

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 15 March 2018 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

Apologies for absence were received from or on behalf of Councillors M D Seymour.

In Attendance: J Cornett (Director, KPMG), H Brookes (Manager, KPMG), E Hodds (Head of Internal Audit, Eastern Internal Audit Services), the Executive Director Commercialisation (S151), the Business Intelligence Officer, the Business Intelligence Officer, the Democratic Services Officer and Councillor P Coupland.

35. DECLARATION OF INTERESTS

There were none.

36. MINUTES

AGREED:

- a) The minutes of the Governance and Audit Committee Meeting held on 14 December 2017 were signed by the Chairman as a correct record.
- b) The minutes of the Governance and Audit Committee Meeting held on 16 January 2018 were signed by the Chairman as a correct record.

37. QUARTERLY RISK REPORT Q3 2017/18

Consideration was given to the report of the Executive Director Strategy and Governance.

Officers stated that there were no significant changes that had occurred during the quarter in which the meeting took place.

It was noted that a new risk would be added to the risk report for the next meeting, this being the impact of the Homelessness Reduction Act.

Councillors asked if there were any issues with the collapse of companies such as Carillion, and issues at Capita. Officers

Action By

GOVERNANCE AND AUDIT COMMITTEE -
15 March 2018

answered in the negative.

Members wanted to know if the homelessness legislation was funded by central government. Officers did not know and agreed that this information would be sought and members advised in due course.

AGREED:

That the contents of the report be noted.

(Both Business Intelligence Officers left the meeting following discussion of this item.)

38. CERTIFICATION OF GRANTS AND RETURNS 2016/17

The report of the Head of Internal Audit had been considered at the meeting of the Governance and Audit Committee held on 14 December 2017. During that meeting issues were raised with outstanding items within the report. It was agreed that certain information within the report would be raised at this meeting to identify and update upon any items which remained outstanding on 14 December 2017.

Officers mentioned that what was attached were previous recommendations which had not yet been implemented

002A – HMO Licensing Policy

It was noted that work had been carried out on these policies. It was mentioned that officers wanted a comparison with policies at Boston Borough Council. Councillor Brewis mentioned that Boston Borough Council was not a Housing Landlord and that he was concerned by the fact that the comparison was not like for like. He felt that, as a Housing Landlord, South Holland District Council should be consulting an authority which was also a Housing Landlord. Officers responded that this issue was mainly based upon Houses in Multiple Occupation (HMOs) and that Boston Borough Council had significant experience with these. Officers stated that it was hoped that the comparison would be completed by the end of June 2018.

Members stated that the relevant officers should be expected to be in attendance at the next meeting that this topic was discussed at.

002C – HMO non licensable properties

GOVERNANCE AND AUDIT COMMITTEE -
15 March 2018

It was stated that this issue was now closed.

002E – HMO Procedures

It was stated that this issue was now closed.

002G – HMO Website

It was stated that this issue was now closed.

004A - Car Park Income Unders and Overs

Officers noted that new ticket machines had now been procured and changes were underway. Members wanted to know if data had ever been compared with other authorities who had abolished car parking charges. Officers replied that there appeared to be no correlation between a lack of parking charges and the success of a town centre.

Members felt that the new ticket machines were a good step forward.

Some members voiced concern with the potential fraud risk with card reading ticket machines. Officers responded that the machines were procured from a reputable source. Members reiterated that they meant after-purchase fraud on the machines. Officers stated that a degree of the onus was on the individual to be concerned about their own fiscal security.

Officers stated that they would generate an updated timeline for outstanding items.

AGREED:

- a) That the report be noted; and
- b) That officers would generate an updated timeline of completion for items which remained outstanding.

CM

39. EXTERNAL AUDIT PLAN 2017/18

Consideration was given to KPMG's External Audit Plan 2017/18, which was presented to the Committee by the Audit Manager, KPMG, who highlighted the following issues:

- Officers laid out the approach to the Authority's accounts and risks to them. It was stated that Materiality had been set at £1.1 million. KPMG officers stated that the reporting

GOVERNANCE AND AUDIT COMMITTEE -
15 March 2018

threshold was agreed at £55,000. However, it was mentioned that KPMG worked to a lower level than that.

- Officers stated that the Authority was the holder of £176.5 million worth of property, plant and equipment in total. It was mentioned that the risk to this laid in the fact that the valuations were only estimates.
- KPMG officers stated that the authority was in charge of £37.5 million worth of pensions liabilities. Again, the risk involved with this laid in the fact that this value was only an estimate.
- Other areas of audit focus- The timetable was advanced as a statutory issue. It was stated that the Authority was required to have draft accounts prepared by the end of May and the final accounts signed off by the end of July.
- Value for money arrangements – Risks relating to this were financial resilience and the robustness of medium term plans.
- The audit team at KPMG remained unchanged.
- Planned audit fee was £44,537

The following issues were raised:

- Councillors asked when the next revaluation of the pension scheme would be. It was confirmed that it would be in a further 2 years time.
- Councillors asked if there would be a rebalancing of the ratio of contributions to pensions between employers and employees. Officers responded that the Government had implemented changes to this recently.

AGREED:

That the report be noted.

(Cllr Foyster left the meeting during discussion of the above item).

40. CERTIFICATION OF GRANTS AND RETURNS 2016/17

Consideration was given to KPMG's Annual report on Grants and Returns 2016/17, which was presented to the Committee by the Audit Manager, KPMG. The following issues were raised:

GOVERNANCE AND AUDIT COMMITTEE -
15 March 2018

Final report of 2017/18

- With regard to the Housing benefit subsidy, officers stated that there would be 100% testing for this year in relation to 2 specific issues and 40+% testing in relation to 7 further issues.
- Officers stated that adjustments were made from the 100% testing resulting in a £305 rise in the claim.

