

## GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 22 June 2011 at 6.30 pm in Austen Room, Council Offices, Cecil Street, Margate, Kent.

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

### 145. ALSO PRESENT:

Harvey Patterson – Corporate and Regulatory Services Manager  
Nikki Morris – Business Support and Compliance Manager  
Simon Webb – Audit Manager - East Kent Internal Audit Partnership  
Christine Parker – Head of the East Kent Internal Audit Partnership  
Andy Mack – District Auditor – Audit Commission  
Lisa Robertson – Audit Manager - Audit Commission

### 146. APOLOGIES FOR ABSENCE

No apologies were received.

### 147. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 148. MINUTES OF PREVIOUS MEETING

Subject to responses to the following questions raised by Members regarding the minutes:

‘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 Direct of Cabinet Portfolio holder demonstrating the priority assigned to other issues at the current time’

Members were advised that as yet, this had not happened but enquiries were to be made to ensure action was taken.

‘Why does the Council need Auditor’s?’

Members were advised by Christine Parker of the East Kent Audit Partnership that it is a requirement of s.151 of the Local Government Act for the Chief Finance Officer (s.151 Officer) to establish and maintain an effective system of internal audit.

The minutes were then agreed and signed by the Chairman.

### 149. ACTION POINTS FROM PREVIOUS MEETINGS

The action regarding the breakdown report on tourism grants was queried. This item had been on pink paper at the previous meeting but was now covered at item 7 on the agenda for the meeting of Governance and Audit Committee 29 June 2011 and was a public paper.

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

Harvey advised that he would report back to the 29 June 2011 meeting with a verbal update.

Members noted the report.

**150. GOVERNANCE AND AUDIT COMMITTEE GUIDANCE PACK**

Nikki Morris, Business Support and Compliance Manager presented Members with the new Guidance Pack which contained the revised Terms of Reference for the Committee, Member guidance, a Programme of Reports for 2011-12, the Committee Roles and Core Functions, the Internal Audit Plan 2011-12, Key questions, Final Accounts guidance the Annual Governance Statement timetable, Risk on a page and information on Fraud Facts.

Members had concerns regarding the Council's interest rate policy and how we set our loans. This is to be covered at the meeting 29 June 2011 in the Annual Treasury Management report. It was also noted that this was also covered in the Members Induction Training on Treasury Management.

Members noted the information received within the Guidance Pack.

**151. QUARTERLY GOVERNANCE PROGRESS REPORT**

Nikki introduced the report which provides Members of Governance and Audit Committee with progress on governance related issues.

The issue regarding Member training and development needs and the intended survey of Members to identify future training and development needs was raised. The deadline date for this was proposed to be June 2011 and Members asked to be updated on the revised schedule.

A further issue that had been identified was concerning Value for Money reviews. A new approach is being considered as part of the analysis work being undertaken with regards to the Business Hub and how processes are improved and communicated.

The involvement of Members in this process was questioned. Members were advised that Scrutiny played a roll in this process and recommendations were then put to Cabinet. The new SMT Performance Board was used to discuss how to improve management and performance.

Members noted the report.

**152. INTERNAL AUDIT PROGRESS REPORT**

Simon Webb, Audit Manager for the East Kent Internal Audit Partnership, introduced the report which summarises the internal audit work completed by the East Kent Audit Partnership since the last Governance and Audit Committee meeting. It also includes details of the performance of the EKAP to the 31 March 2011.

There have been eight Internal Audit assignments completed during the period. Of these: six concluded Reasonable assurance and there were two audit assignments for which an

assurance level was not applicable as these were in respect of quarterly housing benefit testing.

In addition, five follow-up reviews had been completed during the period. Of these, one (Public Health Burials) related to an area which was originally assessed as giving rise to a Limited assurance and the assurance levels for this business areas remained unchanged. Harvey Patterson advised Members that this area fell within his aegis of responsibility and he undertook to ensure that the requisite controls were established and adhered to, to enable a higher level of assurance to be had.

Of the services given limited or no assurance the following are still to be reviewed: Homelessness and the Rent Deposit Scheme, Employee Benefits-in-Kind and Equality and Diversity. Equality and Diversity, having been raised earlier in the meeting, was identified as being an important area and the limited assurance previously reported was considered disappointing. A follow-up review was scheduled and would be reported to the September meeting. Follow-up work in respect of the other two Limited assurance areas was also underway and the results of this would be reported back to the September Committee meeting.

In respect of the Housing Benefit Quarterly testing (for which an assurance level is not applicable), Simon Webb explained that over the course of the 2010/11 financial year the East Kent Audit Partnership had completed a sample check of council tax, rent allowance and rent rebate and Local Housing Allowance benefit claims to support the Audit Commission's verification work.

