

## GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 29 September 2011 at 6.30 pm in Media Centre King Street, Margate, Kent.

**Present:** Councillor Jason Savage (Chairman); Councillors Binks, Campbell, Day, D Green, Johnston, Matterface and M Tomlinson

**In Attendance:** Everitt, Fenner and Poole

**174. ALSO PRESENT:**

Dr. Sue McGonigal – Chief Executive and Chief Financial Officer  
Harvey Patterson – Corporate and Regulatory Services Manager  
Sarah Martin – Financial Services Manager & Deputy s151 Officer  
Nikki Morris – Business Support and Compliance Manager  
Harpal Singh – Team Leader - Audit Commission  
Lisa Robertson – Audit Manager – Audit Commission.  
Andrew Stevens – Assistant Director – East Kent Services  
Mark Gillmore – Payments Manager – East Kent Services  
Simon Webb – Audit Manager – East Kent Audit Partnership

**175. RULE 24.1**

Councillor Mrs Fenner – Minute No 179 – Action Points from Previous Meeting  
Minute No 181 – Debt Write-Off Protocol  
Minute No 182 - Quarterly Governance Progress Report

**176. APOLOGIES FOR ABSENCE**

No apologies for absence were received.

**177. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**178. MINUTES OF PREVIOUS MEETINGS**

Subject to an amendment to minute number 148 (Minutes from 22 June 2011 meeting) to read:

“There is an Equalities and Diversities Group that consists of a representative from each service area. This group meets each quarter and aims to ensure that equalities and diversity is co-ordinated and communicated across departments. Unfortunately this group no longer has the involvement of a Director or Cabinet Portfolio holder demonstrating the priority assigned to other issues at the current time”

The minutes of the meetings held on 22 June 2011, 29 June 2011 and 10 August 2011, were then approved and signed by the Chairman.

**179. ACTION POINTS FROM PREVIOUS MEETINGS**

Members had asked for details on 'bids for funding' regarding Equalities and the importance of the involvement of a Member Champion for Equalities. Sue McGonigal advised that Sarah Carroll was meeting with the Leader and would provide an update to Members regarding this matter.

Members had requested more information on the decision making process behind the sale of 20 allotments in Dane Valley.

Harvey advised that he had asked Paul Verrall, Landscape and Building Services Manager whether, at the point of lease, they were cultivated allotments and had been informed that they had been uncultivated for some time and therefore in his view they were available for freehold disposal.

Further questions were asked regarding allotments:- whether they were Statutory Allotments and what the Lease period was.

Harvey informed Members that had the allotments been Statutory it would have been necessary to go to the Secretary of State for decision. He added that he would check the period of the Lease as if it was over 25 years it should have been referred to the Asset Management Working Group.

In respect of the European Regional Development fund and the evidence that the new protocol has made the situation better Harvey Patterson advised Members that a new protocol had been drafted and as Monitoring Officer he would rely on the outcome of any audit to establish whether there were any problems with the External Funding Protocol.

Councillor Mrs Fenner, speaking under Council Procedure Rule 24(1) asked how the unexplained misspending was mediated

Sue explained that the External Funding Protocol was a tool used for all grants. All applications for external funding go to SMT for consideration.

Other Members had asked for an explanation to be given on the Council's underborrowing and the strategy for this.

Sarah Martin gave Members an update on the Council's borrowing position and Sue added that it was about the temporary use of cash to alleviate borrowing need. It was also noted that the Council could borrow more but that it would not be prudent at this time although the time will come when the Council will have to borrow more.

Referring back to the ERDF funding Members had asked that a report be brought to Governance and Audit by Clive Bowen and information on the SRB grant. Sue advised that she would speak with the officer about this but that this would detract the officer from other duties.

The issue around the Marks and Spencers building was raised by Members who asked whether the maintenance was done by the Council and who paid. Harvey replied that the Council had responsibility for repairs and maintenance until tenant was found and SEEDA had approved the letting.

Members asked about the policy regarding the buying up of properties in Cliftonville and whether due process had been followed, either through Cabinet and Council or both.

Sue informed Members that the housing intervention programme was in its infancy and nothing had gone to Cabinet or Council yet but that will follow. Members asked for clarification on this in a written format and Sue advised that she would provide this.

Other Members asked about dozens of empty garages that were being sold for housing and that they had been informed by housing officers that they were earmarked for development. Sue advised that if this had been said then that was the answer.

**180. HOUSING BENEFITS QUARTERLY TESTING**

Andrew Stevens and Mark Gillmore from East Kent Services were at the meeting update Members on the Housing Benefit Quarterly Testing.

