

HARBOROUGH DISTRICT COUNCIL

MINUTES OF THE GOVERNANCE AND AUDIT COMMITTEE MEETING

Held in The Symington Building, Adam and Eve St, Market Harborough

held on 7<sup>th</sup> March 2018

commencing at 6.30 p.m.

Present:

Chair: Councillor Rook

Councillors: Champion, Chapman, Johnson and Liquorish

Officers: B. Jolly, G. Keeping, S. Riley and V. Wenham

Internal Auditors (LGSS): R. Ashley-Caunt and T. Croote

External Auditors (KPMG LLP): T. Crawley and S. Gill

APOLOGIES FOR ABSENCE

An apology was received from Councillor Elliott.

MINUTES

RESOLVED:

That the Minutes of the Meeting of the Governance and Audit Committee held on 15<sup>th</sup> November 2017 be taken as read and signed by the Chairman as a true record.

DECLARATIONS OF MEMBERS' INTERESTS

There were none.

EXTERNAL AUDIT REPORTS – KPMG

S. Gill and T. Crawley of KPMG LLP presented the Committee with the External Audit Report, which comprised the External Audit Plan 2017/18 and the Annual Audit Letter 2016/17.

The Committee noted that:

- (i) There were no significant changes to the Code of Practice on Local Authority Accounting in 2017/18.
- (ii) Materiality had been kept at last year's level of £550,000.
- (iii) Significant risks requiring specific audit attention had been identified as: Valuation of Property, Plant and Equipment (PPE) and Pension Liabilities.
- (iv) Other areas of audit focus were identified as Faster Close Down and the methodology for providing for Business Rate Appeals.
- (v) A Value for Money significant risk had been identified in relation to the delivery of financial and savings plans, given the reductions in central government funding and other pressures.
- (vi) The planned audit fee for 2017/18 was £41,912, the same as in 2016/17.
- (vii) The certification work on Housing Subsidy Benefit claim resulted in a small amendment of £108 and was subject to a qualification letter.

- (viii) A recommendation had been made to the Authority to improve its claims completion process.

RESOLVED:

That the External Audit Plan 2017/18 and Annual Audit Letter 2016/17 be noted.

INTERNAL AUDIT REPORTS

T. Croote, Audit Manager for LGSS, presented the Committee with the reported performance of internal audit, key findings of audits completed and status of outstanding recommendations.

The Committee noted that:

- (i) Internal audit assignments are completed in accordance with the annual internal audit plan agreed by the Committee.
- (ii) The report summarised progress against the 2017/18 plan, up to 14<sup>th</sup> February 2018. Work was on target, with 85% of the plan having been delivered at least to draft report stage. Nine reports had been finalised and two were currently in draft awaiting a management response. Fieldwork was underway on a further two assignments, which were expected to be complete by the end of March.
- (iii) There were 16 overdue recommendations, of which 11 (69%) were overdue by more than three months. Nine of these were classified as high or medium risk.
- (iv) Five internal audit reports had been finalised since the last committee.
- (v) The following amendments to the plan had been agreed since the last meeting:
  - to defer the audit of Business Continuity and Disaster recovery to the 2018/19 audit plan and replace it with an audit of Emergency Planning
  - to defer the audit of Absence Management to the 2018/19 audit plan and replace it with consultancy support on the Channel Shift project.

RESOLVED:

- (i) That the Internal Audit Update, attached as Appendix A to the report, be noted;
- (ii) That the agreed amendments to the 2017/18 internal audit plan be noted; and
- (iii) That the amendment of the 2017/18 audit plan, to defer the procurement audit to 2018/19 and replace it with additional assurances on the payroll system, be approved.

INTERNAL AUDIT PLAN

R. Ashley-Caunt, Head of Internal Audit, provided the Committee with the draft of the Internal Audit Plan for 2018/19, which will be provided through Local Government Shared Services (LGSS).

The Committee noted that:

- (i) 235 days were allocated to the authority in this year.
- (ii) The key potential risk areas, emerging risks for the year ahead and any areas where consultancy support would be of value to improve the control and governance framework had been identified in discussion with the Council's Corporate Management Team.
- (iii) The Public Sector Internal Audit Standards state that the Head of Internal Audit 'must review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls'. In order to enable the service to be responsive and ensure best use of the commissioned resources throughout the year, the Governance & Audit Committee in March 2017 delegated authority to the Head of Finance and Corporate Services and the Chair of the Committee to agree amendments, if required, to the Plan during that and subsequent financial years. Any such changes were to be reported at the following meeting of the Committee.

RESOLVED:

That the Internal Audit Plan for 2018/19, attached as Appendix A to the report, be approved.

FINANCIAL STATEMENTS – ACCOUNTING POLICIES

S. Riley, the Council's S151 Officer, introduced the report that sought to review and approve the accounting policy and materiality levels for the 2017/18 financial statements.

The Committee noted that:

- (i) The accounting policy and materiality levels need to be reviewed and agreed, prior to the beginning of the closure of accounts process.
- (ii) The materiality levels enable the finance team to identify significant variances and items that need disclosure in the financial statements.
- (iii) External Audit apply their own test of materiality in respect of material misstatements. This is detailed in their external audit plan.
- (iv) The 2017/18 financial statements will show income and expenditure based on Portfolios as presented in the quarterly monitoring. There is a significant risk in presenting in this manner, as the Portfolios are regularly changed, for example at the Annual Council meeting. If this continues to occur, the Comprehensive Income and Expenditure Statement (CIES) for each year will have to include a restatement of the previous year's income and expenditure in order to provide a comparison.

RESOLVED:

- (i) That the materiality limits for 2017/18, as set out in Appendix B to the report, be agreed; and
- (ii) That the draft accounting policies for 2017/18 financial statements, as set out in Appendix A to the report, be noted.

COUNTER-FRAUD ARRANGEMENTS

V. Wenham, the Council's Head of Legal and Democratic Services and Monitoring Officer, introduced a report that invited the Committee to consider the updated Counter Fraud and Corruption Strategy and Response Plan and to adopt a free-standing Anti Bribery Policy and Money Laundering Policy. All the documents had been considered by the Ethical Governance Committee in February 2018.

The Committee noted that allegations of fraud or financial irregularity would be passed to Internal Audit, in consultation with senior management. In the case of an investigation, the Leader of the Council and the Chairman of the Governance & Audit Committee would be informed and the investigation would be conducted in consultation with the Monitoring Officer.

The Committee thanked the Ethical Governance Committee for its input and

RESOLVED:

- (i) that second bullet point in paragraph 2.4 of the draft Counter Fraud & Corruption Policy be amended to read: "... e.g. access to housing or blue badge";
- (ii) that section 3 of the draft Counter Fraud & Corruption Policy be updated in relation to the role of External Audit;
- (iii) that section 3 of the draft Counter Fraud & Corruption Policy in relation to the role of Internal Audit be amended to start: "*The Head of Internal Audit shall recommend to the Corporate Directors ...*";
- (iv) that paragraph 8.5 of the draft Fraud Response Plan be amended to read: "... accuracy, and will receive a final signed copy of the meeting notes"; and
- (v) that the level for cash payments referred to in paragraph 5.1 of the draft Anti-Money Laundering Policy be set at £1,000, without exemption.

**RECOMMENDED to Council:**  
**that the draft policies be adopted, subject to the changes above.**

MATTERS OF SPECIAL URGENCY

There were none.

The meeting closed at 7.48 p.m.