

# **Audit, Governance & Standards Committee**

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Thursday, 25 October 2018

## **MINUTES**

### **Present:**

Councillor John Fisher (Chair), and Councillors Joanne Beecham, Anthony Lovell, Gemma Monaco, Yvonne Smith, Craig Warhurst and Pat Witherspoon

### **Officers:**

Andy Bromage, Lisa Devey, Claire Felton, Farzana Mughal, Richard Percival, Jayne Pickering and Guy Revans

### **15. APOLOGIES AND NAMED SUBSTITUTES**

Apologies for absence were received on behalf of Councillors Salman Akbar, Michael Chalk, Mike Rouse and Mark Shurmer.

Members were advised that Councillor Anthony Lovell was attending as substitute for Councillor Mike Rouse and Councillor Gemma Monaco was attending as substitute for Councillor Salman Akbar.

### **16. DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **17. MINUTES**

The minutes of the Audit, Governance and Standards Committee held on 30<sup>th</sup> July, 2018 were submitted.

### **RESOLVED**

**that the minutes of the Audit, Governance and Standards Committee held on 30<sup>th</sup> July, 2018 be approved as a correct record.**

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Chair

**18. MONITORING OFFICER'S REPORT - STANDARDS REGIME**

The Head of Legal, Equalities and Democratic Services presented the Monitoring Officer's report, and in doing so highlighted the following:

- There had been one complaint made by a member of the public regarding a Councillor which had now been resolved and after investigation no breach had been found.
- Social Media Training had been rescheduled to now be delivered in November, 2018 at the political party group meetings. Furthermore, Members were informed that training in relation to the Measures Dashboard was also being delivered on the 10<sup>th</sup> December, 2018 and all Members were invited to attend this training.

Members were informed that the Senior Democratic Services Officer (Redditch) was undertaking a Leadership Course and a project exploring how to introduce paperless Committees, and to reduce paperwork for Committee meetings, would form part of the course.

The Executive Director of Finance and Resources clarified that following the resignation of the Independent Member of the Committee; a report would be presented at the next meeting of the Committee on 31<sup>st</sup> January, 2019 for the review of the role of the Independent Member for Members' consideration.

**RESOLVED that**

- 1) the Monitoring Officer's Report be noted; and**
- 2) the role of the Independent Member of the Audit, Governance and Standards Committee be considered at the next meeting of the Committee due to be held on 31<sup>st</sup> January, 2019.**

**19. COMPLIANCE TEAM UPDATE**

The Assistant Financial Support Manager provided Members with an update on the work of the Council's Compliance Team following the transfer of Benefit Fraud Investigations to the Department of Work and Pensions (DWP).

Subsequent to the transfer in February, 2016, the following duties remained with the team:

- Investigation of Council Tax Scheme claims;
- Verification of Housing Benefit claims;
- Processing of Housing Benefits Matching Service (HBMS) referrals;
- National Fraud Initiative (NFI) data matching;
- Police requests for information/liaison;
- Support to the DWP in respect of Housing Benefit fraud cases.

The Committee was advised that in effect from October, 2018, the DWP would be rolling out joint working on fraud cases affecting Universal Credit and Local Council Tax Support.

The team had identified an additional £273,000 in Business Rates billing where businesses had not registered for business rates or had expanded in size and not declared it to the Council. There was a three month backlog at the Valuation Office and it was expected this figure would increase by £93,000 after decisions by the Valuation Office.

Arising from Members' questions the following points were made by the Assistant Financial Support Manager:

- From October 2018, the DWP would be rolling out joint working; however, it was not yet clear which services this would include.
- It was important that the expertise and knowledge were retained within the team.
- It was unclear if any additional grant would be received.

Members expressed concerns that if resources were coming back to the Council the DWP would not provide the additional funding. Officers agreed to report back as to the position on this.

**RESOLVED**

**that the Compliance Team Update Report be noted**

**20. GRANT THORNTON SECTOR UPDATE**

Richard Percival from Grant Thornton presented the sector update report which outlined the key issues emerging in the public sector. It

was reported that CIPFA had proposed a financial resilience index to provide reassurance to Councils who were financially stable and to highlight areas that might need further consideration in relation to financial modelling and funding.

The proposed approach drew on CIPFA's evidence of the factors associated with financial stress, including:

- running down reserves
- failure to plan and deliver savings in service provision
- shortening medium-term financial planning horizons
- gaps in saving plans
- departments having unplanned overspends and/or undelivered savings.

Consultation on the Social Housing Green Paper was now underway, which sought to provide everyone with an opportunity to submit views on proposals for the future of social housing and would run until 6<sup>th</sup> November, 2018. It was acknowledged that further development was required in respect of social housing.

Worcestershire had submitted a bid to become a Business Rate Pilot for 2019/20 and was currently waiting for a response as to whether this had been accepted.

Arising from Members' questions, the following points were made:

- It was unsure when the Fair Funding Review of Local Government Finance would be completed.
- It was acknowledged that Business Rates at their current levels would not be sustainable.
- It was stated that the Negative Grant may change from 2019/20 onwards.
- There was a concern that the cuts for WCC would have an impact on the services delivered by Redditch Borough Council. WCC was under financial pressures particularly in terms of expenditure on Social Care.
- Members recognised that there would be significant pressure on the Council and they were not confident that they were being advised of the impact that the Council would face in future years.

