

## KENT COUNTY COUNCIL

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### GOVERNANCE AND AUDIT COMMITTEE

MINUTES of a meeting of the Governance and Audit Committee held in the Darent Room, Sessions House, County Hall, Maidstone on Wednesday, 16 March 2011.

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 D A Hirst, Mr P W A Lake, Mr J F London, Mr R Tolputt Mr C T Wells

ALSO PRESENT: Miss S J Carey Mr J D Simmonds

OFFICERS: Mr A Wood (Acting Director of Finance), Mr G Wild (Director of Governance and Law), Mr D Tonks (Head of Audit & Risk), Mrs J Armstrong (Senior Audit Manager), Mr N Vickers (Head of Financial Services), Ms A Mings (Treasury & Investments Manager) Mr A Tait (Democratic Services Officer)

ALSO IN ATTENDANCE: Mr D Wells and Mrs E Robinson from the Audit Commission.

#### UNRESTRICTED ITEMS

##### **1. Minutes - 30 November 2010**

*(Item 4)*

RESOLVED that the Minutes of the meeting held on 30 November 2010 are correctly recorded and that they be signed by the Chairman.

##### **2. Work Programme**

*(Item 5)*

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

(2) The Committee asked for a quarterly update report on the delivery of the Council's £95m savings programme, with particular emphasis on those areas deemed at highest risk.

(3) RESOLVED that subject to (2) above, the forward work programme for 2011 be agreed.

##### **3. Treasury Management Quarter 3 Review 2010/11**

*(Item 6)*

(1) The Head of Financial Services presented the Treasury Management Quarter 3 Review.

(2) During discussion of this item, Members of the Committee noted a recent media report about a scheme run by two Local Authorities in partnership with a major Bank to support first time buyers. The Cabinet Portfolio Holder said that he was

aware of this scheme and that he would be considering its merits. If, as a result, any action were suggested, he would report further on progress.

(3) RESOLVED that the report be noted.

#### **4. Impact of KCC's Budget on the Risk Register**

*(Item 7)*

(1) The Acting Director of Finance gave a brief report outlining the risk of non-delivery of the County Council's £95 million savings. He explained how this risk was to be monitored through existing Committees and was consequently built in to the scrutiny process; enabling the Governance and Audit Committee to be given assurance that the risk was being managed and that corrective action would take place as and when necessary.

(2) During discussion of this item, Members of the Committee asked for regular reports (at each meeting) on any of the Project Initiation Documents where those responsible for the savings were at risk of failure to meet their targets or where an unforeseen impact on front line services had resulted. They also asked for updates on the impact of the reorganisation and on the risks posed to the County Council by cuts in School budgets.

(3) RESOLVED that the process being developed for managing the increased risk as a result of the 2011/12 Revenue Budget be noted.

#### **5. Audit Commission Opinion Plan**

*(Item 8)*

(1) Mr Wells from the Audit Commission introduced a report which set out the proposed work of the Audit Commission, which would enable them to give an opinion on the County Council's 2010/11 financial statements.

(2) RESOLVED that:-

(a) approval be given to the outcomes of the Audit Commission's updated risk assessment and the assumptions supporting the fee; and

(b) the audit plan and revised fee be approved.

#### **6. Audit Commission Kent Superannuation Fund Audit Opinion Plan**

*(Item 9)*

(1) The Committee considered a report which set out the proposed work of the Audit Commission, which would enable them to give an opinion on the Superannuation Fund's 2010/11 financial statements.

(2) The Committee noted that the Superannuation Fund Committee had not yet considered the opinion plan and therefore agreed that its approval of the Audit Plan would be subject to the views of that Committee.

(3) RESOLVED that subject to the views of the Superannuation Fund Committee:-

- (a) the outcomes of the Audit Commission's updated risk assessment and review of the assumptions supporting the fee be approved; and
- (b) the Audit Plan for the Superannuation Fund be approved.

