

Minutes of a meeting of the **GOVERNANCE AND AUDIT** held in the Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 26 May 2016 at 6.30 pm.

PRESENT

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

C J T H Brewis

T A Carter

P C Foyster

Apologies for absence were received from or on behalf of Councillors A Harrison and M J Pullen, and KPMG.

In Attendance: L Pledge (Head of Audit and Risk Management, Audit Lincolnshire), Interim Chief Accountant (Deputy S151 Officer), Change and Performance Manager, Finance Accountant and Democratic Services Officer.

**48. DECLARATION OF INTERESTS**

There were none.

**49. MINUTES**

The minutes of the Governance and Audit Committee meeting on 3 March 2016 were signed by the Chairman as a correct record.

**50. QUARTERLY RISK REPORT**

Consideration was given to the report of the Executive Director Strategy and Governance, which updated the Committee on the current status of the Authority's strategic risks. The report had been compiled to include updates on strategic risks for quarter 4, 2015/16.

The Performance and Change Manager referred members to the strategic risk register, that formed Appendix A within the report, which included 12 strategic risks. It had been updated within the last month to ensure the content was current. The most significant current strategic risk related to the ICT breach at Lincolnshire County Council. There had been a subtle decrease in score as a result of ongoing efforts to secure system processes, which would continue to be monitored closely.

Members discussed the new Mimecast security software which replaced McAfee. The Chairman advised that the software had been discussed at the recent ICT Councillor Working Group meeting and that the Interim IT Manager had sent a communication to councillors to explain how the Mimecast software worked.

**Action By**

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The other risk areas drawn to members' attention included:

- Impact of Devolution Agenda
- Failure to deliver Local Plan and its Delivery Plan
- Medium Term Financial Plan not delivered
- Business rate retention scheme
- Uncertainty over future government funding settlement

Members agreed that the risk scores were moving in a positive direction.

### **DECISION:**

That the contents of the report be noted.

## **51. ANNUAL INTERNAL AUDIT REPORT**

Consideration was given to the report of the Audit & Risk Manager (Audit Lincolnshire), which sought consideration of the Internal Audit Annual Report 2015/16. A revised version of the report was circulated at the meeting.

Members noted that the purpose of the Internal Audit Annual Report was to meet the requirements set out in the Public Sector Internal Audit Standards (PSIAS) and the Accounts and Audit Regulations 2015, specifically to:

- Include an independent opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework and therefore the extent to which the Council could rely on it;
- Inform how the plan was discharged and the overall outcomes of the work undertaken that supported the opinion;
- A statement on conformance with the PSIAS and the results of the internal audit quality assurance and improvement programme (QAIP); and
- Draw attention to any issues particularly relevant to the Annual Governance Statement.

The Audit & Risk Manager drew attention to the scores in relation to:

- Governance – Performing Well (Green)
- Risk – Performing Well (Green)
- Internal Control – Performing Adequately (Amber)

TR, GP

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- Financial Control – Performing Adequately (Amber)

Only one area, Accounts Payable, had received a 'low' assurance opinion during the year. Members noted that colleagues from East Lindsey District Council would continue to monitor that area.

Some 'limited' assurance opinions were given in relation to:

- ICT Strategy and Project Management;
- ICT Software;
- Payroll; and
- Service Delivery – Procurement Lincolnshire.

The Committee considered the report and the following questions were asked:

- Were Local Authorities uniquely in danger in terms of IT security?
  - All businesses and organisations faced the same risk.
- Was there a risk in relation to an officer with responsibility leaving the organisation and someone new coming in?
  - Processes were in place to ensure a structured handover of work and priorities. However, there was always a degree of change whilst a new employee settled into position.
- Could an update be provided to the Committee in respect of the 'limited' assurance areas?
  - The Corporate Improvement and Performance Manager would be requested to provide an update.
- Was any further information available regarding the ICT and Project Management area?
  - ICT had been reproducing plans for the forthcoming year which were being reviewed for which a report would be submitted to Cabinet. A report would also be brought back to the Committee.

Members noted that a new Interim IT Manager, Compass Point Business Services, had been appointed.

The Chief Accountant reminded members of the new control system that had been introduced to monitor the capital spend on a monthly basis. He advised that officers were also producing information on the outcomes and how they measured up against Council finances. The Chief Accountant informed members that a training session would be held, later in the year, to go through the details of the system.

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On behalf of the Committee, the Chairman thanked the Audit & Risk Manager for her work with the Council. The Audit & Risk Manager advised that she would continue to coordinate the Lincolnshire Committee Forum meetings which members and officers were welcome to attend.

