

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 26 June 2013 at 7.00 pm in Council Chamber, Council Offices, Cecil Street, Margate, Kent.

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

In Attendance: Councillor Everitt

287. TRAINING PRESENTATION

(a) Risk Register

Risk Management and the Risk Register

A pre-meeting presentation was given by Nikki Morris, Business Support and Compliance Manager.

288. ALSO PRESENT:

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

289. RULE 24.1

Councillor King – Item 6 – Minute no. 288 -Transeuropa Debt

Councillor Driver – Item 6 – Minute no. 288 - Transeuropa Debt

290. APOLOGIES FOR ABSENCE

No apologies were received.

291. DECLARATIONS OF INTEREST

There were no declarations of interest.

292. MINUTES OF PREVIOUS MEETING

The minutes of the Governance and Audit Committee meeting held on 21 March 2013, were approved and signed by the Chairman.

293. GOVERNANCE AND AUDIT COMMITTEE ACTION PLAN

The Action Plan was noted.

(a) Museum Procedures

This item was discussed at the 21 March 2013 Governance and Audit Committee when Members asked for a 'Museums Processes Document' to be brought to the next meeting. In addition Members had requested that 'Procedures for Dealing with TDC Artefacts' be taken to the Overview and Scrutiny Panel.

On the 28 May 2013 the Overview & Scrutiny Panel considered this item and agreed that a 'Task and Finish Group' be formed to scrutinise the procedures for dealing with TDC artefacts. The Membership of the 'Task and Finish Group' was agreed at the Extraordinary Overview and Scrutiny Panel meeting on 25 June 2013.

The report included with this agenda outlined the present processes in place for the TDC artefacts. Madeline Homer, Director of Community Services advised Members that officers had been working on this since March and a Draft Policy and Process document would be brought to the Task and Finish Group. Members asked that this group liaise with the main Panel to ensure that aims are aligned.

Some members wanted assurance that adequate storage was now being used for the artefacts. Madeline Homer advised that this was a 'work in progress' and a lot of work had already been done with storage available and accounting and cataloguing processes in place. The Task and Finish Group were to ensure that robust processes and procedures were now in place. Resources were still an issue of concern.

A Member did suggest that other Members could be 'co-opted' onto the 'Task and Finish Group' as non-voting Member volunteers.

Members agreed that the matter be referred to the overview and Scrutiny Task and Finish Group for consideration.

294. TRANSEUROPA DEBT

Sarah Martin, Financial Services Manger, outlined the report which asks for Members to note how the Transeuropa debt will be addressed within the 2012/13 statement of accounts.

Councillor King and Councillor Driver, both speaking under Council Procedure rule 24(1) asked a series of questions which the Chief Executive, Sue McGonigal advised would be given written answers to once they had been submitted to her in writing.

A 'point of order' was noted during the 24(1) speaker's questioning, that the terms of reference for the Governance and Audit Committee did not allow for this scrutiny. It was also noted that a 'Task and Finish Group' was currently being looked into being established after the July Council meeting and this would be the appropriate place to undertake scrutiny of the debt arrangements with Transeuropa rather than at this committee. It was added that Members should accept the debt within the Statement of Accounts.

Members asked for confirmation that monies from the Housing Revenue Account had not been used to cover the debt. Sue McGonigal advised that this would be illegal and was definitely 'no'. Other Members asked whether a process existed for dealing with this kind of issue and if so, was it followed and if not should the Council have one for the future? Sue McGonigal advised that although no written process was available, that record keeping was being looked at and each issue was considered individually according to circumstances and on their own merit.

Moved by Councillor W Scobie and seconded by Councillor Day that:

“5.1 the Governance and Audit Committee note the outstanding debt position in relation to Transeuropa and the proposed treatment within the 2012/13 statement of accounts.”

AGREED

295. INTERNAL AUDIT ANNUAL REPORT

Christine Parker, Head of the East Kent Internal Audit Partnership outlined the report which provided Members with a summary of the impact of the work of the East Kent Audit Partnership for the year to 31 March 2013.

