

Meeting of the Governance and Audit Committee

Thursday, 4 February 2021, 2.00 pm



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Meeting held virtually, via Skype

Committee Members present

Councillor Ian Stokes (Chairman)
Councillor Paul Wood (Vice-Chairman)
Councillor Gloria Johnson
Councillor Philip Knowles
Councillor Mark Whittington
Councillor Sue Woolley
Councillor Jacky Smith

Other Members present

Councillor Bob Adams
Councillor Ashley Baxter

Cabinet Members

Councillor Robert Reid, Cabinet Member for Housing and Planning
Councillor Rosemary Trollope-Bellew, Cabinet Member for Culture and Visitor
Economy

Officers

Chief Executive (Karen Bradford)
Interim Director of Finance (Richard Wyles)
Director of Law and Governance (Shahin Ismail)
Head of Finance (Alison Hall-Wright)
Interim Head of Planning (Jeff Upton)
Interim Head of Housing Technical Services (Paul Crow)
Governance and Risk Officer (Tracey Elliott)
Acting Principal Democratic Officer (Shelley Thirkell)
Democratic Officer (Naomi Page)

Internal Audit

Amjad Ali (RSM)

26. Register of attendance, membership and apologies for absence

Following a register of attendance, it was confirmed that all Members of the Committee were present at the meeting.

27. Disclosure of interests

No interests were disclosed.

28. Minutes of the meeting held on 19 November 2020

The minutes of the meeting held on 19 November 2020 were proposed, seconded and agreed as a correct record.

29. Minutes of the meeting held on 30 November 2020

The minutes of the meeting held on 30 November 2020 were proposed, seconded and agreed as a correct record.

30. Updates from previous meetings

The Chairman informed Members that an action sheet was included in the agenda pack providing an update on the actions raised at the previous two meetings. All of the actions were either in progress or had been completed.

A Member referred to the Safeguarding Annual Report 2019-20 that had been presented to the Committee at its meeting on 19 November 2020. A suggestion was put forward that the relevant Overview and Scrutiny Committee should be asked to consider the development of the Council's policies and framework in relation to its safeguarding responsibilities, to ensure that the arrangements were being robustly reviewed.

Action

- 1) The relevant Overview and Scrutiny Committee to be asked to consider the development of the Council's policies and framework in relation to its safeguarding responsibilities**

31. Internal Audit Progress Report

A representative from RSM presented the Internal Audit progress report. It was confirmed that six assignments had been finalised since the last meeting of the Committee. Substantial assurance had been concluded for the Business Continuity and Emergency Planning assignment and reasonable assurance had been concluded for the Rent Collection and Arrears assignment. The Contracts and Procurement and Section 106 Agreement audits had resulted in partial assurances and a 'no assurance' conclusion had been given to the Repairs - Stock Control assignment. The Follow-Up 2 report would be presented later in the meeting.

High, medium and low priority management actions had been agreed with relevant service areas across the audits, where necessary. There were five remaining audits to complete and these would be presented to the Committee at its next meeting.

Members were given the opportunity to ask questions or make comments relating to the report, as summarised below.

Repairs- Stock Control

The Committee expressed concern that this audit had received a 'no assurance' conclusion. Several questions were raised as to how the stock control system had deteriorated and how the situation could be rectified moving forward. In response to these questions, the following points were made by officers:

- The current operating system had been in place for approximately 1 year and had been initiated due to concerns around the availability of materials following the outbreak of Covid-19
- Concerns had been raised about the level of stock and the controls in place via a whistle blowing procedure with Lincolnshire County Council and on social media
- Counter fraud colleagues from a neighbouring authority had been asked to look at the arrangements around stock inventory and controls from a counter fraud perspective, in addition to the work undertaken by the internal auditors
- Following these reviews, a new staffing structure had been implemented in the Repairs team
- A new digital system was being introduced to track stock and introduce a 'just in time' approach to the Council's repairs stock control
- This new system was anticipated to be ready for use from the beginning of March 2021
- The management actions raised in relation to the audit would be followed up as part of the auditors' work in the 2021/22 period

Contracts and Procurement

A Member asked what system was in place to manage procurement and contracts information. The Interim Director of Finance explained that the Council used a software system called ProContract to manage its contract register. ProContract was an online platform that required data input from officers. The Contracts Register was available to view on the Council's website.

Rent Collection and Arrears

Officers were asked for further explanation regarding the 'reasonable assurance' conclusion for the Rent Collection and Arrears audit. Members were reassured that the Council had prescribed procedures in place over specific timelines for the collection of rent arrears. However, following the temporary suspension of rent recovery during part of 2020, a period of inactivity had been inevitable. It was intended that another audit would be requested in this area, over a more normalised period in the future.

Section 106 Agreements

Members raised concerns regarding the lack of a formal process for monitoring Section 106 contributions from developers.

The Cabinet Member for Housing and Planning and officers provided the following information in response to the questions raised:

- The Section 106 process was already under review at the time the audit was carried out, due to the requirement for an Infrastructure Funding Statement to be published on the Council's website
- The collation of this data in preparation for publication identified a need for more formality in the Section 106 process
- The Infrastructure Funding Statement was published on the Council's website in December 2020
- Procedures were now being put in place to deliver the management actions agreed; these were anticipated to be completed by the end of April 2021
- The Interim Head of Planning was responsible for ensuring that the management actions were completed
- The Section 106 balances would be reported to the Planning Committee on a quarterly basis

Some comments were made that the overall report structure for this item was difficult to navigate. The Chairman asked that RSM consider separating the individual assignments and structuring them in a clearer way in future reports.

