

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

Present:

Chairman: Councillor T J Bartlett

Councillors: B W Bano  
M R Eddy  
S J Jones  
K E Morris  
M A Russell

Officers: Director of Governance  
Director of Finance  
Head of Audit Partnership  
Senior Auditor  
District Auditor – Audit Commission  
Audit Manager – Audit Commission  
Team Leader Democratic Services

68 DECLARATIONS OF INTEREST

Councillors B W Bano and S J Jones declared personal interests in Minute No 76 (Report on Consultation by the Department for Communities and Local Government on the Future of Public Audit) for the reason that they were members of Deal and Dover Town Councils respectively.

69 MINUTES

The Minutes of the meeting of the Committee held on 4 April 2011 were approved as a correct record and signed by the Chairman.

70 TREASURY MANAGEMENT UPDATE – YEAR ENDED 31 March 2011 (Minute No 506 2010/11)

Committee considered the report of the Director Finance which included information on the Council's Annual Investment Strategy, and updates from Sector on the economic background, interest rates, investment, new borrowing, debt rescheduling, and compliance with Treasury and Prudential limits. In addition the report referred to the current position regarding recovery of monies from Iceland.

The report concluded that the Council's in-house investments continued to improve on their benchmark but, due to low interest rates, investment income was below the original budget.

RESOLVED: That the Treasury Management Update be received.

71 GUIDELINES ON MEMBERS' USE OF EMAIL

The Director of Finance submitted a report giving guidance to all Members of the Council on the standardised and secure processes by which Members received e-mails from Council officers. Every Member had been provided with an official Council e-mail address which clearly identified them as a Councillor and which should be used for official Council business. By using web enabled e-mailing a

Councillor could access their emails from any computer anywhere in the world and ensure that they alone had access to confidential Council information.

RESOLVED: (a) That, subject to the following amendments, the principles for the use of Members' e-mails as set out in the report be approved and added to the Members' ICT policy which will also become applicable to e-mail use:

(i) Members should not set up automatic forwarding of e-mails to their personal e-mail addresses unless they are able to control access to that address.

(ii) e-mail accounts ("a.user@dover.gov.uk") identify Members with the Council so Members must ensure that all emails they send are appropriate and only use personal e-mail addresses for communications of a political nature.

(b) That the ICT policy be considered at a future meeting of the Committee.

## 72 STATEMENT OF EFFECTIVENESS OF THE COUNCIL'S INTERNAL AUDIT ARRANGEMENTS

In accordance with the Accounts and Audit (Amendment) (England) Regulations 2006 the effectiveness of the Council's internal audit system had been reviewed by the Directors of Governance and Finance who had issued a joint report concluding that, in their opinion, the Council had an effective internal audit function in place providing confidence in the context of its contribution to the Annual Governance Assurance Statement. This latter Statement appeared later on the agenda and the Internal Audit Quarterly Progress Report, which also appeared later in the agenda, included a balanced scorecard giving levels of customer satisfaction with the Audit Partnership.

RESOLVED: That the findings of the review of the effectiveness of the Council's Internal Audit arrangements for 2010/11 be accepted.

## 73 INTERNAL AUDIT QUARTERLY PROGRESS REPORT

The Head of Audit Partnership submitted a report summarising the work undertaken by Internal Audit since the March meeting of the Committee which included nine new reviews, two of which did not require an assurance level to be given. Homelessness, Income, Housing Benefits – Payment and Output, and Contract Monitoring/Management had all received substantial assurances and Performance Management and Coastal Management were both reasonable assurance. Business Continuity has received a limited assurance and the Director of Governance explained the actions which were being taken in conjunction with KCC to update the Council's Business Continuity Plan by the end of August. The constituent authorities in the Housing ALMO would each be required to take its Business Continuity Plan into account. Testing of the Housing Benefit system had shown that the error rate from the sample taken at Dover was higher than one neighbouring authority but lower than another and Members requested details of the

service costs to each of the authorities for comparison in future under East Kent Services.

Clarification was sought on the follow-up reviews listed in the report which did not show any improvement from the original assurance level and the Director of Finance explained that, given the priority awarded to each service as gold, silver or bronze together with the Council's current resources, it was realistic that some services would not achieve more than a Reasonable assurance level. The Head of Audit Partnership confirmed that the EKAP only performed one follow up review and reported back to the Committee, therefore any areas that had not increased their assurance level to an acceptable level of risk were effectively being escalated to the Committee at that time. The Audit Manager explained that a substantial assurance level was an extremely high target and follow-up reviews on services focused on the achievement of recommended actions within agreed timescales.

- RESOLVED: (a) That the activity of Internal Audit for the period December 2010 to March 2011 be noted.
- (b) That CMT be informed of the Committee's concerns regarding the number of recommendations outstanding after follow-up reviews had been undertaken and the suggestion that further information be supplied in respect of factors which might limit the progress of the service towards achievement of all the recommendations.
- (c) That the designation of gold, silver or bronze applied to each service by the Delivering Effective Services exercise be attached to future quarterly Internal Audit reports.
- (d) That the Director of Environment and Corporate Assets and the Portfolio Holder for Environment, Waste and Planning be invited to attend the September meeting of the Committee to discuss the Climate Change review.

