

Minutes of the meeting of the **GOVERNANCE** Committee held at the Council Offices, Whitfield on Wednesday 16 June 2010 at 5.00 pm.

Present:

Chairman: Councillor M D Conolly (Vice-Chairman in the Chair)

Councillors: B W Bano  
M R Eddy  
D R Lloyd-Jones  
J C Record

Officers: Head of Business and Community Transformation  
Head of Governance  
Head of Finance and ICT  
Head of Audit Partnership  
Senior Auditor  
Democratic Support Officer

Also Present: Ms Deborah Moorhouse (The Audit Commission)

An apology for absence was received from Councillor D A Mayes.

81 APPOINTMENT OF SUBSTITUTE MEMBERS

It was noted that in accordance with Rule 4 of the Council's Procedure Rules, Councillor D R Lloyd-Jones had been appointed as substitute for Councillor D A Mayes.

82 MINUTES

The Minutes of the meeting of the Committee held on 24 March 2010 were approved as a correct record and signed by the Chairman.

83 WRITE-OFF OF INVOICES DEEMED IRRECOVERABLE FOR 2009 (Minute No 496)

As requested at the previous meeting, the Income, Taxation and Enforcement Manager submitted a report updating the position on aged debts and write-offs in respect of Council Tax, Business Rates and Sundry Debts. The figures supplied referred to various amounts where recovery action had been exhausted or where there were no assets or funds from which a claim could be made:

£184,052.86 in respect of Council Tax  
£ 73,899.08 in respect of Business Rates  
£150,526.00 in respect of Sundry Debts.

The Head of Business and Community Transformation reported that a new protocol on debt recovery was being developed, and the new Income Management group would be meeting the following week to consider progress on this and outstanding action. The majority of the business debts included in the report were the result of companies going into liquidation. A breakdown of business debts would be given in future reports under the new protocol.

RESOLVED: (a) That the report be noted.

- (b) That an interim report on Write-Offs be submitted to the Governance Committee in September 2010.

84 MEMBERS' USE OF THE IVYSOFT ON-LINE TRAINING SYSTEM OR EXTERNAL TRAINING FOR EQUALITY AND DIVERSITY ISSUES

The Head of Governance reported that an updated survey undertaken in May 2010 had shown that 27 Councillors had received training either in-house or externally, with only 12 Councillors definitely reporting that they had not undertaken any training. Under the Members' Code of Conduct, Members were required to comply with equalities legislation, so it was encouraging that the majority of Members had undergone some form of training, although it was disappointing that more Members had not used the Ivysoft on-line training package. Basic equalities training would be included in the Council's Prospective Councillors event scheduled for the autumn, as well as the Member induction programme for May 2011, prior to which consideration would be given to developing further training. The Head of Business and Community Transformation advised that the theatre training provided for Officers and Members in December 2009 had been very successful, but discussions continued with Councillors I H Ward and G J Hood to increase Members' take-up of training opportunities.

RESOLVED: That the report be noted.

85 STATEMENT OF EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENTS

The Committee considered a joint report by the Head of Governance and the Head of Finance and ICT on the review of the effectiveness of the Council's internal audit arrangements which had been undertaken by the Monitoring Officer and the Section 151 Officer, under guidance issued by the Department for Communities and Local Government. The review would support the Annual Governance Assurance Statement which appeared later on the agenda for the meeting.

The Head of Governance advised that the East Kent Audit Partnership arrangement was working well and, in his opinion, the Council had an effective internal audit function in place which provided confidence in the context of its contribution to the Council's Annual Governance Assurance Statement.

RESOLVED: That the findings of the review of the effectiveness of the Council's internal audit arrangements for 2009/10 be accepted.

86 INTERNAL AUDIT ANNUAL REPORT 2009/10

The Head of Audit Partnership submitted a report summarising the performance of EKAP over the financial year 2009/10 in respect of Dover District Council work. The financial performance showed expenditure and recharges for the year 2009/10 to be in line with budget and that the EKAP cost per audit day had been reduced by some £19 per day below the budget estimate. 83% of the reviews undertaken at Dover District Council had achieved a Substantial or Reasonable assurance level. There were a handful of areas, detailed in the report, where only a Limited assurance level had been given, and the outcomes of the follow-up reviews would be reported to the Committee at the appropriate time.

