

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in Meeting Room 1, Council Offices, Priory Road, Spalding, on Tuesday, 12 September 2017 at 6.30 pm.

PRESENT

G R Aley (Chairman)
J R Astill (Vice-Chairman)

T A Carter

P C Foyster

Apologies for absence were received from or on behalf of Councillors C J T H Brewis, A Harrison and M D Seymour

In Attendance: J Cornett (Director, KPMG), E Hodds (Internal Audit Consortium Manager, Eastern Internal Audit Services), the Executive Director Commercialisation, the Head of Finance, the Business Intelligence Officer and the Democratic Services Officer.

12. DECLARATION OF INTERESTS

There were none.

13. MINUTES

The minutes of the Governance and Audit Committee meeting held on 22 June 2017 were signed by the Chairman as a correct record.

14. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

(With the Chairman's permission agenda items 6 and 7 were taken first)

Consideration was given to the report of the Internal Audit Consortium Manager, which examined progress made against the Annual Internal Audit Plan for 2016/17.

The Governance and Audit Committee received updates on progress made against the annual internal audit plan. The report formed part of the overall reporting requirements to assist the Council in discharging its responsibilities in relation to the internal audit activity.

The Public Sector Internal Audit Standards required the Chief Audit Executive (Internal Audit Consortium Manager) to report to the Governance and Audit Committee the performance of internal audit relative to its agreed plan, including any significant risk

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exposures and control issues. The frequency of reporting was to each meeting. To comply with requirements, the report identified:

- Any significant changes to the approved Audit Plan;
- Progress made in delivering the agreed audits for the year;
- Any significant outcomes arising from those audits; and
- Performance Indicator outcomes to date

It was noted that significant changes to the approved internal audit plan had been made in relation to Communications and Elections and Electoral Registration. With regard to Communications, a Peer Review had recently assessed the service and there was now a mechanism in place for monitoring progress against agreed actions therefore a formal audit was no longer necessary. The area of Elections had been taken out of the review as there had been no election activity recently that had not been already been subject to scrutiny by either the Cabinet Office or the County Council.

AGREED:

That the report be noted.

15. GOVERNANCE AND AUDIT COMMITTEE SELF ASSESSMENT

The Committee noted that the Chartered Institute for Public Finance and Accountancy (CIPFA) document on “audit committees – practical guidance for local authorities and police” set out the guidance on the function and operation of audit committees. It represented CIPFA’s view of best practice and incorporated the position statement previously issued. The guidance stated “the purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes”.

The Section 151 Officer had overarching responsibility for discharging the requirement for sound financial management, and to be truly effective required an audit committee to provide support and challenge.

Good audit committees were characterised by; balanced, objective, independent knowledgeable and properly trained Members, a membership that was supportive of good governance principles, a strong independently minded chair, an unbiased attitude and the ability to challenge when required.

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It was therefore good practice for audit committees to complete a regular self-assessment exercise against a checklist, to be satisfied that the Committee is performing effectively.

In addition, the Public Sector Internal Audit Standards also called for the audit committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility, to facilitate the work of this Committee.

The Governance and Audit Committee had regularly carried out the self-assessment exercise in the past and had taken action where necessary to ensure full compliance with best practice.

The updated guidance provided two tools against which the Committee could assess itself, the first (self-assessment of good practice) supported an assessment against recommended best practice to inform and support the Committee. The second assessment tool (evaluating the effectiveness of the audit committee) helped Committee Members to consider where it was most effective and where there may be scope to do more. To be effective the Committee should be able to identify evidence of its impact or influence linked to specific improvements.

At an informal meeting on the 22nd June 2017 three Committee Members reviewed and completed the two assessment tools.

The assessment had highlighted the Members position and interpretation of adherence to best practice. The next step was for the Committee to evaluate their effectiveness against the assessment key (scoring of 1 to 5 on the second checklist at Appendix 1) and to agree the resulting action points.

In discussing the report, Councillors felt that with regard to ensuring value for money, Councillors would like to see more comparison information.

The Committee agreed the checklist, decided that it was not necessary to conclude on a formal rating and supported the action plan.

