

HARBOROUGH DISTRICT COUNCIL
MINUTES OF THE GOVERNANCE AND AUDIT COMMITTEE MEETING

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

held on 25th July 2018

commencing at 6.30 p.m.

Present:

Chair: Councillor Mrs Page

Councillors: Elliott and Liquorish

Guest: Councillor Hallam - Portfolio Holder for Finance & Assets (Financial Statements only)

Officers: C. Bland, G. Keeping and S. Riley

Internal Auditors (LGSS): T. Croote

External Auditors (KPMG LLP): S. Gill

ELECTION OF CHAIRMAN FOR THE YEAR 2018/19

Councillor Rook was elected as Chairman for the year 2018/19.

ELECTION OF VICE-CHAIRMAN FOR THE YEAR 2018/19

Councillor Mrs Page was appointed as Vice-Chairman for the year 2018/19.

VICE-CHAIRMAN IN THE CHAIR

In the absence of the Chairman, the Vice-Chairman took the chair.

APOLOGIES FOR ABSENCE AND NOTIFICATION OF SUBSTITUTIONS

Apologies were received from Councillors Johnson and Rook.

MINUTES

RESOLVED that the Minutes of the Meeting of the Governance and Audit Committee held on the 7th March 2018 be taken as read and signed by the Chairman as a true record.

DECLARATIONS OF MEMBERS' INTERESTS

There were none.

HEAD OF INTERNAL AUDIT REPORT

T. Croote, Audit Manager for LGSS, presented the Committee with the Annual Internal Audit report and Assurance Opinion for 2017/18.

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 Sufficient 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 2017/18 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 2017/18. 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 2017/18, 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 2017/18, 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 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 2017/18 with 'significant' governance issues, including an agreed action plan.

RESOLVED that the Annual Governance Statement 2017/18, attached as Appendix A to the report, be approved for inclusion in the 2017/18 Statement of Accounts.

ISA 260 REPORT

S. Gill, KPMG Audit Manager, presented the Committee with the External Audit ISA260 Report for 2017/18.

The External Auditor anticipated issuing an unqualified audit opinion on the Authority's financial statements before the deadline of 31 July 2018 and also an unqualified value for money opinion.

The following three significant risks had been identified:

- Financial Statement:
 - Valuation of PPE – a recommendation had been made in relation to the revaluation of land and buildings (see below).
 - Pensions Liabilities – the valuation of the Authority's pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and assumptions adopted.
- Value for Money:
 - Delivery of financial and saving plans – as detailed on page 21 of the report.

Two recommendations had been made in respect of the Financial Statements, as detailed in Appendix 1 to the report:

- Revaluation of land and buildings – recommended that the Authority should ensure assets not revalued in 2017/18 should be revalued in 2018/19 in order to comply with the Code of Practice on Local Authority Accounting in the United Kingdom 2017-18.
- Payroll System – recommended that the Authority seeks adequate assurance from the payroll provider that the new payroll system issues have been resolved, and if not, that the Authority carries out appropriate additional control checks.

It was reported that the Authority had implemented all three recommendations from the External Auditors ISA 260 report 2016/17, as detailed at Appendix 2 to the report.

Members expressed thanks to the KPMG External Audit team for their work over the past few years.

RESOLVED

That the External Audit ISA260 report for 2017/18 be noted

FINANCIAL STATEMENTS 2017/18

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 31st May 2018 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 31st July 2018.

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 2018. The Regulations require that the audited statement is published by 31st July and, following receipt of the Auditor's opinion on the statement, a public notice will be placed in the local press in October 2018. The statements will be available on the Council's website and also for purchase in hard-copy format.

Members expressed thanks to the Council's Financial Services team for their work in preparing the Financial Statement in time to comply with the statutory deadline.

RESOLVED that:

- (i) the 2017/18 Statement of Accounts, included as Appendix A to the report (subject to changes to pages 17, 20 and 27 as tabled at the meeting) 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 2018.

INTERNAL AUDIT – PROGRESS AND PERFORMANCE UPDATE

T. Croote, Audit Manager for LGSS, presented the Committee with the current progress against the 2018/19 Plan up to the 5th July 2018. A change of reporting format had been agreed for 2018/19 and a summary of audit findings was now included in the progress report. Full reports would only be provided with the report in respect of any future audits with 'limited' or 'no assurance' ratings.

It was reported that:

- (i) The 2017/18 plan has now been completed and had been reported under the item "Internal Audit – Annual Report and Assurance Opinion 2017/18", above
- (ii) 31% of the Plan is either complete or in progress.
- (iii) There are currently 18 overdue recommendations, of which 8 are overdue by more than three months. Of these 5 are classified as essential or important.
- (iv) Six internal audit reports have been finalised since the last committee, three of these being assurance audits. The assurance audits covered: Financial System Key Controls; Leisure Services Project – embedded assurance and Local Plan Project – embedded assurance. The assurance level for all three audits was rated at least as 'satisfactory'.

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, to ensure that it reflected the current governance arrangements of the council and complies with the CIPFA/SOLACE Framework 2016 edition. The draft revised Code was attached as appendix A to the report.

RESOLVED that the revised Code of Local Governance, attached as Appendix A to the report, be approved.

MATTERS OF SPECIAL URGENCY

There were none.

The meeting closed at 7.50 p.m.