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Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 24 March 2016 at 6.00 pm.

Present:

Chairman: Councillor P G Heath

Councillors: D Hannent  
M J Holloway  
S J Jones  
A S Pollitt  
G Rapley

Also present: Ms L Olive, Grant Thornton

Officers: Director of Governance  
Director of Finance, Housing and Community  
Head of Finance  
Head of Audit Partnership (East Kent Audit Partnership)  
Deputy Head of Audit Partnership (East Kent Audit Partnership)  
HR Advisor  
Democratic Support Officer

## 39 APOLOGIES

There were no apologies for absence received from Members.

## 40 APPOINTMENT OF SUBSTITUTE MEMBERS

There were no substitute Members appointed.

## 41 DECLARATIONS OF INTEREST

There were no declarations of interest made by Members.

## 42 MINUTES

The Minutes of the meeting of the Committee held on 3 December 2015 were approved as a correct record and signed by the Chairman.

## 43 SHELTERED AND SUPPORTED HOUSING - EAST KENT HOUSING UPDATE

The Committee received the report of the Head of Operations, East Kent Housing (EKH). The report was requested by the Committee at its meeting held on 3<sup>rd</sup> December 2015 and had requested EKH to provide an update on the key audit actions identified by the East Kent Audit Partnership.

It was recognised by Members that the Independent Living Managers (ILMs) now had valid Disclosure and Barring Service (DBS) checks. The Committee felt that it needed further information on what was covered by a DBS check and in particular, any overseas information held which met the criteria set out in the enhanced DBS check. In the absence of an EKH officer to talk to the report, Members requested that an officer attend the next meeting of the Committee.

RESOLVED: (a) That a representative from East Kent Housing attend the meeting of the committee on 30 June 2016 to talk to the report and answer Members' questions.

44 NEW PAYROLL SYSTEM AND SERVICE - BUSINESS ASSURANCE

The HR Advisor – East Kent Human Resources (EKHR) introduced the New Payroll System and Service – Business Assurance report to Members. The new system had been created to ensure there was a more robust system in place for the reporting of sickness absence and monitoring and would be audited by East Kent Audit Partnership.

It was recognised that paragraph 1 – 'Purpose' of the report indicated that the new system was still work in progress and that the systems were not yet fully embedded. East Kent Internal Audit would undertake further work in this area in 2017/18 and in the interim the HR Advisor would report back to the committee on progress.

RESOLVED: (a) That the report be noted.

(b) That the HR Advisor be requested to report back on progress once the new system has time to embed.

45 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Deputy Head of Audit Partnership presented the Quarterly Internal Audit Report which summarised the work undertaken by the East Kent Audit Partnership (EKAP) since the last Governance Committee meeting, together with details of the performance of the EKAP to the 31 December 2015.

Twelve internal audits and five follow-up reviews had been completed during the period. Of the twelve internal audits, four had received a substantial assurance level, four a reasonable assurance level and two as limited. The remaining audits relating to EK Services Quarterly Benefit Testing (Quarters 2 and 3 of 2015/16) were not applicable to an assurance level.

In respect of the Limited Assurance level awarded to VAT, the Director of Finance, Housing and Community and Head of Finance advised Members that whilst they did not disagree with the facts within the report, they did disagree with the level of importance placed on the findings and the interpretation of EKAP's findings. However, the issue that gave audit concern had been resolved by the date of the committee. EKAP would test this in their follow up.

Dissatisfaction with regard to the number of limited assurances awarded to East Kent Housing (EKH) Repairs, Maintenance and Void Management was also expressed by Members. The Deputy Head of EKAP advised that the findings and proposed actions of EKAP on this matter would be reported to the June meeting as part of the annual report. Councillor D Hannent expressed dissatisfaction with the number of limited assurances and asked that discussions ensue and increase the number of audit days in that area.

RESOLVED: (a) That Members note the report.

(b) That the Committee expresses its dissatisfaction with the number of limited assurances for EKH and ask that

discussions ensue with a view to increase the number of audit days in that area.

- (c) That the Director of EKH be invited to the next meeting to discuss concerns surrounding the limited assurances awarded to Repairs, Maintenance and Void Management.

#### 46 INTERNAL AUDIT CHARTER AND 2016/17 DRAFT PLAN

The Head of Audit Partnership presented the Internal Audit Charter and 2016/17 Draft Plan to the Committee.

The draft audit plan for 2016/17 made 350 days available which included audit days for EK Services (EKS) and East Kent Housing (EKH). This was 12.5% lower than the Kent average although East Kent Audit Partnership (EKAP) were confident they were able to achieve the number of planned days and EKAP savings achieved in 2015/16 would be used to buy back some days. It was also noted that despite rental income of over £20m for Dover District Council (DDC) alone, and significant expenditure on maintenance, EKH had only 80 audit days in total, compared to 270 for DDC and that this appeared to be too low.

There were concerns that only ten audit days had been allocated to Waste Management and Street Cleansing before 2018 and that more days should be allocated to what was seen as a considerable corporate risk, being the largest contract the Council had with an external contractor. The Director of Governance advised Members that as well as the EKAP audit of the service, East Kent Human Resources (EKHR) were also responsible for Health and Safety Audits and would ask that they look at Veolia's Risk Assessments.

- RESOLVED:
- (a) That the Internal Audit Charter for delivery of the internal audit service for the next three years be approved.
  - (b) That the Council's Internal Audit Plan for 2016/17 be approved.
  - (c) That the audit days be used more effectively and are targeted at key corporate risks, such as housing and waste.

#### 47 TREASURY MANAGEMENT QUARTER THREE REPORT 2015/16

The Head of Finance introduced the Treasury Management report for the third quarter. The Council had remained within Prudential Code guidelines during the period. Cashflow funds remained high and as a result the Council had exceeded the £10m deposit limit with NatWest and had therefore breached the Treasury Management Strategy Statement.

The Council's investment return for the quarter had outperformed the benchmark by 0.14%. The budgeted investment return for 2015/16 was £333k and performance for the year was estimated to be £304k, which remained £29k below budget.

RESOLVED: That the Treasury Management Quarter Three report be received.

48 AUDIT PLAN 2015/16

Ms L Olive of Grant Thornton presented the report which set out Grant Thornton's approach to conducting audits at Dover District Council, including the significant risks and financial challenges facing the authority, the fees and the proposed reporting timetable. There were three significant risks identified in the plan: two of which were presumed fraud risks (Revenue cycle which included fraudulent transactions and Management override of controls), the third being the valuation of property, plant and equipment.

As a result of the initial risk assessments for the Value for Money (VfM) conclusion, it was identified that the Medium Term Financial Plan and HRA Business Plan were identified significant risks.

RESOLVED: That the report be received and noted.

49 CERTIFICATION LETTER 2014/15

Ms L Olive of Grant Thornton presented the report which detailed the certification work carried out by Grant Thornton during 2014/15. One claim had been certified relating to expenditure of £39.9 million. As a result of the initial testing on the Council's Housing Benefit Subsidy Return, six errors were identified and were reported in the qualification letter sent to the Department for Work and Pensions and Public Sector Audit Appointments Ltd.

RESOLVED: That the Certification Letter 2014/15 be received and noted.

The meeting ended at 7.24 pm.