

CANTERBURY CITY COUNCIL

AUDIT COMMITTEE

**Minutes of a meeting held on Monday, 22nd March 2010
at 7.00 pm in The Guildhall, Westgate, Canterbury**

Present: Mrs J Jerram (Chairman)

Councillor Berridge
Councillor Fisher
Councillor J Perkins
Councillor Samper
Councillor Vye

Officers:

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| Bob Bennett | - Elections Manager and Assistant Head of Corporate Governance |
| David Ford | - Assistant Head of Service (Cultural Development) |
| Dan Hamlin | - Improvement Manager |
| Jim McDonald | - Director of Corporate Services |
| Christine Parker | - East Kent Audit Partnership |
| Christopher Parker | - East Kent Audit Partnership |
| Andy Rush | - Risk Management Officer |

710 MEMBERS' INTEREST

There were no interests to report at this meeting.

711 MINUTES

The Chairman signed as a true record the minutes of the meeting of the Committee held on the 30 November 2009.

712 MATTERS ARISING

Minute No.477

- (a) It was noted that the Head of Culture and Communications would be reporting to the next meeting of the Committee in June on the football hub project.
- (b) It was noted that the Shared Landlord Services project had now been considered at both the Overview and Scrutiny Committee and Full Council.
- (c) Christine Parker, East Kent Audit Partnership reported that following discussions with the District Auditor and after consultation with the Director of

Corporate Services there was no need to bring a report back to the Committee on CIPFA – Protecting the Public Purse.

713 PUBLIC PARTICIPATION AT MEETINGS

No representations had been received.

714 VETTING AND BARRING SCHEME - CHANGES TO CRB CHECKS

The Committee received a joint report from the Head of Personnel and Head of Community Development which summarised the implications of the new vetting and barring scheme on the city council in its role as an umbrella body and on councillors who carried out specific functions. The new scheme had been established as a result of the Bichard Enquiry in to the murders of Jessica Chapman and Holly Wells in 2002 and was designed to ensure that anyone who presented a known risk to vulnerable groups was prevented from working with them.

Under the new scheme, anyone working in a 'regulated activity' would need to be registered with the Independent Safeguarding Authority (ISA) who would be responsible for deciding who was eligible to be registered.

The report pointed out that further consultation and information on this issue was expected in early 2010 at which stage a further report would be taken to the council's General Purposes Committee to agree the council's approach and to consider the additional costs to the city council.

One member commented that the cost of registration could well drive some people away who wished to help children.

RESOLVED - That the report be noted.

715 CERTIFICATION OF CLAIMS AND RETURNS - ANNUAL REPORT

The Committee considered the annual report from the District Auditor which summarised the findings from the Certification of Claims and Returns for 2008/09.

The Director of Corporate Services reported that in 2008/09, the District Auditor's audit team had certified six claims and returns with a total value of nearly £76 million. The claims related to:

- Housing and council tax benefit subsidy.
- National non domestic rates return.
- HRA subsidy entitlement.
- Disabled facilities grant.
- Pooling of housing capital receipts return.
- HRA subsidy base data return.

Of the reviews listed above the District Auditor carried out a limited review of five of the claims and returns and a full review of the housing and council tax benefit claim. Minor amendments were required in relation to the housing and council tax subsidy claim and national non domestic rates return.

The Director of Corporate Services advised the Committee that the report was a positive one and bearing in mind that the claim for housing and council tax benefit subsidy totalled £41.2 million there was only a small amendment to that claim of £4,389.

RESOLVED - That the report be noted.

716 INTERNAL AUDIT CHARTER AND STRATEGY FOR THE DELIVERY OF THE 2010/11 AUDIT PLAN

Christine Parker, East Kent Audit Partnership, submitted the following documents:

- The East Kent Audit Partnership Internal Audit Charter which established the purpose, authority, objectives and responsibility of the East Kent Audit Partnership in providing an internal audit function to the partner councils.
- The internal audit strategy which detailed how the East Kent Audit Partnership would provide the internal audit function for the year to 31 March 2011.
- The audit plan for the year 2010 to 2011 which set out the risk assessments by the East Kent Audit Partnership on each service area based upon previous audit experience, critically, financial risk, risk of fraud and corruption etc.

