

MINUTES OF GOVERNANCE COMMITTEE

MEETING DATE Tuesday, 22 December 2020

MEMBERS PRESENT: Councillors Ian Watkinson (Chair), Colin Sharples (Vice-Chair), Damian Bretherton, Colin Clark, Christine Melia, Margaret Smith and Angela Turner

OFFICERS: Gary Hall (Chief Executive), Chris Moister (Director of Governance), James Thomson (Deputy Director of Finance), Tony Furber (Principal Financial Accountant), Hanne Birchall (Senior Financial Accountant) and Darren Cranshaw (Shared Services Lead - Democratic, Scrutiny & Electoral Services)

EXTERNAL AUDITOR: Mark Stocks, Grant Thornton

OTHER MEMBERS: Councillors Paul Foster (Leader of the Council), Alan Ogilvie, Phil Smith, Mick Titherington (Deputy Leader and Cabinet Member – Health, Wellbeing and Leisure) and Matthew Tomlinson (Cabinet Member – Finance, Property and Assets)

66 Apologies for absence

There were none.

67 Declarations of Interest

There were none.

68 Minutes of meeting Tuesday, 17 November 2020 of Governance Committee

Members expressed concern at the time allowed to consider the detailed papers circulated prior to the meeting. It was hoped that the Committee would not be in this position in the future.

In response to the request made at the last meeting as part of the Treasury Management Activity Mid-year review 2020/21 asking for further information on the two overseas investments referred to, this would be provided outside the meeting (minute 63 refers).

RESOLVED: (Unanimously)

That the minutes of the meeting held on Tuesday, 17 November 2020 be agreed as a correct record for signing by the Chair.

69 Audit Findings Report 2018-19

The Council's External Auditor, Grant Thornton presented the Audit Findings Report for 2018-2019. The External Auditor had found that the Council's Financial Statements include two significant non-material errors that the Council has decided not to adjust for. These concerned an under provision for pension liabilities and over provision for business rate appeals. The abortive costs associated with the Health and Wellbeing Campus was highlighted. The External Auditor reduced their materiality levels in light of the management override of controls identified and undertook a greater level of testing. Officers were commended for their work in providing information to the External Auditor. It was anticipated that an unqualified audit opinion would be provided on the financial statements.

The External Auditor anticipated issuing an adverse value for money conclusion due to the significant issues with regard to governance, performance management and the control environment. Due to these issues the External Auditor planned to issue a statutory Section 24 notice under the Local Audit and Accountability Act 2014.

In taking the meeting through the report, the External Auditor highlighted that the Council had been open and transparent about the issues identified and a robust action plan put in place with progress now being seen.

Members raised the following comments/queries:

- ▶ There was an enquiry about some of the issues included in the 2018/2019 report crossing over into the following year. It was felt that this was unavoidable due to the significant issues and interrelationship across the two financial years being audited.
- ▶ Clarification was sought on the reference made in the External Auditor's report to internal audit investigations being potentially investigatory and might breach the Council's standing orders. The External Auditor felt that the procedures for protected officers should have been followed rather than involving internal audit. The Council's Monitoring Officer confirmed that the internal audit reviews were governance related and complied with standing orders.
- ▶ The rigour of internal audit reviews was raised and views sought on the approach to the energy contract procurement. Whilst the External Auditor did not feel able to comment on the rigour of internal audit reviews, there had been flaws found in the procurement process for the energy contract.
- ▶ The section 24 notice requires the Council to provide a formal response and it was expected that the response, including what action it proposed to take would be debated in public at Full Council.
- ▶ It was reported that confirmation of the Council's investments with the Royal Bank of Scotland had now been received.

- ▶ In response to a query the net pension liability at 31 March 2019 was £33.2M, rather than £60M mentioned elsewhere in the report.

RESOLVED: (Unanimously)

That the report be noted.

