

## GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 21 March 2013 at 7.00 pm in Austen Room, Council Offices, Cecil Street, Margate, Kent.

**Present:** Councillor John Worrow (Chairman); Councillors Binks, Campbell, Day, Lodge-Pritchard, Moore, W Scobie, S Tomlinson and M Tomlinson

**In Attendance:** Councillor Driver speaking under Council Procedure Rule 24(1).

### 267. ALSO PRESENT:

Sue McGonigal – Chief Executive and s151 Officer  
Harvey Patterson – Corporate and Regulatory Services Manager  
Sarah Martin – Financial Services Manager & Deputy s151 Officer  
Nikki Morris – Business Support and Compliance Manager  
Janice Wason – Community Development Manager  
Christine Parker - Head of the East Kent Internal Audit Partnership  
Simon Webb – Deputy Head of Audit – East Kent Audit Partnership  
Andy Mack – Director – Grant Thornton UK LLP  
Lisa Robertson – Manager – Grant Thornton UK LLP  
Sean Hale – Head of ICT – EK Services

### 268. TRAINING PRESENTATIONS

#### (a) Grant Thornton-Audit Commission Verbal Introduction

A pre-meeting verbal introduction was given by Andy Mack and Lisa Robertson, representatives of Grant Thornton who are our External Auditors.

#### (b) Internal Audit/ Introduction Update

A pre-meeting training presentation was given by our representatives from the East Kent Internal Audit Partnership, Simon Webb and Christine Parker.

### 269. VARIATION TO AGENDA ORDER

Members agreed to vary the order of the agenda and take items 4 and 5, the minutes and action plan, together. Item 16 had been withdrawn. The next item for discussion was item 17, Procedures for Dealing with TDC Artefacts. The agenda would then be followed in order starting with item 6.

### 270. RULE 24.1

Councillor Driver – Minute No. 286 – Procedures for Dealing with TDC Artefacts.

### 271. APOLOGIES

No apologies were received.

### 272. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 273. MINUTES OF PREVIOUS MEETING

The minutes of the Governance and Audit Committee meeting held on 11 December 2013, were approved and signed by the Chairman.

A query was raised however on the amended wording to the 'Anti-Fraud and Corruption Policy' that had been requested at the December meeting.

A 'guidance note' is to be added to the Policy to explain the meaning of 'engage' within the Policy.

#### **274. GOVERNANCE AND AUDIT COMMITTEE ACTION PLAN**

In referring to item 3 on the Governance and Audit Committee Action Plan in relation to the late raising of an Invoice to TLF for a final sum Members asked why such a delay had taken place. Sue McGonigal, Chief Executive advised that she would find out why but explained some of the Finance Processes to Members. A further question was asked about the processes and whether they were rigorous enough to give assurance. Sue McGonigal said they were and that any queries would be picked up.

An action at item 4 asked that an exercise be undertaken to 'scope' the hours that staff are working to identify where they are working more than their contracted hours. This is also an item (R1001) on the Risk Register and members felt that the Control Measure; use stress audit to inform an improvement plan, was inadequate. Sue McGonigal advised that the Health and Safety Board were looking into this but that the stress audit was just one strand of the issue. The analysis of hours worked by staff is currently missing and following some discussion Sue McGonigal said control measures would be revisited but decisions would have to be made on what the Council do and stop doing.

Sean Hale, Head of ICT for EK Services was at the meeting to answer questions on item 2 of the action plan regarding data Protection Act Compliance and IT equipment disposal. Sean advised Members that processes were now in place to mitigate the risks and East Kent Services have purchased equipment to wipe PC's and Laptops before sending to an external contractor. Staff have been made aware of the ICT Policy regarding removable media devices. Concerns were raised by Members that 'dongles' could be used by staff and taken home and although Sean agreed that they could he explained that IT kept a record of which staff had them and added that they were encrypted and could not be used without a password.

Some other Members still had concerns regarding the security of removable media devices but Sue McGonigal informed the Committee that it would be a disciplinary offence if the Policy was breached in any way. Christine Parker, Head of EKAP added that although processes had been missing they had been addressed and implemented now.

