

## GOVERNANCE & AUDIT COMMITTEE

Minutes of the meeting held on 24 July 2024 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

**Present:** Councillor William Scobie (Chair); Councillors Farooki, Braidwood, Britcher, Davis, Donaldson, Edwards, Pope and Towning

**In Attendance:** Councillor Yates

### 1. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Garner, Munns, Nichols, Packman (who was substituted by Councillor Crittenden) and Scott.

### 2. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 3. MINUTES OF PREVIOUS MEETING

Councillor Towning proposed, Councillor Britcher seconded and members AGREED to approve the minutes as a correct record of the meeting held on 6 March 2024.

### 4. MANAGEMENT UPDATE ON OUTSTANDING INTERNAL AUDIT ACTIONS

Chris Blundell, Director of Corporate Services and Section 151 Officer introduced this report and made the following points:

- This report served as an update on outstanding audit actions as recommended by the East Kent Audit Partnership in July 2023;
- As of March 2024, there remained 8 critical recommendations and 51 high recommendations;
- The Committee was informed about the Governance Board, a meeting of senior managers who meet on a monthly basis to give updates regarding these recommendations;
- Since the last update, the current number of high graded recommendations had gone down to 29 with 6 critical, with the remaining areas being looked at for the rest of the financial year;
- Any new recommendations provided by EKAP will be taken into the scope of the Governance Board in a timely basis going forward.

Councillor Rob Yates spoke under Council Rule 20.1:

- Councillor Yates introduced himself as the new member for Risk Management going forward and said he would be working closely with the Chair of the Governance and Audit Committee going forward.

Committee discussion raised the following points:

- Thanks was given to the members of the EKAP team for the hard work in regards to providing these recommendations to the Council as well as the clarity on which the updates were being provided;

Councillor Britcher proposed, Councillor Davis seconded and Councillors agreed:

That the committee notes the progress that has been made to date on the delivery of outstanding internal audit actions.

## **5. TREASURY MANAGEMENT 2023/24 YEAR END REPORT**

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

- The figures presented remain provisional until the 2023/24 accounts are audited, but provide details of the end of year position for treasury activities;
- Capital expenditure on long-term assets were at £23.9 million, compared to 2022/23 where it was £16.2 million against a budget of £60.7 million;
- The borrowing position as of March 2024 was £19.6 million, which showed a small drop from the previous year which stood at £19.9 million;
- The capital finance requirement expenditure was £56.8 million, however as of 31 March 2024, it was £52.2 million. This means the Council has complied with the requirement to hold less gross debt than its capital finance requirement;
- As of 31 March 2024, the Council's investment balance was £41.7 million, compared to March 2023 where it stood at £60.6 million. This decrease was due to HRA capital spend.

Councillors had no comments at this time.

Councillor Britcher proposed, Councillor Davis seconded and Councillors agreed:

1. The 2023/24 prudential and treasury indicators of the report were noted;
2. That the report be recommended to Council for approval.

## **6. PROCUREMENT WAIVERS 2023/24 ANNUAL REPORT**

Matt Sanham introduced this report and made the following points:

- The report is the fifth update report being provided to the Committee on the Council's use of waivers to its contract standing orders;
- The limits for CSOs were changed to £25,000;
- Any contract opportunities with a value of £30,000 or more, including VAT must now be published on the government's contract finder, unless there is a justified need not to;
- Awards over £30,000 also need to be published, with excess of £140,000 meaning it will also be published on the Kent Business Portal;
- In 2023/23, 41 waiver applications were received. Of these waivers, 31 of them were approved. This is compared to 2022/23, where 46 applications were received, with 45 approved;
- The majority of waiver applications processed fall under the £100,000 threshold;
- Of the 10 rejected CSO requests, the reason why they were rejected was because they were non-compliant with the CSOs and the financial procedurals were not followed.

Committee discussion raised the following points:

- Councillors asked how the number of waivers compared to other local authorities. Officers explained that there is no direct comparison to other Councils provided by Thanet District Council, since other authorities would have different requirements for their waivers. EKAP officers went on to say that the number of contracts would also not be comparable, whereas the assurance level would be a more comparable trait;

- Officers reminded Councillors that the comparison of year by year numbers is not way to recognise any kind of trend since within the next financial year, it is likely the Council will receive more waivers due to the regeneration housing schemes in particular.

Councillor Davis proposed, Councillor Edwards seconded and Councillors agreed:

That the Committee notes this report.

## **7. EQA COMMITTEE UPDATE REPORT - 2024**

Christine Parker, Head of Audit, East Kent Audit Partnership, introduced this report and made the following points:

- The public sector internal audit standards have been in place since 2013 with revisions being made over the years. One of them was the requirement for an external quality assessment of the services which was provided by EKAP and then validated by the Section 151 officers of the relevant authorities, however this time it has been provided by a third party firm;
- The reason for the timing of this report was that by 1 April 2025, the public sector internal audit standards were being replaced;
- The new standards that will be introduced will be more direct in the demands of the team;
- Using a specialised scoring method, the average for audit teams across the country amounts to 2.53/3, EKAP scored 2.61, putting them above average, especially in the consideration of managing four different local authorities;
- The three categories that the EKAP are scored against are Resources, Competency and Delivery.

