

KENT COUNTY COUNCIL

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 Friday, 30 April 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 D A Hirst, Mr J F London, Mr R J Parry, Mr T Prater, Mrs P A V Stockell (Substitute for Mr P W A Lake) and Mr R Tolputt

ALSO PRESENT: Miss S J Carey and Mr J D Simmonds

OFFICERS: Ms L McMullan (Director of Finance), Mr N Vickers (Head of Financial Services), Mr A Wood (Head of Financial Management), Mr G Wild (Director of Law and Governance), Mr D Tonks (Head of Audit & Risk), Mrs J Armstrong (Senior Audit Manager), Mr R Hardy (Director of Improvement and Engagement) and Mr G Mills (Democratic Services Manager (Executive))

ALSO IN ATTENDANCE: Mr D Wells and Mr G Brown from the Audit Commission.

UNRESTRICTED ITEMS

1. Declarations of Interest

(Item)

A declaration by Mr D A Hirst in relation to Item 17 and a point of clarification made by Mr M V Snelling were noted as appropriate.

2. Minutes

(Item 3)

RESOLVED that:-

- (a) the Minutes of the Committee meeting held on 1 December 2009 are correctly recorded and that they be signed by the Chairman;
- (b) the Minutes of the Trading Activities Sub-Group held on 1 December 2009 be noted; and
- (c) approval be given to the Company Dividend Policy set out in the Appendix to the Trading Activities Sub-Group Minutes.

3. Debt Recovery

(Item 4)

(1) This report provided an update on the overall debt position. The report also proposed that in future the reporting of debt recovery issues should be to the Budget Informal Member Group rather than to this Committee.

(2) During the course of discussion, Officers were asked to take up with the Adult Social Services and the Children, Families and Education Directorates the issues identified in the report around the levels of debt recovery currently running within those Directorates.

(3) The Committee also discussed whether, in future, reports on debt recovery should be referred to the Budget IMG but concluded that this was a matter that should continue to be reported to this Committee.

(4) RESOLVED that:-

(a) the contents of the report be noted; and

(b) future items on debt recovery continue to be submitted to the Governance and Audit Committee.

4. Treasury Management

(Item 5)

(1) As part of the new control regime for treasury management, the Committee would in future receive quarterly reports on these issues. This report specifically addressed the requirements of the CIPFA Treasury Management Code of Practice and gave the opportunity to give assurance that the Council had in place an appropriate management regime.

(2) During the course of discussion, Members raised a number of points of detail relating to the monitoring of treasury management to which Officers responded accordingly.

(3) RESOLVED that the quarterly report be noted.

5. Committee Terms of Reference

(Item 6)

(1) Following recent discussions at meetings of the Committee, this report put forward for its consideration revised Terms of Reference with the purpose of more closely describing the Committee's role in terms of responsibility rather than process.

(2) During the course of discussion, some Members expressed concerns that the proposed changes would alter the nature of the Committee's work and take away the opportunity for it to comment on some areas which it was said remained relevant to its current work. It was also said that if part of the intention was to reduce the length of agendas then consideration ought to be given to adding in an additional meeting and also to start meetings at 10.00 am.

(3) Following further discussion, the Committee concluded that the general principles of the proposed changes to the Committee's terms of Reference should be agreed but that some minor textual amendments should be made. On this basis, the Committee agreed that the final revised terms of Reference should be submitted to the next meeting by the Head of Audit and Risk for final endorsement and onward submission to the County Council for approval.

- (4) RESOLVED that the final revised terms of Reference be submitted to the next meeting of the Committee by the Head of Audit and Risk for final endorsement and onward submission to the County Council for approval.

6. Work Programme and Member Development Programme

(Item 7)

(1) This report proposed a forward work programme, supported by appropriate Member training to ensure that the responsibilities of the Committee were met and that sufficient time was allocated for Members to cover those areas they collectively wished to examine in more detail.

(2) During the course of discussion it was agreed that a Group of Members comprising Mr A R Chell, Mr B R Cope, Mr K A Ferrin and Mr C Hibberd should be established to look in more detail at training issues including the method of delivery, and to report back to a future meeting.

