

Audit, Governance & Standards Committee

Thursday, 21 September
2017

MINUTES

Present:

Councillor Jane Potter (Chair) and Councillors Natalie Brookes, Michael Chalk, Mark Shurmer, Yvonne Smith and Pat Witherspoon

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

Also Present:

Neil Preece – Grant Thornton (External Auditors)
Mary Wren – Grant Thornton (External Auditors)

Officers:

Andy Bromage, Ray Cooke, Claire Felton, Paul Field, John Godwin, Jayne Pickering, Deb Poole, Paul Stephenson and Judith Willis

Democratic Services Officer:

Debbie Parker-Jones

66. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillors Tom Baker-Price and Andrew Fry, and Feckenham Parish Councillors Alan Smith and Slade Arthur.

Whilst not a member of the Committee, Officers also tendered apologies on behalf of Councillor John Fisher, Portfolio Holder for Corporate Management.

67. DECLARATIONS OF INTEREST

There were no declarations of interest.

68. MINUTES OF THE MEETING HELD ON 6TH JULY 2017

The minutes of the meeting of the Audit, Governance and Standards Committee held on 6th July 2017 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 6th July 2017 be confirmed as a correct record and signed by the Chair.

69. 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 confirmed that no new complaints had been received since the last meeting of the Committee. The two ongoing Member to Member complaints had been resolved locally in agreement with the political group leaders. Officers stated that there had been very positive input from the Members involved, and that social media training would be provided for Members as a result of the complaints.

As previously advised, Officers confirmed that Members should speak with their group leader regarding any requests for training, which would then be considered by the Member Development Steering Group.

RESOLVED that

the report of the Monitoring Officer be noted.

70. EXTERNAL AUDIT - AUDIT FINDINGS REPORT 2016/17

Members received for consideration Grant Thornton's Audit Findings Report for the 2016/17 Statement of Accounts. Mr Neil Preece and Ms Mary Wren of Grant Thornton presented the report.

Mr Preece advised that the audit was almost complete and that, subject to completion of some minor elements, Grant Thornton had given an unqualified opinion on the accounts and a qualified Value for Money opinion. The accounts had been submitted to Grant Thornton on 27th June; within the current statutory deadline.

Mr Preece reminded Members that with effect from the 2017/18 financial year draft accounts would have to be submitted to the external auditors by the end of May; a month earlier than at present. The external auditors would then have to complete their audits by the end of July, rather than the end of September. Grant Thornton had been working with Officers in preparation for the new statutory

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deadlines. The audit team had some concerns as to whether the Council would be able to produce the accounts to the required standard within the new timeframe, particularly as Officers would be doing this for two authorities. Other authorities had produced accounts within the new timescale but not to the same quality as previously. Concern was also expressed in relation to two key members of staff who had been involved in the production of the 2016/17 accounts, but who would not be at the Council during preparation of the 2017/18 accounts.

In order to address Grant Thornton's concerns Officers advised that they were currently in talks with the Chartered Institute of Public Finance and Accountancy ('CIPFA') regarding a supported software system which could close down accounts at the touch of a button – known as the 'Big Red Button' ('BRB'). Officers were working with CIPFA on a model for this, for procurement in 2018. Members were advised that the BRB had already been piloted in some authorities. Mr Jones queried whether the Council needed to factor in any risk for this, in the event it didn't work. Officers explained the testing process and the support the Council would receive from CIPFA. Paul Field, who had worked on the Council's 2016/17 accounts, and who would shortly be leaving the authority to work at CIPFA, was thanked for his work. Officers added that the Council's new Financial Services Manager, Chris Forrester, was due to start in mid-November. It was also anticipated that there would be a secondment opportunity from Solihull Council for the second member of staff who would be taking maternity leave during the preparation of the 2017/18 accounts.

