

HARBOROUGH DISTRICT COUNCIL

MINUTES OF THE GOVERNANCE AND AUDIT COMMITTEE MEETING

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

held on 24<sup>th</sup> July 2019

commencing at 6.30 p.m.

Present:

Chair: Councillor Dr Bremner

Councillors: Bannister, Golding, Graves and Mahal

Guest: Councillor Page – Scrutiny Commissioner (Election of Chairman only)

Officers: C. Bland, S. Hamilton, B. Jolly, S. Riley and V. Wenham

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

External Auditors (Mazars LLP): J. Pressley

ELECTION OF CHAIRMAN FOR THE YEAR 2019/20

Councillor Dr Bremner was elected as Chairman for the year 2019/20.

ELECTION OF VICE-CHAIRMAN FOR THE YEAR 2019/20

Councillor Bannister was appointed as Vice-Chairman for the year 2019/20.

APOLOGIES FOR ABSENCE

Apologies were received from Councillors Sarfas and Whelband

MINUTES

RESOLVED that the Minutes of the Meeting of the Governance and Audit Committee held on the 7<sup>th</sup> March 2018 be NOTED.

DECLARATIONS OF MEMBERS' INTERESTS

There were none.

HEAD OF INTERNAL AUDIT REPORT

R. Ashley-Caunt, Head of Internal Audit & Counter Fraud for LGSS, presented the Committee with the Annual Internal Audit report and Assurance Opinion for 2018/19.

Based upon the work undertaken by Internal Audit during 2017/18, the Head of Internal Audit's overall opinion on the Council's control environment was that Satisfactory Assurance could be given that

there is generally a sound system of internal control, designed to meet the organisation's objectives and that controls are generally operating effectively in practice.

Details of the delivery of the Internal Audit Plan for 2018/19 and achievement of the service's performance indicators were reported. The Internal Audit team had delivered 100% of the assignments from the agreed Internal Audit Plan by the end of March 2019.. Also reported to the Committee was an assessment of the Internal Audit service against the Public Sector Internal Audit Standards. This concluded that the Internal Audit Consortium operates in general conformance with the Standards.

Members queried whether the Council could improve its Satisfactory Assurance rating as it has consistently scored this rating for a number of years. The Head of Internal Audit & Counter Fraud informed the Committee that within the report there were some recommendations which remain overdue from previous years and the particular recommendations are in relation to business continuity and IT. One of the items in the audit, IT Cyber Security, had not been delivered but has been deferred to the new financial year. The absence of undertaking that particular audit and the aforementioned recommendations being overdue, informs the opinion on the rating. Whilst the IT Cyber Security audit is currently underway the work on disaster recovery remains on-going and also informs the opinion on the rating.

With regards to room for improvement the rating is based on a risk based approach and the Internal Audit workplan is now looking at some of the more riskier areas. In order to obtain a higher rating the whole of the risk framework would need to be taken into account and the Head of Internal Audit and Counter Fraud would need to be satisfied that everything that had been highlighted by Internal Audit had been addressed.

RESOLVED that the Annual Internal Audit Report and Assurance Opinion for 2018/19, attached as Appendix A to the report, be received and NOTED.

### ANNUAL GOVERNANCE STATEMENT

The Committee considered the Council's Annual Governance Statement for the 2018//19, included as Appendix A to the report.

A query was raised regarding inconsistencies between the 'Seven Core Principles' which are listed in the Annual Governance Statement report and also within a subsequent agenda item, the Code Local Governance report. Officers agreed to go back to the source of the Principles and review both listings for consistency.

A concern was raised about the increase in complaints relating to aspects of Governance over the past few months and the Chairman suggested that these concerns be sent to Officers after the meeting.

The Head of Financial Services and S.151 Officer reported that the governance system was operating effectively.

