

HARBOROUGH DISTRICT COUNCIL

MINUTES OF THE GOVERNANCE AND AUDIT COMMITTEE MEETING

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

held on 16 November 2016

commencing at 6.30 p.m.

Present:

Chair: Councillor Rook

Councillors: Mrs Burrell, Chapman, Elliott, Hadkiss and Mrs Wood

Officers: S. Riley & S. Hamilton

Welland Internal Audit Consortium: R. Ashley-Caunt and T. Croote

External Auditors (KPMG LLP): T. Crawley

302 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTIONS

Apologies were received from Councillor Liquorish.

303 MINUTES

RESOLVED:

That the Minutes of the Meeting of the Governance and Audit Committee held on 22nd September 2016 be taken as read and signed by the Chairman as a true record.

304 DECLARATIONS OF MEMBERS' INTERESTS

There were none.

305 EXTERNAL AUDIT – AUDIT LETTER 2015/16

T. Crawley of KPMG LLP presented the Committee with the Annual Audit Letter for the 2015/16 year.

The Committee noted that:

- (i) KPMG LLP issued the Council with an unqualified conclusion on the Authority's arrangements to secure Value for Money for the 2015/16 year.
- (ii) KPMG LLP issued an unqualified opinion on the Council's financial statements for the 2015/16 year.
- (iii) The fee for the external audit for the 2015/16 year was £41,912, which was in line and agreed by the Committee in February 2016.

RESOLVED that: the Annual Audit Letter from KPMG LLP be noted.

306 INTERNAL AUDIT – DEVELOPMENT OF INTERNAL AUDIT PLAN 2017/18

R. Ashley-Caunt from the Welland Internal Audit Consortium provided the Committee with an overview of the Audit Planning process for 2017/18.

In order to ensure that the Audit Plan for 2017/18 addresses the Council's key risks and adds value to the organisation, it is proposed that the Head of Internal Audit will identify and prioritise the areas for coverage by:

- Reviewing the Council's Risk Registers and Corporate Plan;
- Analysing coverage of Internal Audit reviews over the last four years and the assurance opinions provided following each review, to identify any assurance gaps or areas where follow up work would be of value;
- Identifying any other sources of assurance for each of the Council's key risks, which may reduce the added value of an Internal Audit review and where work could be aligned with other assurance providers;
- Identifying any areas of the Audit Universe (a list of potential areas for audit review across the Council) which have not been subject to Internal Audit review during the last four years;
- Consultation with the Governance and Audit Committee to discuss the planning process and areas where Members require assurances from Internal Audit during 2017/18; and
- Meeting with members of Management Team to discuss key risks and emerging risk areas for the year ahead and any areas where Internal Audit support would be beneficial either in an assurance or consultancy role.

All potential audit coverage identified will be risk assessed and prioritised for inclusion in the Audit Plan, in consultation with Corporate Management Team, based on risk, other sources of assurance available and potential value added from a review.

The Committee noted that a draft Internal Audit Plan would be brought to the Committee in March 2017 for review and formal approval.

Members were asked to consider areas where they required assurance from the Audit Plan in 2017/18, and the following suggestions were made to the Committee by the Head of Finance and Corporate Services (Section 151 Officer) :-

- Partnership services – e.g. Revenue and Benefits
- A review of Health and Safety procedures
- Routine areas including ICT and security

The Committee agreed that one of the areas of consideration should be the review of Health and Safety procedures. The time allocated to this particular area of audit would be quantified at the March 2017 meeting.

RESOLVED that: the process proposed for the development of the Internal Audit Plan for 2017/18 be noted and approved.

307 INTERNAL AUDIT – PROGRESS AND PERFORMANCE UPDATE

T. Croote, from the Welland Internal Audit Consortium, presented the Committee with the current progress against the 2016/17 Plan up to the 15th November 2016.

The Committee noted that:

- (i) 31% of the Plan had been delivered to at least draft report stage and work is underway on a further five assignments. Work on the Plan is gaining momentum and it is anticipated that with support and commitment from Officers, 90% of the Plan will be completed by the end of the financial year.

