accounts had a nil closing value when shown in round thousands of pounds.

8/ Page 40. The statement that financial uncertainty was not yet sufficient to reduce levels of service. This statement was not true. For example the levels of street cleaning have been reduced as have the frequency of grass cutting in our parks.

The context of the critical judgment note was only required to refer to material changes to services rather than specific ones. Materiality was based on a % of gross expenditure for the year which for 2016/17 would equate to £2.7million.

It was proposed by Councillor Dexter, seconded by Councillor Piper and Members agreed to approve the Statement of Accounts for 2016/17, subject to the resolution of the outstanding issue regarding asset valuation.

Mr Willis offered to provide committee Members with a briefing once the issue regarding asset valuation had been resolved.

5. THE EXTERNAL AUDIT FINDINGS FOR THANET DISTRICT COUNCIL - YEAR ENDING MARCH 2017

The External Audit Findings for Thanet District Council - Year Ending March 2017, was considered as part of the final statement of accounts agenda item.

6. LETTER OF REPRESENTATION

Letter of representation was included in the final statement of accounts agenda item.

7. QUARTERLY INTERNAL AUDIT UPDATE REPORT

Ms Parker, Head of East Kent Audit Partnership, introduced the report noting that there had been seven internal audit assignments completed since the last committee meeting; four achieved substantial assurance, one achieved reasonable assurance, and one achieved a split assurance which was partly limited. There was one assignment for which an assurance opinion was not required, and five follow-up reviews had taken place.

During the introduction of the item, Ms Parker provided a brief comment regarding the follow-up to the street cleaning audit that was reported to the last meeting of the Committee. It was noted that EKAP had not previously conducted an audit of street cleaning and therefore did not have evidence to support the statement that the Council had most likely failed to achieve its corporate objective in this regard for the last 15 years. EKAP dealt with facts and evidence, and made conclusions based upon its own independent findings. It was recognised that it had been poor judgment to simply quote a comment made by the Director of Operational Services from the 8 March meeting.

Mr Willis responded to Ms Parker's comment with the following points:

- TDC worked well with EKAP and valued its independence.
- The acknowledgment that the comments regarding street cleaning follow up had strayed beyond the audit was appreciated.
- TDC officers would respond positively to the street cleaning audit, and all other audits. It was recognised that EKAP added value to delivery of corporate values and priorities.

Councillor Campbell spoke under council procedure rule 20.1 to ask the following questions:

1/ Should the summary of findings for EKHR – Payroll and Benefits in Kind, include details of the limited assurance achieved?

Ms Parker advised that there appeared to have been a typographical error, she offered to bring a corrected summary to the next meeting.

(Post meeting note – Upon further investigation the summary of findings was found to be correct, details of the limited assurance were detailed in the summary for benefits in kind.)

2/ What did PCI and DSS refer to in paragraph 3.3.a of the report, and why did this area continue to have a low assurance rating after follow up?

Ms Parker advised that there was a requirement for ongoing improvement in relation to data security and card payment protection. The report highlighted that the Council's approach to address this was felt to be less resilient than that of the other East Kent Council's.

Mr Howes clarified that PCI-DDS stood for Payment Card Industry Data Security Standard

During consideration of the item it was noted that:

- A management response to the high priority audit recommendations in relation to contract standing orders remained outstanding as at mid June. Ms Parker explained that the committee could request that a statement from the relevant officer be brought to the next meeting.
- Project management retained a limited assurance after the audit follow up, however the Director of Operational Services explained that a number of new practices had recently been introduced and it was expected that these would be embedded by the end of the year.
- There was a waiting list for allotments in the District. Ms Parker would advise Councillor Dexter if any of the Margate allotments were categorised as statutory.

Members noted the report.

8. CORPORATE RISK REGISTER QUARTERLY UPDATE

Mr Willis introduced the report and noted where updates had been made.

During consideration of the item it was noted that:

- The level of risk in relation to the Dreamland operator had significantly reduced.
- Risks around fire safety in tower blocks and corporate capacity in light of a corporate restructure were considered, however neither issue was felt to pose an adequate level of risk to feature in the corporate risk register.
- The member development group was a cross party group which considered member training matters.
- Health and safety remained on the risk register, however a new electronic document management system was expected to be fully rolled out across the Council over the next eight months. This system would help to highlight if there were any gaps in health and safety practice.

Members noted the report.

9. THE ANNUAL GOVERNANCE STATEMENT 2016/17

Mr Howes, Director of Corporate Governance and Monitoring Officer, introduced the Annual Governance Statement 2016-17 and noted the amendments suggested by the external auditors as shown in paragraph 2.3 of the report.

During consideration of the item it was noted that:

- The year referenced in section 10 was to be amended.
- Once agreed by the Committee, the Statement would be signed by the Chief Executive and the Leader of the Council.

It was proposed by Councillor Gregory, seconded by Councillor Hayton and Members agreed that the Committee approve the Annual Governance Statement for 2016-2017 subject to the amendment of the year in section 10.

10. REVISED WHISTLEBLOWING CODE

Mr Howes, introduced the revised Whistleblowing Code and noted that the proposed changes had been highlighted in paragraph 2.1 of the report.

During consideration of the item it was noted that:

- The contents page would be amended.

- The document version history would restart as the document was significantly different from previous versions owing to changes in legislation.
- It was expected that the Code would be reviewed annually.

It was proposed by Councillor Hayton, seconded by Councillor Evans and Members agreed that the Committee approve the Whistleblowing Code.

Meeting concluded: 8.25 pm