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Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 28 March 2024 at 6.00 pm.

Present:

Chairman: Councillor H M Williams

Councillors: S H Beer
M Bates
R M Knight
J P Loffman
S C Manion
L M Wright

Officers: Strategic Director (Finance and Housing)
Strategic Director (Corporate and Regulatory)
Head of Finance and Investment
Head of Audit Partnership (East Kent Audit Partnership)
Deputy Head of Audit Partnership (East Kent Audit Partnership)
Engagement Lead (Grant Thornton)
Principal Consultant, Public Services Advisory (Grant Thornton)
Democratic Services Officer

38 APOLOGIES

There were no apologies for absence.

39 APPOINTMENT OF SUBSTITUTE MEMBERS

There were no substitute members appointed.

40 DECLARATIONS OF INTEREST

There were no declarations of interest made.

41 MINUTES

The Minutes of the meeting held on 7 December 2023, 31 January 2024 and 5 March 2024 were approved as a correct record for signing by the Chairman.

42 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 four audits completed which included three Substantial assurances and one Reasonable/Limited. Members were advised that the audit of Risk Management was based on the framework that had recently been replaced. The actions identified would be addressed in the new Risk Management Framework.

- The four follow-up reviews completed. After follow-up GDPR within Housing had achieved a Reasonable Assurance Level and the Planning Applications, Income and s.106 assurance level had remained unchanged at Limited Assurance, although the however number of outstanding recommendations had been reduced and a management response provided.
- The number of planned audit days as of 28 February 2024 was 92% and on target.

RESOLVED: That the report be noted.

43 DRAFT INTERNAL AUDIT PLAN 2024-25

The Head of Audit Partnership presented the Draft Internal Audit Plan 2024/25 to the Committee.

The top five identified risks through the national 'Risk In-Focus Survey' had been considered for inclusion in the 2024/25 plan and were as follows:

- Cyber Security and Data Security
- Human Capital, Diversity and Talent Management
- Macroeconomic and Geopolitical Uncertainty
- Climate Change, Biodiversity and Environmental Sustainability
- Supply Chain, Outsourcing and Nth Party Risk

There were insufficient audit resources to review all areas of activity each year. As a result by necessity the plan was prioritised by risk and ensured that all areas of the Council's operations were reviewed within a strategic cycle of audits.

Members raised the following points:

- In respect of Port Health it was questioned why this audit had not been undertaken during 2023/24 and deferred until 2024/25. This had been deferred due to ongoing discussions with central government.
- To question why the Dover audit plan had 44 days fewer than the Kent average benchmark. Members were advised that Internal audit was only one source of assurance for the Council, and that the plan was the responsibility of the s.151 Officer. The Head of East Kent Audit Partnership confirmed the number of days provided would allow for an assurance opinion to be given on the Council's key risk areas and systems.
- To question what the expected main areas of risk were for the coming year. Members were referred to the top five identified risks.

RESOLVED: That the Council's Internal Audit Plan for 2024/25 be approved.

44 GRANT THORNTON PROGRESS REPORT

The Engagement Lead (Grant Thornton – External Auditors) presented the Audit Progress Report and Sector Update. The update provided the Governance

Committee with a report on the progress made in delivering Grant Thornton's responsibilities as external auditors. In particular the report included:

- A summary of emerging national issues and developments relevant to the Council
- A number of challenge questions in respect of those emerging issues for the Committee to consider.

In respect of the Financial Statements Audit 2021/22 and 2022/23 there was insufficient time until the government's proposed statutory backstop date to start and finish the required work. Accordingly, a disclaimer audit opinion would be issued for both years. In respect of Value for Money the review of the Council's arrangements for 2021/22 and 2022/23 was complete. Members discussed the implications of the proposed statutory backstop and the consequences of such arrangements not being put in place. It was acknowledged that the Council was not the only local authority in this position and it remained a risk for the whole sector.

RESOLVED: That the report be noted.

