

Minutes

Governance and Audit Committee
Thursday, 4 June 2020



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Committee members present

Councillor Ian Stokes (Chairman)
Councillor Paul Wood (Vice-Chairman)
Councillor Ashley Baxter
Councillor Chris Benn

Councillor Gloria Johnson
Councillor Mark Whittington
Councillor Sue Woolley

Cabinet Members

Councillor Adam Stokes, Cabinet Member for Finance and Resources

Other Members

Councillor Jacky Smith

Officers

Interim Director of Finance (Richard Wyles)
Assistant Director, Housing (Harry Rai)
Head of Finance (Alison Hall-Wright)
Head of Governance (Jo Toomey)
Governance and Risk Officer (Tracey Elliott)
Democratic Officer (Naomi Page)

External Audit

Paul Harvey (Grant Thornton)

Internal Audit

Chris Williams (RSM)
Amjad Ali (RSM)

41. 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.

42. Disclosure of interests

No interests were disclosed.

43. Minutes of the meeting held on 18 December 2019

The minutes of the meeting held on 18 December 2019 were proposed, seconded and agreed as a correct record.

44. Updates from previous meeting

The Chairman confirmed that the proposed changes to the Risk Management Framework would be considered during the course of the meeting.

A member of the Committee asked for the date the Council had joined the Welland Procurement Partnership. The date was confirmed as 1 April 2019.

45. External Audit Plan

A representative from Grant Thornton presented the report on the External Audit Plan. The Committee was asked to note the significant risks outlined in the report, which had been updated to reflect the additional significant risk of Covid-19. Reference was made to the deadline for the audit opinion, which had been moved to the end of November following the Covid-19 outbreak. A fee variation was also detailed in the report, which was due to the additional work required regarding pensions, Personal Protective Equipment valuation, Covid-19 and the requirement for additional supervision and leadership to meet the Financial Reporting Council's standards. Members were given the opportunity to ask any questions relating to the report.

A question was raised as to the criteria by which a risk would be considered significant. It was explained that the most significant financial risks were those of a high value that relied on estimates, which could lead to a material misstatement.

Further explanation was requested regarding the risk of financial sustainability identified in the report in relation to the need for an updated Medium Term Financial Strategy (MTFS) and Corporate Plan. The Interim Director of Finance outlined the timeline over the coming months for the development of these documents, emphasising the need for the MTFS to align with the Corporate Plan. Funding gaps within the current MTFS could be partially attributed to forecasts made regarding the Business Rates baseline reset and Fair Funding Review, which were originally due to be implemented in April 2020. Due to the current Covid-19 pandemic, it was likely that the resets would be deferred and the Council would receive a similar sized settlement to previous years for 2021/22. Any changes to the MTFS as a result of the pandemic would be fed into the amended 2020/21 budget process.

Another Member commented on the risk associated with financial sustainability, noting that the impact of Covid-19 on the MTFS and Corporate Plan would need to be adequately assessed using the Council's Risk Register. A suggestion was given that External Audit be asked to consider the Risk Register within its Value for Money work.

Action Point

- **The Interim Director of Finance to discuss with External Audit the potential to include a review of the Council's Risk Register within its Value for Money work**

One Member referred to the significant risk reported with reference to the pension fund net liability. He expressed concern that as the current contribution amount was based on a valuation made in 2019, there was a risk that the effect of Covid-19 on the stock market could require the Council to increase its pension contributions. It was explained that any requirement for the Council to change its contributions to the pension fund would be factored into the MTFS.

Reference was made to the significant risk identifying the valuation of land and buildings. A Councillor asked how the land at St Martin's Park, Stamford was assessed and whether there was an increased financial risk due to the impact of Covid-19. It was confirmed that work was continuing to be undertaken to secure potential bidders for the site, but as the Council had already put in place financing to meet the holding costs using the regeneration reserve, there were no budgetary pressures from the site at present.

The Chairman thanked External Audit for its report and confirmed that the Committee had reviewed and noted its contents.

