

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 14 December 2017 at 6.30 pm.

PRESENT

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

D Ashby  
C J T H Brewis

T A Carter  
P C Foyster

M D Seymour

In Attendance: J Cornett (Director, KPMG), H Brookes (Manager, KPMG), E Hodds (Internal Audit Consortium Manager, Eastern Internal Audit Services), the Executive Director Commercialisation, the Finance Manager Treasury, the Business Intelligence Officers (C Paine and C Gooch) and the Democratic Services Officer.

**21. DECLARATION OF INTERESTS**

There were none.

**22. MINUTES**

The minutes of the Governance and Audit Committee meeting held on 12 September 2017 were signed by the Chairman as a correct record.

**23. QUARTERLY RISK REPORT Q2 2017/18**

Consideration was given to the report of the Executive Director – 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 twelve risks which fell into the medium category. Of these risks, most remained at the same score as last quarter. As at Quarter 2, the risk relating to County Council budget risk had increased, moving from a low category risk to a medium category risk, This was due to the fact that the county council budget would not be announced until February 2018, therefore until that point, SHDC could not be fully clear on the budget implications and as such was taking a more prudent view on this risk until clarity was provided.

The report noted that the risk regarding the failure to deliver core services with CPBS had reduced following on from a brief period in the high risk category due to a high number of vacancies within

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the service. This risk had since reduced and had fallen into the medium risk category following on from some successful recruitment within CPBS. CPBS had successfully recruited a Head of Service for Finance in a permanent position, and had also filled all the vacant roles within the IT service with the exception of one which was still in the interview stages.

There were 2 risks currently reported in the low category which were relating to the failure to effectively implement corporate business continuity plans and the failure to deliver corporate priorities, and these were scored as they were in the previous quarter.

Members considered the report and the following issues were raised:

- With regard to staff recruitment and retention, what effect the high turnover of staff was having on day to day operations. Members were advised that some staff turnover was expected as part of the service review. Performance was monitored by the monthly Performance Board.
- Were there any issues recruiting at SHDC? - Members were advised that there were no problems recruiting - all local authorities were going through similar transformation programmes so this was not a situation unique to SHDC.

**AGREED:**

That the contents of the report noted.

**24. SHDC ANNUAL AUDIT LETTER 2016/17**

Consideration was given to the report from KPMG which provided details of the Annual Audit Letter 2016/17.

The report summarised the key findings from the 2016/17 audit of South Holland District Council. Although the letter was addressed to the members of the Authority, it was also intended to communicate these issues to key external stakeholders, including members of the public, and would be placed on the Authority's website.

All issues raised within the report had been brought before the Committee in previous meetings.

The report provided more detail around VFM risk areas, identifying the significant matter of financial resilience. The

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2016/17 outturn had been reviewed, as had the processes for developing the 2017/18 budget and the reasonableness of the assumptions underlying the Medium Term Financial plan, and a number of key points were noted within the report. However, the conclusion confirmed that there were appropriate arrangements in place to deliver.

The letter confirmed that KPMG had issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 29 September 2017

Appendix 2 to the report highlighted information on KPMG's final fees for the 2016/17 audit, plus charges for other services.

**AGREED:**

That the report be noted.

**25. EXTERNAL AUDIT PROGRESS REPORT AND TECHNICAL UPDATE**

Consideration was given to the report from KPMG which provided details of the external audit progress report and technical update, as at December 2017.

The report provided the Governance and Audit Committee with an overview on progress delivering KPMG's responsibilities as the external auditors. The report also highlighted the main technical issues which were currently having an impact in local government.

Members were advised that the planning process for 2017/18 had been started, and a summary would be brought to the next meeting of the Committee.

The main issues that were discussed were:

General Data Protection Regulations

Members asked how much implementation of new data protection regulations would cost the Authority, and had this been budgeted for?

The Executive Director Strategy and Governance was giving consideration to how this would be resourced. A gap analysis was being undertaken to compare the current situation, and what was required going forward. Also, all staff would need to know of the new requirements.

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Faster accounts close for Local Government

Accounts could be brought forward by the end of May 2018, and the audit by the end of July 2018. The process would become more compressed.

**AGREED:**

That the report be noted.

**26. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

Consideration was given to the report of the Head of Internal Audit, which examined progress made between 1 September 2017 and 30 November 2017 in relation to the completion of the Annual Internal Audit Plan for 2017/18.

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 to report to the Governance and Audit Committee the performance of internal audit relative to its agreed plan, including any significant risk 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

The Committee was advised that the current position and issues in relation to the completion of the Annual Internal Audit Plan 2017/18 were shown within the report.

During the period covered by the report, Internal Audit Services had issued five final reports – Planning and Planning Enforcement; Welland Homes; Electoral Registration; IT Project Delivery (Reasonable Assurance); and Corporate Performance and Corporate Plan (Substantial Assurance).

The Committee was also advised that:

- The audit of Democratic Services had been moved to 2018/19

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due to staffing changes.

- An extra five days had been added to the Housing Benefits audit due to the complexity of cases being tested.

**AGREED:**

That the report be noted.

**27. FOLLOW UP REPORT ON INTERNAL AUDIT  
RECOMMENDATIONS**

Consideration was given to the report of the Head of Internal Audit which provided members with the position on progress made by management in implementing agreed Internal Audit recommendations as at 31 October 2017. The report formed part of the overall reporting requirements to assist the Council in discharging the responsibilities in relation to its Internal Audit Service.

