

GOVERNANCE & AUDIT COMMITTEE

Minutes of the meeting held on 26 July 2023 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Present: Councillor William Scobie (Chair); Councillors Bright, Barlow, Braidwood, d'Abbro, Donaldson, Garner, Manners, Munns, Nichols, Pope and Towing

In Attendance:

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Farooki who was substituted by Councillor Britcher and Councillor Packman who was substituted by Councillor Matterface.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

Councillor Towing proposed, Councillor Garner seconded and members AGREED to approve the minutes as a correct record of the meeting held on 8 March 2023.

4. EXTERNAL AUDITOR'S AUDIT FINDINGS REPORT

Nick Halliwell, Senior Manager at Grant Thornton introduced the report and made the following key points:

- This was the finance report relating to the 2020-21 financial year end
- There were some issues as to why this report was being presented late, which include some Governance issues and additional works required on provisions relating to grievance and disciplinary matters;
- In terms of the audit opinion from Grant Thornton in relation to the financial statements, the audit is clean and unmodified;
- Mr Halliwell explained that Grant Thornton provided reasonable assurance that accounts were correct, he also explained that the assurance was based on materiality on gross expenditure;
- The audit opinion provided was also based on value for money, which was still ongoing. The reason why it was not complete yet was because there were still 7 outstanding objections to the Council's accounts. He said that the next opinion will make reference to the statutory recommendations and further advised that there was a weakness to the Council's Governance arrangements in the 2020-21 financial year;
- Mr Halliwell also said they look to present a paper at the September meeting relating to the financial arrangements of the 2020-21 financial year, 2021-22 financial year and 2022-23 financial year

Speaking under Council Procedure Rule 20.1 Councillor Yates drew attention to the net pension liabilities of £102.7 million and how this was contributed to by bringing housing stock back in-house, following the dissolution of East Kent Housing. This dissolution brought in £10.6 million of pension liability and £6.9 million in pension assets, with a net impact of £3.6 million.

Committee discussion raised the following points:

- Members asked why after hearing the Committee was written too, by the external auditor, that there were concerns of lack of Governance and why no action was taken by Members;
- Officers responded that when Grant Thornton chose to issue statutory recommendations, actions were already being taken at the time. It was primarily staffing matters that were already being handled by the General Purpose Committee and Disciplinary Sub-Committee, therefore the Governance and Audit Committee becoming involved would have interfered with investigations being carried out at the time.

Members agreed to note the report.

5. **STATEMENT OF ACCOUNTS**

Chris Blundell, Director of Corporate Services and Section 151 Officer introduced the report where he gave the following points:

- The report was relating to the accounts of 2020 / 2021, which were two years late, the draft accounts were however published on time. Members were informed that in the future, plans were put in place to make sure accounts would be submitted in a timely manner.

Matt Sanham, Head of Finance and Procurement, gave the following points:

- The draft accounts were signed and published in line with legislation on 30 July 2021 and were due to be considered in December 2021 by the Governance and Audit Committee. However due to the staffing issues at the time and investigations previously covered by the General Purposes Committee and Disciplinary Sub-Committee, as well as other mitigating circumstances such as Covid-19, it impacted the timeliness of the audit;
- Auditors concluded that subject to completion of a few final tasks, they anticipated an unmodified opinion of the accounts;
- The Council received a number of objections to accounts on the grounds of not being able to secure value for money. Some of these issues had spanned multiple years;
- A backward look at previous reports were to be presented to the committee in September for the years 2018-19, 2019-20 and 2020-21 VFM;
- Before the final sign off of the accounts via Grant Thornton, a letter of representation needed to be signed off by the Section 151 Officer and the Chair of the Governance and Audit Committee. These would then allow the Council to publish the accounts;
- An audit was planned for the accounts for 2021-22 and 2022-23 and was to be started around October time; the 2021-22 accounts should be going for publication in late August

Speaking under Council Procedure Rule 20.1 Councillor Yates said that £55 million went towards Covid-19 grants and thanked the Council and Civica for their hard work.

Discussion raised the following points:

- Members raised a question regarding Council tax recovery. It was asked if Council tax income would be higher in the future or would it be lost revenue. Officers replied that the income was around case summonses and the courts were closed, that the income was considered lost. The debts were still pursued, but it would have been consolidated with recovery action in the following year.

Councillor Britcher proposed, Councillor Bright seconded and Members AGREED that:

1. That the Committee approves the Statement of Accounts for 2020-21;
2. That the Committee notes the Letter of Representation to Grant Thornton issued by the Director of Corporate Services and Section 151 Officer.

