

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 22 MARCH 2017

Present: Councillor J Clarke (Chairman)

Councillors R Ashman, G Hoults, S McKendrick, P Purver, A C Saffell and S Sheahan

In Attendance: Councillors

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

External Audit: Mr S Gill

**30. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor D Harrison.

**31. DECLARATION OF INTERESTS**

There were no declarations of interest.

**32. MINUTES**

Consideration was given to the minutes of the meeting held on 7 December 2017.

By affirmation of the meeting it was

RESOLVED THAT:

The minutes of the meeting held 11 January 2017 be approved and signed by the Chairman as a correct.

**33. EXTERNAL AUDIT PLAN 2016/17**

The External Auditor presented the report to Members, drawing attention to the headline messages summarised within section one.

Regarding the risk identified with the Medium Term Financial Plan, Councillor S Sheahan asked if the Council would be affected if other local authorities were to default on their statutory duties. The External Auditor explained that some local authorities were not in the best financial position and therefore using some of their reserves but none had yet fallen with regards to their statutory duties. If that was to happen he confirmed that there would be no risk of impact for North West Leicestershire District Council.

Councillor F R D Fenning expressed concerns about how the budget cuts would eventually affect the statutory services the authority provided. He believed it was important to be clear on exactly what services must be provided and where the finances were coming from to fund them. The Interim Director of Resources concurred with Councillor F R D Fenning and he reported that a number of options were being looked at as to the best way of using the funding available. He explained that statutory duties was a topic often raised and confirmed that the Council was aware of what they were, however it was not always clear what the resources were against them, this was currently being worked on. He also raised the importance of continuously reviewing the Medium Term Financial Plan as there were elements that often required updating. He added that the Council was not yet at the point where it needed to be totally self sufficient but officers were looking at working that way by learning from others and applying already used

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methods. He concluded that he was very aware of the need to make sure the Medium Term Financial Strategy was right for budgeting in the future.

It was moved by Councillor A C Saffell, seconded by Councillor R Ashman and

RESOLVED THAT:

The External Audit Plan 2016/17 be approved.

#### **34. ANNUAL REPORT ON GRANTS AND CLAIMS 2015/16**

The External Auditor presented the report to Members, highlighting the recommendations and associated risk ratings within the report.

Councillor S Sheahan questioned what action had been taken on the incorrect claimant data issue recurrence between 2014/15 and the target date for implication of June 2017 as there was no evidence of anything within the report. The Financial Planning Manager believed that the previous years' recommendation was aimed at addressing the human error side of the process as this was the reason for the recurring issues. For clarity, the external auditor explained that when an error was found in a particular area, it was reviewed each year until no errors were found. Councillor S Sheahan raised concerns that it seemed that no action had been taken in previous years and he wanted to be sure that the correct approach was being taken. The Interim Director of Resources agreed to look into the issue further to find out previous external audit recommendations and the action already taken within the department to give Councillor S Sheahan some assurance.

Councillor F R D Fenning raised concerns that the removal of the human element of the process to avoid the risk of errors would result in the loss of the knowledge held by the staff members.

In response to a question of clarity from Councillor R Ashman, the External Auditor explained that they were checking that the correct information was being processed and rules were being followed.

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

RESOLVED THAT:

The report be noted

#### **35. INTERNAL AUDIT PROGRESS REPORT - FEBRUARY 2017**

The Senior Auditor presented the report to Members, drawing attention to the four final reports issued, the three audits that had been moved to the 2017/18 plan and the completed ICT Key Controls audit which would be brought to Committee once the final report had been issued.

In response to a question from Councillor F R D Fenning regarding the auditing of the shared revenues and benefits service, the Senior Auditor commented that the audits were completed by Hinckley and Bosworth Borough Council's internal team and although she reviewed the audits, it was the responsibility of that team to follow up on the recommendations. She added that the audit reports were also considered by the Revenue and Benefits Joint Committee.

In response to a further question from Councillor F R D Fenning regarding the audit of the asset management system, the Senior Auditor clarified that there was testing of the system to ensure that all work had been recorded correctly as there had been a

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discrepancy between the database and the work records. It was reported that the Senior Auditor would be following up on this to make sure it was an isolated occurrence and not a bug in the system.

Councillor S Sheahan asked for assurances on the stability of the Internal Audit Team as other local authorities had been disbanding this internal service. The Senior Auditor was confident that the service was still required and stable as it was a shared service. Also a new officer had recently been appointed to complete the team.

