

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 14 March 2019 at 6.30 pm.

PRESENT

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

D Ashby
C J T H Brewis

P C Foyster
A Harrison

M D Seymour

In Attendance: E Hodds (Head of Internal Audit), F Haywood (Internal Audit Manager, Eastern Internal Audit Services), A Riglar (Manager - Government and Public Sector, UK&I Assurance - Ernst & Young), the Strategic Finance and Compliance Manager, the Senior Business Intelligence Officer, the Financial Control Manager and the Democratic Services Officer.

39. DECLARATION OF INTERESTS

There were no declarations of interest.

40. MINUTES

The minutes of the meeting of the Governance and Audit Committee held on 17 January 2019 were signed by the Chairman as a correct record.

41. QUARTER 3 2018-19 RISK REPORT

Consideration was given to the report of the Executive Director Strategy and Governance which provided an update to the Committee on the progress of the Council's identified strategic risks.

The Committee noted the following:

Although the number of risks had remained static in each category, there had been some positive movement within. For the third consecutive month, there had been no risks identified as high. Of the 15 strategic risks, 13 were medium and 2 were low.

Of those considered a medium risk, there had been a positive movement for the following:

- The risk relating to the Council's implementation of the GDPR regulations had reduced as a result of the successful

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completion of the Privacy Notices and development of the Asset Registers.

- There had been a reduction in the risk relating to staff recruitment and retention – Quarter 3 saw the lowest number of officers leaving the council in a single quarter, and staff recruitment continued to improve.
- The risk relating to the Council's ability to deliver both the financial and non-financial outcomes of Welland Homes business plan had reduced, as the plan was now half way through its lifespan.
- The risk which monitored the Council's reliance on maximising income from trading opportunities had also been reduced in the last quarter due to the growing presence of EHT&C.

The remaining risks, although reviewed remained static from Quarter 2. These included – the Council's medium term financial plan, including the uncertainty surrounding the future of the Government's Settlement Funding; the risk relating to the impact on the Council of the Homelessness Reduction Act; and the risk of a critical breach of ICT security.

Following consideration of the report, the following issues were raised:

- The information provided within the quarterly Risk Report would always be past information. What would happen if an issue moved to 'high' after that date, but before the Committee considered the next report?
 - The Authority had now adopted a business partner approach and were meeting with services on a monthly basis. In addition, the Performance and Risk Board met on a monthly basis. If the issue was particularly serious, the Chairman of the Committee would be contacted. It was confirmed that a governance process was in place to address issues arising. Officers advised that the scenario raised by members would be considered at the next meeting of the Performance and Risk Board and that the Committee would be provided with a robust response in due course.
- What were the risks of the Funding Review being postponed?
 - Members were advised that 2019/20 was the final

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outcome currently, but SHDC was in a strong position to respond. Officers confirmed that Councillor Brewis would be provided with a copy of the Authority's response to the consultation.

- Members commented that the proposed new Strategic Risk – 'The impact on the Council of emerging local and national policy, including Brexit' was very broad. Where would responsibility for this sit and how would it be broken down?
 - Members were advised that the Senior Policy Advisor would regularly scan any future local and national policy and consider how it would affect South Holland. The information would be reported within the Risk Report.

AGREED:

- a) That the content of the report be noted; and
- b) That the following strategic risk be added to the register:
 - The impact on the Council of emerging local and national policy, including Brexit.

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42. EXTERNAL AUDIT PLAN

Consideration was given to the 2018/19 Audit Plan of the External Auditor, Ernst and Young.

The Audit Plan set out how the Auditor intended to carry out its responsibilities as auditor. Its purpose was to provide the Committee with a basis to review their proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It was also to ensure that the audit was aligned with the Committee's service expectations.

The plan summarised Ernst and Young's initial assessment of the key risks driving the development of an effective audit for the Council, and outlined the planned audit strategy in response to those risks.

Members' attention was drawn to the following key messages – Audit risks and areas of focus (page 35 of the agenda); Value for Money Risks (page 44 of the agenda; Audit materiality (page 46

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of the agenda); and Scope of the audit (page 50 of the agenda). The Committee was advised that this last section of the plan (Scope of the audit) may need updating once the previous auditor file review was complete.

The Committee considered the report and the following points were made:

- It was stated that the Government required that the IDB precept be included within the Authority's expenditure. Members advised that the Authority was merely the collector of the precept and that by including it within its expenditure, this was not clear.
 - Officers responded that the profile of this issue needed to be raised at a national level.

AGREED:

That the report be noted.

43. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

Consideration was given to the report of the Head of Internal Audit which examined the progress made between 7 January 2019 and 4 March 2019, in relation to the completion of the internal audit plan of work for 2018/19.

