

# Audit, Governance & Standards Committee

Monday, 30th July, 2018

## MINUTES

### Present:

Councillor John Fisher (Chair), Councillor Mark Shurmer (Vice-Chair) and Councillors Salman Akbar, Joanne Beecham, Michael Rouse, Craig Warhurst and Pat Witherspoon

### Officers:

Andy Bromage, Clare Flanagan, Chris Forrester, Jayne Pickering and Neil Preece

### Democratic Services Officers:

Jess Bayley and Farzana Mughal

## 1. APOLOGIES AND NAMED SUBSTITUTES

Apologies for absence were received on behalf of Councillors Michael Chalk and Yvonne Smith.

Apologies for absence were also received from Dave Jones, the Independent Member, and Richard Percival from Grant Thornton.

Members were informed that Dave Jones, who was appointed as an Independent Member for Audit, Governance and Standards Committee, had resigned from the Committee as of immediate effect. Members were advised that a report would be prepared in respect of the role of the Independent Member for this Committee, which would be considered at the next meeting in October, 2018.

On behalf of the Committee, the Chair expressed his thanks to Dave Jones for his hard work and commitment. The Committee agreed to write to him to thank him for his valuable contribution to the Committee.

### RESOLVED that

- 1) **the role of the Independent Member of the Audit, Governance and Standards Committee be considered at the next meeting of the Committee held on 25<sup>th</sup> October, 2018; and**

.....  
Chair

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- 2) on behalf of the Committee, a letter of gratitude to be sent to Dave Jones (Independent Member) for his support and contribution to the Committee.

## **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **3. MINUTES OF THE AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING ON THE 26TH APRIL 2018**

The minutes of the meeting of the Audit, Governance and Standards Committee held on 26<sup>th</sup> April, 2018 were submitted.

### **RESOLVED**

**that the minutes of the Audit, Governance and Standards Committee meeting held on 26<sup>th</sup> April, 2018 be approved as a correct record.**

## **4. RE-APPOINTMENT OF LEAD FRAUD MEMBER ON THE COMMITTEE**

Members considered the re-appointment of the Lead Fraud Member of the Committee. The Executive Director of Finance and Resources informed the Committee that there was a Compliance Team that would look at any issues around fraud.

The Committee was advised that the role of a Lead Fraud Member was not vital for this Committee. Nonetheless, Members would be informed of any issues relating to fraud when necessary and a Compliance report would be presented to the meeting bi-annually.

### **RESOLVED**

**that the role of the Lead Fraud Member for the Audit, Governance and Standards Committee not be re-appointed**

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

The Principal Solicitor presented Members with the Monitoring Officer's Report for consideration.

Members were informed that since the last meeting of the Committee a number of complaints had been received by the Monitoring Officer, in respect of Members' use of social media. Although these did not engage the Code Of Conduct, Group Leaders and the Monitoring Officer felt it was necessary to arrange social media training for all Members to address the concerns raised. The training would take place on 19<sup>th</sup> and 20<sup>th</sup> September, 2018 during political party group meetings. The Committee noted that it was prudent for all Members to attend the training.

Furthermore, Members were informed that training in respect of Corporate Manslaughter had taken place; this involved round-table discussions and Members had found the training useful.

It was noted that Members had raised concerns in relation to the dependence of training providers on the use of PowerPoint presentations and felt that training sessions needed to be more interactive.

The Member Support Steering Group had identified a requirement for further training to be provided to Members in respect of Equalities and Diversity. Officers were currently looking at potential dates to deliver this training later in the year.

### **RESOLVED**

**that the Monitoring Officer's Report be noted.**

## **6. GENERAL DISPENSATIONS REPORT**

The Principal Solicitor presented to the Committee the Dispensations report for Members' consideration. The Committee was informed that Members could apply for a dispensation when they had a pecuniary interest in a matter.

Members considered a dispensation request from Councillors David Bush and Jennifer Wheeler to enable them to participate in discussions and decisions in relation to the Town Centre Partnership and Town Centre Regeneration as they were both non-

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voting Directors appointed to the Redditch Town Centre Partnership's Board.

Members considered an additional dispensation request from Councillor David Bush to enable him to participate in discussions and decisions concerning the Greater Birmingham and Solihull Local Enterprise Partnership as he was appointed as a substitute Member and Director on the GBSLEP Joint Committee Local Supervisory Board.

