

MINUTES

GOVERNANCE AND AUDIT COMMITTEE THURSDAY, 27 JUNE 2013



COMMITTEE MEMBERS PRESENT

Councillor Jean Bevan (Vice-Chairman)
Councillor Ian Stokes (Chairman)
Councillor Adam Stokes

Councillor Jeff Thompson
Councillor Martin Wilkins
Councillor Rosemary H Woolley

OFFICERS

Strategic Director (Daren Turner)
Head of Finance (Richard Wyles)
Finance and Risk Manager (David Scott)
Governance & Risk Officer (Tracey Elliott)
Principal Democracy Officer (Jo Toomey)
Administration Assistant (Alexandra Jarvis)

OTHER MEMBERS

Councillor Jacky Smith

INTERNAL AUDIT

Rob Barnett (Senior Manager – RSM Tenon)
Amjad Ali (Client Manager – RSM Tenon)

1. MEMBERSHIP

The Committee was notified that Councillor Adam Stokes would be substituting for Councillor Scott for this meeting only.

2. APOLOGIES

An apology for absence was received from Councillor Shorrock.

3. DISCLOSURE OF INTERESTS

No interests were disclosed.

4. MINUTES OF THE MEETING HELD ON 14 MARCH 2013

The minutes from the meeting held on 14 March 2013 were agreed as a correct record subject to minute number 47 'membership' being amended to read:

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

5. UPDATES FROM PREVIOUS MEETING

Minute 52: Audit of refuse collection (including bulky waste)

Recommendations in respect of the audit of refuse collection (including bulky waste) had been accepted by management. Changes had been made that mitigated the risks raised in the audit. It had been agreed by internal audit and management that, to allow the embedding of actions, follow-up would be completed in July 2013 and reported to the Committee in September 2013.

Minute 57: Internal audit follow up report – contract management – ground and tree maintenance (June 2013)

The Property Development Manager had provided an update on progress against the high risk recommendation made in respect of the grounds maintenance contract which was circulated. Internal audit had identified that there was no evidence of the current contract being signed. Officers were seeking to take a pragmatic approach in not attempting to seek a signed contract from the contractor as it was approaching its end date. The update summarised the timetable and process for re-tendering the contract. It also included a summary of the legal position which stated that the custom and practice established between the authority and the contractor meant the contract was deemed to have been signed and the contractor was working within the contractual obligations. A key learning point was ensuring that all contracts were signed prior to their commencement.

Consideration was given as to whether not having a signed contract had had a detrimental effect on its performance and outturn. Officers reported that the Council had a good professional working relationship with the contractor and that there had been no indication throughout the 4-year contract period of any detriment.

Brief discussion ensued on how the contract would be re-let. Procurement Lincolnshire was letting the contract on behalf of a number of districts. Some concern was expressed over whether the contract would be based on specifications that were not relevant to South Kesteven. The Committee was informed that there could be a generic overview for the tender with sections detailing specifications for each district council.

MOT testing station

A review of the MOT testing station was included in the internal audit work programme.

Action Point:

Internal audit to clarify arrangements relating to the audit of the MOT testing station.

6. INTERNAL AUDIT ANNUAL REPORT 2012/13

The Senior Manager from RSM Tenon presented the internal audit annual report, which summarised work-to-date (excluding the progress report at minute number 7). Internal audit was satisfied that sufficient work had been completed to give opinions on the Council's arrangements for governance and risk management. Both governance and risk management were given a green assurance, which maintained performance from 2011/12.

The opinion on the council's control framework was amber which demonstrated a decline from 2011/12. Overall 16 substantial assurances (green), 5 reasonable assurances (amber) and 3 limited assurances (red) were given. Across the audits undertaken 12 high risk recommendations, 45 medium risk recommendations and 55 low risk recommendations were made. This saw an increase on the number of recommendations raised and red and amber assurances given in 2011/12.

Performance in implementing recommendations was generally good however 11 recommendations were not implemented by the agreed date. Members were assured that these recommendations would automatically be considered as part of future follow-up reports.

The appendices to the report summarised the work that had been completed and how opinions were derived. In response to a question, representatives from internal audit explained that opinions were based on an overall assessment of a Council's performance and the nature of recommendations made not a matrix that equated specific numbers of recommendations with certain levels of assurance.

The Committee accepted the report.

