

Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 26 September 2024 at 6.00 pm.

Present:

Chairman: Councillor S H Beer

Councillors: T J Bartlett (as substitute for Councillor M Bates)
P M Brivio (as substitute for Councillor J P Loffman)
H M Williams
R M Knight
L M Wright

Also Present: Key Audit Partner – Grant Thornton (external auditors)
Engagement Senior Manager – Grant Thornton (external auditors)

Officers: Strategic Director (Corporate and Regulatory)
Head of Finance and Investment
Head of Audit Partnership (East Kent Audit Partnership)
Head of Corporate Services and Democracy
Deputy Head of Audit Partnership (East Kent Audit Partnership)
Senior Accountant (Housing and Projects)
Democratic Services Officer

17 APOLOGIES

Apologies for absence were received from Councillors M Bates, J P Loffman and S C Manion.

18 APPOINTMENT OF SUBSTITUTE MEMBERS

It was noted that in accordance with Council Procedure Rule 4, Councillors T J Bartlett and P M Brivio had been appointed as substitute members for Councillors M Bates and J P Loffman respectively.

19 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

20 MINUTES

The Minutes of the meeting held on 27 June 2024 were approved as a correct record for signing by the Chairman.

21 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Deputy Head of Audit Partnership presented the Quarterly Internal Audit Update Report to the Committee. The report included a summary of the work completed by the East Kent Audit Partnership (EKAP) since the last meeting of the Governance Committee.

Members' attention was drawn to:

- The five internal audit assignments completed and concluded four Substantial assurances with only three low priority recommendations across

those audits (Scheme of Officer Delegations, Coastal Management, EKS/Civica – Customer Services, EKS/Civica – Housing Benefit Appeals), and one Limited assurance for Garage Management. Management were aware this was an area in need of improvement and had already started to work on improving it prior to the audit. The management response included in the report embraced the recommendations and demonstrated they were in the process of implementing them.

- The five follow-up reviews undertaken of which four concluded at least Reasonable assurance with a Reasonable/Limited assurance maintained for Commercial Let Properties and Concessions which, due to staffing issues, had hindered the progress of implementing most of the high-risk recommendations.
- The number of audit days completed for the three-month period to 30 June 2024, which equated to 26.77% plan completion, ahead of the 25% target. As of 31 August 2024, this had increased to 50% plan completion and was ahead of target.

It was noted by Members that the review of Coastal Management had equated to 18.29 actual days against the original and revised planned 10 days. The Deputy Head of Audit Partnership advised this was due to the recruitment of a new member of staff and technical training that was required. Adjustments would be made to spread the cost of the training across the four partners (Canterbury City Council, Dover District Council, Folkestone and Hythe District Council and Thanet District Council) of EKAP.

RESOLVED: That the report be noted.

22 2023/24 ANNUAL GOVERNANCE ASSURANCE STATEMENT

The Strategic Director (Corporate and Regulatory) presented the 2023/24 Annual Governance Assurance Statement to the Committee. The Council was required to produce an annual statement which reviewed the effectiveness of its system of internal control and report on the extent to which it complied with the Local Code of Corporate Governance.

With regard to the new Risk Management Strategy and accompanying tool kit that had been adopted during the year, the Head of Corporate Services and Democracy advised that the first of the quarterly updates would come to the Governance Committee in December. In response to Members queries, she advised that the conversion for staff to the new Risk Register had gone well and that the change was only in how the risks were being reported and not how they were being monitored; the risks, regardless of the reporting format used, had been regularly monitored by those managers responsible for them.

Citing the Council's Corporate Governance Local Code that stated "Good Governance runs through every level of the Council, it is owned by all stakeholders, including senior management and members. It forms the essential core values of the Council and should remain embedded in the culture of the Council." Councillor L M Wright put to officers that a light touch of governance training should be provided to all Members as stakeholders to achieve the code's aims. The Strategic Director (Corporate and Regulatory) noted the points raised and agreed to look further at it.

Members were further provided with an update to the report, that following the completion of the disaggregation of the joint ICT service and the responsibility for ICT Security returning to Dover, the Council had now achieved Public Sector Network Compliance. The Strategic Director (Corporate and Regulatory) was pleased to confirm that the governance arrangements continued to be fit for purpose and in line with the governance framework.

RESOLVED: That the Governance Committee approve the Annual Governance Assurance Statement and request that the Leader and the Chief Executive sign the statement on behalf of the Council.

23

DOVER DISTRICT COUNCIL INDICATIVE AUDIT PLAN

The Key Audit Partner (Grant Thornton – external auditors) presented the Dover District Council Indicative Audit Plan to the Committee. The report provided an overview of the planned scope and timing, including the impact of the local authority backstop, for the 2023/24 financial statements audit.

The indicative plan for 2023/24 was uncharted territory for the auditors who having been unable to complete the audits of the Council's financial statements in prior years intended to issue a disclaimed audit opinion on the financial statements for 2020/21, 2021/22 and 2022/23. To comply with the Accounts and Audit (Amendment) Regulations 2015, this must be completed by 13 December 2024 and the three years of accounts and Audit Finding Report for the three years would be reported to the Committee at its meeting on 5 December 2024.

