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GOVERNANCE & AUDIT COMMITTEE

Minutes of the meeting held on 6 March 2024 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Present: Councillor William Scobie (Chair); Councillors Davis, Donaldson, Farooki, Garner, Manners, Matterface, Munns, Pope, H. Scobie and Towning

In Attendance: Councillor Yates

1. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Bright, Britcher, d'Abbro and Packman (they were substituted by Councillors Matterface and H. Scobie).

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF PREVIOUS MEETING

Councillor Davis proposed, Councillor Garner seconded and members AGREED to approve the minutes as a correct record of the meeting held on 29 November 2023.

4. QUARTER 3 REVIEW 2023/24: TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY

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

- The report covered where the Council was in regards to key indicators in quarter 3 for 2023-24 treasury activities;
- The 9 month capital expenditure on long-term assets was £12 million, with £10 million being spent last year against a £60 million budget for the year;
- The Housing Assistance Policy had an underspend of £2 million with the majority of the forecast expenditure being on disabled facility grants;
- Public toilet refurbishment and renewal had an underspend of £666,000 with investment in these facilities to be planned as per the 14th December 2023 Cabinet meeting;
- Office accommodation had an underspend of £3 million, however this was still under review;
- The Broadstairs Flood and Coast Protection Scheme had a £836,000 underspend, which was due to start in Spring to avoid disturbing birds during Winter months;
- The Westbrook and St Mildred sea walk work had a forecast of just under £500,000 underspend, but the project would not start until the funding was confirmed;
- Homelessness Accommodation Phase 2 had an underspend of £1 million;
- The Infrastructure Project around works to Manston Road Depot was a multi-year project;
- The Council's borrowing position as of 19 December 2023 was £19 million which was similar to the previous year;
- The Capital Financing Requirement was estimated to be £78 million, compared to £52 million the previous year;

- The Council was holding less gross debt with the capital finance requirement not exceeding the borrowing limit of £101 million;
- The Council's investment balance, as of 31 December 2023 was £56.8 million, compared to the £55.4 million of the previous year.

Committee discussion raised the following points:

- Regarding the public toilets, Councillors asked if money allocated to the refurbishment included a £250,000 contribution from Southern Water, officers informed Councillors that this amount would be included in those figures and that a breakdown of these figures were in a Cabinet report in December they can refer back to;
- Councillors asked if there was an underspend regarding the public toilets, was the Council planning on focusing its efforts on more public toilets. They were informed that there is no plan in place to take on new schemes beyond the ones confirmed in the December report to Cabinet.

Councillor Towning proposed, Councillor Donaldson seconded and Councillors agreed:

That the Governance & Audit Committee notes the report.

5. **CORPORATE RISK REPORT**

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

- Councillors were reminded that the Council monitors its risks through the corporate risk register and that the report highlights high priority corporate risks;
- The report itself represented the Council's position around December 2023 and January 2024;
- The corporate risk scoring remained unchanged.

Committee discussion raised the following points:

- A question was raised regarding the grading of a level 4 risk, as being one that could potentially cost the Council more than £500,000, whether or not the Council had reserves in place to cover that risk. Officers responded that it would come down to the owner of the risk to let officers know how they've come to that conclusion of scoring and can depend on a number of factors depending on the risk itself;
- Councillors were curious as to why the Cyber Attack risk was unchanged, following recent issues regarding Council ICT. Officers reminded them that the report in question is a snapshot from before the ICT incident happened as well as it already being at the top of the scoring scale;
- Councillors asked about the Council's insurance position and how it influenced the risks themselves. Officers informed Councillors that they have not been approached about making a claim through insurance providers, so no further provisions have been made;
- Councillors wanted to know what the procedure was to identify new risks and what external sources were used. Officers replied that it came down to a combination of risk forecasting, upcoming legislative changes and any emerging patterns;
- Councillors asked about the Council's insurance position when it came to unfair dismissal claims and disciplinary proceedings and suggested that some legal firms can provide those kinds of services. Officers informed Councillors that the Council is now working with a local firm that provides the Council with better rates than previous companies regarding any employee related matters;

- Councillors wanted to know if it would be possible to have a way for Councillors themselves to submit any perceived risks they themselves may come across. They were reminded that the Council's Constitution already has procedures in place for a Councillor Call to Action which is the intended way for Councillors to raise concerns;
- The five by five risk matrix was questioned as the current system had a scoring of between 0-5, whereas it was suggested that this be changed to 1-5 which could help to differentiate some of the higher scoring risks. Officers said that discussions were made regarding changing the scoring matrix, whilst investigating different systems that other local Councils use. Officers also clarified that the system is currently a four by four system with no 0 score. The matrix was only recently implemented, so officers aren't looking at changing it any time this year.

