

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 10 OCTOBER 2018

Present: Councillor V Richichi (Chairman)

Councillors R Ashman, J Clarke, J Cotterill, G Hault, G Jones, S McKendrick and S Sheahan

Officers: Mrs T Bingham, Mr G Jones, Mrs L Marron, Mr I Nelson, Mrs R Wallace, Miss E Warhurst and Miss A Wright

External Audit: Mr T Crawley and Mr S Gill

13. APOLOGIES FOR ABSENCE

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

14. DECLARATION OF INTERESTS

There were no declarations of interest.

15. MINUTES

Consideration was given to the minutes of the meeting held on 25 July 2018.

It was moved by Councillor J Clarke, seconded by Councillor J Cotterill and

RESOLVED THAT:

The minutes of the meeting held on 25 July 2018 be approved as a correct record and signed by the Chairman.

16. REPORT TO THOSE CHARGED WITH GOVERNANCE 2017/18

The Head of Finance introduced the report and informed Members of the following amendment to the letter of representation.

Paragraph 4 of the Financial Statements section of the representation letter should read the following:

'In respect of the restatement of the Council's Balance Sheet, Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the HRA Notes and other relevant notes made to correct a material misstatement in the prior period financial statements relating to council dwellings **and garages** valuation, the Authority confirms that the restatement is appropriate.'

Mr Tony Crawley, External Auditor, presented his report to Members highlighting the control environment, key financial systems, accounts production, financial statements and value for money arrangements. He referred to the misstatements relating to the valuation of Property Plant and Equipment. It was his opinion that the decision to delay the final statement of accounts to rectify the underlying issues was the correct one. He referred Members to the summary of adjusted audit differences relating to this at appendix 3.

Councillor V Richichi asked the External Auditor if he could identify any financial risks that could be encountered in the near future once the new homes bonus ceased. The External Auditor stated that it was unclear how local authority finance would look in the future, however he did not believe the current financial risks would change. He commented that it was important to have the correct amount of resilience if new homes

Chairman's initials

bonus income was to be reduced, with constant planning and good interaction between officers and Members. The Head of Finance referred to the medium term financial plan and assured Members that officers were looking at a number of possible scenarios which would be shared with Members in the coming months.

Councillor S Sheahan thanked the Head of Finance and her team for the work undertaken in a difficult financial year and resolving the capital accounting issue, he felt that the final accounts had been dealt with very well.

It was moved by Councillor S Sheahan, seconded by Councillor J Cotterill and

RESOLVED THAT:

- a) The contents of the external auditor's report, including recommendations and management comments be noted.
- b) The letter of representation be approved.

17. ANNUAL GOVERNANCE STATEMENT 2017/18

The Head of Finance presented the report to Members highlighting the annual requirement to review the governance arrangements to be published alongside the statement of accounts. She referred Members to the improvements identified through the Annual Governance Statement review detailed at section four and confirmed that the statement had also been reviewed by the External Auditors.

Councillor R Ashman asked if the computer software used to facilitate Council services was protected in the event that any of the external providers went into administration. He expressed concerns regarding any loss of data. The Head of Finance clarified that there were agreements with the providers in place to safeguard Council data.

Councillor S Sheahan referred to the assessment of supporting principles in the assurance review and asked if there were any plans in place to improve the 'fair' ratings to 'good' in the future. The Head of Finance responded that anything rated as 'fair' was identified as requiring improvement and an improvement action was included in the main Annual Governance Statement. The Head of Finance confirmed that the Committee would receive regular quarterly updates on the progress of these improvement actions. In response to a further question from Councillor S Sheahan, the Head of Finance could not guarantee that the 'fair' ratings would be improved by next year as it was dependent on the timescale for each improvement but the aspiration was to move to 'good'. She would provide estimated timescales in future reports.

By affirmation of the meeting it was

RESOLVED THAT:

The Annual Governance Statement be approved.

18. ANNUAL STATEMENT OF ACCOUNTS 2017/18

The Head of Finance presented the report to Members. She highlighted the hard work required to produce the statement of accounts in time for the meeting and was proud of her team for the effort and long hours taken to complete the task.

The Chairman thanked the Head of Finance and her team for the work undertaken to produce the statement of accounts.

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By affirmation of the meeting it was

RESOLVED THAT:

- a) The annual statement of accounts be approved.
- b) Authority to sign the accounts as approved be delegated to the Chairman.
- c) Authority to approve any minor non material amendments, as agreed with the auditor on behalf of the Committee, be delegated to the Chairman and the Section 151 Officer.

