

MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE

THURSDAY, 3 DECEMBER 2009 1.30 PM



COMMITTEE MEMBERS PRESENT

Councillor John Dawson
Councillor Kenneth Joynson
Councillor John Harvey

Councillor Reg Lovelock MBE.
(Chairman)
Councillor Andrew Moore

OFFICERS

Corporate Head Finance & Customer
Services (Richard Wyles)
Business Transaction & Information
Management Service Manager (Andy
Nix)
Finance Support Service Manager (David
Scott)
Finance Support Service Manager
(Nicola Lovely)
Committee Support Officer (David
Lambley)

OTHER PEOPLE PRESENT

Councillor Mike Taylor (Resources &
Assets Portfolio Holder)
Chris Harris (Internal Audit)
Stephen Jones (Internal Audit)
Simon Lacey (District Audit)

41. MEMBERSHIP

Councillor Harvey was substituting for Councillor Farrar for this meeting only.

42. APOLOGIES

No apologies were received.

43. DECLARATIONS OF INTEREST

No declarations of interest were made.



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44. MINUTES OF THE MEETING HELD ON 24 SEPTEMBER 2009

The Minutes of the meeting of 24 September were agreed to be a correct record of the meeting.

45. UPDATES FROM PREVIOUS MEETING

It was reported that the District Valuer was to financially recompense the Council for the additional work required resulting from the incorrect valuation provided by his service..

It was noted that John Cornett had been appointed as the District Auditor and had since signed off the Council's accounts.

Members stated that they wanted to see progress being made with regard to the number of outstanding performance appraisals.

Members requested that a report be provided to the Committee at their next meeting regarding the updated position in respect of the Housing Revenue Account.

46. USE OF RESOURCES - DISTRICT AUDITOR FEEDBACK

Simon Lacey from the Audit Commission presented the Use of Resources 2009 feedback report.

- The Councils overall use of resources score was level 2. The Council had previously scored level 3. It was noted that the majority of Councils had an overall level 2 score. The scoring regime had changed from 2008/09, with more emphasis on demonstrating outcomes rather than processes.
- The Council was now required to demonstrate the outcomes of the Councils policies rather than the fact that they were in place. The Council needed to prove that it had accomplished what it had set out to do with its policies, and also demonstrate that procedures set out in policies were followed by staff.
- The Council needed to look at how it could measure the outcomes from its policies. Members noted that satisfaction surveys were often completed by the same people and that the Council would often only receive feedback when a service was either very good or very bad. The Council needed to be able to capture the information where people were satisfied with the services and also to show where performance indicators were improving.

RECOMMENDATION:

That Cabinet and senior management look at how the Council measures the outcomes resulting from the implementation of

Council policies.

47. INTERNAL AUDIT PROGRESS REPORT

The Committee reviewed the Internal Audit Progress Report, which was introduced by Chris Harris and Stephen Jones from Bentley Jennison, the Council's Internal Auditors.

- There had been eight reports finalised since the last Committee meeting. Of these eight reports, a substantial assurance opinion had been provided for seven of them, with limited assurance for the other. The Internal Auditors were happy that they would complete all scheduled work within the financial year.
- Limited assurance had been given in relation to the IT Data Quality review which had focused on four key systems and tested the core IT controls.
 - There was concern that in certain systems at least one user was able to create and authorise inputs into the system and that an appropriate segregation of duties was required. Members were assured that there had been an upgrade and that appropriate controls were being applied to the systems.
 - There were concerns with regard to the management of users and ensuring that accounts were created and deleted only at the appropriate times. IT had now contacted the relevant service managers where accounts had not been accessed in over 30 days and these had been deleted where appropriate. It was recognised that a system needed to be put in place where an account was deleted as soon as someone left the Council. It was also important for the IT department to be contacted by Human Resources when there were internal staff movements so that relevant accounts could be opened and closed. It was agreed that the relevant data would be checked where unauthorised access had occurred.
 - There was an excessive number of users with administrator access to certain systems. It was confirmed that it was not logistically possible to have two people required to "sign off" administrator level actions. The IT department would consult with service managers to review who required administrator level access to systems. It was also agreed to review who had access to setting system parameters.
 - Logical security settings were to be improved in a number of systems. These were controls over how long and complex a password had to be and how often it was required to be changed. It was noted that not all systems had full control over this and therefore it would not be possible to enforce the controls. Users were encouraged to use complex passwords.
 - Members were assured that an action plan was in place to rectify all issues and that when new systems were purchased they would

be required to fit in with the recommendations that had been made.