Mr Preece went on to highlight other key messages from the report, including materiality and the audit findings against significant risks. Officers responded to Members' questions, including the reason for the Council's failure to complete its pension PCF1 returns to the County Council, and Officers' actions in this regard. The invoice issues highlighted under Internal Controls and the Management Response to this was also discussed. Members queried whether sending out a return envelope might assist in the processing issue. Officers responded that there would be a cost involved with this but that they could look into the position. Further clarification was also sought by Members in relation the Journal authorisations' issues.

It was noted that two of the IT control issues identified in the previous year – in relation to absence of proactive reviews of logical access within Civica IBS and E-Financial and the lack of documentation batch administration policies and procedures – had not met the anticipated completion date of the end of August, and were due to be completed at the end of October. Whilst a number

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of adjustments to the draft accounts had been identified during the audit process, Grant Thornton had not identified any adjustments which had not been made within the final set of financial statements, which was positive news.

Mr Preece closed by explaining Grant Thornton's Value for Money findings and agreed recommendations for improvement, and Management's responses to these in the Action Plan appended to the report. Grant Thornton were working with Officers on a number of issues, including the development of RAG rating/narrative within budget monitoring reports to improve in-year financial reporting to Members. Financial sustainability and robustness of the Medium Term Financial Plan, which were seen as weaknesses, were also discussed. Further work was required to show how proposed savings plans of £1m would be met. Officers stated that if there was not a robust business case for the savings these should be identified as 'gaps' in order to avoid giving any false reassurances. Grant Thornton were working with Officers to provide stronger business cases, with business cases to be approved by Officers and then Members.

Members agreed that there needed to be a clear picture of where proposed savings would come from. Officers advised that the Senior Management Team would be undertaking an additional piece of challenge work with all Heads of Service to go through savings, to ensure that the £1m identified was realised. The Quarter 2 savings report would be based on the Solihull Council model and would make clear the background to any savings, including RAG rating details. There would also be a solid business case for all savings and a consistent approach for all business cases from 2018/19 onwards.

Officers referred to the Action Plan for the Financial Statements and accompanying recommendations, and advised that further details of actions would be brought to the next meeting, with progress updates to be given at all subsequent meetings. Members queried what would happen in relation to the Value for Money recommendations and Officer actions for these, which it was agreed would also be monitored at all future meetings. Members further requested that they be provided with a copy of the timetable for production of the 2017/18 financial statements (which they had been given for the 2016/2017 accounts), which Officers agreed to forward on.

RESOLVED that

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- 1) **the Audit Findings Report 2016/17, as attached at Appendix 1 to the report, be noted; and**
- 2) **the draft Letter of Representation, as attached at Appendix 2 to the report, be approved.**

71. AUDITED STATEMENT OF ACCOUNTS 2016/17

The Committee was asked to approve (it having the power to so approve and not necessitating a recommendation to Council as stated in the report) the Council's Statement of Accounts for 2016/17.

The Chair referred to the Statement of Accounts Briefing which Officers had conducted for Members the previous week, which it was noted should have answered most questions that Members might have on the accounts. Members stated that the Briefing had been very helpful and informative and thanked Officers for this.

Officers provided an overview of the key statements. No changes had been made to the General Fund, which Officers were very pleased about, and there was a positive picture in relation to reserves and funds overall. Officers explained the positions with the Movement in Reserves Statement, Housing Revenue Account and Capital Receipts. There was a significant profit on the Council's expenditure as the housing stock valuation had increased during the year. Officers also explained the Council's long term liability on the pension deficit, which had increased by £8m in a year, for which Members were advised there was a 19 year plan to reduce this to zero.

RESOLVED that

the 2016/17 Statement of Accounts be approved.

72. INTERNAL AUDIT PROGRESS REPORT

The Committee received the Internal Audit progress report which presented Members with progress on Internal Audit work for 2017/18. The Worcestershire Internal Audit Shared Services (WIASS) Manager presented the report and responded to Members' questions.

