

## **GOVERNANCE AND AUDIT COMMITTEE**

Minutes of the meeting held on 11 December 2013 at 7.00 pm in Austen Room, Council Offices, Cecil Street, Margate, Kent.

Present: Councillors Binks, Campbell, Day, Lodge-Pritchard, Moore, D Saunders and W Scobie

### **317. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor S Tomlinson and Councillor Worrow.

In the absence of the Chairman, Councillor Worrow, Councillor Lodge-Pritchard as Vice-Chair, took the Chair.

### **318. ALSO PRESENT:-**

Sarah Martin – Financial Services Manager & Deputy s151 Officer  
Harvey Patterson – Corporate and Regulatory Services Manager  
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  
Andy Mack – Director – Grant Thornton UK LLP  
Terry Blackman – Manager – Grant Thornton UK LLP  
Penny Button – Environmental Health Manager

### **319. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **320. MINUTES OF PREVIOUS MEETING**

The minutes of the Governance and Audit Committee meeting held on 25 September 2013, were approved and signed by the Chairman.

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

Members raised the following questions in relation to the actions from the last meeting of the Governance and Audit Committee held on 25 September 2013.

Minute no. 309 – Regarding the Housing Allocation Policy and the process of prioritising victims of domestic abuse who are being placed on the register at Band B. Members asked "how many of those victims of domestic abuse with that allocated band B priority were successful in getting their preferred choice and how many were not". An answer is to be sought from the Housing Options Manager and emailed to Members.

Minute no. 309 – The Environmental Protection Review and the removal of abandoned vehicles, Members asked why the Environmental Protection team were not pursuing the owners of these abandoned vehicles. Penny Button, Environmental Health Manager said that this was not within the remit of the Environmental Protection team but was administered by other Council departments including Community Safety and Parking. It was noted that due to the reduction in the value of scrap metal in the last few years that the numbers of abandoned vehicles had reduced.

The action plan was noted.

**322. FOOD STANDARDS AGENCY AUDIT UPDATE**

The report seeks the postponement of the internal audit of Thanet District Council's Food Safety Service following the Food Standards Agency audit of November 2011.

Food Safety had been identified in the 2012-13 internal audit plan for review in the last quarter. Environmental Health requested a delay due to the Food Standards Agency (FSA) inspection which was agreed. The internal review was moved over to this year 2013-14 for the last quarter.

Members were concerned that if Food Safety was removed from the East Kent Audit Partnership (EKAP) internal audit until after the FSA audit that it was not only a duplication of work but would be out of the Council's control. Penny Button, Environmental Health Manager said that it would not be removed entirely, only until they had achieved the level of service required by the FSA. Members suggested that a date should be set to re-instate the internal audit which would be a safeguard. This date was recommended to be by April 2014. Penny Button added that ongoing improvements had been achieved to the service since 2011 and that the FSA were pleased with the progress so far. She was confident that they will have reached the recommended level by April 2014.

In referring to the FSA Audit Action Plan document (annex 1 to the report) members asked for clarification in respect of 3.5.9 'ensure that all complaints received about food and hygiene at food premises are investigated in accordance with the Food Law Code of Practice and centrally issued guidance {The Standard – 8.2}'. Penny advised that the Environmental Health team had been unable to adequately resource the complaint work due to the current staffing levels however they were in the process of increasing the environmental posts and by the New Year they will be at full capacity.

Members also had concerns regarding 3.5.17(i) in respect of food sampling. The issue had been discussed with the Chief Executive and Environmental Health Manager as well as with the Economic Development Team to find a way forward as there are currently no resources or funding to carry out this work. It was added that routine sampling other than shellfish sampling is not considered a high priority statutory function for the same reason, that resources are not available at the current time. Some sampling had been carried out in May 2013 but further development of a sampling programme is required for when staffing and resources improve. Members asked whether produce going out was sampled. Penny advised that it was not.

Moved by Councillor Campbell and seconded by Councillor Binks that:

"6.1 that the report be received by Members

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 report be approved

and subject to the safeguarding condition that Food Standards be reinstated to the Internal Audit plan by April 2014"

MOTION ADOPTED.

**323. INTERNAL AUDIT PROGRESS REPORT**

This report 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> September 2013.

