

GOVERNANCE & AUDIT COMMITTEE

Minutes of the meeting held on 28 July 2021 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Present: Councillor Kerry Boyd (Chair); Councillors Dexter, Duckworth, Hopkinson, Kup, Pat Moore, Pugh, Towning and Whitehead

In Attendance: Councillors Ashbee, D Saunders and M Saunders

1. APOLOGIES FOR ABSENCE

Apologies were received from Cllr Garner and Cllr Shrubb.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

Cllr Pugh proposed, Cllr Dexter seconded and members AGREED the Minutes of the meeting held on 3 March 2021 be signed as a correct record.

4. ANNUAL INTERNAL AUDIT REPORT 2020-21

Christine Parker from East Kent Audit Partnership introduced the report, noting that:

- The report was presented in 2 parts. Firstly, it detailed the East Kent Audit Partnership against their performance indicators, then it presented the outcomes from the work undertaken to be able to form an Opinion for the year up to 31st March 2021.
- The report was a summary of previous audits already presented to the committee.
- Key to the work of EKAP are the follow-ups and subsequent progress reports.
- It was useful to take stock of the impact of the Covid-19 pandemic on work undertaken in 2020 - having lost April, May and June (Q1) targets needed to be re-set to reflect a possible 75% completion, against which EKAP had achieved 77%.
- EKAP were pleased to be in a position to present sufficient work undertaken to form an Opinion.
- EKAP had planned to do 2 pieces of work on governance. Unfortunately, both were hampered during 2020, for different reasons. Those pieces of work would be followed up and brought to the committee at a later date. Due to this EKAP can't offer any assurances at this stage.
- The work undertaken during 2020 was prioritised based on practicality in the challenging circumstances, rather than being able to focus on the highest profile risks. The Head of Audit Partnership noted the difficulties in obtaining responses in some areas during such a difficult year, and was satisfied the Council can place assurance on the aspects of the systems of internal control tested and in operation during 2020/21.
- EKAP were confident that the risk management arrangements of TDC were effective, but will be undertaking an independent review at quarter four of 21-22 and will report the results of that to the committee as well.

Tim Willis, Deputy Chief Executive and Section 151 Officer added:

- Although there had been an incomplete Audit Plan in 2021, he was also satisfied that East Kent Audit Partnership had done enough work to be able to form an opinion.
- Thanks was also expressed to EKAP for helping TDC to roll out the business grant scheme during the 2020 covid pandemic.

Cllr Pugh proposed, Cllr Dexter seconded and members AGREED that the report be received.

5. QUARTERLY INTERNAL AUDIT UPDATE REPORT

Simon Webb from East Kent Audit Partnership introduced the report. He made the following key points:

- Eight new audit assignments have been completed in this quarter.
- Substantial assurance was concluded in three areas: coastal management, land charges and East Kent Services key performance indicators.
- There were two areas of limited assurance: local code of corporate governance and public health burials.
- A follow up review of public health burials was undertaken in the same quarter and had raised the assurance level to reasonable.
- Follow up work was important to ascertain whether an agreed action plan had been implemented.
- Fourteen follow-ups had been done during this period and substantial reasonable assurance could be reported in the majority of those areas.
- There were three areas which remained limited or partially limited after follow-up: street cleaning, grounds maintenance and building control.
- Performance against the 2021/22 Internal Audit Plan was slightly behind the first quarter target, but EKAP were reasonably confident they would make that up over the remaining three quarters.

During questions the following points were made:

- There was currently no plan to audit Your Leisure in 21-22. It was felt that it would be fair to allow colleagues in the entertainment industry to return to the usual running of business following the pandemic, prior to auditing that area. A second follow-up against the agreed actions from the previous audit could be undertaken rather than a full audit in this financial year.
- For Street Cleansing, 'zoning arrangements' were a method for the Council to prioritise resources according to area. It was agreed that it would be useful to include a chart explaining these priorities in future reports.
- It was highlighted that in one area of the report management disagreed with the level of assurance given. An explanation was received that the service director felt that this particular issue was connected to performance indicators as opposed to service delivery. The service will be reviewed and indicators will be put in place in accordance with good governance to measure performance effectively.

Cllr Pugh proposed, Cllr Kup seconded and members APPROVED the report.

6. ANNUAL GOVERNANCE STATEMENT

Estelle Culligan, Director of Law and Democracy, introduced this report and made the following key points:

- The document was an early draft, not for approval in this Governance & Audit meeting.

- It would go forward and be considered by officers and subsequently Grant Thornton before being signed off, ideally in September.
- Usually regular updates would be given on items in the action plan, where there was information to share with the committee. Unfortunately this had not happened from last year's Annual Governance Statement to now, due to a lack of resources. Even though progress was not reported, actions had still moved forward and a summary could be found in the current action plan.
- The intention going forward was to bring regular reviews to the committee.
- The final Annual Governance Statement is likely to be amended, taking into account the results of the review currently being undertaken by Grant Thornton.

During discussion it was noted that:

- A lot of good work had been done preparing and TDC was on track with bringing East Kent HR in-house. All staff had been distributed across the three councils and the majority were at their first choice location. A few details are still to be finalised but communications will be going out from 9 August and the process is on track for 1 September.
- It was agreed that a table from the previous years' action plan would be inputted in future Annual Governance Statements and that a timeframe and details of the post responsible would be added.

