

KENT COUNTY COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Medway Room, Sessions House, County Hall, Maidstone on Tuesday, 30 November 2010.

PRESENT: Mr R L H Long, TD (Chairman), Mr M V Snelling (Vice-Chairman), Mr A R Chell, Mr B R Cope, Mr K A Ferrin, MBE, Mr C Hibberd, Mr P W A Lake, Mr R J Parry, Mr T Prater and Mr R Tolputt

ALSO PRESENT: Mr J D Simmonds

OFFICERS: Mr A Wood (Acting Director of Finance), Mr N Vickers (Head of Financial Services), Mr G Wild (Director of Law and Governance), Mrs A Beer (Director of Personnel & Development), Mr D Tonks (Head of Audit & Risk) and Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr D Wells of the Audit Commission.

UNRESTRICTED ITEMS

50. Minutes

(Item 3)

RESOLVED that the Minutes of the meeting held on 15 September 2010 are correctly recorded and that they be signed by the Chairman.

51. Treasury Management 6 Month review 2010-11

(Item 4)

(1) The Head of Financial Services presented the Treasury Management 6 monthly review. He explained that the CIPFA Code of Practice recommended that Treasury Management activities should be reported twice yearly and described the County Council's investment strategy as risk-averse.

(2) The Head of Financial Services confirmed that the next meeting of the Treasury Advisory Group would consider whether to recommend inclusion of Standard Chartered Bank amongst the investments counterparties approved by Cabinet.

(3) RESOLVED that the report be endorsed for submission to Kent County Council.

52. Debt Management

(Item 5)

(1) The Head of Financial Services provided summary of the County Council's outstanding debt position, concentrating on debt over 6 months old.

(2) The Committee discussed the Health debt in the light of the current budgetary position of the PCTs.

(3) The Acting Director of Finance agreed to inform the Committee whether the £507.4k debt in respect of a land transfer fee for an academy was secure. He also explained the difficulties in gathering comparable information from other Local Authorities whilst offering to continue to seek to do so.

(4) RESOLVED that the report be noted.

53. Committee Work Programme

(Item 6)

(1) The Head of Audit and Risk presented a forward work programme to the Committee for approval.

(2) RESOLVED that the forward work programme for the period up to November 2011 be agreed.

54. Member Development Programme

(Item 7)

(1) The Head of Audit and Risk provided an update on the introduction of a training programme for Members of the Committee.

(2) The Committee agreed that training would be targeted at Committee members but that it should also be made available to all members of the Council.

(3) RESOLVED that approval be given to the commencement of a training programme from March 2011.

55. Change to Keep Succeeding

(Item 8)

(1) Due to the inclement weather, the Transformation Programme Manager was unavailable to answer questions on the report. The Committee therefore posed the questions set out below and asked for a response to be made to each of its Members:-

(a) Whether all the written responses to “The First Bold Steps” informal consultation had been included within the documented responses sent to Members.

(b) The identity and remit of all the Outplacement Consultants, including details relating to their appointments and whether these appointments related to all Outplacement staff.

(2) In discussion of this item, Members of the Committee commented on the number of Directors in the proposed structure. There was also a call for greater clarity on the reporting lines for the Director of Children’s Services.

(3) RESOLVED that:-

- (a) the matters above raised by Committee Members in respect of the report be included in the full consideration of the “Change to Keep Succeeding” consultative process; and
- (b) the questions set out in (1) above be communicated to the Transformation Programme Manager for a response to each individual Committee Member.

56. Strategic Risk Register Update

(Item 9)

(1) The Acting Director of Finance and the Head of Audit and Risk provided the Committee with the outcome of the latest review of the Strategic Risk Register. They reported that the level of risk had increased, but that both the Corporate Management Team (CMT) and Cabinet accepted the level of risk identified and the management actions in place to mitigate these risks.

(2) Members of the Committee raised the question of whether Risk 13 (Children’s Social Workers) was sufficiently highly rated. The Head of Audit and Risk identified that it was rated at the highest level, but would need to be re-assessed following the Ofsted report.

(3) RESOLVED that the changes to the strategic risk register and the actions being taken to mitigate these risks be noted for assurance.

57. Audit Commission Annual Audit Letter

(Item 10)

(1) Mr Darren Wells from the Audit Commission provided a summary of the most important findings from the 2009/10 audit. He explained that the action plan had not been completed but that its recommendations had been agreed.

(2) The Director of Personnel and Development was present to answer questions. She reassured the Committee that the recommendations in respect of severance agreements for senior managers were being implemented in full.

(3) RESOLVED to:-

- (a) note that the requirement of the External Auditors to prepare and issue an annual audit letter to the County Council has been met; and
- (b) agree the proposed actions for publication of the annual audit letter.

58. Effectiveness of External Audit Liaison

(Item 11)

(1) The Head of Audit and Risk summarised the effectiveness of the liaison arrangements between External and Internal Audit.

(2) RESOLVED that the current level of liaison between Internal and External Audit be noted, together with their intent to improve this level as part of their annual planning.

59. Self assessment of anti-fraud and anti-corruption arrangements

(Item 12)

(1) The Head of Audit and Risk presented the outcome of a self-assessment against two good practice frameworks for anti-fraud and anti-corruption arrangements. He said that although the level of reported fraud was quite low, the inherent risk of fraud had increased. He intended to report back to the Committee within the next six months.

(2) In response to questions from Members of the Committee, the Head of Risk referred them to the Internal Audit publication "Risky Business" which could be accessed on the KCC intranet at "knet2/news-and-events/newsletters/irregular-happenings".

(3) RESOLVED to:-

- (a) Note the assessment of the County Council's framework for anti-fraud and anti-corruption arrangements against CIPFA and the Audit Commission's recommended practice; and
- (b) agree that the Head of Audit and Risk lead on the required changes to the County Council's framework for anti-fraud and anti-corruption arrangements, with update reports to the Committee.

60. Internal Audit Progress Report

(Item 13)

(1) The Head of Audit and Risk summarised the progress of Internal Audit activity against the 2010/11 internal audit programme.

(2) RESOLVED to note:-

- (a) the amendments to and progress against the 2010/11 internal audit programme; and
- (b) the assurance provided in relation to the County Council's control environment as a result of the outcome of the internal audit programme completed to date.

61. Audit Fees update

(Item 14)

(1) The Chairman and Mr K A Ferrin reported on a meeting which they had held with the Audit Commission concerning the audit fee. The Audit Commission had

indicated that the fee was a levy which the County Council was legally required to pay.

(2) The Committee agreed to recommend to Cabinet that representatives from the County Council's administration should discuss the External Audit fee arrangements with the Department for Communities and Local Government.

(3) RESOLVED that:-

- (a) those elements of the proposed fee where the scope of the work is more certain (i.e. financial statements, whole of government accounts) totalling £286,100 (74% of the proposed fee) be agreed;
- (b) a decision be taken at the next meeting of the Committee on whether or not to refer the auditor's proposed fee to the Audit Commission for determination; and
- (c) Cabinet be asked to agree that representatives from the County Council's administration should discuss the External Audit fee arrangements with the Department for Communities and Local Government.