

Audit, Governance and Standards

Committee

Thursday, 2 July 2015

MINUTES

Present:

Councillor Jane Potter (Vice-Chair, in the Chair) and Councillors Natalie Brookes (during Minute No.'s 5 to 16), Andrew Fry, Yvonne Smith and Pat Witherspoon

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

Also Present:

Zoe Thomas (Grant Thornton – External Auditors)

Officers:

Andy Bromage, Clare Flanagan, Jayne Pickering and Amanda de Warr

Committee Services Officer:

Debbie Parker-Jones

1. APOLOGIES

Apologies for absence were received on behalf of Councillors John Fisher, Gareth Prosser and David Thain.

Councillor Yvonne Smith substituted for Councillor Fisher.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES

The minutes of the meeting of the Audit, Governance and Standards Committee held on 23rd April 2015 were submitted.

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Chair

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RESOLVED that

the minutes of the meeting of the Audit, Governance and Standards Committee held on 23rd April 2015 be confirmed as a correct record and signed by the Chair.

4. MONITORING OFFICER'S REPORT - STANDARDS REGIME

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

The Deputy Monitoring Officer presented the report and the Committee noted the proposed memberships of the Standards Hearings Sub-Committees.

RESOLVED that

- 1) the report of the Monitoring Officer be noted: and**
- 2) the following Standards Hearings Sub-Committee memberships be approved:**

Hearings Sub-Committee 1

Councillors Thain (Chair), Brookes and Fisher

Hearings Sub-Committee 2

Councillors Witherspoon (Chair), Chalk and Prosser

Hearings Sub-Committee 3

Councillors Potter (Chair), R Smith and Fry.

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

Officers stated that, as had been set out in the Monitoring Officer's report, Kevin White, the former Feckenham Parish Council Representative on the Committee, had stood down from the Parish Council at the 2015 Elections. Mrs Pat Dormer, the existing Deputy Parish Representative, remained a parish councillor and had been sent a copy of the papers for that evening's meeting. Mrs Dormer was not present at the meeting.

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Officers stated that they would be liaising with the Parish Council Clerk regarding future representation on the Committee and would report back to Members on this, as appropriate.

RESOLVED that

the position be noted.

6. LOCALISM ACT 2011 - STANDARDS REGIME - GENERAL DISPENSATIONS

The Committee received a report which sought the re-granting of general dispensations previously granted by the former Standards Committee and, since July 2014, the Audit, Governance and Standards Committee.

The Deputy Monitoring Officer stated that all of the dispensations being sought fell within s33 (2) (a) of the Localism Act 2011, namely that it was considered that without the dispensation the number of persons prohibited from participating in the business would be so great a proportion of the body transacting the business as to impede transaction of the business.

RESOLVED that

- 1) subject to the caveat set out in paragraph 3.14 of the report in relation to setting the Budget, the Audit, Governance and Standards Committee grant dispensations under Section 33 (2) of the Localism Act 2011 to allow all Members to participate in and vote at Council and committee meetings when considering the setting of:
 - a) the Budget;**
 - b) Council Tax;**
 - c) Members' Allowances; and**
 - d) Council Rents;****
- 2) the Audit, Governance and Standards Committee grant a dispensation under Section 33 (2) of the Localism Act 2011 to allow Members to address Council and committees in circumstances where a member of the public may elect to speak;**
- 3) the Audit, Governance and Standards Committee grant a dispensation under Section 33 (2) of the Localism Act 2011 to allow Members to participate in and vote at**

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Council and committee meetings when considering the adoption of any new/updated Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the Borough;

- 4) the dispensations referred to at 1), 2) and 3) above take effect on receipt of a written request from Members for a dispensation and where Members may have a Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting; and**
- 5) the dispensations referred to at 1), 2) and 3) above be valid until the first meeting of the Audit, Governance and Standards Committee after the Borough Council Elections in 2016.**

7. AUDIT, GOVERNANCE AND STANDARDS COMMITTEE - ACTION LIST AND WORK PROGRAMME

Action List

- i) Ref 1 – Development of Key Performance Indicators (KPIs)

Officers advised that they had attended a meeting of the County Client Officer Group the previous week and that they would be bringing forward revised KPIs to the next meeting of the Committee. It was noted that KPIs were consistent across Worcestershire Internal Audit Shared Services.

Action: remove item from Action List.

