

Minutes of a meeting of the **GOVERNANCE AND AUDIT** held in the Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 26 June 2014 at 6.30 pm.

**PRESENT**

G R Aley (Chairman)  
R M Rudkin (Vice-Chairman)

F Biggadike  
C J T H Brewis

P E Coupland  
A Harrison

Apologies for absence were received from or on behalf of Councillor A M Newton.

In Attendance: L Pledge (Head of Audit and Risk Management, Audit Lincolnshire), J Castledene (Principal Auditor, Lincolnshire County Council) and John Scott (Audit Manager, Audit Lincolnshire), Assistant Director Finance (S151), Senior Finance Analyst, Fraud Supervisor, Performance Officer and Member Services Officer.

**3. MINUTES**

The minutes of the Governance and Audit Committee meeting held on 26 March 2014 and the Special Governance and Audit Committee meeting held on 14 May 2014 were signed by the Chairman as a correct record.

**4. FRAUD REPORT 2013-14**

Consideration was given to the report of the Assistant Director Finance (S151) to raise awareness of fraudulent activity detected during 2013/14. The Investigations Team Leader, Compass Point Business Services (East Coast) Ltd, was in attendance to provide a brief presentation, which covered the following points:

- Benefit Fraud – National Statistics
- The effect of benefit fraud
- The different ways people commit benefit fraud
- Fraud prevention and detection
- South Holland District Council 2013/14 Stats
- South Holland District Council sanctions in 2013/14
- South Holland District Council 5 prosecution cases in 2013/14
- Highest ever case at South Holland District Council identified in November 2013
- Custodial sentence following trial last month from 2013/14 case
- Benefit Fraud Hotline – 0800 002 008

Members noted that the Benefit Fraud Hotline was confidential in order to encourage the public to call in and report fraudulent activities.

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Councillor R M Rudkin queried whether the influx of Eastern Europeans over the last 5-6 years had exacerbated the problem with fraud, with regard to language difficulties. The Investigations Team Leader advised that in suspected cases of benefit fraud officers would ensure that a Police interpreter was present. It was a matter of educating people about the system. Leaflets had been printed in several languages in order to assist. South Holland District Council also had a language line that could be used. He clarified that a language barrier would not stop the authority from taking fraud action.

Members noted that as from October 2014 Councils were losing the power to investigate fraud. Councillor C J T H Brewis voiced his concerns regarding the loss of local knowledge as a result of the national scheme.

The Chairman queried whether there was any interaction between agencies dealing with fraudulent activity. The Investigations Team Leader clarified that the fraud officers worked closely with other partners and carried out a lot of joint investigations and prosecutions.

### **AGREED:**

That the report be noted.

(The Fraud Supervisor left the meeting at 6.55 pm, following consideration of the above item.)

## **5. ANNUAL INTERNAL AUDIT REPORT 2013-14**

Consideration was given to the joint report of the Head of Audit & Risk Management – Audit Lincolnshire and the Assistant Director, Finance (S151), which sought consideration of the Annual Internal Audit Report 2013-14. A copy of the Audit Report was attached as Appendix A.

Members noted that the purpose of the Annual Internal Audit Report was to provide a summary of Internal Audit work undertaken during 2013/2014 timed to support the Annual Governance Statement by providing an opinion on the organisation's governance, risk management and internal control environment.

The Audit Manager highlighted various areas within the Audit Report. He advised that the sections relating to business continuity (section 5.2) and payroll (section 5.4) were still being finalised.

The Assistant Director Finance (S151) reported that Lincolnshire County Council had taken a survey of its Audit Committee and had looked at the results via a workshop approach. He queried whether it might be a useful exercise for South Holland District Council's Governance and Audit Committee. Members agreed and requested that the Assistant Director Finance (S151) make the necessary arrangements. The Head of Audit & Risk Management added that he was in the process of organising an all day training session for Governance and Audit Committees members, which was due to take place in the Autumn of 2014.