7. INTERNAL AUDIT PROGRESS REPORT

The Client Manager from RSM Tenon presented the internal audit progress report which captured the outcome of outstanding audits from 2012/13. Four reports had been finalised across which 15 recommendations were raised (1 high, 8 medium and 6 low). Appendix A to the report showed the overall operational plan for 2012/13 and provided details of completed audits.

Audits in respect of leaseholder recharges and data security were given a green level of assurance. An amber/green assurance level was given to the audit of excess charge notices and an amber/red assurance was given in respect of the audit on flexible working arrangements. Members asked questions about those audits that did not receive a green level of assurance.

Recommendations relating to the audit of flexible working arrangements included spot checks to ensure consistency in the application of the policy and ensuring cells on the flexitime spreadsheet could not be altered. Members considered the issue of consistency; brief consideration was given to the possibility of using technological means to automatically record employee

activity. In response to internal audit's recommendation, managers were being sent a reminder about checking employee timesheets, while staff from the Human Resources team would carry out random spot checks on employees across the organisation.

Action Point

The Human Resources and Organisational Development Manager be asked to attend the Committee's September meeting to discuss the recommendations and provide an update on implementation.

Members discussed a recommendation relating to excess charge notices. There were some instances where evidence of why a ticket was cancelled was not available on file. Collection of evidence in respect of any cancellation was reliant on parking attendants. Officers explained that in some instances parking enforcement officers had issued tickets while a vehicle owner had been purchasing their ticket. The attendants could not retain the ticket as it was required to be displayed by the motorist whilst they are parked on the car park.

The Committee accepted the report.

8. INTERNAL AUDIT TRACKING REPORT

The Client Manager from RSM Tenon presented the Internal Audit follow-up report. Five audits were followed-up and included in the report. 95% of recommendations had been implemented. One recommendation was pending but this was subject to the introduction of a new system from Lincolnshire County Council in respect of cash reconciliation procedures at the South Kesteven Community Point in Bourne.

The Committee accepted the report.

9. DRAFT FINANCIAL OUTTURN 2012/13

The Head of Finance presented report number HOF236 and circulated an addendum which incorporated updated information as a result on ongoing closedown activity.

The report detailed the revenue and capital outturn for both the General Fund and the Housing Revenue Account and provided commentary on the key variances.

General Fund - Revenue

The projected general fund revenue outturn was £16m against a budgeted spend of £16.1m. Members' attention was drawn to the revenue contribution of £821k towards the capital programme expenditure including a contribution to fund the improvements works at South Kesteven Community Point.

The General Fund also had a number of reserves which were identified for

specific uses around priority outcomes of the authority. The report detailed year end balances against each reserve heading. Headings would need reviewing as part of the budget setting process to ensure that they were fit for purpose and reserves set at an appropriate level.

The report split revenue funding into service areas where the key variances under that heading were listed. The Head of Finance explained that in some instances some entries were posted above the line for service costs in accordance with accounting treatment for example differences in relation to the revaluation of assets. Accounting adjustments are then removed from the operational expenditure entries so that there is no impact on council tax payers.

Housing Revenue Account

Housing Revenue Account income was primarily raised through dwelling rents. In 2012/13 a collection rate of 98.7% was achieved and the void rate driven down to 1.02%.

In respect of expenditure an overall underspend was reported but set-asides have been established to continue outstanding works during 2013/14. The surplus would be split between a loan repayment reserve (£1.685m) and an HRA improvement reserve (£500k).

General Fund – Capital

The outturn figure for the general fund capital programme was £5.534m within which a number of variances were reported.

Members' attention was drawn to the 'Grow the Economy' capital projects. The South Kesteven Community Point was completed in March 2013 and funded through the general fund capital programme. The Bourne Core Area project (also funded through the programme) was scheduled for completion by August 2013. Underspends relating to Grantham Growth, which was identified as a longer term project, would carry forward 2013/14.

Housing Revenue Account – Capital

A variance of £424k was reported against a budgeted spend of £4.441m which led to an outturn figure for 2012/13 of £4.835m. Key projects highlighted included:

- A passenger lift and refurbishment works at Rectory Close, Barrowby
- A mobility scooter store at Hilary Close, Stamford
- Changes to the roofing programme to operate on a geographical basis

Reserves and balances

The council had a number of capital and revenue reserves which each had

their own policy; these were set out in report number HOF236. The Head of Finance reported that the General Fund Capital Reserve and its remaining balance had been fully utilised. Going forward the capital programme would be primarily funded through the useable capital receipts reserve. Work was underway through the asset management plan to ensure the replenishment of the reserve to contribute to the capital programme.