- ii) Ref 2 – Corporate Dashboard of Measures

Members were advised that management were currently working across the Dashboard of Measures ('the Measures'), with new performance measures being introduced as part of this. The Measures would be reported on first to the Executive Committee, which would likely be in August, and would hopefully be ready for Audit, Governance and Standards Committee consideration in September. Portfolio Holders were able to look at the measures and any Members could talk to Heads of Service if they had any queries on these.

Action: item to remain on Action List for September meeting.

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iii) Ref 3 – Meeting start times

Members noted the proposal detailed in the Action List that the meeting start times issue be removed and that this be raised again in future should this prove necessary.

Officers stated that they would be looking to review, with the Committee Chair, the structure of what reports the Committee considered and when, with the aim of making for more meaningful meetings and consideration of the most relevant items.

Action: remove item from Action List.

iv) Ref 4 – Grant Thornton Audit Plan 2014/15 – minor IT control weaknesses

Officers stated that once the accounts had been finalised they would be speaking with the relevant Officers on the minor IT control weaknesses identified by the external auditors.

A Member stated that there were a number of items highlighted in Grant Thornton's Audit Plan 2014/15 which required chasing up. Officers stated that the external auditors would automatically follow-up on the issues raised. On being asked by Members, the external auditor commented that she thought Officers should probably also update Members on any key issues which had been identified by external audit.

Action: item to remain on Action List for an update at the September meeting.

v) Ref 5 – Finance/Debt related updates

Officers explained the various financial and debt-related updates provided in the Action List and advised that Finance were looking to have a monthly reconciliation of the suspense accounts.

Officers responded to questions from the Independent Member regarding the aged debt listing, which it was confirmed was reviewed on an ongoing basis as part of the recovery process. Officers explained that, as had previously been advised, there were some difficulties in producing meaningful debt data for Members at the present time owing to the recent change in the Council's ledger/finance system.

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The Independent Member asked whether Officers were also looking towards debtor days rather than debtor figures. Officers stated they would need to look to what the new system could produce, which it was hoped would include data on both the duration and amount of debts. The external auditor commented that this was the type of information which the Council currently provided to Grant Thornton.

Action: remove item from Action List.

Work Programme

As referred to under the Action List, it was noted that Officers would be reviewing with the Chair of the Committee which reports went to Committee and when. This would hopefully make for more meaningful meetings and consideration of the most relevant items.

RESOLVED that

subject to the comments detailed in the preamble above, the Committee's Action List and Work Programme be noted and the amendments and updates highlighted agreed.

8. GRANT THORNTON - AUDIT FEE LETTER 2015/16

Members were presented with the Audit Fee letter for 2015/16 from the Council's external auditors Grant Thornton and were asked to approve the level of fee.

Officers reported that the Statement of Accounts had not been submitted to the external auditors by the required 30th June 2015 deadline. The S151 Officer had had to make a decision at the deadline stage as to whether the Statement of Accounts were a fair reflection of the Council's accounts, which she had not felt to be the case. Officers undertook to submit the accounts the following week and explained the reasons which had led to the delay, which had included the loss of 2 senior accountants within the authority and a subsequent unsuccessful recruitment process for the posts.

The external auditor stated that as the Council had not met the statutory deadline for submission of the accounts, there was a risk that Grant Thornton might not be able to sign off the accounts by its 30th September 2015 deadline.

When asked about any possible repercussions in this regard the external auditor stated that, under statute, if Grant Thornton missed its deadline this could result in Value for Money qualification on the

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accounts, which in turn could impact on the Council's profile. She added that there was no impact with the delay at this stage but that this could result in a more challenging audit.

The Independent Member queried whether any action either had been, or was due to be taken to mitigate the risk of the same thing happening again. Officers stated that they were looking at this to ensure assurances were in place to ensure there would not be any reoccurrence of this.

Members agreed that the circumstances were exceptional and that it was important for the submitted accounts to be correct and to give a true reflection of the Council's financial position.

It was noted that Grant Thornton's 2015/16 audit fee represented a £20,000 reduction in the 2014/15 fee, as a result of procurement exercises run by the Audit Commission across both the Local Government and Health sectors prior to the Commission's demise. The External Auditor commented that the fee assumed that there were no issues arising from the audit which would result in further discussions/work needing to be undertaken.

RESOLVED that

the fee be approved.

