

## GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 25 September 2013 at 7.00 pm in Council Chamber,  
Council Offices, Cecil Street, Margate, Kent.

**Present:** Councillor John Worrow (Chairman); Councillors Campbell, Lodge-Pritchard, D Saunders, W Scobie, S Tomlinson, Wise and M Tomlinson

### 303. TRAINING PRESENTATIONS

#### (a) Annual Governance Statement

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

### 304. ALSO PRESENT:

Sarah Martin – Financial Services Manager & Deputy s151 Officer  
Nikki Morris – Business Support and Compliance Manager  
Christopher Parker – Deputy Head of the East Kent Internal Audit Partnership  
Andy Mack – Director – Grant Thornton UK LLP  
Lisa Robertson – Manager – Grant Thornton UK LLP  
Craig George – Housing Services Manager

### 305. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Binks and Councillor Day.

Substituting for Councillor Binks was Councillor Wise and for Councillor Day was Councillor M Tomlinson.

### 306. DECLARATIONS OF INTEREST

Councillor Wise declared a disclosable pecuniary interest in Minute No. 309 – Audit Findings Report and Financial Resilience Report (Annex 1).

### 307. MINUTES OF PREVIOUS MEETING

The minutes of the Governance and Audit Committee meeting held on 26 June 2013, were approved and signed by the Chairman.

### 308. GOVERNANCE AND AUDIT COMMITTEE ACTION PLAN

In referring to item 2 on the Governance and Audit Committee Action Plan in relation to the Quarterly Governance Progress Report it was noted that the 'feedback/comments column stated:- 'Sue to look into any available training for Members re staff working excessive hours'. This should have said 'Managers'.

Sarah Martin, Financial Services Manager read the following response from Sue McGonigal in respect of the above action:

"The corporate risk register has been reviewed in the light of the latest information available, and as a result the 'current' rating for risk R1001 "The Council relies on staff consistently working longer than their contracted hours" has reduced from 9 to 4 as a result of the probability having reduced to unlikely and the impact reduced to significant.

The rationale for this is that the control framework has been strengthened through the provision of and regular discussion of workforce metrics at SMT level; this has enabled the current probability of this risk to 'unlikely'. As a result of early identification through the monitoring of indicators of stress and early intervention, the impact is reduced to 'significant'.

Further work is planned to identify specific hotspots for long hours working within the organisation and to target training and support for Managers and staff so that the impact of this risk can further be reduced.

In addition, clarity over the areas of priority will be shared with staff over the next few months as the staff restructure and budget development work progresses".

Members received an update from the Housing Services Manager on the action in relation to the Internal Audit Progress Report-Homelessness regarding a decision on what action is necessary to either terminate the contract for the Old Schools 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. Members asked whether a process/protocol was in place to ensure good governance on this issue and were assured by the Housing Services Manager that there is.

The action plan was noted.

### **309. INTERNAL AUDIT PROGRESS REPORT**

Christopher Parker, Deputy Head of the East Kent Internal Audit Partnership, introduced the report which gives Members a summary of 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 2013.

Members asked the following questions:-

#### Housing Allocations-Reasonable Assurance

What is the process regarding bedroom tax and changing of accommodation?

Is there a policy for speeding up this process for victims of domestic violence?

In addition Members asked whether the audit took account of recent changes in equalities legislation that had recently been presented on. Although the audit report made reference to housing allocation being efficient it was also necessary to have due regard in the process for whether it is equal.

#### Environmental Protection

Are dumped parked cars considered to be 'flytipping' and is it audited?

Christopher Parker agreed to get back to Members with answers for the above questions.

Members queried the figures on the balanced scorecard for quarter 1 as the percentage of staff qualified to relevant technician level seemed very low. Christopher Parker advised that he would find out and bring to the next meeting of the Governance and Audit Committee.

A further query raised by Members was that no Thanet District Council Members were representing on the Board of 'Your Leisure'. This is an item included in a report to Council 3 October 2013.

In regard to the number of satisfaction questionnaires completed and received, Members felt that much more should be done to ensure that Managers responded and that a score of 36% was not good enough.

Moved by Councillor Campbell and seconded by Councillor Wise that:

“6.1 the report be received by Members and

6.2 that any changes to the agreed 2013-14 internal audit plans, resulting from changes in perceived risk, detailed at 5.0 of the attached report be approved.”

AGREED

### **310. AUDIT FINDINGS REPORT AND FINANCIAL RESILIENCE REPORT**

Andy Mack, Director of Grant Thornton UK LLP, introduced the report which provides Governance and Audit Committee with the audit findings report and financial resilience report and summarised the findings from the 2012/2013 audit.

