

Audit, Governance & Standards Committee

Thursday, 24 September
2015

MINUTES

Present:

Councillor David Thain (Chair), Councillor Jane Potter (Vice-Chair) and Councillors Natalie Brookes, Michael Chalk, John Fisher, Andrew Fry, Gareth Prosser, Rachael Smith and Pat Witherspoon

Dave Smith – Independent Member (non-voting co-opted member of the Committee)

Parish Councillors Alan Smith and Slade Arthur - Feckenham Parish Council

Also Present:

Zoe Thomas and Phil Jones (Grant Thornton External Auditors)

Officers:

Claire Felton, Sam Morgan and Andy Bromage

Democratic Services Officer:

Amanda Scarce

17. APOLOGIES AND NAMED SUBSTITUTES

Prior to commencement of the meeting the Chair took the opportunity to welcome the Members of Feckenham Parish Council to the meeting and requested it be recorded that best wishes were sent to the Executive Director, Finance and Resources, who was currently unwell.

Apologies for absence were received on behalf of Ms. Megan Harrison.

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Chair

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18. DECLARATIONS OF INTEREST

There were no declarations of interest.

19. MINUTES

The minutes of the meeting of the Audit, Governance and Standards Committee held on 2nd July 2015 were submitted.

RESOLVED that

the minutes of the meeting of the Audit, Governance and Standards Committee held on 2nd July 2015 be confirmed as a correct record and signed by the Chair.

20. MONITORING OFFICER'S REPORT - STANDARDS REGIME

The Monitoring Officer presented the report and in so doing highlighted the following:

- There had been no complaints received since the last meeting and the issue raised in the July report had been closed.
- A number of Member training sessions had taken place including chairing skills (which had been hosted at Bromsgrove) and Equalities and Safeguarding – positive feedback had been received for both sessions and Members were keen for a “mop up” session to be carried out.
- Pre-application training had also been arranged for those Councillors wishing to participate in this process.
- Briefings in respect of combined authorities had also been arranged in preparation for the full Council meeting due to be held on 8th October 2015.

The Monitoring Officer also welcomed the Parish Council representatives and explained the duty the Council had to support the Parish Council and the role of the representatives at the Audit, Governance and Standards Committee.

RESOLVED that the report of the Monitoring Officer be noted.

21. FECKENHAM PARISH COUNCIL REPRESENTATIVE'S REPORT - STANDARDS REGIME

Parish Councillor Alan Smith, Feckenham Parish Council Representative, thanked the Committee for the opportunity to attend the meeting and provided background information in respect

of Feckenham Parish Council. He also took the opportunity to thank Council Officers for their support

Members commented that Feckenham Parish Council was an important part of the Borough and they were happy to build on the relationship now formed.

22. GRANT THORNTON - AUDIT FINDINGS REPORT 2014/15

Mr. Phil Jones, Engagement Lead, Grant Thornton, presented the Audit Findings report. Mr. Jones highlighted that the Audit was not as advanced as it would have been in previous years and there were a number of areas where work needed to be finalised, as detailed within the report. The Executive Summary of the report also highlighted the key messages arising from the audit; missing the statutory deadline, material changes within the accounts and the audit being protracted due to difficulties in obtaining working papers. It was acknowledged that it had been an exceptional year and that there were a number of factors which had contributed to the problems; this included the introduction of a new system and staffing issues.

The problems which had occurred had impacted on the audit findings and necessitated changes being made to the Audit Plan. Those changes included additional testing undertaken around operating expenses, more detailed analytical review work and changes to the risk assessment around welfare benefits. Those changes had meant that some procedures had to be repeated and the audit had therefore taken significantly longer than originally planned.

Members were most concerned about the problems which had arisen and the effect it had on the reputation of the Council and the current financial position. Mr. Phil Jones assured them that the Council was in fact in a better financial position than the previous year as it had added to its general fund balances and it had been pleasing to see that a three year financial plan had been put in place. However, those increases in the general fund were not planned when the budget had originally been set and therefore budget setting was something which needed to be addressed in the future.

Mr. Phil Jones informed Members that a recommendation had been made under section 11(3) of the Audit Commission Act 1998, which set out a number of recommendations which the Council need to put in place and covering a number of areas including:

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- Robust arrangements to ensure the production of the 2015/16 financial statements.
- The development of a comprehensive project plan for preparation of the accounts.
- Arrangements in place to ensure budget preparation processes were based on sound assumptions.
- Timely budget monitoring processes
- In addition to the formal recommendation there were a number of more detailed recommendations set out in an Action Plan.