9. GRANT THORNTON - UPDATE JUNE 2015

Members received a report from Grant Thornton which provided a summary of emerging national issues and developments that might be of relevance to the Committee. The report also asked a number of challenge questions in respect of those emerging issues which the Committee might wish to consider.

The external auditor stated that no work had been undertaken on the authority's accounts since the last meeting of the Committee. As such, there was nothing to report progress-wise.

It was noted that hard copies of Grant Thornton's 'A guide to local authority accounts' publication was being sent out to all members of the Committee. This would assist Members in understanding the authority's financial statements, and included the types of challenge questions to help Members in assessing whether the financial statements gave a true and fair view of the authority's financial performance and financial position.

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Members were advised of recent developments in relation to business rates appeals. Whilst it was hoped any such appeals would not be a major issue for the authority, owing to the timetable involved Officers had spoken with the Valuation Officer regarding businesses that they are aware of which might lodge such an appeal, provision for which had been included in the accounts.

Regarding devolution, Officers advised that a report on Combined Authorities should be referred to the Executive Committee. If opting to become a member of a combined authority the Council would continue to retain its sovereignty and funding, however such membership would allow for bigger growth and purchasing power and leverage for the community.

Finally, the external auditor referred to a Grant Thornton 'Getting Things Right: Members' Governance Training' event which was taking place at Wychavon District Council on 8th September 2015, to which all Members of the Council were invited. Officers agreed to circulate details of the event to all Members after the meeting.

RESOLVED that

Grant Thornton's report be noted.

10. CORPORATE RISK REGISTER

Members received a presentation from Officers on the Council's Draft Corporate Risk Register ('the Register') 2015/16. The Register was a joint document for both Redditch Borough Council and Bromsgrove District Council.

Officers explained that the management team had looked at the Register, with Heads of Service having considered what the most important risks were. The Register had been brought to Members in draft form in order that Members could consider whether there was anything that they wish to add to this.

A total of 6 corporate risks had been identified in the Register, namely:

- Fatality within service provision;
- Snap/poorly informed decisions made on savings/cuts;
- Financial constraints (from external sources reducing funding) have a negative impact on service delivery and/or quality;
- Partners of the Councils fail to deliver on joint working;
- Business Continuity Plans fail to operate effectively in a major emergency incident; and

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- IT systems and infrastructure has a major failure.

For each identified risk the Register detailed:

- Cause/Effect;
- Current Mitigations;
- Inherent Risk (risk scoring);
- Actions Needed;
- Residual Risk (risk scoring);
- Risk Owner; and
- Links to Strategic Purposes.

Officers explained the methodology behind the Risk Scoring Matrix which reflected both Councils' appetite/tolerance to risk. Members heard that risk tolerance should be reviewed at least annually as part of the formal refresh of risk management. There were three risk classifications (low, medium and high), which were based on the impact and likelihood values given to each risk. These were reflected as 'RAG' ratings; Red for High risks, Amber for Medium and Green for Low.

High risks required immediate attention and should be regularly monitored for change and to ensure agreed actions were being completed. Medium risks should be monitored and, if deemed necessary, further action taken to reduce the impact and/or likelihood of the risk. Low risks should concentrate on obtaining assurance on those controls in place that were reducing the risk, with no additional action being necessary with low risks.

Officers spoke on each of the identified risks and their associated risk ratings. The majority of the risks had been adjudged medium risks in terms of their inherent and residual risks scores. Financial constraints was deemed to be a high inherent and residual risk, with partners failing to deliver on joint-working also being a high inherent risk. Officers advised that financial constraints would remain a high risk until the accounts had been submitted to the external auditors the following week. Departmental Risk Registers were also in place, which again were RAG rated, and actions plans were in place to address all identified risks.

Some of the current risk issues included:

- Officers not being able to provide Members with data as to the levels to which people were using some of the Council's services and the benefits of those services to the community, together with evidence as to how services were affecting the public (i.e. the 'whole life cost' of what the Council does); and

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- Heads of Service being accountable for their budgets, with more data being needed to reflect links between the performance of the authority against budgets.

One issue which had been flagged up to the S151 Officer as a possible corporate risk related to the accounts and corporate fraud including procurement fraud. Officers would be looking at whether there was anything they should be looking at in these areas following the impending changes to the Benefits Fraud system.