Christine advised that from 1 April 2013 new Public Sector Internal Audit Standards (PSIAS) come into force and therefore the annual report for 2013-14 will compare EKAP activity against the new standard and any additional requirements placed upon Internal Audit will be reflected in future annual reports thereafter.

In referring to Risk and Assurance Christine added that during 2012-2013, 82 recommendations were made in the agreed final audit reports for TDC. These are analysed as being High, Medium or Low risk in the following table:

Risk Criticality	No. of Recommendations	Percentage
High	35	43%
Medium	34	41%
Low	13	16%
TOTAL	82	100%

During this period EKAP has raised and reported to the quarterly Governance and Audit Committee meetings 82 recommendations, and whilst 84% were in the High or Medium Risk categories, none are so significant that they need to be escalated at this time.

The summary of Assurance Levels issued on the 29 pieces of work commissioned for Thanet District Council over the course of the year is as follows:

NB: the percentages shown are calculated on finalised reports with an assurance level

Assurance	No.	Percentage of Completed Reviews
Substantial	8	33%
Reasonable	10	42%
Limited	6*	24%
No	0	0%
Work in Progress at Year-End	4	-
Not Applicable	1	-

* See list in the table below

NB: 'Not Applicable' is shown against quarterly benefit checks, special investigations or work commissioned by management that did not result in an assurance level.

The results of the follow up activity for 2012-13 are tabled below:

Total Follow Ups undertaken 10	No Assurance	Limited Assurance	Reasonable Assurance	Substantial Assurance
Original Opinion	0	2	7	1
Revised Opinion	0	0	8	2

The two reviews with an original limited assurance, together with the result of the follow up report, are shown in the following table:

Area Under Review	Original Assurance	Follow Up Result
Equality and Diversity	Limited	Reasonable
Leaseholder Charges	Limited	Reasonable

Consequently, there are no fundamental issues of note arising from the audits and follow up undertaken in 2012-13. There are no reviews showing a limited assurance after follow up. Christine added that no fraud investigations had taken place through the year.

The EKAP performance against the agreed 2012-13 Audit Plan shows that 318 days of work were delivered against the 327 days that were planned. The Balanced Scorecard at Appendix D to the report shows the Internal Processes Perspective and Customer Perspective and the savings made to the Council.

Moved by Councillor Lodge-Pritchard and seconded by Councillor W Scobie that:

“the report be received by Members.”

AGREED

296. INTERNAL AUDIT PROGRESS REPORT

Simon Webb, Deputy Head of Audit, East Kent Audit Partnership outlined the report which gives a summary of the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting.

The table below shows a summary of reports and the assurance levels:

Service / Topic	Assurance level
2.1 Risk Management	Substantial
2.2 EK Services – Housing Benefits Payments	Substantial
2.3 EK Services – Housing Benefits Admin & Assessment	Reasonable
2.4 Payroll Processing	Reasonable
2.5 Recruitment and Induction	Reasonable
2.6 EK Services – ICT Software Licensing	Limited
2.7 Absence Management (Sickness, Annual and Flexi Leave)	Limited

In referring to 2.5 above, Simon added that some minor areas of improvement were required but at this time a ‘reasonable’ assurance was given. Two areas of concern,

having received a 'limited' assurance were East Kent Service ICT Software Licences and Absence Management.

East Kent Service ICT Software Licences limited assurance is primarily due to the fact that there is no single or comprehensive register of software currently in place. Several registers exist but none can claim to be up to date. It should be noted that management are currently working towards a deadline of April 2014 to produce one centralised register of software licences, which is the date a number of Microsoft software licences in use become unsupported.

Absence Management was also given limited assurance. Whilst not every authority functioned incorrectly in every area there was sufficient evidence to show that each would benefit from improved practices and procedures. The audit had looked at sickness absence monitoring, annual leave and flexitime recording across the four organisations for 2011/12. All three areas showed a lack of consistency in administration.