Governance partnership working had enabled EKAP to share best practice across the four authorities in order to facilitate service improvements. External auditors had been brought in to cover 114 audit days – for which a budget was already in place. It was not practicable or cost-effective to employ full-time staff with all the specialist skills required, and external auditors had therefore been utilised where this had proved expedient. In response to Councillor M D Conolly, the Head of Audit Partnership clarified that EKAP's daily rate had increased from £262 in 2008/09 to £281 in 2009/10, principally as a result of salary increases. Additionally, the 2008/09 figure had been unusually low as a result of a refund having been given in that financial year to partners, following a decision not to purchase new software.

RESOLVED: That the East Kent Internal Audit annual report for 2009/10 be noted and the team thanked for another good year's work.

87 2009/10 ANNUAL GOVERNANCE ASSURANCE STATEMENT (CAB 004)

The Committee was advised that, at its meeting held on 7 June 2010, the Cabinet had approved the Annual Governance Assurance Statement and authorised the Leader of the Council to sign the Statement. On 20 May the Council's Corporate Management Team had also accepted the Statement and authorised the Chief Executive to sign it following consultation with the S151 Officer and the Monitoring Officer. The Statement provided a framework within which the Council could demonstrate that its corporate governance management and reporting arrangements were adequate and effective.

In response to concerns raised by Councillor B W Bano regarding the efficacy of the Council's community consultation, the Head of Business and Community Transformation referred to the Communication Strategy and the Consultation Toolkit which all Officers were required to follow. The Communication Team worked closely with all areas of the District to ensure that communities had a voice and, whilst recognising that there was room for improvement, significant progress had been made in the way the Council engaged with its citizens.

- RESOLVED: (a) That the 2009/10 Annual Governance Assurance Statement, as now submitted, be accepted.
- (b) That the 2010/11 Annual Governance Assurance Statement and Statements thereafter include an introduction which summarises the findings of Corporate Management Team and makes reference to the actual level of audit assurance achieved.

88 INTERNAL AUDIT QUARTERLY PROGRESS REPORT

The Committee considered the report of the Head of Audit Partnership which summarised the work undertaken by Internal Audit in the fourth quarter of the year 2009/10 including twenty one new reviews and six follow-up reviews. Six of the new reviews had been given a Substantial assurance, eight were Reasonable, four Limited and one received a split assurance of Limited/No Assurance.

The Senior Auditor reported that there had been further lapses in compliance with the Council's Contract Standing Orders (CSOs). The Head of Finance and ICT acknowledged that it was an area for improvement, but advised that there had been no Procurement Manager during the preceding year, and the CSOs were widely regarded as being difficult to navigate. There was no evidence to suggest that

these lapses had resulted in poor value for money being obtained. To address the problems highlighted by the review, it was intended to establish an officer group in late summer/autumn to identify procurement needs associated with forthcoming major projects.

In respect of Write-Offs, it was reported that, following progress made by the Write-Offs team in implementing the audit review's recommendations, the assurance level had now been raised to Reasonable. Fundamental problems had been identified in respect of the Council's leasehold documents, and a follow-up review would be undertaken in about 12 months' time when their revision was likely to have been completed.

Regarding Asset Management, it had been identified that regular rent reviews were not being undertaken, meaning a potential loss of income to the Council. This was due to a shortage of staff, and it was suggested that an arrangement with neighbouring authorities to review each other's rents could be mutually beneficial and would keep costs down. As part of the same review, it had also been identified that 10 of the Council's assets had been incorrectly valued, the last review of its asset portfolio having been undertaken in 2004. Committee members expressed concerns about these matters. The Head of Finance and ICT advised that he was less concerned about asset valuations, which were only important at the time of disposal, and more concerned about ensuring that the Council maximised its rental income. The Head of Governance advised that the Council would be reviewing its priorities as part of the Employment Stability process, and staffing levels in housing would be accorded a greater priority if it was identified that income levels were potentially being affected by staff shortages.

In respect of Housing Benefits, the Head of Business and Community Transformation advised that the Council's Management Team had taken the view that, given the low returns achieved, it would continue to take action as part of the National Fraud Initiative on a risk basis only, directing resources where they were most effective, for example towards updating the Council's web site, which it was acknowledged required improvement. A good deal of work had been done through the Council's various teams to prevent fraud occurring.