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Members discussed the remainder of the report and queried the following points:

What did the asterisk on page 33, the Internal Audit Assurances Given 2013/14, refer to?

*All were finished, but final discussions were still taking place with management.*

What were the key risks and projects that were referred to on page 27?

*The key risks and projects were still to be confirmed, and the information would be provided to members following the meeting.*

What did limited assurance mean, in terms of action, on page 27?

*These were audits which included significant issues for management to address.*

*These were outlined on page 33, the Internal Audit Assurances Given 2013/14, within the report. Progress had been made on several areas already.*

### **AGREED:**

- a) That the Annual Internal Audit Report be noted;
- b) That the Assistant Director Finance (S151) make the necessary arrangements with regard to the completion of a survey by the Governance and Audit Committee; and
- c) That the Head of Audit & Risk Management provide members with further details about the all day training session in the Autumn of 2014.

## **6. INTERNAL AUDIT**

Consideration was given to the joint report of the Head of Audit & Risk Management – Audit Lincolnshire and the Assistant Director, Finance (S151), which provided an update on progress with the Audit Plan, February – June 2014.

Members noted that the purpose of the report was to:

- Advise of progress being made with the 2014/15 Audit Plan;
- Provide details of the audit work during the period;
- Provide details of the current position with agreed management actions in respect of previously issued reports; and
- Update the committee on any changes to the 2014/15 Audit Plan.

The Audit Manager reported that the final audit reports for payroll, business continuity and Accounts payable audits were being agreed with management and would be presented to the next committee.

Members noted that the Anti-Social behaviour, Crime and Policing Act 2014 would become operational in October 2014.

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Councillor A Harrison referred to the publicity code, detailed on page 44 within the report, and raised concerns with regard to allowing members of the public to attend public meetings and film, photograph and/or audio-record them as it could be used for the wrong reasons.

**AGREED:**

- a) That the report be noted; and
- b) That the final audit report be submitted to the next Governance and Audit Committee meeting.

**7. DRAFT ANNUAL GOVERNANCE STATEMENT 2013-14**

Consideration was given to the report of the Assistant Director, Finance (S151), which sought approval of the Annual Governance Statement prior to submission to audit. A copy of the draft Annual Governance Statement 2013-14 was attached as Appendix A within the report.

The Assistant Director, Finance (S151) advised that the statement also reflects opinions from internal and external auditors. At the time the report was written he had not received the report and opinion from Head of Audit & Risk Management, but would reflect this in the statement which will be passed over to external audit with the statements of accounts. A final version would be brought back to the next meeting of the Governance and Audit Committee for formal approval with the statements of accounts.

**AGREED:**

That the Annual Governance Statement be approved.

**8. PRE-AUDIT 2013-14 FINANCIAL STATEMENTS**

Consideration was given to the report of the Assistant Director, Finance (S151), which presented the pre-audit 2013-14 Financial Statements for members' consideration, prior to formal approval.

The Accounts and Audit regulations 2011 required that:

- The Responsible Financial Officer sign the un-audited statement of accounts no later than 30 June each year; and
- The statement of accounts be considered and approved by a committee of the Council no later than 30 September each year.

The Financial Statements' production process was complete, and shown in Appendix A was the pre-audit version of the 2013-14 Statements, which included the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, Cash Flow Statement and Balance Sheet as at 31 March 2014.

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Members noted that there were two key areas of significant change to the financial statements:

The introduction of Business Rates Retention and the new accounting arrangements. These changes are reflected throughout the financial statements, in particular the Collection Fund Statement.

The adoption of the amended Accounting Standard IAS 19 'Employee Benefits' which is shown in Note 39 to the financial statements.

### **AGREED:**

That the Pre-audit 2013-14 Financial Statements be approved for approval by the Section 151 Officer.

## **9. ANNUAL TREASURY MANAGEMENT REVIEW**

Consideration was given to the report of the Assistant Director, Finance (S151), which sought pre-decision scrutiny to the Annual Treasury Management Review 2013-14 being proposed to full Council.

