



Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Monday, 23 September 2013.

PRESENT

Mr. E. D. Snartt CC (in the Chair)

Mr. G. A. Boulter CC
Mr. G. A. Hart CC
Mr. K. W. P. Lynch CC

Mrs. J. Richards CC
Mr. S. D. Sheahan CC
Mr. R. J. Shepherd CC

32. Minutes.

The minutes of the meeting held on 2 September 2013 were taken as read, confirmed and signed.

33. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 35.

34. Questions asked by members.

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

35. Urgent Items.

There were no urgent items for consideration.

36. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

Mr Hart declared a personal interest in agenda item 6 'External Audit of the 2012/13 Statement of Accounts and Annual Governance Statement' (minute 37 refers) as Chairman of the Pensions Fund Management Board.

37. External Audit of the 2012/13 Statement of Accounts and Annual Governance Statement.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to report the key findings from the external audit of the 2012/13 financial statements. A copy of the report is filed with these minutes.

The Chairman welcomed Richard Bacon of PricewaterhouseCoopers (PwC), the County Council's external auditors, to the meeting.

The Committee noted that the final paragraph on page 16 of the Appendix should state that work undertaken to determine whether the Authority had proper arrangements to secure economy, efficiency and effectiveness in the use of resources had not identified any issues which would lead to “a qualified value for money conclusion” and that the report would be amended accordingly.

The following points arose from discussion:

- i. There had been one unadjusted item in the accounts relating to the Local Authority Mortgage Scheme which had resulted from conflicting advice being received on whether transactions made under this scheme should be treated as capital or revenue expenditure. Following professional advice from the County Council's treasury management advisors, Sector, the County Council had treated such transactions as capital transactions. However, the external auditors held a different view having received guidance from the Audit Commission. There were differing views nationally and the Audit Commission was seeking legal advice on the correct treatment, which was awaited. The Committee was advised that the final decision would not have an impact on the County Council and the unadjusted item would not affect the unqualified audit opinion which PwC expected to issue;
- ii. PwC fees for work undertaken in respect of East Midlands Councils (EMC) had not been confirmed, as this had been a new area of work and it had been unclear what level of input would be involved. Accounting requirements had meant that a separate audit of EMC 2012/13 accounts had been required.
- iii. It was proposed that reference to ‘Members’ should be included in the section relating to ‘Fraud and non-compliance with laws and regulations’ contained on page 26 of the Appendix to the report;
- iv. The actuarial valuation was awaited and this would estimate the pension fund deficit more accurately. The Committee noted that actuaries were assuming a lower return on Bonds, which was a key factor when assessing the value of any pension fund. This had affected all local authorities;
- v. The level of reserves held by the County Council had been reviewed annually and these had fallen in 2012/13. The majority of the reserves held had been earmarked to address future identified costs. It would be important to balance risk with future spending plans and this would be taken into account as part of the 2013 review of reserves. However, the level of risks faced by the Authority, particularly in 2015/16, were expected to increase significantly as further cuts to Local Government budgets were introduced.

RESOLVED:

- (a) That the External Audit of the Financial Statements be approved as now amended;
- (b) That it be agreed that the one unadjusted item in the accounts relating to the Local Authority Mortgage Scheme remain unadjusted;
- (c) That it be agreed that PwC’s conclusion on its independence and objectivity, as contained on page 14 of the Appendix to the report, be agreed.

38. Proposed changes to the Contract Procedure Rules.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to report on the operation of the Contract Procedure Rules between 1 July

2012 and 30 June 2013, to bring to the Committee's attention actions being taken to continue to ensure compliance and recommend revisions to the Rules. A copy of the report is filed with these minutes.

