

AUDIT AND GOVERNANCE COMMITTEE

Tuesday, 9 December 2014

Present: Councillor Len Horwood (Chairman)
Independent Members: Hedges, Hough, Lewis, Quigley and Segall Jones
Town/Parish Council Members: Councillors Mrs Codd and Mackenzie
Borough Members: Councillors Dawlings, Patterson, Scott, Ward and Webb

Officers in Attendance: William Benson (Chief Executive), Lee Colyer (Finance Director (s151 Officer)), Rich Clarke (Head of Audit Partnership (Mid Kent Audit)), Ian Cumberworth (Internal Audit Manager), John Scarborough (Head of Legal Partnership), Maria Burton (Democratic Services Officer) and Ade Oyerinde (Audit Manager, Grant Thornton)

APOLOGIES FOR ABSENCE

AG27/14 Apologies for absence were received from Councillors Hall and Lockhart.

DECLARATIONS OF INTEREST

AG28/14 No declarations of interest were received.

NOTIFICATION OF VISITING MEMBERS WISHING TO SPEAK (IN ACCORDANCE WITH COUNCIL PROCEDURE RULE 18):

AG29/14 No notifications of any visiting members wishing to speak had been received.

MINUTES OF THE MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE DATED 23 SEPTEMBER 2014

AG30/14 The minutes of the meeting of the Audit and Governance Committee dated 23 September 2014 were submitted. It was agreed that minute AG25/14 be amended to 'Councillor Scott stated that he felt that the valuation of assets was a book-keeping exercise and that the true value could not be known until an asset was sold, adding that he felt that valuation should be based on the risk of assets *being crystallised*'.

RESOLVED – That the amended minutes of the Audit and Governance Committee dated 23 September 2014 be approved as a correct record.

UPDATE ON COMPLAINTS RECEIVED UNDER THE MEMBERS' CODE OF CONDUCT

AG31/14 Mr Scarborough presented the report updating the Committee on complaints regarding Members' Code of Conduct. Since the previous meeting, two complaints had been received, with one being received between the agenda publication and the meeting. One complaint had been rejected, leaving two outstanding complaints. One of these was due to go to a hearing panel in the new year, and Mr Scarborough was in discussion with the complainant and councillor with regard to the other complaint.

Parish Councillor Mackenzie asked when the hearing panel members would be selected. Mr Scarborough explained that he was looking at possible dates, but that it would not be until January 2015.

RESOLVED:

That the update on complaints received under the Members' Code of Conduct be noted.

ANNUAL AUDIT LETTER

AG32/14 Mr Colyer introduced the external auditor's Annual Audit letter covering 2013/14, stating that it was reassuring for the Council. Mr Oyerinde explained that the Annual Audit Letter was a positive document and was the result of summaries and work undertaken by Grant Thornton throughout the year. He added that the housing benefit claim deadline on page 21 had been met within the 28 November deadline, and that the report for the certification of grant claim would be due at the next meeting of the Committee.

Mr Lewis stated that Grant Thornton was the external auditor for a number of councils, and asked if any audits had been qualified. Mr Oyerinde explained that some value for money audits had been qualified. Mr Lewis asked if benchmarking against other councils was done, which Mr Oyerinde stated occurred in some areas.

In response to a question from Mr Segall Jones about the calculation of the audit fee, Mr Oyerinde explained that the Audit Commission set the fee for a 5-year period, and that the fee tended to be proportional to the Council's budget.

Mr Quigley noted that the audit fee on page 15 of the report did not mention a £900 additional audit fee as stated on page 22. He asked for confirmation that it had been included as part of the fee, which Mr Oyerinde gave.

Councillor Horwood offered his congratulations to those involved in the audit.

RESOLVED:

That the Annual Audit Letter be approved.

EXTERNAL AUDIT PROGRESS REPORT

AG33/14 Mr Oyerinde presented the External Audit Progress Report, explaining that it was a standard progress report including planned and completed work, as well as items potentially of interest to Members. He added that the progress report would return to Committee in March 2015.

Parish Councillor Mackenzie asked about the National Fraud Initiative report. Mr Clarke explained that the data matches had been investigated before March 2013 and that the next set of data matches was due in January 2015. He stated that he was satisfied with the matches investigated in 2013.

RESOLVED:

That the progress report be noted.

