

# Audit, Governance & Standards Committee

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Thursday, 30 January 2020

## MINUTES

### Present:

Councillor John Fisher (Chair), Councillor Mark Shurmer (Vice-Chair) and Councillors Tom Baker-Price, Michael Chalk, Ann Isherwood, Julian Grubb, Nyear Nazir, Yvonne Smith and David Thain

### Officers:

Andy Bromage, Fiona Campbell, Louise Langston and Jayne Pickering

### Democratic Services Officers:

Jess Bayley and Joanne Gresham

### 37. APOLOGIES AND NAMED SUBSTITUTES

An apology for absence was received on behalf of Councillor Salman Akbar and Councillor Julian Grubb attended as his substitute.

### 38. DECLARATIONS OF INTEREST

There were no declarations of interest.

### 39. MINUTES

**RESOLVED that**

**the minutes of the meeting of the Audit, Governance and Standards Committee held on Thursday 31<sup>st</sup> October 2019 be approved as a true and correct record and signed by the Chair.**

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Chair

# **Audit, Governance & Standards Committee**

Thursday, 30 January 2020

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## **40. PUBLIC SPEAKING**

The Chair confirmed that there were no registered public speakers on this occasion.

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

The Executive Director, Finance and Resources presented the Monitoring Officer's report for Members' consideration

Members were advised that there had been one complaint received which had been resolved.

There had been two training sessions since the last meeting of the Audit, Governance and Standards Committee on the subject of data protection and commercialism.

Members' ICT support was discussed and officers explained that progress was being made in terms of enabling Councillors to become paperless in order to reduce the amount of paperwork generated for Committee meetings.

### **RESOLVED that**

**the Monitoring Officer's report be noted.**

## **42. GRANT THORNTON - EXTERNAL AUDIT - 2019/20 AUDIT PLAN**

The Engagement Lead from Grant Thornton presented the External Audit - 2019/20 Audit Plan. He explained that this plan slightly differed from previous years and included Group accounts which incorporated accounts for Rubicon Leisure.

Members' attention was drawn to page 9 of the report and Grant Thornton reported the 3 key risks that would require special audit consideration and explained what was meant by Materiality in regard to this audit process, the levels that had been set and rationale behind these figures. All uncorrected omissions or misstatements would be reported back to the Audit, Governance and Standards Committee.

# **Audit, Governance & Standards Committee**

Thursday, 30 January 2020

---

It was noted on page 17 of the report that the significant Value for Money risk was Financial Sustainability and Grant Thornton explained that they would follow the progress of the two key areas identified in the report that would establish the Financial Sustainability of the Council.

The Committee advised that due to the significant pressures of undertaking the Audit this would not be completed prior to 31<sup>st</sup> July and the audit opinion would therefore be presented to the Committee in October. The Authority would have to publish the un-audited accounts by 31<sup>st</sup> July with a statement to explain the audit is ongoing. He reassured Members that there were no reputational consequences if the audit opinion was submitted at a later date.

Members questioned why there was more flexibility in the dates this year after moving the dates earlier in the previous year. Grant Thornton explained that due to the Redmond Review of Local Authority audits by The Chartered Institute of Public Finance and Accounting (CIPFA) it was found that the current timetable was unsustainable. The Redmond Review was also concerned with looking at how to make accounts of Local Authorities more simplified. Grant Thornton reassured Members that they were not easing off, that the deadlines were still important and that the Council had to send the statement of accounts by 31<sup>st</sup> May to the Auditors and publish by 31<sup>st</sup> July.

Grant Thornton explained that the proposed fees were higher than in previous years but remained lower than prior to the new tender being implemented.

**RESOLVED that**

**the 2019/20 Audit Opinion Plan be noted and approved.**

**43. GRANT THORNTON - EXTERNAL AUDIT - GRANT CLAIMS  
CERTIFICATION WORK REPORT 2018/19**

The Engagement Lead for Grant Thornton presented a report in respect of the Grant Claims Certification Work Report 2018/19.