(3) RESOLVED that:-

- (a) the forward work programme for 2010 be approved;
- (b) a Group of Members be established by the Head of Audit and Risk as set out in paragraph (2) above to look in more detail at training issues and to report back to a future meeting of the Committee; and
- (c) the need for Member training linked to the content of the forward work programme be agreed.

7. Private Finance Initiative

(Item 8)

(1) This report quantified the County Council's existing exposure to PFI and discussed how a number of risks were being managed. The report also compared the cost of two of the Council's existing PFI contracts against what the cost might have been under a traditional procurement route.

(2) During the course of discussion, Members raised a number of points on processes and detail to which officers responded accordingly.

(3) RESOLVED that:-

- (a) the report be noted; and
- (b) the risks outlined in the report be included in the Strategic Risk Register.

8. Impact of the Authority's budget on the Risk Register

(Item 9)

(1) In response to a request made at the last meeting, this report demonstrated the links and processes between setting the Council's annual budget and the consideration of the risks associated with the proposed budgets, and the consequential impact on the Risk Registers.

(2) RESOLVED that: -

- (a) the contents of the report be noted as part of the Committee's assurance that the Risk Registers are owned and up to date; and
- (b) a further report on this subject be submitted to the Committee by the Head of Audit and Risk following the next Spending Review.

9. Strategic and Directorate Risk Registers

(Item 10)

(1) The Strategic and Directorate Risk registers recorded the key risks facing the County Council and represented the primary output of the Council's Risk Management Framework.

(2) RESOLVED to:-

- (a) note the content of the Strategic Risk Register; and
- (b) agree to the assurances provided on the effectiveness and sufficiency of the systems established by senior officers to identify, assess, control and monitor financial and non-financial risks.

10. Updated Financial Regulations

(Item 11)

(1) This report presented for Members' consideration the updated financial regulations prior to their submission for approval to the County Council.

(2) RESOLVED that the updated draft of the Financial Regulations set out in the Appendix to the report be recommended to the County Council for approval.

11. Audit Commission Audit Opinion Plan

(Item 12)

(1) This report detailed the work plan to be followed by the Audit Commission in order for it to give an opinion on the Council's 2009/10 financial statements.

(2) As part of the discussion of this item, Mr Wells from the Audit Commission said that ethical standards required auditors to be alert for and evaluate any threats or perceived threats to their independence and objectivity. Ethical standards were broad in their coverage and covered not just the auditor but also close members of their families. Mr Wells said he had recently been made aware of a potential

perceived threat to the independence of Mrs Liz Robinson, Support Audit Manager engaged on the external audit of Kent County Council.

(3) Mrs Robinson's husband had been a close friend of Mr Tonks (Chief Internal Auditor) since childhood. They socialised on a regular basis, shared common interests and holidayed together. On occasion, costs associated with their common interests and holidays were not always split equally between them. Mrs Robinson herself did not socialise with Mr Tonks. Mr Wells said he had considered the nature of the relationship between Mrs Robinson's husband and Mr Tonks in respect of a risk to Mrs Robinson's independence and objectivity whilst carrying out the audit of the County and had concluded that the risks were manageable with the application of the following safeguards:-

- alerting Members of the Governance and Audit Committee to the nature of the relationship and his assessment of the risk; and
- ensuring that Mrs Robinson was not directly involved in making an assessment of Internal Audit or in reviewing individual pieces of its work upon which External Audit might seek to rely.

(4) During the course of discussion, Members raised a number of questions around the process and cost of the work to be undertaken to which Mr Wells from the Audit Commission and Officers responded accordingly. The Committee acknowledged the assessment and conclusion of Mr Wells in respect of the risk referred to in paragraphs (2) and (3) above and did not disagree with his response.

(5) RESOLVED that:-

- (a) the outcomes of the Audit Commission's updated risk assessment be noted, together with the review of the assumptions supporting the fee and the oral statement made by Mr Wells; and
- (b) approval be given for the Chairman to provide the required response to the District Auditor based on the draft set out in Annex 1 to the report.

12. Audit Commission Kent Superannuation Fund Audit Opinion Plan

(Item 13)

(1) This report provided the Committee with a plan setting out the proposed work of the Audit Commission to enable it to give an opinion on the Council's 2009/10 financial statements.

