

Audit, Governance & Standards

Committee

Thursday, 7 July 2016

MINUTES

Present:

Councillor Jane Potter (Vice-Chair, in the Chair) and Councillors Tom Baker-Price, Natalie Brookes, Michael Chalk, Andrew Fry, Mark Shurmer and Pattie Hill (substituting for Councillor Pat Witherspoon)

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

Also Present:

Suzanne Joberns – Grant Thornton (External Auditors)
Megan Harrison – Independent Person for Standards (unofficial observer)

Officers:

Andy Bromage, Clare Flanagan, Sam Morgan and Jayne Pickering

Committee Services Officer:

Debbie Parker-Jones

1. CHAIR'S OPENING REMARKS

The Chair welcomed those present to the first meeting of the new municipal year, in particular Borough Councillors Tom Baker-Price and Mark Shurmer who were new members on the Committee.

2. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received from Borough Councillors David Thain, Rachael Smith and Pat Witherspoon. Councillor Pattie Hill substituted for Councillor Witherspoon.

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Apologies were also received from Mr Dave Jones, Independent Member for Audit and Governance, and Feckenham Parish Councillor Alan Smith, who was substituted by Feckenham Parish Councillor Slade Arthur.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. MINUTES

The minutes of the meeting of the Audit, Governance and Standards Committee held on 21st April 2016 were submitted.

RESOLVED that

the minutes of the meeting of the Audit, Governance and Standards Committee held on 21st April 2016 be confirmed as a correct record and signed by the Chair.

5. MONITORING OFFICER'S REPORT - STANDARDS REGIME

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

No complaints against Members had been received since the previous meeting of the Committee in April 2016. The Member training information detailed in the report was noted and Members approved the Hearings Sub-Committees memberships as detailed below.

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 Shurmer;

Hearings Sub-Committee 2

**Councillors Witherspoon (Chair), Chalk and Baker-Price;
and**

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Hearings Sub-Committee 3

Councillors Potter (Chair), R Smith and Fry.

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

Parish Councillor Arthur stated that he did not have any standards-related updates for the Committee. However, he expressed his general thanks to District Council Officers for the assistance which they provided on relevant day-to-day matters which affected the Parish Council.

RESOLVED that

the position be noted.

7. LOCALISM ACT 2011 - STANDARDS REGIME - DISPENSATIONS

Members received a report which sought the re-granting of two previously granted general dispensations, and which asked the Committee to note the position in relation to a number of previously granted general dispensations which were no longer required.

RESOLVED that

1) the previously granted general dispensations in relation to:

(i) allowing Members to address Council and committees in circumstances where a member of the public may elect to speak; and

(ii) the adoption of any new or updated Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the District,

be re-granted under section 33 (2) of the Localism Act 2011, to allow Members to participate in and vote at Council and committee meetings when considering these matters;

2) the position, as detailed at paragraph 3.13 of the report, in relation to the previously granted general dispensations for the setting of the Budget, Council Tax, Council Rents and Members' Allowances, which the County Monitoring

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Officers' Group has determined are no longer required, be noted;

- 3) it be noted that all dispensations granted by the Committee take effect on receipt of a written request from Members for such 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
- 4) it be noted that any re-granted dispensations will remain valid until the first meeting of the Audit, Governance and Standards Committee following the next Borough Council Elections in 2018.

8. GRANT THORNTON - PROGRESS REPORT AND UPDATE

Members received an update report from Grant Thornton on progress in delivering their responsibilities as the Council's external auditors. The report also detailed a number of Grant Thornton public sector publications which might be of interest to the Committee and which members might wish to read.

Suzanne Joberns highlighted the significant risk identified in the report in relation to valuation of the pension fund net liability. She explained that this had been on the Council's balance sheet for a number of years and that it was a very technical and complex issue. As the figure for this stood at £68m – that being the Council's share of assets and liability – Grant Thornton felt that this needed to be raised as a significant risk for the current year. A great deal of work had been undertaken on this and it was noted that there could be significant annual variances in the figure owing to a number of factors. This was an issue which affected authorities across the county, with the Council's housing stock also impacting on the figure.

RESOLVED that

the report be noted.

9. INTERNAL AUDIT - ANNUAL REPORT 2015/16

Members were presented with the Internal Audit Annual Report for 2015/16 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.

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Officers highlighted the key elements of the report and responded to Members' questions on this, in particular work which had been and was due to be carried out on the budget in light of the problems encountered with the 2014/15 budget process and Statement of Accounts. Members noted that the Core Financial Systems were audited in quarters 3 and 4 in order to maximise the assurance provided for the Annual Governance Statement and Statement of Accounts, and extra audit days had been built into the budget process moving forward.

Officers explained the approach undertaken with the 'critical friend' reviews, which usually took place when service areas were in the process of change/transformation in order that any internal audit suggestions could be built into the new processes.