Andy Mack gave thanks to Sarah Martin, Financial Services Manager and the finance team for the excellent work that had been done on the 'Statement of Accounts', which had been the main focus of the audit findings report. He added that considerable improvement had been achieved which had resulted in a tangible improvement in the quality of the statements and he was pleased at how officers had responded to the recommendations made last year regarding the capacity of the finance team and had now developed a clear action plan.

Andy Mack added that the opinion on the Council's financial statements were as follows:

- they give a true and fair view of the financial position of Thanet District Council as at 31 March 2013, and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

A delay in formally concluding the audit and issuing an audit certificate was due to consideration of matters being brought to their attention by local authority electors. Andy Mack added that they are satisfied that these matters do not have a material effect on the financial statements or a significant impact on the value for money conclusion and that they would be signed off by the end of September 2013.

Members asked for assurance that the Transeuropa debt would not impact on the reserves set aside for other possible improvements.

Andy Mack advised that this would be covered in the following report on financial resilience and overall value for money conclusion. He added that whilst this authority, like any other authority, faces challenges, the financial statements are sound for the next 2-3 years and he would be proposing an unqualified value for money conclusion.

In summarising the value for money conclusion Andy Mack advised Members that the work includes a review to determine if the Council has proper arrangements in place for securing financial resilience. This work includes consideration on whether the Council

has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to operate for the foreseeable future. He added that a red/amber/green (RAG) rating system is used to identify the measure of risk.

In considering strategic financial planning the report states that the Council should continue to implement its service review programme to identify areas of transformational change required to address increasing financial pressures. The Council should also revisit whether the dual role of Chief Executive and s151 Officer remains appropriate, given the strategic demands upon the Chief Executive. Following a query raised by Members regarding the risk of combining these two posts they were advised by Andy Mack that three councils in Kent had these joint arrangements and that what was appropriate for one council may not be for another. He added Thanet District Council needed to make sure they had the capacity, which had changed in the last 12-18 months.

Other Members had concerns regarding the resilience of the council in relation to possible litigation but were assured by Sarah Martin that provision for any potentially unsuccessful outcomes had been made. A query was also raised regarding the need for a new director post to include the role of S151 at a cost of £100k . Andy Mack advised that this would be for the council to determine but that an option would be to maybe fill the post from within the authority. Other Members emphasised the pressure on the three senior management team members and said that appointing or promoting from within the council would be good governance.

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

“3.1 Members note the content of these reports and

3.2 that Members approve the letter of management representation”

AGREED.

**311. GRANT CERTIFICATION PLAN 2012/13**

Lisa Robertson, Manager, Grant Thornton UK LLP outlined the report which provides the Governance and Audit Committee with the grant certification work plan for 2012/13.

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

“Members noted the content of the report”

AGREED.

**312. QUARTERLY GOVERNANCE PROGRESS REPORT**

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

The Risk Management Strategy and Process annual review had commenced with initial discussions with the Policy and Business Planning Section with regards to the Inphase system, which holds the corporate risk register. It was established that it would be more appropriate for this review to take place following the amendments to the Inphase system to ensure that the planned changes which are due to take place are correctly reflected within the Risk Management Strategy Process documents. Therefore the documents would be brought to the December meeting of the Governance and Audit Committee.

A member asked why the CRR (Corporate Risk Register) was laid out the way it was, as some of the risks had been completed and dealt with. Nikki Morris explained that each risk will appear on the register until sufficient time has elapsed to ensure that the control measures taken are working.

Members asked that Charlie Greenway's (HR Business Partner) success be noted. Members also found that the document at annex 2 was very useful.

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

"5.1 Members noted the content of this report and identified any issues on which they required more clarification"

AGREED.

### **313. FINAL ANNUAL GOVERNANCE STATEMENT**

Nikki Morris, Business Support and Compliance Manager, introduced the report which provides the Governance and Audit Committee with the Annual Governance Statement 2012/13 for approval and had also been the topic of the training presentation prior to the meeting.

The Draft Annual Governance Statement had been brought to the June Committee meeting. The external auditors, Grant Thornton had come back with one area that required enhancing regarding the Council's data quality framework as follows:

- The Council's data quality framework sets out the Council's requirement that any data used by the authority should be fit for purpose. Fitness for purpose of performance data is assured through the following activity:
  - Challenge of measure of definition when new indicators are identified through service planning;
  - Set up of measures at denominator and numerator level to ensure that calculations are not carried out manually;
  - Calculation checking through the data entry process;
  - Manager review of data entered by staff;
  - Training provided to managers and staff on how to use the data entry and reporting system;
  - Challenge through the target setting process;
  - Challenge through monthly monitoring of performance data;
  - Advice and support provided to staff and managers as requested on the capture and use of management data.

Members commented that the document was 'overly sanitized'. In response, Lisa Robertson, Manager, Grant Thornton UK LLP said that the council's Annual Governance Statement met the required criteria.

