

GOVERNANCE AND AUDIT COMMITTEE

Minutes of the meeting held on 25 June 2014 at 7.00 pm in Austen Room, Council Offices, Cecil Street, Margate, Kent.

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

In Attendance: Councillors E Green and D Green

351. TRAINING PRESENTATIONS:- 6.30PM START

352. A TRAINING PRESENTATION - CORPORATE RISK REGISTER

353. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Worrow and Councillor P. Moore.

354. DECLARATIONS OF INTEREST

There were no declarations of interest received at this meeting.

355. MINUTES OF PREVIOUS MEETING

Councillor Campbell expressed the concern that the detailed minute item 339 whose content was discussed in a private session at the meeting on 20 March 2014, should not have been treated as a confidential minute as this was an incorrect decision.

Councillor Campbell proposed, Councillor D. Saunders seconded and Members agreed the minutes.

356. ANNUAL TREASURY MANAGEMENT REVIEW 2013/14

Members sought clarification on some of the estimates that appeared to be significant variances from the actual expenditures wherein the actual figures were much lower than the estimates. Paul Cook, Interim Director of Corporate Services said that as is normal practice the calculations made by officers for capital projects left adequate head room that avoided over expenditures. This led to lower actual figures as the external price factors that would have led to an increase in expenditure were not that significant.

Mr Cook said that estimates were set at such levels as to enable a reasonable scope of operation. Members then suggested that explanatory notes should have been included nearer the tables for ease of reference. Mr Cook said that officers were going to clarify after the meeting the issue regarding the market loan LOBO (Lender Option Borrower Option) arrangements that had been referred to in the report.

Members also sought an explanation on the reasons for the large variances in relation to the Housing Revenue Account (HRA). Paul Cook advised that the information including the specific details of the project would be provided to Members after the meeting.

Councillor Campbell proposed, Councillor Binks seconded and Members agreed the following, subject to the clarifications sought by Members as highlighted in minute above:

1. To approve the actual 2013/14 prudential and treasury indicators in this report;
2. To note the annual treasury management report for 2013/14;

3. To recommend the report to Cabinet.

357. INTERNAL AUDIT PROGRESS REPORT

Members were advised that of the seven assignments carried out by the Audit Partnership during the period, substantial assurance had been concluded in four areas, with one area of the Council function being given a reasonable assurance and another being given limited assurance. The seventh area was quarterly benefit testing for which an assurance opinion is not applicable.

The area that received limited assurance was ICT Change control and this was because the Council was working on establishing documented procedures governing the upgrading of software packages to improve the service and it was hoped that once this had been completed the rating of that area would significantly improve. A follow up review could attain a reasonable assurance rating. Mr Webb said that there were no outstanding recommendations that had not been actioned by the Council.

Councillor S. Tomlinson proposed, Councillor Campbell seconded and Members agreed:

1. To receive the report;
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 report be approved.

358. ANNUAL FRAUD REPORT 2013-14

Christine Parker, Head of EK Audit Partnership introduced the first ever Annual Fraud Report which pulls together all the counter fraud work conducted by the Council to Acknowledge, Prevent and Pursue fraud. The report examined the Council's policies and the work of the various departments who each perform such work. The Investigations Team of East Kent Services had worked hard to identify incidents of fraudulent overpayments made in the period under review. She said that the Department of Works and Pensions usually took the lead to investigate cases that fell under their purview and these often involved larger sums of money.

There was no one from the EKS Investigation Team to respond to questions, however the table contained in the report summarising the number of Housing Benefit cases reported through the telephone hotline appeared to be far greater than those that were later investigated, Christine Parker thought this was largely because at times several phone calls were received concerning the same case, and the intelligence given via the hotline is not always good enough to follow through to a formal investigation. She assured members though, that each case would be looked into, despite not all being able to become a formal investigation.

Some Members were concerned that procurement fraud had been overlooked when producing the annual fraud report that was considered by the Committee. Christine Parker said that procurement fraud was a big issue for the Fighting Fraud Locally agenda. Paul Cook added that this issue would be included in future fraud reports. Simon Webb said that Internal Audit would look at the internal procurement procedures and the CSO Compliance during 2014/15. Christine Parker later added that the audit plan for 2014-15 also contained a provision for a Fraud Resilience Review and procurement fraud would be examined as part of this brief.

Councillor D. Saunders proposed, Councillor Campbell seconded and Members agreed to receive the report.

359. INTERNAL AUDIT ANNUAL REPORT

Christine Parker introduced the item to the meeting. The report summarised the outcomes of the work undertaken by the Internal Audit Team and the associated performance measurements for 2013-14.

She set out the purpose for the report and the reasons why it was important for members to be able to place assurance upon the internal audit coverage, in order for them to discharge their responsibilities. EKAP had concluded an overall Reasonable Assurance on the system of internal controls in operation throughout the year. EKAP had performed well against their targets and achieved a saving for all partners.

Officers acknowledged that the Council, like most other local Authorities received and processed a high volume of Freedom of Information requests (FOI).

She reported that the former Audit Strategy and Audit Charter were now merged to meet the audit standards, and if the committee were content, that they should also approve the new Audit Charter.

Councillor Campbell proposed, Councillor D. Saunders seconded and Members agreed to receive the report, and approve the Audit Charter.

360. EXTERNAL AUDIT PROGRESS REPORT

Terry Blackman, Audit Manager (Grant Thornton, LLP) reported that the external audit work was on track. External Audit will comment on the additional areas as a result of the Peer Review Report and changes to staff at senior management level.

Councillor W. Scobie proposed, Councillor Campbell seconded and Members noted the report.

361. INFORMING THE AUDIT RISK ASSESSMENT FOR THANET DISTRICT COUNCIL

Mr Blackman said that external audit sought assurances from Council regarding addressing issues related to fraud and managing the risks in this area. They were seeking assurances from senior management as well as the views of Councillors. He advised the Committee that external audit would not ordinarily carry-out the role of thoroughly reviewing the draft risk register. Mr Blackman indicated that his team would normally comment on the risk register as part of the Value for Money external audit.

Some Members expressed their concern that the movement of senior staff may affect the good governance of the Council. Mr Blackman said that he hoped that this issue would be resolved in the short term. As regards the reporting structure of risk reports, Thanet District Council could choose an approach that captured significant levels of information on risk in order to alert Members to any potential or actual risk. Christine Parker, Head of EK Audit Partnership said that a neighbouring District Council adopted a thematic approach to reporting on internal fraud by staff and were quite pro-active about reporting this risk issue. She suggested that the protocol between EKHR and EK Audit Partnership would need to be improved.

Councillor Campbell proposed, Councillor W. Scobie seconded and Members agreed to note the report.

362. DRAFT ANNUAL GOVERNANCE STATEMENT 2013/14

Nikki Morris, Maritime Services Manager introduced the report. The draft Annual Governance Statement for 2013/14 was produced following an extensive assurance gathering process and reflects the corporate governance environment of the council.

Councillor W. Scobie proposed, Councillor Binks seconded and Members accepted the draft Annual Governance Statement for 2013/14.

363. PLANNED EXTERNAL AUDIT FEE FOR 2014/15

Terry Blackman reported that the levels of the external audit fee for 2014/15 remained unchanged from the previous financial year.

Councillor S. Tomlinson proposed, Councillor D. Saunders seconded and Members noted the report.

Meeting concluded: 8.10 pm