

## AUDIT AND GOVERNANCE COMMITTEE

Tuesday, 25 July 2017

**Present: Councillor Tracy Moore (Chairman)  
Councillors Barrington-King (Vice-Chairman), Hamilton, Lewis-Grey, Nuttall,  
Ms Palmer and Podbury, Independent Members Mr Quigley and Mr Shiels and  
Town Councillor Henshaw**

**Officers in Attendance:** Rich Clarke (Head of Audit Partnership), Lee Colyer (Director of Finance, Policy and Development), Jane Fineman (Head of Finance and Procurement), Karen Fossett (Head of Planning Services) and Mike McGeary (Democratic Services Officer)

**Other Members in Attendance:** Councillors Reilly and Simmons

**Others in Attendance:** Ade Oyerinde and Darren Wells (both of Grant Thornton)

### APOLOGIES FOR ABSENCE

AG20/17 Apologies for absence were reported from Councillor Neve and from Independent Member Mrs Hough.

### DECLARATIONS OF INTEREST

AG21/17 There were no declarations of interest made, within the provisions of the Code of Conduct for Members.

### NOTIFICATION OF VISITING MEMBERS WISHING TO SPEAK (IN ACCORDANCE WITH COUNCIL PROCEDURE RULE 18)

AG22/17 There were no other members of the Council who had registered their wish to address the Committee, within the provisions of Council Meetings Procedure Rule 18.

### MINUTES OF THE PREVIOUS MEETING

AG23/17 The minutes of the meeting of the Audit and Governance Committee dated 27 June 2017 were submitted.

While there were no issues of accuracy raised, Rich Clarke – the Head of Audit Partnership – was asked to update the Committee on the appointment of the authority's external auditors from 2018.

Mr Clarke reported that, as per the timetable set out by Public Sector Audit Appointments Limited, local authorities would be advised within the next two weeks of their selected external auditors.

As previously reported, Mr Clarke said that local authorities would have the opportunity to object to the appointment, with the final confirmation taking place by the end of November. He added that he would provide further details at the September meeting of the Committee.

**RESOLVED** – That the minutes of the Audit and Governance Committee dated 27 June 2017 be approved as a correct record.

## STRATEGIC RISK REPORT

AG24/17 Lee Colyer, the Director of Finance, Policy and Development, presented a risk management report, which described the authority's arrangements for managing strategic risk. The report provided an update on the evaluated threat level, as well as the controls in place, for each of the 10 risks identified.

Karen Fossett, the Head of Planning Services, was introduced to the Committee. Mrs Fossett was the 'officer risk owner' for scenarios 1 ('Cinema site remains undeveloped') and 8 ('Inspector decision which challenges housing target v. housing supply').

On risk scenario 1, Mrs Fossett advised that a planning application for the redevelopment of the cinema site had now been made, adding that it had been validated and was now out to consultation. Mrs Fossett added that it was expected that the application would be submitted to the Planning Committee in September or October and might, according to the length of scheduled meetings at that stage, require a special meeting to be arranged.

Mrs Fossett said that, if planning consent were granted, she would expect the developers to then prepare their tendering procedures ready for a start on site either at the end of 2018 or early 2019.

With risk scenario 8, Mrs Fossett said that the second 'call for sites' had resulted in 171 areas of land being put forward for possible development. She added that planning officers would be evaluating the appropriateness of each site in a process which would take some months to complete, before presenting a report to members in the Spring of next year; Mrs Fossett advised that this would lead to the drafting of suitable Local Plan policies for discussion at that stage.

There were no questions for Mrs Fossett on these two risk scenarios and no issues raised on any other of the elements of the report.

**RESOLVED** – That the risk management report and arrangements for managing strategic risk be noted.

## ANNUAL FINANCIAL REPORT AND AUDIT FINDINGS 2016/17

AG25/17 Further to minute AG12/17, Jane Fineman, the Head of Finance and Procurement, presented the draft Financial Report for 2016/17. Mrs Fineman advised that there had been only minor amendments made to the document which had been seen by the Committee at their June meeting, to take account of comments made by members at that stage.

Mrs Fineman also drew attention to a proposal that, in future years, the draft Financial Report be e-mailed to Committee members in June, rather than a meeting being held. She stressed that this would still enable Committee members to view – and challenge where appropriate – the draft details, before the July meeting where formal approval would be sought.

