

Governance and Audit Committee

Wednesday, 24 January 2024, 2.00 pm



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Committee Members present

Councillor Tim Harrison (Chairman)
Councillor Paul Wood (Vice-Chairman)
Councillor Patsy Ellis
Councillor Graham Jeal
Councillor Bridget Ley
Councillor Charmaine Morgan
Councillor Peter Stephens
Councillor Sue Woolley

Other Members present

Councillor Ian Selby
Councillor Gareth Knight
Councillor Ashley Baxter
Councillor Richard Cleaver
Councillor Philip Knowles

Cabinet Members

Councillor Ashley Baxter
Councillor Richard Cleaver
Councillor Philip Knowles

Officers

Richard Wyles, Deputy Chief Executive and Section 151 Officer
Graham Watts, Assistant Director (Governance and Public Protection) and Monitoring Officer
Alison Hall-Wright, Director of Housing
Tracey Elliott, Governance and Risk Officer
Claire Moses, Head of Service (Revenues, Benefits Customer and Community)
Phil Swinton, Emergency Planning and Health & Safety Lead
Sarah Downs, Democratic Services Officer

56. Apologies for absence

Before commencing with the formal items of business, the committee consented to a variation in the order of the agenda, with the 'Leisure:SK Limited – Board of Directors' report falling being heard after the 'Internal Audit Progress report'.

Apologies for absence were received from Councillors' Rob Shorrock and Ian Stokes.

Councillor Graham Jeal substituted for Councillor Stokes.

Apologies were also received from Councillor Charmaine Morgan who was delayed but due to attend.

57. Disclosure of interests

No interests were disclosed.

58. Minutes of the meeting held on 29 November 2023

The Chairman informed Members that he was expecting to receive a report from Duncan and Toplis by 26 January 2024.

The minutes of the meeting held on 29 November 2023 were proposed, seconded and **AGREED** as a correct record.

59. Updates from previous meeting

All actions from the previous meeting were confirmed as complete. There were no further comments.

60. External Audit Findings 2022-2023

The Auditor from Grant Thornton presented the findings for the Council Audit for the 2022-2023 financial year.

The report was a positive one and close to being completed. All risks that had been discovered at the planning stage were similar to those seen in other Councils of a similar size.

The external auditors raised the following points:

- No management override control had been identified. Two control recommendations had been raised, which had also been communicated in the previous year.

- The audit had not found any material errors in the valuation of property, but it did find one non-material error relating to the valuation of council dwellings of £135,000.
- The audit found significant risk relating to the pension fund net liability not being accounted for as an asset; however, discussions were still ongoing with the actuary regarding this classification.
- The control recommendations from the previous year had been reviewed; six of them had not yet been actioned but this was due to the timing of the audit.
- The unadjusted misstatements were satisfactory, and the accounts were not considered to be materially misstated.

During debate, further information from the report was highlighted:

- The significant risks identified in the audit report were identified in every audit of local government bodies, and the auditors did not have any significant concerns about South Kesteven District Council's (SKDC's) financial statements.
- The largest misstatement in the accounts was in relation to the pension net asset which was being seen in may sets of account this year.
- The number of super users within the accounts system processing journals had been reduced from 5 to 4; it was important to ensure resilience within the team. Super users had been issued a separate user ID to reduce the risk when processing journals.
- Audit do risk assess journals as part of their testing to ensure they test the higher risk journals. The finance team reviewed processed journals on a monthly basis to ensure they were all appropriate.
- Proposed budget increases for next year included a proposed £104,000 increase in the external audit fee due to increases in charges for the audit of the Statement of Accounts and housing benefit subsidy return.
- External audit fees were set by the Public Sector Audit Appointments (PSAA), not the external auditors themselves.

The Committee accepted the External Audit Findings for 2022-2023.

61. Value for Money Opinion 2021-22 and 2022-2023

Members considered a report on the Value for Money Opinion for 2021-2022 and 2022-2023.

The report covered three main areas:

- the Council's financial sustainability
- the Council's governance arrangements, and;
- the Council's arrangements to secure improvements in economy, efficiency, and effectiveness.

The report would remain provisional until the audit opinion had been signed; however the auditors felt that the report was a fair reflection of arrangements at the Council.

