

## PERFORMANCE AND GOVERNANCE COMMITTEE

Minutes of the meeting of the held on 10 January 2012 commencing at 7.00 pm

Present: Cllr. Fittock (Chairman)

Cllr. Walshe (Vice-Chairman)

Cllrs Mrs. Bayley, Clark, Mrs. Cook, Davison, Dickins, Firth and London

Apologies for absence were received from Cllrs. Gaywood, Hogarth, McGarvey and Piper

Cllrs. Mrs. Davison and Ramsay were also present.

### 41. WELCOME AND FAREWELL

The Committee welcomed Philippa Stone the new Democratic Services Manager to the meeting and the District Auditor, Andy Mack and Audit Manager, Richard Smith.

The Chairman, on behalf of the Committee, congratulated Tricia Marshall, the Head of Finance and Human Resources, on her recent promotion to Director of Resources at Canterbury City Council. The Committee wished her every success in her new position.

### 42. Minutes

Members were advised of two errors in the printed minutes which had been corrected before publication on the committee management information system (CMIS). It was noted that Cllr. Walshe's attendance had been repeated, and that the date of the signed minutes had been listed as 15 November 2011 instead of 27 September 2011 (Minute 31). An amended page was tabled for information.

Resolved: That the minutes of the meeting of the Performance and Governance Committee held on 15 November 2011, as amended, be approved and signed by the Chairman as a correct record.

### 43. Declarations of interest.

No declarations of interest were made.

### 44. Formal Response or Consultation Requests from the Cabinet and/or Select Committees following matters referred by the Committee:

- (a) Financial Prospects and Budget Strategy 2012/13 and Beyond - referred

on 15.11.11 (Cabinet 08.12.11)

- (b) Performance Monitoring – referred on 15.11.11 (Cabinet 08.12.11)
- (c) Investment Strategy Update – referred on 15.11.11 (Cabinet 08.12.11)

The responses were noted.

45. Actions from the last meeting of the Committee (attached)

The completed actions were noted.

46. Future Business, the Work Plan 2011/12 (attached) and the Forward Plan.

Members noted that the following reports would go to the next meeting of the Committee on 13 March 2012:

- Update of the Council's Anti-Fraud and Corruption Strategy to reflect the requirements of the Bribery Act 2010 (commencement Order 2010); and
- Self Assessment of the effectiveness of the Committee.

It was also agreed that the Outcome of the External Audit be reported in September 2012, and the minutes of the Finance Advisory Group would be added to the Work Plan.

47. Internal Audit Progress Report - Quarter 2

The report summarised the audits issued during the year to date and the progress of the team in delivering the Annual Internal Audit Plan 2011/12. In response to questions the Audit, Risk and Anti-fraud Manager advised that jury service and long term sickness had made a significant impact on productivity as his team consisted of only 4.6 full-time Auditors and 0.5 Administrative staff. He also advised that the risk management aspect of the shared services agreement would be reported to the next meeting.

The Audit, Risk and Anti-fraud Manager reported that the reasons behind the discrepancies between the 'audit tickets' and amounts banked by Contract Security, had still to be identified. Members expressed great concern at the reported discrepancies and agreed that this needed to be more fully investigated by the relevant Select Committee, with a much more detailed report. The Audit, Risk and Anti-fraud Manager clarified that it is standard practice to follow up on implementation of recommendations 3-6 months after the final report was issued, and one was therefore imminent. With regards to a question raised by a Member on the findings of the 'Review of Register of Interests & Hospitality Arrangements, he explained that the bullet point summary on the first part of the report highlighted potential inherent risks rather than actual weaknesses found. The Chief Executive

stated that he did not believe there was a risk as it was a an important subject that managers were fully aware of and responsible for.

Resolved: That

- (a) the 'Review of Car Parking Income' be referred to the Environment Select Committee; and
- (b) the contents of the report and the progress made by the audit team in delivering the 2011/12 Annual Internal Audit Plan be noted.

48. Risk Management Update

The report provided the Committee with a summary of the Councils risk management processes and plans for improvements to the Risk Management Framework. It also updated Members on the current strategic risks facing the Council. The Audit, Risk and Anti-fraud Manager advised that the Council's insurance provider, Zurich Municipal, was able to offer training on strategic risk assessment for Members to improve understanding of the approach taken to risk management and the scoring system used.