Actions

- 1) The hyperlink for the Council's Infrastructure Funding Statement (published on the SKDC website in December 2020) to be circulated to Members of the Committee**
- 2) A six monthly update to be reported to the Governance and Audit Committee in relation to Section 106 figures**
- 3) The Planning Team to improve engagement with Parish and Town Councils and share appropriate Section 106 figures, where possible**
- 4) Officers to liaise with RSM and investigate the potential for a revised structure for Internal Audit progress reports from April 2021**

32. Internal Audit Follow-up Report

A review had been undertaken of the 37 management actions raised from previous audits. Following this review, Internal Audit considered the Council to have made good progress, with more than 75% of the management actions having been implemented.

A Member asked for confirmation that the management actions identified in respect of voids management would be implemented. The Committee were assured that RSM would continue to follow up all actions until they had been completed. The

Council would also be introducing the use of '4action' software, which provided a dashboard in order to track the agreed management actions for all audits undertaken.

The Chief Executive added that the creation of a stronger framework for voids management was a key priority for the Council. A report on the voids process and performance had been presented to the Rural and Communities Overview and Scrutiny Committee, followed by Cabinet, in January 2021. This review of the current process and performance would be used to inform the development of a new Voids Policy.

Action

- 1) The Interim Director of Finance to consult with RSM to ensure that the dashboard developed using the '4action' software gives a clear indication of progress within agreed management actions**

33. Update on Internal Audit Follow-up 1 Report

The Interim Director of Finance presented the report, which provided an update on the progress of actions from the Internal Audit Follow-Up 1 Report. This officer-led review had been requested to address the loss of traction on some of the agreed management actions that had been noted by the Committee at its meeting on 19 November 2020. The Chairman thanked officers for providing the update. No questions were raised.

Decision

- a) Governance and Audit Committee noted and approved the contents of the report**

34. Indicative Internal Audit Plan 2021-22

A representative from RSM presented the Indicative Internal Audit Plan 2021-22. Consideration had been given to audits previously undertaken at South Kesteven District Council, as well as typical areas covered by other Local Authorities. Based on this information and following discussions with the Corporate Management Team, an Indicative Plan had been compiled.

The Plan was intended to be flexible and could be adjusted to respond to changes in risk profiles throughout the 2021/22 period, if needed. Members were encouraged to provide any feedback on the Indicative Plan. The final Internal Audit Plan 2021/22 would be presented to the Committee for approval at its meeting on 18 March 2021.

15:32 – Councillor Paul Wood left the meeting

A suggestion was put forward to include Local Authority Searches in the Plan. Members felt that an audit into the types of searches and length of time taken to complete could be beneficial, as delays with searches was an issue regularly raised by residents. The Committee discussed whether an internal review of the searches process would be sufficient to address Members' concerns in this area.

The Cabinet Member for Housing and Planning offered to provide the Committee with a report providing data on the response times for searches completed in the preceding 9 months, with a quarterly report to be provided thereafter. Members welcomed the offer of an update in this area but felt that it should also be included as part of the audit process.

A representative from RSM advised that the Local Authority Searches could be included in the Internal Audit Plan as one of the fundamental controls for 'continuous assurance', which were areas that would receive a quarterly report from the Internal Auditors. After giving this option consideration, Members reiterated that a full audit should be put forward for consideration.

Members also requested for a follow-up on the voids management actions to be included in the 2021/22 Plan. The Committee were reassured that the outstanding voids management actions would continue to be followed up as part of the Internal Audit Plan for the following year.

Action

- 1) The Committee to be presented with a report providing data on the response times for searches completed in the preceding 9 months**

Decision

- a) Governance and Audit Committee noted the contents of the report and the appended Indicative Internal Audit Plan 2021/22**
- b) That consideration be given to a suggested amendment to the Internal Audit Plan 2021/22, to include a full audit of Local Authority Searches**

35. Strategic Risk Register

The Interim Director of Finance presented the Strategic Risk Register report. The Strategic Risk Register had undergone further development since the Committee was last updated on its progress in November 2020. Following the feedback received, the updated draft contained further details around risk controls and actions required and displayed a colour coded residual risk score, to show the direction of travel towards mitigating risks.

The Council would be using '4action' software to produce a dashboard of risks and allow them to be tracked in real time. This would improve ownership and accountability for risk control across the Council. Officers were thanked for producing a clear and easy to follow document.

Decision

- a) **Governance and Audit Committee noted the contents of the report and agreed to approve the draft Strategic Risk Register**

36. Treasury Management Strategy 2021-22

The Head of Finance presented the Committee with the Treasury Management Strategy 2021/22. The Council was required to produce the Strategy on an annual basis, covering capital and treasury management. The Committee was informed that the following changes had been made to the Strategy presented for approval:

- The limit for the Council to invest with a body of high credit quality had been increased from £10m to £15m and the Corporate Group limit from £12m to £15m
- The Public Works Loan Board (PWLB) lending terms had been changed, removing the ability for the Council to access PWLB borrowing if the request was associated with plans to purchase investment assets primarily for yield over a three year period

Officers were asked if the Council currently held any investments with other Local Authorities and what level of risk was associated with this. The Committee was informed that the Council currently held investments with several Local Authorities. These agreements were always entered into through Treasury Advisors and a limit was set for lending amounts to limit risk.

Action

- 1) **The Head of Finance to provide the Committee with further details of the investments the Council currently held with other Local Authorities**

Decision

- a) **Governance and Audit Committee agreed to recommend to Council the 2021/22 Treasury Management Strategy**

37. Work Programme

Members noted the items on the Work Programme for the Committee's next meeting on 18 March 2021.

38. Close of the meeting

The meeting closed at 16:11.