Members noted that 92% of the audits undertaken during 2015/16, which included the critical review audits, had received an assurance of 'moderate' or above. Clients were also satisfied with the audit process and service. Due to an accumulation of small budget savings against several audit areas a small underspend had been reported.

RESOLVED that

the report be noted.

10. SECTION 11 RECOMMENDATIONS UPDATE AND PORTFOLIO HOLDER UPDATE

Members were presented with an update on progress against the external auditor Section 11 (S11) recommendations.

The Action Plan at appendix 1 to the report detailed the position as at 20th June. This showed that there were no areas of concern in the preparation and submission of the Statement of Accounts, and Officers were pleased to advise that the accounts had been submitted to Grant Thornton on 30th June; the statutory deadline for doing so.

The only work in progress related to Recommendation 4; budget monitoring processes. Officers reported that the format of the new Financial Planning module had been agreed with managers. It was expected that this would be rolled out to managers in September, with the new system hopefully being in place by the end of December. This would allow managers more control and flexibility over their budgets. Also, the quarterly monitoring statements to the

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end of June, which were to be sent out to budget-holders within 5 working days of period end, were due to be issued imminently.

The S151 Officer proceeded to provide an oral update on behalf of the Portfolio Holder. This thanked staff for their hard work in ensuring that the accounts were submitted by the required deadline, with it being noted that from 2017/18 unaudited financial statements would need to be published by the end of May; a month earlier than at present. Reference was made to the Finance Monitoring Outturn 2015/16 report to the Executive Committee the following week, which proposed a transfer to balances of £40k. The Senior Management Team would now be challenging Heads of Service to see if they could base their 2016/17 budgets on the 2015/16 budgets and maintain the same savings moving forward.

Members asked whether an action plan, similar to that produced for the external auditor S11 Recommendations, could be drawn up to monitor future progress with the budget and auditing of the accounts. This would take into account any recommendations from both internal and external audit following finalisation of the 2015/16 accounts, and would sit alongside the final Annual Governance Statement (AGS) to be submitted with the audited financial statements at the end of September. Officers agreed to draw up such an Action Plan, which would highlight the key budgetary risks moving forward.

RESOLVED that

- 1) the Section 11 Recommendations Action Plan as appended to the report be noted; and**
- 2) Officers draw up an Action Plan, to sit alongside the 2015/16 Annual Governance Statement within the final Statement of Accounts, to monitor the key risks identified as part of the budget process moving forward.**

11. CORPORATE GOVERNANCE - ANNUAL GOVERNANCE STATEMENT 2015/16

Members received a report which sought approval of the Annual Governance Statement (AGS) 2015/16 for inclusion in the final Statement of Accounts. Officers advised that the draft AGS appended to the report had been submitted to the external auditors on 30th June along with the draft Statement of Accounts.

This year's AGS had been updated to look at the key governance framework arrangements that the Council had in place. Some

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changes were likely to be made to the final version of this in September and the AGS would also be audited by internal audit.

Officers noted the inclusion of the additional Action Plan to accompany the AGS, as discussed under the previous agenda item (Minute No. 10 refers). The action plan would sit alongside the AGS to monitor future progress with the budget and the auditing of the accounts, and would take into account any recommendations made by both the internal and external auditors following finalisation of the 2015/16 accounts.

RESOLVED that

subject to the addition of the Action Plan detailed in the preamble above and as referred to at Minute No. 10, the draft Annual Governance Statement attached to Appendix 1 of the report be approved.

12. COMMITTEE ACTION LIST AND WORK PROGRAMME

Action List

The S151 Officer stated that she was conscious that there were a number matters detailed on the Action List. She proceeded to give updates on the following actions:

- 2 ii) – Benchmarking borrowing yield – it was agreed that relevant updates would be given in future Corporate Governance reports as and when the Council had any investments;
- 4 i) – Internal Audit – Rent Arrears & Universal Credit – actioned as per Action List;
- 4 ii) – Internal Audit – Delays in follow up action – actioned/in process of being actioned;
- 4 iv) – Internal Audit – budget work – being actioned/extra days added to Audit Plan for this work;
- 5 – Corporate Governance and Risk – actioned;
- 6 – Proposed Savings Report 2016/17 – details to be included in future savings report from next meeting onwards; and
- 7 – Draft Statement of Accounts – details emailed out to Members on 3rd July 2016.

Members agreed that the above items could therefore be removed from the Action List.

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It was agreed that the remaining actions, namely:

- 1 – Inventories;
- 2 i) – Liquidity Risk;
- 3 – Debt Recovery Update; and
- 4 iii) – Internal Audit – Key Performance Indicators,

would remain on the Action List until the next meeting of the Committee in order for Mr Dave Jones, Independent Member for Audit and Governance and Lead Risk Member on the Committee, to be in attendance to provide relevant updates following his involvement with these matters.

The S151 Officer advised that she would be responsible leading on and administering the Action List in future.

Work Programme

The Work Programme was noted without any amendments.

RESOLVED that

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

The Meeting commenced at 7.00 pm
and closed at 7.46 pm

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Chair