

# Minutes

Governance and Audit Committee  
Wednesday, 18 December 2019



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL

---

## Committee Members present

Councillor Ashley Baxter  
Councillor David Bellamy  
Councillor Chris Benn  
Councillor Gloria Johnson

Councillor Mark Whittington  
Councillor Paul Wood (Vice-  
Chairman)  
Councillor Sue Woolley

## Cabinet Members

Councillor Adam Stokes, Cabinet Member for Finance  
Councillor Robert Reid, Cabinet Member for Communities and HR

## Other Members

Councillor Jacky Smith

## Officers

Interim Director of Finance (Richard Wyles)  
Head of Financial Services  
(Alison Hall-Wright)  
Head of Customer Experience and IT  
(Nova Roberts)  
Governance and Risk Officer (Tracey Elliott)  
Procurement Lead (Clare Ellis)  
Democratic Officer (Naomi Page)

## External Audit

Paul Harvey (Grant Thornton)

## Internal Audit

Chris Williams (RSM)  
Amjad Ali (RSM)

---

## 28. Membership

The Committee was notified that Councillor Bellamy would be substituting for Councillor Stokes for this meeting only. Councillor Wood would be chairing the meeting in the Chairman's absence.

## 29. Disclosure of interests

No interests were disclosed.

**30. Minutes of the meeting held on 25 September 2019**

The minutes of the meeting held on 25 September 2019 were proposed, seconded and agreed as a correct record.

**31. Updates from previous meeting**

Members asked if the safeguarding training requested at item 25 in the minutes of the last meeting had been arranged. It was confirmed that preferred dates were being considered and the relevant officer would be contacted to finalise details for this in the new year.

**32. Certification of the 2018/19 Housing Benefit Subsidy Claim**

The committee was given a verbal update on the certification of the 2018/19 Housing Benefit Subsidy Claim. It was explained that in previous years this had been included in the 'Certifications of Grants and Returns' report. However, as Housing Benefit payments had been removed from the framework this year, there was no longer need for a report to be given on the Housing Benefit Subsidy Claim. There were no major payments to be noted and no significant errors to report. One incorrect figure had been included in the calculation, which had led to a £3 underpayment.

**33. Internal Audit Update including Internal Audit Indicative Plan 2020/21**

Internal Audit Progress Report

The Council's Internal Auditors, RSM, presented the Internal Audit Progress Report. The Internal Audit plan was on track to be delivered by the end of March 2020. Five audit assignments had been finalised since the last meeting of the committee; Communication- Social Media, IT Project Management, Enforcement- Littering, Complaints and Freedom of Information and Health and Safety Arrangements and Reporting. Positive assurance opinions had been concluded from four of these assignments and a partial assurance opinion concluded regarding IT Project Management. Changes to the audit plan had been made in respect of two reviews, which had been moved to quarter 4 and an additional advisory review had been requested in respect of cash handling processes.

Members were asked if they had any questions regarding the report:

- The committee sought assurance that steps had been put in place to address the findings which had resulted in the partial assurance conclusion for the IT Project Management audit. The Head of Customer Experience and IT reassured Members that although there had been a lack of formal project management documentation in relation to some of the recent IT projects, implementation dates had been agreed for all of the management actions suggested by the Internal Auditors and the

required documentation had now been developed and would be monitored moving forward. In addition to this, project management training had been given to relevant officers and further engagement with risk management had been introduced to improve the facilitation of future projects.

- One Member commented that throughout the audit assignments reported on, there appeared to have been a number of occasions where an absence of formal documentation had occurred. The Interim Director of Finance explained that this could be partially attributed the nature of the audit process; the Internal Auditors were asked to review areas where senior officers felt there were already indications that improvements may be needed, so it was expected that management actions would be suggested following most of the audits requested.
- The Chairman thanked the Internal Auditors for their thorough reports and noted the positive steps taken by officers to implement the management actions suggested following the IT Project Management audit. He asked whether it was usual for most audit areas to achieve a reasonable rather than substantial assurance within Local Authorities. The Internal Auditors explained that the framework was intended to highlight areas that could be improved and that in large and complex organisations there would inevitably be instances where inconsistencies could be identified. The committee were reminded that a reasonable assurance opinion would have a positive impact on the annual opinion.
- One Member asked how the Communications- Social Media audit was measured. The Internal Auditors confirmed that the audit undertaken had measured how effectively the Council had implemented its control framework regarding social media, rather than how successful it had been in reaching the target audience (which would be a matter for one of the Overview and Scrutiny Committees to consider).
- One Member wished to note the positive outcome of the audit regarding Enforcement- Littering.
- The Internal Auditors were asked if the audit of Complaints and Freedom of Information had incorporated the accuracy of the responses received. It was confirmed that the review had considered the process the Council was required to follow, rather than the accuracy of the content within the response.

