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Minutes of the meeting of the **GOVERNANCE COMMITTEE** held at the Council Offices, Whitfield on Thursday, 14 March 2013 at 6.02 pm.

Present:

Chairman: Councillor T J Bartlett

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

Also Present: Ms E Hill (Engagement Lead – Grant Thornton)
Ms L Clayton (Engagement Manager – Grant Thornton)

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

560 APOLOGIES

It was noted that there were no apologies for absence.

561 APPOINTMENT OF SUBSTITUTE MEMBERS

It was noted that there were no substitute members.

562 DECLARATIONS OF INTEREST

There were no declarations of interest from Members.

563 MINUTES

In respect of Minute No 337, it was clarified that the special meeting of the Committee which it had been intended to hold in January/February had not in the event proved necessary.

The Minutes of the meeting of the Committee held on 6 December 2012 were approved as a correct record and signed by the Chairman.

564 INTERNAL AUDIT CHARTER, STRATEGY AND 2013-14 AUDIT PLAN

The Deputy Head of Audit Partnership advised that only minor (i.e. housekeeping) changes had been made to the Internal Audit Charter and Strategy which had essentially not changed from previous years. Annex C of the report set out priorities for 2013/14 and indicated which areas were likely to be audited from 2014/15 onwards. The Committee was requested to consider whether the proposed areas for audit covered in the draft Audit Plan were appropriate and aligned with Corporate Plan objectives, etc.

In response to Councillor M R Eddy, the Deputy Head of Audit Partnership advised that, as a matter of course, areas that had been given a limited level of assurance would be followed up to ensure that remedial measures had been taken, and some provision for this was included in the Plan. It was clarified that the number of days indicated for certain areas would be shared amongst the four authorities.

In response to concerns raised by Councillor S J Jones, the Director of Finance, Housing and Community advised that areas for audit were identified using a proportionate, risk-based approach. It was not the case that problems were arising on a regular basis due to ineffective controls. Resources were tight, but the draft Plan had been drawn up in consultation with Corporate Management Team (CMT) who were comfortable with the level of coverage. The Head of Audit Partnership added that the number of audit days at Dover was comparable to those of its neighbours, and benchmarking should be carried out against best practice authorities in the Dover District Council 'Family Group', not simply against other councils in east Kent.

RESOLVED: That the Internal Audit Charter, Internal Audit Strategy and Internal Audit Plan 2013-14 be adopted.

565 QUARTERLY INTERNAL AUDIT UPDATE REPORT

The Head of Audit Partnership presented the quarterly internal audit update report which summarised the work undertaken by the Partnership since 6 December 2012.

Seven internal audits and six follow-up reviews had been completed during the period. Of the seven internal audits, three had received substantial assurance levels, one a reasonable assurance level and two split reasonable/limited assurance levels. The award of an assurance level for the remaining audit (Quarterly Housing Benefit Claim Testing) was not appropriate. The two audits of concern related to VAT and data protection compliance. The former related to the partial exemption calculation not being completed in line with the rules. In the case of the latter, fourteen recommendations had been made, including addressing the lack of intranet guidance. Progress reports on both issues would come back to Committee. Members were referred to page 31 of the report which summarised the outcome of the six follow-up reviews. In respect of Payroll, the Committee was advised that good progress had been made, but it was not possible to revise the assurance level at this stage.

The Director of Governance advised that, in respect of data protection, concerns did not relate to staff behaviour but to levels of guidance and training. An action plan had been agreed by CMT and would be rolled out to all staff over the coming months. This included Ivysoft training and further guidance on data retention.

RESOLVED: That the update report be received and noted.

566 TREASURY MANAGEMENT QUARTER THREE REPORT

The Director of Finance, Housing and Community presented the 3rd Quarter report on Treasury Management. Overall, the Council's internally managed investments and those managed externally by Investec had outperformed the LIBID benchmark.

A total of £4 million had been withheld from investment to support cash-flow over the financial year-end period. Given the ongoing economic climate and credit concerns, investments had been limited to three months' duration.

In response to Councillor A S Pollitt, the Director of Finance, Housing and Community advised that the performance of external fund managers was reviewed on a six-monthly basis. Although internal investments had marginally outperformed external managers, it was not viable in the long-term to keep all investments in-house as the Council did not have the level of expertise required nor a wide spread of institutions in which it could invest, there being only 3 or 4 banks which were likely to offer low returns. Having a mixture of in-house and external investments was prudent practice in that it ensured that the Council's investment risk was spread across a number of institutions. The Director of Finance, Housing and Community clarified that year-end cash-flow issues had not related to Council Tax payment changes but to the retention of business rates.

