

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 27th July 2016

commencing at 6.31p.m.

Present:

Councillor Rook (Chair).

Councillors: Mrs. Burrell, Elliott, Hadkiss, Liquorish, Rickman & Mrs Wood.

Officers: D. Atkinson, G. Keeping, S. Riley and N. Proudfoot.

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

External Auditors (KPMG LLP): S. Gill.

149 ELECTION OF CHAIRMAN FOR THE YEAR 2016/17

It was proposed by Cllr Liquorish, seconded by Cllr Mrs Wood and

RESOLVED that Cllr Rook be elected Chairman for the year 2016/17.

Cllr Rook assumed the Chair.

150 APPOINTMENT OF VICE-CHAIRMAN FOR THE YEAR 2016/17

It was proposed by Cllr Rook, seconded by Cllr Liquorish and

RESOLVED that Cllr Hadkiss be appointed Vice-Chairman for the year 2016/17.

151 APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTIONS

An apology was received from Cllr Chapman. Cllr Rickman substituted for Cllr Chapman.

152 MINUTES

RESOLVED: That the Minutes of the Meeting of the Governance and Audit Committee held on 10th March 2016 be taken as read and signed by the Chairman as a true record.

153 DECLARATIONS OF MEMBERS' INTERESTS

None reported.

154 ANNUAL GOVERNANCE STATEMENT

The Committee considered a draft of the Council's Annual Governance Statement for the 2015/16 year, included as Appendix A to the report.

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 CIPFA/SOLACE guidelines, these being:
 - focussing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area.
 - Councillors and Officers working together to achieve a common purpose with clearly-defined functions and roles.
 - promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
 - taking informed and transparent decisions, which are subject to scrutiny and managing risk.
 - developing the capacity and capability of councillors and officers to be effective.
 - engaging with local people and other stakeholders to ensure robust public 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 2016/17 with 'significant' governance issues, including an agreed action plan

RESOLVED that the Annual Governance Statement be passed for formal signature by the Leader, Corporate Director (BJ) and S151 Officer for inclusion in the 2015/16 Statement of Accounts, subject to the following amendments to the draft statement:

- (i) correction of dates in paragraphs 4.1, 5.7, 5.8 and 5.18
- (ii) substitution of "compliant" for "complaint" in paragraph 5.8

155 EXTERNAL AUDIT REPORTS

S. Gill of KPMG LLP presented the Committee with the External Audit Reports, which comprised the External Audit Progress Report and the Annual Audit Fee letter 2016/17.

External Audit Progress report:

The Committee noted that:

- (i) Controls over the majority of the key financial systems have been assessed as being sound.
- (ii) The initial VFM risk assessment has been completed. One significant risk has been identified, in respect of delivery of financial and savings plans. A report on this area will be brought to the Committee in September 2016.

Annual Audit Fee letter 2016/17:

The Audit Fee letter was considered without the need for the Committee to move into exempt session. The letter set out the planned audit and certification fees for the financial year 2016/17 and provided a comparison with those for the previous year (2015/16).

RESOLVED: That the External Audit Reports and Annual Audit Letter 2016/17 be noted.

156 LOCAL GOVERNMENT BUDGET SURVEY

The Committee considered the KPMG report "Local Government Budget Survey", which set out the results of a survey completed in 2015 and the assumptions and techniques that Councils apply in

their financial planning and subsequent monitoring. The report contained a series of questions that Councils might want to consider in the context of their own organisation.

The Committee considered that the series of questions in the report would prove very useful when the Council came to consider its budget and RESOLVED that the questions be circulated to all Councillors now and in early January 2017.

157 FUTURE PROVISION OF INTERNAL AUDIT SERVICES

The Committee was invited to consider options for the future provision of Internal Audit Services from 1st April 2017 and to make comments / recommendations to The Executive on the provision of Internal Audit Services.

The Chief Finance Officer (s151 Officer) and the Chief Executive (Corporate Directors at Harborough) are responsible for maintaining an adequate and effective internal audit of the Council's accounting records, control systems and financial transactions including any operations affecting the financial arrangements or the finances of the Council. This requirement is achieved presently through the Council being part of a joint service through the Welland Partnership. The internal audit team provide services to Rutland, Melton and East Northants, Corby and Harborough. The work of the team is underpinned by a legal agreement between the partners and the Welland Internal Board (comprising the Section 151 Officers of each Council) oversees its work and reports through to the Welland Joint Committee. Management of the internal audit team is currently through LGSS (the joint service provider managed by Northamptonshire and Cambridgeshire), which provides a 'seconded' head of Internal Audit.

