

Audit, Governance & Standards Committee

MINUTES

Present:

Councillor John Fisher (Chair), Councillor Mark Shurmer (Vice-Chair) and Councillors Salman Akbar, Joanne Beecham, Michael Chalk, Yvonne Smith, Julian Grubb and Anthony Lovell

Officers:

Andy Bromage, Clare Flanagan, Chris Forrester and Richard Percival

Committee Services Officer:

Farzana Mughal

28. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillors Mike Rouse and Craig Warhurst. It was confirmed that Councillors Julian Grubb and Anthony Lovell were attending as their respective substitutes.

29. DECLARATIONS OF INTEREST

There were no declarations of interest.

30. MINUTES

The minutes of the Audit, Governance and Standards Committee held on 25th October, 2018 were submitted.

RESOLVED

that the minutes of the Audit, Governance and Standards Committee held on 25th October, 2018 be approved as a correct record and signed by the Chair.

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Chair

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31. MONITORING OFFICER'S REPORT - STANDARDS REGIME

The Principle Solicitor presented the Monitoring Officer's report, and in doing so highlighted the following:

- Since the last meeting of the Committee in October 2018, there had been two complaints received from members of the public regarding the Borough's Councillors. Following investigation by the Monitoring Officer both complaints had been resolved locally;
- With regards to the Constitution Review Working Party meeting held on 12th February, 2019, the proposed changes to the Licensing Code of Practice had been considered at this meeting. Members had agreed that the updated Code of Practice in Relation to Licensing matters under the Licensing Act 2003 and the Gambling Act 2005 should be adopted. The Employment Appeals process was also considered at this meeting.

RESOLVED

that the Monitoring Officer's Report be noted.

32. AUDITING STANDARDS - COMMUNICATION WITH THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

Grant Thornton presented the Committee with a report in respect of communication with the Audit, Governance and Standards Committee.

In accordance with Auditing Standards, Grant Thornton was required to ensure that robust systems were in place together with proactive communications with those charged with governance. In planning and performing their audit of the Council's financial statements, Grant Thornton needed to understand how the Audit, Governance and Standards Committee, supported by the Council's management, met its responsibilities in the following areas:

- Fraud
- Law and Regulation
- Going concerns
- Accounting for estimates; and
- Related parties.

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Detailed management responses in relation to the controls that were in place within Redditch Borough Council were included in the report. It was reported that the responses were consistent with the previous year and there were no concerns identified.

In response to Members' questions the following points were highlighted:

- It was clarified that management responses were consistent with expectations and similar to the previous year;
- Grant Thornton had no concerns and there was a clear understanding of the work that had been carried out;
- Grant Thornton were happy with the arrangements in place in preparation for the new finance system;
- Grant Thornton clarified that from 2018-19, local government bodies could appoint their own auditors. However, with the exception of nine local bodies, local authorities had opted into a collective procurement arrangement, operated by Public Sector Audit Appointments Ltd. (PSAA) in its new role as 'appointing person', which would continue to appoint local auditors. Any additional work that was required would be agreed with the Executive Director of Finance and Resources;
- Members were concerned that only a one year budget was proposed and expressed the view that it was prudent for the Council to set a three/four year budget going forward.

RESOLVED

that the Communication with the Audit, Standards and Governance Committee report and management responses be noted.

33. GRANT THORNTON - EXTERNAL AUDIT PLAN 2018/19

Grant Thornton presented the external Audit Plan for 2018/19 setting out the work that had been undertaken in respect of the financial accounts for 2018/19.

The report provided an overview of the plan which covered the key areas of challenge and opportunities facing the Council and the work the auditors would be doing:

- Significant risks -. These related to the management over-ride of controls, valuation of the pension fund net liability and valuation of property, plant and equipment.

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- Materiality – planning materiality to be £1.3m.
- Value for Money (VFM) arrangements – VFM risks were identified in respect of financial sustainability, procurement and contract management in the Housing Department; arrangements were in place to address the risks. Grant Thornton would monitor the progress made in the housing department as part of their work in order to reach a VFM conclusion;
- Improvements were required to ensure that the Council had a robust Medium Term Financial Plan (MTFP) which could effectively support the sustainable delivery of the Council's strategic purposes and enable the authority to maintain its statutory functions. This was a fundamental issue for Redditch Borough Council and it was identified that the Council needed a plan in place to ensure that the MTFP was protected and to ensure that reserves did not go below the minimum level agreed by Council.