Following presentation of the report, the Portfolio Holder for Corporate Management responded and acknowledged that, for a variety of reasons, there had been problems in Grant Thornton being able to audit the accounts. He took the opportunity to thank Officers for the work they had done in assisting Grant Thornton with the audit. The Portfolio Holder explained that he had already met with Officers to discuss what had happened and to ensure that a lesson learned exercise was carried out and discuss the draft action plan which was already being formulated by the Executive Director, Finance and Resources to ensure improvements were made to make the processes more robust. The Portfolio Holder explained to Members that he had regular meetings with the Executive Director, Finance and Resources and her team, together with Heads of Service when necessary. There were a number of financial challenges facing the Council and it was important that savings were made quickly and efficiently. Heads of Service continued to make good progress through the transformation process, but it was acknowledged that the budgetary process was an area which needed to be improved.

Officers and the Portfolio Holder responded to questions from Members in respect of the following areas:

- Whether Members had any statutory responsibility to ensure the controls and policies were robust and properly managed.
- The implications of a Section 11 Recommendation – Mr. Phil Jones explained that the aim of this was to set a timescale for the work within the Section 11 recommendation to be completed and to show that the Council was committed to making the necessary changes.
- There were a number of references to Bromsgrove within the report and Ms. Zoe Thomas, Manager, Grant Thornton, apologised for the error and assured Members that these would be rectified.
- The key performance indicators and how these were monitored and maintained.

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- Whether there were two separate systems being used in respect of Redditch Borough and Bromsgrove District Councils - Officers provided details of the problems which had occurred with the ledger system upgrade and the transfer of data, in order to bring the two systems together.
- The number of high priority items within the action plan and the number of unfinished areas with the Value for Money section of the report.
- The cost to the Council in respect of the additional work which had been carried out by Grant Thornton.
- The impact of the vacancies within the Finance team and the additional support that had been provided.

RESOLVED that

- 1) the Action Plan be placed on the Audit, Governance and Standards Committee's Work Programme; and**
- 2) the Audit Findings Report 2014/15 be noted.**

23. STATEMENT OF ACCOUNTS 2014/15

The Financial Services Manager presented the Statement of Accounts 2014/15 and drew Members' attention to the revised recommendations which had been tabled at the meeting, as a consequence of the issues discussed at Minute No 22.

Officers responded to the following points raised by Members in respect of this report:

- Drop in cashflow – Officers confirmed that this was not an issue as often there was a reduction in payments received for the final two months of the year.
- Inventories – this referred largely to the Crossgates depot and it was highlighted that the cost of fuel could fluctuate and the amount of stock being held in respect of repairs and maintenance could also impact on these figures.
- Compensation payments – it was confirmed that this was in respect of areas where the Council self-insured.
- NNDR Appeals – it was explained that following a recent successful appeal, which set a precedent, provisions had been made for potential claims in respect of NNDR Appeals from GP surgeries. This was something which affected all local authorities and could potentially be back dated to 2010.
- The lack of investments as at 31st March 2015 and short term borrowing.

RESOLVED that

- 1) the Accounting policies as detailed in note 1 of the Statement of Accounts for 2014/15 be approved;**
- 2) the Statement of Accounts for 2014/15 be approved; and**
- 3) that in order to enable formal sign off of the Statement of Accounts by the Auditors, Grant Thornton by 30th September 2015, authority be delegated to the Section 151 Officer following consultation with the Chairman of the Audit, Governance and Standards Committee and the Portfolio Holder for Corporate Management, and having taken into consideration any changes to the Audit Findings Report, to make any changes required and to approve the final version of the Statement of Accounts for 2014/15. This is to include the Letter of Representation from the Authority to the Auditors to confirm that the Council has complied with Statutory Accounting Principles and Legislation.**

24. INTERNAL AUDIT PROGRESS REPORT

Members considered the report presented by the Service Manager, Worcestershire Internal Audit Shared Service (WIASS). The report provided commentary on Internal Audit's performance for the period 1st April to 31st July 2015 against performance indicators agreed for the service and further information on aspects of service delivery, including identifying audits for the current year and a number of audits which had progressed to the draft report stage.

At the Committee's previous meeting information had been requested in respect of the Anti-fraud and Corruption Survey and Governance Statement Assurance Checklist Statements and this had been provided in the report. This incorporated information that needed to be included within the Statement together with details of areas that had been considered.

