

# Audit, Governance & Standards Committee

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Thursday, 6 July 2017

## MINUTES

### Present:

Councillor Jane Potter (Chair), Councillor Tom Baker-Price (Vice-Chair) and Councillors Natalie Brookes, Michael Chalk, Andrew Fry, Mark Shurmer, Yvonne Smith, David Thain and Pat Witherspoon

### Also Present:

Megan Harrison – Independent Person for Standards (observing – during Minute No.'s 53 to part of 59)

Richard Percival – Grant Thornton (External Auditors)

### Officers:

Andy Bromage and Paul Field

### Democratic Services Officer:

Debbie Parker-Jones

### 53. WELCOME - COUNCILLOR YVONNE SMITH

Councillor Potter, the new Committee Chair, welcomed returning Councillor Yvonne Smith to the membership of the Committee for the municipal year ahead.

### 54. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received from Dave Jones, Independent Member for Audit and Governance, and Feckenham Parish Council Representative Alan Smith for Standards.

### 55. DECLARATIONS OF INTEREST

There were no declarations of interest.

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Chair

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## **56. MINUTES OF THE MEETING HELD ON 27TH APRIL 2017**

The minutes of the meeting of the Audit, Governance and Standards Committee held on 27th April 2017, which had been circulated as Additional Papers 1, were submitted.

### **RESOLVED that**

**the minutes of the meeting of the Audit, Governance and Standards Committee held on 27th April 2017 be confirmed as a correct record and signed by the Chair.**

## **57. ROLE OF THE COMMITTEE**

Following the Internal Audit training which had been provided to the Committee in July 2016, Councillor Potter took the opportunity of reminding Members of the role of the Committee, as follows:

The Committee must satisfy itself that:

- any potential risk exposure was acceptable and sense-checked;
- there was a pragmatic mitigation of risk;
- action plans were robust; and
- the audit plan was consistent with known risk areas within the Borough.

The Committee should concentrate on/ensure that:

- assurance levels that were of 'limited' or 'no' assurance;
- 'high' priority recommendations and mitigating actions;
- service areas where multiple 'medium' priority recommendations had been reported;
- overall governance was sound using internal audit output and opinion;
- management responses mitigated potential risk;
- follow up audits were taking place and reported by exception; and
- action plans were being implemented by management.

## **58. MONITORING OFFICER'S REPORT - STANDARDS REGIME**

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

Officers reported that the two current complaints had now been concluded by the Monitoring Officer, who had met with the Independent Person under the standards regime to determine the most appropriate course of action for each. As the Monitoring

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Officer had still to meet with the Councillors involved, who would be given the opportunity to resolve matters in line with the Council's agreed Member complaints process, the outcomes would be reported on at the next meeting of the Committee.

Members went on to note the training elements of the report, and also agreed the proposed Standards Hearings Sub-Committee memberships.

## **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**

**Councillor Potter (Chair), Councillor Brookes and Councillor Shurmer;**

### **Hearings Sub-Committee 2**

**Councillor Witherspoon (Chair), Councillor Chalk and Councillor Thain; and**

### **Hearings Sub-Committee 3**

**Councillor Baker-Price (Chair), Councillor Y Smith and Councillor Fry.**

## **59. EXTERNAL AUDIT - PROGRESS UPDATE**

Mr Percival, Engagement Lead for Grant Thornton, the Council's external auditors, provided a brief verbal update on progress.

Interim audit work was now complete and the Council had submitted the draft accounts for the financial year 2016/17 to Grant Thornton in advance of the 30th June deadline. It was noted that from the financial year 2017/18 the statutory deadline for publication of the unaudited financial statements was being brought forward a month to the end of May, with the deadline for audited financial statements moving from the end of September to the end of July. Grant Thornton would be commencing its audit visits to the Council the following week, with the value for money audit work almost having been completed.