Members noted that all of the audit reports issued/completed since the previous update report had resulted in assurance levels of moderate or above. A number of other audits were currently ongoing, the assurance levels for which would be reported on at the

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next meeting. There were a number of medium priority recommendations arising from the 2017/18 audits, for which details of the Management Responses and agreed Action Plans were set out in the report. There were no high recommendations arising.

Following concerns previously raised by the Committee in relation to the lengthy/ongoing planned follow ups for the CCTV, Consultancy and Agency and Allotments audits, the relevant Heads of Service were in attendance and advised Members on the respective positions with these.

Officers explained the CCTV access rights issue and the required Team Leader authorisation which led to delays in the production of some data files. Members were advised that the issue could not be resolved at present, and that to mitigate any risk all staff within the department had received data protection training. Officers stated that they could look at the staffing issue as part of the Council's commercialisation and income generation agenda. In light of the cost implications associated with available software to address the issue, Officers agreed to speak with the internal auditors to see whether any paper copy alternatives could be introduced, bearing in mind any associated risk factors. Officers agreed to report back on the position with this at the next meeting.

Regarding Consultancy and Agency, Members were provided with an update on the ongoing review of the current Matrix system (used for procuring consultancy and agency staff), and the contract for this. The internal review included involvement from Human Resources, Finance and Procurement Officers. The existing contract with Matrix was due to expire in December 2017. The option of extending the contract for a further six months in order to conclude the internal review and allow time to undertake any procurement exercise that might be required was being looked into. Whilst the review was ongoing it was recognised that the Matrix contract was in place and working, and that as such that any risk to the authority was low.

In relation to Allotments, Officers advised that the majority of the required actions had now been completed. The only outstanding area related to a change in water charges, with the Council aiming to fully cover its water costs and which it was hoped would be concluded within the next couple of months.

Officers advised that any significant delays in agreed follow up actions would, in future, be taken to the Senior Management Team to ensure that actions were being carried out as soon as possible, or that where other factors impacted on this the position be

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reviewed as early as possible to agree any alternative course of action that might be needed. The WIASS Manager confirmed that Internal Audit appreciated that the position in relation to recommendations and agreed actions could change following audits, and in between planned follow ups. This meant that some recommendations could become surplus to requirements, or that adjustments to agreed actions might be needed. In such circumstances if Officers and Internal Audit could come up with solutions then they would do so. Mr Jones stated that such control processes should be in place, and that any planned follow ups that could be avoided should be.

The Chair thanked Officers for attending and stated that she hoped the Committee's frustrations with ongoing follow ups were understood, and requested that Officers aim to complete outstanding actions as promptly as circumstances would allow.

RESOLVED that

the report and updates provided by Officers be noted.

73. COMPLIANCE TEAM UPDATE

Members received an update report on the work of the Compliance Team following the transfer of benefits fraud to the Department for Work and Pensions ('DWP') Single Fraud Investigation Service in February 2016. This was the second such report to Committee, the first having been considered by Members in February 2017.

Officers presented the report and responded to Members' questions in this regard.

The additional 10% income which was being awarded to the Council by the County Council (the other major preceptor), as a result of the proactive work being undertaken by Officers in relation to Housing Benefit and Council Tax Support, was noted. Members also noted the higher than anticipated Business Rates figure of £500k and the 3-month backlog at the Valuation Office, further details of which Officers would report on in the next report.

Officers referred to a request from Members in February regarding whether it was possible for details of actual monies recovered and agreed repayment timescales to be included in future reports. Officers advised that they had looked into this and that it was difficult to provide such information. It was noted that the Council Tax collection rate for 2016/17 stood at 96%. As recoveries were dealt with by the Revenues and Benefits Team as a whole it was

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not possible to say what proportion of the recoveries were directly attributable to the Compliance Team.

The DWP's remit over investigations, together with the Council's role in providing relevant information to the DWP and HM Revenue and Customs, was noted. The rollout of Universal Credit in the town at the end of October was also noted and the work being undertaken by Officers in preparation for this.