45 AUDITOR'S ANNUAL REPORT 2021-22 AND 2022-23

This item of business was taken en bloc with minute number 46 (S151 Officer Response to Auditor's Annual Report). The Auditor's Annual Report 2021/22 and 2022/23 were presented by the Principal Consultant (Grant Thornton – External Auditors). The response of the S151 Officer was provided by the Strategic Director (Finance and Housing) who was also the S151 Officer.

The Principal Consultant advised Members of the following key recommendations contained within the Auditor's Annual Report:

- KR1: The Council must urgently develop and execute a recovery plan and a project team that should incorporate (a) adequate project management capability, finance team capacity and appropriate expert advice along with a resource budget; (b) clear lines of accountability; (c) an accelerated timetable for completion; (d) regular reporting to Cabinet on progress; (e) resolution of any ongoing deficiencies with the TechOne system configuration; (f) completion of back reconciliation to be up to date; (g) take steps to clear the backlog of outstanding VAT returns.
- KR2: The Council should review the level of detail and develop more comprehensive financial performance information within the quarterly performance report to Cabinet.
- KR3: The Council should as a matter of urgency produce auditable draft accounts for 2020/21, 2021/22 and 2022/23 and in due course 2023/24 based on the available financial information and ensure that there was a robust audit trail to support them.
- KR4: The Council must implement all of the recommendations made by Internal Audit to prevent future projects from suffering similar implementation issues to the TechOne project.

There were also a number of improvement recommendations which included the following:

- IR1: As a priority the Council should establish a formal savings programme governance mechanism to manage and monitor the delivery of the savings the Council requires to balance its Medium Term Financial Plan (MTFP).
- IR2: The Council should focus its MTFP on delivering a sustainable financial position while reducing reliance on reserves and rebuilding them to strengthen financial sustainability beyond 2023/4.
- IR3: The Council should consider appointing an Independent Member with accounting experience to the Governance Committee.
- IR4: The Council should encourage full attendance at the Governance Committee and ensure that members are provided with sufficient ongoing training opportunities to support them in their governance role.
- IR5: The Council should introduce a formal process for tender waivers to go to Governance Committee for their information and challenge.

The Engagement Lead (Grant Thornton) stressed the key recommendations were brought to Members' attention in the event of a risk emerging in the future and that a balanced opinion was required when considering the Council's and auditor's opinions.

In response the Strategic Director (Finance and Housing) emphasised the good relationship between the auditors and the Council and addressed the report of the S151 Officer and his response to the recommendations, and highlighted:

- The period covered in the auditor's report being a challenging period for all councils and the impact of the pandemic and lockdowns. Other challenges included staff turnover and recruitment difficulties and the implementation of a new system.
- The effective collapse of local audit with all auditor companies including Grant Thornton having delays with their clients.
- The delays and issues in the 2020/21 audit process had a significant impact on the capacity in the finance team.
- Despite delays with the audits the Council was always fully aware of the balances held in its bank accounts and investments.

Members raised the following points:

- With regard to IR1 whether the council had made provision for adequate savings. In response the Strategic Director (Finance and Housing) advised that savings proposals had been built into the existing budget.
- With regard to IR4 and the importance of member training, Members requested additional training on finance and Risk Management to be provided throughout the year. Officers agreed to bring back a report setting out training options for the Committee.
- With regard to IR5 there was a discussion about the frequency by which tender waivers could be reported to the Governance Committee. The Strategic Director (Finance and Housing) advised that it would not be feasible for the Governance Committee to see tender waivers prior to being issued but an annual report might be an alternative.

This item was taken en bloc with minute number 45 (Auditor's Annual Report 2021/22 and 2022/23).

- RESOLVED: (a) That the report be noted
- (b) That the approach agreed with the external auditor to disclaim the outstanding historic accounts be agreed in accordance with the Department for Levelling-Up, Housing and Community's proposed backstop date of 30 September 2024.

The meeting ended at 8.12 pm.