The Public Sector Internal Audit Standards required the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they had been effectively implemented or that senior management had accepted the risk of not taking action. The frequency of reporting was twice yearly.

The report laid out the process followed, which included the uploading of recommendations to the Council's performance management system (Covalent), and how non responses or recommendations which had been overdue for a long time were dealt with, initially through the Performance, Risk and Audit Board and the Finance Board, and then ultimately through the Executive Management Team.

A summary position as at 31 October 2017 was provided which showed 54% of recommendations completed, and 46% outstanding (which were at various stages within the process, at Priority 1, 2 and 3).

In relation to historic recommendations, i.e. those which were raised by Audit Lincolnshire, progress had been made, with three being closed since the last report, and eight now outstanding (two urgent and six important).

In 2016/17, internal audit had raised 48 recommendations, 40 of which had been implemented by management and eight of which were outstanding (six important and two needing attention). The management responses in relation to the six important outstanding recommendations were provided at Appendix 3 of the

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report.

Concern was raised by members on delays to implementation of recommendations. It was felt that the Committee needed to monitor those recommendations where there were revised dates and delays. The Head of Internal Audit advised that the delays related to the items listed at appendices 2 and 3 of the report. She advised that an internal board meeting in January would be held to look at the recommendations to ensure that the latest notes were meaningful, and to see what was achievable. Those recommendations that had not been actioned would be highlighted, and appropriate officers invited to the next meeting of the Committee to explain reasons for delays

**AGREED:**

- a) That the report be noted; and
- b) That the Head of Internal Audit identify internal audit recommendations not yet actioned and that where there were concerns, relevant officers be identified to attend the next meeting of the Governance and Audit Committee to explain delays.

CM

**28. COUNTER FRAUD, CORRUPTION AND BRIBERY POLICY  
AND WHISTLEBLOWING POLICY**

Consideration was given to the report of the Head of Internal Audit which asked the Committee to consider the Counter Fraud, Corruption and Bribery Policy and the Whistleblowing Policy, which had been updated in line with best practice and relevant legislation, and to ensure that the policies reflected the practice at Breckland Council.

The Committee had recently carried out a self-assessment against CIPFA best practice, and as part of this assessed the principles which displayed best practice and how the Committee met these. One of these principles – ‘Helping the authority to implement the values of good governance, including effective arrangements for countering fraud and corruption risks’ – had an action point which was to ensure that the fraud related policies were updated and brought to the Committee for review and approval. Review of these policies formed part of the Committee’s terms of reference.

In relation to the Money Laundering Policy, this was currently being drafted to reflect the new regulations that came into effect in June 2017, and would be brought to the Committee at a later

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date.

The Counter Fraud, Corruption and Bribery Policy had been updated to ensure that best practice was followed and the opportunity had also been taken to update the responsible officers. The Policy was now in line with the Policy at Breckland Council, which meant that all staff across both Councils worked to the same Policy.

The Whistleblowing Policy had been updated to reflect the correct responsible officers and also ensure that this Policy was also in line with the Policy at Breckland Council.

Members considered the report and the attached appendices and asked whether an awareness of, and information on the levels of types of frauds should be provided. The Head of Internal Audit responded that this would be useful as a performance report, although proportionality was an issue. Issues of substance should be reported, and a report would be provided as appropriate to future meetings.

**AGREED:**

- a) That the Committee approve and agree the Counter Fraud, Corruption and Bribery Policy and the Whistleblowing Policy; and
- b) That the Head of Internal Audit present a performance report detailing levels and types of fraud to the next available Committee meeting.

CM

**29. MID TERM TREASURY REPORT 2017/18**

Consideration was given to the report of the Executive Director Commercialisation which provided an update on the treasury management position of the Council as at 30 September 2017.

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management 2011 was adopted by South Holland District Council on 8 March 2012, which meant that the following principles and actions should take place:

- Creation and maintenance of a Treasury Management Policy Statement which set out the policies and objectives of the Council's treasury management activities;
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council would seek to

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- achieve those policies and objectives;
- Receipt by the full council of an annual Treasury Management Strategy Statement – including the Annual Investment Strategy and Minimum Revenue Provision Policy – for the year ahead, a Mid-Year Review Report and an Annual Report (stewardship report) covering activities during the previous year.
  - Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions; and
  - Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For South Holland District Council, the delegated body was the Governance and Audit Committee.

The mid year report had been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covered the following:

- An economic update for the 2017/18 financial year to 30 September 2017;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2017/18;
- A review of the Council's borrowing strategy for 2017/18;
- A review of any debt rescheduling undertaken during 2017/18;
- A review of compliance with Treasury and Prudential Limits for 2017/18

The following issues were raised:

- In the future, a paragraph should be added relating to the minimum revenue provision policy although it was noted that this could change as a result of DCLG consultation on MRP for future years.
- In the future, ratings of each institution should be shown for information within the Investment Portfolio table in Appendix B.

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**AGREED:**

- a) That the Committee note the report, the economic update from Link Asset Services at Appendix A and the treasury activity as detailed in Appendix B; and
- b) That the Committee refer to Council the additional wording to

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the Minimum Revenue Provision Policy contained in the Treasury Management Strategy 2017/18 as detailed in paragraph 1.1 of the report, for approval at its meeting on 17 January 2018.

**30. 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.

The Committee was advised that meeting dates for the 2017/18 municipal year were currently being agreed and would be added to the Work Programme in due course.

**AGREED:**

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

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

There were none.

(The meeting ended at 8.32 pm)

(End of minutes)