

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 21 SEPTEMBER 2016

Present: Councillor J Clarke (Chairman)

Councillors R Ashman, F Fenning, D Harrison, G Houlst, G Jones, P Purver and S Sheahan

Officers: Ms L Cotton, Mr A Hunkin, Mrs M Meredith, Mr P Padaniya and Miss E Warhurst

External Audit: Mr T Crawley and Mr S Gill

**10. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor R Adams.

**11. DECLARATION OF INTERESTS**

There were no interests declared.

**12. MINUTES**

Consideration was given to the minutes of the meeting held on 13 July 2016.

It was moved by Councillor D Harrison, seconded by Councillor P Purver and

RESOLVED THAT:

The minutes of the meeting held on 13 July 2016 be approved and signed by the Chairman as a correct record.

**13. ANNUAL GOVERNANCE STATEMENT 2015-16**

The Financial Planning Manager presented the report to members, drawing their attention to the CIPFA and SOLACE six core principles for good governance outlined at section 1.3 of the report, and the statement from the Council's external auditors set out at Appendix 1.

Councillor S Sheahan sought clarification on how the Council had gone about developing its vision, and how that vision translated into the outcomes for the community.

The Interim Director of Resources advised that the Council's vision had been set through the corporate and strategic planning process and was as set out and agreed by the Council in the Council Delivery Plan. He explained that Annual Governance Statement did not seek to question the benefits of the vision, but to set out whether the Council was being run properly and to establish what had changed since the last Annual Governance Statement.

Councillor S Sheahan sought clarification on how the Council ensured that users received a high quality service.

The Head of Legal and Support Services advised that this was ensured via the strong performance management arrangements which were in place, including quarterly performance monitoring by Cabinet.

Councillor S Sheahan made reference to the section on member and officer relations and commented that this section seemed to be silent on how the Council would deal with the public.

Chairman's initials

The Head of Legal and Support Services advised that the Constitution contained the responsibilities of the organisation to the public and set out what the public could expect in terms of interacting with the Council on a governance level. She added that some wording could be added to refer to the Constitution.

Councillor S Sheahan questioned whether officers had the capacity to use their legal powers to the full benefit of citizens. He commented that he was aware the resources in the legal services team were stretched and asked whether capacity in legal services ought to be reviewed.

The Head of Legal and Support Services advised that a whole range of officers within the organisation operated under statutory powers, and as such she felt that this was a broader reference than solely to the legal services team.

Councillor S Sheahan asked what the Council was doing to encourage new talent in its membership.

The Interim Director of Resources made reference to the BEE programme and the coaching culture within the organisation which sought to ensure that managers were developed and could develop staff. He added that succession planning was currently under consideration to ensure that the skills within the organisation could be maintained in the future.

It was clarified that seeking to encourage individuals to come forward and stand as members was not the role of the Council. The Head of Legal and Support Services added that ensuring members were fully inducted and trained was the aspect which was referred to in the Annual Governance Statement.

Councillor F Fenning expressed concerns regarding the lack of opportunity to scrutinise and be involved in the development of policy. He pointed out that in order for scrutiny to be effective, it should take place before executive decisions were made.

Councillor S Sheahan supported Councillor F Fenning's comments and added that he felt scrutiny had been cut down to the bare minimum. He added that he would welcome a comparative analysis of the scrutiny function to assess whether it was a strength or a weakness.

The Interim Director of Resources explained that the scrutiny function was as defined in the Constitution. He added that he was working with the Policy Development Group to ensure it was carrying out its functions and listening to what changes needed to be made.

It was moved by Councillor D Harrison, seconded by Councillor G Jones and

RESOLVED THAT:

The Annual Governance Statement be approved.

#### **14. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO AUGUST 2016**

The Financial Services Team Manager presented the report to members, drawing their attention to the key factors affecting the UK economy, including the vote to leave the European Union which had created an uncertain economic outlook, and the subsequent reduction in the base rate which would have an adverse impact on investment income.

Councillor D Harrison felt that to say that the economic outlook has immeasurably altered since the vote to leave the European Union was totally misleading given the comments made by the Office of National Statistics that there was no noticeable difference.

Chairman's initials

Councillor J Clarke pointed out that the current figures did not include the financial services results and that may substantially alter the forecast.

Councillor D Harrison felt that this statement was very strong and did not feel that the authority should be talking about the economy in those terms.

The Financial Services Team Manager explained that the report was compiled at the end of August taking into account professional advice received at that time. He added that some further information became available after the report was written.

Councillor D Harrison asked if the wording could be altered.

The Head of Legal and Support Services explained that the wording was provided by the advisors and suggested that this could be made clearer in the report.

It was moved by Councillor G Hoult, seconded by Councillor R Ashman and

RESOLVED THAT:

The report be noted.

## **15. ANNUAL STATEMENT OF ACCOUNTS 2015/16**

The Financial Services Team Manager presented the report to members, highlighting the key elements of the Statement of Accounts and the changes made to the draft Statement of Accounts which was presented to the auditors in June. He added that these changes were mainly to the narrative statement, balance sheet and notes, and all changes were presentational issues having no bearing on the financial position of the authority.

Councillor S Sheahan sought clarification on the operational return rate of the leisure centres.