The Council's progress in delivering its regeneration schemes had been slower than its neighbours, due to the complexities of the schemes involved. Given that some sources of funding were likely to be withdrawn, it was suggested that a reassessment of the risks to the Council's regeneration projects should be conducted, properly documented and contingency plans put in place. Communication with the public also needed improvement, particularly through the regeneration website pages which were out of date.

The Committee expressed concerns regarding how some aspects of the regeneration programme would be delivered, and emphasised the need for greater prioritisation of projects. Further consideration also needed to be given to funding streams and how they could be utilised most effectively. Concerns were also raised about the ongoing failure by some Managers to ensure that their web pages were updated and maintained on a regular basis.

The Head of Governance advised that a number of risk assessments had already been carried out on the Council's regeneration projects, and this work was ongoing. In terms of funding, Officers were looking very closely at how to spend SEEDA funding of £900,000 most effectively. The Council acted as an enabler for regeneration projects, and was therefore largely at the mercy of external influences.

In response to Councillor B W Bano, the Senior Auditor clarified that, even though there was no climate change policy in place, the Council had achieved a Reasonable score because there were examples of good practice by the Climate Change team. The Council's progress was in line with that of neighbouring authorities.

- RESOLVED:
- (a) That the activity of Internal Audit for the fourth quarter of 2009/10 be noted.
  - (b) That the Committee considers it important that the Council's resources be applied to regular rent reviews.
  - (c) That the Committee looks forward to receiving an update report on the results of work carried out by Property Services and the Senior Valuer in respect of rental values and asset valuations by September 2010.
  - (d) That it be stressed to Managers the importance of ensuring that web pages are updated and maintained regularly.
  - (e) That the Committee looks forward to the completion of the Council's Climate Change Policy.

89 AUDIT OPINION PLAN 2009/10

Ms Moorhouse submitted a plan of the audit work which the Audit Commission proposed to undertake for the audit of financial statements 2009/10, based on work specified by the Audit Commission, current national risks and local risks. One specific, continued risk was identified in respect of the recovery of investments held in Icelandic banks and their valuation in the Council's accounts. The Head of Finance and ICT commented that a balance needed to be struck between Council and Audit Commission priorities; any changes to the plan would come before the Committee.

RESOLVED: That the Audit Commission's Audit Opinion Plan 2009/10 be accepted.

90 ANNUAL AUDIT AND INSPECTION FEE 2010/11

The Committee considered the Audit Commission's Annual Audit and Inspection Fee letter of 23 April 2010 which stated that the planned fee for 2010/11 would be £124,000, an increase of £1,300 on the present year. The planned fee for inspection work was £9,152, the same as the previous year, but the fee for certification of claims and returns would increase by £1,450 to £36,785.

Ms Moorhouse explained that the increase in fees for 2010/11 reflected the specific accounts risk elements identified in the letter. The decommissioning of the Comprehensive Area Assessment framework would affect the Commission's work in 2010/11, and a revised letter would be issued once the implications had become clearer. The Council was due to receive a rebate of 6% to reflect the cost of transition to the International Financial Reporting Standards.

- RESOLVED: (a) That the Committee looks forward to receiving a revised letter setting out 2010/11 fees as soon as possible, with the 6% rebate included, as well as an appendix showing the scale of fees applied and number of audit days to be worked.
- (b) That the Audit Commission's letter of 23 April 2010 be noted.

91 COMPLIANCE WITH INTERNATIONAL AUDITING STANDARDS

The Committee considered a letter dated 3 June 2010 from the Audit Commission which sought assurances from the Governance Committee in connection with its role in overseeing management processes relating to fraud and breaches of internal control. A draft response was circulated and Committee members were requested to pass any comments to the Head of Governance.

RESOLVED: That the Audit Commission's letter of 3 June 2010 be noted, and any comments relating to the Council's response passed to the Head of Governance.

92 PROTECTING THE PUBLIC PURSE – THE LOCAL GOVERNMENT FIGHTING FRAUD

Copies of the Audit Commission's document entitled 'Protecting the Public Purse' were given to Members who were asked to pass on their comments.

RESOLVED: That the document entitled 'Protecting the Public Purse' be noted.

The meeting ended at 7.12 pm.