The Action Plan was noted.

#### **275. INTERNAL AUDIT PROGRESS REPORT**

Simon Webb, Audit Manager from the East Kent Internal Audit Partnership, outlined the report which summarises the internal audit work completed by EKAP since the last Governance and Audit Committee meeting, together with details of the performance of the EKAP to the 31 December 2012.

There have been 11 Internal Audit assignments completed during the period. Of these four had concluded substantial assurance, five reasonable assurance and one received a split assurance (Dog Warden and Litter Enforcement).

The Council has a statutory duty to provide a stray dog service which is working effectively and on which management can place Reasonable Assurance that the animals

are being picked up. However, it had been found that some of the internal controls over the administration behind the stray dog and general dog control service are currently weak and therefore management can place Limited Assurance on these at present.

The Council's two Dog Wardens are proactive in their role, whilst taking into account the welfare of the dogs themselves. The Enforcement Team has been part of a number of dog fouling and littering prevention campaigns which appear to have had some impact as the number of Fixed Penalty Notices being issued has reduced.

The audit of EK Services Housing Benefit Quarterly Testing (Quarter 3 of 2012-13) had tested 20 claims including new and change of circumstances of each benefit type which had been selected by using Excel software to randomly select the various claims for verification.

Of these 20 benefit claims tested 100% were found to have passed the criteria set by the former Audit Commission's verification guidelines.

In respect of payroll it was noted that the main operational controls within the payroll system are working well with the right people being paid the right amount on time. Of the 21 recommendations made 12 have been implemented and the remainder are either in progress or are being managed. At this time the assurance level remains the same.

Simon Webb provided Members with an update of the performance of the East Kent Audit Partnership to the end of Quarter 3.

Let Properties and Concessions had received 'reasonable assurance'. This department has adapted and coped well considering there is not a current Asset Management Strategy in place with officers currently working off an interim asset disposal plan. A new Asset Management Strategy is currently being drafted by management which will be complete during 2013/14. The involvement and endorsement of elected Members during this process is crucial to ensure elected Members are aware of the financial risks if adequate capital receipts from disposals are not realised. Some members queried whether this implied that there is currently not enough Member interest in this process. Simon Webb advised that more Member involvement would be appropriate.

Other Members had concerns regarding the Grounds Maintenance team who contracted out work that some Members felt could be done in-house. It was suggested that they contact Mark Seed, Director of Operational Services to voice their concerns.

In referring to the rent reviews where 74% are not currently being completed within the required period which could result in a loss of rental income to the Council, Members queried why it was an issue. Sue McGonigal advised that this was a priority but recruitment to vacant posts was difficult.

Moved by Councillor S Tomlinson and seconded by Councillor Campbell that:

"6.1 that the report received by Members and

6.2 that any changes to the agreed 2012-13 internal audit plans, resulting from changes in perceived risk, detailed at 5.0 of the attached report be approved"

MOTION ADOPTED.

## **276. INTERNAL AUDIT CHARTER AND 2012/13 AUDIT PLAN**

Christine Parker, Head of East Kent Audit Partnership outlined the report which gives Members a summary of the way in which the internal audit function provided by the East

Kent Audit Partnership intends to deliver its service for the period 1 April 2013 to 31 March 2014 and details of the coverage it intends to provide controls assurance on.

To assist the Committee meet its terms of reference with regard to the internal control environment reports are regularly produced on the work and remit of Internal Audit.

The Audit Charter establishes the purpose, authority, objectives and responsibility of the East Kent Audit Partnership, in providing an Internal Audit function to the partner councils. The Strategy details how the East Kent Audit Partnership provides the Internal Audit function for the year to 31 March 2014. It also sets out the resources required across the four partnership sites and details how the resource requirements will be met.

The audit plan has been prepared in consultation with the Directors and the Council Statutory S151 Officer. The plan is also designed to meet the requirements expected by the External Auditors for ensuring key controls are in place for its fundamental systems. This Committee is also part of the consultation process, and its views on the plan of work for 2013-14 are sought to ensure that the Council has an effective internal audit of its activities and Members receive the level of assurance they require.