74 INTERNAL AUDIT ANNUAL REPORT 2010/11

Committee considered the report of the Head of Audit Partnership summarising the performance of the Partnership and the work it had carried out over the past financial year which provided an overall assurance on the system for internal control based on the audit work undertaken, in accordance with best practice. This report linked to the Statement of Effectiveness which had been considered earlier in the meeting, and was a major source of assurance for the Governance Assurance Statement also on the agenda. During 2010/11 153 recommendations had been made in agreed final audit reports, 75% of which had been either high or medium risk and 76% of the reviews accounted for substantial or reasonable assurances. The EKAP had achieved all of their performance targets including reducing the cost to the Council for days of Audit work, which had once again been under budget, giving a financial saving of £13,358.42 to DDC alone.

- RESOLVED: That the Annual report of the EK Audit Partnership for 2010/11 be noted and EKAP be congratulated on their achievements in 2010-11.

75 2010/11 ANNUAL GOVERNANCE ASSURANCE STATEMENT

The Accounts and Audit Regulations (England) 2003, as amended by the Accounts and Audit (Amendment England) Regulations 2006 required the Council to conduct at least annually a review of the effectiveness of its System of Internal Control and to publish a statement of internal control with the Annual Governance Assurance Statement. The Statement had been accepted by the Council's Corporate Management Team in May 2011, approved by Cabinet and had been signed by the Leader of the Council and the Chief Executive.

The Director of Governance explained that this Statement was the culmination of the other reports considered previously and the role of the Committee was to monitor performance against the Action Plan. A further report would be brought to the December meeting of the Committee on areas requiring improvement.

RESOLVED: That the Annual Governance Assurance Statement for 2010/11 be accepted.

76 REPORT ON CONSULTATION BY THE DEPARTMENT FOR COMMUNITIES AND LOCAL GOVERNMENT ON THE FUTURE OF PUBLIC AUDIT

The Director of Finance submitted a report on consultation which the DCLG had undertaken on future arrangements for auditing local authority accounts following the Government's decision to abolish the Audit Commission. Fifty detailed and technical questions were contained in the consultation paper and the Director had summarised the issues in his report and had also attached a proposed response to the consultation. In future, Councils would appoint auditors themselves and could choose to do so jointly with other Councils. Audit Committees were likely to be required to include independent, non-elected members with the chair and vice-chair of the Committee being independent members.

The Audit Manager explained the two-stage process currently being undertaken by the Audit Commission involving privatisation of around 1,000 staff across the country who currently spent 70% of their time on local authority audits. DCLG proposed to start work on outsourcing staff, transferring to the private sector and grouping in county areas. The second stage involved local authorities being free to appoint their own auditors but legislation would be required and details needed clarified; the current consultation formed part of this process.

Having considered the draft response of the Director of Finance, Members requested that proposed responses 1 and 2 be combined.

RESOLVED: (a) That the implications of the consultation by the Department for Communities and Local Government on the future of Local Public Audit be noted.

(b) That the draft responses 1 and 2 prepared by the Director of Finance be combined and the final draft be approved by the Director in consultation with the Chairman of the Committee.

77 ANNUAL AUDIT FEE 2011/12

Committee considered a letter from the Audit Commission on the work which the Commission proposed to undertake for the Council during the 2011/12 financial

year together with the fee to be charged. The planned fee for 2010/11 was £124,000 and the scale fee for 2011/12 was £117,800, in addition to which a fee of £41,500 was anticipated in respect of certification of a number of grant claims and returns prepared by the Council.

RESOLVED: That the reduced Audit Fee be noted with pleasure.

(In accordance with the provisions of Section 100(B)(4)(b) of the Local Government Act 1972, the Chairman agreed that this item, which was not detailed in the agenda, should be considered as a matter of urgency because of there being no scheduled meeting of the Committee until September.)

78 INTERIM AUDIT MEMORANDUM

The Audit Manager presented the Audit Commission's Interim Audit Memorandum which included the 3 year cyclical plan of work already undertaken and to be completed. Reliance was placed on the work of Internal Audit and, together, a good control system was assured. Outsourcing the payroll function had caused control problems for all four authorities and more testing was required. KCC had acknowledged the weakness and was making progress to rectify it. Work continued with the Council on the International Finance Reporting Standards which required a great deal of work for officers in the finance department.

RESOLVED: That the Interim Audit Memorandum be noted.

(In accordance with the provisions of Section 100(B)(4)(b) of the Local Government Act 1972, the Chairman agreed that this item, which was not detailed in the agenda, should be considered as a matter of urgency because of there being no scheduled meeting of the Committee until September.)

The meeting ended at 7.55 pm.