

External Auditor's Annual Audit Report on Value for Money

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| Cabinet | 16 November 2023 |
| Report Author | Colin Carmichael, Interim Chief Executive and Chris Blundell, Director of Corporate Services and Section 151 Officer |
| Portfolio Holder | Cllr Rob Yates, Portfolio Holder for Corporate Services |
| Status | For Noting |
| Classification: | Unrestricted |
| Key Decision | No |
| Ward: | All wards |

Executive Summary:

The Council's external auditor Grant Thornton is required to report its audit findings from its audit of the accounts to G&A, but this year, due to the fact that this report covers 3 years rather than 1, it is being brought to the attention of Cabinet for noting.

Recommendation(s):

1. The External Auditors Annual Report covering Value for Money for the years 20/21 through to 22/23 be noted as set out in Annex 1;
2. The External Auditors Annual Report covering Value for Money for the years 20/21 through to 22/23 be recommended onto G&A for approval.

Corporate Implications

Financial and Value for Money

There are no financial implications arising directly from this report.

Legal

This is a statutory requirement in accordance with the Local Audit and Accountability Act 2014 and, Accounts and Audit Regulations 2015 and The Code of Audit Practice

Corporate

This is part of the external audit process.

Risk Management

No action on this item would result in non delivery of the statutory requirement pertaining to the accounts, this could result in:

- Loss of confidence
- Reputational damage

Equality Act 2010 & Public Sector Equality Duty

Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.

Protected characteristics: age, sex, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy & maternity. Only aim (i) of the Duty applies to Marriage & civil partnership.

Corporate Priorities

This report relates to the following corporate priorities: -

- Growth
- Environment
- Communities

1. Introduction and Background

- 1.1 The auditors are required to reach a formal conclusion on whether the council has put in place proper arrangements to secure value for money.
- 1.2 The council received a number of objections to the accounts on the grounds of the council's arrangements to secure value for money which has delayed reporting.
- 1.3 The report on value for money covers the 3 years from 2020/21 to 2022/23. It therefore covers a period in the council's history of significant upheaval and revisions to its senior leadership and governance arrangements.
- 1.4 It would be fair to say that the report concludes that the first two of those three years were a period in which the necessary steps were being taken to identify and address the problems. The last of those years, 2022/23, is a period in which significant progress has been made to resolve the problems. The details of this process are set out below.
- 1.5 The Council's External Auditors, Grant Thornton, issued a report under Section 24 of the Local Audit and Accountability Act 2014 on 12 October 2021. That report is a formal report to a Council that requires the Council to take necessary steps to resolve

perceived failures of governance and leadership. It is a most unusual step, and significant to the difficulties the Council was facing.

- 1.6 Following on from this and directly as a result of the recommendations of the External Auditor's report, an Independent Monitoring Officer (IMO) was appointed by the Council, with a remit to investigate the issues raised by the External Auditor, and to look more broadly at the governance of the Council. The IMO produced his report, which was considered by Council on 19th May 2022. The recommendations made by the IMO were approved by Council.
- 1.7 As a result of the recommendations, the Council appointed Chris Blundell as Director of Corporate Services and Section 151 Officer. Sameera Khan was appointed as the Interim Monitoring Officer on 18 July 2022, and Colin Carmichael was appointed as Interim Chief Executive (and Head of the Paid Service) on 20th July, and is under contract until at least the end of July 2024. As the Council's Statutory Officers, they have worked with the Service Directors (now Heads of Service) to form the Council's Corporate Management Team (CMT). One of the remits of the CMT has been to work with Councillors to implement the recommendations of the External Auditor and the IMO.
- 1.8 The Chief Executive reported to Cabinet and to Full Council last March to advise Councillors of the progress made on implementing the recommendations of the Section 24 report from the external auditor, and those from the IMO. Those reports were noted by Council. They are available to Councillors as the agendas for both meetings were public. We will not, therefore, go into detail about the content of the reports.
- 1.9 The issues that remained outstanding, when the reports were considered last March, were:
 - improving the ability of Councillors to get appropriate information from Officers;
 - Improving the Council's approach to Project Management and Procurement;
 - Training for Councillors to enable them to carry out their duties more effectively.
 - Taking each of these in turn.
- 1.10 Progress is being made on the flow of information, but we acknowledge that there is still much to do. The emergence of hybrid working after the pandemic has caused problems which CMT is working hard to resolve. Councillors will note that the budget proposals contain a post to be created that will support Councillors in carrying out their Ward duties and improving the information flow.
- 1.11 We are making substantial progress on Project Management and Procurement. One of the recommendations of the IMO was to conduct a review of the process used to reconstruct Berths 4 and 5 at Ramsgate Port. That review was conducted by the Internal Auditor, and her report was also presented to Cabinet and Council last March. CMT accepted all her recommendations. We have commissioned a review of

our procurement processes, and have also engaged a consultant to work with us on a complete review of our project management processes, coupled with across the board training for relevant officers.

- 1.12. We deferred the recommendation on training for Councillors until after our election last May. Since then a comprehensive training programme has been delivered for all newly elected Councillors.
- 1.13 In addition to these actions, two other changes have been made.
- 1.14 The Chief Executive has conducted a complete review of the senior management structure. That was approved by the General Purposes Committee in January. The posts of Director were filled by the Appointment Panel, and the posts of Head of Service have been filled by the Chief Executive.
- 1.15 The Chief Executive has reviewed the functioning of CMT. Perhaps unusually, it comprises not only the CE and Directors, but also all Heads of Service. The purpose is to include all senior managers in the corporate direction and strategy of the Council.
- 1.16 However, there are some issues which require more specific membership, and the contribution of Officers who are not members of CMT. We have, therefore, created three sub groups of CMT to do this. They are:
 - a Project Management Working Group - which will commission, monitor, take officer decisions on, and oversee the completion of major projects;
 - a Governance Working Group - which will look in detail at reports from Internal Audit, ensuring that recommendations made by the Auditor are properly considered and implemented - which has been a problem in the past. It will also look in detail at Health and Safety monitoring;
 - Property Working Group - to reach conclusions at Officer level on issues relating to property owned by the Council.
- 1.17 Cabinet is now asked to consider and note the Auditors Annual report and to comment on and hopefully endorse the management action outlined above before passing the report to G&A for decision where a representative from Grant Thornton will attend the committee meeting and present the key findings.

Contact Officer: Chris Blundell Director of Corporate Resource and Section 151 Officer
Reporting to: Colin Carmichael, Interim Chief Executive

Annex List

Annex 1 External Auditors Annual Report

Background Papers

None

Corporate Consultation

Finance: N/A

Legal: N/A