

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held virtually, in line with The Local Authorities & Police & Crime Panels (Coronavirus) (Flexibility of Local Authority & Police & Crime Panel Meetings) (England & Wales) Regulations 2020, on Thursday, 30 July 2020 at 4.00 pm.

PRESENT

E J Sneath (Chairman)
J L Reynolds (Vice-Chairman)

C J T H Brewis
A M Newton

P A Redgate
M D Seymour

S C Walsh

There were no apologies for absence.

In Attendance: F Haywood (Internal Audit Manager, Eastern Internal Audit Services), the Executive Director Commercialisation (S151), the Strategic Finance and Compliance Manager, the Finance Manager Treasury and the Democratic Services Officer.

1. DECLARATION OF INTERESTS

There were no declarations of interest.

2. MINUTES

The minutes of the meeting of the Governance and Audit Committee held on 12 March 2020 were signed by the Chairman as a correct record.

3. ANNUAL TREASURY MANAGEMENT REVIEW 2019/20

Consideration was given to the report of the Executive Director Commercialisation (S151) which considered the Annual Treasury Management Review for 2019/20, prior to it being submitted to Council for approval.

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 2019/20. 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).

During 2019/20, the following reports had been submitted:

- An annual treasury strategy in advance of the year (Council 27

Action By

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February 2019);

- A mid year (minimum) treasury update report (Council 27 November 2019);
- An annual review following the end of the year, describing the activity compared to the strategy (the report under consideration)

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 by members.

The Council confirmed that it had complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Governance and Audit Committee. Member training on treasury management issues was undertaken on 14 November 2019, in order to support the members' scrutiny role.

The Treasury Management function was administered by Public Sector Partnership Services Ltd, on behalf of the Council.

The Council was currently in the process of producing its financial statements for the 2019/20 financial year, and these would be subject to external audit. The figures in the report were therefore subject to change, and any such changes would be reflected in the report submitted to Council.

The report summarised the following:

- Capital activity during the year;
- Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
- The actual prudential and treasury indicators;
- Overall treasury position identifying how the Council had borrowed in relation to its indebtedness, and the impact on investment balances;
- Summary of interest rate movements in the year;
- Borrowing and investment outturn positions;
- Economy and interest rates.

Members considered the report, and thanked officers for its clear and concise information. Notwithstanding the current very low interest rates, it was clear that the Authority had been prudent, as borne out by returns on investments, detailed within the report.

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AGREED:

That the report be noted.

4. GOVERNANCE AND AUDIT COMMITTEE WORK PROGRAMME

Consideration was given to the report of the Executive Manager – Governance (Deputy Monitoring Officer), which set out the Work Programme of the Governance and Audit Committee.

The Internal Audit Manager requested that the Governance and Audit Self Assessment be moved from the meeting on 12 November 2020 to 14 January 2021.

AGREED:

- a) That the report be noted; and
- b) That the Governance and Audit Self Assessment be moved from the meeting on 12 November 2020 to 14 January 2021.

5. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Consideration was given to the report of the Head of Internal Audit, which examined the progress made between 2 March 2020 and 24 July 2020 in relation to the completion of the Annual Internal Audit Plan for 2019/20.

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 at South Holland was to each meeting.

To comply with the above 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 measures to date

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The Committee was advised of details of progress made in delivering the agreed audit work, and the outcomes arising from the auditor's work was detailed within the report.

At the meeting on 14 March 2019, the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Since the report to the Committee in November 2019, there had been no further significant changes to that plan.

During the period covered by the report, Internal Audit Services had issued three final reports, and a total of two reports had been issued in draft and were awaiting management responses – Corporate Governance (Reasonable Assurance); Housing Repairs and Maintenance (Reasonable Assurance); Car Parks (Limited Assurance); Procurement and Contract Management (Draft) (Reasonable Assurance); and Disaster Recovery (Draft) (Reasonable Assurance). The findings, and issues to be addressed were detailed within the Executive Summaries at Appendices 2 and 3 of the agenda.

It was noted that Appendix 3 to the report was not for publication by virtue of Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) in Part 1 of Schedule 12 of the Local Government Act 1972. Members resolved to exclude the public during discussion of this item (as detailed in minute numbers 6 and 7 below), and the public were then able to re-join the meeting following this discussion, and for agreement of the report's recommendation.

AGREED:

That the report be noted.

6. EXCLUSION OF THE PRESS AND PUBLIC

DECISION:

That, under section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 of part 1 of Schedule 12A of the Act.

7. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY (EXEMPT APPENDIX)

The Committee considered the exempt information included

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within Appendix 3 to the Progress Report on Internal Audit Activity.

