

Audit, Governance & Standards

Committee

Thursday, 27 April 2017

MINUTES

Present:

Councillor Jane Potter (Vice-Chair, in the Chair) and Councillors Tom Baker-Price, Natalie Brookes, Michael Chalk, Andrew Fry, Mark Shurmer, David Thain (during part of Minute No. 52 only) and Pat Witherspoon

Dave Jones – Independent Member for Audit and Governance (non-voting co-opted member of the Committee)

Alan Smith – Feckenham Parish Council Representative for Standards (non-voting co-opted member of the Committee)

Slade Arthur – Deputy Feckenham Parish Council Representative for Standards (non-voting co-opted member of the Committee)

Also Present:

Neil Preece and Richard Percival – Grant Thornton (External Auditors)

Officers:

Andy Bromage, Sue Hanley and Jayne Pickering

Democratic Services Officer:

Debbie Parker-Jones

39. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillor Rachael Smith.

Councillor Potter advised that Councillor Thain would unexpectedly be arriving late and that she would therefore chair the meeting in his absence.

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40. DECLARATIONS OF INTEREST

There were no declarations of interest.

41. MINUTES

The minutes of the meeting of the Audit, Governance and Standards Committee held on 2nd February 2017 were submitted.

RESOLVED that

the minutes of the meeting of the Audit, Governance and Standards Committee held on 2nd February 2017 be confirmed as a correct record and signed by the Chair.

42. MONITORING OFFICER'S REPORT - STANDARDS REGIME

Members received a report from the Monitoring Officer (MO) outlining the current position in relation to standards regime matters.

In relation to the Member to Member complaint detailed in the report which the MO had arranged for a formal investigation to take place into, Officers advised that the complaint related to the use of social media. It had been necessary for the MO to request an investigation into this in order to establish the facts and to determine whether or not the Code of Conduct had been breached. The Investigating Officer had spoken with all of the relevant parties involved and was in the process of drafting a report of his findings. The report would hopefully be completed shortly, subject to some legal research by the MO, at which point the MO would decide what further action, if any, to take in this matter. A further update on this would be provided for Members at the next meeting.

It was noted that the social media training scheduled for March had been cancelled due to low Member response, and that given the nature of the above complaint future training in this area might be arranged. Members noted timing difficulties with certain training and requested that any training not take place until after the General Election on 8th June. A Member stated that he had a disclaimer on his political website and that Members needed to be absolutely clear as to what they could and couldn't do in relation to social media.

The Feckenham Parish Council Representative and Deputy Representative did not wish to raise any standards issues.

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RESOLVED that

the Monitoring Officer's report be noted.

43. EXTERNAL AUDIT - CERTIFICATION WORK REPORT 2015/16

Members were presented with the Grant Certification Letter ('the Letter') for 2015/16 from Grant Thornton, the Council's external auditors.

Mr Richard Percival, Engagement Lead at Grant Thornton, explained the background to the information contained in the Letter, including the Public Sector Audit Appointments transitional responsibilities for the HB (Housing Benefit) COUNT model, and the certification fees for work carried out for the Council. Grant Thornton had certified the Housing Benefit subsidy claim for the financial year 2015/16 relating to expenditure of £24.3m, details of which were appended to the Letter.

Mr Neil Preece, Audit Manager at Grant Thornton, proceeded to give an overview of the current claims position and work carried out so far. He explained the complexities and challenges involved with this work, particularly in relation to current testing requirements and any identified errors, which worked to strict new quality arrangements and processes determined by the Department for Work and Pensions.

Grant Thornton had met with Officers regarding the report before Members and had provided bespoke training for Officers in this area. Grant Thornton had also changed their working practices, with one lead person from Grant Thornton now working across both Redditch and Bromsgrove Councils, which it was felt worked better for both authorities. Grant Thornton were unable to say at this stage whether the overall position with claims certification would be better than in the previous year, and would not be able to do so until formal testing had commenced.

The external auditors proceeded to respond to Members' questions. It was noted that human error was a factor in the claims work and Mr Jones, Independent Member for Audit and Governance, queried whether Officers undertook any batch testing of claims. Officers confirmed that this was regularly undertaken by the Quality Officer and agreed to check whether there was an upward or downward trend with this.

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RESOLVED that

the Grant Certification Letter 2015/16 be noted.

44. EXTERNAL AUDIT - AUDIT PLAN 2016/17

Members were presented with Grant Thornton's Audit Plan 2016/17 ('the Plan').

The external auditors were required to perform their audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office. Their responsibilities under the Code were to give an opinion on the Council's financial statements and to satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Mr Percival provided an overview of the Council's financial position, including the Housing Revenue Account, and the key challenges which the Council faced in this regard. He went on to highlight external financial reporting changes which impacted on the Council, and the significant risks (namely those risks which had a higher risk of material misstatement) identified in the Plan. The value for money element of the Plan and the significant risks which Grant Thornton had identified as a result of their initial risk assessment, and the work which they proposed to address those risks, were also noted. As previously identified, in year reporting to Members and the Council's financial sustainability remained the significant value for money risks.