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

- There was uncertainty about the future position for local authority funding for 2020/21 onwards and about the implications of the outcomes of the Fair Funding Review for the Council;
- The Council had to ensure that procurement requirements were met and that the right contractors with appropriate skills were recruited to carry out work;
- It was noted that guidance for auditors on VFM work in November 2017 had been issued. The guidance stated that for Local Government, auditors were required to give a conclusion on whether the Authority had proper arrangements in place to secure VFM.

Members were advised that the Council's financial position and the external auditors' opinion in respect of this would be submitted in July 2019.

RESOLVED

that the report of the Grant Thornton Audit Opinion Plan for 2018/19 be noted and agreed.

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34. GRANT THORNTON - EXTERNAL AUDIT - GRANT CLAIMS CERTIFICATION WORK REPORT 2017/18

Members considered the Grant Thornton Certification Work Report 2017/18 for Redditch Borough Council in the year ending 31st March, 2018. Members' attention was drawn to the details of the Housing Benefit Subsidy claim for the financial year 2017/18, during which a subsidy of £21.7m had been claimed.

A number of issues had been identified from the certificate work as follows:

- There were eight lots of additional testing arising from the findings from the previous year;
- Errors were also found in one new area which had resulted in the need for additional testing; and
- 458 cases had been tested in the year and 35 errors had been identified which were related to under and over payments.

RESOLVED

that the Grant Thornton Certification Letter 2017/18 be noted.

35. 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. Members noted that the report presented to them was prepared as at 31st December, 2018.

The Head of Worcestershire Internal Audit Shared Service provided a verbal update of the current position to date and highlighted the key issues as follows:

- Final reports with regard to the review of Universal Credit and Shopmobility, would be reported to the Committee in April 2019;
- There were ongoing reviews with regard to car parking, debtors, creditors and payroll. Reports summarising the outcome of these reviews would be presented to the Committee in April 2019;
- In addition, updates on reviews of transport and housing would be presented to the Committee at a future meeting for Members' consideration;
- There was ongoing work in relation to the National Fraud Initiative. There was a slight overspend with regard to the

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corporate audits. Due to the nature of some of the reviews, additional resources had been allocated resulting in additional days. Any variation would have been agreed with the Executive Director of Finance and Resources;

- Performance measures had been revisited as of 25th January, 2019 and it was confirmed that all action had been completed;
- Disability Facility Grants - follow up had taken place on 28th January, 2019 and the progress of this would be reported back to the Committee in April 2019;
- Robust action had been put in place to address the issues in regard to the transparency of the welfare budgets. A follow up audit would be implemented on 31st March, 2019 and subsequently reported back to the Committee;
- A follow up audit that took place in January 2019 with regard to homelessness had found that the one remaining medium priority recommendation had not yet been implemented as the Council was awaiting procurement of a new system. This had been recorded as a risk with the IT Housing Project Board. Assurance had been given to the Council that under GDPR data protection requirements, as Officers were procuring a new system; they were covered at this point in time. A follow up would be undertaken to ensure that this was being actioned;
- With regard to St David's House, a follow up took place in January 2019 which confirmed that all certification requirements had been satisfied and all recommendations had been implemented. No further follow up was therefore required.

The Committee was informed that there was better engagement between Internal Audit and the Corporate Management Team (CMT) and a clear action plan was in place to address any concerns going forward. Any outstanding actions would be signed off at the next CMT meeting.

Grant Thornton informed the Committee that Rubicon Leisure Limited was aware that the Audit, Governance and Standards Committee had responsibility for monitoring their work on behalf of the Council. The Head of Worcestershire Internal Audit Shared Service stated that the service was accountable for carrying out the audit work in respect of Rubicon Leisure Limited and Members would be provided with a limited internal audit provision for the company at the Committee meeting in April 2019.

RESOLVED

that the Internal Audit Progress Report be noted.

