

MINUTES of a meeting of the AUDIT AND GOVERNANCE COMMITTEE held in the Council Chamber, Council Offices, Coalville on WEDNESDAY, 27 SEPTEMBER 2017

Present: Councillor J Cotterill (Chairman)

Councillors R Ashman, F Fenning, D Harrison, G Hoult, S McKendrick, P Purver and S Sheahan

Officers: Mr A Hunkin, Mrs L Marron, Mr I Nelson, Mr J Newton, Ms A Onwuchekwa, Mrs R Wallace and Miss E Warhurst

External Audit: Mr T Crawley

## **9. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

## **10. DECLARATION OF INTERESTS**

There were no declarations of interest.

## **11. MINUTES**

Consideration was given to the minutes of the meeting on 21 June 2017.

By affirmation of the meeting it was

RESOLVED THAT:

The minutes of the meeting held on 21 June 2017 be approved as a correct record and signed by the Chairman.

## **12. REPORT TO THOSE CHARGED WITH GOVERNANCE 2016/17**

The Interim Director of Resources welcomed the External Auditors to the meeting. He added that as the Financial Planning Manager was unfortunately not in attendance, any technical answers would be addressed outside of the meeting.

Mr S Gill, External Auditor, presented his report to Members highlighting the audit risks, judgements, key issues and recommendations. He also informed Members that from the year 2017/18 there would be a new statutory requirement to produce a draft set of accounts earlier, this shortened the amount of time available to audit and would impact on the current accounting practices. He concluded by thanking the Financial Planning Manager and her team for the work undertaken.

Councillor S Sheahan referred to the key issues within appendix one of the report and asked what the issue was regarding the cash flow. He was concerned as it had been an issue for the past two years. The Interim Director of Resources responded that he was unsure of the exact issue but he was aware that the Financial Planning Manager had taken steps to manage the cash flow but further information would be provided outside of the meeting.

Councillor F R D Fenning referred to recommendation three within appendix two of the report and questioned if the service was appropriately staffed due to the number of mistakes being made. The Interim Director of Resources agreed to circulate information regarding how the overpayments of benefits was being addressed. He added that recovery of overpayments were difficult for a number of reasons and there were also legal restrictions. Councillor D Harrison also raised concerns as tax payers money was being

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mistakenly given away. He asked for assurances that serious work was being undertaken to prevent this in the future. The Interim Director of Resources reported that a large part of the overpayments was due to changes in claimants' personal circumstances rather than errors being made by staff and once again referred to the further information he would be circulating.

Councillor S Sheahan questioned when Universal Credit would be introduced in the district and asked for assurances that the authority was prepared. The Interim Director of Resources responded that preparations were being made and there was a session planned with the Department of Work and Pensions to assist with dealing with the change. He confirmed that it would be introduced in parts of the district in 2018, with full implementation in 2019. He also suggested that a report considered by the Revenues and Benefits Joint Committee on this matter be circulated to Members.

Councillor D Harrison commented that people were now worried about the pension deficit and asked how the authority was planning on dealing with the issue. The Interim Director of Resources reported that the authority had recently received information to confirm that there were pressures but it was being managed and therefore no action was required at the moment.

Councillor S McKendrick referred to the coming changes in accounting practices for the year 2017/18 and asked if the staff were prepared. The Interim Director of Resources explained that staff would receive additional training and the Financial Planning Manager was currently looking at best practice as other authorities were already working to the new timescales.

At the request of Councillor G A Allman, the Interim Director of Resources agreed to provide a percentage figure for housing benefit in proportion to the overall budget outside of the meeting.

Councillor F R D Fenning referred to the current work being undertaken around the leisure service which would involve the transfer of a proportion of council employees, he asked if this had been considered by the external auditors. Mr T Crawley, External Auditor, explained that they did not get involved with Council decision making and were only looking at the current accounts, therefore this area of work was not yet included. However, he did keep in regular contact with the Financial Planning Manager to have an idea of what was coming in the future.

Councillor S Sheahan commented that there seemed to be a lot of budget surplus which was not being spent. The Interim Director of Resources explained that the surplus was being put into reserves in accordance with the Council's current strategy to safeguard for the future. He reported that a surplus had been growing due to planning and recycling income, investments, plus collection of business rates. He added that it would all be detailed within the budget report for Cabinet and the surplus was reviewed regularly. Councillor S Sheahan was frustrated that money was being put into reserves when it could be used towards some of the Council's deficit. The Interim Director of Resources reiterated that surplus was dealt with in accordance with the current budgeting strategy.

Councillor S Sheahan also raised concerns regarding the surplus in the Housing Revenue Account due to underspend on cyclical repairs in housing and asked if there was an issue in getting work completed. The Interim Director of Resources agreed to provide the information outside of the meeting.

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

RESOLVED THAT:

- a) The content of the External Auditor's Report be noted.
- b) The letter of representation be approved.
- c) The External Auditor's recommendations and the management comments as set out in appendix one be noted.

### **13. ANNUAL GOVERNANCE STATEMENT 2016/2017**

The Interim Director of Resources presented the report. He informed Members that the External Auditors had reviewed the Annual Governance Statement and had confirmed that it complied with the CIPFA/SOLACE framework and that it was not misleading or inconsistent with any other information they were aware of from their audit of the financial statements.

Councillor S Sheahan referred to the recommendation to review the equality policy and asked when the current policy had been written. The interim Director of Resources reported that the policy was last reviewed in 2011 and it would be reviewed again in the coming months.