Members noted that the interim audit work results looked fairly positive, which Mr Percival agreed was the case.

RESOLVED that

Grant Thornton's Audit Plan 2016/17 be noted and agreed.

45. EXTERNAL AUDIT - AUDITING STANDARDS 2016/17

Members were presented with the Auditing Standards report for 2016/17 from Grant Thornton, the Council's external auditors.

Mr Preece explained the purpose of the report, which aimed to ensure that there was effective two way communication between the Council's Audit, Governance and Standards Committee, who were "Those Charged with Governance", and the external auditor. In planning and performing their audit of the financial statements

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Grant Thornton needed to understand how the Committee, supported by the Council's management, met its responsibilities in the following areas: Fraud; Law and regulation; Going concern; Accounting for estimates; and Related Parties.

The Management responses detailed in the report were noted. Grant Thornton had no concerns with the responses, which in turn reduced the work which they had to undertake and which they could place reliance upon.

Mr Preece asked the Committee if there was anything in the report which caused them concern. Mr Jones stated that the management response to Question 6 on the Fraud Risk Assessment Table; that there were not any significantly high-risk posts identified from a fraud and corruption perspective, was felt to be quite a subjective statement, and queried how that compared with other authorities. Mr Percival commented that that was what he would expect to be said. If, however, there was a high level of transformation and a significant responsibility placed on one person within the authority then that would be a high-risk post, with high fraud risk in Grant Thornton's eyes relating to £1m upwards.

RESOLVED that

the report and management responses be noted.

46. EXTERNAL AUDIT - AUDIT FEE LETTER 2017/18

Members were presented with the planned audit fee letter for 2017/18 from the Council's external auditors Grant Thornton, and were asked to approve the level of fee.

Mr Percival advised that under the terms of the current contract Grant Thornton were required to produce such a letter, which explained the fee set by Public Sector Audit Appointments Limited. It was noted that the level of fee remained the same as for 2016/17 and Mr Percival explained how the fee would be billed.

RESOLVED that

the audit fee for 2017/18 be agreed.

47. PROPOSED ACCOUNTING POLICIES 2016/17

The Committee were presented with the proposed accounting policies ('the policies') which were to be used in completing the 2016/17 Statement of Accounts, and which were prepared in line

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with the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Local Accounting.

Officers explained that there were no material changes in the policies, with these generally remaining the same as for 2015/16. The only changes for 2016/17 related to the format of the accounts and a new funding and expenditure note which would reconcile the movement on the General Fund balance to the Surplus or Deficit of Provision of Services, as set out in the covering report. Mr Percival added that these were the policies that Grant Thornton expected to see.

RESOLVED that

the proposed Accounting Policies be approved.

48. FINANCIAL SAVINGS MONITORING REPORT

Members received a report which detailed the delivery of savings and additional income for the period April to December 2016.

Officers explained that for the period in question savings to budgets had been delivered. Further savings and additional income were also shown that had not been included in the original budget projections, with a further £125k projected to be saved by the end of the 2016/17 financial year. Officers were looking to improve the format of the report for 2017/18, which would link in to the Efficiency Plan.

Officers added that they were currently working on an earlier closedown of the accounts, in anticipation of the statutory deadline for this being brought forward for the 2017/18 accounts.

RESOLVED that

the financial position for savings for the period April to December 2016, as presented in the report, be noted.

49. INTERNAL AUDIT - PROGRESS REPORT

The Committee considered the Internal Audit Progress Report, which presented Members with progress on internal audit work for 2016/17. The Head of the Internal Audit Shared Service (HIASS) presented the report and responded to Members' questions on this.

The HIASS brought to Members' attention the two Limited Assurance audits detailed in the report; which related to the

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Community Centres and Post Contract Appraisals, both of which included a number of high and medium priorities. The HIASS spoke on the additional contracts work which had been undertaken and on the appointment of a Senior Contracts Manager who was working on developing, as well as delivering, a robust plan to address the identified risks. Officers advised that a Contracts Working Group had also been established, which fell under the umbrella of the Legal Team, and which was looking at various contractual matters.

Mr Jones, Independent Member, stated that he was disappointed to see multiple follow up waste in the system, and that he was equally disappointed to see that a Contracts Manager had been employed by the Council. He added that the Committee needed confirmation that any action plans drawn up to address identified issues and risks were working in accordance with agreed timescales. Officers advised that the Contracts Manager was undertaking a whole host of work and that it had been felt that an expert in this field was needed to take this work forward.

In response to a Member's comments on the outcomes of the Community Centres audit, the HIASS agreed to provide clarification to Members outside of the meeting on the non-statutory compliance requirements referred to in the report. Also, as a number of audits remained outstanding the HIASS undertook to provide an update report at the next meeting of the Committee.

