

GOVERNANCE & AUDIT COMMITTEE

Minutes of the meeting held on 4 November 2024 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

Present: Councillor Roopa Farooki (Chair); Councillors Britcher, Davis, Donaldson, Edwards, Munns and Pope

In Attendance:

13. APOLOGIES FOR ABSENCE

The Chair declared the meeting inquorate as seven members were in attendance instead of the minimum eight and the meeting proceeded as an informal meeting. Any notes from this meeting will need to be ratified by the next quorate meeting.

Apologies were received from the following members:

Councillor Scobie;
Councillor Scott;
Councillor Nichols;
Councillor Braidwood.

14. DECLARATIONS OF INTEREST

There were no declarations of interest.

15. MINUTES OF PREVIOUS MEETING

Councillor Britcher proposed, Councillor Donaldson seconded and members recommended the minutes to a quorate Governance and Audit Committee meeting for approval as a correct record of the meeting held on 6 March 2024.

16. QUARTER 1 REVIEW 2024/25: TREASURY MANAGEMENT AND ANNUAL INVESTMENT STRATEGY

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

- This report summarised the treasury management activity and prudential / treasury indicators for the first quarter of 2024/25;
- Part of the treasury management operation was to ensure this cash flow was adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- The second main function of the treasury management service was the funding of the Council's capital plans. These capital plans provided a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations;

- This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives;
- The approved limits within the Annual Investment Strategy were not breached during the quarter ended 30 June 2024.

Councillor Donaldson proposed, Councillor Britcher seconded and members agreed that the following recommendation be forwarded to the next quorate meeting of the Governance & Audit Committee for confirmation:

To note the report.

17. **QUARTERLY INTERNAL AUDIT UPDATE REPORT**

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

- The report summarised the work of Internal Audit at 30 June 2024;
- A table provided in the report provided a summary of assurance results;
- Substantial assurances were given for five service areas and one area was given reasonable assurance;
- Internal audit would be following up on those areas mentioned in the report that require improvement to check on progress made;
- Your Leisure had not yet been audited. Obstacles in getting the land swap formally agreed with KIC were causing the delays;
- There were areas still outstanding and there also two areas with limited assurance.

Members asked questions as follows:

- The land swap took place in 2004. Was there a reason why it had taken 20 years to conclude this matter;
- Was the audit of Your Leisure still going ahead?

Matt Sanham and Simon Webb responded as follows:

- There had been constant issues that were being discussed by the parties concerned. This discussions had led to a convoluted process and the land swap took place in 2014;
- Your Leisure would be audited once the agreements were resolved.

Councillor Davis proposed, Councillor Donaldson seconded and members agreed that the following recommendations be forwarded to the next quorate meeting of the Governance & Audit Committee for confirmation:

1. That the report be received by Members;

2. That any changes to the agreed 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.

18. CORPORATE RISK REPORT

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

- The Corporate Risk Report and Annex 1 to the report detailed the Amber risks and although these did not sit in the Corporate Report it was important that members were made aware of these as well and these were presented twice a year to the committee;
- The authority monitors and manages its corporate risks through the Corporate Risk Register. The contents of the report highlighted the high-priority corporate risks and show the arrangements that were put in place to ensure these risks were monitored and managed appropriately;
- The Council was dedicated to a proactive approach on risk management and required that all departments cooperate on the risk strategy with the aim of driving a robust risk model and an improved risk landscape. This would help solidify an understanding and encourage engagement around the risk journey;
- To that end, officers had started to look at developing a new online Risk Management System, which centralised the risk registers that were also having a refresh. This approach would help create a better understanding of how the risks were tracking and identify any trends across our portfolio. This would be done in line with the Risk Management Strategy refresh next year and there would be some interesting updates to follow;
- This report represented the position at the beginning of August 2024 and as such was a snapshot of where the risk and the mitigations sat at that point in time. It was worth noting that some of these risks may well have moved on since that point;
- Risks had to be assessed in respect of the combination of the likelihood of something happening, and the impact arising as a result, risk management includes identifying and assessing risks and then responding to them. Risk was unavoidable, and every organisation needed to take action to manage risk in a way which justifies it to a level which was tolerable to their business needs;
- At staff level, the Corporate Management Team (CMT) regularly considered the corporate risk register and the Governance & Audit Committee considers changes to the corporate risk register, the reasons for the changes and actions being taken to mitigate the likelihood and impact of those risks. A view was also taken regarding the extent to which the risks should be tolerated;
- There had been no movement on the risk scores. Directors and Heads of Services had reviewed the risks and also updated the mitigations for their respective service areas as detailed in the report;