The Service Manager WIASS highlighted that the delivery dates against the Internal Audit Plan would be revised in order to take account of the Action Plan which would be put in place following the findings in the Grant Thornton Statement of Accounts, as previously discussed. However, the Revenue and Benefits audit would continue, with the remainder being deferred in order for implementation of elements of the Action Plan to be put in place. It was anticipated that these would now be included within the Quarter 4 Report.

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The report also included details of planned “follow ups” in respect of Audit reports which had been logged and which covered areas needing to be followed up. Full details of audits recently completed were also included within this report. It was highlighted that whilst high priority had been given to the Worcestershire Regulatory Services audit, this had already been addressed with a robust action plan being put in place to address the issues, supported by all S151 Officers from the relevant authorities to ensure the necessary actions were implemented over the next few months.

Following presentation of the report Members discussed a number of areas in more detail:

- Concerns were raised in respect of a number of recommendation’s which remained outstanding from audits carried out in the previous financial year. Members were assured that these recommendations would continue to be monitored and satisfactory explanations had been provided as to the reasons for the delays.
- Appointments to Outside Bodies – Members acknowledged that there should be a format in place to ensure that the attendance of those Members appointed to Outside Bodies was monitored and that they were carrying out their duties and providing appropriate updates to Council. Officers confirmed that this was an issue which was being addressed with a view to a formal process being put in place.
- ICT change control – Members questioned the lack of a formal process and it was confirmed that full details would be brought before the Committee at its next meeting, but assured Members that they would expect a clear action plan to be put in place before “signing off” audit and the follow up process would also ensure that any concerns were addressed.
- Confirmation of the implementation dates for follow up of items and any formal actions taken, should those dates not be met. Particular reference was made to the VAT returns item and it was confirmed that training of a new technician was underway in order for this to be implemented as soon as possible.
- Reconciliations – Members questioned whether it would be useful for them to have sight of the plan which was prepared to enable staff to complete the reconciliations within the relevant timescale. Officers confirmed that the schedule was still being prepared.

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RESOLVED that

the Internal Audit Progress report of the Service Manager of the Worcestershire Internal Audit Shared Service be approved.

25. INDEPENDENT MEMBER PERFORMANCE REPORT

Mr. Dave Jones, Independent Member for Audit and Governance (non-voting co-opted member of the Committee) left the room during consideration of this item.

The Financial Services Manager presented the report to Members and in so doing highlighted how the role had evolved and provided an overview of the key responsibilities and role of the Independent Member. Mr. Jones played an active part within the Committee and the Financial Services Manager informed Members that she had met with Mr. Jones prior to the meeting and discussed the Statement of Accounts in detail. It was confirmed the appointment was for a four year period, with a limit of serving a maximum of two consecutive terms.

It was agreed that it was not necessary to change the current role and Members requested that it be minuted that Mr. Jones was a valuable addition to the Committee and approached his role with both common sense and an impartial view.

RESOLVED that

the Independent Member Performance Report be noted.

26. CORPORATE GOVERNANCE INCLUDING RISK

The Chair informed Members that due to the absence of the Executive Director, Finance and Resources he had agreed to defer consideration of this item for a future meeting of the Committee.

27. PORTFOLIO HOLDER UPDATE - QUARTERLY BUDGET MONITORING

The Portfolio Holder for Corporate Management informed Members that the quarterly budget was aligned to the Council's strategic purposes as opposed to departments. The first quarter report showed revenue costs and it was anticipated that the second quarter would include a section in respect of capital expenditure. Currently there was an overall £25k over spend against £3.9m expected, which it was anticipated would be realised later in the year.

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28. COMMITTEE ACTION LIST AND WORK PROGRAMME

Action List

Officers drew Members' attention to item 2 of the action list and the Chair's confirmation that he was happy to continue as Lead Fraud Member. It was also noted that a second lead fraud and risk Member would not be appointed. It was therefore agreed that this item be removed from the Action List.

In respect of item 3 and data protection it was confirmed that all staff received the relevant training and it was not necessary for it to be included within departmental risk registers. Members were therefore happy for this item to be removed from the Action List.

Work Programme

As discussed earlier in the meeting, Members agreed that the Committee should be given the opportunity to consider progress in respect of the Action Plan currently being formulated by the Executive Director, Finance and Resources following the Grant Thornton report. As such Members agreed this should be added as a standard item to future meetings of the Committee.

RESOLVED that

subject to the comments detailed in the preamble above, the Committee's Action List and Work Programme be noted with the necessary updates being made to those documents.

The Meeting commenced at 7.00 pm
and closed at 8.48 pm