

## GOVERNANCE & AUDIT COMMITTEE

Minutes of the meeting held on 4 December 2024 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

**Present:** Councillor William Scobie (Chair); Councillors Britcher, Crittenden, Davis, Donaldson, Driver, Edwards, Garner, Munns and Packman

**In Attendance:**

### 22. APOLOGIES FOR ABSENCE

Apologies were received from the following members:

Councillor Farooki, substituted by Councillor Crittenden;  
Councillor Pope, substituted by Councillor Driver;  
Councillor Barlow;  
Councillor Scott.

### 23. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 24. MINUTES OF PREVIOUS MEETING

The minutes should be amended to reflect that apologies were received from Councillor Garner.

Councillor Packman proposed, Councillor Britcher seconded and members AGREED to approve the minutes as a correct record of the meeting held on 4 November 2024, subject to the above amendment.

### 25. QUARTERLY INTERNAL AUDIT UPDATE REPORT

Simon Webb, Deputy Head of East Kent Audit Partnership introduced the report and made the following points:

- This report was a summary of the internal audit activities since the last Governance & Audit Committee meeting;
- Two new audits had been completed;
- The Code of Conduct and Standards had been given substantial assurance;
- Events management had been given limited assurance but it was hoped that this would become reasonable assurance in Quarter 4 and progress will be reported at the March 2025 committee meeting;
- Follow up audits were usually conducted in between to check on progress. One follow had been done in the period under review and had recorded substantial assurance;
- Fifty five percent of the Audit Plan that was agreed in March this year had been covered by June 2024. By November that figure had gone up to seventy four percent. The aim was to reach ninety five percent before end March 2025;
- At the end of each audit a survey is conducted. The Audit Partnership team had received a hundred percent feedback on the customer satisfaction survey conducted by the team.

The committee noted the report.

## 26. CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

Aimee Jackson, Risk and Insurance Manager introduced the report and made the following points:

- The Council monitors and manages its Corporate Risks through the Corporate Risk Register. The contents of the report highlight the high-priority corporate risks and show the arrangements that are put in place to ensure these risks are monitored and managed appropriately;
- The Council was dedicated to a proactive approach on Risk Management and asks all departments to cooperate on the Risk Strategy;
- The strategy defines corporate risks as 'those which could impact across the whole council'. Operational risks are identified from the 'bottom up', through service planning for the year ahead and through continuous review during the year;
- Operational risks may be escalated and considered Corporate level risks, depending on the evaluation of the risk and through engagement with Senior Management and the Corporate Management Team;
- This was alongside Risk Management training which was also offered and delivered to all service areas, sometimes on an individual basis or on a team meeting basis. This was so that the Risk Management Strategy could be kept relevant and current for all the service areas;
- As there were such a diverse portfolio, this was incredibly important in order to give this committee a full oversight of the risks that the Council face;
- On that theme, it was important to understand that keeping things relevant and current was of utmost importance as alluded to in our previous meeting;
- Next year the Council would be invested in creating a digital risk management platform to centralise registers and records and to streamline and develop risk management needs alongside reviewing the risk management strategy;
- This would include the risk objectives and the risk scoring matrix with the view that a 5x5 matrix be adopted and Target risk would be introduced to the Risk Registers. It was felt that this would serve better to illuminate members on risk management and the commitment to the Risk Management strategy;
- This report represented the position at the beginning of October 2024 and as such was a snapshot of where the risk and also the mitigations sat at that point in time, so please bear in mind that some of these risks may well have moved on since then;
- Risks have to be assessed in respect of the combination of the likelihood of something happening, and the impact arising as a result;
- At staff level, the corporate risk register was regularly considered by the Corporate Management Team (CMT) and of course the Governance & Audit Committee considered changes to the corporate risk register. A view can also be taken regarding the extent to which the risks should be tolerated;
- All but one of the Corporate Risks had stayed static but Cyber Attack on page 39 had now been downgraded to a 12;
- Given the significant focus and activity which had taken place to increase controls and mitigations since the last quarterly update, consideration was now being given to reduce the likelihood risk score from 4 (very likely) to 3 (likely);
- This would in no way diminish the focus and work on cyber security, which would have to be sustained in order to continue to protect the organisation, but reflected the improved position the Council was in as a result of the significant amount of work that has been completed in recent months;
- From a risk management perspective, the impact would be very hard to reduce but closing gaps and tightening measures and controls will impact on the

likelihood score if consistent and constantly monitored and adapted to reflect the organisational landscape.