#### Internal Audit Follow Up Report

The Internal Auditors then presented the Follow-up report, which reviewed the progress made to implement the previously agreed management actions. Ten out of the twenty five previously agreed actions had been implemented and it

was reported that reasonable progress had been made. The committee asked if the Internal Auditors were satisfied with the level of implementation achieved. It was confirmed that any actions not yet implemented would continue to be monitored through the updated action plan which the Auditors had considered satisfactory.

#### Internal Audit Indicative Plan 2020/21

Attention then turned to the Internal Audit Indicative Plan 2020/21. The committee were informed that the document would be finalised after consultation with the Chairman of the Governance and Audit Committee and the Council's Management Team. It would then be presented to the committee for approval in March 2020.

Members were asked if they had any comments to feed into the development of the Internal Audit Plan 2020/21:

- One Member referred to the indication within the Indicative Plan that the Leisure Centre Service Level Agreements (SLAs) would be reviewed, and asked what the goal of this audit would be, given the current review of the Leisure Centre service provision in South Kesteven and the plans to procure a new contract. It was explained that as the initial plans were set 15 months previously, some of the audits would need to be refocused as they would now be out of date. The Leisure Centre audit could look at the developmental place of SLAs in the future, or capture the lessons learned previously to feed into new contract specifications moving forward.
- It was suggested that consultants and agency workers be an area for review, including the way they were appointed and how fees were set.
- Partnership working was also suggested as an area for audit, in order to seek assurance that value for money was being sought and that partnership groups were being worked with efficiently.

The committee agreed that the contents of the Internal Audit Update Report, Internal Audit Follow Up Report and Internal Audit Indicative Plan 2020/21 had been reviewed and noted. It was confirmed that the Chairman of the Committee would be contacting Members in due course to seek any further suggestions with reference to the Internal Audit Indicative Plan 2020/21 prior to his meeting with RSM.

#### **34. Risk Management Annual Report 2018-19 including proposed changes to the Risk Management Framework**

The committee were presented with the Risk Management Annual Report 2018/19. The report reviewed the work undertaken in the 2018/19 financial year to mitigate any risks as well as outlining the proposed changes to the way the Council undertook its risk management. The Risk Management Framework had been revised and approved by the Governance and Audit

Committee in September 2018. The Risk Management Group had met periodically to provide peer group challenge relating to risk management, internal audit, insurance, counter fraud, governance, procurement, business continuity and safeguarding. The Service Risk Register had also been reviewed.

As the Corporate Risk Register had been in its current format for a number of years, the Council had invited RSM to work with the corporate team to develop risk appetite and move from a Corporate Risk Register to a Strategic Risk Register. It was also proposed to revise the Annual Assurance Statement to align with the Corporate Controls Assurance and to create a defined plan for dealing with emerging and exceptional risks. It was intended that Corporate Controls would be periodically reported on to the Governance and Audit Committee. The Strategic Risk Register would include the current Corporate Risks whilst developing the current Corporate Risk Themes further to create a new narrative. If the proposed changes as outlined in appendix B were approved by the Committee, the information shown on the document would be developed to give a clearer understanding of which risks would fall under each of the headings.

Members were asked if they had any questions regarding the proposed changes to the Risk Management Framework:

- One Member expressed concern that having a series of documents could lead to a loss of oversight for emerging risks. Officers confirmed that separation was already present under the current framework and reassured the committee that levels of risk would remain under the same definitions and would be overseen by the same officers. If service level operational risks became urgent, they would be escalated as necessary.
- Officers were asked how the Council-owned companies were factored into the Risk Framework. It was explained that the companies were monitored by the Companies Committee and sat outside of the Council's Risk Management Framework as external entities. The Companies were given grant payments to deliver outcomes so the financial risks to the Council were not deemed significant. However, if Members wished to address the individual Risk Management Framework arrangements in place within the companies, this could be approached via the Companies Committee.

Officers informed the Committee that as part of the review of the Risk Management Framework, a Risk Appetite Matrix would also be developed with Members' input to outline the desired level of risk in different areas. This would be considered by the Governance and Audit Committee at a later date.

It was proposed, seconded and AGREED:

- To approve the proposed changes to the Risk Management Framework as detailed in Appendix B
- That the documents demonstrating the implemented changes be presented to the Governance and Audit Committee at its meeting in March 2020 for approval

### **35. Treasury Management activity 2019/20 mid-year review**

The Head of Financial Services presented the report relating to the Treasury Management Activity 2019/20 Mid-Year Review. The report contained a review of the Council's debt management and investment operations along with an update on the treasury management Prudential Code Indicators and an economic update for the first part of the 2019/20 financial year.

Members were asked if they had any questions concerning the report or the appended documents:

- One Member asked how the Council would come to the decision regarding the refinancing of the £25m loan maturing in March 2020, as referenced in the report at point 2.2. Officers explained that advice would be taken from Link treasury advisors.
- Officers were asked if the Council had a minimum risk rating concerning which institutions it would hold short term investments with. The committee were told that the Council would only invest with counterparties identified on Link's approved lists. Link carried out risk analyses for those included on these lists and the Council usually chose to hold investments with those holding an AAA rating.

