

Minutes of a meeting of the **GOVERNANCE AND AUDIT COMMITTEE** held in the Meeting Room 1, Council Offices, Priory Road, Spalding, on Thursday, 12 March 2020 at 4.00 pm.

PRESENT

E J Sneath (Chairman)

C J T H Brewis

M D Seymour

S C Walsh

Apologies for absence were received from or on behalf of Councillors A M Newton, P A Redgate and J L Reynolds, and Alison Riglar (Ernst & Young)

In Attendance: F Haywood (Internal Audit Manager, Eastern Internal Audit Services), the Strategic Finance and Compliance Manager, the Corporate Improvement and Performance Manager, the Finance Control Manager, the Business Intelligence Officer and the Democratic Services Officer.

40. DECLARATION OF INTERESTS

Councillor Sneath 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 Welland Homes, should any information regarding the company be discussed during the meeting.

41. MINUTES

The minutes of the meeting of the Governance and Audit Committee held on 16 January 2020 were signed by the Chairman as a correct record.

The Chairman asked whether it would be possible to have an additional, non-Councillor member on the Governance and Audit Committee, to provide additional experience. Officers stated that they would look into whether this could be done, and would provide feedback in due course.

42. EXTERNAL AUDIT - ANNUAL AUDIT LETTER

The external auditors, Ernst and Young gave their apologies for not attending, and also advised that they would not attend as many meetings of the Governance and Audit Committee due to work constraints.

In their absence, the Strategic Finance and Compliance Manager provided an update of the current situation.

Action By

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The 2018/19 Annual Audit Letter summarised the key messages from the audit and was a public facing document which the Council were required to publish on their website. All of these messages were reported in the Audit Results Report at the meeting of the Committee on 16 January 2020 and there was therefore no new information. The auditors confirmed that, following the last meeting of the Governance and Audit Committee, the audit opinion and certificate were issued on 28 February 2020.

The Strategic Finance and Compliance Manager provided a further update, advising that the 2018/19 accounts had now been signed and closed, and work was now being undertaken to start work on the 2019/20 accounts and close down.

At the last meeting, the Committee had asked that an update be provided from KPMG on the error rate on grant claims. The Strategic Finance and Compliance Manager advised that she would circulate the update to members of the Committee.

Members noted the contents of the report, and thanked staff for their work in what had been a difficult year.

AGREED:

That the External Audit Annual Audit Letter 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 6 January 2020 and 2 March 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:

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- 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 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.

Since the last report to the Committee in January 2020, 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 – Markets (Limited Assurance). The recommendations raised related to key procedures with regard to cash, banking and income and that a strategic review of all the council's markets be undertaken to determine their viability in terms of demand and cost benefits. The deadlines for these areas went some way into the future and would therefore remain on the follow-up report for some time.

Members stated that the markets were important to the towns in the area, and that it was important to work with market stall holders to ensure a consistent message. The auditor responded that the Council saw this as a clear objective, which it wished to take forward.

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 2 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.

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In 2018/19, a total of 76 recommendations were raised by both internal audit providers. Of those, 58 had been completed and 9 (one urgent, three important and five needing attention) were overdue. A total of nine recommendations were not yet due. 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 46 recommendations had been so far raised. Of these, 19 had been completed, seven were outstanding (two urgent and five needing attention). A total of 20 were not yet due.

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

- The Internal Audit Manager commented that, although she regularly attended performance, risk and audit meetings, and worked with officers, there were some historical outstanding actions that had to be addressed, as these could have an impact on an audit opinion.
- Members commented that where important deadlines were set, managers had to be aware that they should be met, and that extensions should only be sanctioned for valid reasons.
- The Internal Audit Manager sought the Committee's support in monitoring the situation, and requesting that officers attend future meetings to explain why deadlines had not been met. Members agreed that they would support this.
- The Corporate Improvement and Performance Manager also stated that lack of feedback was a frustration for himself and the auditor. If an officer felt that no further action was required in a particular area, a rationale for this had to be provided.
- The Committee agreed that the Internal Audit Manager and the Corporate Improvement and Performance Manager should identify any areas where deadlines were not being met, and that relevant officers be encouraged to address the situation.

AGREED:

- a) That the information detailed within the report be noted;
- b) That the Internal Audit Manager and the Corporate Improvement and Performance Manager identify any areas where deadlines were not being met, and that relevant officers be encouraged to address the situation; and
- c) That where any future areas of non-performance were identified, relevant officers be requested to attend a meeting of the Governance and Audit Committee to explain reasons why deadlines were not being met.

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45. STRATEGIC AND ANNUAL AUDIT PLAN 2020/21

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 2020/21 to 2022/23 and the Annual Internal Audit Plan for 2020/21.

The Internal Audit Plan provided 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.

The Strategic and Annual Internal Audit Plan 2020/21 was attached as an appendix to the report.