Members of the committee made comments and asked questions as follows:

- What was the risk with the Environmental Agency inspection?
- Why was Manston Airport a risk to the Council?
- It was good that under insurance had been added as a risk to the register;
- Cyber security risk was failing an audit assessment on the cyber security processes;
- This was the one risk that could stop the Council from conducting its daily operations. This failure would also stop services being delivered to residents. This risk cannot be completely mitigated;
- Good work had not yet been embedded as yet. It normally took time to change culture within an organisation;
- It was therefore difficult to accept that this risk had been reduced. It was important to for the Council to prevent complacency by maintaining this risk at a high level;
- It might be that this risk could be measured and monitored differently;
- The risk was changing all the time due to the ever changing technology;
- The risk should not be downgraded on the register;
- Cyber-attacks will always be there;
- The context of operation for the Council had not changed. A lot of organisations that the Council relied on for services will constantly subject to risk of cyber-attacks;
- At what level of risk would officers feel that it was a comfortable level?
- A risk had to be measurable. It might be that a framework for measuring the risk could be drawn up. This would a notional timeframe;
- There were different ways of measuring risk. This could be done through setting up a working party for an in-depth discussion;
- The Chair could take any concerns raised by the committee to the Cyber Security Cabinet Advisory Group. The CAG would then make recommendations to the Governance and Audit Committee.

Aimee Jackson, Penny Button, Dan Evans, Hannah Thorpe and Chris Blundell responded to member comments and questions as follows:

- Environmental Agency carry out inspections and the risk was that the Council could not use the grounds before knowing the status of the site in question;
- Officers would welcome a full debate on the subject at a CAG meeting;
- The reasons for reducing the risk level were that a lot of significant mitigation and remedial changes had made;
- These changes now reflected where the organisation was currently;
- The training, desegregation of the Council's system from other authorities had helped achieve this status. The Council was now accredited with external bodies. This had contributed to the downgrading of the risk;
- The Council had now set up on a 24/7 threat hunting and containing anything that was suspicious;
- A health check was done in summer. Now there was increased staff awareness on cyber security risks through training;
- The ICT team was conducting staff surveys in order to come up with targeted training;
- The team was also monitoring phishing emails and they had been in discussion with Council suppliers and those organisations who hosted some the Council's services on the risk of cyber security attacks;

- Currently the Council is using a 4x4 matrix. In the near future it would consider a 5x5 one which could then give room for judging more complex risks;
- Officers were not saying the risk was less likely. Officers were saying the likelihood of such attacks succeeding was now reduced than before the measures and resources that had been put in place;
- The Council would need to continue to be vigilant to the risk. Through further debate the risk could be put back to a higher score;
- A number of those high risks were driven by external factors;
- The CAG was the right forum for more in-depth debate on the subject;
- When drafting the risk management strategy, a working party of the Governance Audit Committee would be the right vehicle for more detailed discussion;
- Officers were going to take all concerns raised by the committee to the Cyber Security CAG and then report back to the committee;
- There was a need to reflect in report risk that this was after mitigation measures had been put in place. The new risk management strategy will report risks differently.

Councillor Britcher proposed, Councillor Crittenden seconded and the committee approved the corporate risk management quarterly report and noted the progress update.

**27. MID YEAR REVIEW 2024/25: TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY**

Matt Sanham, Head of Finance and Procurement introduced the report and made the following comments:

- This report summarised treasury management activity and prudential / treasury indicators at the midpoint of 2024/25;
- Part of the treasury management operation was to ensure that cash flow was adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return;
- The second main function of the treasury management service was the funding of the Council's capital plans. These capital plans provided a guide to the borrowing needs of the Council, essentially the longer term cash flow planning to ensure the Council could meet its capital spending operations;
- This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives;
- Officers can confirm that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2024/25.

Councillor Davis proposed, Councillor Donaldson seconded and the committee recommended the report and annexes (including the prudential and treasury indicators that are shown and the proposed changes to the 2024/25 Treasury Management Strategy Statement) to Council for approval.