**DECISION:**

- a) That the Internal Audit Annual Report 2015/16 be noted;
- b) That a report be provided to Committee in respect of the 'limited' assurance areas;
- c) That a report be provided to Committee in respect of the ICT and Project Management area;
- d) That a training session be arranged to go through the details of the new control system.

(Councillor P C Foyster and the Audit & Risk Manager left the meeting at 7.15 pm, following consideration of the above item.)

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

Consideration was given to KPMG's External Audit progress report and technical update, which updated the Committee on progress with the Audit Plan as at May 2016. A summary of progress against the deliverables was provided in Appendix 1 within the report.

The Chief Accountant reported that he had received a letter from the Director of KPMG advising that there was nothing significant to report to the Committee and he had therefore extended his apologies for the meeting.

The Committee considered the report and the following questions were asked:

- When changes were being made to legislation in respect of finance, was it the role of the Finance Officers to keep up to speed or were local authorities specifically alerted?
  - It was necessary for officers to keep abreast of continuing changes to local government legislation, however notifications were also generally forwarded to local authorities.

GP, KT,  
CM

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- Was it still intended to implement a damping system in respect of national business rates?
  - A consultation was due to take place in the summer. It would also be necessary to consider the effects of devolution. The rural services grant had been reintroduced and rate areas were already included within the national system of tariffs.
- What did 'exercise of public rights' mean?
  - The audit of accounts was public information and any member of the public had the right to challenge the Council if they so wished. The draft statement of accounts for 2015/16 would be published on the website within the next 2 weeks and the consultation would need to include the first 10 days of July 2016. That activity would take place as part of the constant drive to be as transparent as possible when reporting financial matters.

The Chief Accountant advised that prior to the next meeting there would be a training slot to discuss the audit of accounts and how it related to management reporting.

**DECISION:**

That the External Audit progress report and technical update be noted.

KT

**53. UN-AUDITED 2015/16 FINANCIAL STATEMENT STATUS**

Consideration was given to the report of the Executive Director Commercialisation (S151 Officer) which sought to present a progress report on the un-audited 2015/16 Financial Statements to the Committee for review and consideration, prior to the 30 June deadline for the formal approval of the Accounts by the Section 151 Officer, before audit.

The report presented the unaudited financial statements to enable comments and challenge, and to highlight any key areas. The financial statements production process was progressing and draft statements would be completed by the end of May 2016. Included within Appendix A were the un-audited versions of the 2015/16 main Statements (the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, Cash Flow Statement and Balance Sheet as at 31 March 2016).

The accounts had been completed but were subject to checks to ensure that they fully complied with disclosure requirements which would continue up the 30 June statutory deadline, when the

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accounts would be signed off by the Section 151 Officer and then passed on for audit. Any significant changes identified between that time would be reported to committee in July 2016.

Appendix B, included within the report, highlighted the main changes from previous years in respect of the code of practice on Local Authority Accounting in the United Kingdom.

Appendix C of the report highlighted the management reporting variances for Quarter 4 performance.

The Draft Annual Governance statement was attached within Appendix D for comment. The draft statement had been issued to the Executive Management Team for approval on 23 May 2016. The final document would be approved by 30 June 2016 in line with the un-audited accounts as both documents needed to be published on the website on 1 July 2016 for a minimum of 20 working days public consultation.

Members noted that a training session on the annual accounts and the difference to the management accounts would be given in a pre-meeting session before the July meeting.

The Committee considered the report and the following questions were asked:

- Were pension percentages going to be altered?
  - It was unknown as to whether the pension percentages would be altered, however changes had been made to the national insurance contributions which had been taken account of in the budget.
- There had been an increase with the long term debtors, but in relation to what?
  - The long term debtors primarily consisted car loans and some mortgages. The Council had also taken on some leases during the course of the year.
- What was the situation in relation to asbestos?
  - The policy had been amended in order to look at a reduced bill for asbestos removal as time went on.
- What was the link between the long term assets and the income and expenditure account?
  - A training session would be given in order to look at the way the long term assets and the income and expenditure account interrelate.

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- What was meant in terms of 'Place'?
  - 'Place' was the directorate under which remit were areas such as Environmental Services, Housing and Planning. An explanation would be included in future reports to ensure it was clear to the public.
- What was the £25,000 for in relation to footway lighting?
  - Maintenance and replacement lighting.
- What were the penalties in terms of housing benefit error rates if fraudulent claims were made?
  - If prosecution was successful there would be no error. Any errors would be on the authority alone, which was an operational risk and not governance.

**DECISION:**

- a) That the Un-audited 2015/16 main financial statements be noted;
- b) That the full statements be noted as work in progress;
- c) That the Section 151 Officer make the necessary amendments prior to the formal approval of the statements for audit and report any substantial changes to committee in July 2016;
- d) That the Executive Management Team approve the Annual Governance Statement and make comments as necessary within the appropriate timeframe;
- e) That training sessions be arranged to go through the management accounts, and to look at how the long term assets and the income and expenditure accounts interrelated; and
- f) That future Committee reports contain an explanation for terms such as 'Place'.