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Mr Percival stated that following a highly successful procurement process undertaken by Public Sector Audit Appointments Ltd (PSAA), Grant Thornton had been awarded the largest percentage of local authority audits nationally. Whilst the allocation of specific audits had yet to be determined, it was hoped that Grant Thornton would continue to act as the Council's external auditors. The new external auditor regime would see local government paying significantly reduced fees for audit services, which Members were pleased to hear. Mr Percival added that housing benefit certification work was not covered under the PSAA tendering process, and that this would be dealt with on an authority-by-authority basis, with discussions due to take place between Grant Thornton and the Council's S151 Officer in this regard.

**RESOLVED that**

**the update be noted.**

## **60. INTERNAL AUDIT - ANNUAL REPORT 2016/17**

Members were presented with the Internal Audit Annual Report for 2016/17, the 2016/17 Worcestershire Internal Audit Shared Services (WIASS) Manager's annual opinion on the overall adequacy of the Council's internal control environment, and the Internal Audit Charter.

The WIASS Manager highlighted the key elements of the report and responded to Members' questions. The Audit Opinion Analysis for audits completed during the financial year 2016/17 and the resulting Assurance Levels, both as detailed in the report, were noted. Whilst some areas had returned an assurance level of 'limited' the majority of reviews had resulted in assurance levels of 'moderate' and above, with clear management action plans having been formulated to address risks in those areas where 'limited' assurances had been identified. Further work was required to embed risk management throughout the organisation, with outcomes now being monitored by the Executive Director – Finance and Resource.

Members noted from the report that WIASS had concluded that no system of control could provide absolute assurance against material misstatement or loss, nor could internal audit give that assurance. However, the Audit Opinion statement was intended to provide reasonable assurance based on the audits performed. Based on those audits the Head of WIASS had concluded that the internal control arrangements during 2016/17 effectively managed the principal risks in a number of areas, but not all, and could

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reasonably be relied upon to ensure that the Council's corporate objectives had mainly been met. Significant risk remained however in relation to the Housing Capital Programme and Risk Management.

Close monitoring of deployed measures were set to continue, however the need to reduce the overall risk and work towards a better approach beyond 2016/17 would be critical to create better transparency, expectation and accountability. This was necessary to ensure the Council could deliver a satisfactory housing capital programme, manage its risk management effectively and ensure other areas which attracted a 'limited' assurance developed and deployed a sound control environment.

As discussed at the previous meeting, Members reiterated the need for timely actions by Officers on actions identified by internal audit as part of audit reviews. The WIASS Manager stated that he was working closely with the S151 Officer to ensure that there was a clear and quick escalation of any matters of concern. He added that it was within the gift of the Committee to invite relevant Officers to provide further information/explanation in relation to any ongoing areas of concern, and that internal audit would automatically monitor progress with the implementation of agreed actions plans as part of their follow up work.

Mr Percival stated that, as highlighted by the Chair earlier in the meeting, given that the Committee had a corporate responsibility for risk management, and given that at the next meeting there would be a follow up on the risk management audit which had received a limited assurance, the Committee could decide if they wanted any Officers to attend for that item. It was also noted that a Corporate Governance and Risk report was due to be considered later in the meeting at Agenda Item 9.

## **RESOLVED that**

- 1) the report be noted; and**
- 2) the Internal Audit Charter be approved.**

## **61. INTERNAL AUDIT PROGRESS REPORT**

The Committee considered the internal audit progress report, which presented Members with progress on internal audit work for 2017/18 and the residual of 2016/17. The Worcestershire Internal Audit Shared Services (WIASS) Manager presented the report and responded to Members' questions. It was noted that an update

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report was not usually given at the July meeting, however it was felt appropriate to do so on this occasion given the number of 2016/17 Audit Summary Updates to be reported.

The outcomes of the Risk Management review, which had resulted in a Limited Assurance level, and concerns for which had been discussed under the previous agenda item, were noted, together with the resulting medium priority recommendations in this regard. Members were very concerned with the position and noted that the results of the initial follow up actions were due to be reported on in September 2017. As the oversight of risk management within the Council was one of the Committee's main functions Members stated that they would be closely monitoring the position with this.