**28. INDEPENDENT AUDITOR'S REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR 2022/23 - DRAFT AUDIT OPINION**

Chris Blundell, Director of Corporate Services and S151 Officer introduced the report and made the following points:

- The 2022/23 audit opinion was a disclaimer opinion and this was happening across the local government sector. This was caused by the backlog currently being experienced in the sector;

- There were going to be a significant number of local authorities that were going to be issued with disclaimer opinions;
- It was hoped that 2023/24 would produce a better audit opinion for the sector as the backlog eases;
- The above comments were not a criticism of Grant Thornton but rather it was a situation currently obtaining in local government;
- Legislation had been passed to manage this situation;
- The text that was in the report from Grant Thornton was standard text;
- The text was a little harsh. However it was worth noting that issuance of disclaimers would be happening to more local councils for the period under review;
- Officers hoped that Thanet District Council would be in a different position for the 2023/24 audit;
- The Head of Finance and Procurement and his team had worked on re-prioritising work together with Matt Dean and his team.

Matt Dean made the following points:

- All of the officers had a role to explain the message;
- The government guidance would help explain the situation;
- The statutory recommendation was that the disclaimer wording had to be in the opinion;
- The audit period 2023/24 would be challenging because the starting figures to be used would be from 2022/23;
- Grant Thornton would not like disclaimers to run longer than they needed to.

Matt Dean made the following points:

- Each of the key players had a role to play in explaining the message regarding the audit opinion for the period under review;
- The government guidance helped explain the situation currently faced by the local government sector;
- The statutory recommendation was that the wording on a disclaimer had to be in the opinion;
- The 2023/24 audit period would also pose its own challenges because the starting figures would be from 2022/23;
- There was very little way of 2022/23 not affecting accounts for 2023/24 because the latter uses closing balances from the former;
- Rebuilding assurance would take time. Looking at in-year balances would help build the assurance levels;
- The view was to move as far as possible with the 2023/24;
- Leading up to February 2026, there would just be the 2024/25 set of accounts to focus on;
- This would help come up with a normalized opinion, as there would be more time to do the accounts;
- It was working over two different sets of accounting periods that was currently the challenge.

Members asked questions and made comments as follows:

- The current audit situation in local authorities was not a good look for local government at a time when the public had low trust;
- The committee wanted to understand from Grant Thornton and Section 151 Officer what it is that the Council would need to do as additional activities to get things right for the 2023/24 audit;

- Whilst Grant Thornton was prioritising its work for different accounts, it should note some of the characteristics for Thanet District Council that needed special consideration and prioritisation;
- The Council previously experienced governance problems. That created low trust amongst residents and that was why the committee thought there was a question of value for money to be considered;
- There was no budget issue causing the accounts not be audited;
- This backlog was covid related. Was there a realistic chance that these 2023/24 accounts would be audited to completion?
- National issues had affected the Council's circumstances;
- Why was the Council paying for an incomplete audit service?
- There was quite some anger about this situation and the issue was out of the Council's control.

Matt Dean and Chris Blundell responded to member questions and comments as follows:

- Value for money audit was up to date;
- The audit fee had increased but that was not the issue. The backlog was a sector wide challenge;
- There were a range of factors over the past three years and government had decided to draw a line on the matter;
- Grant Thornton could have done abbreviated accounts but the stakeholders opted for this approach;
- This was a problem only for local councils in England as Scotland and Wales were not experiencing this backlog;
- When the Audit Commission was abolished the auditing fees went down and this was the evidence that the private sector was more efficient at audit. However recent event had shown that this was not necessarily the case;
- With regards to value for money the councils were asking these questions regarding audit fees and the service being provided;
- Covid delayed some of the audit work. This was now the time for recovery. The longer the audit went on the more issues that would turn up as well;
- Grant Thornton had a team now working on the 2023/24 accounts till February 2026 to cover as much ground as was possible;

Chris Blundell said that he could write to Grant Thornton to address the issue of the Council paying the full audit fee for an incomplete audit, if the committee agreed.

Matt Dean said that it would be for the Public Sector Audit (PSA) to pay back the fee for the 2022/23 audit. He further said that responses to objections would be forwarded to Thanet District Council. And that all objections had been dealt with.

