

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 21 MARCH 2018

Present: Councillor J Cotterill (Chairman)

Councillors R Ashman, F Fenning, D Harrison, G Houlton, G Jones, S McKendrick and S Sheahan

Officers: Ms T Ashe, Mrs S Harrison-Bowler, Mr G Jones, Mrs R Wallace and Miss E Warhurst

External Audit: Mr T Crawley and Mr S Gill

**31. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor P Purver and A C Saffell.

**32. DECLARATION OF INTERESTS**

There were no declarations of interest.

**33. MINUTES**

Consideration was given to the minutes of the meeting held on 6 December 2017.

By affirmation of the meeting it was

RESOLVED THAT:

The minutes of the meeting held on 6 December 2017 be approved as a correct record and signed by the Chairman.

**34. EXTERNAL AUDIT PLAN 2017/18**

The External Auditor presented the report to Members, summarising the financial statements and value for money arrangements work. He also highlighted the independence and objectivity requirements at appendix three.

In response to a question from Councillor G Jones, the Head of Finance stated that the current provision for business rate appeals was approximately five million pounds.

Regarding the faster close of accounts, Councillor F R D Fenning asked for some assurances that there was enough staff resource in place to achieve the deadline and also asked if external audit were satisfied that it was achievable. The Head of Finance commented that the senior management restructure had placed more resources in the finance service and she believed the current staff resources was adequate. However, she still believed it would be a challenge to meet the deadline and therefore would need a strict timetable which would need to be tightly managed. The External Auditor commented that there were lessons to be learnt from the previous year as the deadline had been missed due to a change in personnel but he was confident that it could be achieved this year. He added that the Audit and Governance Committee had a key role to play, this was the reason it was important to have a mechanism to ask questions and discuss the accounts early in the process.

In relation to the value for money risk of the Medium Term Financial Planning, Councillor S Sheahan asked how external audit would approach the assessment of these risks. The External Auditor responded that they would work closely with the Head of Finance to challenge the assumptions made and to ensure that adequate arrangements were put in place to deal with the uncertainties. He added that it was not an exact science but the

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External Auditors used their knowledge and experience to ensure that the authority was aware of all factors and that these were clearly set out in all reports. He concluded that it was important to have a flexible approach and was a priority to make sure that there was nothing unreasonable included within the budgeting process.

Councillor S Sheahan asked for the External Auditors opinion on the continued freeze on council tax levels. The External Auditor explained he could not become involved in the matter as it was a political decision, however it was important to ensure that the appropriate level of information was made available to members when making this decision and that the correct arrangements were in place to plan for the future once the decision had been made. He added that it was not his place to challenge political decisions. Councillor S Sheahan asked if that decision put the authority at risk due to the reliance on other unsustainable forms of income such as the new homes bonus. The External Auditors agreed that there was some uncertainty around the new homes bonus and that was why it was important to have the correct plans in place, this was what External Audit looked for.

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

RESOVLED THAT:

The External Audit Plan for 2017/18 be noted.

### **35. GRANTS AND CLAIMS 2016/17 ANNUAL REPORT**

The Head of Finance presented the report to Members. She highlighted that due to a recurring issue regarding incorrect claimant data included in the benefit entitlement calculations, a qualification letter was issued with the recommendation of a priority rating of '2'. This meant that the issue had an important effect on the arrangements for managing grants and returns or complying with scheme requirements. The Head of Finance reassured Members that the Revenues and Benefits Partnership had committed to developing and executing an action plan to address the matter. This would be closely monitored by the Head of Finance.

Councillor F R D Fenning expressed his disappointment regarding the qualification letter and asked if there was any analysis of why the level of work had been lower than expected. The Head of Finance stated that she had received assurances from the Revenues and Benefits Partnership that improvements would be put in place to rectify the issues and she reemphasised that she would be monitoring closely. The External Auditor commented that many authorities were in a similar situation as even the smallest error had to be reported, this did not mean it could not be rectified.

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

RESOLVED THAT:

The Annual Report on Grants and Claims 2016/17 be noted.

### **36. INTERNAL AUDIT PROGRESS REPORT**

The Interim Audit Manager presented the report to Members, highlighting the four audits which had been deferred to the 2018/19 plan due to resources within the service areas and a change of systems. She drew attention to the Section 106 Review as a follow up review had been completed however a further follow up was required in July.

The Interim Audit Manager also reported that the CIPFA guidance for Audit Committees, which was due in March, had been delayed until the new financial year and would be reported to the Committee once issued.

In response to a question from Councillor S Sheahan, the Interim Audit Manager agreed to provide an update at the next meeting regarding the progress of the review of compliance with the CIPFA Code of Practice on managing the risk of fraud and corruption. The Strategic Director of Housing and Customer services confirmed that a full update on the development of the policy would be provided at the next meeting. He assured Members that lots of work had been undertaken on Cyber Security and he was confident that the right actions were being taken to protect the council systems.

Regarding the Section 106 Review, Councillor R Ashman expressed his concerns that some issues still remained. The Interim Audit Manager explained that the outstanding recommendations were more long term and assured Members that she would continue to monitor progress and keep the Committee updated.

Regarding the outstanding recommendations for the Hermitage Leisure Centre, Councillor R Ashman asked if there was any reason to be concerned. The Interim Audit Manager explained that the matter was not serious and was in relation to procedures for items of bar stock.