There have been ten internal audit assignments completed during the period. Of these four concluded Substantial assurance and four concluded Reasonable assurance. An additional piece of work that had been carried out was for EK Services-Housing Benefit Quarterly Testing (Qtr 2 of 2013-14) which did not require an assurance level. The assurance level given for Public Health Burials was Limited and Members had concerns about this.

The EKAP had carried out a comparison exercise with two neighbouring authorities to look at the number of public health burials that have been carried out over the last 2 complete financial years.

	TDC		CCC		DDC	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
<b>TOTALS</b>	<b>25</b>	<b>15</b>	<b>4</b>	<b>5</b>	<b>2</b>	<b>7</b>

This shows that Thanet District Council has carried out a significantly greater number of public health burials in comparison to the other two. Although Thanet District Council has more deprived wards coupled with a more transient population, these figures are significantly higher than the neighbouring authorities. There is a concern that the authority has been paying for funerals even though next of kin are known or have appeared at the funeral and processes to recover monies have not been carried out. Again, these findings are similar to those reported previously by Internal Audit. It was noted that at a neighbouring authority it is the Finance team that are responsible for the collection of any monies owed from a public health burial. This method of working could be considered as the lack of resources within Environmental Health means that there could be considerable delays in obtaining any monies. There would then also be a separation between the legislative actions of the public health burials and the financial reclaim of any outstanding monies owed to the authority.

At the time of the last audit in this area, it was recommended that 'As a short term measure, all Public Health Burial case files should be reviewed and signed off by the Environmental Protection Manager until there is a demonstrable improvement in the quality of documentation. Thereafter, it would be advisable for a random sample of files to be examined periodically'. Whilst this recommendation was accepted, it has not resulted in an adequate degree of improvement and accordingly greater management supervision in this area still appears to be warranted. Members asked for an explanation as to why the Council were not so good at recovering costs and whether this was solely down to resources.

Harvey Patterson, Corporate and Regulatory Services Manager, in response said that in 2008 no assurance was given and no processes were in place. He added that a lot of key controls were now in place and that the officer who had been on long term sick leave was in a 'return to work programme' and the Environmental Health Manager was working with the officer to ensure processes were followed.

Penny Button added that there were costs involved in recovery but that over the last 4 to 5 months invoices were now being sent and more steps were being taken to locate relatives and recover costs. It was noted that the additional numbers of public burials in Thanet was partly due to the hospice. Members agreed with the recommendation of the EKAP that the responsibility for collecting monies was in the Finance Team. Penny advised that they do go through the Finance system.

Building Control received Substantial Assurance and some Members queried why the target for the service was to 'break even'. Sarah Martin, Financial Services Manager and deputy s151 officer said that it was a legal requirement and that this service was not

allowed to make a profit. Harvey Patterson added that it was the responsibility of Building Control to ensure that buildings were built in accordance with the regulations and that completion certificates were only provided once all monies had been paid and they were satisfied that the regulations had been complied with.

Child Protection had received Reasonable Assurance and some Members had concerns regarding the level of staff having completed the training. As part of the staff induction process staff must complete the e-learning module on child protection. However, a report supplied by EK Human Resources showed that only 74 staff had completed the e-learning module equating to just 15.4% of the staff employed. Simon Webb, Deputy Head of EKAP said that he had intended to give Members an update as a different e-learning system was now in use that doesn't include child protection.

It was confirmed that all relevant staff have undertaken a Disclosure and Barring Service check (previously called CRB).

Service Contract and Monitoring had also received Reasonable Assurance and Members asked whether the contracts receiving Reasonable or Limited could be identified. Simon Webb said that they were all at least Reasonable and that the audit had specifically selected those that weren't covered by other audits.

In referring to the Balanced Scorecard for Quarter 2 Members asked whether the Audit team were on schedule. Christine Parker, Head of EKAP advised Members that they were on schedule for completion and with a qualified new member of the team this would ensure an expected 98% completion.

Moved by Councillor Campbell and seconded by Councillor D Saunders 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 point 5.0 of the attached report be approved”

MOTION ADOPTED.