The methodology used by Internal Audit is different to that used by EK Services and therefore some differences in the accuracy rates were to be expected. Whilst EK Services test a random sample of 4% of transactions per day they do not test the entire claim back to 1<sup>st</sup> April of that year which is the methodology employed by Internal Audit for the random sample of 20 claims examined by them on a quarterly basis.

Mark advised that errors were fed back to individual officers and that they do have a quality control plan across the three Council sites. Common errors are identified and corrected through training and that it was important to know that they use the findings from this to help all of the East Kent Services sites.

Although Members had concerns that Housing Benefit Claims were going out incorrectly they were assured that although errors were encountered the payment made was ultimately correct. Some Members asked how many errors would have slipped through the net. Andrew advised that he would get this figure to Members.

Other members had concerns around the validity of the audit process and perhaps the method used was incorrect and asked whether the sample tested was large enough.

Simon Webb advised Members that Internal Audit had agreed with EKS that the errors highlighted through the quarterly audit testing were indeed errors on those particular claims and these had been corrected by EK Services. Testing of an enlarged sample of 40 claims from Quarter 1 was currently in progress and work would shortly commence on a further sample of 20 claims from Quarter 2. The Quarter 2 sample would be drawn from those claims which had previously been checked by EK Services; this would not only provide Members with assurance on claim accuracy but also the data quality of the performance indicator in this area for EK Services. The results of this work were intended to be reported to the December meeting of Governance and Audit Committee with reasons for any discrepancies.

Simon Webb also advised Members that they receive assurance in respect of the accuracy of housing benefit processing. Assurance is given by the data quality checks undertaken by EK Services, the random claim sampling by internal audit and also claim sampling by the Audit Commission.

Members noted the verbal update.

**181. DEBT WRITE- OFF PROTOCOL**

Councillor Mrs Fenner, speaking under Council Procedure Rule 24(1) asked about the 'bad debt provision' and the magnitude of the problem around non-recoverable arrears. Referring to 13.2.1 of the report said that although she welcomes the protocol she had concerns that some tenants would have trouble in paying back arrears.

It was explained that the write-off of debts below £10K had been to the Constitutional Review Working Party and Standards and Council and approved.

Further to this other Members asked about the reporting of write-offs and Andrew advised that this was done on a monthly basis and reported to each Local Authority quarterly. This is a generic 3 way policy as per local authority specification.

In addition Members asked whether a procedure was in place where, when arrears are written off because a customer could not be traced, they could then be pursued if they were then traced.

Andrew informed Members that even if the debt had been written off and the debtor was then traced the debt could still be pursued.

It was noted that the Options at 4.0 to the report were to be amended and be as follows:

- '4.1 The Members comment on the Income Management Policy with respect to the Write Off procedures
- 4.2 deleted

The recommendations at 6.0 to the reports to be as follows:

- 6.1.1 To note and provide comment'

Members agreed.

Moved by Councillor Johnston and seconded by Councillor Campbell that:

Members note the report.

## **182. QUARTERLY GOVERNANCE PROGRESS REPORT**

The Chairman informed Members that training and a presentation had been scheduled for this item but due to the costs of hiring the equipment at the Media Centre that this would be rescheduled.

Nikki Morris summarised the report which provides Governance and Audit Committee with the progress on governance related issues,

Councillor Mrs Fenner, speaking under Council Procedure Rule 24(1) asked how the figures were arrived at in respect of the risk management process.

Nikki advised that the information in the tables (pages 62 and 63 of the report) came from the original Risk Management Strategy from 2004. An exercise was undertaken looking at other examples from Local Authorities and best practice guidelines. It was decided by Council at that time that this was the model the council would use.

Moved by Councillor Mrs Johnston and seconded by Councillor Campbell that:

"Members approve the changes to the Risk Management Strategy and Process documents and recommend that the Strategy be sent to the 17 November 2011 Cabinet for approval"

Agreed.

**183. TREASURY MANAGEMENT UPDATE FOR QUARTER 1., 2011**

Sarah Martin introduced the report which updates the Governance and Audit Committee on the Treasury Management activity that has occurred up to 30<sup>th</sup> June 2011.

At paragraph 2.0 to the report it shows the economic background and treasury activities during the second quarter.

Sarah added that the Council had been carefully reviewing the situation regarding the economy closely monitoring the Public Works Loan Board rates and as a result had recently taken out a new loan to repay maturing debt at a very favourable rate.

Moved by Councillor Mrs Johnston and seconded by Councillor Day that:

“the Governance and Audit Committee notes the report”

Agreed.

**184. ANNUAL GOVERNANCE REPORT 2010/11**

Lisa Robertson outlined the report which provides Governance and Audit Committee with an annual governance report and summarised the finding from the 2010/11 audit which is substantially complete.