Members considered the report and the following issues were raised:

- In light of the COVID-19 health emergency, what work was being undertaken with regard to Business Continuity and Emergency Planning?
 - The Internal Audit Manager commented that work around modelling and testing had to be undertaken, and that this was a key action point.
 - The Corporate Improvement and Performance Manager stated that there would be a number of exercises undertaken to test plans, and change if necessary.
- Members asked what the position was with regard to markets and car parks.
 - The Internal Audit Manager advised that an audit had already taken place of markets, and that an audit of car parks would be reported at the next meeting. Recommendations from the audit of markets would need to be followed up in line with the usual process.
- Members asked why there had been delays in the implementation of Office 365.
 - The Internal Audit Manager advised that the implementation had been found to be more complex than originally anticipated. However, the auditors were receiving regular programme updates with regard to the roll out, and they had been assured that it would be ready to review next year.

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AGREED:

That the Committee note and approve:

- a) The Internal Audit Strategy for 2020/21
- b) The Strategic Internal Audit Plans 2020/21 to 2022/23; and
- c) The Annual Internal Audit Plan 2020/21

46. FINANCIAL STATEMENTS 2019/20 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 Statement 2019/20.

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 2019/20 financial year. The policies were prepared in line with CIPFA's Code of Practice on Local Authority Accounting 2019/20 (the Code).

It was good practice to consider and agree the accounting policies in advance of the production and approval of the draft accounts, and the report formed 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 2018/19, the only change being:

- Note 15. Investment Property – updated to clarify that assets were only moved into or out of the Investment Property classifications when there was evidence of a change of use.

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

- Was the Authority in a position to react quickly, due to the current period of volatility.
 - The Strategic Finance and Compliance Manager advised that the Authority had no investments in

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stocks and shares, all were cash investments with some liquid deposits, and a spread of investments.

- Did the Authority have sufficient resilience if there was a drop in interest rates?
 - The Strategic Finance and Compliance Manager advised that profiling of this scenario was being undertaken, and that mitigation would be to look to lend money to other authorities, as this provided a better rate of interest.
- Members asked if the accounting policy was produced every year and officers responded that it was, and this year with only a small change. It was requested that, in future years, if there was only a small change, that this be identified.

AGREED:

That the Accounting Policies for 2019/20, attached as Appendix A to the report, be agreed.

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 2020/21 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 2019/20 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.

- Members questioned whether further training for the Committee was being considered, consideration.
 - Officers responded that the internal auditor had provided audit and internal audit training in June 2019. The next planned training would cover local government statements of accounts, and what areas of the accounts should be scrutinised. The training would provide assistance to the Committee in this function, and would be available to only Governance and Audit Committee members. The Strategic Finance and Compliance Manager would liaise with relevant providers and then provide the committee with available

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dates.

AGREED:

- a) That the report be noted; and
- b) That the committee be provided with dates, in due course, for training on local government statements of accounts.

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

There were none.

49. QUARTER 3 2019-20 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.

There were 18 strategic risks included within the Q3 19/20 Risk Report, the same as at the end of Q2 19/20. The level of identified risk at Q3 was 2 high risk, 16 medium risk and 0 low risk.

It was noted that the risk relating to the impact to the Council following the introduction of the Homelessness Reduction Act had been downgraded. In addition, the risk which specifically measured the total spend of temporary accommodation, and the impact that this could have on the Council, had remained static for the quarter.

Further to the quarter 2 report, officers were liaising closely with the Human Resources department to maintain a watching brief of the National Pay Claim.

Following the adoption of the refreshed Corporate Plan, a wholesale review of both strategic and operational risk would be undertaken, and it was proposed that this would be brought to the Governance and Audit Committee within the Q4 19/20 Risk Report.

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

- The Corporate Improvement and Enforcement Office provided further information regarding risks around the COVID-19

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pandemic:

- With regard to financial matters, consideration needed to be given to the impact, and to introducing mitigating solutions.
 - Consideration was being given to how it would affect local residents, local businesses and the economy.
 - Risks were moving very quickly and were being updated on a daily basis.
 - The Authority was liaising with partner organisations.
 - The Authority was in a fortunate situation as its disaster recovery had been tested in a number of instances.
 - Consideration was being given to which services provided by the Authority were vital and had to be legally provided.
- Members commented that good advice was being provided for the Authority's staff.

Members were also advised of the following:

- Although The 'Impact of Homeless Reduction Act' risk was showing as high, good results were now being seen. The result had been a reduction of 90% on the spend for temporary accommodation, and the team were to be congratulated for this.
- The new Corporate Plan had now been approved, and new risks were being assessed, which would be introduced in the next quarter.

AGREED:

That the content of the report be noted.

50. 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.

51. QUARTER 3 2019-20 RISK REPORT

The Committee considered the exempt information provided within the appendix to the Quarter 3 19/20 Risk Report.

Officers advised that the issue detailed within the exempt

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appendix, whilst still a risk, continued to be reviewed

(The meeting ended at 5.10 pm)

(End of minutes)