

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 24 SEPTEMBER 2014

Present: Councillor T Neilson (Chairman)

Councillors A Bridges, D De Lacy, D Everitt, D Howe, G Jones, A C Saffell and N Smith

In Attendance: Councillors

Officers: Mr R Bowmer, Mrs M Meredith, Mr P Padaniya, Miss E Warhurst and Miss A Wright

External Audit: Mr J Cornett

**10. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors C Large and J Cotterill.

**11. DECLARATIONS OF INTEREST**

There were no interests declared.

**12. MINUTES**

It was moved by Councillor N Smith, seconded by Councillor A Bridges and

RESOLVED THAT:

The minutes of the meeting held on 25 June 2014 be approved as a correct record and signed by the Chairman.

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

The Head of Legal and Support Services presented the report to Members, highlighting the update sheet circulated at the meeting, which contained additional information in connection with the ethical indicators following the request for further details in respect of complaints and Freedom of Information. She commented that it was pleasing to note there were no complaints received in Quarter one.

It was moved by Councillor T Neilson, seconded by Councillor N Smith and

RESOLVED THAT:

The report be received and noted.

The Head of Legal and Support Services left the meeting at this point.

**14. ANNUAL GOVERNANCE STATEMENT 2013-14**

The Head of Finance presented the report to Members. He explained that the Annual Governance Statement was part of the governance framework which demonstrated that the Council had good governance arrangements, and was intended to give Members confidence in the accounts. He stated that the document was more than just a financial statement, and was based on the principles set out by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE), as was reflected in the corporate nature of the document. He explained that the Annual Governance Statement was supported by the opinion from internal audit, and referred to the report received by the Committee earlier in the year which stated that

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controls were adequate. He added that further assurance was provided by the report from the external auditors later in the agenda. He reported that there were no areas of concern to highlight, and every chief officer had signed a statement in support of the Annual Governance Statement, which provided additional assurance. He advised that the Annual Governance Statement would be signed by the Leader and Chief Executive once approved by the Committee.

Councillor N Smith congratulated officers on a good job once again.

Councillor D De Lacy highlighted the appendix to the report, which referred to the Council's Scrutiny function. He wished to reflect the views of some Members that the current Scrutiny function was not as effective as the previous one.

It was moved by Councillor N Smith, seconded by Councillor G Jones and

RESOLVED THAT:

The Annual Governance Statement be approved.

## **15. REPORT TO THOSE CHARGED WITH GOVERNANCE 2013/14**

The External Auditor presented 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, however having said that, there were a number of adjustments proposed as set out in the appendix. He added that it was important to note that none of the adjustments impacted upon the outturn position, nor were they indicative of systematic failures; they were simply errors in producing the accounts, and were purely presentational or technical. He advised that three of the adjustments required were due to simple classification errors. The remaining adjustment was because the Council had over-depreciated its assets. He explained that this was a technical adjustment and did not affect the outturn position, however due to the complex nature of this issue, a number of adjustments would be required throughout the accounts.

Councillor D De Lacy sought clarification on the depreciation issue, as surely this must impact upon the bottom line.

The External Auditor advised that an adjustment was made to balance the cost of depreciation, as there should be no impact upon the Council Tax as a result of this issue. He advised that future forecasting was on a net basis leaving aside the issue of depreciation.

Councillor D De Lacy sought clarification on how the Council had managed to over-depreciate its assets.

The Head of Finance advised that depreciation was shown in the accounts for the purposes of benchmarking, and there was a formula to work this out. So whilst there was no effect on the bottom line, this could potentially affect individual services as it could have an impact upon the total cost of providing that service. He added that the error had occurred a number of years ago, and this had now been identified and adjustments made in respect of the previous years.

The Financial Team Manager advised that the cause of the error was an incorrect formula in a spreadsheet which was discovered during the audit. He added that as this was a non-cash item, there was no effect overall, and was recorded to show the cost of a service for benchmarking purposes.

The External Auditor advised that risks had been highlighted in the audit plan, and the outcome of this was outlined in the report. He added that action taken by officers relating to the revaluation of the Local Government Pension Service had mitigated the risks and there were no issues to draw to Members' attention. In respect of the business rate retention scheme, he advised that there was a lack of clear guidance to assist officers with implementing this policy which had led to complexities, however the position was correct. He added that there was an unidentified item in the accounts and there was some work to be done by officers to identify this. He stated that this was not a material item and did not impact upon their opinion of the accounts. He commented that the accounts had been completed to a high standard and the working papers were adequate, however there were some opportunities to improve these to increase efficiency.