Additional concerns were expressed by the Committee in relation to the lengthy planned follow ups listed for November 2017 for CCTV, Consultancy and Agency and Allotments. The Committee therefore agreed that the relevant Heads of Service should be asked to attend the next meeting of the Committee to provide an update on these and to explain the reason(s) for the delays.

## **RESOLVED that**

- 1) the report be noted; and**
- 2) the relevant Heads of Service be asked to attend the next meeting of the Audit, Governance and Standards Committee on 21st September 2017 to provide updates in relation to the outstanding CCTV, Consultancy and Agency and Allotments follow up actions.**

## **62. SECTION 11 UPDATE**

The Committee received a report which updated Members on Officer actions undertaken in relation to the Section 11 recommendations which had previously been issued by Grant Thornton. Mr Percival, Engagement Lead for Grant Thornton, highlighted a correction to paragraph 3.3 of the report, which stated that Grant Thornton had, on 30th September 2016, given unqualified opinions on the accounts and Value for Money Judgement for the 2015/16 financial year. He confirmed that whilst an unqualified opinion had been given on the accounts, a qualified opinion had been given on Value for Money.

Members noted the actions detailed in the report for the two Section 11 recommendations which required further work, namely:

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- the Council putting in place robust arrangements to ensure the budget preparation processes were based on sound assumptions which enabled forecasts to be made of budget outturn, including realistic assessments of demand factors, service and demographic changes, as well as sound assumptions around turnover and vacancy rates; and
- the Council ensuring that budget monitoring processes were timely to enable an accurate forecast to be made in-year of the likely year-end outturn and action to be taken, where necessary, to address budget variances.

The actions included the rollout of a new financial planning module within the Council's finance system, which would enable managers to view financial information on a daily basis and to update forecasts in a timely manner. Members queried whether it was possible for Officers to itemise any planned expenditure, to give a more detailed explanation for Members. Officers responded that they would prefer to see a 'justification' for spend from Officers, rather than a line-by-line breakdown, with the most significant spends being prioritised. Working papers would also exist which could provide any further detail required.

Mr Percival stated that the Council was now in a much better position overall than when the S11 recommendations had first been issued. However, there was still room for improvement with the Council's budget setting and budget monitoring. He added that whilst there could be volatility in local government accounting in the last quarter, which could impact on the budgetary position, Officers needed to be clear on their budgets, and on what they were spending and why.

Members queried whether the budget monitoring issues applied across the board, to which Officers responded that some departments were more problematic than others. Members asked whether this was because of pressure on managers to create savings more quickly, which Officers confirmed was not the case. Officers stated that budget holders needed to dedicate time to the new finance system, which in turn would provide for a clearer picture of what they were proposing budgetary-wise. Officers added that the 4 year local government finance settlement meant that it was now reasonably clear what monies could be expected, which provided some stability in terms of anticipated funding.

**RESOLVED that**

**the S11 actions detailed in the report be noted.**

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## 63. CORPORATE GOVERNANCE AND RISK

The Committee received a report which presented the draft Corporate Risk Register 2017/18 ('the Register') for Members' consideration. The report also updated Members on other corporate governance issues, including internal audit reports assessed as limited in their assurance level and actions which were being carried out in this regard.

The Register had been developed by the management team to address issues of a strategic nature which were seen as areas that had potential to impact on the delivery of the Council's strategic purposes. Members were asked to consider the draft Register and to make any proposed changes or additions to this, which would be monitored by the Committee on a 6-monthly basis. Officers advised that in addition to the Register, future actions included the development of a new Risk Management Strategy, together with improvements to the reporting of the Register to the Committee. Officers stated that the Register needed to be made smarter, and it was noted that the names of the Risk Owner for two of the risks needed to be added to this.

Members supported the document and in doing so stated that this also needed to show when actions were due to be completed by. It was therefore agreed that a "when" column be added to this. Members queried the Council's resistance to major incidents such as the Grenfell Tower fire, and whether anything should be built into the Corporate Risks in this regard. Officers responded that the Corporate Risks should be widened to include the Council's Emergency Plan, and where the Council was working in partnership with other agencies. Members queried whether the Council had a contingency fund similar to the Fire Authority for major incidents. Officers confirmed that should a major incident occur the Council would look to use its balances, with the Government then covering any associated costs above a certain threshold.