The Committee noted that:

- (i) the Council is required to produce an Annual Governance Statement each year.
- (ii) the Council's arrangements for delivering good governance are based on the seven core principles set out in the CIPFA/Solace guidelines; these being:
  - behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
  - ensuring openness and comprehensive stakeholder engagement
  - delivering outcomes in terms of sustainable economic, social and environmental benefits
  - determining the interventions necessary to optimise the achievement of the intended outcomes
  - developing the Council's capacity including the capability of its leadership and the individuals within it

- managing risks and performance through robust internal control and strong public management
  - implementing good practice in transparency, reporting and audit to deliver effective accountability.
- (iii) The Annual Governance Statement summarises the internal control frameworks across the Council and provides an opinion of the standards achieved. In essence, the Annual Governance Statement includes:
- details of responsibilities for ensuring there is a sound system of governance (incorporating the system of internal control)
  - a brief description of the key elements of the governance framework
  - an indication of the level of assurance that the systems and processes that comprise the Council's governance arrangements can provide
  - an outline of the actions taken, or proposed to deal with in 2019/20 with 'significant' governance issues, including an agreed action plan.

RESOLVED that the Annual Governance Statement 2018/19, attached as Appendix A to the report, be APPROVED for inclusion in the 2018/19 Statement of Accounts.

#### ISA 260 REPORT

J. Pressley, Manager, Mazars LLP, presented the Committee with the External Audit ISA260 Report for 2018/19.

The External Auditor anticipated issuing an unqualified audit opinion, without modification, on the Authority's financial statements and the proposed audit opinion is detailed in Appendix B, before the deadline of 13 September 2019, and also an unqualified Value for Money conclusion.

It was reported that Mazars are awaiting a letter of assurance from the auditor of the Leicestershire Pension Fund. The Committee requested sight of the letter and were advised that if there were any issues, Mazars would raise this with Officers who would subsequently inform the Committee.

It was reported that a significant matter, the Year-end cut off had been discussed with management. The Council prepared its financial statements in accordance with its previous year's practice of matching 365 days cash receipts into each financial year. For 2018/19, this meant that any income received on or after 29 March 2019, being the last working day of the year, was not classified on the balance sheet and was receipted in 2019/20.

The review by Mazars identified £2,145 million of income received between 29 March and 31 March, of which £1,557 million relates to the settlement of an outstanding debtor. Mazars recognise that Harborough District Council has prepared the financial statements on a consistent basis to prior years, however Mazars has requested, and management has agreed, that the Council reclassify the £1,557 million debtor and a further £0,105 million of debtors on the Council's balance sheet, being transfers between current debtors and cash with no overall impact on current assets. Management have agreed to amend this accounting practice for future years.

Members expressed thanks to External Audit team from Mazars for their work on the Audit Completion Report.

RESOLVED

That the External Audit ISA260 report for the Year ending 31 March 2019 be NOTED.

## FINANCIAL STATEMENTS 2018/19

It was reported by the Portfolio Holder and the Section 151 Officer that the Accounts and Audit Regulations required the Council's Statement of Accounts to be produced and signed off by the S151 Officer by 31<sup>st</sup> May 2019 in readiness for the external auditors to examine the accounts. This deadline had been met and, as reported in the previous item, the external auditor had indicated that he expected to be able to issue unqualified opinions on the Financial Statement and Value for Money Assessment by the 31<sup>st</sup> July 2019.

In accordance with the Accounts and Audit Regulations, the statement of accounts and other related documents had been made available for public inspection in June 2019. The Regulations require that the audited statement is published by 31<sup>st</sup> July and, following receipt of the Auditor's opinion on the statement, a public notice will be placed in the local press in October 2019. The statements will be available on the Council's website and also for purchase in hard-copy format.

Members and the Section 151 Officer expressed thanks to the Council's Financial Services team for delivering a high quality set of accounts and their work in preparing the Financial Statement in time to comply with the statutory deadline.

RESOLVED that:

- (i) the Statement of Accounts for 2018/19, included as Appendix A to the report be approved; and
- (ii) the S151 Officer or deputy be authorised to make any further amendments noted at the meeting or prior to formal sign-off by the External Auditor by the end of July 2019.

## INTERNAL AUDIT – PROGRESS AND PERFORMANCE UPDATE

T. Croote, Audit Manager for LGSS, presented the Committee with the current progress against the 2019/20 Plan. The Plan was subject to formal approval by the Governance and Audit Committee in March 2019.