Committee discussion raised the following points:

- Councillors asked how the benchmarking against other audit partnerships was scored. EKAP informed the Committee that the assessor compares with bigger partnerships across the country and provides suitable comparisons for benchmarking.

Councillor Britcher proposed, Councillor Crittenden seconded and Councillors agreed:

That the EQA report and the finding that the EKAP generally conform with the requirements of the public sector, internal audit standards.

## **8. INTERNAL AUDIT ANNUAL REPORT 2023/24**

Christine Parker, introduced this report and made the following points:

- Due to a small salary vacancy and additional grant work, a salary saving has been achieved in 2023/2024. There will be a discussion with the Section 151 Officers to decide how best to reallocate this money back to the partner authorities;
- The report included recommendations that have been agreed, graded either critical, high, medium or low as well as progress reports on those recommendations;
- Whilst there were some challenges at the beginning of the corporate year, a lot of progress has been made through the recommendations which are being tracked consistently.

Councillors did not have anything to say at this time.

Councillor Britcher proposed, Councillor Pope seconded and Councillors agreed:

That Councillors note the opinion of the head of EKAP and also note the annual report, detailing the work of EKAP and its performance within 2023/24.

## **9. QUARTERLY INTERNAL UPDATE REPORT - TO 31ST MAY 2024**

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

- Details of this report are included up until 31 May 2024;
- Five new audits were carried out within this period, these include: Visitor Information Arrangements, Scheme of Officer Delegations, Public Health Burials, the Council Tax Reduction Scheme and Grounds Maintenance. Two recommendations were put forward across these areas;
- Grounds Maintenance specifically has an assurance level of no assurance with 12 critical and 8 high recommendations which were of a health and safety nature. However, the majority of recommendations have been implemented, which means the assurance score would be raised from no assurance in the future. EKAP credits Mike Humber, Tony Marmo and their respective teams for this work that was undertaken;
- During the period of review 11 follow-ups were made, which included the Grounds Maintenance level of assurance changing from no assurance to reasonable;
- Two assurance levels still remained at a limited level, these included Cyber Security and Employee Health and Safety. These levels were on track to improve however, since the recommendations were still in progress;

Committee discussion raised the following points:

- Councillors asked Mr Humber and Mr Marmo what was now in place to prevent the lower levels of assurance in Grounds Maintenance. Officers replied that a new checking system has been implemented in a daily and weekly manner. It was also mentioned that a Health and Safety Group has been working within the Open Spaces Team to try and prevent older cultures. The team also worked with a spot checklist that's worked on by the supervising team in order to make sure everything with staff and the vehicles is regularly checked;
- Officers added that the new systems in place are there to establish health and safety first over any budgetary needs;
- Councillors asked about the time of the day which the checks took place and if officers were aware of people purposely setting fire to wooded areas like Northdown Park. Officers replied that they were aware of the reports and have passed information through to the enforcement team. In regards to the checks, Councillors were informed that they would happen between 7:30-15:30 as that's the working hours for the team;
- Councillors asked regarding trying to change the working culture of the team through spot checking and if these processes were likely to be reviewed in the future. Officers replied that the same processes are now being carried out at the port and harbour, so they will be speaking with the process for the foreseeable future;
- Councillors thanked Mr Marmo and Mr Humber for explaining the new processes to them and were happy with the work carried out by the teams;
- Councillors made a request of EKAP, regarding the follow up of Cyber Security as there was a deadline of 30 November 2024, but is asking if the management

team follow up for this is captured for a meeting in December, but understood if this interfered with the intricacies of the work carried out by EKAP;

Councillor Britcher proposed, Councillor Davis seconded and Councillors agreed:

1. The report was received by Councillors;
2. That any changes to the agreed 2023-24 and 2024-25 internal audit plans, resulting from changes in perceived risk, detailed at point 5.0 of Annex 1 of the attached report be approved.

## **10. CORPORATE RISK REPORT**

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

- This report represents the Council's position in risk management by the end of May 2024. These risks were assessed by the Corporate Management Team and Councillor Yates;
- The risk score for Berths 4 and 5 is now dropping down to a risk rating of 9 and will be removed from the report for the next meeting;
- There are two new risks that are now on the report which are Groundwater Assessments and Manston Airport;

Committee discussion raised the following points:

