

## 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 Thursday, 30 June 2011.

PRESENT: Mr R L H Long, TD (Chairman), Mr A R Chell, Mr K A Ferrin, MBE, Mr C Hibberd, Mr D A Hirst, Ms A Hohler, Mr S Manion (Substitute for Mr M V Snelling), Mr R A Marsh, Mr R J Parry, Mr T Prater, Mr R Tolputt Mr C T Wells

ALSO PRESENT: Miss S J Carey, Mr D Wells Mrs E Robinson

OFFICERS: Mr A Wood (Acting Corporate Director of Finance and Procurement), Mr D Tonks (Head of Audit & Risk), Mr N Vickers (Head of Financial Services), Mrs C Head (Chief Accountant), Mr P Mulholland (Group Leader, Property and Commercial), Ms J Hill (Performance Manager) Mr A Tait (Democratic Services Officer)

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

### UNRESTRICTED ITEMS

#### **16. Membership**

*(Item 2)*

The Committee noted the appointment of Ms A Hohler and Mr R A Marsh in place of Mr P W A Lake and Mr J F London.

#### **17. Minutes - 16 March 2011**

*(Item 5)*

RESOLVED that subject to an amendment to Minute 4 (2) to clarify that the regular updates should take place at each meeting, the Minutes of the meeting held on 16 March 2011 are correctly recorded and that they be signed by the Chairman.

#### **18. Committee Work Programme**

*(Item 6)*

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

(2) The Committee agreed to the inclusion of an informal meeting for Members of the Committee to consider the savings programme with particular reference to those 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. The preferred date was late July 2011.

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

## **19. Treasury Management Annual Review 2010/11**

*(Item 7)*

(1) The Head of Financial Services gave a report summarising Treasury Management activities in 2010/11. This included a high rating from Internal Audit, which had been reported to the quarterly Treasury Advisory group.

(2) The Head of Financial Services replied to questions from Members of the Committee by saying that it was anticipated that, assuming that the County Council maintained its Preferred Creditor status, it was projected that 95% of its investment in Icelandic Banks would be recovered. He also informed the Committee that the Treasury Advisory Group would meet in late July to consider whether the County Council should undertake short-term borrowing from Santander UK.

(3) RESOLVED that approval be given to the report for submission to the County Council.

## **20. External Audit Governance report**

*(Item 8)*

(1) The draft Annual Governance report had been circulated to the Committee prior to the meeting.

(2) Mr Darren Wells from the Audit Commission said that the draft report gave assurance that there were no serious governance issues that needed to be addressed.

(3) In response to a question on unadjusted misstatements in the financial statements (Appendix 3 of the Annual Governance Report), the Acting Corporate Director of Finance and Procurement informed the Committee that these would only be corrected if it transpired that other adjustments would also be needed. This was because the corrections would have to be made throughout the accounts. There would be no reduced external audit opinion if the corrections were not made.

(4) The Committee agreed by 9 votes to 2 with 1 abstention that the decision on whether to make the corrections would be delegated to the Acting Corporate Director of Finance and Procurement in consultation with the Chairman and the Liberal Democrat Group Spokesman.

(5) RESOLVED that:-

(a) the draft Annual Governance report be noted for assurance; and

(b) the decision on whether to correct the misstatements in the financial statements be delegated to the Acting Corporate Director of Finance and Procurement in consultation with the Chairman and Liberal Democrat Group Spokesman once the Annual Governance report has been completed.

## **21. Internal Audit Annual Report**

*(Item 9)*

(1) The Head of Audit and Risk summarised the output of the Internal Audit annual plan, commenting on the performance of the Internal Audit section. The report gave substantial assurance that the Council's system of internal control was operating effectively.

(2) The Head of Audit and Risk was asked whether the two overdue recommendations set out in paragraph 3.7 of the annual report had been implemented. He offered to reply to Committee Members once these had been followed up. He also reported that all recommendations were followed up as part of routine reporting to the Committee. .

(3) RESOLVED that the Internal Audit report for 2010/11 be noted for assurance.