- It was good to note that Berths 4/5 risk had now reduced significantly and would no longer feature on this report
- There had been several new risks added since the last presentation in March. A few of the more prominent risks had been highlighted for members to comment and note;
- Underinsurance on HRA and Estates Properties had a total score of 9, Impact was 3 and Likelihood was 3;
- Council ran the risk of being underinsured due to poor maintenance and valuations not being completed. This led to a view of the Council being seen as being deliberately underinsured. This could mean that claims costs were not covered. The Council would be subject to higher excesses and higher premiums and also could be subject to averages which meant that full claims costs were not met in the future;

Mitigations

- The Risk and Insurance Manager would need to reach out to both teams asking for their assurances, how they were tackling these issues and then to devise a plan. The Risk and Insurance Manager had been working with Estates initially on this matter. Some progress had been made in identifying the more high profile and high-risk properties that had an urgent need for valuations. This work was in progress and it was hoped more updates would be provided to the committee on the next reporting cycle;
- Empty Properties and when tenants hand back the keys had a total risk score of 9 with a recorded Impact of 3 and Likelihood score of 3;
- Properties left with services still "live": Heating/lighting and water services needed to be isolated to prevent energy costs and potential damage from frost/ice etc. This was a potential fire risk with unattended live electrical circuits;
- There was a risk of water damage should pipework freeze and expand joints, leading to burst pipes and flooding;
- This in turn would create a situation where the Council would be unable to re-let these properties to potential tenants, causing loss of revenue and additional repair costs. Insurance claims were possible, however there was inadequate cover from the Council's insurers as they did not cover certain risks;

Mitigations

- Create protocol whereas all properties that became vacant would have compliance inspections and all but necessary services (excluding fire/alarms) would be isolated;
- Adopt a form for vacant property handover;
- Channel failure: There were total scores of 8, an Impact of 4 and Likelihood of 2;
- Much of the Council's communication was now digitally led;
- The Communications Team was heavily reliant on digital channels including the Council's own website and its social media channels;
- The risk was that if one of the channels had an outage/crashed, particularly during an emergency. The Council's ability to transmit

important information directly to residents and stakeholders would be severely curtailed.

Mitigations

- The Council's website was cloud hosted and as part of the contract required 99.9% uptime. Risks around this were picked up as part of the Digital Risk Register;
- There was a need to ensure that the Council's business continuity plan was updated to identify potential other more traditional means of communication in the event of any digital points of failure;
- This would include activity such as direct mail to properties, using the media to share any key messages, posters and notices in public places and relying on the support from other community group networks. This would be picked up in the new disaster recovery plan led by ICT and Digital.

Committee members asked questions and made comments as follows:

- One member asked why Berth 4/5 had come off the risk register;
- Another member said that the risk had dropped from £500k to £200k.

Mike Humber, Director of Environment and Aimee Jackson responded as follows:

- It was the financial risk that had Berth 4/5 on the risk register;
- Berth 4/5 was still on the risk register but not high enough to be in this report before the committee.

Councillor Britcher proposed, Councillor Davis seconded and members agreed that the following recommendation be forwarded to the next quorate meeting of the Governance & Audit Committee for confirmation:

To approve the corporate risk report.