Regarding the training for Audit and Governance Committee Members, Councillor F R D Fenning felt that it was important to ask Members what they would like to be trained on. He understood that Members did not need to be trained as accountants but he would personally like to understand more about how the council operates in certain areas such as Housing. The Interim Director of Resources responded that he was happy to listen to any training needs from Members. He agreed that Members did not need to become trained accountants as they brought a unique outside perspective on the accounts. He also felt that the briefing Members attended regarding the statement of accounts was useful and similar sessions should be available in the future.

Councillor S Sheahan welcomed the commitment to assess risks on a regular basis.

By affirmation of the meeting it was

RESOLVED THAT:

The Annual Governance Statement 2016/17 be approved.

### **14. LOCAL CODE OF CORPORATE GOVERNANCE**

The Interim Director of Resources presented the report to Members.

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

RESOLVED THAT:

The Local Code of Governance be approved.

### **15. ANNUAL STATEMENT OF ACCOUNTS 2016/17**

The Interim Director of Resources presented the report to Members, highlighting the main changes to the accounts as detailed within the report.

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In the absence of the Financial Planning Manager, the Interim Director of Resources agreed to supply the following information outside of the meeting:

- The detail behind the 'Rents – Other' income within the Housing Revenue Account for Councillor S McKendrick.
- Information regarding the re-evaluation of the Housing Stock in relation to the decent home standard for Councillor J Cotterill.
- A response regarding any adjustments required due to the pensions liability increase for Councillor S Sheahan. Mr T Crawley, External Auditor explained that it was more of an indication as to the position of the authority rather than a liability and was based on bond rates going forward.

Councillor R Ashman thanked officers for the member briefing held recently to look at the Statement of Accounts as he found it very useful and he hoped that the same would be done in the future.

Councillor D Harrison referred to the long term pension liability and raised concerns of how the council would deal with such a large amount of money to pay. The Interim Director of Resources believed that it was a very important topic and agreed to discuss the possibility of another member briefing with the Financial Planning Manager. Mr T Crawley, External Auditor, informed Members that the figure did fluctuate from year to year and although it looked high, it was in line with other authorities.

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

RESOVLED THAT:

- a) The Annual Statement of Accounts be approved.
- b) The Chairman of the Audit and Governance Committee be authorised to sign the accounts as approved.
- c) The authority to approve any minor non material amendments to the accounts as agreed by the Auditor, be delegated to the Chairman of the Audit and Governance Committee and the Deputy Section 151 Officer.

## **16. INTERNAL AUDIT PROGRESS REPORT - AUGUST 2017**

The Audit Manager presented the report to Members, highlighting the executive summaries of the three final reports issued since the last meeting. She drew Members attention to the Section 106 audit which in her opinion was a grade three and therefore required significant improvement. Follow up work during September found that progress had been made and regular reviews would continue to be undertaken. The Audit Manager also referred to a number of weaknesses identified during an investigation in the Housing Repairs Service and advised that a full audit would be carried out in quarter four.

Councillor S Sheahan asked for further details regarding the weaknesses in the control systems of Housing Repairs. The Audit Manager explained that it would not be appropriate to go into the full details due to the nature and approach of the investigation but it included controls around purchases and management of stock and assets.

Councillor S Sheahan asked what the issue was regarding Section 106 contributions. The Head of Planning and Regeneration explained that when responsibility for administration and monitoring of Section 106 agreements moved into Planning & Regeneration, the whole administrative process was not working as there were no systems, no consistent or centralised records and no controls in place at all. He had requested help from audit as he had recognised that there was a problem, and welcomed the rigorous audit and its

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findings, which had greatly assisted to focus actions to bring it under control. He went on to explain that there was now a dedicated resource to administer the process and they were approximately half way through compiling details of all Section 106 agreements together into a single database. All records included a summary for each agreement and, once complete and published on-line, would be able to be viewed by all. He added that there was now an improved form for when Section 106 money contributions were requested which ensured that the right checks were made for compliance before any money was released. Councillor S Sheahan asked if there was a risk of developers trying to claim back unspent money. The Head of Planning and Regeneration responded that it was hard to calculate but believed there was a reasonably low risk due to the good relationship that was had with the developers.

In response to a request from Councillor R Ashman, the Head of Planning and Regeneration agreed to provide an update at the next meeting to highlight any areas of concern regarding unspent S106 money.

In response to a question from Councillor P Purver, the Head of Planning and Regeneration stated that he was unsure of the exact number of Section 106 agreements that had expired but would provide it at the next meeting as part of the update.

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

RESOLVED THAT:

The report be noted.

#### **17. TREASURY MANAGEMENT ACTIVITY REPORT - APRIL TO AUGUST 2017**

The Interim Director of Resources presented the report to Members.

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

RESOVLED THAT:

The report be noted.

#### **18. STANDARDS AND ETHICS - QUARTER 1 REPORT**

The Head of Legal and Support Services presented the report to Members and drew attention to the new format to make the information easier to read and highlight issues.

Regarding the number of stage one complaints responded to on time in quarter one, Councillor G Hoult commented that 64 per cent seemed low. The Head of Legal and Support Services agreed that it was low but ensured Members that work was being done with officers to make improvements and this should be reflected in reports over time.

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

RESOLVED THAT:

The report be noted.

#### **19. COMMITTEE WORK PLAN**

RESOLVED THAT:

The Committee Work Plan be noted.

The meeting commenced at 6.30 pm

The Chairman closed the meeting at 7.44 pm

Chairman's signature