

HARBOROUGH DISTRICT COUNCIL

MINUTES OF THE MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE

Held in

The Council Chamber, The Symington Building, Adam and Eve Street, Market Harborough

On 10<sup>th</sup> March 2016

commencing at 6:30p.m.

Present:

Councillor Spendlove-Mason (Chair).

Councillors: Mrs Ackerley, Bilbie, Mrs. Burrell & Johnson.

Officers: R. Ashley-Caunt (Welland Internal Audit Consortium), D. Atkinson, K. Cowell,

T. Croote (Welland Internal Audit Consortium), G. Keeping and N. Proudfoot.

External Auditors (KPMG LLP): A. Crawley & S. Gill.

505 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTIONS

Apologies were received from Councillors Elliott, Hall & Nunn. Councillor Johnson substituted for Councillor Elliott.

506 MINUTES

RESOLVED: That: the Minutes of the Meeting of the Governance and Audit Committee held on 19<sup>th</sup> November 2015 be taken as read and signed by the Chairman as a true record.

507 DECLARATIONS OF MEMBERS' INTERESTS

None reported.

508 EXTERNAL AUDIT REPORT

S. Gill of KPMG LLP presented the Committee with the External Audit Report, which comprised the External Audit Plan 2015/2016 and the Annual Audit Letter 2014/2015.

The Committee noted that:

- (i) There were no significant changes to the Code of Practice on Local Authority Accounting in 2015/16.
- (ii) Materiality had been set at £550,000, which equated to 1.4% of gross expenditure.
- (iii) Significant risks requiring specific audit attention had been identified as: management override controls and revenue recognition.
- (iv) A Value for Money significant risk had been identified in relation to the delivery of financial and savings plans, given the number of pressures on services and the reduction in local government grant funding.
- (v) The planned fee for the audit was £41,912.
- (vi) The certification work on Housing Subsidy Benefit claim resulted in a small amendment of £270 and was subject to a qualification letter.
- (vii) A recommendation had been made to the Authority to improve its claims completion process.

RESOLVED: That the External Audit Plan 2015/2016 and Annual Audit Letter 2014/2015 be noted.

#### 509 INTERNAL AUDIT – PROGRESS REPORT AND PERFORMANCE UPDATE

T. Croote from the Welland Internal Audit Consortium 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 2015/16 plan, up to 19<sup>th</sup> February 2016. At the time of writing the report, work was on target, with 73% of the plan having been delivered to draft report stage and fieldwork underway on the remaining five assignments;
- (iii) There were 32 overdue recommendations, of which 27 (84%) were overdue by more than three months. Eighteen (67%) of these were classified as high or medium risk.
- (iv) One audit report had been finalised since the last committee.
- (v) The Committee had previously agreed that any proposed changes could be approved by the Head of Finance and Commercial Services (s151 Officer), in consultation with the Chairman. Since the last meeting it had been agreed that the Housing Review and Welfare Reform audits would be cancelled and the time reallocated to provide independent challenge and review to the section 106 Project which had been established to address the issues identified by the limited assurance Internal Audit report.
- (vi) The report into Section 106 Agreements had been completed and it was the Auditor's Opinion that the current overall design and operation controls provided Limited Assurance. An additional action would be that the Planning Committee would receive a quarterly progress report to identify the improvements that had been made.

Concern was expressed by the Committee that a number of draft reports, including the Financial Resilience report, had been issued by the Internal Audit, but responses from Officers were still awaited. In addition, there was a low rate of response to customer satisfaction forms issued by Internal Audit. In response, the Corporate Director – Community Services agreed the following actions:

- (i) to look into the level of response to Internal Audit customer-satisfaction forms and provide an interim update to Committee members.
- (ii) to look into the average time for responses to the Internal Audit, including to the Financial Resilience report, and how these relate to target response times.
- (iii) to liaise with the Monitoring Officer over contacting the two Members who had not completed declaration forms.

RESOLVED: That the Internal Audit Update, attached as Appendix A to the report, be noted, subject to the actions listed above.

#### 510 INTERNAL AUDIT – AUDIT PLAN 2016/17

R. Ashley-Caunt from the Welland Internal Audit Consortium provided the Committee with the draft of the Internal Audit Plan for 2016/17.

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 senior management.
- (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, it was

recommended that the Committee give authority to the S151 Officer/Head of Finance and Corporate Services and the Chair of the Governance and Audit Committee to approve any in-year amendments to the Plan. These changes would then be reported at the following Committee meeting.

RESOLVED:

- (i) That the Internal Audit Plan for 2016/17, attached as Appendix A to the report, be approved; and
- (ii) That authority be delegated to the Head of Finance and Corporate Services and the Chair of the Governance and Audit Committee to agree amendments to the Plan during the financial year, if required.

511 INTERNAL AUDIT CHARTER

R. Ashley-Caunt from the Welland Internal Audit Consortium introduced the report, which invited the Committee to review and approve the Internal Audit Charter.

The Committee noted that:

- (i) The Internal Audit Charter will be adhered to in the delivery of the Internal Audit service for 2016/17.
- (ii) Changes had been made to job titles, to reflect the outcome of the management restructure, and to the role of the Audit Manager.
- (iii) Otherwise there had been no significant changes since the last version of the Charter had been approved.

RESOLVED: That the Internal Audit Charter, attached as Appendix A to the report, be approved.

512 ACCOUNTING POLICIES AND MATERIALITY

K. Cowell introduced the report that sought to review and approve the accounting policy and materiality levels for the 2015/16 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 applies a different test of materiality in respect of material misstatements. This is detailed in their external audit plan.

RESOLVED:

- (i) That the materiality limits, as set out in the tabled revision of Appendix B to the report, be agreed; and
- (ii) That the draft accounting policies for 2015/16 financial statements, as set out in Appendix A to the report, be noted.

513 MATTERS OF SPECIAL URGENCY

None reported.

The Meeting ended at 8:18 p.m.