## **RESOLVED that**

- 1) any new Individual Member Dispensations (IMDs) requested by Members up to the point of the meeting, and as advised by the Monitoring Officer at the meeting, be granted under section 33 (2) of the Localism Act 2011, to allow those Member(s) to participate in and vote at Council and Committee meetings in the individual circumstances detailed;**
- 2) the previously granted general dispensation in relation to:**
  - (i) allowing Members to address Council and committees in circumstances where a member of the public may elect to speak.**
  - (ii) the adoption of any new or updated**  
**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.**
- 3) subject to the caveat set out in paragraph 3.9 of this report in relation to setting the Budget, the Audit, Governance and Standards Committee grants 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;**

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- e) **Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the District;**
- 4) **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**
- 5) **it be noted that any new or re-granted dispensations will remain valid until the first meeting of the Audit, Governance and Standards Committee following the next Borough Council Elections in 2019;**
- 6) **a general dispensation be granted to Councillors David Bush and Jennifer Wheeler to enable them to participate in discussions and decisions concerning the Town Centre Partnership and Town Centre Regeneration; and**
- 7) **a general dispensation be granted to Councillor David Bush to enable him to participate in discussions and decisions concerning the Greater Birmingham and Solihull Local Enterprise Partnership.**

## **7. GRANT THORNTON - AUDIT FINDINGS REPORT 2017/18**

Neil Preece, from Grant Thornton, presented the External Audit Findings Report for 2017/18, which outlined the key matters arising from the audit of the Council's financial statement for the year ended 31<sup>st</sup> March, 2018.

Grant Thornton expressed their thanks to the Finance Team for their hard work during the audit. It was reported that although significant improvement had been made, nonetheless, there were further improvements to be made as there was continued pressure to deliver savings to ensure a balanced Medium Term Financial Plan.

The Committee was informed that in the previous year there were concerns around the reporting; however, Grant Thornton was satisfied with the arrangements this year.

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Members were informed that the financial statements were produced in advance of the deadline and a significant improvement on the timescale had been achieved compared to last year. Whilst officers had responded positively, it was recognised that the Council needed to ensure that next year sufficient time was given for a robust and thorough quality review of the accounts.

The key messages arising from the audit of the Council's Financial Statements were that:

- There were no unadjusted misstatements.
- The narrative report was enhanced and expanded in order to meet the code requirements.
- There was a non-rebuttable presumed risk of management over-ride of controls being present in all entries.
- Some of the risks identified locally were the same as the risks in previous years. Audit work had been undertaken to address the risks and there were no significant concerns.
- Audit work had been undertaken in respect of operating expenses and there were no significance issues identified.
- Grant Thornton was satisfied that early payments to the pension fund were compliant with regulations and were appropriately reflected in the financial statements.

It was reported that the key findings were assessed against any significant risks that were identified both prior to and during the review.

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

- Expenditure and income, showed that employee benefits had increased by £3.083m year on year. This was due to a change in the way the figures were reported this year and Officers had provided explanations for the change in approach.
- Clarity was sought to confirm that the Medium Term Financial Plan was for four years from the period of 2018/19 to 2021/22.
- Initially the Annual Governance Statement did not fully comply with the code requirements and did not make sufficient reference to the Housing Repairs investigation, which was now included as a 'Significant Governance Issue'. Members were advised that the s151 Officer's report would be submitted to the Committee in October, 2018, to detail how the recommendations from previous housing audits have been implemented.

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**RESOLVED that**

- 1) the Audit Findings Report for 2017/18 be approved; and.**
- 2) the draft letter of representation be approved.**

## **8. AUDITED STATEMENT OF ACCOUNTS 2017/18**

The Committee considered the Statement of Accounts for 2017/18. The Executive Director of Finance and Resources presented the report and informed the Committee that the Statement of Accounts was approved by the Executive Director of Finance and Resources on 30<sup>th</sup> May, 2018 and submitted to Grant Thornton, External Auditors. She further outlined the key issues detailed in the report.

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

- Briefing papers would be disseminated to Members to update them on the changes in respect of the New Homes Bonus.
- Capital expenditure amounted to £8.9m against a planned budget of £15.4m. This was due to issues with the Housing Revenue Account (HRA), repairs and maintenance. A total of £6m was reserved for future housing projects.

**RESOLVED**

**that the Statement of Accounts for 2017/18, including the Accounting Policies be approved.**

## **9. INTERNAL AUDIT - ANNUAL REPORT 2017/18**

The Head of the Internal Audit Shared Service presented the Committee with the Internal Audit Annual Report for 2017/18, which outlined the work completed from 1<sup>st</sup> April, 2017 to 31<sup>st</sup> March, 2018.