The Financial Services Team Manager advised that the current subsidy provided to the leisure centres was forecast to be approximately £400,000. He agreed to confirm whether this figure included only the two main leisure centres.

In response to a question from Councillor S Sheahan, the Financial Services Team Manager confirmed that the action plan in respect of long term voids was being scrutinised by Policy Development Group and considered by Cabinet.

Councillor J Clarke highlighted some typographical errors on page 7 of the report.

Councillor F Fenning thanked the accountants for their work and acknowledged that the previous year had been challenging in terms of resources.

At this point in the meeting, consideration was given to the report entitled 'Report to those charged with Governance 2015/16'. Following this report it was moved by Councillor D Harrison, seconded by Councillor G Jones and

RESOLVED THAT:

- a) The Annual Statement of Accounts be approved.
- b) The Chairman of the Committee be authorised to sign the accounts as approved.

Chairman's initials

- c) Authority be delegated to the Committee Chairman and Deputy Section 151 Officer to approve any minor non material amendments, as agreed with the auditor, to the accounts on behalf of the Committee.

## **16. INTERNAL AUDIT PROGRESS REPORT - AUGUST 2016**

The Senior Auditor presented the report to members, drawing their attention to some minor changes to the audit plan and the executive summaries on page 36. She advised that as discussed at the previous meeting, an update had been provided in respect of ICT and a report was being considered by Policy Development Group. She highlighted the overdue and outstanding recommendations detailed on page 40 and advised that there were no concerns to bring to members' attention.

It was moved by Councillor G Jones, seconded by Councillor R Ashman and

RESOLVED THAT:

The report be noted.

## **17. INTERNAL AUDIT CHARTER AND RECOMMENDATIONS REVIEW**

The Senior Auditor presented the report to members, drawing their attention to the changes made to ensure that the charter remained compliant with standards. She advised that a mission statement and core principles had been introduced. She added that it was proposed to introduce a new category of recommendation to audit reports to enable senior management to identify critical issues. She explained that the charter and proposal had been considered and approved by the Corporate Leadership Team.

Councillor D Harrison welcomed the flexibility provided by the proposals and felt this was more appropriate

Councillor F Fenning questioned whether the Audit and Governance Committee should be informed if a critical issue arose.

The Head of Legal and Support Services advised that any issues categorised as critical would require immediate attention by officers and would be subsequently reported to the Audit and Governance Committee.

Councillor F Fenning felt that the Chairman of the Committee should be notified in such a situation.

The Interim Director of Resources took on board this comment and advised that senior management would consider who should be notified.

In response to a question from Councillor P Purver, the Senior Auditor advised that it was not envisaged that the critical category would be utilised often, however there had been a recent incident which came under the current 'high risk' category, and it was considered that this did not highlight the issue sufficiently. This had led to a review of the current categories to establish a better way of reporting these issues.

Councillor R Ashman supported the view that the Chairman of the Committee should be informed of any critical incidents. He also expressed concerns with removing the term 'immediate' and requested that this be replaced by 'urgent'.

It was moved by Councillor R Ashman, seconded by Councillor P Purver and

RESOLVED THAT:

- a) The updated Internal Audit Charter be approved.
- b) The proposed changes to the categories of Internal Audit recommendations be noted.

## **18. REPORT TO THOSE CHARGED WITH GOVERNANCE 2015/16**

The External Auditor resented the report to Members, drawing their attention to the headline messages which were summarised in the report. He advised that he proposed to issue an unqualified opinion on the accounts. He highlighted the adjustments which were to be made to the accounts, which were presentational in nature.

The External Auditor stated that adequate support arrangements were in place in respect of the accounts. He added that officers had acted upon one of the previous recommendations made.

Councillor F Fenning made reference to page 73 of the agenda and asked whether fair value had resulted in an increase or decrease in the value of assets.

The External Auditor explained that fair value was effectively market value, and for any valuation a RICS qualified expert would be sought. He acknowledged that in respect of council houses, tenants had a right of tenure which was why a significant discount was given.

In response to a question from Councillor D Harrison, the Financial Services Team Manager assured members that the monthly bank reconciliations were completed in a timely manner. He explained that this issue had arisen in the previous year due to a vacant post which had subsequently been recruited to. He added that the reconciliation was normally completed within two weeks of the month end.

In response to a comment from Councillor D Harrison, the Financial Services Team Manager acknowledged that the pension liability was large. He advised that the pension reserve was sufficient to meet the liability, however this fluctuated on an annual basis. He added that if the actuaries advised that there was a shortfall, the amount paid into the reserve would be increased.

Councillor F Fenning thanked the external auditors for their support.

It was moved by Councillor S Sheahan, seconded by Councillor D Harrison and

RESOLVED THAT:

- a) The contents of the External Auditor's report attached at Appendix A be noted.
- (b) The letter of representation attached at Appendix B be approved.
- (c) The External Auditor's recommendations and management comments set out in Appendix 1 to their report be noted.

**19. STANDARDS AND ETHICS - QUARTER 1 REPORT**

The Head of Legal and Support Services presented the report to members.

It was moved by Councillor D Harrison, seconded by Councillor G Hoult and

RESOLVED THAT:

The report be noted.

**20. COMMITTEE WORK PLAN**

RESOLVED THAT:

The Committee Work Plan be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.43 pm