The Governance & Audit Committee agreed that Chris Blundell and the Chair write to Grant Thornton requesting that Thanet District Council be prioritised for the 2023/24 audit.

The Governance & Audit Committee agreed that Chris Blundell and the Chair write to the Public Sector Audit regarding fees for incomplete audit for 2022/23.

The committee noted the Draft Audit Opinion for the 2022/23 Statement of Accounts.

## **29. LETTER OF REPRESENTATION**

Matt Sanham, Head of Finance and Procurement made the following comments:

- In support of good governance, the Governance and Audit Committee must also consider the letter or representation on behalf of the council. The letter is

provided at (Annex 1) in relation to Thanet District Council's financial statements for the year ended 31 March 2023;

- It is a requirement that this letter be received by the committee in order to be signed by the Chair;
- As is the case with the majority of Local Government, we are playing catch up with regards to the publication and approval of financial statements. This report and supporting documents see us making progress towards establishing a clean slate with regards to production and reporting of the main statements.

Matt Sanham also said that most of the discussion had been covered under the discussion on the "Independent auditor's Report on the audit of the financial statements for 2022/23 - Draft Audit Opinion," above.

The Governance and Audit Committee noted the letter of representation to Grant Thornton issued by the Director of Corporate Resources and Section 151 Officer.

### **30. SHORT FORM AUDIT FINDINGS REPORT FOR 2022-23**

Matt Sanham made the following comments:

- As was reported to the July meeting, the draft Statement of Accounts for 2022-23 were now published, but due to the reasons set out in this report and the audit findings detailed in Grant Thornton's letter, shown in Annex 2 it was necessary to agree a disclaimed position in relation to these as a full Audit has not been possible;
- The government, working closely with partner organisations, has implemented measures because of a large backlog in relation to local government audits in England. One consequence was that many local bodies will receive modified or disclaimed audit opinions due to circumstances largely outside of their control and where these do not signify issues in their financial accounts. The document attached at Annex 1 explains the context for these opinions to help ensure that local bodies are not unfairly judged;
- The government was clear that, where the backstop dates result in modified or disclaimed opinions, local bodies should not be unfairly judged. Auditing standards required auditors to clearly explain the basis of their opinion in their auditor's report. They should distinguish between disclaimed or modified opinions caused by the backstop date and those caused by other factors such as weaknesses in financial reporting or specific material issues in the accounts. This explanation from the auditor should be included as part of the statement of accounts published by a local body on its website by the relevant backstop date;
- Grant Thornton were currently working on a value for money audit for 2023/24.

Matt Sanham also said that most of the discussion had been covered under the discussion on the "Independent auditor's Report on the audit of the financial statements for 2022/23 - Draft Audit Opinion," above.

The committee noted the Audit Findings for the 2022/23 Statement of Accounts.

### **31. THE INFORMING THE RISK ASSESSMENT DOCUMENT FOR 2023-24**

Matt Sanham introduced the report and made the following comments:

- The purpose of this report is to contribute towards the effective two-way communication between Thanet District Council's external auditors and Thanet District Council's Audit Committee, as 'those charged with governance';
- The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit Committee under auditing standards;

- A representative from Grant Thornton will present the Risk Assessment Report, which is included at Annex 1 to this report;
- Providing this committee with the Risk Assessment forms part of the process of supporting the main Audit of the Accounts.

A member thanked the committee for the positive debate that had taken place at the meeting.

The committee received and noted the Informing the Risk Assessment document for the 2023/24 Statement of Accounts.

### **32. INDEPENDENT AUDITORS' THANET DISTRICT COUNCIL AUDIT PLAN**

Matt Sanham, Head of Finance and Procurement introduced the report and made the following comments:

- The External Audit Plan 2023-24 has been developed by our appointed external auditor, Grant Thornton, and sets out the proposed external audit work and fee relating to the 2023-24 annual audit at Thanet;
- A representative from Grant Thornton will present their interim Audit Findings Report, which is included at Annex 1, this plan has been pulled together following consultation with the Section 151 Officer and his deputy.

Matt Dean said that this was an audit plan which was not expected to change significantly.

The committee noted the external audit plan.

Meeting concluded: 8.28 pm