### **324. QUARTERLY GOVERNANCE UPDATE**

This report provides Governance and Audit Committee with progress on governance related issues. The report covers the Corporate Risk Register, Annual Governance Statement 2012/13 action plan, Governance Framework and Local Code of Corporate Governance annual review and Risk Management Strategy and Process annual review.

It was noted that annex 2, the AGS action plan was in a very small font.

At annex 1, the Corporate Risk Register, Members were very concerned that R1001 'The Council relies on staff consistently working for longer than their contracted hours' was still a regular feature on the Risk Register and the control measures set were a long way from being met. Members requested an answer be sought from Charlie Greenway, EKHR Business Partner and sent to them by email.

Members also queried why, once control measures had been implemented that the 'control measure' still appeared on the register. Nikki Morris, Business Support and Compliance Manager advised that they were kept on for a while to ensure that the control measures were working. She added that the risk register would be looked at as a whole with SMT and third and fourth tier manager to ensure an up to date register is brought to the March 2014 meeting. Members suggested that a different document should be included to separate those risks where control measures were still being tested.

A concern of a Member was the expectation of Members on staff to fulfil the 'wish list' of Members when they should be looking at what they have to do and referring the 'wish list' items to MP's and other politicians. Harvey Patterson advised that this was the process.

Moved by Councillor W Scobie and seconded by Councillor D Saunders that:

- 5.1 Members note the content of annex 1 and identify any issues on which they require more clarification.
- 5.2 That Members note the content of annex 2, the Annual Governance Statement 2012/13 action plan and identify any issues on which they require more clarification.
- 5.3 That Members approve the reviewed Governance Framework and Local Code of Corporate Governance (annexes 3 and 4).
- 5.4 That Members approve the changes to the Risk Management Process document and recommend that the Strategy be sent to the 21 January 2014 Cabinet for approval"

MOTION ADOPTED.

### **325. CIPFA CODE OF PRACTICE ON TREASURY MANAGEMENT (2011 EDITION)**

Sarah Martin, Financial Services Manager and Deputy s151 officer introduced the report which makes recommendations in line with the CIPFA Code of Practice on Treasury Management (2011 Edition).

Moved by Councillor Campbell and seconded by Councillor Binks that:

- "4.1 the Governance and Audit Committee at it's meeting on 11 December 2013:
  - 4.1.1 Considers and approves the report and annex 1.
  - 4.1.2 Approves the clauses to be adopted by Council as set out in annex 1, and agrees that they be submitted to Constitutional review Working Party, Standards Committee, Cabinet and Council for formal adoption.
  - 4.1.3 Approves and adopts the Policy Statement and Treasury Management Practices as set out in Annex 1 (subject to approval of the clauses to be adopted by Council in section 4.1.2 above).

MOTION ADOPTED"

### **326. FINANCIAL RESILIENCE ACTION PLAN**

At the Governance and Audit Committee meeting held in September 2013 Grant Thornton had presented a financial resilience report as part of their final account work for 2013/14. The report highlighted the key findings from their specific review of the Council's arrangements in securing financial resilience. This review included consideration of whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities and whether it has secured a stable financial position that enables it to continue to operate for the foreseeable future. Although the report concluded that the Council has put sound arrangements in place and adequately approached financial planning, governance and control a few areas of potential weakness where arrangements needed to be strengthened were identified.

An action plan to address the weaknesses that had been identified within the financial resilience plan for the year ended 31 March 2013 was attached at annex 1 for approval by Members.

One of the recommended actions is to separate the S151 officer role from the Chief Executive role and move it to a new post of Director of Corporate Resources. Members asked where the money to fund this new post would come from. Sarah Martin advised that funding for this post was already in the base budget. Members also asked what the process would be for recruiting to this post and suggested that the Governance and Audit Committee should have sight of the procedure for Director recruitment to comment on.

Harvey Patterson said that one part of the process was to test the candidate to assess their general ability. The Officer Employment Procedure Rules on page 245 of the Council's Constitution (and also Standing Orders relating to Staff) informs Members of the procedure for recruitment to Head of Paid Service and Chief Officers. He added that the General Purposes Committee ensured that Members were involved in any such recruitment. Members said that it was not just separating the s151 officer post from the Chief Executive but was an entirely new post and that it was important that Members knew what the requirements of this role were envisaged to be.