**RESOLVED**

**that the Grant Thornton Sector Update be noted.**

**21. AUDIT FEE LETTER 2018/19**

Members were presented with the Grant Thornton Annual Audit Letter for the 2018/19 financial year.

The Council's scale fee for 2018/19 had been set by PSAA at £44,629. This was a significant reduction compared to previous years.

Members were informed that Grant Thornton had been awarded a contract for a further five years.

**RESOLVED**

**that the Audit Fee Letter 2018/19 be noted.**

**22. GRANT THORNTON ANNUAL AUDIT LETTER 2017/18**

Members were presented with the Grant Thornton Annual Audit Letter for the 2017/18 financial year, which outlined the key findings arising from the work carried out at the Council for the year ending 31<sup>st</sup> March, 2018.

It was reported that the financial statements were submitted on time and that Grant Thornton was able to conclude the audit and provide their unqualified audit opinion by the deadline. This was a significant improvement on previous years. Grant Thornton expressed their gratitude to the Finance Team for their hard work and commitment in delivering the audit in a timely manner.

Grant Thornton was required to give a conclusion on whether the Council had appropriate arrangements in place to secure value for money in the use of its resources. The following works focused on were:

- financial sustainability;
- in year financial reporting to Members; and
- procurement and contract management in the Housing Department.

It was previously identified that improvement was needed in terms of managing the Council's finances effectively to support the sustainable delivery of strategic purposes and maintain statutory functions. The auditors had concluded that the Council was not in a

financially sustainable position in the long term, and did not have sufficiently developed plans to address this.

Financial reporting to Members continued to improve. The high level savings figures presented to Members were underpinned by appropriate levels of information and analysis.

The final audit fee had been agreed at £62k to include the additional work that was required. The Executive Director of Finance and Resources explained that savings had been made by staff on maternity leave and existing resources had been used to cover the work.

The Chair thanked the team, on behalf of the Committee, for their hard work in delivering the audit by the deadline and that good work had been demonstrated within the report.

Members recognised that the Council was not financially sustainable. It was acknowledged that the Council needed external expert advice and knowledge to help with financial planning. The Executive Director of Finance and Resources stated that the Council were looking at other authorities to identify best practise and embed any learning, in terms of, savings and efficiencies.

**RESOLVED**

**that the Audit Letter for the year ended 31<sup>st</sup> March, 2018 be noted.**

**23. INTERNAL AUDIT PROGRESS REPORT**

The Head of Internal Audit Shared Services presented a report that informed the Committee of the outcomes of the performance for 2018/19 of Internal Audit and highlighted the key issues identified.

Members were informed that there was a limited assurance reported with regards to housing allocations.

The summary outcome of all of the reviews identified would be reported to Committee in due course. All actions identified were to be carried out by September, 2018 with a follow up in December, 2018. Subsequently, this would be reported back to Committee for consideration.

It was reported that the 2018/19 reviews, which were at draft report stage as at 30<sup>th</sup> September 2018, included reviews of GDPR and Health and Safety. The 2018/19 reviews which were on going as at 30<sup>th</sup> September 2018 were as follows:

- Shopmobility
- Car Parking
- Stores
- Essential Living Fund
- Discretionary Housing Payments
- Council Tax Hardship Fund
- Universal Credit
- Treasury Management.

The summary outcome of all of the above reviews would be reported to Committee in due course when they had been completed and management had confirmed an action plan.

The success of the Internal Audit Shared Service would be measured against some key performance indicators for 2018/19. Other key performance indicators linked to overall governance requirements of Redditch Borough Council e.g. KPI 4 to KPI 6. The position would be reported on a cumulative basis throughout the year.

#### **RESOLVED**

**that the Internal Audit Progress Report be noted.**

#### **24. INTERNAL AUDIT CHARTER UPDATE REPORT**

The Head of Internal Audit Shared Services presented to the Committee the Internal Audit Charter. The Charter was last reviewed in July 2017, and continued to be updated to reflect changing requirements in respect of the Audit Service, standards and external assessment.

The Committee was informed that all partners were asked to approve the charter and if the Charter was not approved the Internal Audit Shared Service would be forced to operate without an approved Charter which would be contrary to the Public Sector Internal Audit Standards 2013 leading to non-compliance with the Standards.

Due to the changing environment that existed in Local Government the Charter needed to be seen as a framework for Internal Audit working arrangements. Any changes required to the Charter which were of a material nature would be reported before Committee at an appropriate time. A copy of the Charter would be included annually together with the Internal Audit Annual Report and Opinion.

**RESOLVED**

**that the revised Internal Audit Charter 2018 be approved.**

**25. FINANCE SAVINGS MONITORING REPORT 2018/19 - APRIL TO JUNE 2018**

The Executive Director of Finance and Resources presented the Financial Savings Monitoring Report for April to June 2018, which outlined the delivery of savings projected for the full year against the Medium Term Financial Plan (MTFP).