19. INTERNAL AUDIT PROGRESS REPORT

The Audit Manager presented the report, highlighting the three final audits issued since the last meeting and directing Members to the executive summaries at appendix B. She also reported on the work undertaken by the working group to facilitate the self-assessment of the Committee in accordance with CIPFA guidance and a report would be presented to Members in December.

In relation to audit recommendation number 11 at page 83 of the report for the 'Review of Compliance with the CIPFA Code of Practice on Managing Fraud and Corruption', the Head of Finance explained that additional support was required to carry out this significant piece of work and that she was currently seeking support from colleagues at Leicester City Council. She could not guarantee that the work would be completed by the end of the financial year and would provide a timescale at the next meeting.

Councillor S Sheahan asked if it was reasonable to expect the outstanding audits to be completed by the deadlines stated within the report. The Audit Manager referred to appendix D where it stated that delivery of the 2018/19 Audit Plan was currently below target for the financial year but it was expected to be back on track by the end of Quarter 3. She added that a further update would be provided at the next meeting.

By affirmation of the meeting.

RESOLVED THAT:

The report be noted.

20. SERVICE UPDATE - S106 INTERNAL AUDIT RECOMMENDATIONS

The Planning Policy Team Manager presented the report to Members. He explained that due to the amount of work required on managing the Section 106 Agreements, plans were in place to recruit a senior officer to work exclusively in this area.

In response to a question from Councillor V Richichi regarding the handling of Section 106 money, the Planning Policy Team Manager explained that the money was held in an interest bearing account as any unspent money had to be returned to developers with interest. He added that a monitoring fee was charged for some of the older agreements. Councillor S Sheahan asked why a fee was only charged on the older agreements. The Planning and Policy Team Manager believed that legally they were no longer allowed to charge a fee, although he would look into this further.

In response to a question from Councillor G Jones, the Planning Policy Team Manager stated that there had been no instances where money had been returned to the developer in the last year.

Chairman's initials

In response to a request from Councillor J Clarke, the Planning Policy Team Manager agreed to include Ward Members in the correspondence with parish council's regarding unspent Section 106 Money.

Councillor R Ashman thanked the Planning and Policy Team Manager for the report as he felt that a lot had been achieved.

By affirmation of the meeting it was

RESOLVED THAT:

- a) The progress made to date on implementing the recommendations in respect of monitoring S106 Agreements be noted.
- b) The proposals to make further improvements in respect of the monitoring of S106 Agreements be noted.

21. TREASURY MANAGEMENT ACTIVITY REPORT

The Finance Team Manager presented the report to Members, drawing attention to the Council's current treasury position, borrowing activity, debt rescheduling activity and investment activity.

Councillor S Sheahan asked if the use of other local authorities as investment counterparties was the right direction to take in the current financial climate. The Head of Finance explained that the advice received from the Council's treasury advisors was to move away from investment in banks to lower the inherent investment risk. She added that any loan to another local authority would be underwritten by the revenues (council tax and business rates) generated in that area, in the event of any financial problems. Councillor S Sheahan felt it was important to monitor any investments of that kind.

In response to a question from Councillor V Richichi regarding the funding of the leisure centre project, the Head of Finance explained that there was still further detailed work to be undertaken on the funding of the project and this would be included in the budget reports to be considered by Members in due course. However, at this time the intention was to fund the project through internal borrowing.

By affirmation of the meeting it was

RESOLVED THAT:

The report be approved.

22. CORPORATE RISK UPDATE

The Director of Housing and Customer Services presented the report to Members, highlighting two new risks relating to local government organisation and the UK's exit from the European Union.

At the request of Councillor S Sheahan, the Director of Housing and Customer Services gave an explanation on the differences between inherent risk and residual risk.

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

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23. STANDARDS AND ETHICS - QUARTER 1 REPORT

The Head of Legal and Commercial Services presented the report to Members.

Councillor S Sheahan asked for an explanation for the drop in the percentage of the number of stage two complaints answered on time. The Head of Legal and Commercial Services agreed to look into the matter further and report back to Councillor S Sheahan.

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

24. COMMITTEE WORK PLAN

The Head of Finance announced the addition of the following items for the next meeting:

- a) External Audit Recommendations Progress Report (March)
- b) 2018/19 Materiality Level and Accounting Policies (March)

By affirmation of the meeting it was

RESOLVED THAT:

The report be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.57 pm