Housing Pooling return:

- Officers advised that there was a small increase in the fee due to the complexity of the work.
- Members wanted to know if errors were down to human error and it was confirmed that this was the case.
- Members asked if changes to Universal Credit would affect the Council. Officers responded that it would depend upon circumstances, but that it was likely that the process would be simplified.
- Members asked what was being done to address the reduction in errors. Officers responded that there was no single remedy that could be implemented, but that the main contributors were staff training and an improvement in processes. It was also stated that, in the past, performance had been gauged by how many claims had been put through and not the quality of processing.
- Councillors wanted it noted how happy they were with the report and how good the news included was.

AGREED:

That the report be noted

41. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Consideration was given to the report of the Head of Internal Audit for South Holland District Council which examined the progress made between 1 December 2017 and 28 February 2018 in relation to the completion of the Annual Internal Audit Plan for 2017/18. The following issues were raised:

- It was mentioned that the Place review had meant that the

GOVERNANCE AND AUDIT COMMITTEE -
15 March 2018

Housing department had faced a large overhaul, which resulted in the Housing audit being an advisory review. This would then inform the audit scope for this area in 2018/19.

- It was stated that with regard to Procurement and Contract Management, new staff were in place and that an audit would be undertaken early in 2018/19.
- With regard to IT audits – It was confirmed that 2 audits were underway at the time of the meeting and would be presented in the next Progress Report on Internal Audit. CM
- It was confirmed that the priority one recommendations made in the audits of Section 106 Agreements and Asset Management were due to be completed by the end of June, Officers mentioned that they would get an update prepared for the end of the financial year. In relation to the priority one recommendation made in the Environmental Protection audit this had now been completed. CM

Officers mentioned that the Compass Point Business Services' audits were all already at or near the draft stage.

Members raised the following issues:

- Members questioned whether Section 106s could be variable. Officers responded that they needed to be unified.
- Members asked if tenancy agreements that expired should be put on new tenancies. Officers responded that this was expected and down to relevant officers to progress.
- Members questioned when the Authority would look at rent free periods? Officers responded that some new housing stock was due to come onto the market and therefore the Council may wish to offer this on those properties to encourage businesses into the area.
- Members questioned Issues to be addressed in the Assurance Review of Environmental Protection and wanted to know if permits that were invalid had been issued, officers confirmed that this had happened and also that work was being done to resolve this.
- Members questioned Appendix 3 to the report with specific reference to item 9 'Percentage of recommendations accepted by management', wanting to know the background of the fact that the percentage of recommendations being agreed by

GOVERNANCE AND AUDIT COMMITTEE -

15 March 2018

management was only 90% - Officers stated that this was a recognition of the fact that this is not a 'perfect world' and this was a target, actual performance would be reported as part of the Annual Report and Opinion to be provided in June.

AGREED:

That the members note the progress to date with the Internal Audit Plan of work for 2017/18.

42. STRATEGIC AND ANNUAL INTERNAL AUDIT PLANS 2018/19

Consideration was given to the report of the Head of Internal Audit which provided an overview of the stages followed prior to the formulation of the Strategic Internal Audit Plan for 2018/19 to 2020/21 and the Annual Internal Audit Plan for 2018/19. The report would then serve as the work programme for the Council's Internal Audit Services Contractor ; TIAA Ltd. It would also provide the basis for the Annual Audit Opinion on the overall adequacy and effectiveness of South Holland District Council's framework of governance, risk management and control.

It was noted that the Key Audits were; GDPR, Procurement and Contract Management and Compass Point Budget Management.

It was further noted that time was being given to the relevant team to progress asset management recommendations, as a limited assurance was concluded, and that the area would be revisited in quarter two of 2018/19.

Regarding Food Health and Safety, members questioned whether roadside cafés' were regulated. Officers responded that these would be looked at on a risk basis by the team and that this could form part of the internal audit review.

It was stated that the progress of Leisure Procurement would be examined, with particular attention paid to the service areas readiness for the new contract.

AGREED:

That the Committee notes and approves:

- a) The Internal Audit Strategy for 2018/19;
- b) The Strategic Internal Audit Plans 2018/19 to 2020/21;
and

GOVERNANCE AND AUDIT COMMITTEE -
15 March 2018

c) The Annual Internal Audit Plan 2018/19.

43. AUDIT MANDATORY INQUIRIES

Consideration was given to the report of the Executive Director – Commercialisation (S151) which confirmed the response to the External Audit Mandatory Inquiries.

Members were unhappy the wording in the comments section of the report relating to the second fraud inquiry in the report sounded wrong. Officers agreed to make changes and improvements to the wording.

ES

AGREED:

To approve the response to the External Audit Mandatory Inquiries.

44. 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 schedule of meetings for 2018/19 was now available, and dates for Governance and Audit meetings had been added to the Work Programme. Regular items had been transferred from the 2017/18 municipal year to the appropriate meeting dates for the new municipal year. Contributors were requested to confirm that the reports, and the meeting dates on which they were to be reported, were correct.

DECISION

That the report be noted

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

Members asked for clarification on the viability of investment in Quatari banks. Officers responded that any investments were in line with the Authority's relevant policies. Due to the political sensitivity of investing in such governments, there were currently no investments in Quatari banks.

It was noted that the Authority was already investing in local authorities and returns were good.

GOVERNANCE AND AUDIT COMMITTEE -
15 March 2018

Members asked, with regard to Welland Homes, if money was being invested into Welland Homes housing. Officers responded that there were large amounts of investment in this area. It was noted that investment income was substantially better than it was in the previous year..

(The meeting ended at 7.48 pm)

(End of minutes)