A question was raised by Members regarding why the 'Scheme of Officer Delegations' had not been audited. Simon Webb said that it was a question of whether Members felt it was of a particular priority. Audit resources focussed on key risks to the Authority and this was not considered to be an area with specific concerns. Harvey Patterson added that the 'Scheme of Officer Delegations' was not an area of risk and that the document was updated every year. He added that the Schemes for Officers and Members was recorded and published providing an audit trail.

Moved by Councillor S Tomlinson and seconded by Councillor Campbell that:

“6.1 Members approve to adopt the Internal Audit Charter.

6.2 Members approve to adopt the Internal Audit Strategy for delivery of the internal audit service.

6.3 Members approve the Council's Internal Audit Plan for 2013/14”

MOTION ADOPTED.

## **277. EXTERNAL AUDIT UPDATE REPORT - MARCH 2013**

Lisa Robertson, Manager, Grant Thornton external auditors outlined the report which updates Members on progress to date on the current audit plans and the audit work undertaken since the last update.

Lisa added that an annual fee letter is prepared setting out the fee for the audit and grant certification work for the year. The letter had been issued to officers in November 2012 and appeared on the agenda as a separate item.

In referring to the 'Local Governance Review' it was noted that the analysis carried out demonstrated that council annual accounts and associated documents are often not user-friendly and transparent in communicating key governance messages to the public and other stakeholders. The findings made a compelling case for councils to produce annual reports. Hard copies of the 'Grant Thornton', 'Improving council governance, a slow burner' was made available to Members at the meeting.

Members asked that the questions attached to the letter addressed to the Chair regarding 'How the Governance and Audit Committee oversees management's processes' be circulated to the Committee although it was noted that the answers would

not be materially different to previous years. The Chair was concerned that he had not seen the letter prior to the meeting and asked that it be sent to him in the future and was advised by Lisa that he could seek advice if required.

Members noted the report.

**278. REPORT ON GRANT CLAIM CERTIFICATION 2011/12**

Lisa Robertson, Manager, Grant Thornton external auditors, outlined the report which summarises the findings from the certification of 2011/12 claims.

Lisa added that she was pleased to advise that overall the Council is performing well in preparing claims and returns.

Members congratulated the East Kent Services Benefits team for their exemplary work regarding the claim returns.

Members noted the report.

**279. ANNUAL FEE LETTER 2012/13**

Andy Mack, Engagement Lead, Grant Thornton external auditors presented the Annual Fee Letter for 2012/13 which summarises the findings from the 2012/13 audit.

The fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13 and covers:

- The audit of the Council's financial statements
- The work to reach a conclusion on the economy, efficiency and effectiveness in the Council's use of resources (the value for money conclusion)
- The work on the Council's whole of government accounts return.

Members noted the report.

**280. REVIEW OF THE EFFECTIVENESS OF THE GOVERNANCE AND AUDIT COMMITTEE AND ANNUAL REPORT**

The Chairman introduced the report which summarises the achievements of the Governance and Audit Committee against its terms of reference for the period 1 April 2012 to 31 March 2013 and details the impact that it has made on the overall system of internal control in operation for that period.

The Chairman thanked the Committee Members for all their hard work through the year and contributions towards the Committee's objectives. Also, to officers of the council for their professional approach to governance matters and to the business of the Governance and Audit Committee.

Moved by Councillor Worrow and seconded by Councillor Binks that:

"Members agree the content of this report and the recommended actions within the action plan, and that Members recommend that the Annual report be forwarded to Full Council"

MOTION ADOPTED.

**281. REVIEW OF THE EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENTS**

Sue McGonigal, Chief Executive (s151 Officer) outlined the report which presents the review of the effectiveness of the council's Internal Audit arrangements for 2012/13 as required by The Accounts and Audit (Amendment) (England) Regulations 2011.

The East Kent Audit Manager and Head of East Kent Audit Partnership regularly meet with the Deputy Section 151 Officer to monitor performance against the Audit Plan, and also to discuss any matters arising in relation to the performance of the Audit Partnership. Periodically these meetings are attended by the External Auditors, so that they are able to gain assurance as to the effectiveness of the process. Sue McGonigal was pleased to provide Members with assurance that in her opinion the Partnership operates to high professional standards and delivers to its contract.