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 the 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

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

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During the period covered by the report, Internal Audit Services had issued four final reports – Building Control (Substantial Assurance); Procurement and Contract Management (Limited Assurance); GDPR Corporate Governance (Reasonable Assurance); and Leisure (Substantial Assurance).

Members considered the information, and the following issues were raised:

- Members requested some additional commentary on the progress of recommendations contained within the limited Procurement and Contract Management report for the next committee meeting.

AGREED:

That the report be noted.

**44. 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 the progress made by management in implementing agreed Internal Audit recommendations as at 28 February 2019.

In 2017/18, a total of 85 recommendations were raised by both internal audit providers. Of those, 68 had been implemented by management, 14 were outstanding (9 urgent and 5 important). A total of 3 recommendations (2 urgent and 1 important) were not yet due. The management responses in relation to the outstanding urgent and important outstanding recommendations could be seen at Appendix 2 of the report. In addition, 22 advisory points were raised for CPBS audits and whilst they were not formal recommendations to be followed up, it was expected that they would be addressed in due course and that progress would be reviewed.

Members were updated on progress with the limited and no assurance conclusions:

- The internal audit review of Asset Management concluded with a limited assurance, 4 recommendations including 3 of urgent priority remained overdue.
- The internal audit review of the Revenues Service concluded with a limited assurance and a total of 5 recommendations were raised, 4 of which were now complete and 1 urgent

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recommendation was now overdue. The deadline had been further extended until 29 March 2019.

- The internal audit review of the Payroll service concluded in a limited assurance and a total of 7 recommendations were raised, 4 of which were now complete, 2 urgent recommendations were now overdue. The deadline had been revised to 31 March 2019.
- The internal audit review of the Accounts Receivable service concluded with no assurance and a total of 10 recommendations were raised, 6 of them now confirmed as complete. One urgent recommendation was not yet due, and 2 urgent recommendations continued to be overdue. One important recommendation remained overdue and further extensions had been agreed.

Members were reminded that a position statement on outstanding recommendations within Asset Management had been provided at the last meeting, and that more information would be provided at the next meeting.

With regard to the authorisation matrix, the Financial Control Manager reported that work on this outstanding recommendation was ongoing, and that the deadline had been extended a few times, due to the nature of the matrix. Officers were working hard to ensure this work progressed in line with the new deadline. She had very recently reviewed this, and very good progress was being made. It was hoped to have this completed by 31 March 2019. She also advised that CPBS was looking at a new finance system with the requirement of having the matrix integrated within it, rather than controls being manually applied, as was currently the case

AGREED:

That the report be noted.

45. STRATEGIC AND ANNUAL INTERNAL AUDIT PLAN 2019/20

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 2019/20 to 2021/22 and the Annual Internal Audit Plan for 2019/20. The Annual Internal Audit Plan would 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.

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Details of the Annual Internal Audit Plan were detailed within Appendix 4 of the report.

AGREED:

That the Committee note and approve:

- a) The Internal Audit Charter
- b) The Internal Audit Strategy for 2019/20
- c) The Strategic Internal Audit Plans 2019/20 to 2021/22; and
- d) The Internal Audit Plan 2019/20

46. FINANCIAL STATEMENTS 2018/19 - ACCOUNTING POLICIES

Consideration was given to the report of the Executive Director Commercialisation (S151) which asked the Committee to review and agree the Accounting Policies for inclusion in the Financial Statements 2018/19.

Within the Financial Statements, the Council disclosed the accounting policies it had applied to all material balances and transactions. Unless there were major changes to accounting rules and regulations, accounting policies did not change significantly between years, which enabled the Statements to be comparable from one year to the next.

The report presented the proposed accounting policies to be adopted for the 2018/19 financial year. The policies were prepared in line with CIPFA's Code of Practice on Local Authority Accounting 2018/19 (the Code).

It was good practice to consider and agree the accounting policies in advance of the production and approval of the draft accounts – this report would therefore become an annual review by the Governance and Audit Committee.

The majority of the accounting policies detailed within Appendix A to the report had not changed from 2017/18, and the main changes were detailed within section 1.5 of the report.

AGREED:

That the Accounting Policies for 2018/19, attached as Appendix A to the report, be agreed.

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47. 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 2019/20 was now available, and dates for future Governance and Audit Committee meetings had been added to the Work Programme. Regular items had been transferred from the 2018/19 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 there were to be reported, were correct.

With regard to the quarterly Local Government Audit Committee Briefings from Ernst and Young, not all reports tied in with the meeting schedule. Where this was the case, it would be circulated to Committee members outside of the meeting.

AGREED:

That the report be noted.

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

There were none.

(The meeting ended at 7.45 pm)

(End of minutes)