70 Audited Statement of Accounts 2018/19 and Letter of Representation

The committee considered a report of the Deputy Director of Finance on the audited statement of accounts for 2018/2019 and letter of representation. The External Auditor confirmed that he would not be making any further changes to the accounts. Officers were thanked for their openness and transparency and work in finalising the accounts and responding to the External Auditor's requests.

Members raised the following comments/queries:

- ▶ There was a query as to whether the senior management structure included at page 67 was the structure in place in 2018/2019. It was felt most appropriate to include the structure chart as presented with the note of clarification included because of the multi-year cross-over.
- ▶ An enquiry was made on page 56, paragraph 9, reference to note 33 and the amount of non-benefits related grants credited to services from £1.259M to £2.038M, a change of £779K. This was confirmed as an error from the draft accounts that was now corrected.

RESOLVED:

1. The Committee approves the audited statement of accounts for 2018/2019 (appendix A), subject to any amendments which in the opinion of the Chief Financial Officer (Section 151 Officer) are minor in nature, such minor amendments to be defined as non-material to the financial position of the authority. The Chief Financial Officer will exercise this delegation in consultation with the Chair of the Governance Committee. In the event the Chief Financial Officer is of the opinion the amendments are material to the financial position of the authority, Governance Committee will be reconvened to approve the new statement of accounts

(For: Councillors Bretherton, Melia, Sharples, Mrs Smith, Turner and Watkinson.
Abstained: Councillor Clark)

2. The Committee approves the letter of representation contained at appendix B and authorises the Chief Financial Officer and Chair of the Governance Committee to sign the letter.

(Unanimously)

71 **Audit Findings Report 2019-2020**

The Council's External Auditor, Grant Thornton presented the Audit Findings Report for 2019-2020. He summarised that many of the issues identified as part of the 2018/2019 audit continued into the 2019/2020 financial year.

It was reported that the audit was substantially complete and it was proposed to issue an unqualified audit opinion on the statement of accounts. Emphasis of matters had been included to draw Members attention in the financial statements due to COVID-19 and the potential impact on property valuations.

The External Auditor reiterated the importance of internal controls for journals being strengthened and highlighted that the potential pensions deficit issue remained outstanding and should be resolved as soon as possible.

The value for money judgement is anticipated to be an adverse conclusion due to the governance and other issues continuing from the 2018/2019 financial year and a statutory section 24 notice would be issued.

Members raised the following comments/queries:

- ▶ An update on GDPR compliance was requested. The Council's Monitoring Officer updated on the work of the senior leadership team implementing the GDPR internal audit management action plan, which was now substantially complete. A follow-up internal audit would take place to provide further re-assurance.
- ▶ Reference was made to improvements which had been made during the year and why the same conclusion was reached. The External Auditor felt that in reaching his conclusion further improvements were needed and some actions were not yet complete. It was expected that a response to the section 24 notice would be presented to the next Full Council meeting.

RESOLVED: (Unanimously)

That the report be noted.

72 **Audited Statement of Accounts 2019/20 and Letter of Representation**

The committee considered a report of the Deputy Director of Finance on the audit statement of accounts for 2019/2020 and letter of representation.

There was an enquiry concerning the Annual Governance Statement action plan on page 404 of the agenda. An update on progress with the outstanding actions was provided.

RESOLVED: (Unanimously)

1. The Committee approves the audited statement of accounts for 2019/2020 (appendix A), subject to any amendments which in the opinion of the Chief Financial

Officer (Section 151 Officer) are minor in nature, such minor amendments to be defined as non-material to the financial position of the authority. The Chief Financial Officer will exercise this delegation in consultation with the Chair of the Governance Committee. In the event the Chief Financial Officer is of the opinion the amendments are material to the financial position of the authority, Governance Committee will be reconvened to approve the new statement of accounts

2. The Committee approves the letter of representation contained at appendix B and authorises the Chief Financial Officer and Chair of the Governance Committee to sign the letter.

Chair

Date