As part of the follow up of audit report action plans 8 reviews have been completed of those areas previously reported to ensure that the recommendations made have been implemented, and the internal control weaknesses leading to those recommendations have been mitigated. Those completed during the period under review are show in the following table:

Service/ Topic		Original Assurance level	Revised Assurance level	Original Number of Recs.		No of Recs. Outstanding	
a)	VAT Compliance	Reasonable	Substantial	H M L	3 0 1	H M L	0 0 0
b)	Procurement, Creditors and Construction Industry Scheme	Substantial	Substantial	H M L	0 2 5	H M L	0 0 2
c)	CSO Compliance	Reasonable	Reasonable	H M L	4 2 0	H M L	0 0 0
d)	Bank Reconciliation	Substantial	Substantial	H M L	0 1 1	H M L	0 0 0
e)	Dickens House and Margate Museums	Reasonable/Limited	Reasonable/Limited	H M L	5 7 0	H M L	4 4 0
f)	Homelessness	Reasonable/Limited/ Limited	Reasonable/No	H M L	3 1 0	H M L	1 0 0
g)	Partnerships	Reasonable	Reasonable	H M L	1 6 0	H M L	0 2 0

Although progress has been made to address the weaknesses highlighted regarding Dickens House and Margate Museums in the original audit report, it is important that focus remains to ensure that the ongoing activities continue to progress and strengthen the associated control objectives and improve overall risk management.

The issue of Homelessness remains a concern. A decision is required on what action is necessary to either terminate the contract for the Old School Lodge with Casa Support or

seek to enforce the terms of conditions of this contract which Casa are currently in breach of having let a conflicting contract with Supporting People. Management are currently liaising with the legal section in this regard. Madeline Homer advised that she would speak with the Housing Services Manager and the lawyer in the legal department to ensure this matter is pushed forward as a priority.

Members asked whether an 'action plan' was being considered for the issue of inconsistency in recording of flexi time?

Simon advised that a 'follow up' review would be undertaken.

Members asked whether, regarding the issue of Software Licences, a single system could be used by all partnership councils.

Simon advised that the same software system would be more beneficial and efficient but that each council had made their own procurement decisions.

A question was asked regarding 'Artefacts' and whether the province of items had been addressed?

Simon informed Members that this had been addressed as part of the audit.

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

"the report be received by Members."

AGREED

297. EXTERNAL AUDIT PLAN 2012-13

Andy Mack, Director at Grant Thornton UK LLP summarised their Audit Plan for 2012 to 2013.

In planning their audit Andy advised that they needed to understand the challenges and opportunities the Council is facing. They also needed to consider key developments in the sector and take account of national audit requirement as set out in the Code of Audit Practice.

He added that the Accounts and Value for Money conclusion would be brought to the September Governance and Audit Committee meeting. Referring to the Statement of Accounts, a draft was expected by 30 June 2013 and a public inspection process started in early August.

Members asked whether any changes to the compilation of the 'Statement of Accounts' was expected. Sarah Martin, Financial Services Manager advised that no significant accounting changes were expected.

Moved by Councillor D Saunders and seconded by Councillor Lodge-Pritchard that:

"Members note the report."

AGREED

298. EXTERNAL AUDIT PROGRESS REPORT

Lisa Robertson, Manager, Grant Thornton UK LLP introduced the report which updates Members on progress to date on the current audit plans and highlights any emerging national issues relevant to the Council.

Lisa advised that interim work was underway and there was nothing to bring to the Committee's attention at this time.

Moved by Councillor S Tomlinson and seconded by Councillor Lodge-Pritchard that:

"Members note the report."

MOTION ADOPTED

299. AUDIT FEE LETTER 2013/2014

Lisa Robertson, Manager, Grant Thornton UK LLP introduced the report which sets out the Audit Commissions proposed work programme and scales of fees for 2013/14.

Lisa advised Members that the fee was set by the Audit Commission and that it had been frozen once again. The Council's scale fee for 2013/14 has been set at £87,495 which compares to the audit fee of £87,495 for 2012/13

Moved by Councillor W Scobie and seconded by Councillor Binks that:

"Members note the report."