Cllr Pugh proposed, Cllr Kup seconded and members AGREED the draft Annual Governance Statement.

7. ANNUAL TREASURY MANAGEMENT REVIEW 2020-21

Chris Blundell introduced the review and made the following key points:

- This review was a backward look on treasury management and the figures within it were still subject to audit by Grant Thornton.
- All activities had operated within the limits set previously by members.
- Capital expenditure was significantly under budget and reasons for this would be detailed in the outturn report going to Cabinet imminently.
- Borrowing (24 million) was well below the borrowing needed to fund the capital programme (56 million).
- TDC had stayed well within both the operational and authorised limits.
- £630,000 of debt had been repaid and no new borrowing had been undertaken throughout the year.
- Interest rates plunged during the year as markets responded to the pandemic.
- Performance showed a 0.23% return on investments, which was good considering the situation this year.

Discussion raised the following points:

- TDC considers borrowing opportunities and risks continually based on forecasts from treasury management consultants.
- TDC has net investments which earn very little interest. It was felt by officers that, rather than investing, using that money to support the capital programme would be advantageous.
- Although borrowing while rates are lower is often seen as better, the commitment to long-term re-payments and impact of that on the council needed to be considered.
- The strategy of the council was to take a prudent approach, minimising external borrowing where possible.
- Borrowing would not be an effective method for replenishing council reserves as it is more expensive than investing, and borrowing is also not permitted for

revenue purposes, therefore it was preferred to use cash balances to fund capital expenditure.

Cllr Pugh proposed, Cllr Kup seconded and members AGREED to recommend this report to Full Council for approval.

8. CORPORATE RISK MANAGEMENT QUARTERLY UPDATE

Mr Blundell introduced the review of corporate risks, noting that:

- There is a new risk added, relating to governance.
- Homelessness risk rating has increased and as such has been brought back to the attention of the committee.

Members requested that:

- The risk level below red be shown also, enabling issues to be addressed prior to reaching that level of severity.

Cllr Pugh proposed, Cllr Kup seconded and members AGREED to approve the review.

9. GOVERNANCE & AUDIT SUBGROUP AND ACCOUNTS UPDATE

Chris Blundell presented this item, commenting that:

- The Statement of Accounts were complex and there was often little time to review such a complex document thoroughly.
- The committee needs assurance in order to be confident to approve them.
- The formation of a sub-group tasked with reviewing draft accounts would support the Governance & Audit Committee in this function.
- The proposal was for four named members, with the opportunity for more to attend if they wish to do so.
- The proposal was to waive the need for political balance on the sub-group but this would require a unanimous vote in favour.
- The draft accounts would be published within three days of the meeting. They would then be subject to audit by Grant Thornton and presented to the committee for final approval by the end of September.

Clarity was sought and given on the procedure for voting with regard to waiving the need for political balance.

Cllr Pugh proposed, Cllr Whitehead seconded and members unanimously AGREED the recommendation of setting up a Governance and Audit subgroup and waiving the need for political proportionality in that group.

Members also noted the change in statutory deadlines.

10. EXTERNAL AUDIT PLAN

Nick Halliwell from Grant Thornton presented the report.

- The Audit plan looked at both the financial statement and value for money audits that Grant Thornton does for the council.
- The report included significant risks and these were inline with the previous year audit.
- New standards had been put in place with regard to accounting estimates. This meant that there was a greater focus on disclosures around accounting estimates

this year. Work was being done to ensure that both management and those responsible for governance understand the estimates in place at the council.

- The audit would be undertaken during August and September, however, it was noted that increased regulatory pressure and the Covid-19 pandemic both had potential to impact timescales. Grant Thornton was still hoping to meet the end of September deadline.
- Increased work required on the value for money element meant that opinion would come later than the other audit work, hopefully in autumn.
- Grant Thornton had finished the housing benefit grants work and the housing receipts grant work and formed opinions on both.

The report was noted by members.

11. **EXCLUSION OF THE PUBLIC AND PRESS**

Estelle Culligan, Director of Law & Democracy and Deputy Monitoring Officer, reiterated advice given to members on reasons for holding item 12 on the agenda in confidential session.

Sarah Ironmonger, from Grant Thornton, added that:

- It was members' decision whether to consider item 12 in public or private.
- The findings in the report are incomplete and cannot be completed until such time as the council concludes its own investigations. It was unusual to report incomplete findings and they may change.
- A concern would be that discussions take place which could be seen to prejudice the council's ongoing investigations.
- As external auditor, Grant Thornton would expect members to listen to the advice of the Acting Monitoring Officer. If councillors chose to go against that advice they would need to articulate their reasons very clearly.

Cllr Dexter proposed and Cllr Duckworth seconded the recommendation to exclude the press and public from the remaining agenda item.

A vote was taken; 5 councillors voted for the recommendation, 3 against and 1 abstained.

The recommendation was CARRIED and the recording and streaming for the public was stopped.

Councillors not part of the Governance & Audit Committee were asked to leave the meeting.

Cllrs Ashbee, M.Saunders and D.Saunders left the room.

12. **UPDATE ON GRANT THORNTON'S REVIEW OF GOVERNANCE**

Members discussed the item and noted the interim findings.

Meeting concluded : 8.26 pm