RESOLVED: That the report be received and noted.

567 PUBLIC SPEAKING AT CABINET

The Director of Governance presented the report which outlined options regarding the introduction of public speaking at Cabinet meetings.

Councillor Pollitt suggested that non-Cabinet Members rather than members of the public should be allowed to speak at Cabinet, given that there was already a facility for members of the public to speak at Council meetings. In addition, the time of Cabinet meetings should be changed from 11.00 am to 6.00 pm. Councillor Eddy added that it was inconsistent that elected Members could speak at Planning Committee in representing their constituents but were unable to do so at other committees. He argued that debate at Cabinet meetings was not robust and would be improved by introducing speaking for non-Cabinet Members.

The Director of Governance responded that public speaking at Cabinet meetings across the county was evenly balanced. The timing of Cabinet meetings had been a relatively recent change, introduced at Cabinet Members' behest. As Monitoring Officer, it was his responsibility to ensure that Cabinet meetings were conducted in accordance with good governance principles and the relevant legislation. Any recommendation from the Committee for public speaking would require a constitutional change and would need to go to full Council for adoption.

It was proposed by Councillor A S Pollitt and duly seconded that there be a twelve-month pilot of allowing non-Cabinet Members to speak at Cabinet meetings, with a review at the end of that period regarding speaking by members of the public. There being an equality of votes, the Chairman exercised his casting vote and voted against the motion, whereupon the motion was LOST.

It was proposed by Councillor A S Pollitt and duly seconded that only the Leader of the Council be allowed to speak at Cabinet meetings. There being an equality of votes, the Chairman exercised his casting vote and voted against the motion, whereupon the motion was LOST.

568 CERTIFICATION WORK REPORT 2011/12

Ms Clayton introduced the report which detailed the certification work carried out by the Audit Commission during 2011/12 and finalised by Grant Thornton. Four grants had been certified during 2011/12 compared to six the preceding year. Of these, one relating to the Housing and Council Tax Benefit Scheme had been amended, at a cost to the authority of £30,700. In response to concerns raised, Ms Clayton

advised that the methodology for testing grant claims was specified in instructions. The additional cost would have been calculated on the basis of the additional time spent by Grant Thornton re-testing the claim. The Directors of Governance and Finance, Housing and Community recognised that grant claims had to be tested, but questioned the disproportionate cost to the authority where re-testing was necessary. Members agreed that it would be more cost effective for re-testing to be carried out by the authority itself.

RESOLVED: That the report be received and noted.

569 AUDIT RISK ASSESSMENT

Ms Clayton introduced the report which set out Grant Thornton's proposed approach to assessing the Council's audit risk. The Committee was requested to consider the report and forward any comments to Grant Thornton via the Chairman.

RESOLVED: That the report be received and Members' individual comments be forwarded to the Chairman (copied to the Director of Finance, Housing and Community) for onward transmission to Ms Clayton.

570 AUDIT PLAN FOR DOVER DISTRICT COUNCIL

Ms Hill presented the report which set out Grant Thornton's approach to conducting audits at Dover District Council, including outlining its understanding of the financial challenges and risks facing the authority. The Committee was requested to review the Plan and consider whether appropriate and adequate controls were in place. It was confirmed that Grant Thornton would work closely with Accountancy and had already discussed with them what data and evidence would be required. Only if the accounts were significantly wrong and assumptions not met would a charge additional to the normal fee be made.

RESOLVED: That the report be received and noted.

571 GOVERNANCE COMMITTEE UPDATE FOR DOVER DISTRICT COUNCIL

Ms Hill advised the Committee that a progress report on audit work undertaken and best practice findings would be provided at each Governance Committee meeting. A number of challenge questions were included in the report that were designed to ensure that the Committee had relevant information about key business areas. Councillor Eddy welcomed the suggestion that, from this and other information provided by Internal Audit and Senior Management, a forward plan could be developed for the Committee, covering issues such as briefing and training. The Director of Finance, Housing and Community welcomed the financial health review, and clarified that the Committee's role was to ensure that processes were correct. It was agreed that the progress report should be made available to the chairmen of the Scrutiny Committees and circulated with the Members' Weekly News.

RESOLVED: That the report be received and noted.

The meeting ended at 7.45 pm.