6. CORPORATE RISK MANAGEMENT - QUARTERLY UPDATE

Chris Blundell, introduced the report where he gave the following points:

- He explained that this item appeared on every Governance and Audit Committee meeting;
- Mr Blundell also explained the scoring system of financial risk under Corporate Risk Management as well as how it applied to different service areas of the Council;
- On the topic of Cyber Attack, he explained that it scored high because of the detrimental effect an incident cause to the Council's operations;
- With regards to Limited Resources, he explained that this was also a high scoring item due to the possibility of it resulting in bankruptcy at which point, the government would step in if that were to happen;
- Regarding the topic of Economic Environment, this was another high scoring risk due to its relation to other risks as well and the current rise of inflation. It was also a risk that the Council had less control over;
- EPC Requirements were made tougher, as requirements were now required to reach a grade C rather than a grade E by the end of the decade;
- The Council dedicated itself to be carbon neutral by the end of the decade, via the Net Zero Strategy; however the Council was aware that this was expensive and will not be easy to implement;
- Political Stewardship has reduced as it was originally higher due to the frequent change in leadership
- Governance has also reduced, thanks in part to recommendations of the independent monitoring officer and Grant Thornton, however there is still more work that can be done to reach desired outcomes
- The Covid-19 risk score has also reduced
- Manton Road Depot's score has reduced following secondary EA visits where they were pleased with the progress being made.

With regards to Berth 4/5, Mike Humber, Director of Environment said the following:

- The project had some delays and the financial risk was the reason why it was appearing on the risk management report;
- Majority of the work for the project had already been completed over the previous Summer. Electrical work was still outstanding, but was due for completion in the first week of August;
- There was a live claim with the contractor currently, because they were awarded the contract before the marine licence was granted which constrained the construction period. Officers assured Members that this would be resolved by the end of August.

Speaking under Council Procedure Rule 20.1 Councillor Yates expressed some concerns, specifically that the Economic Environment has scored high in the risk management report. He told Members that Cabinet were looking into options to save money as well as looking at new revenue streams in the future.

Discussion raised the following points:

- Members asked about the Cyber Attack score and what options were available for reducing the risk. Officers replied that it was possible to bring Dan Evans, the Head of ICT to a future meeting to give the committee an update and more detailed report regarding Cyber Attacks. The Council used a shared service partnership with three other councils. However, since then, the service has been disbanded and services were brought back in-house. It was also mentioned that Dan Evans would be producing a report to go to the East Kent Chief Executive to set out how they resourced ICT and how that service functioned across the partnership;
- Members then asked about the type of insurance that had been looked into regarding Cyber Attacks, whether that be business interruption insurance or specialists who were able to advise with data forensics. Officers replied that Bespoke Cyber Security was the provider they were looking into, but the conditions attached made it easy for them to deny coverage and that the expense would not be worth it. However, Members were assured that discussions were made to prepare for any kind of attacks by educating both Members and Officers;
- On the subject of the Climate Change related risks, Members asked what lessons TDC learned in order to reduce risk of water shortages (specifically coming from the Covid-19 experience). Officers replied that there had been emergency planning responses planned for different scenarios, however this was a situation affecting all Authorities on a national level. TDC were looking into ways to distribute water more efficiently and already put continuity plans in place;
- In relation to Ransomware, it was highlighted in the report that £350,000 from the DLUHC had gone towards leading a backup replacement project; Members asked for a breakdown of the expenses. Officers agreed to come back to Members following the meeting regarding this matter;
- On the subject of Limited Resources, Members were aware that there was a new Head of Property and a full review currently underway regarding the Council's property portfolio. It was requested that the Property Team be fully supported to make sure TDC got full value for these properties. Officers assured members that a lot of resources had gone into the Property Team, resulting in income in the long run, this included putting money into repairs and maintenance to maintain the stock. Recruitment was still ongoing for the Property Team to have full time staff going forward;
- Members requested the Head of Property appear at a future Committee meeting, to lay out a plan going forward regarding generating income with the Council's leasehold housing stock. Officers agreed to invite the Head of Property and reminded Members that presentation and discussion would focus on the processes, rather than looking at individual properties the Council had in its portfolio as that would come under Scrutiny instead;
- Members also requested further detail on the Economic Environmental section of Risk Management for the next Governance and Audit Committee, specifically in the areas of supplier risk and the mitigation from the Procurement team;
- Members asked about the topic of burial space and wanted to know how far TDC was from running out of space for burials. Officers replied that it was hard to guess due to demand, however there were plans being looked into to expand sites whilst more long term strategies were being looked into

Councillor Britcher proposed, Councillor Donaldson seconded and Members AGREED that to approve the review of corporate risks.

7. **CONTRACT STANDING ORDER WAIVERS**

Chris Blundell introduced the report where he gave the following points:

- He briefly explained the processes for Procurement of goods, supplies, services and waivers as laid out in the report;
- He then spoke about the waivers approved in the 2022/23 financial year, specifically the area of Deputy Chief Executive as the number seemed high, but this was due in part to approval in areas of Housing. The majority of the waivers however, still came below £100,000;
- The majority of waivers in 2023/24 were also under £100,000. Going forward, the Council was looking at reviewing the processes in general, especially with £100 million to spend over the capital programme within the next 4 years, in order to have more flexible processes that do not jeopardise the rules of Procurement.