(ii) Following meetings between T.Croote and Officers on the 15th November 2016 a revised document had been produced which provided an update on the overdue recommendations. As a result of the meetings, seven of the recommendations had been closed off with new dates for completion being assigned to the remainder.

(iii) Two internal audit reports have been finalised since the last Committee, a Treasury Management report for 2016/17 and an Absence Management report for 2016/17.

(iv) The overall findings for the Treasury Management report were very positive. The Council's estimated longer term debt portfolio stood at £1.49 million as at 1st April 2016 and no short term borrowing has been made during the financial year to date. The Council's investment priorities are primarily security, secondly liquidity followed by return. Sample testing of fifteen treasury management investment transactions confirmed 100% compliance with all of the expected controls. The framework of controls currently in place provide Substantial Assurance that the identified risks have been appropriately mitigated which is the highest rating that can be achieved.

(v) The Absence Management report demonstrated that Harborough District Council has very good absence management policies and procedures however there are instances of non-compliance. The audit identified that 25% of absences reported during 2015/16 had not been recorded by managers on the MyView system in accordance with current guidance. The Council recognises that the return to work interview process is an important part of effective absence management. Following every period of sickness absence, a return to work interview should be carried out by the relevant manger; however sample testing identified some cases of non-compliance in this area. The Auditor review of the Quarter 4 Performance reports confirmed that although absence figures were above target at 7.92 working days per FTE, the figures reported were consistent with those retained on file by HR. The report also confirmed that a number of staff were due to return during Quarter 1 and, on this basis, that performance in relation to absence management may improve during 2016/17.

Reassurance was provided by the Head of Finance and Corporate Services (Section 151 Officer) to the Committee that the management of sickness absence is being pro-actively monitored on a monthly basis, as well as refresher training being given to Managers to increase compliance with the relevant policies and procedures.

Based on the findings, the framework of controls currently in place provided sufficient assurance that the identified risks have been appropriately mitigated.

Given that the outcome was on the border between limited assurance and sufficient assurance, it was recommended that Welland Internal Audit Consortium undertake a follow-up audit on areas of non compliance in order that the Committee can gain further assurance.

RECOMMENDATION:

1. That a follow-up audit on areas of non compliance within the Council's Attendance Management Policy and Procedures is undertaken by the Welland Internal Audit Consortium in 2017/18.

308 APPOINTMENT OF EXTERNAL AUDITORS

The Committee considered the report in respect of appointing External Auditors from 1st April 2018.

The Committee noted that the Council is required to make arrangements for appointing External Auditors following the closure of the Audit Commission and the end of the transitional arrangements at the conclusion of the 2017/19 audits. The Council will need to consider the options available and put in place new arrangements in time to make a first appointment by 31 December 2017.

There are three options available to the Council for appointing External Auditors in the future:

Option 1: Establish its own independent auditor panel (Part 3, section 9 and schedule 4 of the Local Audit and Accountability Act 2014). The panel must be made up of a majority or of wholly independent members and must be chaired by an independent member.

Option 2: Establish a joint independent auditor panel to carry out the function on behalf of two or more Councils.

Option 3: Opt-in to an approved sector led body (SLB) to be specified by Department for Communities and Local Government (DCLG) to act as the Appointing Person on behalf of opted-in authorities. The opt-in sector led body approach requires Full Council Approval (Regulation 19, Local Audit (Appointing Person) Regulations 2015).

The Department for Communities and Local Government has specified Public Sector Audit Appointments Ltd (PSSA) as the Appointing Person, establishing it as a sector led body. If the Council opt-in to the sector led body approach this arrangement can be used and will deliver economic and efficiency benefits.

The Local Government Association is supporting this sector led approach in order to secure the benefits of economies of scale and savings in terms of the administrative burden on Councils and other local government sector bodies.

PSAA has issued an invitation to Council's to join a sector led approach (Option 3 above). It is expected that most Councils will use this framework as the most efficient and cost effective method of appointing an auditor.

In the view of the S151 Officer there would be no economic or commissioning benefits from commissioning the auditor solely as Harborough District Council. The current external audit fee is £41,912.

RESOLVED that

- i) The Committee note the sector led approach and offer in respect of commissioning External Audit from 1st April 2018.

The meeting closed at 7.24 p.m.