19. ANNUAL GOVERNANCE STATEMENT 2023-2024

Ingrid Brown, Head of Legal and Democracy & Monitoring Officer introduced the report and made the following points:

- The report looked at the work of the Overview and Scrutiny Panel, Standards Committee and sub committees, Governance & Audit Committee and Internal Audit;
- Internal Audit concerns for the period April 2023 and March 2024, regarding street cleansing, GDPR, Health & Safety and Ground Maintenance were generally fully resolved and in some cases, there were plans to resolve them and there now was an action plan to address any outstanding issues. The annual internal audit report confirms the effectiveness of the internal processes in place;
- The external auditors observed that the Council's proper arrangement to secure the Council's economy efficiency and effectiveness in its use

of resources and therefore anticipated issuing an unqualified audit report in its value for money conclusion. This was therefore a positive report;

- The Overview and Scrutiny Panel produces an annual report, which was invaluable as it provides evidence of the scrutiny function activities and the role it plays in the Council's governance and making their recommendations to Cabinet through their work. The Panel had made seven recommendations to Cabinet and four of these were implemented;
- The Panel also played a vital role in calling-in executive decisions where it felt that such decisions were not made in accordance with the decision-making principles set out in Article 13 of the Council constitution. There were no valid call-ins in the period under review. This was a good sign of how the Council was managing its decision making process;
- The Governance & Audit Committee met four times in the year under review and considered risk reports as part of their work. Carefully thought out mitigations for each risk were identified. The Committee continued to offer independent and robust challenge and scrutiny to the Council's financial management and risk management processes and performance as per their remit;
- With regards to the Standards Committee work, twenty three complaints were dealt with. Four of those were referred to independent investigators, three were still outstanding but coming close to resolution and one had not been upheld;
- In terms of good governance these were considered to be too many complaints;
- The Constitutional review Committee continued to play its part in ensuring that the constitution remained fit for purpose. One of the key parts of the constitution they reviewed and recommended to council was the councillor officer protocol. This was one of the recommendations of the IMO;
- The councillor/officer had now been implemented;
- Democratic Services provided a comprehensive training programme for councillors. There had been discussions for more online training;
- Ombudsman complaints had declined and there were no complaints against the Council during the period under review;
- The Independent Monitoring Officer's (IMO) recommendations had largely been implemented;
- A new project management framework had been implemented for managing Council projects. A new project app had been adopted by the Council and an officer project board had been set up as well;;
- Regulatory Investigatory Powers Act: Senior officers had not been using these powers. However training had since been provided to officers;
- Equalities: A cabinet advisory group had been set up and equalities objectives had been drafted, but work was ongoing to finalise these objectives;
- Equalities impact assessments were now being carried out in the council's decision making process;

- A corporate governance board had been set up to ensure a governance framework was in place;
- Legal Literacy: High level of literacy was required among council officers. Training was therefore provided to officers in April 2024 in decision-making and report writing. These training sessions were well attended by officers. Further training would be arranged for the new Procurement Act that was due to be implemented in February 2025. there was a very good working relationship between the Legal and Procurement teams to facilitate this training;
- There was now a corporate action plan for all outstanding issues and an update will be reported to the April 2025 meeting.

Members made comments and asked questions as follows:

- It was clear that some of the frustrations expressed by members had been taken on board;
- This approach would improve the working relationship between councillors and officers in order to work more effectively;
- What was this Procurement Act about?

Matt Sanham said that the new Procurement Act would change how councils and public bodies contract out work and procurement services.

Councillor Donaldson proposed, Councillor Davis seconded and members agreed that the following recommendation be forwarded to the next quorate meeting of the Governance & Audit Committee for confirmation:

1. To note the content of the Annual Governance Statement attached to the committee report at Annex 1;
2. To approve the Annual Governance Statement attached to the committee report at Annex 1;
3. To note the action plan annexed to the committee report at Annex 2.

20. EXTERNAL AUDIT - AUDIT FINDINGS REPORT 2021/22

Matt Sanham introduced the report and made the following comments:

- This report identified number of delays in getting the report signed-off
- There are a number of issues picked up not within the accounts per say but with the delays in producing statements generally across local government;
- These delays had impacted on all opening accounts, which in turn had opened another discussion in the sector on how this situation could best be managed;
- The Council had been discussions with Grant Thornton how to progress the signing-off of accounts in view of the challenges highlighted above.