There were three levels of recommendation that could be raised:

- improvement recommendations (lowest urgency)
- key recommendations (middle), and;
- statutory recommendations (most serious).

The report had one key recommendation for the two years being covered; a recommendation of a review into the historic use of non-disclosure agreements (NDAs), alongside identifying any overarching themes that might be addressed to reduce their usage, and finally whether the use of NDAs was the correct outcome in each of those cases.

The following pieces of information were raised during debate:

- The use of NDAs was the exception, not the rule. The Council had recently undergone corporate restructuring, which had led to a temporary increase in NDAs. Statutory and legal officers had a set, rigid process to evaluate if an NDA was necessary. Whilst the number of NDAs had increased, the total value spent on them had decreased.
- Corporate restructuring was overseen by the Employment Committee, ensuring a democratic element to the process. However, it wasn't necessary for the Council to agree to every NDA signed because the intent was a timely termination of employment. There was not an undue burden on the taxpayer because it was dealt with within the boundaries of the Budget set by the Council.
- Contracts of employment fell within the duties of the Head of Paid Service. There was a strict process of seeking legal advice, obtaining a business case from the relevant service area, and getting the input of Human Resources and all three statutory officers. All of this was presented to the Head of Paid Service, who then decided if an NDA was necessary.

The Committee **ACCEPTED** the Value for Money Opinion 2021-22 and 2022-2023.

62. Statement of Accounts and Annual Governance Statement 2022-2023

Members considered the Statement of Accounts and Annual Governance Statement for 2022/2023.

The accounts had been awaited for some time as there had been a bottleneck in the audit process.

Having been proposed and seconded, following a vote it was **AGREED**:

DECISION

That Governance and Audit Committee:

1. Notes the outcome of the audit work undertaken to date by the Council's external auditors Grant Thornton.
2. Delegates authority to the Chief Finance Officer to make any final wording changes and accounting adjustments following the conclusion of any outstanding audit queries.
3. Delegates approval of the audited Statement of Accounts and the Letter of Representation to the Chairman of the Governance and Audit Committee, on behalf of the Governance and Audit Committee in consultation with the Chief Finance Officer.

63. Internal Audit Progress Report

Members considered a progress report from the Internal Auditors, RSM. The delivery of the Internal Audit Plan by the end of March 2024, which had been planned for remained on track.

There was one change from the last meeting: responsive repairs had been added to the Internal Audit Plan at the request of the Governance and Audit Committee as there had been an empty slot within the audit.

The Council had demonstrated reasonable progress against the 12 actions within the report, which was positive.

The review into debtors and debt recovery processes sought to ensure that invoices were being raised in a timely and accurate manner, and that debts were being chased so that collection rates could be maximised. Actions that had been previously raised on the account payable review were also followed up; that had been a low assurance opinion, but was now a positive opinion, a marked improvement. A reasonable assurance had been given overall, which was an 'amber' opinion. Good progress had been made in regards to previously agreed actions on the accounts payable review. 28 out of the 38 actions had been completed, the remaining 10 could not be marked as fully completed due to a lack of evidence at the time of carrying out the review. There was confidence that these would be completed as part of the follow up review.

Following questions from members, further information was provided:

- RSM had reached out to the previous internal auditor regarding the Voids report and was awaiting a response. No testing had been possible on Voids at this stage as the new system was not yet in place.
- The Deputy Chief Executive noted that previous reports from the previous auditors had showed six high risks with the debtors audit; it was noted that now there were only low risks within this report.
- Follow-up actions from the debtors and debt recovery audit had referred to ten instances of incomplete evidence. This was in part due to a new system for debt management coming online in April 2024, and also due to guidance for staff not having been placed into one single document. RSM had agreed with the commentary provided by officers on this topic.
- The Health and Safety team undertake an annual review of risk assessments across all Council areas to ensure that they are being done and are in date. Where risk assessments were expired or out of date, the Health and Safety team were already carrying out reviews with the relevant service areas. Where there is a significant risk the Health and Safety team have the power to stop the activity and make sure the risk was corrected.

Committee **ACCEPTED** the Internal Audit Progress Report.

64. LeisureSK Limited - Board of Directors

Members considered a report which sought nominations to the Board of Directors to LeisureSK Limited following recent resignations. It also considered a recent recommendation from Culture and Leisure Overview and Scrutiny Committee regarding a 'Vote of No Confidence'.