36. TREASURY MANAGEMENT STRATEGY AND CAPITAL STRATEGY REPORT

The Committee considered the Capital Strategy and the Treasury Management Strategy reports 2019/20 as well as the mid year treasury report. The capital strategy report was a new report for 2019/20 due to the changes made by CIPFA and the Ministry of Housing, Communities and Local Government (MHCLG) to relevant guidance. The strategies were set against the Council's MTFP, UK economy and projected interest rates.

The Financial Services Manger highlighted the key points as follows:

- The Council planned to incur £20m of capital expenditure on investments over the next three years;
- Planned borrowing was forecast to increase significantly in order to support the planned expenditure;
- The Capital Financing Requirement (CFR) for general fund services was forecast to see a significant increase over the next five years due to planned expenditure on capital projects and investments;
- The Financial Services Manager highlighted a number of Key Performance Indicators, measures and controls related to the strategies;
- The half year treasury report highlighted three investments, two with local authorities and one with the Staffordshire Police and Crime Commissioner, which exceeded the £2m limit set in the treasury strategy. Their creditworthiness was viewed in the same light as that of central government, and as such these investments were deemed to be of a similar risk level.

Members were made aware that work would be carried to determine what impact, if any, Brexit might have on planned strategies and pension liabilities.

RECOMMENDED that

- a) **the Capital Strategy (Appendix A) as an appropriate overarching strategy for the Council be recommended to Council for approval and the flexible use of capital receipts policy as per appendix E; and**

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- b) **Council approve the Treasury Management Strategy for 2019/20 (Appendix B) and the associated limits, MRP policy and treasury management policy (appendences C and D) and specific indicators included in this report.**

RESOLVED

that the half year treasury management report be noted

37. CORPORATE GOVERNANCE AND RISK UPDATE

The Financial Services Manager presented the Corporate Governance and Risk Report to the Committee for consideration and the 'high' priority risks identified in the report. Members were asked to consider any further risks that they felt should be included in the 2019/20 risk register.

There were two significant risks identified in respect of managing the impact of national changes – financial / social economic or environmental which might have a detrimental impact on service delivery or quality (e.g. Brexit / Universal Credit) and non-adherence with the Statutory Inspection Policy.

Members noted that some of the risk indicators had not changed despite improvements having been put in place. Members noted that the risk indicator score would be lowered if changes were made.

No further risks were identified.

RESOLVED

that the Corporate Governance and Risk Report be noted.

38. FINANCIAL SAVINGS MONITORING REPORT

The Committee was presented with the Financial Savings Monitoring report for April to September 2018, setting out the delivery of the savings projected for the full year against the MTFP. This was detailed in the MTFP which was approved by the Council in February 2018.

The Financial Services Manager reported that projected savings of £721k for 2018/19 were on target to be delivered during the financial year.

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Members noted that a more detailed report was presented at the Executive Committee and requested that a verbal update be provided at future meetings.

RESOLVED

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

39. REVIEW OF THE ROLE OF INDEPENDENT MEMBER

Members were presented with a report and were asked to give consideration as to whether an Independent Member was required for the Audit, Governance and Standards Committee.

The Committee expressed the view that the role of the Independent Member should continue as s/he advised the Committee on the effectiveness of internal and external audits as well as risk management and systems of internal controls and therefore played an important role on the Committee.

Members commented that having an Independent Member previously had worked well as their contribution to the Committee meetings had been valued and they had had an opportunity to share their expertise at Committee meetings.

Questions were raised in relation to the recruitment process and what this would involve, such as, shortlisting and the interview process.

Members noted the role of the Independent Member was voluntary and would only be reimbursed for their travel expenses. However, Members requested that officers look into the potential to provide remuneration for this role. Members requested that a report be presented to the Committee on 25th April, 2019 detailing the recruitment process of the Independent Member.

RESOLVED

that an Independent Member for the Audit, Governance and Standards Committee be recruited, subject to further information being provided in relation to the remuneration for the role.

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40. 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 25th April, 2019.

Members asked for the following items to be included in the work programme as follows:

- Verbal update on Brexit (the Council's plans going forward)
- Independent Member to the Committee report.

RESOLVED

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

The Meeting commenced at 7.00 pm
and closed at 8.35 pm