

CANNOCK CHASE COUNCIL
MINUTES OF THE MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD ON TUESDAY 27 JUNE 2017 AT 4.00 P.M.
IN THE CIVIC CENTRE, BEECROFT ROAD, CANNOCK

PART 1

PRESENT:
Councillors

Grice, Mrs. D. (Chairman)

Bowater, J. Stretton, Mrs. P.Z.
Dudson, A. Woodhead, P.E.

Also Present:

- Richard Percival, Engagement Lead – Grant Thornton (External Auditors)

1. Apologies

Apologies for absence were submitted for Councillors J.P. Johnson (Vice-Chairman) and M.S. Buttery.

2. 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.

3. Minutes

RESOLVED:

That the Minutes of the meeting held on 21 March, 2017, be approved as a correct record and signed.

4. Review of the Effectiveness of Internal Audit

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 4.1 – 4.18 of the Official Minutes of the Council).

The Head of Governance and Corporate Services reported that the Public Sector Internal Audit Standards (PSIAS) required the Council to undertake a periodic review of the effectiveness of its internal audit and demonstrate conformance.

The review undertaken comprised of: the Chief Internal Auditor undertaking a self-assessment of the Internal Audit section in relation to compliance with the PSIAS

and the Local Government Application Note (LGAN); an independent review of the self-assessment being carried out by the Head of Governance and Corporate Services; and an External Quality Assessment (EQA) being carried by the Chartered Institute for Public Finance and Accountancy (CIPFA).

The review concluded that Internal Audit was effective and conformed sufficiently with the requirements of the PSIAS/LGAN to ensure that the opinion given in the annual report could be relied upon for assurance purposes.

The Head of Governance and Corporate Services then advised that as part of the report it was a requirement to inform the Committee that Public Sector Internal Audit Standard (PSIAS) 1100 Organisational Independence had not been conformed to. This standard required the “Chief Audit Executive” to report functionally to the Board and indicated that this included the Audit Committee Chair and Chief Executive commenting on the Performance Development Review and the Audit Committee setting remuneration for the “Chief Audit Executive”. This however was not common practice in local government and it was deemed that sufficient other safeguards were in place to protect the independence of Internal Audit. As such, it was felt this instance of non-conformance did not compromise the effectiveness of Internal Audit in the Council.

RESOLVED:

That:

- (A) The findings of the annual review of the effectiveness of internal audit be noted.
- (B) It be noted that Internal Audit generally conformed to the Public Sector Internal Audit Standards, was operating effectively and could be relied upon when considering the Annual Governance Statement for 2016-17.

5. Internal Audit Annual Audit Report 2016/17

Consideration was given to the Report of the Chief Internal Auditor & Risk Manager (Item 5.1 – 5.7 + Appendix 2 of the Official Minutes of the Council).

(Councillor Woodhead arrived at the meeting during the presentation of this item.)

The Chief Internal Auditor & Risk Manager talked Members through each of the audits undertaken in quarter 4 2016/17, highlighting the comments and key issues which had arisen out of each audit. For those audits that had commenced but not completed, in 2016/17, updates would be given at the next meeting of the Committee as part of the quarter 1 2017/18 update report.

A Member queried how much the issue related to the Stores Function had cost the Council. The Chief Internal Auditor & Risk Manager replied that the current loss to the Council was approximately £1,000 against stock that had an estimated value of £5,000. Furthermore, as the courts had chosen not to award the Council compensation, the Council had instigated a process to seek compensation directly from the individual concerned. As a result of the audit, procedures had been put

in place to try and reduce the risk of such issues happening again in the future.

The Chief Internal Auditor & Risk Manager then advised Members that on the basis of work undertaken during the year and the implementation by management of audit recommendations Internal Audit could only provide a partial assurance that the Council's governance arrangements were operating adequately and there were no instances where any breakdown of control resulted in a material discrepancy.

Members were then guided through the key aspects of the annual report, including, assurance ratings applied to each audit undertaken; issues identified during the year; audit performance; and fraud & irregularity work.

A Member queried if there was a need to be mindful of the recurring issues identified in paragraph 3.8 of the annual report due to the Council working with reduced resources. The Chief Internal Auditor & Risk Manager replied that such issues would continue to exist, and had done so even when the Council had a greater level of resource. Going forward it may become necessary to take more judgements on what were considered minor issues and whether there would be value spending money to rectify those issues.

RESOLVED:

That the Internal Audit Annual Report for 2016/17 be noted.

6. Strategic Risk Register

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 6.1 – 6.19 of the Official Minutes of the Council) *(presented by the Chief Internal Auditor & Risk Manager)*.

The Chief Internal Auditor & Risk Manager advised Members that as at 1 April 2017 the overall number of strategic risks had reduced from 7 to 6, which had occurred due to 3 risks being deleted from the register, but 2 new risks being added.