The report provided a statement to show the savings projected for 2018/19 as detailed in the MTFP and approved by Council in February 2018. The statement showed that it was projected that the savings of £721k for 2018/19 were on track to be delivered during the financial year.

There were no details available for Members to consider Members in relation subscriptions. However, it was noted that budget of £4k had not been delivered and this had led to pressure on future years.

The Executive Director of Finance and Resources stated that the budget report was submitted to Full Council for consideration. Prior to this the overall budget would be presented to the Executive Committee for consideration.

**RESOLVED**

**that the Financial Savings Monitoring Report for April to June 2018 be noted.**

**26. HRA INTERNAL CONTROLS - S151 UPDATE**

The Head of Environmental Services provided a report in relation to the HRA Internal Controls Section 151 with an updated position

following the Internal Audit reports which identified failings in the internal controls present in the Council's Housing Service. The report provided assurance to Members that the matters identified within those reports and subsequent investigations into the Housing Service had been addressed appropriately and improvements had been made to the internal controls.

The report also sought to address the matters identified by the Council's External Auditors on 30<sup>th</sup> July, 2018.

As a result of Internal Audit reports in 2016/17 in relation to Housing Capital and post contract appraisal functions a significant number of failures in contract compliance, contract management and procurement processes were identified.

The wholesale range of failures required an immediate and exceptional programme to address and rectify the position. Actions were taken to address the issues which included:

- Review of all contracts;
- Procurement Officer relocated within Legal;
- Appointed Specialist Officers;
- Review of delegations;
- Comprehensive mandatory training;
- A stock condition survey was to be undertaken;
- Review of financial arrangements.

It was recognised that Officers had worked throughout with internal audit seeking their support and assurance and external audit had been advised on a regular basis. Indeed, the Grant Thornton Audit Findings report 2017/18 had stated that Grant Thornton had considered how the Council had responded to this issue, both with respect to its investigation and ensuring that appropriate arrangements were being put in place to strengthen procurement and contract management. It was concluded that the Council's response to investigating the issue was appropriate and proportionate. Improvements had been made to procurement and contract management.

The Council's internal audit team had carried out two audit investigations into the operation of the Council's Housing Services. These were finalised in March 2017. As a result of these audit investigations certain recommendations were made to the Head of Housing Services in respect of the financial controls within the Housing Service and the extent to which the identified issues were exposing the authority to risk.

It was also important to note that the investigations and audit reports, to date, found no evidence of fraudulent activity.

The process for managing the investigations was carried out by an independent third party and the Council's External Auditors had been advised and informed throughout this process to ensure that the overall value for money assurance could be considered in this context.

As an initial action, in response to the audit findings, the Council had engaged the services of an external contract manager and this officer had and continued to be instrumental in the identification of and remedial action in respect of the contracts within the Housing Capital Team and the HRA generally.

Details all of the actions either implemented or with a clear timeline of delivery for the Capital Programme Audit were outlined within the report. It was recommended that all staff engaged in the procurement process should be adequately trained and this had been acted on.

There was one outstanding recommendation in relation to record retention/disposal. This was an issue that the whole Council needed to address.

A number of compliance issues that had been identified as part of the investigation process and Members were advised that these had been resolved. It was important the 'follow ups' were made in order to mitigate any further issues.

It was reported that the stock condition survey would collect a minimum of 20% data on the housing stock. This would provide a more accurate and meaningful picture of the housing stock and would reflect the changes that had already occurred.

Reviews were being conducted on previous projects that had been undertaken to ensure that work had been completed to a satisfactory standard and that all necessary documentation was in place. Subsequently, the data would be uploaded into the new Asset Management system.

The Head of Environmental Services stated that staff briefings were undertaken to ensure that everyone understood the expectations of contract and procurement procedures. He further advised that sickness management were being monitored and addressed appropriately. However, he accepted that cultural changes within

the services may take longer to embed. It was further reported that the restructure of the services would be reviewed in the future.

Members stated that previously there was a Tenants Panel that worked well with the Council and it was important to ensure that tenants were still engaged with any housing project.

Members acknowledged that substantial improvements had been made and that more work still needed to be done nonetheless. It was prudent that a clear plan was in place to understand the issues.

The Chair requested a clear format was required on the recommendations with the follow ups including the projected completion date. The Chair concluded by thanking all officers and the Committee for their dedication.

**RESOLVED that**

- 1) Members consider the actions in place to provide assurance in relation to the weaknesses identified; and**
- 2) a 6 monthly update report be presented to the Committee on the implementation of actions contained within the reports.**

**27. AUDIT, GOVERNANCE AND STANDARDS COMMITTEE'S WORK PROGRAMME**

Members considered the Audit, Governance and Standards Committee's Work Programme for 2018/19. It was noted that the next meeting of the Committee was scheduled to take place on 31<sup>st</sup> January, 2019.

The Committee would be provided a six monthly update in respect of the Housing Internal Controls at future meetings.

**RESOLVED**

**that the Audit, Standard and Governance Committee Work Programme for 2018/19 be noted.**