Matt Dean, Director, Grant Thornton, LLP made additional comments as follows:

- The report before the committee set out where Grant Thornton were with regards to working on TDC accounts;
- There were issues that often arise across the sector and the latest issue was on pensions. KCC Pensions department would need to assess whether positive contributions raised in future meant that there may be a liability currently;
- Grant Thornton were currently liaising with TDC and KCC Pensions Fund on this matter to assess whether that had an impact on the 2021/22 accounts. It was hoped that there was no significant impact.

Councillor Pope proposed, Councillor Edwards seconded and members agreed that the following recommendation be forwarded to the next quorate meeting of the Governance & Audit Committee for confirmation:

1. That the committee considers the Audit Findings for the 2021/22 Statement of Accounts and notes the report;
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.

21. DRAFT AUDIT TIMETABLE 22/23 AND 23/24

Matt Dean introduced the item for discussion and made the following points:

- This time table set out in practical terms what was provided for in legislation that had recently gone through Parliament;
- This legislation set up the backstop date for the next five years that Councils should follow for their audit activities;
- All 2022/23 audit activities had to be completed by the 13th of December 2024;
- The 2023/24 audits they had to be completed by 28 February 2025;
- That meant that the 4 December 2024 Governance and Audit Committee meeting would consider an abridged version of the 2022/23 audit. The auditors would bring to the Council's attention any key points that TDC should take note of and this would include sharing a draft opinion;
- Auditors were due to commence work on the 2023/24 accounts. The aim was to complete as much work as they could on the 2023/24 accounts with a focus on the in-year spend and the closing position as at 31 March 2024;
- This was in order to give TDC the assurance of the in-year movement was where it should be and that the closing numbers were where they should be;
- The challenge was there would not be the assurance for the opening figures for 2023 (as at 31 March 2023). In practice that would mean Grant Thornton would therefore give a disclaimed opinion on the

2023/24 accounts in respect of those opening balances. The auditors would be saying that not enough work would have been done to provide an assurance for those accounts. This was inherent with where the situation was with regards to audit work;

- All councils were currently facing the same situation;
- This might also be the same situation for 2024/25;
- There were discussions across the sector which were trying find ways to give all local councils unmodified opinions;
- In the last few weeks, the LACLG were indicating that they were prepared to tolerate disclaimed opinions as a sector up to 2024/25. They wanted the sector to return to normal for 2025/26;
- That position by the LACLG would help key players in the sector that included CiPFA, FRC, CLG and Grant Thornton to develop a solution that would allow councils to get to that place;
- In order to achieve that the starting position would be to use 'deemed balances'. A statutory override would confirm the numbers in the reserve balances as correct. This was the sensible approach to address the challenges faced by all councils and the sector;
- The challenge had been getting other key players (CiPFA and FRC) to accept what this approach actually meant. This was an approach that the government appeared to support as the best way forward.

Committee members asked questions and made comments as follows:

- The Committee understood the reasons behind this approach that was being discussed in the sector as a possible way forward that would enable councils to get to the normal way of public accounting;
- To what extent were these delays actually more apparent than real and how much effect would these delays have on the council's accounting?

Matt Dean responded as follows:

- This was hypothetical. A lot of the reserves were unusable reserves; they were for accounting judgements. The se would not have an impact on the net worth of the council;
- The real risk would be; could a council run out of money without realising that this was about to happen? This was the risk;
- However there would be a need to work out how such a perfect storm could happen;
- There were a number of checks and balances in place to prevent that perfect storm happening;
- By coming up with the statutory override, the sector was trying to mitigate against such an eventuality.

Councillor Britcher proposed, Councillor Donaldson seconded and members agreed that the following recommendation be forwarded to the next quorate meeting of the Governance & Audit Committee for confirmation:

To note the update regarding the draft audit timetable for 2022/23 and 2023/24.

Meeting concluded: 7.57 pm