

MINUTES

**GOVERNANCE AND AUDIT
COMMITTEE
THURSDAY, 13 DECEMBER 2018**



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

COMMITTEE MEMBERS PRESENT

Councillor Ian Stokes (Chairman)
Councillor David Mapp (Vice Chairman)
Councillor Phil Dilks
Councillor Brian Sumner
Councillor Paul Wood

CABINET MEMBERS

Councillor Adam Stokes, Cabinet Member for Finance
Councillor Nick Neilson, Cabinet Member for Housing

AUDIT

Head Of Internal Audit – RSM (Chris Williams)
Senior Manager – RSM (Amjad Ali)
Grant Thornton Accountants – (John Gregory)
Grant Thornton Accountants – (Paul Harvey)

OFFICERS

Strategic Director for Resources (Debbie Muddimer)
Assistant Director for Resources (Richard Wyles)
Assistant Director for Housing (Harry Rai)
Governance and Risk Officer (Tracey Elliott)
Head of Governance (Ben Bix) (Observing)
Civic and Democratic Officer (Anita Eckersley)

32. APOLOGIES

Apologies for absence were received from Councillors Damian Evans and Peter Stephens.

33. DISCLOSURE OF INTERESTS

No interests were disclosed.

34. MINUTES OF THE MEETING HELD ON 20 SEPTEMBER 2018

The Chairman welcomed John Gregory and Paul Harvey from Grant Thornton Accountants who were in attendance.

The minutes of the meeting held on 20 September 2018 were proposed, seconded and agreed as a correct record.

35. UPDATE ON THE PROGRESS OF THE FROZEN PIPES ISSUES

The Cabinet Member for Housing thanked the Committee for inviting him to the meeting. The Committee was informed that out of the 333 faulty reports the Council had received, the actual number relating to frozen pipes was 215. This represented 7% of the Council's housing stock that had been fitted with domestic gas heating systems. The remainder of the faults related to time controls or radiator valves. Frozen condensate pipe issues had been resolved within a 5-day period, with the majority being addressed within a 3-day period.

The current contract with Liberty Gas included a clause that dealt with frozen condensates so no additional costs would be incurred by the Council. There were implications for tenants who had no heating during the period because of the boilers being inoperative whilst frozen.

Worcester Bosch boilers were tested to -15 degrees for a 3-hour period. During the period the condensate pipes froze, the wind chill factor had dropped to between -15 to -22 in South Kesteven.

A programme of work pro-actively dealing with the issues was well underway alongside a separate programme of work that was retrospectively checking Council stock that had the same boiler system but had not been affected by the cold weather.

Officers had contacted Worcester Bosch about the issues. An auditor from Worcester Bosch had attended a number of the inspections of affected properties. The boilers had been fitted in line with the manufacturer's instructions at the time of installation. Worcester Bosch advised that the condensate unit had been redesigned from a trickle feed to a volume dump. The discharge pipe was now wider and allowed the condensate unit to be held in a larger trap and discharge larger volumes of condensation.

The boilers affected by extreme temperatures were being installed with this new fitting which enabled the water to be discharged and had heat tracers that would heat the pipe. The pipes had been repaired using a compressed connection unit rather than a soldered connection. This allowed for an easier disconnection and discharge of condensation in the pipe internally.

The remaining unaffected properties with a boiler of a similar age would also be fitted with the newer condensate pipe. It was noted that even though insulation had been in place the pipework had still frozen. Checks were being undertaken to ensure the correct insulation was in place. Newly fitted boilers had a condensate trap that sat around the heating flow pipe so that when the heating was on the pipe would be heated and the water discharged at a higher temperature to reduce the risk of freezing.

Discussions had taken place with Liberty Gas which had resulted in identifying that the discharge pipe in the majority of the affected properties had been more

exposed to the northerly and easterly winds during that period. Physical mitigation to protect these pipes along with a post inspection process to ensure all boilers were fitted to the manufacturer's instructions had been agreed with Liberty Gas.

SKDC was part of the Direct Works Forum (DWF) which was a group of councils that had retained an in-house housing repairs labour. Officers had contacted the DWF who had confirmed that many councils within the forum had also been affected by the cold weather and freezing pipes. Other councils were taking similar actions in order to mitigate the problem.

Officers had also contacted the Gas Safety Register (previously Corgi) and been informed by the Technical Safety Manager that measures could be taken to mitigate the problem but there was no guarantee that pipes would not freeze under extreme and severe weather conditions. They advised that a foam based lagging around the pipes was a good mitigation and it was noted that the Council did wrap all exposed pipework in a foam based lagging.

Members queried how quickly the Council received notification of the faults from Liberty Gas and expressed concern at the length of time residents, especially the elderly, were without heating. Members welcomed the action plans and the detailed information provided on the actions taken.

In response to a request for reassurance about additional cost to the Council, Members were informed that any additional cost to the Council would be minimal with the bulk of the cost being incurred by Liberty Gas. All affected properties would have been visited by early January 2019.