- Substantial assurance had been given with regard to Town Centre Management, with one significant recommendation regarding the introduction of service level agreements for the town centre partnerships. Members noted that some of the town centre meetings were already held in public, which had been a recommendation that merited attention. The Committee were concerned with how some of the partnerships worked and requested that a report be brought to the Committee at a future meeting.
- Substantial assurance had been given with regard to Freedom of Information. There was one significant recommendation that service managers should be reminded on a quarterly basis to update the Publication Scheme for their service areas.
- Fleet Management had been given substantial assurance with no significant recommendations.
- There was substantial assurance for Rent Collection and Arrears with one significant recommendation concerning the need to put a contract or service level agreement in place to cover the provision of debt recovery.
- Tenancy Business Support Services received substantial assurance with one significant recommendation with regard to purchase orders and their authorisation.
- Substantial assurance was given with regard to Performance Management.
- There was substantial Assurance with regard to the review of the Asset Register. There was one significant recommendation regarding access rights to the Fixed Asset Register.
- The Committee noted the report and the reports provided by the current Internal Auditors were much easier to follow than those provided by the Council's previous Internal Auditors.

48. TRACKING REPORT

The Committee considered the Tracking Report, which was used to check the Council's progress against recommendations made by the Internal Auditors.

- It was noted that 73% of the recommendations for the 2008/09 financial year had been implemented and 21% of the recommendations for 2009/10. There were a number of cases where the recommendations had not reached their due dates. All recommendations for 2007/08 had been implemented.
- It was noted that the tables in the report would be improved with the addition of a column to indicate the risk level associated with each recommendation. It was agreed to implement this for future reports.
- It was noted that there was still some work to do regarding the recommendations for VAT.
- A policy had been put in place within all services regarding driving

licence checks for staff wishing to use pool cars. It was noted that not all service managers had yet replied that the policy was in place.

- The budget monitoring training for budget holders (recommended as part of the HRA internal audit) was overdue. It was noted that this had been due to some staffing changes and training should now have been carried out for those who had not yet received it.
- Members noted that there were two high risk recommendations related to concessionary travel. It was noted that work was ongoing with regard to this and that a partnership agreement had been drafted but not yet ratified by all partners.
- It was confirmed that the delay regarding the work specifications recommendation relating to disabled facilities grants would not have any effect on the delivery of grants.
- The recommendations relating to play schemes was regarding the Council's facilitation of these schemes. It was acknowledged that the Council no longer funded these schemes.

The Committee went into recess between 3:00 and 3:10 pm.

49. ASSURANCE STATEMENTS

The Committee considered the Assurance Statements which were introduced by Richard Wyles, the Corporate Head of Finance and Customer Services.

- Members questioned why there had not been a 100% response rate from service managers and said that they should all respond.
- It was noted that the contracts register was now up to date and all contract details were now recorded in the register. Previously low level valued contracts, which were not required to be put out to tender, would not have been recorded on the register.
- It was confirmed that records would be kept of staff who had attended the counter fraud training sessions.

50. ANNUAL GOVERNANCE REPORT ACTION PLAN

Members reviewed the Annual Governance Statement Action Plan. The Committee had approved the statement in May 2009 and had requested to be updated after six months.

- It was noted that all of the improvement actions were either fully or partially implemented and that progress was being made.
- The Committee noted that monitoring of internal audit reviews, which had been an area for improvement, was a standing item on Committee agendas as the Tracking Report.
- The HRA Business Plan had been delayed but would be going to the January Cabinet meeting for approval.
- Members noted the report and the progress that was being made.

51. RISK REGISTER UPDATE

The Committee considered the Risk Management Update.

