

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 16 January 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

In Attendance: A R Riglar (Ernst & Young), F Haywood (Internal Audit Manager, Eastern Internal Audit Services), the Executive Director Commercialisation (S151), the Strategic Finance and Compliance Manager, the Finance Manager Treasury, the Head of Finance, the Finance Control Manager, the Housing Landlord Services Manager and the Democratic Services Officer.

In attendance: Councillor P Coupland and The Press

Action By

**29. DECLARATION OF INTERESTS**

With regard to agenda item 4 (ISA 260 Report 2018/19), the following Declarations of Interest were received:

- Councillors Sneath and Coupland informed the Committee that they did not have a Disclosable Pecuniary Interest, but in the interest of transparency, they wished to declare that they were Directors of Welland Homes.

With regard to agenda item 6 (Grant Claims 2018/19), the following Declaration of Interest was received:

- Councillor Newton informed the Committee that she did not have a Disclosable Pecuniary Interest, but in the interest of transparency, she wished to declare that she was a Director of PSPS.

**30. MINUTES**

At the first bullet point within minute number 27 (Quarter 2 2019-20 Risk Report), it was stated that the first word 'Member' should be 'Officer', and that the sentence should therefore read 'Officers commented that the Business Continuity Plan had been signed off at the last meeting, but that it was not available on the website'.

The minutes of the meeting of the Governance and Audit Committee held on 14 November 2019 were signed by the Chairman as a correct record.

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**31. ISA 260 REPORT 2018/19**

Consideration was given to Ernst and Young's report to those charged with governance (ISA260) for 2018/19. The report summarised the Auditor's preliminary audit conclusion in relation to the audit of South Holland District Council for 2018/19.

The report had been substantially completed and, subject to concluding the outstanding matters listed under 'Status of the audit' within the Executive Summary to the report, Ernst and Young expected to issue an unqualified audit opinion on the financial statements in the form at Section 3. There were also no matters to report on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources.

**AGREED:**

That the ISA 260 Report for 2018/19 be noted.

**32. ANNUAL GOVERNANCE STATEMENT AND AUDITED 2018/19 FINANCIAL STATEMENTS**

Consideration was given to the report of the Executive Director Commercialisation (S151 Officer) which sought approval for the Annual governance Statement for inclusion with the Council's published Financial Statements, and approval of the Audited Financial Statements 2018/19 for publication.

It was noted that this report should have been presented to the Committee in June/July the previous year however, due to the issues with completion of the external audit, as noted at previous meetings, this had not been possible. This delay was not unique to South Holland District Council, and all other authorities were in the same position.

Members asked whether the next audit would be completed more promptly. The officer from EY stated the issues faced that had resulted in the delay were not specific to them, as this was an industry-wide problem. Although there was a statutory requirement to publish the financial statements by 31 July, they did not need to be audited by this date. Members wished it to be recorded that they were not happy with the delay.

**AGREED:**

- a) That the Financial Statements 2018/19, taking note of the adjustments made in the redrafted financial statement

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(Appendix A) be approved;

- b) That the Section 151 Officer be authorised to approve any amendments, if required, after the committee date and prior to the official signing of the Accounts;
- c) That the Annual Governance Statement 2018/19 be approved; and
- d) That the Letter of Representation at Appendix B to the report be signed by the Section 151 Officer and the Chairman of the Governance and Audit Committee, on the Committee's behalf.

(Councillor Redgate joined the meeting during discussion of the above item.)

(The Finance Control Manager and the Manager - Government and Public Sector, UK&I Assurance – Ernst and Young) left the meeting following discussion of the above item.)

**33. GRANT CLAIMS 2018/19**

Consideration was given to the report for the Housing Benefit Subsidy claim form for the year ended 31 March 2019. The report was produced by KPMG, who continued to the auditor for the subsidy.

Members questioned whether the sampling error rate, in excess of 10%, was acceptable, and what action plan was to be put in place. Officers advised that they would liaise with KPMG regarding this, and that they be requested to attend the next meeting to provide this information. A response on processing issues would also be sought from PSPS, as part of the full response, along with data on how sampling was undertaken, which would assist members in understanding the issue.

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**AGREED:**

- a) That the Grant Claims 2018/19 report, provided by KPMG be noted; and
- b) That members questions regarding sampling error rate be addressed at the next meeting of the Committee, as discussed.

**34. TREASURY MANAGEMENT STRATEGY STATEMENT, MINIMUM REVENUE PROVISION POLICY STATEMENT AND ANNUAL INVESTMENT STRATEGY 2020/21**

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Consideration was given to the report of the Portfolio Holder for Finance and the Executive Director Commercialisation (\$151) which provided pre-decision scrutiny to the strategy being proposed.

CIPFA defined Treasury Management as: 'The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks'.

The Council was required to set out its Treasury Management Strategy Statement, Minimum Revenue Provision Policy and Annual Investment Strategy for the forthcoming year. These outlined the Council's strategy for borrowing and its policies for managing its investments and for giving priority to the security and liquidity of those investments. The Authority's strategy statements for 2020/21 were attached at Appendix B to the report. The strategy statements covered:

- Reporting requirements
- Capital prudential indicators 2020/21 to 2023/24
- The borrowing requirement
- The MRP policy
- The use of the Council's resources and the investment position
- Prudential and Treasury Indicators
- Treasury limits in force which would limit the treasury risk and activities of the Council
- Prospects for interest rates
- The borrowing strategy
- Policy on borrowing in advance of need
- Debt rescheduling
- The investment policy
- Creditworthiness policy
- Country limits
- Investment strategy

Members considered the information within the report, which was explained in further detail by the Finance Manager Treasury (PSPSL).