It was noted that Members found the clarity of the report and presentation of the findings to be exemplary.

Moved by Councillor Binks and seconded by Councillor S Tomlinson that:

“the Governance and Audit Committee accept the findings of the review of the effectiveness of the council's Internal Audit arrangements for 2012/13”

MOTION ADOPTED.

**282. QUARTERLY GOVERNANCE PROGRESS REPORT**

Nikki Morris, Business Support and Compliance Manager, summarised the report which provides Governance and Audit Committee with the progress on governance related issues.

The items covered in this report are:

- 1.1.1 Corporate risk register
- 1.1.2 Annual Governance Statement 2011/12 action plan
- 1.1.3 Programme of Reports for 2013/14
- 1.1.4 Terms of reference – annual review
- 1.1.5 Data Quality Framework

Members asked for some clarification regarding risk reference R1010 – There is a mismatch between the large number of assets owned by the council and the low level of funding available to maintain these appropriately. This increases the investment needs for the future to keep these fit for purpose, and to prevent the development of significant health and safety risks. This is particularly relevant for fixed assets that do not generate significant income, but still need to be maintained.

Members were advised that this was informed by the building surveyors.

Moved by Councillor Campbell and seconded by Councillor Binks that:

“5.1 Members note the content of annexes 1 and 2 and had identified any issues on which they required more clarification

5.2 Members note the programme of reports for 2013/14, on the understanding that there may be variations to the programme should the need arise”

MOTION ADOPTED.

**283. TREASURY MANAGEMENT UPDATE FOR THE QUARTER ENDED 31 DECEMBER 2012**

Sarah Martin, Financial Services Manager and Deputy s151 Officer, outlined the report which updates the Governance and Audit Committee on Treasury Activity during the Quarter ended 31 December 2012.

Sectors Economic Update which was issued by Sector on 9 January 2013 is shown below:-

- Indicators suggest that the economy probably contracted;
- Retail sales weakened but spending off the high street held up;
- Employment continued to rise, albeit at a slower pace;
- Inflation remained stubbornly above the Monetary Policy Committee (MPC) 2% target;
- The MPC paused its programme of asset purchases;
- UK equity prices rose and government bond prices fell;
- The US economy continued to recover at a modest pace.

Sarah added that the Treasury Management Strategy Statement (TMSS) for 2012/13, which includes the Annual Investment Strategy, was approved by the Council on 19 January 2012. It sets out the Council's investment priorities as being:

- Security of Capital;
- Liquidity; and
- Yield

It was also noted that the yield on deposits for the quarter ended 31 December 2012 was 0.73% against a benchmark (average 7-day LIBID rate) of 0.36%. The Council's budgeted deposit return for 2012/13 is £0.179m, and performance for the year to date is £0.178m.

In referring to 'Borrowing' it was noted that no borrowing was undertaken during the quarter.

Moved by Councillor S Tomlinson and seconded by Councillor M Tomlinson that:

"Members note the content of the report"

MOTION ADOPTED.

**284. REVISED TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2013/14**

Sarah Martin, Financial Services Manager and Deputy s151 Officer outlined the report which proposed that the Treasury Management Strategy Statement is revised so that the

maximum investment maturity is increased from 364 days to 370 days, with a maximum of £5m invested with a maturity of over 364 days but not more than 370 days. The revised document was attached at annex 1 to the report.

In referring to the following:-

**Country and sector considerations** – Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part, the country selection will be chosen by the credit rating of the sovereign state in Banks 1 above. In addition:

- no more than 10% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness

Members asked whether the Council should be doing this.

Sarah advised that she would look into it but confirmed that country limits were in place.

Moved by Councillor Worrow and seconded by Councillor Binks that:

“the Governance and Audit Committee recommend that the revised Treasury Management Strategy Statement be approved by Council”

MOTION ADOPTED.

**285. EXCLUSION OF PUBLIC AND PRESS**

This item was withdrawn from the agenda.