STRATEGIC RISK REVIEW

AG34/14 The Chief Executive, Mr Benson, presented the report regarding the risks that were the responsibility of the Chief Executive. These risks were resident engagement, national policy changes in the short term, being unable to meet expectations within resources, and not managing control and change

effectively. He explained the mechanism for managing risks, with involvement from Cabinet and management.

With regard to the risk of community engagement, Mr Benson informed the Committee that money had been received from central government to improve engagement in Sherwood ward. Mr Benson warned the Committee of the danger of diverting money and resources to areas where residents were vocal, rather than areas in most need.

Mr Lewis claimed that rather than there being an issue with a vocal minority, the greater problem was a quiet majority, comparing the number of people engaging through petitions against the number of people voting at local elections. Mr Benson stated that the nature of engagement formed part of the risk, pointing out the benefits on engagement of putting petitions online.

Mr Lewis stated that a major problem was a lack of public awareness that, for example, TWBC did not own the cinema site and a more general frustration with the complexity of the public sector.

Councillor Webb asked Mr Benson who made up the 'vocal minority' who did not represent the public, and stated that a vocal, engaged population would be better than a quiescent public. Mr Benson explained that he was noting the nature of the local population, not criticising the public. Mr Benson agreed that public sector fragmentation was an issue. He stated that there were 115,000 residents in the borough, but only a small proportion were vocal.

Councillor Ward expressed his concern that the Ward Walks had been stopped, and stated that opportunities for engagement were being missed, such as a Paddock Wood Town Council meeting that had been attended by hundreds of residents, but no officers. Mr Benson explained that he was not aware of the meeting, but stated that he was happy to attend parish and town council meetings. Councillor Ward noted that he would like to see more interaction between TWBC and parish and town councils.

Councillor Scott stated that the Town Forum had been working well at getting people engaged and involved. He added that engagement through social media would become increasingly important, especially with regard to engaging young adults.

Regarding the risk around national policy changes, Mr Benson explained that the main issues were fiscal constraints and legislative changes. He stated that local government had been affected by budgetary pressures and uncertainty, although partnership working could alleviate some pressures. He added that further uncertainty was likely with the general election due in May 2015.

In response to a question from Councillor Webb regarding the 'hostile rhetoric', Mr Benson explained that it came from the press, central government, individual politicians, as well as other sources. He explained that this impacted on the public perception on the council and that staff were trying to do a good job under increased expectations and pressure.

With regard to the risk of being unable to meet expectations within resources, Mr Benson explained that fewer staff were having to meet higher ambitions

and expectations from the public. He stated that sickness absences were below target and that by entering partnerships, resilience had increased. Mr Lewis stated that while partnerships increased resilience, they did not eliminate the issue of managing expectations. He drew the Committee's attention to a number of missed targets, and asked who had responsibility for partnerships. Mr Benson explained that he was responsible for entering partnerships, but that once in the shared service, it depended on which authority ran it.

Councillor Scott stated that Town Forum had been useful in the management of expectations. Mr Benson acknowledged the role that Town Forum had in the enabling approach of the council.

With regard to the enabling approach of the council, Councillor Patterson asked if it applied to parish councils, which had even less staff. Mr Benson stated that he had been working with parishes for 4-5 years, discussing issues such as provision of parking and public toilets. In response to a question from Councillor Patterson about the civic amenity vehicle, Mr Benson explained that while it was no longer in service, the funding for it was still there, and that the council was looking at potential options such as expanding its scope. Parish Councillor Mackenzie stated that his parish in Brenchley had conducted a survey which showed that 98% of respondents would be happy to pay more for a civic amenity vehicle.

Councillor Webb stated that there was a perception that local government was spending wastefully while cutting services, and asked if the council could lobby central government. Mr Benson explained that the council had made submissions to consultations as part of the LGA, and that he had spoken to Greg Clark MP.

Mr Hedges stated that at the town hall, fewer staff were using the same amount of space, and asked if there were any plans for the town hall site. Mr Benson explained that Cabinet had investigated options for the Assembly Hall and was now looking at professional advice, which should be completed in March 2015.