46. Internal Audit Progress Report

A representative from RSM presented the Internal Audit progress report. It was confirmed that the Internal Audit Plan for 2019/20 had now been completed, with six assignments having been finalised since the last meeting of the Committee. Substantial assurances had been concluded for the assignments in relation to risk management and the planning service. Reasonable assurances had been concluded for purchasing cards and void management and partial assurances had been concluded for procurement and contracts and homelessness. Medium and low priority management actions had been agreed with relevant service areas across the audits, with no high priority actions raised. Members were asked if they had any questions or comments relating to the progress report.

The Chairman read out an email that had been received from the Assistant Director, Housing, in response to a question from a member of the Committee regarding the void management audit. The email confirmed that as a result of the audit, a Voids Policy was being produced and would be considered by the Rural and Communities Overview and Scrutiny Committee before its adoption.

Members sought confirmation that the Council was on schedule to implement the management actions required in respect of the homelessness audit. The Assistant Director, Housing confirmed that all of the actions had been implemented, aside from the updated Housing Asset Management Strategy, which would be completed by the end of July. One Member asked about the extent to which the Council was utilising bed and breakfast accommodation as a means of temporary accommodation. It was confirmed that although bed and breakfast accommodation was sometimes used during periods of escalation in homelessness, the Council was currently able to support the provision of temporary accommodation using only its own stock.

The Committee considered the outcome of the procurement and contracts audit. A number of Members noted the challenge of managing procurement as an authority-wide responsibility. Members suggested that there was potential for the service to be given to a centralised group of officers, to standardise the compliance with procedures and quality of work undertaken in this area. The Committee was reminded that a new set of Contract Procedure Rules had been adopted at Council in January 2020. Officers suggested that a period of time be allowed to see the effects of the use of the revised set of rules, along with the implemented management actions, after which time the service could again be reviewed. The Cabinet Member for Finance and Resources added that he was committed to improving the performance of procurement and contracts, which sat within his portfolio.

Attention then turned to the audit regarding purchasing cards. The Committee asked for further information regarding the level of access to purchasing cards. The Interim Director of Finance explained that purchasing cards were given to specific officers, who were named on their assigned purchasing card and subject to monthly and individual spending limits. Members expressed concern regarding a transaction of £740.62 identified in the report and wished for further information as to what the transaction related.

Action Point

- **The Committee to be provided with information identifying the reason for a purchase card transaction of £740.62**

The Chairman confirmed that the report had been reviewed and its contents were noted by the Committee.

47. Internal Audit Annual Report

The Committee was presented with the Annual Internal Audit Report for 2019/20. The report drew together the individual audit assignments undertaken throughout the year to give an audit opinion. An overall adequate opinion had been given, with recognition that further enhancements would need to be implemented to ensure that this opinion could be maintained going forward. It was highlighted that the audit work for the 2019/20 period had been completed prior to the Covid-19 pandemic, and as such, the impact of the pandemic on the Council and its risk profiles had not been incorporated into the audit opinion.

The Committee considered that the opinion was of a level to be expected for Local Authorities and gave a balanced assessment of the assignments undertaken.

It was proposed, seconded and **AGREED**:

- **To accept the Internal Audit Annual Report and audit opinion for 2019/20**

48. Internal Audit Plan 2020/21

The Internal Auditors then presented their plan for the 2020/21 period. Following the presentation of the indicative plan to the Committee at its meeting in December 2019, a series of meetings had been arranged to collaborate with key officers across the Council and finalise the plan. Following feedback from Members regarding the Indicative Plan, the procurement of consultants and agency workers had been added.

Members enquired as to the arrangements for delivering the plan in light of the restrictions in place due to Covid-19. The auditors reassured Members that they were currently facilitating work on a remote basis. It was recognised that audits in relation to primarily paper-based systems would be more challenging to carry out in this manner. When the plan had been agreed by the Committee, the audits would be mapped out to give priority to those which could be undertaken remotely, leaving those requiring a physical presence for later in the year when it was hoped that restrictions would be more amenable.