It was proposed, seconded and AGREED:

- To approve the contents of the Treasury Management Activity 2019/20 Mid-Year Review report

### **36. Review of Financial Regulations**

The committee were presented with the report of the Cabinet Member for Finance regarding the review of the Financial Regulations. Following a review of the regulations, changes had been proposed to benchmark South Kesteven's regulations with other councils and to update and improve the content in a number of areas. Notable proposed changes included the review of officer authorisation limits and the amended procedure for approving in-year budget modifications. If approved, the changes would also see the two documents comprising the current set of regulations amalgamated into one to provide greater clarity for Members and officers. If the Governance and Audit

Committee recommended to Council the updated Financial Regulations, they would be considered at the January meeting of Council.

Members were asked if they had any questions arising from the report:

- Members enquired as to the proposed new limits up to which Cabinet had the delegated authority to approve in-year additions to budgets. Officers explained that under the reviewed Financial Regulations, there would be a £150k threshold for individual additions up to a cumulative limit of £500k per year. This proposed change was a measured approach and was more in line with other local authorities, whilst still providing the appropriate level of governance and scrutiny.
- Officers were asked if the revised Financial Regulations would also apply to the Council owned companies, specifically referencing InvestSK. It was explained that the regulations under discussion applied to how the Council managed its own finances. The companies owned or part-owned by the Council would not be governed by the same regulations. Some Members expressed concern as they felt that the Council had an obligation to oversee how the funding given to the companies was spent. It was explained that the companies were held to account based on their Strategic Business Plans, and that the Companies Committee held responsibility for ensuring that their performance was evaluated sufficiently. It was possible for the Articles of Association for Council owned companies to state that the company must adopt the policies and regulations that the Council itself had in place, but this was not currently the case in the main.
- One Member referred to the authorisation and approval tables regarding bad debt write-off, emergency payments and virements within the report and suggested that Cabinet Members could be required to authorise payment from lower specified amounts to allow more sight for elected Members as to the movement of finances and the effects on Council budgets. The Member put forward a proposal to bring in the Member Lead approval for virements at one step above where it currently sat in the table on page 56 of the Financial Regulations. The proposal was not seconded.

It was proposed, seconded and AGREED:

- To recommend to Council the updated Financial Regulations as shown in Appendix A of the report

### **37. Contract Procedure Rules**

The Cabinet Member for Communities and HR presented the report regarding the Contract Procedure Rules update. He made reference to the procurement savings agreed within the current budget, which would not be deliverable by the end of the financial year. A review of the Contract Procedure Rules (CPRs) had been undertaken to ensure that they were up to date and

consistent with those of other Welland partners, following the change in the Council's procurement service from Procurement Lincolnshire to Welland Procurement in the past year. A new Procurement Lead was now in place to coordinate this area. Should the updated CPRs be approved by Council, their adoption would be followed up by training for relevant officers. It was intended that the updated CPRs would be easier to access and follow, to encourage maximum compliance across all service areas and promote increased procurement savings moving forward in order to meet budgeted savings targets.

Members were given the opportunity to ask any questions arising from the report or the appended draft Contract Procedure Rules:

- Further information was requested regarding the Welland Procurement partnership. The partnership consisted of a number of local authorities, with Melton Borough Council as the host authority. The decision to move the Council's procurement service to Welland had been previously considered by the relevant Overview and Scrutiny Committee. A forecast procurement saving was anticipated in 2019/20 and it was anticipated that savings of £350k could be made in the 2020/21 period.
- One Member suggested that it would be useful for officers to have access to a check list section within the document to ensure that the correct documentation and procedures had been followed at the time of contract approvals. It was confirmed that there was a procurement toolkit hyperlinked within the electronic version of the document which covered this suggestion.

It was proposed, seconded and AGREED:

- To recommend to Council the adoption of the revised set of Contract Procedure Rules.

### **38. Local Government Ombudsman Annual Report 2018/19**

The Committee were presented with the Local Government Ombudsman Annual Report 2018/19. The Head of Customer Experience and IT explained to the committee that each year the Council received an annual review letter from the Local Government and Social Care Ombudsman regarding the number and type of complaints received in relation to the authority and the decisions reached for these complaints. In the period 1 April 2018 to 31 March 2019, the Local Government Ombudsman had received 15 complaints regarding South Kesteven District Council, which was the same as in the previous year. A 0% upheld rate had been achieved for these complaints following any necessary investigations. Members wished to note the commendable outcome of the annual review letter.

- 39. Any other business, which the chairman, by reasons of special circumstances, decides is urgent.**

There was no urgent business to discuss.

- 40. Close of meeting**

The meeting closed at 16:04.