# **Audit, Governance & Standards Committee**

Thursday, 30 January 2020

---

Members were informed that this work had to be delivered under a scope of work prescribed by the Department of Work and Pensions (DWP). In addition, as there was no level of materiality when auditing the housing benefit, even minor errors that were picked up resulted in further testing. The Engagement Lead for Grant Thornton thought it was worth noting that most of the errors were down to operator data entry mistakes rather than significant errors within the system. The Executive Director, Finance and Resources further stated that there was now a Quality Team in place working with the auditors, so quality assurances carried out had improved.

**RESOLVED that**

**the Grant Claims Certification Work Report 2018/19 Audit Letter be noted.**

**44. GRANT THORNTON - EXTERNAL AUDITORS - PROGRESS REPORT**

The Engagement Lead, Grant Thornton presented the Audit Progress report and Sector Update report which related to the interim phase of the Council's audit prior to commencement of the audit of accounts.

Members' attention was drawn to page 41 of the main agenda pack, which detailed the National Audit Office – Code of Audit Practice. The committee was informed that this was part of a new framework document that was presented before Parliament and that a New Code of Audit Practice would come into force no later than 1<sup>st</sup> April 2020.

Members thanked Grant Thornton for providing such a comprehensive report.

**RESOLVED that**

**the Grant Thornton - External Auditors - Progress report be noted.**

# **Audit, Governance & Standards Committee**

Thursday, 30 January 2020

---

## **45. TREASURY MANAGEMENT STRATEGY, PRUDENTIAL INDICATORS AND MINIMUM REVENUE POLICY PROVISION 2020/21**

The Executive Director, Finance and Resources presented the Treasury Management Strategy 2020/21 report for Members' consideration. It was explained to Members that this was a statutory report which would enable the Council to manage its treasury management with the aim to maximise income whilst protecting the Council's funds.

The Executive Director, Finance and Resources highlighted the key points from the report as follows:

- The Council planned £17.8m of capital expenditure in the year 2020/21.
- Borrowing was not permitted for the day to day working of the Council for example salaries and wages.
- The fleet replacement programme was part of the £1.8m General Fund expenditure.
- The Authority planned to invest in regeneration properties that provided the acquisition and investment policy was met
- The Council's Finance team had the relevant skills including qualified accountants who prepared this strategy. In addition external professional support is received via a contract.
- The external borrowing figures were fluid as the Finance team constantly looked at ways to decrease debt payments.

Members questioned whether there was a possibility of leasing vehicles rather than using the General Fund for a fleet replacement scheme. The Executive Director Finance and Resources stated that she would ask the Head of Environmental Services to investigate.

It was discussed whether the tables that were used on pages 30 and 32 of the agenda pack were the correct ones that were used for investment counterparts and limits. The Executive Director, Finance and Resources undertook to query this with her team and report back to Members.

# **Audit, Governance & Standards Committee**

Thursday, 30 January 2020

---

The Chair questioned whether the strategy had significantly changed. It was confirmed by the Executive Director Finance and Resources that the strategy towards regeneration and commercialism had changed. She also confirmed that the capital receipts strategy meant that transformation projects could be undertaken which resulted in savings for the Authority.

## **RECOMMENDED that**

- i) the Capital Strategy as an appropriate overarching strategy for the Council be approved;**
- ii) the Treasury Management Strategy for 2020/21 and the associated MRP policy be approved;**
- iii) the policy for Flexible use of Capital Receipts be approved; and**
- iv) the Investment Strategy be approved.**

## **46. INTERNAL AUDIT FINDINGS - ST DAVID'S HOUSE - FOLLOW UP PRESENTATION**

The Community Services Manager and the Business Manager for the Parenting and Community Service delivered a presentation updating Members on the action that had been taken to address the issues that had led the Internal Auditors to conclude that there was no assurance for St David's House.

Members were advised that there were flats and other properties at St David's House, including the Queen's Cottages, and there were 55 tenants living in this accommodation. The tenants shared a communal area and mainly lived independently, though some required extra support. Meals were also provided to customers through a luncheon club.

The Community Services Manager had become responsible for St David's House some months previously. She had identified a number of areas that were concerning and had therefore requested an Internal Audit review. The Internal Audit team had reviewed the

# **Audit, Governance & Standards Committee**

Thursday, 30 January 2020

---

facilities at St David's House in May and June 2019 and had concluded that there was no assurance for the facility. In response the Community Services Manager had developed an action plan designed to outline the action that needed to be taken to address the problems identified in the Internal Audit.

