

## **GOVERNANCE AND AUDIT COMMITTEE**

**Minutes of the meeting held on 25 September 2012 at 7.00 pm in the 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

### **237. ALSO PRESENT:**

Sue McGonigal – Chief Executive and Chief Financial Officer  
Philip Hamberger – Director of Corporate Services and Transformation  
Sarah Martin – Financial Services Manager & Deputy s151 Officer  
Nikki Morris – Business Support and Compliance Manager  
Linda Hogben – Senior Accountant  
Zoe Harrison – Senior Incomes Officer  
Andy Mack - District Auditor – Audit Commission  
Lisa Robertson – Audit Manager – Audit Commission  
Harpal Singh – Team Leader – Audit commission  
Simon Webb – Audit Manager – East Kent Audit Partnership

### **238. NATIONAL FRAUD INITIATIVE**

A pre-meeting training presentation on the National Fraud Initiative was given by Zoe Harrison, Senior Incomes Officer.

### **239. APOLOGIES FOR ABSENCE**

Apologies were received from Christine Parker, Head of East Kent Audit Partnership.

### **240. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **241. MINUTES OF PREVIOUS MEETINGS**

### **242. MEETING HELD ON 27 JUNE 2012**

The minutes of the Governance and Audit Committee meeting held on 27 June 2012, were approved and signed by the Chairman.

### **243. MEETING HELD ON 21 AUGUST 2012**

The minutes of the Governance and Audit Committee meeting held on 21 August 2012, were approved and signed by the Chairman.

### **244. MATTERS ARISING FROM MEETING 21 AUGUST 2012**

Members had been provided with answers to questions raised at the meeting of the 21 August 2012. However, it was noted that the query that had been raised regarding 'Heritage Assets' had not been answered fully and further details were requested.

Simon Webb, Audit Manager informed the Committee that an Audit was currently being carried out on the council's museums and that the findings would be brought to the December 2012 meeting of the Governance and Audit Committee. It was therefore agreed that Members would wait to see the results of this Audit in December.

**245. GOVERNANCE AND AUDIT COMMITTEE ACTION PLAN**

It was agreed that the first two items on the Governance and Audit Committee Action Plan were not part of the Terms of Reference of the Committee and were a 'monitoring and performance' issue.

At the June meeting of the Governance and Audit Committee Members had raised a question as to whether the corporate risk register was being overloaded, and unreasonable demands were being made of officers. A review of the corporate risk register was carried out on the 23 August 2012 by the Senior Management Team. Following on from this, Members asked whether the process for determining the risk register had been changed and were advised that yes, it had changed.

The Action Plan was noted.

**246. ROLE OF DEPUTY S151 OFFICER**

Following the recent restructure and the employment of Philip Hamberger as Director of Corporate Services and Transformation some Members had asked for clarification of the role of the Deputy s151 officer. The reporting process had previously been that the Financial Services Manager, Deputy s151 officer had reported directly to the Chief Executive and Members asked whether this had now altered. Sue McGonigal informed Members that this was still the case and that Sarah Martin, Financial Services Manager and herself met regularly for budget discussions as previously. Sue McGonigal advised that Philip Hamberger's role was to give a coherent approach to the Council's service improvement programme and to shape and direct the work of the Council's corporate and support functions to ensure that they remain fit for purpose.

**247. ANNUAL GOVERNANCE REPORT 2011/12**

Andy Mack, Audit Manager from the Audit Commission outlined the report which provides Governance and Audit Committee with a summary of the findings from the 2011/12 audit which is substantially complete.

Andy advised that the number and scale of amendments arising during the audit was greater than at most other Councils that he audited and that this reflects the scale and complexity of the accounts at Thanet District Council which is large, complex and multi-faceted with several partnerships and other projects in progress. Compared to other Councils there is a stretched capacity within the finance team which means that the team working on the accounts is relatively small and has a wide range of responsibilities in addition to the accounts.

Andy recommended that to reduce the number of amendments made to the draft accounts in future years a review and strengthening of the accounts closedown process could be focussed on, also identifying resource requirements for the closedown where appropriate to strengthen the capacity within the finance team to deal with the accounts production.

Members and officers gave their thanks to Linda Hogben, Senior Accountant for her contribution in the compilation of the Statement of Accounts.

Andy also gave thanks to Linda and the finance team officers who had worked tirelessly to ensure an unqualified opinion could be given.

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

Members agree the recommendations at 3.0 as follows:

“3.1 take note of the adjustments to the financial statements which are included in the Annual Governance Report

3.2 approve the letter of representation

3.3 agree its response to the proposed action plan”

MOTION ADOPTED.