MOTION ADOPTED

300. QUARTERLY GOVERNANCE PROGRESS REPORT

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

The report covered:

- Corporate Risk Register Review
- Data Quality and Performance Management Frameworks

Referring to risk R1001 – The Council relies on staff consistently working for longer than their contracted hours.

Members asked whether we were any closer to a resolution on this as it appeared to be a perennial item on the register?

Sue McGonigal, Chief Executive advised that it has become standard practice in the public sector and was partially due to seasonal demand. The Council have a flexi scheme which allows staff to take up to 15 hours each month off. The reduction in central government financial settlements and the consequence of restructure meant that some staff were taking on 'dual roles' Service reviews were being undertaken and procedures looked into to see what we could do less of and do less frequently. Conversations with Members would be scheduled to discuss the 2014/15 and 2015/16 budget and the difficult issue of deciding what we could do less of.

Risk 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 asked whether the Asset Management Strategy was completed?

Sue McGonigal informed Members that the Strategy was on target for completion but that a new Property Manager was now in place and that she may want to look at what has been proposed, therefore there may be a short delay.

Other Members were concerned that the Risk Register in general had the same Risks highlighted at every meeting. It was suggested that Member be involved in Managers Workshops to address the issue of excessive hours (R1001.10).

Sue McGonigal advised that this would change the dynamics of the workshops where open and honest dialogue took place with Managers. Sue added that there may be appropriate training courses and that she would look at the schedule of these.

Moved by Councillor S Tomlinson and seconded by Councillor Lodge-Pritchard that:

“Members note the content of the report and the associated annex.”

AGREED

301. DRAFT ANNUAL GOVERNANCE STATEMENT 2012-2013

Nikki Morris, Business Support and Compliance Manager outlined the report which provides Governance and Audit Committee with the draft Annual Governance Statement for 2012/13.

The methodology for preparing the Annual Governance Statement includes:

- Managers providing an assurance statement as to the extent and quality of internal control arrangements operating within their departments for the year. The declaration covers a comprehensive list of those systems and procedures which deliver good governance. Managers are asked to declare any weaknesses in their governance arrangements.
- Directors / Service Managers reviewing the results of those declarations, identifying those issues which are significant or which are common to more than one area and discussing the outcomes with the Portfolio Holder with responsibility for each service area.
- Assurance statements from the Section 151 Officer, Monitoring Officer and the following key areas: performance management, procurement and risk management identifying any governance issues that have arisen and should be addressed in the forthcoming year.
- Statements from the shared service partners we work with on compliance with the governance arrangements in place.
- Reviewing the annual reports from Governance and Audit Committee, Overview and Scrutiny Panel and Standards Committee.
- Considering the Internal Audit Annual Report, and also the Section 151 Officer’s report on the effectiveness of the internal audit arrangements in place.
- The council’s Governance and Audit Committee considers the draft Annual Governance Statement in June and is afforded the opportunity to give its input to the statement and to consider whether it accurately reflects the council’s control environment.

The Governance and Audit Committee approves the Annual Governance Statement in September and it is signed off by the Chief Executive / Section 151 Officer and Leader of the Council.

Nikki added that actions undertaken during 2012/13 were shown on page 136 to the agenda. Significant Governance Issues were reported to the Governance and Audit Committee on a quarterly basis.

Moved by Councillor Campbell and seconded by Councillor W Scobie that:

“6.1 Members accept the draft Annual Governance Statement 2012/13”

AGREED

302. ANNUAL TREASURY MANAGEMENT REVIEW

Sarah Martin, Financial Services Manager introduced the report which summarises treasury management activity and prudential/treasury indicators for 2012/13.

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2012/13. This report meets the requirements of both the CIPFA code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

The Executive Summary to the report informs that the Council complied with its legislative and regulatory requirements, apart from the investment strategy limit as described in section 11.2 of the report.

Moved by Councillor Campbell and seconded by Councillor Binks that:

“15.1 the Governance and Audit Committee:

Approve the actual 2012/13 prudential and treasury indicators in the report.

Note the annual treasury management report for 2012/13.

Recommend this report to Cabinet.”

AGREED

Meeting concluded: 8.25 pm