A general discussion took place on the length of time it had taken to resolve the issues and it was noted that lessons had been learned and that everything was being done to ensure that residents would not be in a similar position in future years. In addition, the Communities and Wellbeing Overview and Scrutiny Committee would be looking at the frozen pipes issues at a future meeting. The Governance and Audit Committee would be kept informed of the outcome of their scrutiny.

Conclusion:

The Governance and Audit Committee noted the update in respect of the issues relating to the frozen condensate pipes and the contract monitoring arrangements for the gas services contract.

Action Point:

That the Committee is kept informed of the Communities and Wellbeing Overview and Scrutiny findings.

36. INTERNAL AUDIT PROGRESS REPORT

Amjad Ali, Manager from RSM, presented the Internal Audit Progress Report. He informed Members that Internal Audit was on schedule to complete its annual

audit plan and report its findings by the end of the year. It was reported that 56% of the assignments had been completed, 11% were in draft format; 11% were in progress with the remaining 22% to be undertaken by the end of the year.

Since the last progress report to Committee, three audits had been completed:

- Land Charges (reasonable assurance with 2 medium and 2 low risk actions agreed)
- Member's Allowances and Expenses (substantial assurance with 2 medium and 1 low risk actions agreed)
- Purchase Orders and Creditors (substantial assurance with 1 medium and 1 low risk actions agreed)

Full details of the medium risk actions were included in the report.

Land Charges

The medium priority findings related to some registrations being processed 30 days or more after the notification had been received, no defined filing or monitoring systems for received notifications were in place and no independent checks of registrations added or removed being undertaken.

Management actions had been identified and agreed.

Members Allowances and Expenses

The medium findings related to a delay in the publication of Members Allowances and Expenses and some Members claims were not being made on a timely basis.

Management actions had been identified and agreed.

Purchase Orders and Creditors

The medium findings related to purchase orders being raised after an order for goods or services had been placed with the relevant supplier.

Management actions had been identified and agreed.

Looking ahead there were six assignments to be completed by 21 March 2019.

The Committee was invited to ask questions about the Internal Audit's findings.

The Assistant Director for Resources noted that the Members Allowances and Expenses had been published but subsequent technical issues had resulted in a broken link following publication. This had subsequently been rectified.

In response to Members queries about what was considered a timely basis for submitting claims it was noted that in order for them to be checked by officers a 3 month period was considered a timely basis.

It was noted that land charge registration had been impacted by the split of registrations between Land Registry and the Local Authority which had resulted in delays.

Conclusion:

Members noted the Internal Audit Progress Report.

Action Point:

Further information would be circulated to Members in respect of the impact on Land Charges following the recent changes.

37. INTERNAL AUDIT INDICATIVE PLAN 2019-20

The Head of Internal Audit, Chris Williams, presented the Internal Audit Indicative Plan 2019-20. He referred to how the internal audit plan was developed based on the analysis of corporate objectives, risk profiles, assurance framework and other factors that could potentially affect the Council in the year ahead including changes within the wider public sector.

The Internal Audit Plan comprised of a Strategic Plan that incorporated a three year cycle of proposed internal audit assignments. The Strategic plan was revised on an annual basis and agreed with the Governance and Audit Committee and the Council's Senior Management Team. The plan was at the early stage of development which was why it was being presented to the Committee for their early comments and input.

The 2019-20 Internal Audit Plan would then be presented to the Committee in March 2019 for review and final approval.

The Chairman commented that Members might not be in a position to provide comment at this stage and invited them to forward any comments or topic ideas to him for further discussion.

Conclusion:

The Committee noted the Internal Audit Indicative Plan 2019-20.

Action Point:

For Members to provide any comments or topic ideas direct to the Chairman of the Committee as soon as possible so these could be taken into consideration for inclusion in the 2019-20 Internal Audit Plan.

38. REVIEW OF FRAUD PREVENTION ACTIVITIES

The Assistant Director for Resources referred to the previous meeting of the Committee when Members were presented with the Annual Counter Fraud Report 2017/18. At that meeting, the Committee requested a further report that included details of the specific preventative fraud activities undertaken by the Council. The Council's commitment to attain the highest standards of quality, probity, openness and accountability was noted. The report set out the key

outcomes from welfare/benefit fraud and explained the nature of all data matching undertaken.

Reference was made to the benefits section where fraud was felt most. Fraud cases were identified in different ways with referrals coming from various sources. One primary channel was through joint working with the Department of Work and Pensions. There were several cases being jointly investigated where allegations of fraud against a claimant had been submitted in respect of a claim for Housing Benefit and/or Council Tax Discount.

Referrals were not only received from other departments within the Council such as the Income Recovery Team, Visiting Officers or Housing Officers but also from other authorities. Referrals made by members of the public online, via email or via the phone also played a crucial part in combatting fraud within the Housing Benefit system.

