

Minutes of the meeting of the **GOVERNANCE** Committee held at the Council Offices, Whitfield on Wednesday 16 March 2011 at 6.00 pm.

Present:

Chairman: Councillor D A Mayes

Councillors: B W Bano
M R Eddy
J C Record

Officers: Director of Governance
Head of Audit Partnership
Senior Auditor Internal Audit
Audit Manager, Audit Commission
District Auditor, Audit Commission
Senior Democratic Services

Apologies for absence were received from Councillor Conolly and the Director of Finance and ICT.

504 MINUTES

The Minutes of the meeting of the Committee held on 8 December 2010 were approved as a correct record and signed by the Chairman.

505 DRAFT ANNUAL REPORT OF THE GOVERNANCE COMMITTEE

Committee considered the draft report of the Chairman of this Committee which would be presented at the Annual Meeting of Council in May 2011. The Director of Finance and ICT had advised that the Department for Communities & Local Government was currently consulting on changes to the Accounts and Audit Regulations which, if implemented, would no longer require the Committee to approve the draft accounts in June. Instead, the audited accounts with an outturn report and a report from the auditors of any significant findings from their audit would be presented to the Committee by the end of September. This being the case, a few minor amendments to the draft Annual Report would be necessary.

RESOLVED: That, subject to the following textual amendments, the draft Annual Report of the Governance Committee for 2010/2011 be approved:

- (a) Role of the Governance Committee – delete "draft and" from the final sentence.
- (b) Work programme for 2011/12 – delete "Draft Annual Accounts 2010/11" from June 2011 and insert "Review of Constitution" in September 2011.
- (c) Guidance for Members, final page Programme of meeting dates – delete 30 June 2011 and amend 30 September 2011 to 29 September 2011.

506 TREASURY MANAGEMENT UPDATE – QUARTER ENDED 31 DECEMBER 2010

In the absence of the Director of Finance and ICT, the Director of Governance presented the report. Questions were asked about the interest forecast figures which had clearly been prepared before the present unrest in the Middle East or the Japanese earthquake, both of which were likely to affect fuel costs in the global market. However it was recognised that any analysis could only ever be a point in time and could change immediately after it was produced. It was therefore agreed that the covering report should include a more up-to-date interest rate forecast, which was the relevant measure for treasury management, as this would help to ensure that Members had the latest information when considering the matter.

A further question was asked about the reference in the report to the necessity to arrange short term borrowing to help maintain cash flow during February and March when direct debit instalments of council tax were not received. This appeared to contrast with paragraph 4 of the appended Treasury Management Update which stated that the Council had no intention to borrow in advance during the remainder of 2010/11.

- RESOLVED: (a) That the report be noted.
- (b) That the Director of Finance and ICT be asked to contact members of the Committee with an explanation of the situation with reference to short term borrowing.
- (c) That the Council's Treasury Management Advisors, Sector, be asked to provide a more up-to-date forecast prior to each meeting of the Committee at which the matter is considered.

507 ACCOUNTING POLICIES AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

Members considered the report of the Director of Finance and ICT on the major changes to the way in which the Council's Statement of Accounts was prepared which had arisen from introduction of the International Financial Reporting Standards (IFRS). The changes included a requirement for the 2009/10 financial statements to be re-stated and an opening balance as at 1 April 2009 to be prepared on the IFRS basis. This change also removed the need for a draft Statement of Accounts to be approved by the Committee in June: the Committee would therefore only receive the audited accounts in September each year. Training would be provided to the Committee in advance of receiving the audited accounts.

RESOLVED: That the report be noted.

508 INTERNAL AUDIT QUARTERLY PROGRESS REPORT FOR THE PERIOD DECEMBER 2010 TO MARCH 2011

The Head of Audit Partnership submitted a report summarising the work undertaken by Internal Audit since the December meeting of the Committee which included eight new reviews, four of which did not require an assurance level to be given. Public Health Burials had received a substantial assurance level; Data Protection, FOI & Information Management and Right to Buy were both reasonable assurance; and Employee Benefits in Kind had received a limited assurance. The review of the

Employee Benefits in Kind had identified multiple failings and Members were assured by the Director of Governance that further work with KCC and the HR partnership was being undertaken to address the various failings. The Strategic HR Board had pressed for improvements and KCC had since employed a project manager.