Mrs Fineman said that a local elector had raised an objection to the accounts during the public inspection period. She added that, in practical terms, this meant that while the Committee was still being asked to approve the draft Statement of Accounts and the Annual Governance Statement, the Council's external auditors could issue an audit opinion but not formally conclude the

value-for-money audit and certificate until they had completed their investigation into the objection.

Darren Wells, a Director of Grant Thornton (the external auditors) said that they expected to issue an unqualified audit opinion, adding that they had not identified any adjustments affecting the authority's financial position.

Mr Wells added that the objection raised was a claim that the authority had followed a flawed process in its decision-making in relation to the proposed civic development. He added that Grant Thornton's investigation into that objection meant that the value-for-money element of their report could not yet be concluded.

The Chairman asked for confirmation that, as far as Grant Thornton's audit of the Council's accounts was concerned, there were no issues of concern, in other words the objection raised did not alter that audit opinion. Mr Wells confirmed that this was the case.

Both Mr Quigley and Councillor Podbury raised concerns that it was not clear how the formal objection made impacted on the Committee's ability to approve the draft Statement of Accounts. Councillor Podbury suggested that it might have been helpful to the Committee to have had sight of the letter of formal objection.

Mr Wells said he was satisfied that the objection submitted would not impact on the accuracy of the financial statement, merely the value-for-money conclusion. He added that, if the Committee approved the Statement of Accounts, Grant Thornton were on a position to proceed with their unqualified audit opinion.

Lee Colyer, the Director of Finance, Policy and Development, said that he would be happy for Committee members to have a copy of the formal objection. First, however, he provided some context, in which he said that the basis of the objection was the way in which the Council had determined the Great Hall car park to be the selected site for the new theatre.

Mr Colyer firmly believed that, while an elector had the right to challenge that decision, raising a formal objection to the draft accounts was not the right place for those concerns to be pursued. He felt that discussion on this matter could have been better carried out through more effective engagement in the continuing decision-making taking place on the civic development.

Mr Shiels agreed with this view; it had no bearing on the accounts, he added. He wondered if the language used within the narrative section of the draft accounts might have contributed towards the objection being made, specifically on page 22 of the agenda, where it stated that "The Council has embarked on an ambitious property development programme to secure continued growth for the Borough..."

Although it was acknowledged that this was a statement of fact, it was agreed to amend this to read "The Council has commenced a property development programme ...".

Councillor Barrington-King also felt that the objection made was at the wrong stage in the civic development decision-making process. He added that, while it was right that the objection had to be formally investigated, the context

within which it had been made had to be borne in mind.

Mr Shiels sought clarification on a point under audit regulation IS32: he asked for confirmation that what was being investigated was a matter of disclosure and not a change to the Council's liabilities within the accounts. Mr Wells confirmed that this view was correct.

Councillor Hamilton asked whether it was felt that the objector understood the nature of their formal objection. Mr Colyer advised that the grounds upon which the objection was made complied with the relevant protocol. He felt, therefore, that the authority had no alternative other than to deal with the issue fairly and – through Grant Thornton – independently. He reiterated that it was perfectly in order for the Committee to continue to approve the draft accounts presented to them.

Mr Shiels raised one further point: he acknowledged that the formal investigation of the objection would result in additional costs for the Council. He asked if these extra costs could be set out separately. The Chairman confirmed that there would be a cost to the Council and to local taxpayers, adding that this must be transparent and clearly identifiable.

#### **RESOLVED –**

- (1) That Grant Thornton's Audit Findings Report, set out in Appendix B to the report, be noted;
- (2) That the draft Statement of Accounts and the Annual Governance Statement, set out in Appendix A to the report, be approved;
- (3) That the Chairman and the Director of Finance, Policy & Development be authorised to sign a Letter of Representation based on Appendix A and the Audit Findings Report; and
- (4) That the Committee agrees to receive a draft Statement of Accounts for 2017/18 by email for comment and questions by mid-June 2018 and that the draft Statement of Accounts and Annual Governance Statement for the 2017/18 accounts are approved at the July meeting of the Committee, to enable the accounts to be signed by 31 July 2018.

#### **FUTURE WORK PROGRAMME**

AG26/17 The Committee's work programme was presented for members' information.

**RESOLVED –** That the work programme be noted.

#### **URGENT BUSINESS**

AG27/17 The Democratic Services Officer advised that there were no additional items for the Committee's consideration which had arisen since the publication of the agenda.

#### **DATE OF NEXT MEETING**

AG28/17 It was noted that the next meeting of the Committee would take place on Tuesday 12 September at 6.30pm.

NOTE: The meeting concluded at 7.00 pm.