The current arrangement with LGSS is in place until 31 March 2017. The Welland Board acknowledges that whilst performance is good and costs are low, the existing model is not sustainable in the long term, due to issues over recruitment, resilience, provision of specialist expertise, uncertainty over development, limited capacity for growth and the current need for management input from the S151 Officers of the councils and the Welland Board, and has concluded that alternative arrangements need to be made to secure provision.

The S151 Officers from the five authorities had considered different delivery models and concluded from this analysis that the current model was favourable, but that it was necessary to convert the existing temporary arrangement into a permanent model with LGSS or another authority. The S151 Officer at Rutland (the lead Council) discussed collaborative models with a number of local authorities and recommended that the five councils consider the delegation of the service to LGSS at the current fee.

The Committee RECOMMENDED TO THE EXECUTIVE that negotiations be commenced with LGSS with a view to the provision of Internal Audit Services to the Council being delegated to LGSS from the 1st April 2017.

158 INTERNAL AUDIT – ANNUAL REPORT AND ASSURANCE OPTION 2015/16

It was reported that based upon the work undertaken by Internal Audit during 2015/16, the Head of Internal Audit's overall opinion on the Council's control environment is that Sufficient Assurance can 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 2015/16 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 for 2015/16. 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.

RESOLVED that the Annual Internal Audit Report and Assurance Opinion for 2015/16 be received and noted.

159 INTERNAL AUDIT – PROGRESS 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 and 2016/17 plans, up to 5th July 2016. The 2015/16 plan was now complete and had been report under the item “Internal Audit – Annual Report and Assurance Option 2015/16”, above.
- (iii) At the time of writing the report, 17% of the 2016/17 plan had been delivered to draft report stage and fieldwork was underway on one further assignment. The draft assignment plan had been issued for a further two audits;
- (iv) There were 22 overdue recommendations, of which 22 (100%) were overdue by more than three months. Seventeen (77%) of these were classified as high or medium risk. Details of outstanding audit recommendations were attached as Appendix B to the report;
- (v) Five internal audit reports had been finalised since the last committee. Details of these reports were attached as Appendix C to the report;
- (vi) The Committee had previously agreed that any proposed changes to the Audit Plan could be approved by the Head of Finance and Commercial Services (s151 Officer), in consultation with the Chairman. No changes have been agreed since the last meeting.

RESOLVED that the reported performance of internal audit, key findings of audits completed and status of outstanding recommendations be noted.

160 SECTION 106 PLANNING OBLIGATIONS

The Committee considered the outcome of a project to implement the recommendations of an Internal Audit Report into the management of Section 106 (S106) Planning Obligations, which had reviewed the following three areas:

- the policy framework and negotiation process;
- monitoring the collection and use of funds; and
- procedures to minimise the risk of claw back of monies.

The Audit Report Action Plan had provided a number of recommendations to address the findings identified by the audit. Following discussion with management, the key issues identified in relation to monitoring arrangements and responsibilities were agreed to be addressed using the Council's Corporate management project methodology. A project was led by the Strategic Planning Manager to comprehensively address the recommendations in the Audit report to implement the actions, involving relevant staff and regular reports to members of the Corporate Management Team (CMT). The project began formally in January 2016 and was overseen by a Corporate Project Group containing relevant service managers and officers together with the Head of Internal Audit. The Project reported its initial actions and conclusions to CMT on 11 May and a final report was submitted to the Council's Programme Board on 30 June and CMT on 6 July 2016. For the information of the Committee, Appendix A to the report contained the recommendations and management comments set out in the original Audit Report Action Plan and a short summary of the actions implemented through the project.

The Committee considered the report, expressed satisfaction at the quick turn-around for the project and:

- (i) RESOLVED that minor corrections be made to Appendix A to the report (“S106 Action Plan and Summary of Implementation”) and a revised version be attached as Appendix A to these minutes; and
- (ii) NOTED that all the recommendations contained in the Internal Audit report had been actioned and improvements made where required.

161 MATTERS OF SPECIAL URGENCY

None reported.

The Meeting ended at 8.06 p.m.