The Head of Internal Audit Shared Service had concluded that the internal control arrangements during 2017/18 effectively managed the principal risks in a number of areas and could be relied upon to ensure the Council's corporate objectives had been met.

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Managers were asked to provide feedback on system audits by completing a questionnaire. At the conclusion of each audit a feedback questionnaire was sent to the responsible manager and an analysis of those returned showed a very high satisfaction with the audit product.

A clear management action plan had been formulated to address the issues identified in the audit area where 'limited' assurance was identified to mitigate the risk. Where audits were to be finalised a comprehensive management action plan would be required and agreed by the s151 Officer.

Members were presented with the Internal Audit Charter. It was advised that the revised charter would be presented to the Committee in October, 2018 for consideration.

The Chair asked if the working relationship with other services were cooperative. The Head of Internal Audit Shared Service clarified that all services were supportive in their dealings with Audit and if services were not cooperating this would be reported to the s151 Officer and would be escalated to senior management. The Executive Director of Finance and Resources advised that the Committee had responsibility to monitor and ensure all audits were undertaken to make sure that the agreed recommendations and action plans had been implemented.

## **RESOLVED**

**that the Internal Audit Annual Report for the period of 1<sup>st</sup> April, 2017 to 31<sup>st</sup> March, 2018 be noted.**

### **10. INTERNAL AUDIT - EXTERNAL ASSESSMENT 2017/18 PROGRESS REPORT**

The Head of the Internal Audit Shared Service presented the Committee with the Internal Audit External Assessment for 2017/18 Progress Report.

It was reported that all Internal Audit Services were obliged to comply with the Public Sector Internal Audit Standards 2013 and undertake an independent external assessment every five years to ensure compliance with the Standards.



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The Committee was informed that the report was presented to the Client Officer Group in November 2017, and the key outcomes of the assessment were that:

- The service was solid and reliable.
- Nothing was wrong.
- No areas of non-compliance were identified.

The report identified a number of recommendations and suggestions to further enhance the service. All of the elements had been addressed that would benefit the service overall. It was planned that progress against the report would be reported to the Committee twice a year until all the points identified had been satisfied.

It was reported that the first assessment was shared with all partners and a number of key issues that were identified had been addressed.

Members were provided with the action plan outlining the current position. Members requested for the actions to be rag rated in order to monitor the progress.

## **RESOLVED**

**that the Internal Audit External Assessment 2017/18 Progress Report be noted.**

### **11. CORPORATE RISK REGISTER 2018/19**

The Executive Director, Finance and Resources presented the Corporate Governance and Risk Report for 2018/19 for Members' consideration.

The Corporate Risk Register had been developed by the Management Team to address any issues that were of a strategic nature and seen as areas that had potential to impact on the delivery of the Strategic Purposes.

Members noted the scoring criteria and where asked to make any proposed changes or additions that could be monitored. The Chair acknowledged that a lot of work was going on around IT services being updated in order to strengthen the system.

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Members asked if there was anything that they could do in order to mitigate any risk to the organisations. Members were advised that any high risks identified would be reported at every Committee meeting for Members to monitor.

## **RESOLVED**

**that the Corporate Risk Register was noted and no amendments be made.**

### **12. FINANCIAL SAVINGS MONITORING REPORT**

The Executive Director of Finance and Resources presented the Financial Savings Monitoring Report for 2017/18 which included the delivery of the savings projected for the full year against the efficiency plan.

The following areas were highlighted:

- The total savings for 2017/18 was at £1.4m.
- It was prudent to focus on the delivery of the Medium Term Financial Plan going forward.

## **RESOLVED**

**that the financial position for savings as presented in the report be noted.**

### **13. CROSSGATES DEPOT UPDATE**

The Executive Director of Finance and Resources provided Members with an update on the stores at Crossgates Depot. Members were informed that the stores currently had £23,113 worth of dead stock located at the Crossgates Depot. A review of the stock had been carried out to see if the items could be used or sold on any of the Council's properties.

It was reported that the Council could re-use stock items valued at £9,043 which consisted of miscellaneous tools and building sundries. A number of disseminated units, values at £9,676, had been identified where these units could be fitted over the next 12-18 months as kitchens in properties needing replacements.

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## **14. COMMITTEE 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 25<sup>th</sup> October, 2018.

### **RESOLVED**

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

The Meeting commenced at 7.00 pm  
and closed at 8.55 pm