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Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 26 June 2014 at 6.00 pm.

Present:

Chairman: Councillor T J Bartlett

Councillors: K E Morris
M R Eddy
S J Jones
A S Pollitt
M A Russell

Also Present: Emily Hill, Grant Thornton
Daniel Woodcock, Grant Thornton

Officers: Director of Finance, Housing and Community
Head of Finance (East Kent Housing)
Head of Audit Partnership (East Kent Audit Partnership)
Deputy Head of Audit Partnership (East Kent Audit Partnership)
Corporate Support Officer
Team Leader – Democratic Support
Democratic Support Officer

1 APOLOGIES

There were no apologies for absence received from Members.

2 APPOINTMENT OF SUBSTITUTE MEMBERS

There were no substitute Members appointed.

3 DECLARATIONS OF INTEREST

There were no declarations of interest received from Members.

4 MINUTES

The Minutes of the meeting of the Committee held on 20 March 2014 were approved as a correct record and signed by the Chairman.

5 ORDER OF BUSINESS

The Chairman proposed that the order of business be changed to allow for agenda item 10 to be considered at agenda item 5.

RESOLVED: That, in accordance with Council Procedure Rule 14, the order of business be amended in order that agenda item 10 be considered at agenda item 5.

6 2013/14 ANNUAL GOVERNANCE ASSURANCE STATEMENT

The Corporate Services Officer introduced the 2013/14 Annual Governance Assurance Statement to members. This was a statutory document to be published with the accounts outlining the aims of the governance framework, strategic

priorities, processes and action plans. There were no significant governance issues during the year.

RESOLVED: That the report be received and noted.

7 GOVERNANCE COMMITTEE UPDATE

The Audit Manager – Grant Thornton presented the update to the Committee. The following areas of progress had been made up to 10 June 2014:

- Completed and agreed the 2013/14 Account Audit Plan;
- The Interim Accounts Audit had been undertaken;
- Liaison meeting with the Director of Finance, Housing and Community and the Head of Finance;
- Liaison meeting with the Head of Internal Audit.

In response to a question from Councillor A S Pollitt in respect of the funding arrangements for new staff posts, the Audit Manager advised Members that she had received assurances from the Director of Finance, Housing and Community that the Housing Revenue Account (HRA) transfer would not be used to support the Council's finances in an unsustainable way. The Director of Finance, Housing and Community explained to Members that the money transferred from the HRA had not been allocated and would only be spent in accordance with the Medium Term Financial Plan.

Members were also directed to the 'Understanding your accounts -member guidance' contained within the report.

RESOLVED: That the update be noted.

8 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Deputy Head of Audit Partnership (East Kent Audit Partnership) introduced the Quarterly Internal Audit Update Report. There had been seven audits undertaken during the period; four were classified as providing Substantial Assurance Levels, as set out below:

- Performance Management
- Main Accounting System
- EK Services – Housing Benefit Fraud
- EK Services – Housing Benefit Overpayments

A split Reasonable / Limited Assurance Level was awarded for EK Services Business Rates, although the Deputy Head of Audit Partnership advised the Committee that it was expected that the assurance level would be revised to reasonable or higher by year end in light of the proposed actions. For the EK Services – ICT Change Controls audit which received a Limited Assurance, a Change Management Policy was being developed and it was anticipated that an update on this would be made to the September 2014 meeting of the Committee.

The EK Services - Housing Benefit Quarterly Testing did not require an assurance level.

RESOLVED: That the update report be noted.

9 ANNUAL INTERNAL AUDIT REPORT

The Head of Audit Partnership reported to the Committee a summary of the work completed by the East Kent Audit Partnership (EKAP) together with details of the performance of the EKAP against its targets for the year ending 31 March 2014.

During 2013-14 the EKAP delivered 103% of the agreed audit plan days, with 9.04 days over delivered to be adjusted for in 2014-15. During the same period, 78 recommendations were made in the agreed final audit report with 26 analysed as being high risks; Members were advised that none of these were so significant that they needed to be escalated. A budgetary saving of 10% had also been achieved having delivered a cost per audit day in 2013-14 of £290.18 against the budget cost of £319.56.