There was some discussion regarding predictions, what the impact would be on the expected return on investments, and how quickly this could be changed? Officers responded that if there was sufficient time prior to Council Tax setting report, any

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changes would be made. Once the Council Tax had been set, returns on council money would be monitored, with a profile of expected returns, and this would be reported back to the Committee as part of its monitoring report.

**AGREED:**

That the report be noted.

**35. AUDIT PLAN PROGRESS REPORT 2019-20**

Consideration was given to the report of the Head of Internal Audit, which examined the progress made between 5 November 2019 and 6 January 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

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.

Since the last report to the Committee in November 2019, there had been no significant changes to the Annual Internal Audit Plan, agreed in March 2019.

During the period covered by the report, Internal Audit Services had issued one final report – Corporate Performance (Reasonable).

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That the report be noted.

**36. 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 6 January 2020.

In 2017/18, a total of 85 recommendations were raised by both internal audit providers. Of those, 81 had been implemented by management, 4 were outstanding (1 urgent and 3 important). The management responses in relation to the outstanding urgent and important outstanding recommendations could be seen in Appendix 2 of the report.

In 2018/19, a total of 76 recommendations had been raised by both internal audit providers. Of these, 56 had been completed and 11 (1 urgent, 4 important and 6 needing attention) were overdue. A total of 9 recommendations were not yet due. The management responses in relation to the outstanding important recommendations could be seen in Appendix 3 of the report.

In 2019/20, a total of 42 recommendations had been raised so far. Of these, 15 had been completed and 3 were outstanding (1 urgent, 2 needing attention). A total of 24 were not yet due.

At the last meeting, auditors had suggested that the Committee may wish to consider any areas that had urgent recommendations that had been outstanding for some time, by requesting that relevant managers be invited to the next meeting of the Committee. In this respect, the Housing Landlord Manager was in attendance to provide an update on work that was being undertaken to address the recommendations within the Private Sector Housing audit. The main points were:

- A number of urgent outstanding actions had been completed. Two areas of work were being focusing on to bring forward and conclude – 1) there were a number of policy recommendations (e.g. empty homes, financial assistance, home improvement loans) to be brought forward over next few months; and 2) there were a number of system upgrade changes to be undertaken.
- Work was underway to build the system into the servers – the initial testing phase would take place soon, with first tranche of work online in early February.

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With regard to the Asset Management action regarding leases, originally to be reviewed by October 2019, with a revised date of March 2020, members asked whether this new target would be met. Officers responded that it was likely that this target would be met, and that this should be reflected within the follow up report to the next committee. Officers were liaising regularly with the department and were satisfied at the progress being made.

**AGREED:**

That the information detailed within the report be noted.

**37. GOVERNANCE AND AUDIT COMMITTEE SELF ASSESSMENT**

The Committee noted that the Chartered Institute for Public Finance and Accountancy (CIPFA) document on “audit committees – practical guidance for local authorities and police” set out the guidance on the function and operation of audit committees. It represented CIPFA’s view of best practice and incorporated the position statement previously issued. The guidance stated “the purpose of an audit committee is to provide those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes”.

The Section 151 Officer had overarching responsibility for discharging the requirement for sound financial management, and to be truly effective required an audit committee to provide support and challenge.

Good audit committees were characterised by; balanced, objective, independent knowledgeable and properly trained Members, a membership that was supportive of good governance principles, a strong independently minded chair, an unbiased attitude and the ability to challenge when required.

It was therefore good practice for audit committees to complete a regular self-assessment exercise against a checklist, to be satisfied that the Committee is performing effectively.

In addition, the Public Sector Internal Audit Standards also called for the audit committee to assess their remit and effectiveness, in relation to Purpose, Authority and Responsibility, to facilitate the work of the Committee. The Committee carried out self-assessment exercises on a regular basis.

After the Committee meeting held on 14 November 2019, the

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Chair and Vice Chair of the Committee carried out a self-assessment, facilitated by the Internal Audit Manager. The results of this were provided in Appendix 1 to the report, and the Committee was invited to consider the information, and the following points were raised:

- Was the role and purpose of the audit committee understood and accepted across the authority?
  - It was felt that more could be done in this area, and that training could help.
- Had the membership of the committee been assessed against the core knowledge and skills framework and found to be satisfactory? How could this position be met?
  - Auditors responded that this concerned knowledge and understanding of the Council and how it operated. Information could be circulated to members to provide support in this area.
- Did the Committee report directly to the full authority?
  - Members were advised that annual report. on the work of the Committee had been produced for a number of years, and that this was presented to a meeting of full Council.
- With regard to question 9 – 'has the audit committee considered the wider areas identified in CIPFA's position statement and whether it would be appropriate for the committee to undertake them?', was this question appropriate, and was there training regarding this area that the Committee would benefit from?
  - Auditors responded that there were some areas that the Committee was not required to undertake. Information could be sent to the Committee which would be of use – 1) CIPFA Position Statement on Audit Committees; and 2) Knowledge and Skills Matrix.

### **AGREED:**

That the information detailed within the report be noted.

## **38. 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.



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**AGREED:**

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

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

There were no urgent items.

(The meeting ended at 5.20 pm)

(End of minutes)