Members were then advised of the risks that had been deleted, added or re-worded, as well as one risk score being lowered from red to amber (report paragraphs 5.4 to 5.8 refers).

In respect of risk 18, a Member queried if the Council was looking into alternative funding/income streams, and if so, what was being considered as it was not listed as an action. The Head of Governance and Corporate Services stated that the Council was exploring alternative funding options but risk 18 was specifically about the economic development of the District which was why the actions related to the risk did not cover alternative funding.

The same Member then commented that for those actions on the register identified as 'in progress', it would be useful to know which Officers were responsible for overseeing those actions and any timescales for completion. The Chief Internal Auditor & Risk Manager replied that all risks would be reviewed by

Leadership Team and progress timescales updated accordingly which would then be reported back to the Committee. The Head of Finance further replied that unless otherwise specified, the risk owners had responsibility for ensuring that actions were completed.

RESOLVED:

That the progress made in the identification and management of the strategic risks be noted.

7. Code of Governance and Annual Governance Statement 2016/17

Consideration was given to the Report of the Head of Governance and Corporate Services (Item 7.1 – 7.28 of the Official Minutes of the Council).

The Head of Governance reported that CIPFA and the Society of Local Authority Chief Executives (SOLACE) had jointly issued revised guidance on “Delivering Good Governance in Local Government” in 2016. Accordingly, the Council’s own Code of Governance had been updated to reflect the new guidance and the governance framework in place.

The CIPFA/SOLACE guidance was based on seven principles of governance that had been adopted in full by the Council, although two of the seven principles had been merged, as referred to in report paragraph 5.1. For each of the six principles the Code outlined what arrangements the Council had put in place to support delivery of the principles in practice.

In respect of the 2016/17 Annual Governance Statement (AGS), Members attention was drawn to the AGS as shown in appendix 2 of the report, in particular the significant governance issues identified for 2016/17 and into 2017/18.

Members were also advised that the ‘Housing & Planning Act’ issue included in the 2015/16 AGS had not yet commenced as no further Government guidance had been issued on a number of matters included in the Act.

A Member queried if in future it would be possible to develop a more ethical framework for the how the Council operated, such as for the Living Wage and procurement arrangements. The Head of Governance and Corporate Services replied that ethics issues were already covered in a number of formal Council documents at a strategic level but not necessarily at an operational level. If such an approach was adopted it would be necessary to first review all relevant documentation to determine what ethical matters were included.

RESOLVED:

That

- (A) Council, at its meeting to be held on 5 July/30 August, 2017, approves the Code of Governance.
- (B) The Annual Governance Statement 2016/17 be approved.

8. Annual Treasury Management Report 2016/17

Consideration was given to the Report of the Head of Finance (Item 8.1 – 8.9 of the Official Minutes of the Council).

The Head of Finance reported that by regulations issued under the Local Government Act 2003 the Council was required to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2016/17.

The Head of Finance then drew Members attention to the Council's overall treasury position as at 31 March 2017 (report paragraph 5.8), investments as at 31 March 2017 (report paragraph 5.21), the average rate of return on investment funds for 2016/17 (report paragraph 5.23) and the prudential and treasury management indicators as set out in appendix 1 to the report.

Members were also advised that the report would be submitted to full Council on 5 July for determination.

RESOLVED:

That

- (A) The annual treasury management report 2016/17 be noted.
- (B) The actual 2016/17 prudential and treasury indicators as set out in appendix 1 of the report be approved.

9. Progress and Update Report for Cannock Chase District Council

Consideration was given to the Report of the External Auditors (Item 9.1 – 9.11 of the Official Minutes of the Council).

Richard Percival talked Members through the key aspects of the report, which covered:

- Progress on 2016/17 audit work;
- Changes to the 2016/17 CIPFA Code;
- Delivering good governance;
- Pooling of the Local Government Pension Scheme;
- Fixing the broken housing market;
- Income generation;
- Apprentice Levy.

Richard Percival also reported that the first draft of the 2016/17 final accounts had been received and at this stage there appeared to be no immediate concerns.

RESOLVED:

That the Report of the External Auditors be noted.

10. Cannock Chase District Council Audit Fee Letter 2017/18

Consideration was given to the Letter of the External Auditors (Item 10.1 – 10.4 of the Official Minutes of the Council).

Richard Percival reported that 2017/18 would be the last year of the current fee regime and that the new regime to come into effect for 2018/19 would likely result in a fee reduction being applied. At this stage it was not yet known which bodies Public Sector Audit Appointments (PSAA) Ltd would be awarding contracts to, but the intention was to cause as little disruption as possible based on current arrangements.

RESOLVED:

That the Letter of the External Auditors be noted.

The meeting closed at 5:00 p.m.

CHAIRMAN