## **22. Draft Statement of Accounts 2010/11**

*(Item 10)*

(1) The Acting Corporate Director of Finance and Procurement presented the Draft Statement of Accounts for 2010/11. This was the first time they had been prepared on an International Financial Reporting Standards (IFRS) basis.

(2) The Liberal Democrat Group Spokesman asked for a report on the viability of Oakwood House to be presented to either the Trading Activities Sub-Group or the Committee.

(3) RESOLVED that:-

(a) approval be given to the draft Statement of Accounts for 2010/11 subject the Chairman and Liberal Democrat Group Spokesman being informed of any changes which may be made to the Accounts following completion of the external Audit; and

(b) the recommendations made in the Annual Governance Report (Minute 20) be noted.

## **23. Company Protocol**

*(Item 11)*

(1) The Group Leader, Property and Commercial reported on behalf of the Director of Governance and Law presented the Company Protocol to the Committee for assurance. The Committee asked to receive a report on the effectiveness of the protocol in a year's time.

(2) RESOLVED that: -

(a) the Company Protocol be noted for assurance; and

(b) a report on the effectiveness of the Protocol be submitted to the Committee in a year's time.

## **24. Review of Complaints**

*(Item 12)*

(1) The Performance Improvement Manager reported that the manner in which the County Council dealt with complaints from the public and the Local Government Ombudsman would be improved by providing a single address, telephone number and e.mail address contact. This would enable reorganising the logging and tracking of complaints within one team.

(2) RESOLVED that the report be noted.

## **25. Debt Management**

*(Item 13)*

(1) The Acting Corporate Director of Finance and Procurement reported the County Council's debt position. He explained that the Debt Management Team's focus was to ensure that debts did not become six months old.

(2) The Acting Corporate Director of Finance and Procurement offered to provide Members of the Committee with an explanation for the Chief Executive's department's write offs totalling £43,625 shortly after the meeting.

(3) RESOLVED that the report be noted.

## **26. Annual Audit Fee 2011/12**

*(Item 14)*

(1) The Head of Audit and Risk presented a report on the Audit Commission's proposed audit fees for the County Council in 2011/12.

(2) RESOLVED that approval be given to the fee proposed.

## **27. Kent Superannuation Fund Audit Plan 2011/12**

*(Item 15)*

(1) The Head of Audit and Risk presented a report on the work that the Audit Commission intended to undertake on the Superannuation Fund, including the amount of fee to be charged.

(2) RESOLVED that approval be given to the fee proposed.

## **28. Update on progress of Savings Programme**

*(Item 16)*

(1) The Acting Corporate Director of Finance and Procurement presented a report on the process used by the County Council to ensure delivery of the 2011/12 budget savings. He said that it was essential to ensure that both the £95 million to be saved and the £909 million remaining should be treated as equal priorities.

(2) The Acting Corporate Director of Finance and Procurement continued by explaining the risk rating system (Blue, Green, Amber and Red) that had been adopted in respect of each line of the Medium Term Financial Plan (MTFP). Blue represented savings already achieved; Green where savings were almost certain to be achieved; Red where plans had not yet been finalised or where delivery was not fully in the County Council's control; and Amber, which was anything between Red and Green. The "Red" savings currently totalled £5 million of which some 50% could be delivered as planned. The remainder would need to be reconfigured and presented to Cabinet. He was cautiously optimistic that a balanced budget would be achieved.

(3) Members of the Committee expressed the view that they would like to have an overview of the entire savings process and that this would best be achieved by having an oversight of all the Red (and possibly Amber) Project Initiation Documents (PIDs). The Committee therefore agreed to arrange an informal meeting towards the end of July to consider the savings programme in greater detail and the scope of future reports to the Committee. The Finance and Procurement Portfolio Holder and Deputy would be invited to attend.

(4) Mr K A Ferrin asked that all Members of the Committee be sent a copy of the PID list as well as the individual PIDs when they were produced.

(5) RESOLVED that:-

- (a) the progress against the delivery of savings be noted; and
- (b) an informal meeting for Members of the Committee, the Finance and Procurement Portfolio Holder and Deputy be held (if possible in late July) to enable the savings programme to be considered in greater detail.