

MINUTES

GOVERNANCE AND AUDIT
COMMITTEE
THURSDAY, 14 MARCH 2013



COMMITTEE MEMBERS PRESENT

Councillor Bob Adams
Councillor Jean Bevan (Vice-Chairman)
Councillor Reginald Howard
Councillor Trevor Scott

Councillor Rob Shorrocks
Councillor Ian Stokes (Chairman)
Councillor Rosemary H Woolley

OFFICERS

Strategic Director (Tracey Blackwell)
Head of Finance (Richard Wyles)
Waste and Recycling Service Manager
(Pat Swinton)
Finance Support Manager (David Scott)
Senior Accountant (Gillian Goddard)
Governance and Risk Officer (Tracey
Elliott)
Principal Democracy Officer (Jo Toomey)

Mike Norman – KPMG
Colin Roxburgh – RSM Tenon

47. MEMBERSHIP

The Committee was notified that Councillor Adams would be substituting for Councillor Wilkins and that Councillor Howard would be substituting for Councillor Thompson for this meeting only.

48. APOLOGIES

An apology for absence was received from Tony Crawley from KPMG.

49. DISCLOSURE OF INTERESTS

No interests were disclosed.

50. MINUTES OF THE MEETING HELD ON 6 DECEMBER 2012

The minutes of the meeting held on 6 December 2012 were approved as a correct record.

51. UPDATES FROM PREVIOUS MEETING

Councillors noted the press release (circulated with the agenda) produced at the Committee's request summarising key comments from the Annual Audit Letter.

52. AUDIT OF REFUSE COLLECTION (INCLUDING BULKY WASTE)

It was resolved that:

EXCLUSION OF THE PUBLIC

In accordance with Section 100A of the Local Government Act 1972, it was resolved that the public be excluded because of the likelihood in view of the nature of the business to be transacted that if members of the public were present there would be disclosure to them of exempt information as defined in paragraph 3 the Act.

There were no members of the press and public at the meeting.

The Committee was provided with a report on the high risk recommendations relating to the audit of refuse collection (including bulky waste), this was attached to the internal audit progress report as an exempt appendix. It outlined the recommendations and the agreed actions. Officers reassured members that the recommendations were being implemented. Colin Roxburgh from the Council's internal auditor explained that a follow-up report providing updates on the recommendations would be presented to the next meeting of the Committee (June 2013). Members briefly discussed the report and looked forward to receiving the update.

The meeting returned into public session.

53. ANNUAL AUDIT AND INSPECTION PLAN

Mike Norman from KPMG, the Council's external auditor, summarised the annual audit and inspection plan report, which included:

- Headline messages, which focused on key risks identified for the financial statements audit
- The methodology and timeline for the audit of financial statements
- The approach that would be taken to assess value for money
- Information on the audit team, including proposed deliverables, timescales and the fee for audit work.

- Appendix 1 to the report provided details of the objectivity requirements and appendix 2 provided information on quality assurance and technical capacity.

In his response to a question on any changes to audit fees, Mr Norman advised that the Committee would be made aware of any concerns or risks that could result in the council exceeding the allocation of time on which the fee was based. He further stated that the fee would only be finalised on completion of the work. A mid-term update would be provided to the Committee at its meeting in June 2013. Reference was also made to the use of off-shore audit resources. The Committee noted the report.

54. CERTIFICATION OF GRANTS AND RETURNS 2011/12

The Committee was given a summary of the KPMG report on the certification of grants and returns for 2011/12.

- For 2011/12, four grants and returns were certified to a total value of £82.7m.
- An unqualified certificate had been issued for all grants and returns. In 2010/11 the claim in respect of housing benefit was qualified; external audit noted this had not recurred in 2012/13.
- A number of minor adjustments were made to the housing benefit and council tax benefit subsidy claim which reduced subsidy by £434. This was recognised as a significant achievement for the Council, which demonstrated it maintained robust arrangements for preparing claims and returns.
- The Council was recognised as having good arrangements for preparing its grants and returns and supporting certification work, consequently no recommendations for improvement were made.
- The overall fee for the certification of grants and returns was contained within the original estimate.

The Committee agreed to accept the report.

55. PROPOSED STRATEGY FOR INTERNAL AUDIT 2013/14

Mr Roxburgh from RSM Tenon summarised the report on the proposed three-year rolling strategy for internal audit 2013/14 to 2015/16, which was circulated with the agenda. The draft strategy was set out in appendix A to the report, including a full list of proposed audits, with a more detailed annual plan for 2013/14 attached as appendix B.

He explained that internal audit work was carried out with a view to reviewing and evaluating the risk management, control and governance arrangements the council has in place and how these arrangements can help the Council achieve its objectives. In developing the strategy, RSM Tenon considered the Council's objectives and carried out follow-up work with a number of officers to

develop the more detailed operational plan. The proposed plan was also discussed with external audit. A total of 190 days had been budgeted which included additional allocations for contingencies, follow-up and audit management activity.

The Committee was asked to consider whether it felt the strategy for internal audit covered the organisation's key risks and whether it was satisfied that sufficient assurances were being received by the authority to effectively monitor the organisation's risk profile.

Committee members reminded officers they had asked for an audit of the Council's MOT testing station. Members also expressed an interest in getting involved in the scoping of audits, of particular interest to councillors were the audits relating to risk management and the code of conduct and register of interests. Estimated dates for each of the audits would be added and circulated as part of the first progress report for 2013/14.

Action Point

The Governance and Risk Officer to circulate the approved audit plan to Councillors when it is available.

