

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 25 JULY 2018

Present: Councillor V Richichi (Chairman)

Councillors J Clarke, J Cotterill, D Harrison, G Hault, G Jones, S McKendrick and S Sheahan

Officers: Mrs T Bingham, Mrs S Harrison-Bowler, Mrs R Wallace and Miss E Warhurst

**1. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors R Ashman and F R D Fenning.

**2. DECLARATION OF INTERESTS**

There were no declarations of interest.

**3. MINUTES**

Consideration was given to the minutes of the meeting held on 21 March 2018.

By affirmation of the meeting it was

RESOLVED THAT:

The minutes of the meeting held on 21 March 2018 be approved as a correct record and signed by the Chairman.

**4. INTERNAL AUDIT PROGRESS REPORT - JULY 2018**

The Interim Audit Manager presented the report, highlighting the four audits which had been issued since the last meeting and directing Members to the executive summaries at appendix B. Regarding the sundry debtors audit, the audit opinion was a grade three as internal controls required significant improvement. A number of recommendations had been made to address the weaknesses identified which would be followed up by Internal Audit within an agreed timescale. The Interim Audit Manager referred to the revised appendix which identified a number of recommendations that had been implemented with this particular audit since the agenda was originally sent to Members.

Councillor S Sheahan referred to his request at the last meeting for an update on the review of managing the risk of fraud and corruption, and asked for further information as it was not included within the report. The interim Audit Manager reported that the review had been undertaken and had now been passed to the Head of Finance for implementation. The Head of Finance stated that it was currently ongoing and would report back to the Committee in due course.

Councillor S Sheahan raised concerns that there were many deadlines for follow ups that had not been met and questioned if there were any problems. The Interim Audit Manager assured Members that there was nothing to be concerned about with regards to Internal Audit resources and many of the follow ups were in progress with the services but not yet completed.

Councillor D Harrison raised concerns regarding the Section 106 recommendations as the original target date was September 2017 but it was still ongoing. He also questioned whether the shared Internal Audit Service was working successfully as there were some high rated recommendations that were not meeting deadlines. The Head of Legal and Commercial Services explained that it was the responsibility of the service area to

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implement the recommendations in the agreed timescale. The Internal Audit service was responsible for reporting any weaknesses and following up recommendations. She suggested that if Members were unhappy with the missed deadlines, they could invite the relevant officers to the meeting to discuss the matter further. The Interim Audit Manager felt that in her opinion, the service was adequately staffed and agreed that some benefits could be gained by inviting relevant officers to the meetings.

Councillor S McKendrick felt that it was difficult for Members to see the progress of some recommendations, especially ones which were completed in between committee meetings. The Interim Audit Manager explained that recommendations could not be reported on if the follow ups were in progress and suggested that interim updates be sent directly to Members via email. All agreed.

Councillor S Sheahan commented that he would be happy to invite officers to the meetings if they needed some encouragement to implement the recommendations. The Interim Audit Manager was happy to take this forward as she felt it would make officers more accountable. The Head of Legal and Commercial Services agreed to invite the relevant director to the next meeting to discuss the Section 106 recommendations.

Councillor D Harrison asked for further information relating to how the shared Internal Audit service operated as he was not confident that there was adequate resources due to the missed deadlines. The Head of Legal and Commercial Services reiterated that it was the responsibility of the service area to implement the recommendations. The Interim Audit Manager explained the role of Internal Audit in following up recommendations after an audit had been undertaken.

Councillor D Harrison raised concerns regarding Exchequer Services as many of the sundry debtors deadlines had been missed. The interim Audit Manager stated that the report had only recently been finalised and referred to the revised appendix circulated to Members which included updates on agreed target dates and the progress of the recommendations, some of which had been implemented.

It was moved by Councillor V Richichi, seconded by Councillor J Clarke and

RESOLVED THAT:

The report be noted.

## **5. INTERNAL AUDIT ANNUAL REPORT 2017/18**

The Interim Audit Manager presented the report to Members. She informed Members that for the 12 months ended on 31 March 2018, she had formed the opinion that the Council's overall internal control arrangements were a grade two. This meant that the internal control arrangements required improvements in some areas. She referred Members to the summary of all reports issued at page 31 of the report.

It was moved by Councillor J Cotterill, seconded by Councillor G Hoult and

RESOLVED THAT:

The report be noted.

## **6. BRIEFING PAPER: CIPFA'S 2018 EDITION OF AUDIT COMMITTEES: PRACTICAL GUIDANCE FOR LOCAL AUTHORITIES AND POLICE**

The Interim Audit Manager presented the report to Members, highlighting the main changes to the guidance previously published in 2013. She drew Members attention to

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the self-assessment evaluation tools within the guidance which could assist in supporting an assessment against recommended practice to inform and support the committee. Although completion of the self-assessment was not mandatory, it was seen as good practice and therefore it was recommended that a working group be established to take it forward and report back to the committee in due course.