Discussion raised the following points:

- Members asked, during the financial year of 2022/23, if 45 was a high number of waivers or whether it was fairly typical. Officers replied that they were higher during the pandemic; however, this was due to rules being relaxed as the situation at the time required more flexibility due to time constraints;
- Members brought up the issue of powers of procurement, during 2019 when the Council was acquiring pontoons, where the then Cabinet portfolio holder was asked to sign off large sums of money. Officers said that it was an issue of debate between officers, which ended when the Council looked for external, legal advice. Since the decision itself was over the sum of £100,000, it needed Cabinet approval as it was classed as a key decision.

Members agreed to note the report.

8. ANNUAL GOVERNANCE STATEMENT 2022-23

Sameera Khan, Interim Head of Legal and Monitoring Officer, introduced the report with the following points:

- The Annual Governance Statement is a statutory requirement, that details how the Council carries out its functions effectively
- Of the twenty seven complaints that were received by the Ombudsman, only 1 was upheld with 12 not needing any further action. This number was drastically down from previous years

Councillor Towning proposed, Councillor d'Abbro seconded and Members AGREED the Annual Governance Statement 2022/23, which will be shared with external auditors for amendment and comment by them before publication.

9. QUARTERLY INTERNAL AUDIT UPDATE REPORT

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

- This report was to be on the agenda at every Governance and Audit Committee meeting. He also explained to Members the scoring system used by EKAP with regards to grading the assurance levels;
- Environmental Health Protection and Debtors scored an assurance level of Substantial with no recommendations;
- Refuse Collection and Value Added Tax scored an assurance level of Reasonable;

- Absence Management was broken down into three categories: Annual Leave, Sick Leave and Flexi Leave. Annual Leave scored an assurance level of Reasonable assurance. There was concern where Sick Leave and Flexi Leave scored an assurance level of Limited;
- Licensing scored an assurance level of Reasonable, however there were some aspects of it that had no assurance due to needing a cost neutral exercise to be taken, with no evidence of this having been done;
- Car Parking and Enforcement, scored No assurance level;
- A follow-up audit was carried out 3 months after the report, to see how things have progressed;
- With regards to the follow-up audit for this period based on the previous report submitted; Thanet Community Lotto was highlighted as an item that still had Limited or No assurance level. Museums was also brought up as Limited or No assurance level;
- Dog Warden, Flying Tipping and Litter Enforcement scored Reasonable assurance levels, except for Litter Enforcement, which score a No assurance level, due to the Council not looking into Litter Enforcement currently;
- Work-In Progress audits that were currently being worked on would be presented to the Committee at a later date. He highlighted Cyber-Security as it was discussed earlier in the evening. He advised that this report would come to Committee around November / December time and recommended the Committee to invite the Head of ICT to the committee meeting on that day;
- He explained to Members the Progress Against the Agreed 2023-24 Audit Plan, as highlighted on the appendix of the report, which include areas of Service and ICT related audits
- He also explained the Balanced Scorecard as laid out at the end of the report.

Discussion raised the following points:

- Members asked about the Licensing audit and cost neutral exercise and whether or not it was exclusive to Licensing. Officers replied that it also applied to Land Charges and Building Control
- On the subject of Parking, Members spoke about the element of people outside the district visiting the area and they wanted to know if that was taken into account with the audit. Officers replied that there was disappointment with receiving No assurance with regards to Parking. However this was due to mainly having a new team of officers. Officers assured Members that with changes in the management team going forward and establishing a management procedure should provide progress that would be reported at a later committee meeting. Members further requested a more detailed look at Parking at a future meeting;
- Members asked about the number of CFOs employed that stood currently at 5 and what steps were being taken to reach the goal of 11. Officers replied that they were advertising the roles, but there was still difficulty getting people to apply. They went into further detail with

Parking as raising prices would need to work within the existing legislation

- Members touched upon the Absence audit to ask about the good practices identified and asked if it was true throughout the organisation. Officers replied that results of the audit were shared with officers to take on board any advice needed.

Councillor Garner proposed, Councillor Britcher seconded and Members AGREED that:

1. The report be received by Members;
2. That any changes to the agreed 2023-24 internal audit plan, resulting from changes in perceived risk, detailed at point 5.0 of Annex 1 of the committee report be approved.