AGREED:

- 1) That Committee notes the checklist attached at Appendix 1 to the report, and approves the resulting action plan.

16. QUARTERLY RISK REPORT, QUARTER 1 2017-18

Consideration was given to the report of the Executive Director –

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Strategy and Governance which informed the Committee on the current status of the Council's strategic risks.

The Committee noted that there were currently no risks that were rated in the high risk category.

There were currently eleven risks which fell into the medium category. Of these risks, most remained at the same score as last quarter. One risk, relating to the uncertainty over future government funding settlement, increased from a risk score of 9 to 12. This was due to the continued uncertainty following the finance bill and the business rates not having been fully defined. One further risk had decreased its score compared to the previous quarter. This was the risk relating to the delivery of the Local Plan which, following its submission to the planning inspectorate in June, had reduced from 12 to 4 with the impact still high but likelihood now much reduced.

The risk regarding the failure to deliver core services with CPBS had changed, whilst remaining at a score of 12, the impact had increased and the likelihood decreased. This was because there had now been recruitment within finance, which decreased the likelihood of failure, but with ICT vacancies and a settling in period for new staff, the impact of failure in these two services remained high. The update from CPBS was that ICT were actively recruiting to the vacant posts to ensure ongoing service proficiency.

There were 3 risks currently reported in the low category these were scored as they were in the previous quarter.

In discussing the report members raised the issue of Great Britain leaving the European Union and asked whether it was considered as a risk. It was noted that the Council had an interest from an economic point of view, and that this was being managed through a variety of mechanisms, but not from the point of view of a specific risk. The situation was being closely monitored.

Councillors also discussed the risk associated with IT security and noted that CPBS were understaffed in IT currently. A number of posts had been filled with new staff starting in the next few weeks, however there still remained concerns on technical posts that were being problematic in filling. It was agreed that Councillors would be notified of how many vacant posts there were. It was noted that CPBS were required to show the government, on behalf of the Council, compliance with its PSN security requirements. It was noted that this was in hand and due for submission shortly.

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AGREED:

That the contents of the report be noted.

17. ISA 260 REPORT 16/17

Consideration was given to KPMG's report to those charged with governance (ISA260) for 2016/17. It summarised the key findings arising from their audit of South Holland District Council's 2016/17 financial statements and their work to support their 2016/17 conclusion on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources.

The report made one recommendation which concerned the IT review of user rights access. It was recommended that the authority should establish a formalised process to carry out regular reviews of access rights systems.

Councillors noted that the outstanding areas of work identified in the summary were now complete. KPMG thanked the Council's finance team for its support in delivering the report.

AGREED:

That the ISA 260 report for 2016/17 be noted;

18. APPROVAL OF FINANCIAL STATEMENTS 2016/17

The Committee noted that the audit of the 2016/17 Financial Statements was now substantially complete, and the Statements were attached as Appendix A to the report.

The draft Annual Governance Statement and the unaudited Financial Statements 2016/17 had been presented to the Committee on 22 June 2017. Since that time, KPMG had been working to establish the correctness of the accounts, checking them against the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Council's own accounting policies.

A small number of presentational adjustments were required to ensure compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, including the movement of the exceptional item from income to expenditure in the Comprehensive Income and Expenditure Statement. No other amendments were required to be made to the primary Financial Statements.

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At the same meeting the Committee had considered and commented on the draft Annual Governance Statement. No amendments had been made to the draft Statement.

The Annual Governance Statement was required to be signed by the Leader of the Council and Chief Executive. The Committee approved the final statement to allow it to be published with the Financial Statements.

AGREED:

That the Committee:

- 1) Approves the Financial Statements 2016/17;
- 2) Approves the Annual Governance Statement 2016/17; and
- 3) Approves the Letter of Representation to KPMG.

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

Consideration was given to the report of the Executive Manager - Governance which presented the Work Programme of the Governance and Audit Committee as set out in Appendix A within the report.

AGREED:

That the report and content of the Work Programme be noted.

**20. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE
URGENT.**

There were no urgent items.

(The meeting ended at 7.30 pm)

(End of minutes)