It was moved by Councillor J Clarke, seconded by Councillor G Hoult and

RESOLVED THAT:

- a) The report be noted.
- b) Councillors D Harrison, G Hoult and S Sheahan be appointed to the Member working Group to work with the Interim Audit Manager and the Head of Legal and Commercial Services to undertake a self-assessment and training needs analysis, and to report back to the Audit and Governance Committee meeting on 5 December 2018.

## **7. TREASURY MANAGEMENT STEWARDSHIP REPORT 2017/18**

The Head of Finance presented the report to Members, drawing attention to the Council's current treasury position, borrowing activity, debt rescheduling activity and investment activity. She also advised Members of the one breach of investment limits (as set out in the annually approved Treasury Management Strategy Statement) which was reported to the committee at its meeting on 21 March 2018.

Councillor J Clarke commented that prudence had been paramount in the past financial year and was pleased with what was being reported.

In response to a question from Councillor D Harrison, the Head of Finance explained that the day to day treasury management actions were taken by a technical accountant who made decisions in accordance with the treasury management strategy statement which was agreed annually by Full Council. She added that there was also an external independent treasury management advisor.

It was moved by Councillor G Jones, seconded by Councillor J Clarke and

RESOLVED THAT:

The report be noted.

## **8. PROGRESS UPDATE IN RESPECT OF IMPROVEMENTS IDENTIFIED THROUGH THE ANNUAL REVIEW OF GOVERNANCE 2016/17**

The Head of Finance presented the report to Members. A total of 17 improvements were identified through the 2016/17 review, 10 of which were now complete, the remaining seven would be carried forward as an ongoing improvement and scheduled for completion in 2018/19. Members were referred to the full detail at appendix one of the report.

It was moved by Councillor V Richichi, seconded by Councillor J Clarke and

RESOLVED THAT:

The report be noted.

## 9. CORPORATE RISK UPDATE

The Head of Finance presented the report on behalf of the Strategic Director of Housing and Customer Services and informed Members that there had been no new risks added to the register, no changes to the risk ratings or movements of risk.

Councillor S Sheahan asked if there was an increase of risk due to the departure of the procurement officer. The Head of Finance did not feel that there was an increase of risk. She informed Members that interviews had taken place for a replacement and she was hoping to have confirmation of the appointment by the end of the week. She also assured Members that an interim was in place and would remain until the new post holder took the position, which would hopefully be by the end of September.

Councillor S McKendrick felt that staff retention should be included as a cause in respect of the risk around 'contracts are not properly procured and managed'. The Head of Finance agreed to pass the suggestion onto the working group.

By affirmation of the meeting it was

RESOLVED THAT:

The quarter 4 risk update be noted.

## 10. DELAY IN ISSUING THE FINAL AND AUDITED ANNUAL STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE STATEMENT AND NARRATIVE REPORT FOR 2017/18

The Head of Finance presented the report to Members, explaining the need to delay the publication of the final and audited accounts due to a technical error in respect of the Council's capital accounting for the Housing Revenue Account properties. Detailed work was now required to validate the current position and this would take approximately two months.

Councillor S Sheahan questioned what had failed with the process and asked for reasons why the error was not identified sooner. The Head of Finance explained that capital accounting was a complex area and since the introduction of the concept of revaluation accounting by CIPFA in 2007, issues had been discovered by external audit year on year. Due to this the Head of Finance made a commitment to undertake a review of the Council's capital position and a weakness in that area was identified. Councillor S Sheahan commented that it was important to learn from mistakes which was the reason for his questions.

Councillor D Harrison felt that the Head of Finance was doing well to correct the error quickly and gave her his congratulations.

Councillor S McKendrick asked if the Head of Finance was planning to reflect on the process once completed with the intention of learning from the experience. The Head of Finance said that as she recognised capital accounting as a weak area, training was scheduled and she would be monitoring this carefully. The Head of Finance agreed that she would deliver a report to the committee providing detail around the issue and the remedial action undertaken to correct the issue and ensure the organisation was not in this position again.

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

**11. STANDARDS AND ETHICS - QUARTER 4 REPORT**

The Head of Legal and Commercial Services presented the report to Members, highlighting the two District Councillor complaints during quarter 4, one of which had been resolved and the other was still ongoing. She also pointed out the reduction in the number of Freedom of Information requests and believed that was due to the amount of information now available publically on the website.

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

**12. COMMITTEE WORK PLAN**

RESOLVED THAT:

The report be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.30 pm