Moved by Councillor Campbell and seconded by Councillor D Saunders that:

"6.1 Members approve the Annual Governance Statement for 2012/2013 and associated action plan"

AGREED.

### **314. FINAL STATEMENT OF ACCOUNTS**

Sarah Martin, Financial Services Manager introduced the report which asks for Members to approve the audited Statement of Accounts for 2013/13.

Sarah Martin advised Members of the Governance and Audit Committee of the adjustments that had been made to the accounts following the audit. These adjustments are movements between lines on the Balance Sheet and have no impact on the overall financial position of the Council.

- A short term grant of £3,070k was incorrectly included as a long term grant. This has now been moved to 'current liabilities' within the Balance Sheet from 'long term liabilities'.
- Both 'short term debtors' and short term creditors' were incorrectly overstated by £614k. The Balance Sheet has been adjusted accordingly.

The auditors identified a further adjustment during the audit but this adjustment has not been reflected in the accounts. The CIPFA code requires the disclosure of the expected rate of return for each of the different asset classes used by the Pension Fund within the Defined Benefit Pension Scheme note to the accounts (note 39). The actuary report does not include this information and as this split is no longer required under the CIPFA code from 2013/14, management propose to only show the total Expected Rate of Return. It is considered that this does not have any impact on the reader of the accounts, but Members are asked to approve management's proposed treatment.

Members asked for clarification as to why the decriminalisation reserve was named as such. Sarah Martin explained that this reserve was held in respect of on street car parking. The Council administers on street parking but this is on behalf of KCC. This reserve holds any unutilised revenues from parking charges and can be used to fund future parking, transport or environmental improvement related schemes'. Sarah Martin advised Members that she would find out the reason why it was called the decriminalisation reserve.

A further query raised by Members was regarding the VAT Reserve which has been set up to hold funds reimbursed in relation to our Fleming claim and will be used to cover any one off cost deemed appropriate. Members asked what this was. Sarah Martin explained that it was a sum paid to a number of local authorities where some years ago overpayment of VAT in respect of leisure and other services had been made and that this was the VAT reclaim.

In referring to the Museum Artefacts and Art Collections section in the Statement of Accounts, Members asked for an explanation regarding the museums' curators as no curator was appointed. Sarah Martin said that although no curator was appointed, specific members of staff were responsible for those areas.

Members asked how the overpayment of £1.5 million in housing benefit had arisen. Sarah Martin advised that she would get back to Members with a response to this query. A further query was raised regarding whether a process and/or protocol was in place for dealing with the sensitive issue of reclaiming overpayments. Sarah Martin advised that processes were in place and that some of the repayments in respect of HB overpayments are made over a long period of time.

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

"5.1 Governance and Audit Committee approve the Statement of Accounts for 2012/13, including the proposed non full disclosure as highlighted in paragraph 2.3 of the report"

AGREED.

**315. TREASURY MANAGEMENT UPDATE FOR QUARTER 1, 2013**

Sarah Martin, Financial Services Manager introduced the report which is to update the Governance and Audit committee with the Treasury Management activity that has occurred for the quarter ended 30 June 2013.

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

“11.1 the Governance and Audit Committee notes this report”

AGREED.

**316. REVISION TO FINANCIAL PROCEDURE RULES ON REPORTING OF BALANCE SHEET DEBTS**

Sarah Martin, Financial Services Manager introduced the report which asks for the Governance and Audit Committee to consider a revision of the Financial Procedure Rules to require the reporting of aged debts over £150,000 to Council.

The report was brought to the Governance and Audit Committee at the request of the Constitutional Review Working Part who met on 21 August 2013.

The report proposes that when a debt over £150,000 becomes ‘aged’ it will be reported to the next available ordinary council meeting. It is proposed that for those debts over £150,000 with payment terms of 30 days are reported to Council at day 60. At this stage the debt has been passed to EK Services and the first formal reminder letter has been sent. For those few debtors where the payment terms are 60 days, THEY will be reported to Council if the debt exceeds £150,000 at day 90. If however, the payment is made before the report to Council it will still be reported.

Although Members felt this was a good idea it was suggested that Members should be made more aware of the Council’s potential large liabilities. Sarah Martin advised that she would take this comment back to the Chief Executive for consideration.

Moved by Councillor Campbell and seconded by Councillor D Saunders that:

“5.1 the Governance and Audit Committee considered the amendment to the Financial Procedure Rules to require the reporting of all aged debt over £150,000 to the next available ordinary Council meeting and

5.2 that the Governance and Audit Committee considered that the timeline for reporting debts shall be 60 days for those debts with standard payment terms of 30 days and 90 days for those debts with payment terms of 60 days”

AGREED.

Meeting concluded : 8.30 pm