By way of an update, Mr Dave Jones, the Committee's Independent Member for Audit and Governance matters and one of the Committee's Lead Risk Members, had met with the Section 151 Officer to discuss various risk issues and the Corporate Risk Register. He stated that work would be ongoing to see where the Council could add value and promote growth in services, together with helping Officers to understand the linking of risks to the Council's Strategic Purposes.

A Member queried whether data protection was sufficiently covered within the relevant risk register(s), which Officers agreed to check and report back to Members on.

Officers advised that the current Corporate Risk Register was more focussed as the previous Register had contained approximately 16 risks. The Register would now go back to the management team, with the addition of the Accounts and Corporate/Procurement Fraud to the list of risks.

The Chair asked both internal and external audit whether they were happy with the Register. Both were content with this and the external auditor stated that the Links to Strategic Purposes column on the Register was key, in order that Officers knew where they were starting from and what the overall aim was in achieving their priorities. Mitigations, and what Officers were doing to address identified risks, were also seen as crucial. Internal audit commented that the Register was not about identifying issues but was instead about looking at key risks, which tied in well with internal audit's work.

RESOLVED that

the Corporate Risk Register presentation and associated update from the Independent Member and be noted.

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11. GENERAL RISK MONITORING AND REPORTING AND APPOINTMENT OF LEAD RISK MEMBERS ON THE COMMITTEE FOR 2015/16

It was noted that Mr Dave Jones, Independent Member and one of the Committee's Lead Risk Members, had provided his update under the previous agenda item.

Regarding the request in the agenda listing for the Committee to consider which two Lead Members it wished to appoint as the Lead Risk Members on the Committee for 2015/16, it was agreed that Mr Jones be re-appointed to this role and that the second position be considered at the next meeting of the Committee when it was hoped more members of the Committee would be present.

RESOLVED that

- 1) Mr Dave Jones, Independent Member, be re-appointed as one of the two Lead Risk Members on the Committee for the 2015/16 Municipal Year; and**
- 2) consideration be given to the appointment of the second Lead Risk Member position at the next meeting of the Committee.**

12. BENEFITS INVESTIGATIONS - 1ST JANUARY 2015 TO 31ST MARCH 2015

The Committee received a report which advised on the performance of Benefits Fraud Investigation and Housing Benefits Overpayment for the 4th quarter of 2014/15.

Officers highlighted the key elements of the report and responded to Member questions.

The investigation of Housing Benefit would transfer to the Department for Work and Pensions under the Single Fraud Investigation Service (SFIS) in February 2016. Responsibility for the investigation of Council Tax Support would remain with the Council, as would the processing of data matches received from the Housing Benefit Matching Service and National Fraud Initiative. Decisions would need to be made over the next few months on the resources that the Council would need to retain from within the team in order to continue these functions.

Small amounts on information on the new SFIS were starting to be received, although some details would not be made known until

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nearer the transfer date. Officers hoped to give a brief presentation to Members at the September meeting on the SFIS and any known impact of the upcoming changes.

In relation to paragraph 3.5 of the report, the Independent Member queried whether there was any available data for working age people who had been in receipt of housing benefit over the preceding couple of years. Officers advised that the data for this changed daily and that there was a downward trend in the numbers. Officers agreed to provide the Committee with the requested data after the meeting and to include monthly charts for this data in future reports.

RESOLVED that

the report be noted.

13. GENERAL FRAUD MONITORING AND REPORTING AND APPOINTMENT OF LEAD FRAUD MEMBERS ON THE COMMITTEE FOR 2015/16

Regarding the request in the agenda listing for the Committee to consider which two Members it wished to appoint as the Lead Fraud Members on the Committee for 2015/16 it was stated that, from an Officer perspective, it would be helpful if Councillor Thain could remain in this role for continuity purposes.

As Councillor Thain had tendered his apologies for the meeting it was agreed that, subject to Councillor Thain's confirmation that he was happy to continue in this role, he be re-appointed as one of the Committee's Lead Fraud Members for the year ahead.

As with the appointment of the second Lead Risk Member earlier in the meeting, it was agreed that consideration be given to the second Lead Fraud Member position at the meeting in September, when it was hoped more members of the Committee would be present.