*ACTION 1: The Audit, Risk and Anti-fraud Manager to liaise with Zurich Municipal to confirm the arrangements for a training session to be held on Friday, 17 February 2012, for all Members of the Performance and Governance Committee and Chairs, or Vice-Chairs of the Select Committees.*

A Member pointed out that the Strategy Risk Register only referred to reporting to Financial Advisory Group and Cabinet, and omitted reporting arrangements to this Committee.

*ACTION 2: Performance and Governance Committee to be added to the Internal Controls, where appropriate, on the Strategy Risk Register.*

Resolved: That the contents of the report be noted.

49. Annual Audit Letter 2010-11

The Chairman, with the agreement of the Committee, brought consideration of this item forward on the agenda.

The District Auditor advised that the Annual Audit Letter was the public report which reflected all that he had been saying to the Committee over the past year. There were two main areas: Accounts and Value for Money. It had been a good year and he had issued unqualified opinions for both areas. The financial statements were good, complied with the new requirements under the International Financial Reporting Standards (IFRS) and there were no issues to raise. With regards to Value for Money the Council was performing strongly, delivering within budget and had a strong medium term financial strategy in place for the next ten to fifteen years.

He acknowledged that there would continue to be challenges which he knew that the Council would continue to tackle proactively.

The Cabinet Member for Planning and Improvement, commended the excellent working relationship between Officers and the District Auditors Office which had built up over the last few years.

In response to questions, the District Auditor reported that he would hopefully have further information on the progress made on the abolition of the Audit Commission at the next meeting. Stage 1 of the process, the outsourcing, was currently underway and thirteen firms had been shortlisted. The TUPE transfer would take place in March 2012, with staff transferring to the firms awarded the contracts in October 2012. The Audit Commission would remain in place to oversee the contracts and other statutory functions but would be significantly smaller following the outsourcing. Stage 2, the opening of a more competitive audit market, would be in two to three years time as it required a change to legislation. It was anticipated that the procurement would bring about a 10% reduction in fees for 2012/13.

Resolved: That:

- (a) all staff involved be congratulated and thanked for their hard work; the findings of the Annual Audit Letter be commended to Cabinet.

#### 50. Treasury Management Strategy 2012-13

The report advised Members that The Local Government Act 2003 required the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by investment guidance issued subsequent to the Act). The Chartered Institute of Public Finance and Accountancy (CIPFA) revised the Prudential Code, Treasury Management Code and Guidance Notes in November 2011 and recommended formal adoption of the amended clauses and a restatement of the Treasury Management Policy Statement.

The Head of Finance and Human Resources explained that this review would normally be considered by the Finance Advisory Group first, but in this instance the timetable had not allowed for this and it would be considered by the Board on 25 January 2012. At the last meeting Members considered an Investment Strategy update which highlighted issues concerning credit ratings. Since the last meeting, only one bank met the current criteria. The report proposed reducing the current criteria of AA- to A-, or using a prescriptive list. Members were in general agreement that a prescriptive list would be too limited. It was acknowledged that there needed to be a balance between minimising the risk as much as possible whilst having the flexibility to be able to achieve a more favourable rate of return. Some Members felt that this could still be achieved by only lowering the current criteria to an A rating.

A Member queried what would happen to the investments that expired before the new strategy was approved by Council on 21 February 2012. The Director of Corporate Resources confirmed that he did have the authority, in exceptional circumstances, to reinvest the money, but that for the time being it would be placed in the Debt Management Office's (DMO) Account Deposit Facility.

Resolved: That the Finance and Advisory Group note the comments made when considering the report on 25 January 2012, before asking Cabinet to recommend that Council approve the Treasury Management Strategy Statement set out in this report

51. Budget Monitoring - November 2011

Members considered the Budget Monitoring Report for the month ended November 2011, and the forecast year-end position.

A Member suggested that a potential source of further income would be achieved by further charging for pre-application planning advice. Members were in agreement that this was worth further investigation.

Resolved: That:

- (a) Environment Select Committee be asked to investigate charging for pre application development control advice; and
- (b) the report be noted.

THE MEETING WAS CONCLUDED AT 8.15 PM

CHAIRMAN