It was noted that a number of the recommendations had either been resolved, or were close to resolution.

Following discussion of the information within the exempt appendix, the public were then able to re-join the meeting for agreement of the report's recommendation (as detailed above at minute number 5), and for the remainder of the meeting.

8. FOLLOW UP REPORT ON INTERNAL AUDIT RECOMMENDATIONS

Consideration was given to the report of the Internal Audit Manager, which provided members with the position on the progress made by management in implementing agreed Internal Audit recommendations as at 31 March 2020.

In 2017/18, a total of 85 recommendations were raised by both internal audit providers. Of those, 81 had been implemented by management, four were outstanding (one urgent and three important). The management responses in relation to the outstanding urgent and important outstanding recommendations could be seen at Appendix 2 of the report.

In 2018/19, a total of 76 recommendations were raised by both internal audit providers. Of those, 62 had been completed and 14 (two urgent, seven important and five needing attention) were overdue. The management responses in relation to the outstanding important recommendations could be seen at Appendix 3 of the report.

In 2019/20, a total of 71 recommendations had been so far raised. Of these, 39 had been completed, nine were outstanding (two urgent, three important and four needing attention). A total of 23 were not yet due.

The information within the report was considered, and the following issues were raised:

- Historic (from 2017/18) and urgent recommendations had to be dealt with and these were of significant risk to the Council.
- Issues from the past two years had to be dealt with. Although the additional pressures caused by the Covid-19 pandemic were significant, this should not be a reason for outstanding recommendations not being addressed.
- With regard to the financial audits, the outstanding items had

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to be resolved, and officers advised that this should happen as a result of the new system implementation. Committee members advised that if this was still overdue by the next meeting, that an officer from PSPS be invited to attend.

- Officers stated that although there were a number of outstanding recommendations, a lot of positive work was being undertaken to progress these. There had already been some impact, specifically around system implementations- future reporting to the Committee would demonstrate that significant progress was being made.

AGREED:

- a) That the information detailed within the report be noted; and
- b) That should improvements in progress not be seen with regard to outstanding recommendations, officers be asked to attend the meeting to provide an update.

9. ANNUAL REPORT AND OPINION 2019/20

Consideration was given to the report of the Head of Internal Audit which provided an Annual Report and Opinion for 2019/20, drawing upon the outcomes of Internal Audit work performed over the course of the year, and concluded on the Effectiveness of Internal Audit.

In line with the Public Sector Internal Audit Standards (PSIAS), which came into force from 1 April 2013, an annual opinion should be generated which concluded on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control:

- A summary of the work which supported the opinion should be submitted;
- Reliance placed on other assurance providers should be recognised;
- Any qualifications to that opinion, together with the reason for qualification must be provided;
- There should be disclosure of any impairments or restriction to the scope of the opinion;
- There should be a comparison of actual audit work undertaken with planned work;
- The performance of internal audit against its performance measures and targets should be summarised; and
- Any other issues considered relevant to the Annual Governance Statement should be recorded.

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The report also contained conclusions on the Review of the Effectiveness of Internal Audit, which included:

- The degree of conformance with the PSIAS and the results of any quality assurance and improvement programme;
- The outcomes of the performance indicators; and
- The degree of compliance with CIPFA's Statement on the Role of the Head of Internal Audit.

The following points were highlighted:

- The overall opinion in relation to the framework of governance, risk management and control at South Holland District Council was Reasonable – this was a positive opinion.
- During 2019/20, a total of 18 internal audit reviews had been completed – 13 with a Reasonable grading, 2 with Substantial assurance and 2 with Limited assurance. A No Assurance grading had been given to Private Sector Housing however, it was encouraging that many of the original recommendations had been addressed
- As discussed at the previous item, there were some urgent and historical recommendations that had to be addressed
- Issues for inclusion within the Annual Governance Statement were detailed within the report.

Members thanked the Audit Manager for the clarity of the information provided within the report.

AGREED:

- a) That the contents of the Annual Report and Opinion of the Head of Internal Audit be received and approved;
- b) That it be noted that a Reasonable audit opinion had been given in relation to governance, risk management and control for the year ended 31 March 2020;
- c) That it be noted that the opinions expressed together with significant matters arising from internal audit work and contained within the report should be given due consideration, when developing and reviewing the Council's Annual Governance Statement for 2019/20; and
- d) That the conclusions of the Review of the Effectiveness of Internal Audit be noted.

10. ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT.

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There were no urgent items.

(The meeting ended at 5.30 pm)

(End of minutes)