

CANNOCK CHASE COUNCIL
MINUTES OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD ON THURSDAY 26 JULY 2018 AT 4:00 P.M.
IN THE CIVIC CENTRE, BEECROFT ROAD, CANNOCK

PART 1

PRESENT:
Councillors

Grice, Mrs. D. (Chairman)
Bowater, J. Tait, Ms. L.
Johnson, J.P.

Also Present:

- Richard Percival, Associate Director, Grant Thornton (External Auditors)
- Jim McLarnon, Audit Manager, Grant Thornton (External Auditors).

10. Apologies

Apologies for absence were submitted for Councillors Miss M.J. Dudson (Vice-Chairman), S.K. Crabtree and Mrs. P.Z. Stretton.

11. Declaration of Interests of Members in Contracts and Other Matters and Restriction on Voting by Members

No Declarations of Interests were made in addition to those already confirmed by Members in the Register of Members' Interests.

12. Minutes

RESOLVED:

That the Minutes of the meeting held on 19 June, 2018, be approved as a correct record and signed, subject to the inclusion of Richard Percival in the attendees list.

13. The Audit Findings for Cannock Chase District Council

Consideration was given to the Report of the External Auditors (Item 4.1 – 4.25 of the Official Minutes of the Council).

The External Auditors thanked the Officers in the Finance team for the prompt delivery of the 2017/18 statement of accounts, and for the working papers and support provided as part of the audit process.

Members were then taken through the following key sections of the report:

<u>Report section</u>	<u>External Auditor's conclusions/comments</u>
<u>Headlines:</u>	
Financial Statements	No amendments were identified during the audit process that would have required an adjustment to the Statement of Comprehensive Income and Expenditure.
Value for Money arrangements	It was anticipated that an 'unqualified' value for money conclusion would be issued to the Council.
Statutory duties	It had not been necessary to use any of the additional statutory duties or powers available as part of the audit work.
Materiality	The Council's materiality threshold for 2017/18 was circa £1.4m. Nothing was identified as part of the audit to put the Council above this amount.
<u>Significant Audit Risks:</u>	
Improper revenue recognition	Based on evidence received as part of the audit, this was not considered a significant risk for the Council.
Management of override controls	No issues were identified in this area during the audit.
Valuation of property, plant and equipment	No issues were identified in this area during the audit. Consideration was given during the audit as to how management obtained assurances that the value of assets not revalued in 2017/18 was materially correct. Based on information provided, it was accepted that the estimated values provided were below the materiality threshold and therefore not material to the Council's accounts.
Valuation of pension fund net liability	No issues were identified in this area during the audit.
Employee remuneration	No issues were identified in this area during the audit.
Operating expenses	No issues were identified in this area during the audit.
<u>Other Matters:</u>	
Publication of the draft Annual Governance Statement	It was noted that the draft Annual Governance Statement (AGS) was not published by 31 May, 2018, as required by the Audit & Accounts Regulations 2015.

<u>Report section</u>	<u>External Auditor's conclusions/comments</u>
A number of assets with a net book value of zero are included in the fixed asset register	Following a review of the Council's assets base, it was recommended that the fixed asset register be reviewed on a regular basis to ensure that only assets still in use by the Council were included.
<u>Value for Money:</u>	
Our work	Audit work focussed on the significant risks identified in the Council's arrangements, particularly related to: follow up on progress made of Financial Recovery Plan (FRP) implementation; assessment of the key assumptions made in the Medium Term Financial Strategy (MTFS); and the level of reserve balances available over the lifetime of the MTFS.
Financial sustainability	<p>The Council's outturn financial position for 2017/18 was better than expected, which in turn presented an improved position for 2018/19 and 2019/20.</p> <p>Any delays in delivery of the Mill Green Designer Outlet Village could have a detrimental impact on the Council's finances in the medium term. Accordingly, the Council needed to ensure that any associated risks were managed effectively.</p> <p>Beyond 2019/20, there was still significant uncertainty about how local government would be funded, included potential changes to New Homes Bonus (NHB) funding, so it would be important for the Council to ensure reserves were of a sufficient level.</p>

RESOLVED:

That the Report of the External Auditors be noted.

14. External Audit of the Statement of Accounts 2017/18

Consideration was given to the Report of the Head of Finance (Item 5.1 – 5.6 of the Official Minutes of the Council).

In response to the issue raised in the previous item concerning the Annual Governance Statement, the Head of Finance commented that the Head of Governance and Corporate Services was addressing this matter as necessary for future years.

The Head of Finance then advised that due to a change in accounting requirements, it was necessary for the Committee to consider the Statement of Accounts by 31 July, rather than 30 September as was previously the case. As such, this had required a lot of work by the Finance team, led by the Chief Accountant. Alongside this, the role of the External Auditors in helping to get the Council to this position was duly acknowledged.

RESOLVED:

- (A) The contents of the report be noted, with reference to the separate reports included on the agenda on 'The Audit Findings for Cannock Chase District Council' and the 'Statement of Accounts 2017/18'.
- (B) The Management Representation letter, as included at Appendix 1 to the Report, be approved and signed by the Chairman on behalf of the Committee.

15. Statement of Accounts 2017/18

Consideration was given to the Report of the Head of Finance (Item 6.1 – 6.113 of the Official Minutes of the Council) (*presented by the Chief Accountant*).

The Chief Accountant advised that the narrative section of the Statement of Accounts had been significantly changed to reflect a 'company style' of accounts reporting. This included providing information about: the background and purpose of the Council; staffing capacity and key staff; performance management and risk assessment; and comparators against previous year's accounts.

Members were then taken through the following key sections of the Accounts:

- Comprehensive Income and Expenditure Statement;
- Movement in Reserves Statement;
- Balance Sheet;
- Cash Flow Statement;
- Housing Revenue Account; and
- Collection Fund.

The Head of Finance advised that the Movement in Reserves Statement was a key section for the Committee to note as it showed the Council had put an increased amount of money into its reserves to support its future financial sustainability. The External Auditors further advised that the improved position of the Council's reserves balances compared to what was originally anticipated for 2017/18 was an important part of their overall assessment of the Council's financial health.

The Head of Finance then advised that spending on the General Fund was lower in 2017/18 compared to 2016/17 because of the implementation of the FRP. Additionally, proposed changes to NHB funding would likely mean the Council having to build an increased number of houses in order to qualify for future NHB grants. It was also expected that the NHB grant would be replaced in 2021 by a 'housing delivery grant'.

The Chairman, on behalf of the Committee, thanked Officers for their hard work in producing the accounts within the statutory timescales.

RESOLVED:

That the audited Statement of Accounts for 2017/18 be approved.

16. Annual Treasury Management Report 2017/18

Consideration was given to the Report of the Head of Finance (Item 7.1 – 7.8 of the Official Minutes of the Council).

The Head of Finance advised that the report set out the Council's outturn position of treasury management activity during 2017/18.

None of the prudential or treasury management indicators set out in Appendix 1 of the report were breached during the last financial year, and return on investment had performed better than the current benchmark rates.

RESOLVED:

That:

- (A) The annual treasury management report 2017/18 be noted.
- (B) The actual 2017/18 prudential and treasury indicators as set out in Appendix 1 of the Report be approved.

The meeting closed at 4:40 p.m.

CHAIRMAN