Members queried the high Residual Risk score for one of the Corporate Risks and whether the Residual Risk level should, in light of the Current Mitigations and Actions Needed detailed, look to reduce. Officers agreed that Residual Risk scores should always reduce to as low a level as possible, with the objective being to bring these down to either amber or green level.

Members queried how developed the Risk Register was at this stage. Officers advised that this would need to be considered by the Risk Management Group, who would need to look at this over



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the course of a few meetings before being clear on what the mitigating elements were and on any positive/negative trends. The Committee requested that in light of the issues highlighted and concerns raised during the meeting in relation to Risk Management, the Register be reported on at all future meetings of the Committee, rather than on a 6-monthly basis.

Mr Percival added that he was aware that other district councils engaged with their insurers on corporate risk register issues, as insurers had expertise in the field of risk management frameworks. He suggested therefore that if Officers weren't already doing so they might wish to engage with the Council's insurers on this.

## **RESOLVED that**

- 1) the draft Corporate Risk Register be updated in accordance with the comments/actions detailed in the preamble above; and**
- 2) Corporate Risk Register reporting take place at all future meetings of the Committee, rather than on a 6-monthly basis.**

## **64. FINANCIAL SAVINGS MONITORING REPORT 2016/17**

Members received a report on the monitoring of savings for 2016/17, which also included the delivery of savings and additional income for the period April 2016 to March 2017.

Officers presented the report and in doing so noted that a further £348k had been generated in savings and additional income at the end of the financial year 2016/17. Officers added that the Budget Scrutiny Working Group had also been looking at the format of the report to see whether any improvements could be made to this.

## **RESOLVED that**

**the financial position for savings for the period April 2016 to March 2017, as presented in the report, be noted.**

## **65. COMMITTEE ACTION LIST AND WORK PROGRAMME**

Action List

Ref 1 – Statement of Accounts 2014/15: Inventories

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Councillor Potter advised that a meeting had taken place with herself, Officers and Dave Jones, at which concerns had been raised in relation to stock turn. Three key issues had come out of the meeting, which Officers were currently looking into, namely:

- the need to establish a stock turn level (e.g. how many days' stock the Council held);
- better communications with the Housing Team in relation to stock levels as a large proportion of stock held originated from that service; and
- how stock write-offs should be dealt with.

It was agreed that a further update on progress with the above would be given at the next meeting.

Action: Item to remain on Action List for update at September 2017 meeting.

## Ref 2 – Debt Recovery Update – Quarters 1 and 2 2015/16: Measures Dashboard

It was noted that Jayne Pickering and Dave Jones had not yet met to discuss this issue. A meeting would therefore be arranged and an update on this provided at the next meeting.

Action: Item to remain on Action List for update at September 2017 meeting.

## Ref 3 – External Audit – Certification Work Report 2015/16: Officer batch testing of claims – result trends

Officers reported that more work had been undertaken on payments and that this had not identified any problems. It was therefore agreed that this be removed from the Action List.

Action: Item to be removed from Action List.

## Ref 4 – Internal Audit – Progress Report: Community Centres review – non-statutory requirements/good site management practice

The Officer action undertaken, as detailed in the Action List, was noted.

Action: Item to be removed from Action List.

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## Ref 5 – Compliance Team Update: Monies Recovered and Repayment Timescales

It was noted that this action was due for completion in September 2017.

Action: Item to remain on Action List for update at September 2017 meeting.

## Ref 6 – Treasury Management Strategy Statement and Investment Strategy 2017/18 to 2019/20: Yield Benchmark Data

It was noted that this action was due for completion in February 2018.

Action: Item to remain on Action List for February 2018 meeting.

## Work Programme

The Work Programme was noted.

## **RESOLVED that**

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

The Meeting commenced at 7.00 pm  
and closed at 8.10 pm

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Chair