Seven follow-up reviews had been undertaken resulting in the assurance levels being revised from reasonable/limited to reasonable for DTIZ/Regeneration; limited to reasonable for Asset Management; and reasonable to substantial for Housing Rents. There had been no change to the assurance levels given to Insurance, Performance Indicator Validation, CCTV and Receipt and Opening of Tenders.

The Head of Audit Partnership reported that all targets would be met by the end of the year and be below budget.

RESOLVED: That the activity of Internal Audit for the period December 2010 to March 2011 be noted and a further report on Employee Benefits in Kind be brought to the next meeting of the Committee.

509 INTERNAL AUDIT CHARTER, STRATEGY AND 2011-12 PLAN

Committee considered the report of the Head of Audit Partnership on the Audit Charter and the Internal Audit Strategy which remained substantially as before. The 2011-12 Internal Audit Plan had been modified to reflect emerging risks and opportunities identified by the Chief Executive, Directors and the Council's corporate plan. In response to a query about reducing the number of audit days it was clarified that savings were expected in the current year due to efficiencies and economies of scale achieved by auditing the same area in each of the four Councils at the same time rather than singly. Considerable savings were anticipated once shared services had bedded in and the report to the next meeting of this Committee would show trends in shared areas.

In response to a question the Senior Auditor explained that equalities issues had last been dealt with as a specific review in 2008/09 and a report could be brought to a future meeting of the Committee. Members expressed the opinion that equality should form an integral part of all audit reviews and the Senior Auditor undertook to investigate the addition of a standard question in all reviews which would ask whether an equality assessment had been carried out.

With regard to deciding which services should be the subject of future review, the Senior Auditor explained that high risk areas would be targeted such as internal and external fraud, for example housing benefit, and absence management whether for sickness or leave entitlement. In addition contract audit reviews had resulted in limited assurances and work would be carried out on these areas with a report brought to Committee in June. The Procurement Panel was currently working on compliance with Contract Standing Orders and an increased assurance level was expected. Committee expressed concern that equality in the tendering process should be achieved for small and medium businesses.

RESOLVED: That the Internal Audit Charter and Strategy be adopted and the Internal Audit 2011-12 Plan of work be approved.

510 REFERENCE FROM SCRUTINY (POLICY & PERFORMANCE) COMMITTEE:
SETTING OF REVISED CHARGES FOR ON-STREET AND OFF-STREET CAR
PARKING (Minute No 395(d))

At its meeting held on 18 January 2011 the Scrutiny (Policy & Performance) Committee decided to recommend to this Committee the delegation of authority to the Director of Property, Leisure and Waste Management to set the level of revised parking charges be reviewed with a view to it being rescinded and authority returned to the Executive.. The Director of Governance advised that this was a matter for the Executive to deal with.

RESOLVED: To recommend that Cabinet reviews the delegation to the Director of Property, Leisure and Waste in respect of setting the levels of car parking charges and assumes authority for this matter as an Executive function.

511 AUDIT PLAN 2010/2011

The District Auditor presented the Audit Plan of work to be undertaken for the audit of financial statements and value for money conclusions for 2010/2011. The Audit Inspection fee for the year shown a reduction of £9,125 and a further rebate of £9,500 would be made to the Council in due course. Members asked for the daily rate for audit work and were advised that the EK Audit partnership charged £37 per hour but the costs for District Auditors were greater. It was anticipated that a further 5% reduction would be made for 2011/12 and a report would be brought to the next meeting. Economies of scale were expected as a result of undertaking one review for all four Councils at the same time.

The timescale for disbanding the Audit Commission had slipped a little but the final date at the end of 2011/12 remained. Concern had been raised about the ability of Councils to procure an auditor for the 2012/13 year or whether interim measures would need to be taken. The Commission intended to become a private limited company in order to compete with other firms of auditors and had the advantage of specialist experience in not-for-profit organisations. It was anticipated that a report on developments would be brought to the June Committee meeting.

Appended to the Audit Plan was a requirement for the Director of Governance and the Director of Finance and ICT to provide a formal response on compliance with International Auditing Standards which would be dealt with after the meeting.

RESOLVED: That the report be noted.

512 FUTURE MEETING DATES FOR THE GOVERNANCE COMMITTEE

RESOLVED: That it be noted that future meetings of this Committee would be held on 16 June, 29 September and 1 December 2011 and 15 March 2012.

The meeting ended at 7.40 pm.