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Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 14 March 2019 at 6.00 pm.

Present:

Chairman: Councillor P G Heath

Councillors: B W Butcher
M I Cosin
B Gardner
D Hannent

Officers: Director of Governance
Strategic Director (Corporate Resources)
Head of Governance
Head of Audit Partnership (East Kent Audit Partnership)
Deputy Head of Audit Partnership (East Kent Audit Partnership)
Accountant (Capital and Treasury)
Engagement Lead - Grant Thornton
Democratic Services Officer

39 APOLOGIES

An apology for absence was received from Councillor P I Carter.

40 APPOINTMENT OF SUBSTITUTE MEMBERS

It was noted that, in accordance with Council Procedure Rule 4, Councillor B Gardner was in attendance.

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 13 December 2018 were approved as a correct record and signed by the Chairman.

43 TREASURY MANAGEMENT QUARTER THREE REPORT 2018/19

The Strategic Director (Corporate Resources) presented the Treasury Management Quarter Three 2018/19 report to the Committee.

Members were provided with the headlines from the report. The Council's investment return for the period had outperformed the benchmark by 1.40%. The projected investment return for 2018/19 was £1,254k, £255k better than the original budget estimate of £999k. This improvement was due to additional funds being invested in pooled investment funds.

The Council had repurchased its Lender Option Borrower Option (LOBO) loan from KA Finanz creating a saving of £30-40k per annum in interest rates, having previously been held at an interest rate of 4.75% with 25 years remaining on the loan.

RESOLVED: That the report be received and noted.

44 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Deputy Head of Audit Partnership (East Kent Audit Partnership) introduced the Quarterly Internal Update report to the Committee.

There had been five internal audit reports undertaken during the period for which two received substantial assurance, one limited and two for which an assurance level was not applicable. Seven follow-up reviews were completed with none having received below reasonable assurance after follow-up.

Members discussed Tenancy Fraud and Right to Buy Fraud and the findings which gave rise to the limited assurance. There was a lack of skilled fraud investigative resources and further commitment by the four partner Councils was required to take preventative action and enforcement against tenancy and right to buy fraud. The Strategic Director (Corporate Resources) advised that Ashford Borough Council had achieved success in investigating such fraud. The Head of Audit commented on the findings from Ashford Borough Council's investigations and reported that as a result of intelligence led checks of applicants, within three years, 52% of right-to-buy applications were withdrawn.

The recommendations of the Anti-Fraud and Corruption Mapping report had also been accepted and Ashford Borough Council had agreed to submit a proposal to run a campaign along with the four partner councils in East Kent as a pilot. If this was successfully agreed, the results would be reported to this committee.

RESOLVED: That the report be noted.

45 DRAFT INTERNAL AUDIT PLAN 2019/20

The Head of Audit Partnership presented the proposed Internal Audit Plan for 2019/20 which provided a breakdown of audits and an analysis of available days for the forthcoming 12 months.

The top ten national risks had been considered, as well as the corporate risks facing the council; topics contributing towards reviewing these risks were each considered and included in the plan where required.

Assurances were received from several sources as well as Internal Audit and the committee was presented with a report that considered all the resources available and a risk based approach to prioritising the audits that would be carried out in 2019/20. As part of the presentation the Head of Internal Audit had benchmarked the level of resources to assist members to determine whether they would receive adequate assurances from their coverage. It was stated in the report that the draft plan was less well-resourced than the Kent average and that the overall audit opinion at the end of the year would be limited to commenting on the systems of internal control that had been reviewed in that year. The presentation concluded that planned resources would allow for an opinion to be given on the Council's key risk areas and systems and were sufficient to inform the Annual Governance Assurance Statement.

RESOLVED: That the Council's Internal Audit Plan for 2019/20 be approved subject to it being recommended to Cabinet that additional resources be allocated to the Council's 2019/20 Internal Audit Plan

at cost of £15,000 per annum to bring the plan up to the Kent average.

46 CERTIFICATION LETTER 2017/18

The Engagement Lead - Grant Thornton presented the Certification Letter 2017/18 to the Committee, which was required to certify the Housing Benefit Subsidy Claim submitted by Dover District Council. The certification work had identified several issues and as a result the claim was qualified although no additional fee would be raised.

RESOLVED: That the Certification Letter 2017/18 be noted.

47 EXTERNAL AUDIT PLAN

The Engagement Lead – Grant Thornton presented the external audit plan to the Committee. Members were presented with the headlines from the report which were: three significant risks (management over-rule of controls, valuation of property, plant and equipment, and valuation of the net pension fund liability); materiality had slightly decreased, equating to 2% of the prior year gross expenditure for the year; and risk assessments regarding arrangements to secure value for money (VFM) had identified two VFM significant risks (budget position and medium term financial planning, and Brexit).

The Strategic Director (Corporate Resources) advised that the council's business continuity plans had been assessed and re-worked in preparation for Brexit. The Council had received £35,000 extra funding from central government and an additional £180,000 for being a port authority, although the estimated cost of Brexit was £2-3 million, for which a claim would be made.

RESOLVED: That the report be noted.

The meeting ended at 6.30 pm.