

GOVERNANCE & AUDIT COMMITTEE

Minutes of the meeting held on 27 September 2023 at 7.00 pm in Council Chamber,
Council Offices, Cecil Street, Margate, Kent.

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

In Attendance:

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Braidwood and Davis.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

The Chair gave several updates on the previous minutes. Councillor Britcher proposed, Councillor Donaldson seconded and members agreed.

4. QUARTER 1 REVIEW 2023/24: TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY

Chris Blundell introduced the report making the following key points:

- It was a requirement that the treasury management activity was reported on a quarterly basis;
- Key items within the activity included the gross debt position at £20M, and the underlying need to borrow finance the capital programme was estimated for be £60M by the end of the financial year.

Members commented and asked the following questions:

- There was an underspend of £33.5M in the general fund and £4.1M in the housing revenue account, could more detail be provided regarding this?

Chris Blundell responded with the following points:

- The detail was set out and explained for within the budget monitoring report. The underspend was due to incorrect profiling;
- Initially there wasn't enough detailed information when setting the budget for the schemes.

Councillor Donaldson proposed, Councillor Davis seconded and members AGREED that:

The Governance & Audit Committee notes, and makes comments on as appropriate, this report.

5. RISK MANAGEMENT

Matt Sanham introduced the report making the following key points:

- The council monitored and manages the corporate risks through the corporate risk register;
- Contents of the report highlighted the high priority corporate risks, and the arrangements in place to ensure these risks were monitored and managed appropriately;
- The council had a proactive methodology on risk management and an interdepartmental cooperation on risk strategy;
- Risks had been assessed with a combination of the likelihood of something happening and the impact which arises if it does happen;
- Risk was considered unavoidable in organisations;
- At the staff level, the high level corporate risk register was regularly considered by the corporate management team.

Speaking under Council Procedure Rule 20.1 a Member asked questions and made a comment as follows:

- There was £1.2M in the budget for the risk of increased spend due to homelessness;
- There was a large piece of work regarding Berths 4/5 and project management framework;
- The environment act would be discussed after the 2024 General Election;
- There was no guaranteed external funding for the net zero strategy, however, the council was budgeting for electric vehicles and charging stations.

Members commented and asked the following questions:

- If repairs are made to the council estates, would the council opt for a net zero strategy?
- Questioning was raised regarding the risk scoring within the reports;
- Was there a review on how operational risks were dealt with around emergency response and business continuity?
- Members were pleased with the resilience within the risk management report regarding cyber-attacks;
- Discussion around more frequent in-house working for council employees was raised in relation to risk management, specifically cyber-attacks and mental health;
- Was the council recognising national standards, or was this tailored to the district?

Chris Blundell, Mike Humber and Bob Porter responded with the following comments:

- The council was looking for sustainable long term solutions;
- There was a journey to net zero strategy whilst considering the council's housing stock;
- Five tower blocks within the tower block refurbishment programme would see the removal and replacement of external wall insulation, this would be carried out sustainably;
- The social housing decarbonisation fund would improve the EPC ratings of the tower block buildings, reducing the carbon emissions;
- The council was looking at corporate estates, and reducing carbon emissions within these estates;
- Some risks were considered more severe than others. It was difficult to make comparison against different risks as each risk hit different categories of risk. Although risks were picking up different scorings, it was noted that each risk has a different composition due to hitting high scores across different risk categories;
- The council planned for emergencies of all sorts and size across the district;

- The operational risks regarding emergency response and business continuity would be reviewed and brought back to the committee;
- There was a detailed management plan which had been produced from the internal audit;
- Valid points were raised regarding the return to in-house working of council employee's. Members would have the ability to shape and influence the policy when this topic comes to the General Purposes committee;
- The risk management was a governance source of guidance which the council followed.

Councillor Donaldson proposed, Councillor Britcher seconded and members AGREED:

To approve the review of corporate risks and discuss annexed risks.

6. INDICATIVE EXTERNAL AUDIT PLAN 2021/22 - 2022/23

Matt Sanham and Nick Halliwell introduced the report making the following key points:

- The report covered the external audit plan for 2021/22 and 2022/23, this was developed by the appointed auditor, Grant Thornton;
- The expectation was that the indicative audit plan would be finalised and there would not be any significant changes to this;
- The audit was scheduled to take place in October 2023;
- Expected materiality was £2.7M, this was based on previous financial statements. This would be reassessed once the final statements of the accounts had been received;
- Significant risks would be identified. Significant risks included: pension liabilities, property valuations and management override of controls;
- New areas of focus for the 2022/23 audit included ISA 315.

Councillor Pope proposed, Councillor Britcher seconded and members agreed to note the report.