A tribute was paid to the officers by the Chairman.

Lisa advised that the certificate mentioned on page 94 to the report was being held back by Andy Mack for one or two weeks as objections had been received from some local people regarding the accounts. Andy is to adequately assess and come back with a final report.

Members agreed the recommendations at 3.0 as follows:

“3.1 take note of the adjustments to the financial statements which are set out in the report

3.2 approve the letter of representation on behalf on the Council before I issue my opinion and conclusion

3.3 agree your response to the proposed action plan”

Agreed.

**185. FINAL AUDITED STATEMENT OF ACCOUNTS 2010/2011**

Sarah Martin advised Members that the corrections had been made to the Final Audited Statement of Accounts and those changes had been highlighted in the Annual Governance Statement.

Sue McGonigal drew Members’ attention to note 42 in the accounts, which provides information on Contingent Liabilities. The note refers to the Council’s commitment to act as loan guarantor for borrowings of £1.62m for Hartsdown Leisure Centre. She explained that this sum is approximately equivalent to £2.7m when interest charges are taken into account; and made the point that it is the higher figure that has to be taken into account when calculating the Council’s limits for Treasury Management purposes.

Some Members had concerns regarding the procedure for the opening of Tenders. Although this had received 'Substantial' assurance from the Internal Audit it was felt that the opening of Tenders should be 'cross party'. It was agreed that this should be so and Members are to meet with Glenn Back, Democratic Services and Scrutiny Manager, for this to be brought to a Constitutional Review Working Party for consideration.

Moved by Councillor Mrs Johnston and seconded by Councillor Campbell that:

"Members noted the report and approve the Statement of Accounts for 2010/11"

MOTION ADOPTED.

**186. ANNUAL GOVERNANCE STATEMENT 2010/2011**

Nikki Morris introduced the report which provides Governance and Audit Committee with the Annual Governance Statement 2010/11 for approval.

The action plan at annex 2 of the report will now be monitored on a quarterly basis and Nikki added that these will be added to the Performance Plus system and will be reported to Governance and Audit Committee.

Members referred to 3.19 of the report regarding 'Engaging with local people and other stakeholders to ensure robust local public accountability' as follows:-

*'All communication campaigns and community wide consultations are promoted to the council's database of local groups and organisations. Included in this list are organisations that represent more vulnerable and harder to reach groups. This includes organisations who work with children, the elderly, those with mental physical disabilities, ethnic minority groups, people not in training, education and employment, the homeless, faith groups as well as many other specific interest groups in Thanet. Specific groups and forums are also attended regularly by council officers, including the Senior Citizens Forum, Engage (Youth Forum, Schools Partnership Council, Disability Forum, Thanet Sports Network and Kent Waste Partnership to promote any current or new council campaigns to members and to encourage participation. The council also co-ordinates an online Community Portal of approximately 400 local groups and organisations who are communicated with on a regular basis.'*

Members had asked what the council should be doing about this.

Sue informed Members that the consultation on this had not yet started.

Moved by Councillor Campbell and seconded by Councillor Binks that:

"Members approve the Annual Governance Statement for 2010/11 and it's associated action plan"

MOTION ADOPTED.

**187. INTERNAL AUDIT PROGRESS REPORT**

Simon Webb outlined the report which summarises the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 30<sup>th</sup> June 2011.

There had been nine Internal Audit assignments completed during the period. Of these seven concluded Substantial Assurance and two concluded reasonable Assurance.

In addition, three follow-up reviews have been completed during the period. Of these, one related to an area which was originally assessed as giving rise to Limited assurance and the assurance level for this business area had increased to Reasonable.

Members made reference to the audit of the receipt and opening of Tenders which had concluded a 'Substantial Assurance' and queried whether 'cross party' Member attendance at tender openings would provide an additional level of control and Assurance.

Members were advised that each tender is opened in the presence of the Cabinet Portfolio holder, a procurement officer, an officer from the relevant tendering department and a Democratic Services Officer. Whilst cross-party Member attendance would provide an additional level of control, it would require a change to the Council's Constitution. The audit was able to provide Members with Substantial assurance that all of the sample of tenders which were examined as part of the review had been opened in accordance with Contract Standing Orders.

Members were pleased to not the forthcoming review of Electoral Registration and Election Management.

The recommendations at 6.0 of the report were agreed:

"6.1 that the report be received by Members

6.2 that any changes to the agreed 2011-12 internal audit plan resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved"

AGREED.

**188. FUTURE ITEMS OR TRAINING FOR THE COMMITTEE**

Training at the December meeting will be the risk management training deferred from the September meeting.

Meeting concluded : 8.45 pm