The External Auditor advised that he was also required to consider the Annual Governance Statement, and he was satisfied that it complied with the guidance and was consistent with the Council's other published information. In respect of value for money, he concluded that the arrangements were appropriate and there were no issues to highlight. He advised that the recommendations from prior years had also been addressed.

The External Auditor thanked the Finance Team for their co-operation as it had not been a straightforward year. He added that their support had been greatly appreciated and they had responded to queries quickly.

It was moved by Councillor N Smith, seconded by Councillor A Bridges 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 one recommendation and management comments set out in Appendix 1 to their report be noted.

## **16. ANNUAL STATEMENT OF ACCOUNTS 2013/14**

The Head of Finance presented the report to Members, drawing their attention to the presentation adjustments which had been circulated at the meeting. He added that the team had worked hard to finalise the accounts and he was therefore able to present the final changes to the Committee in order that they could approve the whole statement.

In response to a question from Councillor D Howe regarding mortgage loans, the Head of Finance advised that the Council no longer offered this facility. Any long terms mortgage debts were legacy loans that were still ongoing from the 1970s and 1980s.

In response to a question from Councillor T Neilson, the Head of Finance clarified that all bracketed figures indicated a decrease.

It was moved by Councillor D Howe, 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.

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

## **17. INTERNAL AUDIT PROGRESS REPORT - AUGUST 2014**

The Senior Auditor presented the report to Members, highlighting the progress and actions plans set out in the appendices to the report.

The Chairman advised Members that the recommendation tracker at Appendix C was available on the intranet, which was updated in between meetings. He asked the Senior Auditor to circulate the details to Members.

Councillor A C Saffell referred to the recommendation in respect of ICT security and commented that this was his professional role. He advised that his company had recently needed to update its procedures due to an increased risk to the sector. He stated that one of the biggest problems was people going off on long term sick. He explained that such accounts should be disabled after a certain number of days as this presented a security risk. He felt that the Council should introduce a similar policy and that there should be time limits on accounts that were sitting there unused.

Councillor D Howe asked if Members were satisfied with the target delivery date in respect of planned maintenance.

The Chairman stated that his personal view was this was probably as quick as could be expected.

Councillor D Everitt asked if there was a problem with the accounts and referred to a particular constituent who had been told that works would be completed when funding was available.

The Chairman suggested that this was not a question for the Committee.

The Head of Finance commented that he would be interested to hear the details of the case. He added that he would be concerned if staff members had given out inaccurate information to customers and this needed to be addressed.

RESOLVED THAT:

The report be noted.

## **18. TREASURY MANAGEMENT STEWARDSHIP REPORT 2013/14**

The Head of Finance presented the report to Members. He reported that there were no issues in 2013/14 and the policies and strategies agreed by Council had been complied with. He advised that during the year, the Council had tendered for its banking services and from 1 April 2014 had stayed with the Co-operative Bank. He explained that the Co-operative Bank had subsequently announced that it was withdrawing from the public sector. The Head of Finance advised that the Council was currently in the process of re-tendering. He added that there were more banks interested now and the tendering process was easier. He reported that income from interest was above target, and referred Members to the snapshot as outlined in the report.

It was moved by Councillor T Neilson, seconded by Councillor D De Lacy and

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RESOLVED THAT:

The report be approved.

**19. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO AUGUST 2014**

The Head of Finance presented the report to Members. He reported that the Council's investments were performing reasonably well compared with the benchmark rate. He advised that it was estimated the General Fund would earn £145,000 for the year, against a budget of £68,000. He explained that this was as a result of investment periods having been reviewed to enable investment terms of up to three years. He added that longer term loans were also under consideration to secure the best possible rates. He commented however that a cautious approach was taken in this respect and only the best performing counterparties were utilised. He concluded that reward had to be measured against risk, and the Council could not be completely risk averse in its decision making.

The Chairman commented that it was positive to see more investment than the previous year. He added that it would be interesting to know where the extra amount had come from.

The Head of Finance advised that the two reports were not strictly comparable as one report showed the position for the year to date, whilst the other reflected the year end position. He explained that the balances tended to be higher earlier in the year, however a slight increase was forecast this year. He added that a higher grant in respect of decent homes had also been received this year.

It was moved by Councillor G Jones, seconded by Councillor A Bridges and

RESOLVED THAT:

The report be approved.

**20. RISK MANAGEMENT STRATEGY**

The Head of Finance presented the report to Members, advising that regular updates would be reported to Cabinet via the performance reports, which would subsequently be brought to the Committee.

It was moved by Councillor T Neilson, seconded by Councillor G Jones and

RESOLVED THAT:

The revised Risk Management Strategy attached at Appendix 1 be noted.

**21. COMMITTEE WORK PLAN**

By affirmation of the meeting it was

RESOLVED THAT:

The Committee Work Plan be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.22 pm

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