In response to a question from Councillor S McKendrick regarding the outstanding recommendation in relation to the calculation of unpaid leave, the Interim Audit Manager explained that the issue was around the consistency of the procedure. She assured that the issue had now been rectified.

It was moved by Councillor J Cotterill, seconded by Councillor D Harrison and

RESOLVED THAT:

The report be noted.

### **37. 2018/19 INTERNAL AUDIT ANNUAL AUDIT PLAN**

The Interim Audit Manager presented the report to Members.

It was moved by Councillor S McKendrick, seconded by Councillor G Jones and

RESOLVED THAT:

- a) The report be noted.
- b) The 2018/19 Internal Audit Annual Plan be approved.

### **38. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO FEBRUARY 2018**

The Head of Finance presented the report to Members, drawing attention to the authority's borrowing, debt rescheduling and investments. She also alerted Members to the fact that in February the counterparty limit for the authority's banking provider was breached due to an unexpected credit. Members were assured that as the authority had set the limits, it was an internal breach only and unfortunately could not have been avoided.

The Head of Finance referred to discussion at the previous meeting regarding a change in format to the report to make the information clearer and more detailed. She circulated the

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report in the proposed format and asked Members to let her have any comments outside of the meeting.

Regarding the recent problems with Northamptonshire County Council, in that they had been issued with a Section 114 notice in light of the severe financial challenge facing the authority, Councillor S Sheahan asked how it would affect North West Leicestershire District Council if the same happened to an authority we had lent to. The External Auditor explained that the Section 114 notice had been issued to Northamptonshire County Council to restrict expenditure as they were unable to set a budget and it was the first notice of this kind to be issued in 18 years. He was not sure what the outcome would be as it had not occurred in such a long time, this was the reason that an advisory notice had been issued by the External Auditors of Northamptonshire County Council. Therefore it was difficult to provide a response due to the uncertainty of the situation.

Councillor F R D Fenning asked if the authority was being too prudent with budgeting for investment activity as much more was received than was planned for. The Head of Finance explained that the budgeted level of income assumed for the previous and current financial years had been inaccurate and that the matter had been addressed with a more realistic value for the 2018/19 financial year.

It was moved by Councillor J Hoults, seconded by Councillor R Ashman and

RESOLVED THAT:

The report be noted.

### **39. CORPORATE RISK UPDATE**

The Strategic Director of Housing and Customer Services presented the report to Members. He explained that the newly formatted Corporate Risk Register had been produced to clearly state the specific risk, as well as the causes and impacts be more fully described. It also detailed the accountable owners and the timescales for completing the mitigating actions. He reminded Members of the Risk Management training for the Committee scheduled for 3 April 2018.

Councillor S Sheahan felt that the Corporate Risk Register was still too generic. He asked officers to consider using the same format as Leicestershire County Council as they give an indication of movement of the risk which was helpful. The Strategic Director of Housing and Customer Services took the comments on board and agreed to provide more information where possible.

It was moved by Councillor J Cotterill, seconded by Councillor R Ashman and

RESOLVED THAT:

- a) The Quarter 3 Corporate Risk Update be noted.
- b) The updated Risk Management Framework be approved.

RECOMMEND THAT:

Cabinet formally adopt the Risk Management Policy at its meeting on 1 May 2018.

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

The Head of Finance presented the report to Members. She highlighted that following the consideration of the Annual Governance Statement at the previous meeting, of the 17 improvements identified seven were complete, six were underway and the remaining four would be included within team plans for 2018/19. She referred Members to the full details at appendix one of the report.

In relation to the improvement action for the development of performance management system to be more intuitive and less administratively burdensome, Councillor S Sheahan asked for an update. The Head of Finance explained that the current system meant the process was very time-consuming and required many officers to input data. A new system had been purchased which linked into other systems, this stopped officers duplicating tasks and will make the process simpler.

It was moved by Councillor S Mckendrick, seconded by Councillor S Sheahan and

RESOLVED THAT:

The report be noted.

**41. STANDARDS AND ETHICS - QUARTER 3 REPORT**

The Head of Legal and Commercial Services presented the report to Members. She drew attention to the one complaint received in quarter two which had been informally resolved in quarter three. It was also highlighted that there had been a continued reduction in stage two complaints received, this was due to the improvements to the quality of responses at stage one.

Councillor S Sheahan asked how the MP enquiries were prioritised over councillor enquiries. The Head of Legal and Commercial Services explained that all complaints and enquiries followed the same timescales and there was no prioritisation.

It was moved by Councillor J Cotterill, seconded by Councillor R Ashman and

RESOLVED THAT:

The report be noted.

**42. DRAFT MEMBER CONDUCT ANNUAL REPORT 2017/18**

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

It was moved by Councillor R Ashman, seconded by Councillor S McKendrick and

RESOLVED THAT:

- a) The Draft Member Conduct Annual Report 2017/18 be noted.
- b) The authority to make any minor amendments to the report following comments from the Audit and Governance Committee, be delegated to the Head of Legal and Commercial Services and Monitoring Officer.

RECOMMENDED THAT:

Council endorse the Member Conduct Annual Report 2017/18.

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**43. COMMITTEE WORK PLAN**

RESOLVED THAT:

The report be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.50 pm