With regard to the Audit Charter, Christine Parker advised members that apart from one minor amendment (paragraph 3.2.2 on page 31 of the report) it was the same as last year. With regard to the audit strategy, the Committee were advised that it set out the resources required across the four partnership sites and detailed how the resource requirements would be met. Christine Parker also advised that the audit plan for 2010/11 which had been produced following an annual meeting with all Heads of Service in order to give them an opportunity to discuss proposed audit coverage to ensure that all high risk areas were covered, was still a draft document and she welcomed any views that members might have on it.

Finally, the Committee received a schedule entitled 'Audit Plan Benchmarking 2009/10' which showed members how audit resources within the council compared to other similar organisations when considering the adequacy and effectiveness of the internal audit plan.

In considering the above reports the Committee raised one or two points including:

- Whether members of the council should add a disclaimer to e-mails when dealing with constituency work pointing out that the councils internal and external auditors have authority to access council assets such as records, documents, contracts and correspondence, including computer hardware, software and data.
- The number of planned internal audit days undertaken by the Auditors in respect of other bodies in Kent compared with Canterbury.

RESOLVED - That the internal audit charter, audit strategy and audit plan for 2010/11 as now submitted be approved and adopted.

717 LOCAL CORPORATE GOVERNANCE CODE

The Risk Management Officer submitted a local code of corporate governance which had last been adopted by the Committee in December 2007. The code had now been reviewed as recommended by good practice under the use of resources

judgement and apart from some minor name alterations remained unchanged. He drew members' attention to the key documents and processes which were in place to support the achievement of the six core principles of good governance which were:

- Local leadership.
- Roles, responsibilities and relationships.
- Ethical governance.
- Informed decision making.
- Officer and member capacity.
- Accountability and consultation.

In considering the code of corporate governance, members commented on two of the supporting principles set out in core principle 5 – Member and Officer capacity.

RECOMMENDED - That the **Council** be requested to adopt the local corporate governance code as now submitted.

718 **TREASURY MANAGEMENT REPORT, THIRD QUARTER 2009/10**

The Director of Corporate Services presented a report which detailed the results of the council's treasury management activities in the third quarter of the financial year ended 31 March 2010.

He reported that the level of debt had increased and that investment rates had declined even further from the last quarter's very low rates. He advised the Committee that the council's performance on investments had out performed the benchmark by 46 basis points. The council's budgeted investment return for 2009/10 was £627,200 and the performance for the year based on income to date was not expected to vary much from the budget.

In connection with the compliance of treasury limits/prudential borrowing limits, the Director of Corporate Services advised that the treasury limits were inadvertently breached when the limits applicable to Cater Allen's parent company were applied to the deposit with Cater Allen rather than the lower limits applicable to Cater Allen itself as detailed in the treasury strategy statement for 2009/10. He stated that the limits for Cater Allen had been aligned with its parent company (Santander Group) in the treasury strategy statement for 2010/11. In relation to Icelandic investments the Committee were informed that there were still problems with the Glitnir Bank but that any shortfall in the recovery of funds invested in this bank together with Heritable Bank was expected to be covered by the amount of windfall VAT that had been set aside for this purpose.

RESOLVED - That the report be noted.

719 **UPDATE REPORT ON RISK MANAGEMENT/CORPORATE GOVERNANCE**

The Committee considered a report from the Director of Corporate Services which provided an update on the key risks facing the council. The report included the latest version of the risk register which showed how risks were being managed and ranked to highlight the major risks. The Risk Management Officer advised that whilst no new risks had been added two had been redefined, five risks had been removed, three risk ratings lowered and two risk ratings increased. Furthermore, all risks had been reviewed and updated as part of the annual corporate governance risk audit.

In considering the report the Committee raised a number of issues relating to items on the risk register including the following:

- New Marlowe Theatre project – Would the risk rating be reduced now that the fund raising campaign target had been reduced? The Director of Corporate Services advised that fund raising was still below target and it might take an extra year to raise the necessary funds. There would be a need to look at the 2010/11 budget in relation to grants given by trusts for revenue to fund the cost of fund raising for the new theatre.
- Coastal and river flooding – How did the city council arrive at the risk rating for this? The Risk Management Officer advised that the risk score was arrived at following information from Viv Pritchard and Ted Edwards.
- Members also raised comments in relation to the risk for housing demand and the risk for fire risk assessments following a recent television programme on a building in Herne Bay.