10. INTERNAL AUDIT ANNUAL REPORT 2022-23

Christine Parker, Head of Internal Report for the East Kent Audit Partnership, introduced the report with the following points:

- She explained to Members the importance for this report and how it applies to the Council, including the Risks, Assurances and Progress Reports provided in the report;
- There were no concerns highlighted in the annual reports submitted by East Kent Services;
- EKAP provided one follow up for items where audits had been carried out;
- Four items in 2022/23 were presented as having Limited or No assurance level: Street Cleansing, Commercial Let Properties and Concessions; Equality and Diversity and Thanet community Lotto;
- EKAP was working to align their opinions with that of Grant Thornton external audit opinion and value for money position;
- The opinion provided on the report under Corporate Governance was based on individual pieces of work, although a subjective view;
- The opinion provided to report Limited to No assurance was based on some recommendations not being implemented yet;
- She drew attention to 10 areas where further follow up was needed and EKAP were looking to providing that follow up at a future Committee meeting;
- On the subject of Risk Management, EKAP were satisfied that the arrangements for this were working effectively;
- EKAP were also satisfied with the Management Response from TDC as it reaffirmed the commitment of the Council.

Chris Blundell added some further comments:

- Officers recognised the Council's shortcomings when it came to Corporate Governance. However with the turnover of corporate management staff, it caused a strain in their ability to all address recommendations in the required timeframe. Going forward, there were only two positions to be filled on the Corporate Management Team and once those positions were filled, the Council would've been able to resource the recommendations from EKAP and implement them as soon as possible.

Discussion raised the following points:

- Members asked for a further breakdown of the Thanet Community Lotto and Equality and Diversity areas in future Committee meetings. Officers replied that Equality and Diversity policies were important to the Council and would like to bring it back for a future Committee meeting, perhaps in November / December;
- Members asked EKAP when it would be likely a review of current projects in TDC, including Berth 4-5 would be. Officers said that some of the recommendations had been quite broad as to accommodate methods and strategies already implemented by TDC as projects had been moving forward already. The follow up report will be provided to Members at a later Committee date;
- Members spoke briefly about the audit report saying that EKAP's work had been hampered due to lack of feedback from management and wanted to know if there were any steps being put in place to prevent that from happening in the future. Officers responded that capacity issues had been the cause of this, however meetings with EKAP were going to be more frequent going forward as well as inviting Ms Parker to CMT meetings in the future;
- Members asked when the Business Continuity Management Audit would be brought back to the committee. Officers replied that it was initially not brought back due to Covid-19 issues, however if there were concerns, EKAP would look at bringing it back after December;
- Members talked about East Kent Opportunities and what the follow up to this would be. Officers replied that it was a live order and would be coming to Members at the next Committee meeting.

Councillor Towning proposed, Councillor Bright seconded and members AGREED:

1. That Members note the Opinion of the Head of Audit Partnership;
2. That Members receive the Annual Report detailing the work of the EKAP and its performance to underpin the 2022-23 opinion.

11. UPDATED RIPA POLICY 2023

Sameera Khan, Interim Head of Legal and Monitoring Officer, introduced this report and made the following points:

- This was the updated policy for 2023 which stood for Regulation of Investigatory Powers under the 2000 Act;
- Members were advised that the Council should not exercise powers under the RIPA unless absolutely necessary;
- There have been no Covid-19 surveillance in 2022 up to this point of 2023;
- She also wanted to remind Members that the Council had its last inspection by the Commissioner in April 2022, which resulted in a number of recommendations;
- It was also confirmed, through a letter from the Commissioner, that all recommendations put forward had been endorsed and achieved by the Council.

Councillor Britcher proposed, Councillor Donaldson seconded and Members AGREED to:

1. Adopt the amended Policy in Appendix 1;
2. Note the letter from IPCO, the recommendations and actions;

3. Sign off the letter from IPCO and recommendations;
4. Note the report of activity during the year.

12. **ANNUAL TREASURY MANAGEMENT REVIEW 2022/23**

Chris Blundell, introduced the report where he gave the following points:

- CIPFA provided the Council with their definition of Treasury Management as outlined on the report;
- The Council's gross debt at 31 March 2023 was £19.9 million;
- The debt held at the time was around £52 million which was met by the Council's internal cash flow as at the end of the financial year. The Council had £60 million to work with, instead of going to the bank to save it;
- Members were reminded that borrowing money over the last 12 months had become harder, due to the increase in rates and inflation.

Discussion raised the following points:

- Members asked if any reserves would be invested in TDC's own property portfolio. Officers replied that £800,000 was put into the budget going forward and then reminded officers that the £60 million that the Council was holding was also made up of HRA balances and money received in council tax, which got paid over to KCC.

Councillor Bright proposed, Councillor d'Abbro seconded and Members AGREED:

1. Notes the actual 2022/23 prudential and treasury indicators in this report;
2. Makes comments as appropriate on this Annual Treasury Management Report for 2022/23;
3. Recommends this report to council for approval.

Meeting concluded: 9:42pm