Following the introduction of the New Public Sector Internal Audit Standards (PSIAS) in April 2013, Members were asked to approve and adopt the Audit Charter (formally the Audit Charter and Audit Strategy).

RESOLVED: (a) That the report be noted

(b) That the Audit Charter be approved.

10 ANNUAL FRAUD REPORT 2013/14

The Head of Audit Partnership provided Members with a summary of the work completed by the East Kent Audit Partnership together with details of the performance of the EKAP against its targets for the year ending 31 March 2014.

Members were advised of Fighting Fraud Locally, a strategy launched by the National Fraud Authority in April 2012 as the first sector-led local government counter-fraud strategy. Fighting Fraud Locally set out a three tiered approach for local authorities to follow – to Acknowledge, Prevent and Pursue fraud, which Internal Audit had been commissioned by the Council to identify opportunities against their own existing arrangements. The current approach was described as reactive rather than proactive.

It was reported to the Committee that during 2013-14 of 505 referrals received, 226 had been accepted for formal investigation. Councillor M A Russell queried why only 18 of 159 of referrals received on the Fraud Hotline were accepted for formal investigation; Members were advised that if the intelligence did not lead anywhere then it would not be investigated. The Fraud Hotline was required but Members were reminded this was a public line and anyone could use it and could question the quality of the information.

Members were advised that the Council would continue to monitor the development of the Single Fraud Investigation Service (SFIS) and the wider Welfare Reform agenda given its potential impact on the Council's Investigation staff who were expected to transfer to the Department of Work and Pensions (DWP) in December 2015 with the resultant loss of skills and a lost opportunity to share expert

knowledge and experience across Council departments. The Council's Corporate Management Team would continue to monitor this matter.

RESOLVED: That the report be noted.

11 REVIEW OF THE EFFECTIVENESS OF INTERNAL AUDIT

The Director of Housing, Finance and Community presented the report on the Effectiveness of Internal Audit to Members. This was required to comply with the Accounts and Audit Regulations 2011. In order to assess the effectiveness of the system of internal audit, from 1 April 2013 the East Kent Audit Partnership (EKAP) had been working to the Public Sector Internal Audit Standards (PSIAS), defined as the proper practice for internal audit in the UK Public Sector. Its findings were to be considered in the context of the Annual Governance Statement.

Feedback from the audits and any other matters arising from the work of EKAP were considered at regular meetings held between the Section 151 Officers of the partnering councils and the auditors. Areas where action was required included:

- An update to the Audit Charter;
- Requirement of an external assessment to be carried out in the next four years; and
- To confirm annually that EKAP is organisationally independent.

Members were advised that overall an effective Internal Audit programme was in place.

RESOLVED: That the report be received.

12 EXCLUSION OF THE PRESS AND PUBLIC

It was moved by Councillor S J Jones, duly seconded and

RESOLVED: That, under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the remainder of the business on the grounds that the items to be considered involve the likely disclosure of exempt information as defined in paragraphs 1 and 2 of Schedule 12A of the Act.

13 ANNUAL DEBT COLLECTION REPORT

The Director of Finance, Housing and Community presented the Annual Debt Collection Report to the Committee. The purpose of the report was to establish a format for the annual reporting of outstanding debt and to advise Members of the value of write offs in 2013/14.

RESOLVED: (a) That the format of the report be approved as the basis for an annual debt report;

- (b) That the proposed arrangements for future debt reporting and write-offs be approved;
- (c) Members resolved to note:
 - (i) The generally high collection rates;
 - (ii) The aged debt profile;
 - (iii) The increasing arrears for leasehold service charges;
 - (iv) The requirement to raise invoices for rechargeable works more promptly; and
 - (v) That the Constitution would be reviewed to make any amendments required to facilitate these changes.

The meeting ended at 7.01 pm.