(2) RESOLVED that:-

- (a) the outcome of the Audit Commission's updated risk assessment be noted, together with the review of the assumptions supporting the fee; and

- (b) approval be given for the Chairman jointly with the Chairman of the Superannuation Fund Committee to provide the required response to the District Auditor based on the draft set out in Annex 1 to the report.

13. 2010/11 Internal Audit Strategy and Annual Plan

(Item 14)

- (1) This report set out the Internal Audit Strategy and proposed the supporting annual work programme for 2010/11 and the breakdown of available days.
- (2) During the course of discussions, Members raised a number of points of detail, arising out of which it was agreed that the Director of Personnel and Development be asked to submit a report on CRB requirements and practices to the next meeting. Officers also confirmed that at the end of the two year pilot period there would be a report on the operation of the Members' Highway Fund.
- (3) RESOLVED that:-
 - (a) approval be given to the proposed Internal Audit Strategy and Annual Plan for 2010/11 as set out in the Appendix to the report; and
 - (b) it be noted that there will be further reports to the Committee on the matters referred to in paragraph (2) above.

14. Audit Commission Progress Report

(Item 15)

- (1) This report provided a summary of progress to April 2010 against the 2009/10 External Audit Plan.
- (2) RESOLVED that the progress against the Audit Commission's 2009/10 Audit Plan be noted.

15. Audit Commission Feedback on Partnership with the Voluntary Sector

(Item 16)

- (1) As part of the Audit Commission's work programme for 2008/09 it undertook a "snapshot analysis" report on aspects of partnership working in Kent. This was neither an audit nor an inspection but an attempt by the Commission to update its knowledge of the position in Kent following the comment in June 2008 that "KCC's capacity to deliver its ambitions would be stronger if it adopted a more inclusive listening approach, particularly with local partners."
- (2) RESOLVED that in noting the flaws in the Audit Commission's document "Partnership Working – Snapshot Survey", it nonetheless be accepted as a contribution to the wider view of partnership working currently underway within KCC and its partners.

16. International Financial Reporting Standards

(Item 17)

(1) This report was linked to Item 18 (Minute paragraph 17) and asked the Committee to note the changes that International Financial Reporting Standards were going to have on the Council's Statements of Accounts and the process and resources required to achieve that. The resource plan had previously been circulated as an Appendix to the report.

(2) During the course of discussion it was agreed that the content of paragraph 2.4 of the report (Employment Benefits) should be brought to the attention of the Chairman of the Personnel Committee by the Director of Personnel and Development with a request for him to consider including this issue at a future meeting of the Personnel Committee.

(3) RESOLVED to:-

- (a) note the content of the report in conjunction with the Audit Commission report on International Financial reporting Standards (*see Minute 17*) together with the resource plan.
- (b) note the changes that the new International Financial Reporting Standards (IFRS) will have on the Statement of Accounts as outlined in the report; and
- (c) agree that the IFRS project is a corporate priority and that adequate resources should be provided to ensure that an unqualified set of accounts can be produced for 2010/11.

17. Audit Commission report on International Financial Reporting Standards

(Item 18)

(1) This report was linked to Item 17 (Minute 16) above and provided the Committee with a progress report from the Audit Commission on the County Council's progress towards implementing the International Financial Reporting Standards.

(2) RESOLVED that:-

- (a) the contents of the Audit Commission's report "International Financial Reporting Standards" be noted; and
- (b) the County Council's response to the Audit Commission's four recommendations (set out in Appendix 1 to its document) be endorsed.

18. Audit Commission Certification of Claims and Returns Annual Report

(Item 19)

(1) This report provided a summary of the work completed in relation to the certification of claims reviewed by the Audit Commission, totalling some £143m.

(2) During the course of discussion, Members raised a number of points of detail, leading to it being agreed that there should be a further report in relation to the performance of Capita to a future meeting of the Committee.

(3) RESOLVED that:-

(a) the Audit Commission's report "Certification of Claims and Returns – Annual Report" be noted; and

(b) a further report on the issues highlighted in the report be submitted by the Head of Audit and Risk to a future meeting of the Committee.

19. Internal Audit Progress Report

(Item 20)

(1) This report summarised the progress against the 2009/10 internal audit programme and provided the results and achievements from reviews that had been completed in the period since the last report to the Committee.

(2) RESOLVED that the progress to date against the 2009/10 audit programme be noted, together with the changes to the audit programme.