**248. COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS**

Sarah Martin introduced the report, the purpose of which is to seek Members’ approval to a draft response from the Chair of the Audit Committee to the Audit Commission regarding compliance with International Auditing Standards.

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

“Members approve the response provided by the Governance and Audit Committee”

MOTON ADOPTED.

**249. FINAL AUDITED STATEMENT OF ACCOUNTS 2011/2012**

The draft Statement of Accounts for 2011/12 were scrutinised by Members of the Governance and Audit Committee on 21 August 2012. These accounts have now been audited and a number of amendments have been made as a result.

As highlighted within the Annual Governance Report, the number and scale of amendments arising during the audit was greater than expected. This was due to the complexity of the Council’s accounts and also to stretched resources within the Finance team, which were partly due to temporary staff absences. An action plan is being developed to review the final account process to provide flexibility within existing resources to strengthen the capacity within the team.

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

“5.1 Governance and Audit Committee approve the Statement of Accounts for 2011/12”

MOTION ADOPTED.

**250. ANNUAL GOVERNANCE STATEMENT 2011/12**

Nikki Morris introduced the report which provides Governance and Audit Committee with the Annual Governance Statement 2011/12 for approval.

Members referred to the process for the ‘Asset Management Strategy’ and the detail on the asset disposal process. Some Members were concerned that they didn’t have a ‘mirror’ on any capital projects.

Sarah Martin advised that the same process was used. Some Members still had concerns that the only Councillor involvement was a Cabinet Member and asked whether this was considered to be good governance. It was emphasised strongly by some members that they should all be involved in determining the ‘Asset Management Strategy’.

Sue McGonigal said that the role of the Governance and Audit Committee is to agree the process which had already been done and reported to Governance and Audit Committee before being agreed at Cabinet and then Council. Sue added that internal and external auditors as well as a finance team were paid to ensure that correct procedures and processes were adhered to and were fit for purpose. Sue also advised that she would not support Members of this Committee in their request to monitor officers.

Some Members went on to say that it was an issue of Governance in determination of the Capital Programme and asked whether it was good governance when only the Cabinet Portfolio Holder on the behest of the Leader was involved. In addition, other Committees have Members of the Council involved and it was a weakness of this Council not to have a Committee properly constituted to determine the Capital Programme.

Sue McGonigal added that she did not see this as a governance issue as it was an executive function of the Cabinet but that Members' views would be noted. It was suggested that if Members' wished this to be progressed, they would be advised to approach Cabinet to request that the process in drafting the Capital Programme be changed.

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

"6.1 Members approve the Annual Governance Statement for 2011/2012 and associated action plan"

MOTION ADOPTED.

#### **251. QUARTERLY GOVERNANCE PROGRESS REPORT**

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

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

"Members approve the changes to the Risk Management Strategy and Process documents and recommend that the Strategy be sent to 8 November 2012 Cabinet for approval"

MOTION ADOPTED.

#### **252. 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 30 June 2012.

An audit for East Kent Housing of their finance and ICT controls concluded 'Reasonable Assurance'.

At the time of the audit fieldwork, East Kent Housing was approaching the end of its first financial year. There was emerging evidence of work in progress and further decisions to be made within EKH Finance which could support a conclusion of Substantial Assurance once the recommendations contained within the audit report were implemented and had sufficient time to become embedded.

An audit for East Kent Housing of Tenant Health and Safety concluded a 'reasonable' assurance.

As was expected with the formation of a new organisation to manage the Council's Housing stock, EKH are currently seeking to implement consistent policies and procedures in this area, utilizing the examples of best practice present at each of the four partner Council sites.

An example of this is that the costs associated with the gas boiler servicing contract used by three Councils to monitor the contract appear very high in comparison with the in-house monitoring undertaken by the fourth partner Council. There is therefore scope for cost efficiencies in this area which East Kent Housing are actively pursuing.

Whilst Gas Safety checks are promptly undertaken for almost all Council properties and any instances in which access to the property is an issue are promptly dealt with, none of the partner Councils currently have a gas safety policy. The Council employ a contractor to monitor the gas servicing contracts in three authorities, however utilizing their service does not in itself negate the statutory responsibilities that the authorities have regarding gas safety.

Simon added that none of the Councils have a complete asbestos register and in addition to this the asbestos identified is not being regularly reviewed to ensure that the condition has not deteriorated. It was also noted that, at the time of the Audit there was an inconsistent approach to fire risk assessments throughout East Kent Housing with only three of the partner authorities ensuring that fire safety checks are carried out on a regular basis. East Kent Housing have an action plan in place to address this issue.