RESOLVED - That the report be noted.

720 EAST KENT AUDIT PARTNERSHIP UPDATE REPORT FOR THE PERIOD NOVEMBER 2009 TO FEBRUARY 2010.

The Committee considered the progress that had been made against the Audit Plan which had been approved by them in March 2009. Christine Parker, East Kent Audit Partnership, advised that six internal audit reviews had been completed for the period November 2009 to February 2010. The reviews had been allocated assurance levels of substantial to limited. In addition there had been three follow up reviews completed during the period which concluded that many of the agreed recommendations had been implemented and the remainder were currently pending implementation. She was pleased to report that there were no continuing concerns regarding the above reviews to bring to Members' attention at this time.

The Committee were advised that any discussion on these individual audits would need to be discussed later in the agenda with the press and public excluded.

721 ROLE OF THE AUDIT COMMITTEE - FUTURE WORK

The Committee gave consideration as to what further reports were required from Heads of Service/Service managers.

Reports to the next meeting of the Committee in June 2010 should include:

- Annual Governance Statement
- Annual Statement of Accounts
- Canterbury Football Hub project
- Sundry Debtors
- Data Protection Policy

722 EXCLUSION OF THE PRESS AND PUBLIC

RESOLVED – That under Section 100(A) of the Local Government Act 1972 the public be excluded from the meeting for the following items of business on the

grounds that it is likely that if members of the public were present during those items, there would be disclosure to them of information which falls within the exemptions under Schedule 12(A) to the Local Government Act 1972 or the Freedom of Information Act 2000 or both.

723 EAST KENT AUDIT PARTNERSHIP UPDATE REPORT - CONFIDENTIAL

Arising from the discussion at Minute No. 720 above, the Committee considered the confidential report which provided members with an update of the work undertaken by the East Kent Audit Partnership during the period November 2009 to February 2010.

Christopher Parker, East Kent Audit Partnership, took the Committee through the six reviews that had been completed as well as three follow up reviews to ensure that the recommendations previously made had been implemented and the internal control weaknesses which had led to the recommendations being mitigated. The Committee were advised that the financial performance of the East Kent Audit Partnership was within target and there were no concerns to highlight.

Dan Hamlin, Improvement Manger, reminded the Committee that at the last meeting the Committee had asked for a report on a recommendation arising from the Annual Audit letter – continue to work with partners to develop arrangements for joint working across East Kent, ensuring that appropriate governance arrangements are in place and that the new arrangements are used as a platform to deliver better services for local people. The East Kent Audit Partnership review had provided reasonable assurance on the governance arrangements in place. He also advised that the Audit Commission would carry out a separate review in 2011.

In relation to the review on Sundry Debtors a member felt that the wording in the business objective should have been more specific. Another member asked whether the actions for the Sundry Debtors review would be completed in time for an update report to be made to the next meeting of the Committee in June.

RESOLVED – That the report be noted and that an update report on the Sundry Debtors review be made to the next meeting of the Committee in June.

724 THE HORSEBRIDGE, WHITSTABLE

The Assistant Head of Service (Cultural Development) presented the future options report for the Horsebridge Arts and Community Centre which had been prepared by Year One Consulting. The report, which was still confidential, had been commissioned by the City Council in order for a study to be carried out on the future management and funding of the Centre.

In taking the Committee through the report, the Assistant Head of Service (Cultural Development) pointed out that the Horsebridge Arts and Community Centre was in the Council's risk register as a high risk but it was not a failing service in terms of what it provided. The main problem was the level of funding. He highlighted the four options in the report recommended by the Consultants. The Horsebridge Trust was working through the recommendations in the report and the City Council were listening to the Trust about its concerns. The level of funding by the City Council included in the budget for next year was £20,000. Discussions were taking place with Active Life on a number of issues including backroom support, building maintenance,

IT support and bookings. A further report would come back to this Committee and others in due course.

Members raised a number of points relating to the management, funding and trust arrangements for the Centre.

RESOLVED – That the report be noted pending a further update report to the next meeting of the Committee by the Head of Community Development and Outdoor Leisure.

There being no other business the meeting closed at 8.32 pm