Arising from discussion the following points were noted:

- i. The 34 approved exceptions equated to less than 1% (£302m) of the County Council's annual procurement expenditure each year and related to only 0.1% of the total number of contracts held by the County Council.
- ii. Approximately 50% of the County Council's procurement expenditure had been with small to medium sized enterprises (SMEs) based across the UK. Approximately 40% of such expenditure related to businesses in the Leicestershire area.
- iii. The County Council was an active member of the Leicester and Leicestershire Enterprise Partnership's (LLEP) Procurement Taskforce, aimed at helping SMEs within the LLEP area to compete for business.
- iv. Some of the barriers faced by SMEs, such as the difficulty in identifying business opportunities and the use of large tender documentation, had already been addressed by the County Council through, for example, the use of a web portal 'Source Leicestershire' and the use of Request for Quotations rather than full tender documentation for contracts below £100k. The additional change proposed in the Contract Procedure Rules for contracts under £20k in value was intended to continue to reduce such barriers as far as the law would allow.
- v. 10 of the 34 exceptions related to contracts for services linked to the Adults and Communities Department. This reflected the volume of contracts and value of procurement activity undertaken in that service area, as well as the level of transformation being undertaken and the need to realign contracts with service reviews.

RESOLVED:

- (a) That the contents of the report on the operation of the Contract Procedure Rules between 1 July 2012 and 30 June 2013 be noted;
- (b) That the County Council be recommended to approve the proposed amendments to the Contract Procedure Rules, as set out in Appendix B to the report.

39. Internal Audit Service Progress Report.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide a summary of the work finalised by the Internal Audit Service since the last report to the Committee and to highlight audits where high importance recommendations had been made to managers. The report also provided an update on the recovery of outstanding costs owed by the former Leader of the County Council, Mr David Parsons. A copy of the report is filed with these minutes.

High Importance Recommendation - Section 106 contributions

The Committee noted that a working group had been established to implement a new planning data system and that issues arising from the audit of Developers Contributions (section 106) would be addressed in the work programme. There had been no indication that any income from developer contributions had been lost, but improvements were

required to ensure more consistent records in this area were kept in future.

Recovery of outstanding monies owed by Mr Parsons

The Committee was advised of recent media reports and the suggestion by Mr Parsons that no further monies were outstanding.

The County Solicitor reported the following:

- i. Mr Parsons had been in contact with the East Midlands Shared Service (EMSS) and raised a query regarding the invoice payable by him for the sum of £3,670.66.
- ii. EMSS operated a ticketing system to ensure queries were dealt with in an orderly fashion. A ticket number had been issued to Mr Parsons when he raised his query and when the operator felt this had been dealt with, an automatic reply had been generated to Mr Parsons confirming that the ticket had been 'resolved and closed'.
- iii. Whilst the allocated ticket number had been closed, the invoice remained open and the amount due remained outstanding and consequently Mr Parsons continued to receive reminders.
- iv. A letter had subsequently been received from Mr Parsons' solicitors on 18 September 2013 disputing that this invoice was still owed, in the light of the ticket supplied by EMSS. A response by the County Solicitor had been issued on 19 September confirming that at no time had there been any indication that the claim or the invoice for the sum of £3,670.66 would be abandoned by the County Council and that it would continue to seek repayment for this sum from Mr Parsons'. The letter further invited Mr Parsons to discuss and agree payment of the invoice.

The Committee endorsed the response made by the County Council to Mr Parsons solicitor and considered that it had been made clear what monies were still owed, both in correspondence and in reports to this Committee.

The Committee expressed its disappointment that payment remained outstanding and requested that further updates be provided to the Committee, as appropriate, until such time as the matter had been brought to a satisfactory conclusion. Nevertheless, the Committee acknowledged that the process of issuing ticketing messages generated by EMSS needed to be reviewed.

RESOLVED:

- (a) That the contents of the report and the information now provided be noted;
- (b) That further updates on the progress being made to recover the payment of all outstanding invoices from Mr Parsons, the former Leader of the County Council, be provided to the Committee as appropriate.

40. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on Monday, 25 November 2013 at 10.00am.

10.00 - 10.55 am
23 September 2013

CHAIRMAN

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