It was proposed, seconded and **AGREED**:

- **That the Internal Audit Plan 2020/21 be approved**

49. 2019/20 Accounting Policies and changes to the deadline for the publication of the Statement of Accounts

The Cabinet Member for Finance and Resources introduced his report regarding the 2019/20 Accounting Policies. He explained that the Accounting Policies were reviewed annually prior to the preparation of the Statement of Accounts to ensure that they complied with the CIPFA Code. The Head of Finance then confirmed that as the 2019/20 CIPFA Code had only seen minor changes, the Accounting Policies used in the production of the 2018/19 accounts had not been amended.

The Committee was informed that key deadlines for the production of the Statement of Accounts had been moved by Government Regulations made in response to Covid-19. The draft accounts must now be approved by 31 August 2020, with the publication of the final audited accounts by 30 November 2020. It was also confirmed that the audit scale fee for 2020/21 would remain the same as for the 2019/20 accounts. Members were asked if they had any questions relating to the report or the appended Accounting Policies.

One Member referred to the termination benefits detailed in the Accounting Policies and asked who held responsibility for authorising these benefits. It was confirmed that any termination benefits would be processed in accordance with the relevant human resources policies, which could be circulated to the Committee.

Action Point:

- **The Human Resources Policy relating to the provision of termination benefits to be circulated to the Committee**

A Member remarked on the Accounting Policies relating to the leasing of the Council's assets and asked whether it was anticipated that contingency provisions would need to be made due to the impact of Covid-19. The Head of Finance explained that the potential for challenges in this area would be most likely to fall in the current financial year or moving forward. Reassurance was given that a regular assessment of the impact of Covid-19 was being undertaken to ensure that any issues could be identified and addressed.

It was proposed, seconded and **AGREED**:

- **That the Accounting Policies be approved for use in the production of the 2019/20 Statement of Accounts**

50. Risk Management Framework - proposed changes

The Interim Director of Finance presented the report on the proposed changes to the Risk Management Framework. When the changes had initially been proposed to the Committee at its meeting in December, Members had requested further assurance that the current Corporate Risks had been assimilated in the move across to a Strategic Risk Register. The migration of Corporate Risks had been mapped out in Appendix 1 to the report. Another proposed change was to introduce risk appetite alongside the Strategic Risks. This was intended to highlight where the Council may wish to push itself further in the pursuance of corporate aims, and conversely, where strong internal controls and therefore a minimal risk appetite were required. The Committee was given the opportunity to ask any questions relating to the report or the appended documents.

One Member asked if it was necessary to have a 'minimal' category of risk within the three categories of risk appetite (minimal, cautious and open). It was explained that the 'minimal' category had been included as there were areas where full compliance was required financially and legally in order for the Council to fulfil its statutory duties, including its control framework and checks and balances.

A question was asked relating to the Corporate Plan and how the adoption of this later in the year would impact on the Strategic Risks. Officers acknowledged that a Corporate Plan was required to feed into the Strategic Risks and focus the risk appetite on areas where the Council wished to be 'open' such as growth and transformation. Some of the risks were currently high level descriptions, but would become more defined once structured against the Corporate Plan. Members felt that it was important that the two documents align and that the Strategic Risks be responsive to new and emerging risks. The Interim Director of Finance confirmed that the overall aim was to develop a dynamic and responsive framework with a focus on bigger Strategic Risks that were positioned in such a way that, whilst the headings would remain largely the same, the factors comprising the risk would be regularly reviewed and updated in response to change. A revised matrix could be brought back to the Committee when the Corporate Plan had been agreed.

It was proposed, seconded and **AGREED**:

- **To approve the adoption of the Strategic Risks**

51. Work Programme

The Chairman explained that a work programme had been introduced as a standing agenda item to allow the Committee to consider upcoming items. As the programme had been developed prior to the Covid-19 pandemic, adjustments would need to be made to accommodate revised deadlines. When the annual programme of meetings had been finalised, a revised work programme would be presented to the Committee at its next meeting. The Vice Chairman requested that the Corporate Governance Report be added to the work programme.

52. Close of the meeting

The meeting closed at 16:26.