## **7. Revised accounting policies**

*(Item 10)*

- (1) The Acting Director of Finance presented a report on revised accounting policies for approval.
- (2) During discussion of this item, Members asked how properties leased to the County Council were monitored to ensure that the repair obligations were being met. It was agreed that the Interim Director of Property Group would respond on this point to all members of the Committee.
- (3) RESOLVED that the accounting policies set out in the report be approved.

## **8. Company Protocol**

*(Item 11)*

Discussion of this item was postponed to the next meeting of the Committee.

## **9. Approval of Anti Fraud and Corruption Strategy**

*(Item 12)*

- (1) The Head of Audit and Risk presented a report on the updated Anti-fraud and Corruption Strategy.
- (2) During discussion of this item, Members asked what the legal position was in respect of ensuring that employees took annual leave and on what information could be sought and taken into account regarding a potential employee's criminal record.
- (3) The Committee requested a clarification in the revised strategy that it applied to all acts of dishonesty.
- (4) RESOLVED that subject to (3) above, the promotion of a counter-fraud strategy within the County Council be endorsed and that approval be given to the Anti-Fraud and Corruption Strategy appended to the report.

## **10. CIPFA Statement on the role of the Head of Internal Audit in public service organisations**

*(Item 13)*

- (1) The Head of Audit and Risk updated the Committee on the consultation by CIPFA on its Statement on the role of the Head of Internal Audit in public service organisations. He provided an initial assessment as to compliance against the governance requirements of the document.
- (2) The Committee noted that the Head of Audit and Risk would report to the next meeting on the actions taken by the Corporate Management Team on those areas identified in the report as non-compliant.

(3) RESOLVED to note:-

- (a) the publication of the Statement on the role of the Head of Internal Audit in public service organisations and that a Local Government version is being developed; and
- (b) the current compliance position.

## **11. Internal Audit Strategy and Annual Plan**

*(Item 14)*

- (1) The Head of Audit and Risk reported on the Internal Audit Strategy and Annual Plan for 2011/12 which, exceptionally, would aim to provide assurance on the system of internal control.
- (2) RESOLVED that the Internal Audit Strategy and Annual Plan for 2011/12 be approved.

## **12. Audit Opinions and Recommendations**

*(Item 15)*

- (1) The Head of Audit and Risk reported on changes to audit opinions and recommendations that would be introduced for work completed as part of the 2011/12 Audit Programme.
- (2) The Committee noted the term “Negative Assurance Opinions” as a description that nothing coming to the auditor’s attention about a particular objective that would require comment. It was considered that the term could be misleading (suggesting criticism) and the Head of Audit and Risk was requested to consider whether a suitable alternative could be found.
- (3) RESOLVED that approval be given to:-
  - (a) the amendments to gradings and definitions for audit opinions together with the introduction of “qualified”, “compliance” and “negative assurance” (subject to (2) above) opinions;
  - (b) the amended prioritisation criterion for audit recommendations and the indicative timescales for implementing the recommendations; and
  - (c) the amended reporting to the Committee in relation to the tracking of implementation of recommendations, including the requirement for officers to attend the Committee when deadlines for implementation of High priority recommendations have been missed.

## **13. Audit Commission Certification of claims and returns Annual Report**

*(Item 16)*

(1) Mrs Robinson from the Audit Commission summarised its work on the certification of funding from government grant-paying departments. She confirmed that she was satisfied with the arrangements, provided that they continued.

(2) RESOLVED that the report be noted.

#### **14. Internal Audit progress Report**

*(Item 17)*

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

(2) RESOLVED to note:-

(a) the amendments to and progress against the 2010/11 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.

### **EXEMPT ITEMS**

*(Members resolved that under Section 100A of the Local Government Act 1972, the public be excluded from the meeting for the following business on the grounds that it involved the disclosure of exempt information as defined in paragraphs 2 and 7 of Part 1 of Schedule 12A of the Act)*

#### **15. Internal Audit - Irregularities**

*(Item 20)*

(1) The Head of Audit and Risk provided brief details of two irregularities that had been reported to Internal Audit in January 2011, together with the measures that would be taken to prevent a recurrence.

(2) RESOLVED that the report be noted.