Mr Hedges raised the risks surrounding the traffic system. He stated that he had contacted Kent County Council regarding on-street parking, which he claimed slowed down traffic, but which KCC had not looked into. He asked if, although not in its remit, TWBC could look into on-street parking. Mr Benson replied that two risks related to parking had been identified, and agreed that Tunbridge Wells had a lot of on-street parking. He explained that at the most recent Cabinet it had been agreed to look at the parking strategy, stating that congestion risked the economic vitality of the borough. Councillor Scott stated that the Development Advisory Panel was investigating the parking situation and the Town Hall site.

With regard to the risk of not managing control and change effectively, Mr Benson spoke to Committee on the risks associated with shared services. He explained that partnerships could have a substantial impact on staff and resident if they were not successful, using the recent example of planning support. Mr Benson stated that when problems arose, staff tried to find a resolution as soon as possible. He added that Overview and Scrutiny Committee were investigating the governance arrangements of MKIP and that there was now a Director for MKIP. Mr Benson noted the success of the

legal and audit departments entering partnerships while keeping the necessary expertise and knowledge.

Mr Quigley explained that he was in favour of partnership working, but stressed that governance was something that had to be correct when entering a partnership. Mr Benson clarified that there was a governance structure in place, but that it was currently under review. He stated that this review would be looking into backbench involvement, and that the recommendations would go to Cabinet, although the review was still at an early stage. Mr Scarborough explained that each shared service had a Collaboration Agreement, and that now each Collaboration Agreement was being investigated to ensure that they were all satisfactory.

Mr Lewis stated that it was vital for the Council to have resources, adding that the Committee had looked into property management and the ability of the Council and officers to manage property. He expressed his hope that these issues were no longer relevant but asked if officers involved had appropriate expertise. Mr Benson explained that the Council had been trying to recruit surveyors for some time, but added that it was possible to use professional private sector expertise.

Councillor Horwood suggested that at the next meeting of the Committee, David Candlin and Jane Lynch would be asked to present their risks, which was agreed.

RESOLVED:

1. That the actions taken to manage the strategic risks under the responsibility of the Chief Executive be considered;
2. That the Committee review the risks that are under the responsibility of the Head of Economic Development and the Head of Planning at the next meeting

INTERIM INTERNAL AUDIT REPORT

AG35/14 Mr Clarke presented the Interim Internal Audit Report, stating that the Council was on track to meet its targets. The report detailed the assurance review, a new method of assurance, which revised the process for following up recommendations. The review showed that the investigated areas of compliance were ICT policies, replacement wheelie bins, bank arrangements and accounts review were effective and no recommendations were necessary.

Mr Clarke noted that there had been no whistle-blowers during 2014/15. With regard to fraud, Mr Clarke stated that the National Fraud Initiative would be starting again in 2015.

With regard to planning services, Mr Clarke explained that a review was due to go to Management Board on 10 December 2014.

Mr Clarke stated that he was pleased with the satisfaction ratings for internal audit, adding that with the new assurance measurements, the audit team were still developing the necessary skills, for example to complete audits on time.

Mr Hedges asked about the deferral of 19 actions related to partnerships. Mr Cumberworth explained that there had been significant changes so a full review was likely to be undertaken in November 2015.

With regard to compliance with ICT policies, Mr Quigley asked if the council undertook penetration testing, which Mr Cumberworth confirmed.

Parish Councillor Mackenzie asked about the commercial sensitivity of the cost per audit day. Mr Clarke explained that some authorities had hired external companies for internal audits, and that this provided the Council the potential opportunity to provide such a service. He stressed that the priority for the Audit Team would be to deliver the service to TWBC.

In response to a question from Parish Councillor Mackenzie regarding the percentage of audits completed on time, Mr Clarke explained that this target was new, and that in the past the targets had focussed on finishing the audit. He stated that officers needed to improve their forecasting of deadlines, but added that when the team was pressed with a deadline, they met it.

Parish Councillor Mackenzie asked about the 100% satisfaction rate, and whether any department would be satisfied with being subject to an audit. Mr Clarke explained that the team had surveyed customers, and that the 100% satisfaction rate showed that they were pleased with the service.

RESOLVED:

1. That the results of the work undertaken by the Internal Audit team for the first half year be noted
2. That the revised operational audit plan for the remaining year be noted

FUTURE WORK PROGRAMME 2014/2015

AG36/14 The Committee's work programme was presented for members' information.

RESOLVED – That the work programme be noted.

NOTE: The meeting concluded at 7.45 pm.