The increased number of internal audit days in delivering the Plan was noted, which followed the arrival of three new auditors in the first quarter, along with a further auditor at the end of quarter 2. This had reduced productivity as audits had taken longer to deliver, which had in turn led to an increase in the number of audit days. In response to a Members' question regarding any financial impact to the authority as a consequence of this, the HIASS advised that this would be split amongst all partners.

The HIASS was pleased to report improvements in the Planned Follow Ups detailed in the report, with a number of these having now been satisfied and implemented by management. A small number showed that several follow ups had taken place. Internal Audit considered the management responses and accompanying action plans adequate to address any risks in regard to the areas highlighted, and there were no exceptions to report from an Internal Audit prospective. In light of issues previously raised by the Committee on what were deemed to be excessive follow ups, Officers stated that the Corporate Management Team would be discussing this as this was not acceptable. The s151 Officer would

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be looking at better ways of addressing and reporting on follow ups, with improvements intended for 2017/18. If actions could not be completed within agreed timescales then management would need to look to negotiate the timings based on the level of risk involved.

RESOLVED that

subject to the required action detailed in the preamble above, the report be noted.

50. INTERNAL AUDIT - FINAL AUDIT PLAN 2017/18

Further to the referral of the draft Internal Audit Operational Plan for 2017/18 ('the Plan') at the previous meeting, Members received the final Plan for approval.

The Head of the Internal Audit Shared Service (HIASS) advised that all issues raised at the last meeting had been included in the current report.

The number of planned audit days for 2017/18 remained at 400; the same as for 2016/17. The Performance Indicators' for 2017/18 had also been split into Operational, Monitoring & Governance and Customer Satisfaction indicators in order to provide for greater focus with this.

RESOLVED that

the Internal Audit Operational Plan 2017/18 be approved.

51. COMMITTEE ACTION LIST AND WORK PROGRAMME

Action List

Ref 1 – Statement of Accounts 2014/15: Inventories

Officers advised that Kevin Hirons could not be present at the meeting that evening owing to pre-booked leave. Members discussed the best course of action in this regard and it was agreed that a separate meeting be arranged outside of Committee to further progress this matter. The meeting attendees would comprise Jayne Pickering, Kevin Hirons (plus any other relevant service Officers), Dave Jones and the Chair and Vice-Chair of the Committee. A verbal update would then be given to Members at the next meeting in July.

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Action: Item to remain on Action List for update at July 2017 meeting.

Ref 2 – Debt Recovery Update – Quarters 1 and 2 2015/16: Write-offs / Measures Dashboard

It was agreed that Jayne Pickering and Dave Jones would meet to discuss this matter and that a verbal update on this would be provided at the next meeting.

Action: Item to remain on Action List for update at July 2017 meeting.

Ref 3 – Grant Thornton – Progress Report and Update: Brexit – Migrant Workers

The update on this as detailed in the report was noted and Members agreed that Human Resources should not look to record passport data.

Action: Item to be removed from Action List.

Ref 4 – Grant Thornton – Annual Audit Letter 2015/16

It was noted that both of the actions listed under this item had been completed.

Action: Item to be removed from Action List.

Ref 5 – Treasury Management Strategy Statement and Investment Strategy 2017/18 to 2019/20

It was noted that one action remained outstanding under this item, which was to be carried over to the next Treasury Management report to Committee in February 2018.

Action: Item to remain on Action List for update at February 2018 meeting.

Ref 6 – Compliance Team Update: Monies Recovered and Repayment Timescales

It was noted that this action was due for completion in September 2017.

Action: Item to remain on Action List for update at September 2017 meeting.

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Ref 7 – Internal Audit – Progress Report: Planned Follow Ups

It was noted that this had been discussed earlier in the agenda (Minute No. 49 above refers).

Action: Item to be removed from Action List.

Work Programme

The Work Programme was noted.

RESOLVED that

the Committee's Action List and Work Programme be noted and the amendments and updated highlighted above be agreed.

52. ANNUAL REVIEW OF THE OPERATION OF THE COMMITTEE AND THE COMMITTEE'S TERMS OF REFERENCE AND PROCEDURE RULES

Members were asked to review the operation of the Audit, Governance and Standards Committee during the 2016/17 Municipal Year to date, and to Review the Committee's Terms of Reference and Procedure Rules.

Members stated that they were happy with how the Committee was progressing and that the relationships between the Committee and both Internal Audit and External Audit were very good.

Members also felt that they were learning a lot in what was often a very complex and highly specialised area.

No changes were proposed by Members in relation to the either the workings of the Committee and/or the Committee's Terms of Reference or Procedure Rules.

RESOLVED that

the position be noted.

The Meeting commenced at 7.00 pm
and closed at 8.21 pm

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Chair