Councillor Davis proposed, Councillor Farooki seconded and Councillors agreed:

That the Governance & Audit Committee approve the review of corporate risks.

6. QUARTERLY INTERNAL AUDIT UPDATE REPORT

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

- Four areas have shown substantial assurances, these included: Payroll, Treasury Management, Capital and Community Safety;
- Homelessness assurance was split between Reasonable and Limited, with recommended improvement needed for temporary accommodations;
- External Funding Protocol was given a Limited assurance level, but this was due to a lack of audit trail for the sample selected from finance files;
- Follow-up for Waste Vehicle Fleet Management was awarded a split Reasonable / No assurance level, due to staff witnessing refuse vehicles reversing around corners without workers to spot them, but actions have put in place to rectify this;
- Follow-up for Licensing was also given a Reasonable / No assurance level due to the need to undertake a cost neutral exercise, to make sure that the Licensing function does not make a profit and no evidence was shown to suggest this had been carried out;
- Follow-up Rent Accounting Collect & Debt Management was given a Reasonable / Limited assurance, limited because of the Council's write-off of outstanding debts;
- As shown on the Progress Against the Agreed 2023-24 Audit Plan, around 75% of the work was completed or in the final stages of being finalised;
- Due to a vacancy, EKAP were slightly behind schedule with the plan, but the vacancy has been filled, so its predicted they will get back on track soon;
- Follow-ups for Car Parking and Enforcement are due to come to the Committee at the next Governance and Audit meeting in July.

Councillor Yates spoke under Council Rule 20.1 to bring the Councillors attention to the limited assurance level around Employee Health and Safety. He pointed out that there were no budgeted days in the next year where employee health and safety is targeted, but put the suggestion forward to Councillors to add a few budgeted days focused on this. Officers replied to inform Councillors that a follow-up to this audit would be coming up in the July meeting.

Committee discussion raised the following points:

- In reference to the Planning Applications, Income and S106 assurance level, Councillors wanted to make sure this came back to Councillors in a timely

manner. Officers confirmed that the follow-up for this item to be March-April 2024 and reported to the July committee meeting;

- Councillors asked for further clarification regarding Licensing and the risk of making a profit. Officers replied that Licensing is a cost neutral function where the Council is not supposed to make a profit out of it and the cost neutral exercise is related to it;
- Regarding the Berth 4-5 Implementation Review, Councillors asked if Grant Thornton were following through with the review. Officers replied that Grant Thornton would not be engaging with this review, but EKAP will be conducting the follow-up once asked to.

Councillor Donaldson proposed, Councillor Towning seconded and Councillors agreed:

That the Governance and Audit committee receive and note the report.

7. **DRAFT INTERNAL AUDIT PLAN 2024-25**

Simon Webb, introduced the report and made the following points:

- The plan involved all areas of the Council which could be reasonably audited, these included Financial Governance and Management Corporate Governance;
- The plan also detailed risks through national issues where five have been detailed: Cyber & Data Security; Human Capital, Diversity & Talent Management; Macroeconomic and Geopolitical Uncertainty; Climate Change, Biodiversity and Environmental Sustainability; and Supply Chain, Outsourcing and Party Risk. All of these risks were drawn from the IIA's internal audit publication, Risk in Focus;
- Cyber & Data Security remained the number one risk;
- The plan area for Car Parking & Enforcement was due to come back to Councillors for the July meeting;
- The plan area for the External Funding Protocol follow-up was yet to be taken;
- Councillors were reminded that typically only one follow-up is covered on each area;
- Leasehold Services would be included in next year's plan, due to a new module of the Northgate system.

Committee discussion raised the following points:

- Councillors wanted to clarify if the number of days decided for follow-up of projects were decided by Audit or by Council Management. Officers replied that it's based on previous audit experience how the decision is made;
- Councillors were concerned about the access to accounts regarding Ramsgate Harbour. Officers assured Councillors that the audits for Ramsgate Harbour were a relatively simple matter for EKAP to handle;
- Regarding Parking, Councillors asked why the audit was to be carried out in 2025-26 and why not sooner. Officers replied that the current active audit will have the follow-up come to Councillors in the July meeting.

Councillor Davis proposed, Councillor Manners seconded and Councillors agreed:

That the Governance and Audit committee receive the report and approve it.

8. **EXCLUSION OF PUBLIC AND PRESS**

The Chair proposed, Councillor Farooki seconded and members agreed:

That the public and press be excluded from the meeting on agenda item 9 as they contain exempt information as defined in Paragraph 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

9. QUARTERLY INTERNAL AUDIT UPDATE REPORT

This item was restricted to Councillors on the Committee.

Meeting concluded: 8:45pm

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