- Councillors asked about the Groundwater Assessments item on the register and what it detailed. Officers informed Councillors that this is related to the risk of aquifer from burial grounds and that new surveys are going to be carried out for it;
- Councillors asked officers why Manston Airport scored 12 on the risk matrix. Officers told Councillors that they will look into this in more detail and inform the Councillors outside the meeting, however they did inform the Councillors that air quality was one of the elements being looked at
- Officers expanded upon Berths 4 and 5 and said that the risk for this was in regards to finance and overspend. The overspend however has been reduced to £250,000 to £500,000;
- Officers informed the Councillors that when these scores are decided, officers look at the worst case scenario on how they affect the Council as a whole as well as looking at what mitigations are in place to prevent that from happening;
- Councillors asked about scenic proposals that were detailed to the Councillors at a Councillor's Briefing and whether or not that would appear in the risk matrix. Officers replied that due to the size of the scheme, that environmental impact would have to be addressed and that there will be an environmental statement detailing what mitigations would be in place;
- Councillors went on to inform officers regarding the analysis of the risk matrix and how some high level risks were not the same as others. For example, the Manston Airport risk being scored the same as Cyber Security, despite Cyber Security being a much more direct risk to the Council. Officers agreed with the Councillors' point, however Councillors were informed that this matrix works on a 4x4 scoring system as opposed to a 5x5 system and that it can be different in other authorities, including some that use a 3x3 system. Officers were happy to look at the scoring system to rework the strategy, however timing was a factor as well as providing the correct resources;
- Councillors requested that Under Insurance be looked at as a future risk as other authorities have had issues maintaining their existing assets which can lead to other risks such as fire safety and financial issues in the future. An example was

provided of the flat tower blocks that the Council manages and the recent works being carried out. Officers agreed with Councillors citing the problems that could arise around maintaining the properties which including programmes not being carried out correctly, or incorrectly valued. It was highlighted that the key to this item would be maintaining the assets that the Council has in order to bring down insurance premiums and ensure that they would be covered;

Councillor Davis proposed, Councillor Britcher seconded and Councillors agreed:

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

## **11. AUDIT FINDINGS REPORT 2021/22**

Matt Sanham introduced this report and made the following points:

- Councillors were informed that Grant Thornton were the ones tasked with confirming the Council's financial statements were both true and fair;
- Subject to the completion of some tasks by the Council, it is anticipated that GT will approve the compliancy with relevant financial frameworks;
- Officers would usually present a letter of representation for the Chair of the committee to sign off as well as a set of accounts, however due to timeliness, officers are expecting to bring these items to a future meeting.

Matt Dean, Grant Thornton UK LLP, continued the report:

- A plan has been agreed with the Head of Finance and the Section 151 Officer, regarding getting the timeframes of the accounts up to date, including 2022-23, 2023-24, etc.;
- GT found no changes to the reported financial position in the draft accounts, however some recommendations have been put forward regarding a small number of adjustments;
- A previous report was presented to the Committee on 29 November 2023, which covered the period between April 2020 to March 2023, which laid out conclusions. Some objections regarding the period of 2021-22 were received but have now been closed;
- Some journals were incorrectly posted by an interim chief accountant that were subsequently reversed out and posted again meaning more work was required raising a recommendation on those, however no inappropriate activity was found;
- Work being carried out that includes buildings and investment properties are being seen as a positive through GT, however there were some concerns over the valuation of low value investment properties;
- In regards to the pension fund liability, a request was made on an up to date report to ensure accuracy, which has been updated and reflected in the revised accounts;
- With the minimum revenue position, GT are comfortable with the Council's approach;
- GT did highlight an error regarding ICT and a starter form of an elected member, but it was picked up the following month.

Committee discussion raised the following points:

- Councillors asked about an objection that was raised regarding Berths 4 and 5 in the report. Officers informed Councillors that this objection was closed;
- In regards to the topic of the Commercial Property Valuation, conducted in March 2022, a value was produced of £24.7 million. Officers informed Councillors that this included the value of £7.2 million, however the cost benefit analysis of looking at every asset would not be worth paying where the asset is of low value.

GT set a sensitivity analysis based on the knowledge of the market and the value was around £700,000, which GT is comfortable with and it was a risk that the Council were okay with;

- Councillors were reminded that there issues regarding getting the accounts completed which was why this report came to the Committee at this time, with other factors such as new government measures being put in that place that has delayed this report. However, officers were confident that in 12 months' time, the Council will be in a position to work towards looking at the accounts for 2024-25;
- In regards to some of the Council's commercial property, some plots of land were too insignificant, to impact the Council's values on the accounts or to include in the findings of the report and would be a waste of tax payer's money;
- Officers were happy to inform the Councillors that the Council's Head of Estates was conducting a thorough rent review of the entire portfolio of estates that the Council own, to ensure that rent values are correct;
- Officers clarified that a lot of the low value investments that the Council owned, would not be taken into account due to them not providing a deliverable service, however a lot of the properties are kept by TDC in projections of the value of them going up

Councillor Britcher proposed, Councillor Towing seconded and Councillors agreed:

That the Committee considered the audit findings of the 2021-22 statement of accounts and noted the report.

## **12. EXTERNAL AUDIT PLAN 2023/24**

This item was deferred to the next Governance and Audit Committee to be held on 25 September 2024.

Meeting concluded: 8:40 pm