**286. PROCEDURES FOR DEALING WITH TDC ARTEFACTS**

Some Members asked why a letter addressed to the Chairman of the Governance and Audit Committee raising concerns about the stewardship of TDC artefacts had been redacted in part. Harvey Patterson, Corporate and Regulatory Services Manager explained that the author of the letter had consented to its circulation to the Committee and not to the public at large. Consequently parts of the letter had been redacted for data protection reasons. However, this did not compromise the reader's ability to understand the issues being raised.

Councillor Driver, speaking under Council Procedure Rule 24(1) informed the Governance and Audit Committee that the letter made serious allegations in the management of the Council's artefacts involving a serving and ex Councillor. He said that the Overview and Scrutiny Panel should look into this matter. A further email had been received showing more details of the allegation which had been passed to officers.

It was suggested by Sue McGonigal that if criminal activity was suspected then it should be resolved by going to the Police rather than through the Council. Other Members asked whether the Council had a 'process' regarding the artefacts. Sue McGonigal advised that an Internal Audit report on Museums and Artefacts had been written in November 2012, the executive summary is as follows:-

'Management can place Reasonable Assurance on the system of internal controls in operation within the Dickens House Museum and Limited Assurance on the system of internal controls in operation within the Margate Museum.



Many of the issues affecting control effectiveness are historical and inherited weaknesses within the operation of the museums themselves. On a positive note attempts are now being made to make improvements, most significantly at the Margate Museum. This however is not an overnight process and it is acknowledged that this will take time, is subject to budgetary restrictions, officer availability and the goodwill of those volunteers involved in the operational running of the museums'.

Members were concerned that since 2005, when the Maritime Trust left, that there had been no staffing for the museum and no monitoring of who went into the museum had taken place. It was added that it appeared that some items had gone missing. Janice Wason, Strategic Community Manager advised that Kate Wilson, Community Development Officer, who had been working tirelessly on the inventory, was aware of this historic lack in monitoring and had made substantial changes to process since taking over. There was now no lone working at all and the locks to the museums had been changed. Janice reiterated that if anybody knew of items missing and could prove it, then they should go to the appropriate authority.

Other members had concerns that no definitive list was available and queried whether items were stored correctly. It was suggested that although no budget was available that perhaps the Council could obtain prices so that at least the knowledge of the required budget was there. Janice informed Members that several specialists had been in to make valuations on a variety of different items. This would inform the insurance position.

Other Members said that this was only part of the problem and why had the issue not been picked up sooner. It was felt that the Council should 'get on top' of the matter and that it should have been picked up by the Audit. At this point it was proposed that this matter should be taken to the Overview and Scrutiny Panel.

Sue McGonigal advised that the Audit is separate to the inventory and that the Audit is of the processes regarding the management. Sue added that the Council employ several specialists to help with the checking process but that as it has not been deemed a priority for the Council no dedicated budget has been identified. In order to redirect existing budgets Cabinet would need to advise on what the Council should stop delivering in order to prioritise museums and artefacts. No information had been received to identify any items of value had gone missing. The matter has been taken very seriously but is not a priority.

Some Members of the Governance and Audit Committee said that although this may not be a priority it was a question of public perception. Sue McGonigal replied that no assets of any value had been taken and it was a question of proportionality. Other Members said that it was not for consideration by Scrutiny as it was about ensuring that processes were in place. It was also noted that no written procedures for dealing with TDC Artefacts were available at this time. Janice agreed and accepted that a piece of work on Museums procedures would be written.

It was felt by one Member that it would be a waste of officer time to take this matter to the Overview and Scrutiny Panel as the matter under discussion had happened in the past and that the processes were more of a priority.

It was proposed by Councillor Campbell and seconded by Councillor Binks that:

'A Museums processes document be written for Members for the next meeting of Governance and Audit Committee in June 2013'

AGREED.

It was then proposed by Councillor W Scobie and seconded by Councillor Campbell that:

'The item 'Procedures for Dealing with TDC Artefacts' be taken to the Overview and Scrutiny Panel'

AGREED.

Meeting concluded : 8.55 pm