It was reported that:

- (i) To date due to being in the early stages of delivering the 2019/20 Plan there are no audits which have been completed at this stage.
- (ii) With regard to the audit covering the "Effective use of Consultation", that audit is now in progress.
- (iii) In relation to the Safeguarding audit, the fieldwork has now been completed.

Following a request from the Committee for more comprehensive information on the Plan, T.Croote reported that the normal form contains more detail, including comprehensive detail on both the delivery and the status of projects. .

The Section 151 Officer reminded the Committee that if there was an urgent need for an audit, the Section 151 Officer and Chairman of the Committee have the ability to adjust the allocation of time.

A Member suggested that the issue of "Planning enforcement categorisation and decision making" as a possible audit area. The Section 151 Officer confirmed that the Committee is asked in November for any audit areas to be considered.

RESOLVED that the Internal Audit Update, attached as Appendix A to the report, be NOTED.

## CODE OF LOCAL GOVERNANCE

At its meeting on 8 March 2017 the Governance and Audit Committee adopted a Local Code of Governance for the financial year 2017/18. Prior to this date the adoption of a Local Code was seen as best practice, but following revised CIPFA guidance issued in 2016 the adoption of a Code became a legal requirement for 2017/18. As part of the Internal Audit work plan for 2017/18, the Code has been reviewed and further updated to ensure that it remains consistent with the seven principles of good governance set out in the CIPFA/SOLACE framework document "Delivering Good Governance in Local Government Framework 2016 Edition A".

It is best practice for a Local Authority to have a code that reflects these principles and be committed to improving governance on a continuing basis through a process of evaluation and review.

Accordingly the Local Code of Governance that was adopted in 2017 had been reviewed by the Head of Internal Audit in consultation with the Monitoring Officer and the Corporate Management Team and a revised Code was adopted by the Governance and Audit Committee on 24 July 2018.

An Action Plan has subsequently been produced by the Monitoring Officer in consultation with the Head of Internal Audit, a copy of which is attached to the report as Appendix A. The Action Plan is a mechanism to ensure that there is appropriate monitoring and on-going review of the Code, and has been updated to record progress to date.

RESOLVED that the update on the Code of Local Governance, which was adopted in 2018 and specifically the progress in relation to the Action Plan developed as a result of the adoption be NOTED.

## CORPORATE RISK AND OPPORTUNITY MANAGEMENT: QUARTER 4, 2018/19

The Committee considered the Council's Corporate Risk and Opportunity Register at the end of Quarter 4 of the 2018/19 year.

At the end of Quarter 4 of the 2018/19 year there were 17 Risks and 4 Opportunities on the Corporate Risk and Opportunity Register.

Of the 21 Risks, 2 were assessed as Red status, these being CR 33 Costs of planning appeals, and legal challenges, exceed budget; and CR 36 Uncertainty following the United Kingdom's imminent departure from the European Union.

RESOLVED that the Corporate Risk and Opportunity Register at the end of Quarter 4 of the 2018/19 year be NOTED.

## CORPORATE RISK AND OPPORTUNITY MANAGEMENT: QUARTER 1, 2019/20

The Committee considered the Council's Corporate Risk and Opportunity Register at the end of Quarter 1 of the 2019/20 year.

At the end of Quarter 1 of the 2019/20 year there were 15 Risks and 4 Opportunities on the Corporate Risk and Opportunity Register.

Of the 19 Risks and Opportunities, 2 were assessed as Red status, these being CR 36 Uncertainty following the United Kingdom's imminent departure from the European Union, and CR 37 Increase in homeless presentations results in an increased demand in Council support for relief.

RESOLVED that the Corporate Risk and Opportunity Register at the end of Quarter 1 of the 2019/20 year be NOTED.

MATTERS OF SPECIAL URGENCY

There were none, however Councillor Bremner expressed his thanks to Simon Riley for his six years of service to Harborough District Council and his onward success at Derby City Council.

The meeting closed at 8.59 p.m.