Members enquired as to how the s151 officer role being separated would affect Thanet District Council and what other Council's were doing. Andy Mack, Director, Grant Thornton advised Members that of the 12 districts in Kent, three have a joint role of Chief Executive and s151 officer. He added that for this Council the Senior Management Team were stretched and that that needed to be addressed.

In looking at Strategic Financial Planning and the focus of the Medium Term Financial Plan which has continued to be updated to reflect the most up to date spending cut announcements and the latest assumptions, Members were concerned that some services may be axed as they were not deemed to be essential. Sarah Martin advised that a service review programme has been established to look at alternative service delivery methods and that all services were being looked at.

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

"Governance and Audit approve the action plan at Annex 1 to this report"

MOTION ADOPTED.

**327. TREASURY MANAGEMENT STRATEGY STATEMENT AND ANNUAL INVESTMENT STRATEGY-MID YEAR REVIEW REPORT 2013/14**

This report summarises treasury management activity and prudential/treasury indicators for the first half of 2013/14. Treasury Management is defined as 'the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

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

"10.1 the Governance and Audit Committee

- Approves this report and agrees the prudential and treasury indicators that are shown and
- Recommends this report to Cabinet"

MOTION ADOPTED.

**328. TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY FOR 2014/15**

This report provides the Governance and Audit Committee with the proposed Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy for 2014/15 for approval.

Referring to the 'Borrowing Strategy' the Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high.

Against this background and the risks within the economic forecast, caution will be adopted with the 2014/15 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates* (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast*, perhaps arising from a greater than expected increase in the anticipated rate to US tapering of asset purchases, or in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still lower than they will be in the next few years.

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

Some Members were concerned that the debt had increased considerably and the danger of repeating what had occurred nationally. Sarah Martin advised that the increase in debt was to finance the capital programme and the cost of such debt would be met from the revenue savings generated by the projects. It was noted that the report was for final approval by Council.

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

"the Governance and Audit Committee approve this report, including each of the key elements of this report listed below, and recommend them to Council:

- The Capital Plans, Prudential Indicators and Limits for 2014/15 to 2016/17, including the Authorised Limit Prudential Indicator.
- The Minimum Revenue Provision (MRP) Policy.
- The Treasury Management Strategy for 2014/15 to 2016/17 and the Treasury Indicators.
- The Investment Strategy for 2014/15 contained in the Treasury

Management Strategy, including the detailed criteria”

MOTION ADOPTED.

**329. ANNUAL AUDIT LETTER**

Andy Mack, Director, Grant Thornton introduced Terry Blackman, Manager, Grant Thornton, to the Governance and Audit Committee and then presented the Annual Audit Letter.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. The Audit conclusions that have been provided in relation to 2012/13 are as follows:

- An unqualified opinion on the accounts which give a true and fair view of the Council’s financial position as at 31 March 2013 and its income and expenditure for the year
- An unqualified conclusion in respect of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources
- An unqualified opinion on the council’s Whole of Government Accounts submission
- Two claims have been certified and returned by the end of September deadline. Work on the Housing Benefits Subsidy claim, which has a deadline of 30 November, is still in progress.
- An objection on the accounts in respect of the debt regarding Transeuropa Ferries from three local electors in August 2013 had been received. Grant Thornton are satisfied that the issue does not impact on their opinion on the accounts or value for money conclusion. However, the certificate of closure has been held open on the audit pending completion of the review.

Andy Mack added that the Council has good arrangements for financial governance and a strong track record on delivering budgets and savings plans. Members are engaged and have an understanding of the current financial environment.

The Medium Term Financial Plan sets our savings plans and risks for the coming years and is aligned with the corporate priorities. The Council’s current financial position is sound, but over the longer term the position is challenging. The Council faces a £11m budget gap over the next four years and addressing this gap is a key priority.

The Council is involved in a range of complex strategic projects and capacity at the most senior levels of the organisation is stretched. Members and officers should review the allocation of roles and capacity within the senior leadership team. *(An update on this is given at Item 8 in the agenda).*

Members noted the report.

Meeting concluded : 8.25 pm