RESOLVED that

- 1) subject to Councillor Thain's confirmation of his being willing to continue as one of the two Lead Fraud Members on the Committee, Councillor Thain be re-appointed to this role for the 2015/16 Municipal Year; and**

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- 2) **consideration be given to the appointment of the second Lead Fraud Member position at the next meeting of the Committee.**

14. INTERNAL AUDIT - ANNUAL REPORT 2014/15

Members were presented with the Internal Audit Annual Report for 2014/15 and the Worcestershire Internal Audit Shared Services Manager's annual opinion on the overall adequacy of the Council's internal control environment for the same period.

Officers highlighted the key elements of the report and responded to Member questions.

Based on the audits performed during 2014/15 in accordance with the audit plan, the Internal Audit Manager had concluded that the internal control arrangements during 2014/15 effectively managed the principal risks identified in the audit plan.

Of the 29 audits that had been undertaken during the year, 23 had been completed and 6 were nearing completion. The majority of the audits had been allocated an audit assurance of either 'moderate' or above, meaning there was generally a sound system of internal control in place, no significant control issues had been encountered and no material losses had been identified during what had been a time of significant transformation and change. As had previously been reported to Members, only the Golf Course had been allocated an assurance level of 'limited' and a clear action plan to address all of the recommendations and issues raised had been put in place for this.

It was noted that Worcestershire Regulatory Services (WRS) remained a high risk area in regard to reconciliations of cash and licensing fees. However it had been agreed by the WRS Management Board that options would be explored whereby all income was collected and reconciled by WRS to enable a more streamlined process in relation to cash received.

Officers explained internal audit's role as a critical friend, the main aim of which was to add value to services. An example was quoted where Officers had sought internal audit's input on how Members received information as part of the budget process.

In relation to paragraph 3.27 of the report, the Independent Member queried whether any recommendations arising from internal audit's completion of the Anti-Fraud and Corruption Survey and the further work which was completed as part of the audit programme in this

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area would be brought to Members' attention. Officers confirmed that they would be bringing a report to Members on this in due course.

RESOLVED that

the report be noted.

15. ANNUAL GOVERNANCE STATEMENT 2015/16

Members' approval was sought of the draft Annual Governance Statement (AGS) for signature by the Leader of the Council and the Chief Executive, for inclusion in the Statement of Accounts 2014/15.

The AGS was a statutory document which provided an overview of the governance arrangements within the Council and highlighted those areas where improvement was required.

The 6 Core Principles identified by the Chartered Institute of Public Finance and Accountancy (CIPFA), which underpinned the effective governance of all local authorities and how the authority adhered to those principles, were noted.

No performance framework details were currently included in the AGS as Officers were developing a framework for this for the Committee's September meeting. Officers would also be including details of the late submission of the authority's accounts, together with key aspects from Grant Thornton's Audit Letter and Opinion in the final AGS. Confirmation would also be added to the AGS that the Council now had a Medium Term Financial Plan in place for the years 2015/16, 2016/17 and 2017/18.

RESOLVED that

subject to the additions referred to by Officers in the final paragraph of the above preamble, the Annual Governance Statement be approved for inclusion in the Statement of Accounts.

16. PORTFOLIO HOLDER'S UPDATE - QUARTERLY BUDGET MONITORING

In the Portfolio Holder's absence Officers provided the Portfolio Holder's update.

The following was noted:

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- the Financial Outturn 2014/15 had now been completed and, subject to external audit, the Council had more than delivered the unidentified savings levels that were set of £635,000. Further details in this regard would be contained in the finance report to the July Executive Committee;
- savings had been generated from holding posts vacant whilst reviewing resource requirements against service delivery, generating more income and ensuring that expenditure had been reduced on non-essential areas where there was no impact on the delivery of services to the community;
- this had resulted in balances being increased from the previous year; and
- where possible the savings had been taken from budgets in 2015/16.

As Members were already aware it was noted that the Council had not met the 30th June deadline for submission of the 2014/15 accounts.

The Portfolio Holder had been assured by Officers that the accounts would be ready by the following Wednesday. Having spoken to the S151 Officer at length about this issue, the Portfolio Holder was in agreement with the approach taken as he believed it more important the accounts give a true and fair reflection of the Council's accounts and be slightly late, rather than a set of accounts being submitted on time that had not received any assurance. Officers would keep Members advised on progress with meeting the new submission deadline, and assurances were given to Members that the Portfolio Holder would be having a full 'lessons learnt' review with Officers to ensure the same thing did not happen the following year.

RESOLVED that

the update be noted.

The Meeting commenced at 7.00 pm
and closed at 8.50 pm

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Chair