Councillor A C Saffell raised a concern that he was made aware at a training session of a sizeable breach of data protection that he believed had not been reported to the Committee. The Head of Legal and Support Services confirmed that there had been a data breach. She explained that the council had decided to undertake a health check of its arrangements for information management and had engaged the services of Leicester City Council. The health check had resulted in an improvement plan which had now been implemented as well as the creation of the Information Management Team. The breach was self-reported to the Information Commissioner who was satisfied with what had been put in place to prevent another breach and therefore did not wish to take any further action. The Senior Auditor informed Members that the details of the incident and improvement plan had been included in the quarterly report previously considered by the Committee without a detailed description. Further discussion was had between Members regarding the importance of being made fully aware of important issues such as these, especially if it was reported in the local newspapers. The Head of Legal and Support Services reminded Members that they were informed of incidents as well as the recommendations put in place as a result, the issue was how much detail the Members were expecting to receive. Councillor S Sheahan concluded the discussion by commenting that if the local newspapers felt it was important enough to print then Members should receive full details as they could be questioned by the public.

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

RESOLVED THAT:

The report be noted.

### **36. 2017/18 INTERNAL AUDIT ANNUAL PLAN**

The Senior Auditor presented the report to Members.

In response to a question from Councillor S Sheahan regarding the auditing of the Housing Repairs Team, the Senior Auditor reported that the recent team restructure and process changes affected how the audit was undertaken. She would be working closely with the Head of Service to set the scope and assess the risks to decide on how to audit the service. She assured Members that performance and customer feedback would be built into the audit.

In response to a question from Councillor G Hoult, the Senior Auditor explained that the choice based lettings service was being looked at as a new system had been introduced so it was important to look at the risks.

It was moved by Councillor F R D Fenning, seconded by Councillor S Sheahan and

RESOLVED THAT:

- a) The report be noted.
- b) The 2017/18 Internal Audit Annual Plan be approved.

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**37. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO FEBRUARY 2017**

The Financial Planning Manager presented the report to Members drawing particular attention to the treasury position, the average rate of returns on investments and the annual income received.

Councillor R F D Fenning commented that the amount of external debt could frighten some Members but he asked for clarification that it was in fact predominantly the housing stock. The Financial Planning Manager confirmed that it was the housing stock and funds were currently ring fenced to repay the loans. He added that officers were looking into how it could be paid in the future.

Councillor S Sheahan commented that inflation had increased to over two percent as predicted and therefore interest rates remained low, this would have an impact on the Council's investments. The Financial Planning Manager confirmed that it has had an impact but the treasury had advised that there should not be much movement in the coming months.

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

RESOLVED THAT:

The report be approved.

**38. REGULATION OF INVESTIGATORY POWERS ACT (RIPA) POLICY UPDATE**

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

It was moved by Councillor A C Saffell, seconded by Councillor R Ashman and

RESOLVED THAT:

- a) The report be noted.
- b) The amendments to the RIPA Policy be noted.

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

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

It was moved by Councillor A C Saffell, seconded by Councillor S McKendrick and

RESOLVED THAT:

The report be noted.

**40. DRAFT MEMBER CONDUCT ANNUAL REPORT 2016/17**

The Head of Legal and Support Services presented the report to Members and highlighted the following corrections:

The date the District Councillors were appointed listed at section three should read 26 May 2016.

The number of complaints received by council officers at section six should read none.

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It was moved by Councillor A C Saffell, seconded by Councillor R Ashman and

RESOLVED THAT:

- a) The report 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 Support Services.

RECOMMENDED THAT:

Council endorse the Member Conduct Annual Report 2016/17.

#### **41. COMMITTEE WORK PLAN**

Councillor F R D Fenning expressed concerns regarding the staffing of the finance service as there had been no Head of Finance for some time. He asked for assurances that the finance service was robust. The Interim Director of Resources reported that the finance service was currently under review as certain elements such as the finance software had been in place for approximately 12 years. He added that the Head of Finance post was still vacant but it would be looked at once the new Chief Executive had arrived in June.

Councillor A C Saffell suggested that the Council's delivery plan be looked at by the Committee. The Head of Legal and Support Services reported that the most appropriate Committee would be the Policy Development Group. It was noted that the issue had been debated by Council on the previous evening and Councillor M Specht, as Chairman of the Policy Development Group, had made it clear that if issues were raised with him he would consider whether they could be dealt with by the Committee.

RESOLVED THAT:

The Committee Work Plan be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.35 pm