Several data matching tools were used to help combat fraud. Details of these were outlined in the report. The tools identified claimants receiving Housing Benefit or Council Tax Discount when they were not entitled to receive them. The Benefits Team carried out the work in respect of fraud referrals which included identifying overpayments and recovering overpayments created as a result of the fraud.

Reference was then made to the Single Persons Discount (SPD) for sole occupants of a property. There were currently around 30.96% recipients of SPD. To apply, residents were asked to complete a declaration confirming they were the sole adult resident in the property. The Council undertook a biannual county wide counter fraud review alongside other Lincolnshire authorities. Around 19.52% of all SPD Claimants would be contacted in order for them to validate their entitlement. This work was ongoing and was resource intensive but was embedded within the teams. Consideration was being given to reviews being undertaken on an annual basis.

It was estimated that the review would generate around £25,000 financial benefit to the Council. The cost of the review would be split between partners and would be based on the proportionate level of the Council Tax. It was noted that the total estimated revenue generated was a gross figure and not all of it would be retained by the Council. The figure retained by the Council was estimated to be around 10%.

Reference was made to the Real Time Information (RTI) tactical tool that supported the accurate administration of Housing Benefit in respect of a claimant's earnings. This provided RTI for claimant's in respect of their or their partner's earnings, and/or personal pension.

Members were informed of the number of claimants who had either failed to declare, or under-declared earnings, or personal pension. Cases were ranked by the highest value in terms of the discrepancy between earnings or personal

pension declared on local authority IT systems and HMRC records. The local authority reviewed cases and, where appropriate, could prevent future overpayments. RTI Files received from the DWP were loaded into the Revenues Benefit system on a monthly basis and dealt with under Housing Benefit legislation.

In response to a Members query about the self-employed review, it was noted that the 12 month period was defined.

Members queried the cost to the Council and it was noted that it was around £10,000 but that did not include the cost to the department. It was emphasised that it was a fraud preventative tool that helped identify and address incidents of fraud.

Conclusion:

The Governance and Audit Committee noted the contents of the report and the respective initiatives being undertaken to combat fraud.

39. TREASURY MANAGEMENT MID-YEAR REVIEW

Decision:

That the Governance and Audit Committee noted and approved the contents of the mid-year review of Treasury Management activity for 2018-19.

Under the Local Government Act 2003 regulations, the Council was required to produce regular reports on treasury and debt management operations during the financial year. The Treasury Management term was used to cover the Council's borrowing and investment strategies. The report met the requirements of the CIPFA Code of Practice on Treasury Management which had been revised in 2017.

Key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Treasury Management in the Public Services had been formally adopted by the Council. The Council, in line with the code, had also adopted a treasury management policy statement that required regular reports on treasury and debt management operations during the financial year.

Under Part 1 of the Local Government Act 2003, the Council was required to give due regard to the Prudential Code for Capital Finance which included the setting of Prudential Indicators. Relevant treasury management indicators had been incorporated into the Treasury Management Strategy 2018/19 which had been approved by Council on 1st March 2018. All local authorities were required to prepare a Capital Strategy report from 2019-2020.

The report provided a review of treasury management for the period ended 30 September 2018 and reviewed current developments. The following elements were also covered in the report:

- A review of debt management operations
- A review of investment operations
- An economic update for the first part of the 2018-19 financial year

Borrowing

No additional borrowing had been required during the first half of 2018-19. All Council borrowing was with the Public Works Loans Board (PWLB). Regular reviews were undertaken to consider potential borrowing opportunities to settle the outstanding debt earlier but at a more beneficial rate. Reference was made to Appendix 8 of the report that provided detail on the Debt Maturity Analysis as at 30 September 2018.

Investment Operations

It was noted that the average size of the investment portfolio period was £78.178m for the 6 month period compared to an average portfolio size of £69.9m during the same period in 2017-18.

Reference was made to Appendix B of the report that provided further detail on the Short Term and Long Term Investments. Short term investments were for a period of a year or less and long term investments were for a period of a year or more. Interest rates for both long and short term periods fluctuated but it was noted that overall, short term investments provided a slightly better interest rate. Instant access investments were available should funds be required.

Appendix C of the report provided further details of the external debt indicators together with the operational boundaries and it was noted that the debt portfolio did not breach the authorised limit.

Discussion took place on the types of short term investments, whether funds could be accessed instantly and easily if required, the number of investments both inside and outside the UK and investments with local authorities.

It was noted that the short term investment totals reflected the total of a number of investments within a particular organisation it was not one investment. There were a number of accounts that provided instant access to funds should it be required and that inter authority investment was normal practice.

Further discussion took place on the how local authorities were chosen, whether there was a league table or preferred list, the potential risks and benefits of investing in other local authorities, whether the investments were monitored on a regular basis and how the Government viewed investments with other local authorities.

The Committee was informed that there were no lists or league tables for local authorities and investments did not inform the amount of the Government Settlement.

40. CLOSE OF MEETING

The Chairman wished everyone in attendance a Merry Christmas and Happy New Year.

Meeting closed at 3.15pm.