The Council was required, by regulations issued under the Local Government Act 2003, to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2013/14. The report met the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

The regulatory environment placed responsibility on members for the review and scrutiny of treasury management policy and activities. The report was therefore important in that respect, as it provided details of the outturn position for treasury activities and highlighted compliance with the Council's policies previously approved.

The Assistant Director, Finance (S151) referred to the table at section 3.2 within the report and explained that the estimate was higher because the Council did not spend as much as originally expected. Some projects had not been delivered, as budgeted for within the Capital Programme.

The Chairman asked what happened to the interest gained from investments. The Assistant Director, Finance (S151) explained that the interest became revenue income, which was reflected within the table at section 11.3 within the report.

Members queried what VRP was and were informed that it was a voluntary revenue provision, set aside to make additional debt repayments. The authority had not made any of these voluntary provisions during the year.

### **AGREED:**

That the Annual Treasury Management Review 2013/14 be approved by full Council.

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**10. LOCAL CODE OF CORPORATE GOVERNANCE**

Consideration was given to the report of the Assistant Director, Finance (S151), which sought the adoption of a Local Code of Corporate Governance.

The Council was responsible for ensuring that its business was conducted in accordance with the law and proper standards, and that public money was safeguarded and properly accounted for. To this end councillors and senior officers were responsible for ensuring that proper arrangements existed for the governance of the Council's affairs and stewardship of its resources.

The Council had prepared a Local Code of Corporate Governance, attached as Appendix A within the report, which was consistent with the revised CIPFA/SOLACE guidance 'Delivering Good Governance in Local Government'. The code demonstrated the ways in which the Council would achieve good corporate governance.

**AGREED:**

That the revised Local Code of Corporate Governance be adopted.

**11. RISK MANAGEMENT**

Consideration was given to the report of the Interim Business Development and Transformation Manager which provided an update on Risk Management within South Holland District Council.

The updated strategic risk register included 9 strategic risks, as detailed in Appendix A within the report. In the past, the report had been by exception, but as there were only 9 in total, all low, medium and high risks were included, and covered the overarching risks that may impact the strategic direction of the Council, rather than risks linked to business continuity or those that impacted discreet service areas. The operational risks were detailed in Appendix B within the report.

Members considered that the management of risks had improved over the past three months, and hoped it would continue to do so. There were concerns around the potential restructuring of staff and the loss of local knowledge. However, there was also the potential for 'fresh faces' with new ideas.

Members queried whether there was a disaster plan in place to cover any issues which might occur i.e. as a result of flooding, loss of power etc. The Performance Officer advised that the Councils' Business Continuity Plan would cover those issues. The Assistant Director Finance (S151) advised that the authority participated with a county-wide action co-ordinated through the Lincolnshire Resilience Forum to deal with the recent flooding events, and that the disaster recovery plan would include measures to mitigate flooding issues. He explained that some testing would be carried out to ensure it was effective.

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Councillor Harrison queried what the situation was with regard to the sudden lack of green recycling bags in the authority. Members believed there may have been an issue with the supplier. The Chairman agreed to liaise with the Portfolio Holder for Waste Management, Green Spaces and Operational Planning.

Councillor F Biggadike queried what the situation was regarding burial space as there was a lack of land available in certain areas of the district. Councillor Harrison advised that a piece of work was being carried out by the Policy Development Panel to look into the matter.

**AGREED:**

- a) That the report be noted; and
- b) That the Chairman liaise with the Portfolio Holder for Waste Management, Green Spaces and Operational Planning with regard to the lack of green recycling bags.

**12. GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME**

Consideration was given to the report of the Assistant Director Democratic Services which presented the work programme of the Governance and Audit Committee, as set out in Appendix A within the report.

The Chairman advised that any issues had been picked up during the other items discussed within the meeting.

**AGREED:**

That the report be noted.

(The meeting ended at 8.04 pm)

(End of minutes)