In summarising the findings of the audit regarding Visitor Information Arrangements, processes are generally working well and most of the expected controls are effective.

The level of information being maintained to monitor and/or report on the Margate Visitor Information Centre activities is excellent. Effective systems, processes and controls are in operation with just one area of weakness being identified regarding the need to improve stock controls. Visitors to Thanet have access to a wealth of information via information technology, publications and staff presence. A higher level of assurance may be achieved within this operational area once the benefits of implementing the Electronic Point of Sale system are fully realised. It is proposed to include a review of this system (EPOS) as part of the EKAP's recommendation follow up process, allowing a period of embedding and familiarisation with the new system.

Members asked, following on from the audit for East Kent Housing, whether electrical checks were carried out. Simon advised that he would find out and get back to Members.

Referring to the East Kent Services Housing Benefit Quarterly Testing, Simon informed Members that over the course of the 2011/12 financial year the EKAP completed a sample check of council tax, rent allowance and rent rebate as well as Local Housing Allowance benefit claims to support the Audit Commission's verification work.

For the fourth quarter of 2011/12 financial year (January to March 2012) 20 claims were selected by using Excel software to randomly select the various claims for verification. The same process was followed for the Quarter 1 testing of 2012/12 financial year where 100% of the 20 claims checked were found to have passed the criteria set by the Audit Commission's verification guidelines. No errors were found that would impact on the subsidy claim which is an extremely positive result for quarter 1.

On looking at the 'Balanced Scorecard' figures it was noted that of the 19 Satisfaction Questionnaires issued 7 had been received back.

Moved by Councillor Binks and seconded by Councillor Campbell that:

“6.1 the report be 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 point 5.0 of the attached report be approved”

MOTION ADOPTED.

**253. TREASURY MANAGEMENT UPDATE REPORT FOR THE FIRST QUARTER, 2012**

Sarah Martin, Financial Services Manager introduced the report which updates the Governance and Audit Committee with the Treasury Management activity that has occurred for the quarter ended 30 June 2012.

The report shows details of the Economic Background for the quarter ended 30 June 2012 including the following information:- ‘Employment rose and unemployment fell, but earning growth remained weak’ and ‘Gift yields fell on the back of deteriorating economic data and safe-haven flows from the euro-zone’. Also shown was the following Interest Rate Forecast provided by the Council’s treasury advisor:-

	Sep-12	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
<b>Bank rate</b>	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%
<b>5yr PWLB rate</b>	2.10%	2.20%	2.20%	2.30%	2.40%	2.50%	2.60%	2.80%	3.00%	3.20%	3.40%
<b>10yr PWLB rate</b>	3.00%	3.20%	3.30%	3.40%	3.50%	3.60%	3.70%	3.80%	4.00%	4.20%	4.40%
<b>25yr PWLB rate</b>	4.20%	4.30%	4.30%	4.40%	4.50%	4.50%	4.60%	4.70%	4.80%	4.90%	5.00%
<b>50yr PWLB rate</b>	4.30%	4.40%	4.40%	4.50%	4.60%	4.60%	4.70%	4.80%	4.90%	5.00%	5.10%

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

The Council will also aim to achieve the optimum return (yield) on investments commensurate with proper levels of security and liquidity. In the current economic climate and the heightened credit concerns it is considered appropriate to keep investments short term with a maximum duration of 3 months.

This limit will apply to all entities on the suggested Sector Credit List with the following exceptions:

1. UK Government and related entities such as Local Authorities.
2. UK semi-nationalised institutions (Lloyds/RBS). We continue to view the current significant UK ownership of these entities as providing significant comfort to investors.
3. Money Market Funds.

Sarah added that the council has not taken out any new borrowing for the quarter ended 30 June 2012. Debt rescheduling opportunities have been limited in the current economic climate and structure of interest rates following increases in PWLB new borrowing rates in October 2012. During the quarter ended 30 June 2012, no debt rescheduling was undertaken by the council. A portion of the council's PWLB debt matures at the end of 2012 and options (including rescheduling and repayment) will be reviewed in due course in line with market conditions. In referring to the maturing of debts Members asked how much debt was due to mature. Sarah advised that she would come back to Members with this information.

The Governance and Audit Committee noted the report.

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

It was agreed that the 'Anti-Fraud and Corruption/Whistleblowing' and 'Governance Framework and Local Code' items for training be included in the 11<sup>th</sup> December 2012 meeting of the Governance and Audit Committee.

A training session on 'Treasury Management' is to be arranged outside of the Committee meetings. The training on 'External Audit introduction/update' is to be moved to the 21 March 2013 meeting of the Governance and Audit Committee.

Meeting concluded : 8.15 pm