7. AUDIT PROGRESS REPORT AND SECTOR UPDATE

Matt Sanham and Nick Halliwell introduced the report making the following key points:

- The Audit progress and sector update was provided by Grant Thornton;
- The report set out two key areas, audit progress and sector updates;
- There was an audit backlog in local government audits. There were several key areas regarding why this had happened:
 1. Regulator focus around key areas and significant risks which had large values in accounts;
 2. Local audit capacity.
- There were talks regarding a backstop date, if audits were not completed by this set date a disclaimer opinion would be issued.

Members commented and asked the following questions:

- As well as having a delay across the sector due to the pandemic, the council also had governance issues;
- Had there been any discussion on specific dates regarding the backstop date?

Nick Halliwell responded:

- There had been discussions, but there was no definitive answers on dates. There was talk around the date of 31st March.

Councillor Donaldson proposed, Councillor Garner seconded and members agreed to note the report.

8. AUDIT FINDINGS REPORT 2020/21

Nick Halliwell introduced the report making the following key points:

- The report was presented at the last meeting of governance and audit, however there had been several updates;
- Advice had been given from the technical team that due to new code requirements around value for money reporting the findings should be given at the next committee meeting;
- Four key recommendations had been identified in the value for money report, this would be presented in the following committee.

Councillor Towning proposed, Councillor Donaldson seconded and members AGREED:

1. That the Audit Findings Report for 2020/21 as set out at Annex 1 is considered;
2. In the unlikely event that a minor change would be required, i.e. immaterial, the Section 151 be delegated the authority to sign-off the Audit Findings Report, in consultation with the committee Chair.

9. QUARTERLY INTERNAL AUDIT UPDATE

Simon Webb introduced the report, making the following key points:

- This was the regular quarterly internal update report which summarised the work by the East Kent Audit Partnership. The report contained details of the performance of the Easter Kent Audit Partnership up until the end of quarter one, 30th June 2023;
- Nine audits were completed during quarter one;
- Three areas had achieved substantial assurance. This was noted as garden waste and recycling income, the HRA business plan and insurance and inventory of portable assets;
- Area's which concluded reasonable assurance included environmental protection service requests, rent accounting collection and debt management;
- Employee health and safety concluded limited assurance;
- Planned maintenance contract letting and management concluded no assurance;
- Follow ups were considered an important part of the audit. During the period, three follow ups had been completed;
- Complaints monitoring moved from no assurance up to reasonable assurance, this was a significant improvement;
- There had been slippage in implementing the recommendations regarding absence management, revised due dates for the actions were proposed.

Speaking under Council Procedure Rule 20.1 a Member asked questions and made a comment as follows:

- The audit findings were welcomed;
- There had been fortnightly meetings with the Section 151 Officer and Health and Safety Manager. Cabinet was reviewing health and safety statistics;
- If residents were not getting good value for money regarding East Kent Opportunities, actions would be taken to address this.

Members commented and made the following points:

- There had been historic governance and management problems, officers would be bringing a report to October's Cabinet meeting regarding this;
- What was the process for writing off debts?
- A question was raised around carefully chosen language in the report;
- Areas of concern were related to contractors fitting low cost non-direct wired carbon monoxide alarms in every instance, and thirteen new boiler installations with thirteen instances of work paid for and no certification. These examples had flagged up issues with the way the contract was managed;
- Were officers confident that the internal audit plan for 2023/24 and 2024/25 would cover the core aspects of the Council in terms of assurance?

Chris Blundell, Bob Porter and Matt Sanham responded with the following points:

- There were different arrangements made in the constitution for writing off debts. At a certain level debt would need to be presented to Cabinet, under a certain level the Section 151 Officer could write off the debt;
- There would be a follow up audit;
- The gas boiler installation and the installation of carbon monoxide alarms were considered legacy issues from East Kent Housing setting up this specific contract. The Council requested the necessary installation certificates, but they were delayed until the contractor confirmed that they had put the correct anti-corrosion additives into the water. This was a requirement of the Council to ensure the life of the new central heating system would be preserved post installation;
- Within the new gas boiler contract, every boiler would be checked by the external technical auditing contractor. New arrangements were noted as much more robust than prior arrangements;
- The Council took fraud and corruption very seriously;
- The Head and Deputy Head of Audit met with the Section 151 Officer on a regular basis to discuss the plan. The plan was a live document, and moved with the emerging risks and opportunities of the Council;
- Typically one follow up is untaken for audits, however there are exceptions to this, particularly if the Committee requests further assurance.

Councillor Davis proposed, Councillor Britcher seconded and members agreed to note the report.

Meeting concluded : 8.43 pm