The Regulations set a backstop deadline for the publication of audited financial statements for 2023/24 of 28 February 2025 and due to the number of years that would have a disclaimed audit opinion prior to 2023/24 it was expected to issue a disclaimer of audit opinion for 2023/24 also. It was expected to take a number of years to be able to offer a clean opinion due to having no assurances over the opening balances of previous years and Grant Thornton would be working closely with officers to agree a phased approach to coming out of the disclaimed opinion.

The significant risks within the report would be applicable for the audit of the 2023/24 audit of the financial statements. These risks were standard for most local authorities save for the significant risk around bank reconciliations and the lack of assurance around reconciliations not being completed for that financial year.

Members' attention was drawn to materiality within the report which had been set a lower level than previously for the Council and was required due to the lack of assurance for the opening balance for 2023/24. As a result more areas of the accounts would be tested and sample sizes would be larger than previous years.

The report provided the outlined approach for 2023/24 Value for Money work and highlighted the significant weakness in two categories that were identified in the joint annual auditor's report for 2021/22 and 2022/23. A request had been made to management for an update on the key recommendations and that would help feed into the auditor's work for 2023/24. Although a response was outstanding this was due imminently. The Head of Finance and Investment advised that the main focus of the Governance weakness identified was around project management and in particular the project management of the implementation of a new financial system.

Members were advised that new project management guidance was in the process of being rolled out.

With regard to the audit fee set by Public Sector Audit Appointments (PSAA), this was higher than in previous years and the significant uplift recognised the work now required compared to five years ago to undertake the audit and the increase in regulatory requirements.

24 AUDIT PROGRESS REPORT AND SECTOR UPDATES

The Engagement Senior Manager presented the Audit Progress Report and Sector Updates. These updates included:

- The 2023/24 financial statements had been published on the Council's website.
- Having obtained a copy of the Council's nominal ledger, the auditor's digital team were progressing well performing checks before starting to select samples for audit testing.
- In advance of audit fieldwork, an expert had been appointed for the valuation of land and buildings, council dwellings and investment property and was necessary to reflect the fact this area had not been audited for a number of years and there had been a recent change in the Council's valuer.
- The planned completion date for the Auditor's Findings Report, Auditor's Report and Auditor's Annual Report was now February 2025 due to the government backstop deadline.

25 TREASURY MANAGEMENT YEAR END REPORT 2023/24

The Head of Finance and Investment presented the Treasury Management Year End Report 2023/24 to the Committee which provided details of the Council's treasury management for the year ended 31 March 2024.

A summary was provided and the key points noted were:

- That the Council's long-term investment return for the year was good, having generated £2.4m in income through investment returns.
- That there had been higher short-term borrowing than in historic years to manage cash-flow requirements. Although the spend was above budget it was off-set by the increased investment returns.
- That the Council remained within its Treasury Management statutory requirements and complied with the Prudential Code guidelines.

26 TREASURY MANAGEMENT QUARTER ONE REPORT 2024/25

The Head of Finance and Investment introduced the Treasury Management Quarter One Report 2024/25 to the Committee.

Members were advised that:

- It had been a good start to the year in terms of investments with £600k generated on investment returns for the quarter and returns were continuing to perform above the benchmark.
- The Council had remained within its Treasury Management requirements except for short-term borrowing (less than one year) exceeding the upper limit, due to having more short-term borrowing for cash-flow.

With regard to the pressures on cash-flow and moving outside of the guidelines, Members were advised that the Council had made a decision not to borrow from Public Works Loan Board (PWLB) for projects due to the higher interest rates on long-term borrowing and did not want to commit at those higher rates. Officers were working with treasury management advisors to assess whether to start to undertake medium and long-term borrowing again to improve cash-flow stability as PWLB rates were starting to come down as a result of the forecast fall in interest rates. Officers would be looking at whether there would be a need to adjust the guidelines to increase the limit of short-term borrowing or whether it should be increased as part of the budget process.

27 FINANCIAL OUTTURN 2023/24

The Head of Finance and Investment presented the Financial Outturn 2023/24 report to the Committee. This was a backward look at the outturn and financial standing of the Council in 2023/24.

The key points raised from the report were:

- The General Fund year-end position resulted in £509k deficit for the year, which was £426k less than the forecast position deficit of £1,130k
- The Housing Revenue Account (HRA) deficit was lower than forecast at £2,161k
- The Council had invested £28.5m in major projects which included some significant housing projects, the Bus Rapid Transit Route and the restoration of Maison Dieu.

Members recognised the hard work of officers and thanked the Head of Finance and Investment and her team for producing this report.

28 DRAFT STATEMENT OF ACCOUNTS 2023/24

The Head of Finance and Investment presented the Draft Statement of Accounts 2023/24 to the Committee. This was the technical document that supported the financial outturn position. The Statement of Accounts included the full set of accounts that would be presented to external audit in October 2024 and was anticipated to be completed and ready for sign off by the Governance Committee in February 2025.

Members asked for a clearer presentation to demonstrate an increase or decrease in the accounts as there was currently an inconsistent use of brackets to demonstrate this. Officers agreed to look into making this amendment when they present the accounts back to Members.

RESOLVED: That items 9-12 of the agenda (Minute Nos 25-28) be taken en-bloc and noted.

The meeting ended at 6.46 pm.