Overall for 2010/11 there had been 80 benefit claims checked of which there were 12 failures identified that affect the subsidy claim. In addition to this, of the two queried claims outstanding from quarter 3, one had passed but the other is still outstanding. In total this represents a failure rate of 15% (12/80) which is an increase of 2.5% based on the previous year's figures. This failure rate may increase further to 16.25% if the 1 outstanding Quarter 3 query is found to also be incorrect

Members expressed concern regarding the findings of the Quarterly Housing Benefit testing undertaken by internal audit throughout 2010-11 which had identified an error rate within the sample selected of 15% and considered the controls which were in place within the Benefits section to identify and minimise errors in processing... Members requested that a representative from EK Services should attend their September meeting to provide an update on what measures are being taken to reduce the error rate. Simon Webb further advised Members that the Housing Benefit Testing for the first Quarter of 2011-12 was due to be undertaken shortly and the results would be reported to the September meeting of the Committee.

The Contract Management and Monitoring audit was discussed and in particular the need to ensure that the Council received value for money from the contracts it lets through vigorous and robust contract monitoring and managements arrangements.

The Council's level of compliance with Contract Standing Orders was discussed and Members were advised that whilst this had been an area in which Limited assurance had been concluded in the past the most recent follow-up audit work had concluded Reasonable Assurance. Members asked why this area was not included within the 2011-12 internal audit plan and were advised that in addition to internal audit, the Council has other complimenting sources of assurance and when preparing the risk based 2011-12 internal audit plan recognition was given to the fact that Senior Management Team receive regular reports from the Procurement Manager on the level of CSO Compliance.

Members agreed that:

“6.1 the report be received by Members

and

6.2 that the changes to the agreed 2010-11 internal audit plan resulting from changes in perceived risk, detailed at point 5.0 of the attached report be approved”

MOTION ADOPTED.

**153. INTERNAL AUDIT ANNUAL REPORT**

Christine Parker outlined the report which gives an opinion on the overall system of internal control in operation throughout 2010-11, the report also summarises the impact of the work of the East Kent Audit Partnership for the year to 31 March 2011 The opinion is fed into the Annual Governance Statement as a key source of assurance.

During 2010/2011, 206 recommendations were made in the agreed final audit reports to Thanet District Council. These are analysed as being High, Medium, or Low risk. Of these 206 recommendations 54% were said to be of a high risk, 34% were medium and 12% were low.

Taken together 81% of the reviews accounted for substantial or reasonable assurance, whilst only 19% of reviews placed a limited or gave no assurance to management on the system of internal control in operation at the time of the review.

Follow up reviews are carried out at an appropriate time after finalising an agreed report to test whether agreed action has taken place. Of the 31 follow up reviews undertaken only 3 were judged to be of limited assurance. The Balanced Scorecard, shown at Appendix C to the report shows that the Council are ahead through the year and the overall conclusion is that the EKAP has performed well against its targets for the year.

Members noted the report.

**154. AUDIT COMMISSION PROGRESS REPORT**

Lisa Robertson presented the Audit Commission's Progress report for 2010/2011.

The purpose of the progress report is to highlight issues that should be considered during the year. The table shown at Appendix 1 to the report shows the Areas of work identified in the Audit Plan, the Planned Output and the Actual Output. Members asked whether account had been taken of the combining of the roles for Chief Executive and s151 officer. Andy Mack said that the Council had asked for the Audit Commission's views and advised that this combination of roles had been tried successfully at other councils. Harvey Patterson added that the roles had different demands and no compromise was necessary.

Other Members asked whether, with the imminent demise of the Audit Commission, if the IFRS would be replacing their role. In answering Andy Mack advised that in August the Secretary of State would again be looking at the options which could be to privatise the work force or, in the longer term, Local Authorities would have the ability to select their own auditors. More information would be available in 6 to 9 months. Andy is to forward a link for Members to a CLG publication document.

Concerns were raised regarding the CLG document and questionnaire, which closed on 30 June 2011. An emergency meeting was requested by Members, however it was agreed to add the document to the Governance and Audit Committee meeting on 29 June 2011 as an emergency item.

Members noted the report.

**155. ANNUAL AUDIT FEE LETTER 2011/12**

Andy Mack presented the Audit Commission's Annual Audit Fee Letter 2011/2012.

The planned outputs are shown at Appendix 1 to the report and are discussed and agreed with officers before issuing them to the Governance and Audit Committee. It was noted that the fee was reduced for next year 2011/12.

Members noted the report.

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

For discussion.

Meeting concluded : 8.30 pm