Members' attention was particularly drawn to the Priority Reserve and the Maintenance Reserve. The Priority Reserve was the main source of funding for projects in support of the Council's corporate priorities. The Maintenance Reserve was being created as part of the closedown of accounts and would be used during the year to meet unforeseen costs. This reserve would be replenished annually as part of the closedown process.

During 2012/13 all Housing Revenue Account capital spend was funded by the major repairs reserve. Another contribution would be made to that in 2013/14.

Councillors asked about the potential impact following the withdrawal of the Grantham Area Action Plan and the suspension Site Allocation Policies Plan. Members were informed that costs were funded through planning delivery grant, which was a balance sheet item. As funding was not drawn down the balance would remain and carry forward.

Officers responded to other questions and comments on the budgeted spend for Property Development and Building Control and the impact of revaluation of assets on continuity within financial reporting.

Members complemented the readability of the document. Officers were asked to re-label the "Bedroom Tax Project" on page 2 of Appendix D "Spare bedroom subsidy project".

The Committee agreed to accept the report.

10. DRAFT ANNUAL GOVERNANCE STATEMENT 2012/13

Report number HOF239 on the Draft Annual Governance Statement was presented by the Finance Support Manager. He explained that the statement was a 12-month summary relating to governance, which was required by the CIPFA/Solace framework. It would be signed-off by the Leader and the Chief Executive and sit at the front of the statement of accounts. The statement followed the format specified by the CIPFA developing good governance update.

Key points in the statement included:

- A factual summary of the year taking account of audit findings, the annual audit letter and the annual governance review
- An outline of the frameworks adhered to and adopted – why good governance is important, the value of good governance and Members and officers working together

- Where governance sits in the organisation and monitoring arrangements through the Governance and Audit Committee
- The Council's vision and priorities as set out in the corporate plan with information on project and performance management
- Measuring the quality of services for users and improving levels of customer satisfaction, including the development of a citizen's panel
- The Audit Commission's opinions on value for money and financial resilience
- Arrangements within the Constitution including roles and responsibilities for officers and members, codes of conduct, the scheme of delegation, contract procedure rules and financial regulations
- How the authority engages with its customers
- Risk management arrangements
- Business continuity

The Committee discussed the draft statement. It was suggested that the reference to the Executive on page 14 should be amended to Cabinet. An explanation was also given of the bullet points on page 8 relating to the Council's financial management arrangements.

The Committee noted the report.

11. TREASURY MANAGEMENT ANNUAL REPORT 2012/13

The Finance and Risk Manager presented report number HOF238 which provided a treasury management review of activities and the actual prudential and treasury indicators for 2012/13. He provided the Committee with an overview of national economic factors and explained how it had impacted on the Council's treasury management activity.

During the year the Council experienced short-term fixed-term investment rates which ranged from 1.10% to 3.25%. At the end of 2012/13 the Council had total investments of £33m and a net borrowing position of £88m.

The Treasury Management Strategy had been approved by Council in March 2012 and updated by the Governance and Audit Committee in December 2012. The limits specified within the strategy had not been exceeded.

In respect of debt management activity during 2012/13, the Council had £120m long-term debt and £1m short-term debt outstanding.

Over the period of the report the average interest rate achieved on investments was 1.17%. This compared favourably to rates achieved by other authorities. Committee members noted that rates of return on new investments were at a maximum of 1%.

The Committee noted the report.

12. RISK MANAGEMENT ANNUAL REPORT 2012/13

The Risk Management Annual Report (HOF241) which was presented by the Head of Finance provided a retrospective summary of risk management activity in 2012/13. During the year internal audit conducted an advisory review on risk management arrangements which provided independent validation.

The Risk Management Strategy was updated at the Committee's last meeting on 14 March 2013 and was next scheduled to be reviewed in 2015.

The report also provided an update on the operation of the risk management officer group which comprised service managers who considered risks relevant to their service areas. Work had been undertaken to update the internal audit protocol and in respect of the insurance claim process and ensuring the organisation was aware of wider issues relating to insurance.

Service risk reviews were undertaken on a regular basis during which risks were categorised as 'business as usual' and 'exceptional' risks. Risks that affected more than one service area could be added to the corporate risk register, which was presented to the Committee on a twice-yearly basis. The corporate risk register was reviewed internally by the Performance and Programme Board, who looked at the work plan and considered whether requirements relating to risk management had been met.

The Committee noted the report.

13. CLOSE OF MEETING

The meeting was closed at 15:45.