56. INTERNAL AUDIT PROGRESS REPORT

The internal audit progress report was summarised. Eight reports relating to the 2012/13 audit plan (including payroll and expenses, land charges, programme management, green waste, general ledger/main accounting system and a follow-up report) had been finalised, which resulted in 29 recommendations. Three recommendations were classified as high risk, 10 as medium risk and 16 as low risk. No changes had been made to the Internal Audit Plan since the Committee's last meeting on 6 December 2012.

Councillors asked questions about the new payroll system. Staff had been trained, software was installed and a number of tests had been run.

There committee noted the report.

57. INTERNAL AUDIT FOLLOW-UP REPORT

The Committee considered the internal follow-up report. The internal auditors followed up recommendations classified as high and medium risk. Fourteen recommendations were followed up as part of the report, two were classified as high and 12 were classified as medium. 57% recommendations had been implemented, 7% were ongoing, 22% not implemented and 14% were not due for implementation. Councillors requested that this information should also be provided in numerical format.

One member requested an update on leases, which had been identified as a

red assurance. As the assurance was red, there would be regular follow-up work and a full audit in 2013/14 automatically carried out.

Councillors also discussed the follow-up work in respect of the audit on contract management – ground and tree maintenance. Councillors were concerned that the high risk recommendation had not been completed, which meant that there was no signed contract. Councillors requested an update at the next meeting of the Committee.

The Committee noted the report.

Action Point

Update on progress against high risk recommendation: Contract Management – ground and tree maintenance (June 2013).

58. RISK MANAGEMENT AND STRATEGY UPDATE

The Finance Support Manager presented report number HOF224 by the Head of Finance on the risk management and strategy update. The report provided a summary of the outcome of the advisory review of risk management undertaken by internal audit, an updated copy of the corporate risk register and an updated version of the risk management strategy.

Advisory review

It was a duty for internal audit to provide assurance around risk management arrangements and considering the effectiveness of controls. The conclusion of the advisory audit was that the council managed its risk effectively. Two recommendations were raised (noted in appendix A to the report) and put into place.

Corporate risk register

The corporate risk register was last reviewed in June 2012 and had been refreshed in conjunction with heads of service, service managers and the performance and programme board to make sure it captured the Council's significant projects. Some changes had been to actions and controls and civil parking enforcement had been removed from the corporate risk register.

Risk management strategy

The risk management strategy was last reviewed in 2011. The Committee was required to review the strategy every two to three years to ensure it was fit for purpose. No fundamental changes had been made but it had been ensured that the strategy aligned with the recommendations of the advisory review and was appropriate for the current working environment.

The Committee discussed the report. Particular concern was expressed over the removal of civil parking enforcement from the risk register as work was still being undertaken on local residents parking schemes. This had been moved onto the service risk register but councillors asked it be reassessed to see whether it would sit more appropriately on the corporate risk register.

Action point

Risk assess civil parking enforcement (noting reputational risks associated with residents parking schemes) to see whether it should be added back onto the corporate risk register.

Members questioned why the risks relating to town centre redevelopment related only to Grantham when work was underway across the district. Officers responded that the most significant work was taking place in Grantham and the work in Bourne, while significant was due for completion in April 2013. The Committee also noted the measures through which the Council aimed to ensure the vibrancy of town centres including the shop front scheme and the business hardship fund.

Some discussion occurred on the risk relating to reputation and community liaison. Councillors commended local drop-in sessions that had been introduced and reference was made to parish newsletters. It was noted that Grantham did not have a parish/town council, so the only form of local representation was through the district councillors.

The recommendations in the report were proposed, seconded and agreed.

Decision:

The Governance and Audit Committee:

- 1. Endorses the actions being taken in respect of the risk Management Advisory Review.***
- 2. Note the latest version of the Corporate Risk Register***
- 3. Approve the updated Risk Management Strategy***

59. ACCOUNTING POLICIES

The Head of Finance and a senior accountant from financial services presented report number HOF228 on the Statement of Accounting Policies 2012/13. They explained this was an annual report which had to be presented to the Committee before the beginning of the audit and closedown processes. There were no significant changes to the code under which accounts had to be prepared so officers amended the wording to bring it in-line with the Code of Practice on Local Authority Accounting in the United Kingdom 2012-13.

There was brief discussion on the categorisation of items as stock or

expenditure and whether councillors were considered as employees of the Council. An amendment was also made to a typographical error on page 5 of the report.

The recommendations in the report were proposed and agreed.

Decision:

The Governance and Audit Committee approves the Statement of Accounting Policies to be used in the production of the 2012/13 financial statements.

60. PENSION ASSUMPTIONS

The Head of Finance presented report number HOF227 on the underlying assumptions to be used to calculate IAS19 pension figures in the 2012/13 Statement of Accounts. He explained that it was an annual report that originated from the pension fund actuary setting out assumptions for the process of closing down the 2012/13 accounts. He highlighted to amendments to page 3 of the report:

- 3.8, paragraph 3 should be amended to read: *“The expected decrease in pensions increase rate would lead to an increase in the liability on the balance sheet.”*
- 3.8, paragraph 5 should be amended to read: *“An increase in the expected return on assets would cause the pension liability on the balance sheet to increase from £29.453 million.”*

The recommendations in the report were proposed and agreed.

Decision:

The Governance and Audit Committee approves the IAS19 (International Accounting Standard 19) assumptions to be used in the production of the 2012/13 Statement of Accounts.

61. CLOSE OF MEETING

The meeting was closed at 14:43.