The public and press were excluded from the meeting under paragraph 1 of Part 1 of Schedule 12A of the Local Government Act 1972 following a vote; if they had remained they would have been party to information pertaining to the competency of individuals to be Board Directors.

Having been moved and seconded, and following a vote, it was **AGREED**:

DECISION

1. That Councillor Steven Cunningham be appointed to the Board of Directors for LeisureSK Limited.
2. That the Governance and Audit Committee receives the report of the independent review commissioned by Cabinet regarding the governance of LeisureSK Limited.

65. Appointment of the Council Internal Auditors

Members considered the appointment of the Council's internal auditors.

RSM, the current internal auditors had joined the Council in September 2023, and their appointment would run until March 2024.

Following a compliant procurement process, and subject to a scoring mechanism based on price and quality, BDO LLP were selected as the winning bidders. The recommendation would be for the auditors to be in place for a three-year period with an option for a fourth year.

Having been moved and seconded, following a vote it was **AGREED**:

DECISION

That Governance and Audit Committee approve the appointment of BDO LLP as the Council's internal auditor for three years commencing 1 April 2024, with the option to extend for one year, for the annual cost of £90,000.

66. Treasury Management Strategy Statement 2024-2025

Members considered the 2024/2025 Treasury Management Strategy Statement. The Council was required by regulations issued under the Local Government Act 2003 to produce a Treasury Management Statement for each financial year.

The Statement was wholly compliant with the CIPFA Code of Practice on Treasury Management and the Prudential Code.

The Capital Programme was presented to the Budget Overview and Scrutiny Committee on 15 January 2024, including a breakdown of the scheme being invested in. For example, for the HRA that would be the housing stock investment and investment in housing growth. For the General Fund, there was the proposed new Depot project. That would be included in the 2023/2024 figures, which was why the Budget was higher for 2023/2024 than 2024/2025.

Having been moved and seconded, and following a vote, it was **AGREED**:

DECISION

That the Governance and Audit Committee recommends to Council that the 2024/2025 Treasury Management Strategy Statement be approved.

67. Complaints Statistics: April-November 2023

This item had been withdrawn from the meeting and was now due to be heard at the next meeting of Governance and Audit Committee on 13 March 2024.

68. Health and Safety Policy 2023 - 2025

Members considered the Health and Safety Policy for 2023-2025. This Policy ensured compliance with the Council's legal duties and was the Council's statement of intent and commitment to managing any risk that may arise from its undertakings.

The Policy was designed to mirror the Health and Safety at Work Act. It was reviewed annually by officers and brought to the appropriate Overview and Scrutiny Committee every two years (or following any changes to the Policy). The Policy historically had visited Employment Committee, but now was within the remit of the Governance and Audit Committee.

One change from the past Policy was to remove the legal requirements associated with Covid-19.

There was a Health and Safety Working Group including officers of the Council where any health and safety issues across the workforce could be brought to the attention of the Health and Safety team.

Having been moved and seconded, and following a vote, it was **AGREED**:

DECISION

That Governance and Audit Committee approve the contents of the Health and Safety Policy for the period 2023-2025.

69. Work Programme 2023 - 2024

The following items were discussed during consideration of the work programme for 2023-204:

- Expressions of interest for Governance and Audit Committee members had been sought to take part in the Little Ponton and Stroxtion Community Governance Review Working Group. So far three members had expressed an interest, and a maximum of five members could take part.
- Housing repairs had been agreed to be part of the Audit Plan and would be worked on accordingly.
- The item on Complaints Statistics for April to November 2023 would come back to Governance and Audit Committee in March 2024.
- The Counter Fraud and Risk Management Framework reports were being worked on and were likely to be ready for the 2024/2025 municipal year.
- An item on Constitutional Amendments would be added to the workplan for the March 2024 meeting.

The workplan was therefore **NOTED**.

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

The Chairman informed the Committee that an issue had been brought to his attention by a member of the public regarding the Common Seal register of the Council. This had been investigated by the Monitoring Officer and the issue had now been remedied; processes had been put in place to try and avoid similar issues happening in the future.

71. Close of meeting

The Chairman closed the meeting at 16.10.