- The Risk Management Strategy had been reviewed in line with the Comprehensive Area Assessment and had previously been reviewed by the Committee in September 2009.
- There had been some movements on the Risk Register, and five additional risks had been identified.
- Corporate income levels had been included as being high risk. The Council was facing reducing income levels from the car parks, Building Control and Development Control.
- Efficiency savings had also been included as high risk. The Council was required to achieve a number of efficiency savings for 2009/10 and 2010/11.
- IT security arrangements were regarded as being medium risk, which was a result of the internal audit review.
- Climate change had been added as a medium risk.
- Service continuation for leisure management had been included as a medium risk. The contract for the leisure centres continued until 2010. It had been included as a medium risk as services had to be provided until September 2010. It was acknowledged that the risk would increase as the date drew closer if a permanent arrangement was not obtained.
- Use of Resources had been moved to a medium level risk as it was acknowledged that a step change would be required to improve the Use of Resources assessment from level 2 to level 3.
- Gas Servicing, the Housing Revenue Account and Community Involvement had been removed from the corporate risk register and placed on the operational risk register as the control measures in place meant they were no longer a corporate risk.
- The Government Connect Secure Data Service had now been acted upon and was no longer a risk. The Leisure Trust had been removed as a risk as the Council was no longer considering a Leisure Trust.
- Members noted the report.

52. TREASURY MANAGEMENT PERFORMANCE REVIEW

The Finance Support Service Manager, David Scott, introduced the Treasury Management Activity mid year review..

- The report covered the period from April to September 2009. It was considered best practice by CIPFA to report on a quarterly or six monthly basis. The Council was reporting on a quarterly basis to the Committee.
- The Council had not increased its long term borrowing over the period. Long term borrowing had reduced to £3.5m, as £0.5m was now due for repayment within 12 months and was now regarded as being short term.

The Council was continuing to review the possibility of refinancing the borrowing. The Council had repaid a short term loan of £1m that was taken out in March 2009..

- The Council's investments over the period stood at an average of £29.213m. This was reducing due to the capital programme.
- The Council had £2.2m invested with RBS. The firm were financially supported by the government and therefore this was deemed to be a secure investment.
- Long term investments were £1m. This was well within the 25% limit for long term investments which had been set as Council policy.
- The average return on the £12m invested in managed cash funds was 1.8% which was better than the Bank of England base rate, which stood at 0.5% for the period.
- The Councils short term fixed deposits were investments made for a period of under three months. The Council would look at this strategy and would consider terms of up to six months if the returns were better and cash flow could be adequately managed.
- The Council expected interest rates to remain at 0.5%.
- The Council was within Treasury Management Prudential Code indicator limits.
- It was noted that the Council may consider borrowing to fund the future capital programme, depending on what the most financially advantageous method of funding was. Much of this would depend upon the outcome of the stock condition survey.
- Members noted the report.

53. IFRS UPDATE REPORT

Nicola Lovely, the Finance Support Service Manager, briefed the Committee on progress towards compliance with International Financial Reporting Standards (IFRS).

- New draft accounting policies were nearly complete. These had to be redrafted in order to comply with the new accounting rules.
- The Council had now received 75% of the valuations required from the District Valuer. The District Valuer was awaiting guidance on how some leases should be valued.
- It was looking likely that the Council would have to produce group accounts as it would be regarded that Members who had outside appointments and who could vote in those roles would be seen as exercising control over those bodies. There was a possibility that this advice may change once the implications were known.
- The government had confirmed that the Council did not have to accrue holiday pay. It was also confirmed that leases held at April 2009 could be treated under the old accounting method.
- Members questioned why appendix A, the Movement in Reserves Statement, did not show net current assets. It was confirmed that this

was the format that had been given. It was possible for the Council to add in additional lines. It was also confirmed that the descriptions at the top of the statements were required to be in place.

- It was noted that the Balance Sheet restatement was due by 31 December 2009 and that this would be audited by the Audit Commission.
- Members noted the update report and thanked the staff. It was recognised that the change to IFRS involved a considerable amount of additional work.

54. ANY OTHER BUSINESS, WHICH THE CHAIRMAN, BY REASONS OF SPECIAL CIRCUMSTANCES, DECIDES IS URGENT.

There was no other business.

It was noted that an additional meeting may be required prior to the next scheduled meeting on 18 March 2010. Details of this meeting would be advised in due course.

MEETING CLOSE

The meeting closed at 4:20 pm.