RESOLVED that

the report be noted.

74. RE-APPOINTMENT OF LEAD RISK AND FRAUD MEMBERS ON THE COMMITTEE

The Committee were asked to consider the re-appointment of the Lead Risk and Fraud Members on the Committee for the year ahead.

Members were first asked to consider whether they wished to re-appoint to the roles, which they agreed they did.

In light of the item listed later in the agenda under the Committee's Work Programme to review the Independent Member appointment in 2018, and as Mr Jones – the current Independent Member – was also the Committee's Lead Risk Member, Mr Jones was asked whether he anticipated wishing to remain on the Committee for a second term of office. Mr Jones responded that provided the Committee and the matters which it considered continued to move forward in a progressive manner, then he would be happy to continue. It was therefore agreed that Mr Jones be re-appointed as the Lead Risk Member on the Committee.

Regarding the Lead Fraud Member appointment, and in Councillor Thain's (the current post holder's) absence, it was agreed that Officers would ask Councillor Thain outside of the meeting whether he would be willing to continue in this role.

RESOLVED that

- 1) Mr Dave Jones continue as the Committee's Lead Risk Member for a further 12 months; and**
- 2) Councillor David Thain be asked if he was willing to continue as the Committee's Lead Fraud Member.**

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75. SECTION 11 UPDATE

It was noted that this report should not have been included on the agenda on this occasion.

76. RISK MANAGEMENT STRATEGY

Members were asked to consider the draft Risk Management Strategy ('the Strategy').

Officers explained the background to the Strategy and accompanying Risk Management Handbook for Managers. If approved by the Committee the Strategy and supporting Handbook would ensure that there was a robust framework in place for the identification and management of risks, which would be fed through the Corporate Management Team to fourth tier managers.

Mr Jones, Lead Risk Member on the Committee, fully endorsed the Strategy, which he stated appeared to be very compliant focussed. He asked how management would ensure the aims of the Strategy were being achieved. Officers responded that the Risk Management Group would monitor this and would look at risk registers within the Council. Officers added that Mr Jones was welcome to attend the Risk Management Group's quarterly meetings, which Mr Jones stated he wished to do.

Members requested a copy of the Handbook, which Officers agreed to provide.

RESOLVED that

the Risk Management Strategy be approved.

77. COMMITTEE ACTION LIST AND WORK PROGRAMME

Action List

Ref 1 – Statement of Accounts 2014/15: Inventories

Mr Jones provided an update on a meeting which he had had with the Stores Team regarding inventories.

He spoke on a number of key points and processes arising from the meeting which included: inventory levels (which had increased to £40k in the current year); purchases; controls; change management process; the high number of vehicles which were static and which not moved during his visit; and slow moving/obsolete stock.

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Mr Jones queried whether, in light of the above, some sort of feasibility study should be undertaken into this area, to ensure that this was being operated in the best manner. It was queried whether this might be something for Overview and Scrutiny (O&S) to look at. Officers responded that they were conscious this was quite a specialist area and that this might not be appropriate for O&S. It was further noted that some elements also linked with Housing and Environmental Services. Members agreed that there were a large number of issues to be looked into and requested that the Head of Environmental Services be asked to prepare a briefing note for the Committee members on this, with a full report on the Stores position to follow at the next meeting of the Committee on 1st February 2017.

Action: Guy Revans to draft Briefing Note for Members and to take full Stores report to 1st February 2018 meeting.

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

Officers advised that debt recovery information was now being included in the Quarterly Finance Monitoring reports to Executive Committee.

Action: Item to be removed from Action List.

Ref 3 – Compliance Team Update: Monies Recovered and Repayment Timescales

It was noted that Officers had confirmed the position with this earlier in the meeting, as part of the latest Compliance Team Update report (Minute No. 73 above refers).

Action: Item to be removed from Action List.

Ref 4 – 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.

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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 9.12 pm

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Chair