(Councillor T A Carter left the meeting at 8.16 pm and returned at 8.18 pm, following consideration of the above item.

**54. LOCAL COUNCIL TAX SUPPORT SCHEME**

Consideration was given to the report of the Executive Director Commercialisation (S151 Officer) which sought to review the existing Council Tax Support Scheme and to develop a work plan for the examination of existing and potentially new discounts.

JK, KT, CM

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Members noted that the Local Council Tax Support Scheme had replaced the former national Council Tax Benefit (CTB) Scheme from April 2013. The scheme for pensioners continued to be prescribed by the Government and allowed up to 100% support against Council Tax liability.

In 2014/15 the South Holland Council Tax Support Scheme had required all working age households to pay at least 75% of their Council Tax liability. The scheme had been reviewed annually and retained through 2015/16 and 2016/17.

A briefing note reporting the Council Tax Discounts current application of areas of discretion was attached as Appendix A within the report.

The Committee considered the report and the following questions were asked:

- Could the Committee have a breakdown of what the Council was collecting?
  - Details would be included within the revised work plan.
- Could the Council impose a 200% charge on properties that had been uninhabited for more than a year?
  - Punative charges were not currently part of the national policy and were not allowed locally.

### **DECISION:**

- a) That the briefing note at Appendix A be noted; and
- b) That a revised work plan be submitted to the next Committee meeting to include specific discounts to be examined at each meeting.

## **55. GOVERNANCE AND AUDIT COMMITTEE SELF ASSESSMENT**

Consideration was given to the report of the Executive Director Commercialisation (S151 Officer) which provided details of the Governance and Audit self assessment.

Members noted that the Chartered Institute of Public Finance and Accountancy (CIPFA) advocated that it was good practice for Audit Committees to undertake regular assessments, which enabled members to gain an appreciation of what afforded best practice, to confirm the level of compliance being achieved, and to identify any potential areas for enhancements to be made to arrangements.

KT, JK, CM



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CIPFA's Audit Committee Self-Assessment Checklist, attached at Appendix A within the report, focussed on 6 fundamental areas, and 66 individual aspects of operations. The key areas were:

- Establishment, Operation and Duties;
- Internal Control;
- Financial Reporting and Regulatory Matters;
- Internal Audit;
- External Audit; and
- Administration.

Members' attention was drawn to the following issues and actions:

- (1.8) Does the audit committee make a formal annual report on its work and performance during the year to full council?
  - *Programme for introduction of a report to be agreed*

The Chief Accountant advised that it was up to Committee members to provide guidance on what they wanted to include within the report.

- (3.2) Does the audit committee consider specifically:
  - the suitability of accounting policies and treatments;
  - major judgements made;
  - large write-offs;
  - changes in accounting treatment;
  - the reasonableness of accounting estimates;
  - the narrative aspects of reporting?
    - Draft changes agreed in February 2016 for accounting treatment. Narrative / presentations generally accepted as being understandable

Members noted that a report would be brought to a future meeting in relation to a collectability review. Members stated that it was necessary for officers to make more use of councillors' knowledge in relation to write-offs and empty homes.

- (3.7) Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?
  - Devolution agreement requires specific attention based on Leader briefings to date.

Members discussed the current status in relation to devolution. The Chief Accountant emphasised the importance of the Committee's role in respect of the governance arrangements of a combined authority and how it would relate to South Holland District Council. He suggested that members may want to receive

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a presentation from the Council's lead officer, at a future meeting, in addition to a report highlighting the potential starting points for the governance arrangements.

**DECISION:**

- a) That the completed checklist at Appendix A be noted and actions be completed;
- b) That the Council's lead officer for Devolution be invited to attend a Committee meeting to provide a presentation on devolution; and
- c) That a report highlighting the potential starting points for the governance arrangements be presented to the Committee.

JK, KT, CM

**56. 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.

Members considered the report and the Work Programme and agreed all items on it were correct.

The Democratic Services Officer advised that a request had been made to organise a special meeting of the Governance and Audit Committee at the end of August / early September. The Chief Accountant explained that the Executive Director Commercialisation (S151) wanted to meet with the Committee in order to sign off the final accounts.

**DECISION:**

- a) That the report and content of the Work Programme be noted; and
- b) That a special meeting of the Governance and audit Committee be scheduled on Thursday 1 September 2016 at 6.30 pm.

CM, AT, KT

(The meeting ended at 8.53 pm)

(End of minutes)