The Internal Audit had found that staff were purchasing items for tenants and obtaining cash from cash machines for tenants using the tenant's bank cards or details. Bank cards were being locked away in the St David's House safe rather than retained by the tenants. Staff were also being paid in cash by customers for the luncheon club's services and there had been no audit trail for these payments.

Since the Internal Audit had been undertaken changes had been made to the way in which the luncheon club was managed at St David's House. All tenants now paid for this service in the same way that they paid for all Council services and therefore staff were no longer paid directly by residents. This ensured that there was an audit trail for these payments. Staff had been provided with Council credit cards which could be used to purchase food and other household items for tenants who would then be invoiced for the amount owed to the Council. This ensured that staff were not handling tenants' bank details or credit cards. All bank cards had been returned from the St David's House safe to relevant tenants.

In total 29 of the 30 actions required in the Internal Audit had been addressed. A new agreement had been drawn up on behalf of tenants. This ensured that there was a proper procedure in place. Staff had signed an agreement in respect of new operating procedures and a service review had been undertaken. New staff had also been recruited at St David's House to undertake financial monitoring and administration. A return visit had been undertaken by the Internal Audit team some months after the initial inspection and at that time it had been found that some actions remained outstanding but Officers were confident that all appropriate actions had now been addressed.

Following the presentation Members discussed a number of points in detail:

# Audit, Governance & Standards

## Committee

Thursday, 30 January 2020

---

- The costs of recruiting two new members of staff and the impact that this had had on budgets for St David's House. Members were advised that following the service review of St David's House some staff had left the organisation and whilst these two new posts had been introduced to fill service gaps this had not resulted in an increase to budgets for the service overall.
- The one outstanding action that had not yet been resolved and the reasons for the delay in addressing this action. Officers explained that whilst remaining staff had signed the new agreement at work two new members of staff had recently been recruited and had not yet signed the agreement. Once they had done so the action would be completed.
- The potential for visitors to participate in the luncheon club and how visitors' payments were audited. The Committee was informed that visitors attending the luncheon club once or twice were permitted to pay in cash and there was an honesty box. Visitors who attended more frequently were invoiced for the service.
- The approach that had been taken by Officers to communicate the changes at St David's House to tenants and the response that had been received. Officers advised that all tenants had been informed about the changes and support had been provided to those tenants who had struggled with the change.
- The skills required to manage one's finances and the support provided to tenants at St David's House to enable them to do so. Members were informed that in previous years staff had provided financial management advice but since the Internal Audit of St David's House this had changed and an external advocacy team now provided the service.
- The safeguarding implications of the issues that had been discovered in the Internal Audit of St David's House, including in respect of Deprivation of Liberty Safeguards (DoLS). Officers confirmed that St David's House was registered with the Care Quality Commission (CQC) and that a tool had been developed to enable staff to support tenants who did not have the capacity to make decisions for themselves. This tool had not yet had to be used but staff had received training in how to use the resource if it was ever needed in the future.
- The reasons why in the past staff had offered to provide financial advice and to purchase objects on behalf of tenants

using their bank details. Members were advised that this had included concerns about some tenants being placed in a difficult position financially by their family. However, whilst Members accepted that these were good intentions, this was not considered to be an acceptable reason to act in that manner from a safeguarding perspective.

Members concluded their discussions by thanking Officers for all their hard work in terms of addressing the issues that had been identified at St David's House.

**RESOLVED that**

**the update in respect of St David's House be noted.**

#### **47. INTERNAL AUDIT PROGRESS REPORT**

The Head of Internal Audit Shared Service presented the report to Members and explained that this was a regular report that was presented to the Audit, Governance and Standards Committee.

There were four audit summaries within the report and only one was found to have limited assurance. Members' attention was drawn to pages 62 - 69 of the report where a clear action plan had been provided by officers in response to the audits undertaken. The Head of Internal Audit Shared Service commented that that plan was progressing steadily but there were tweaks which incurred small plan adjustments.

Officers confirmed that there were high priority recommendations that were spread across all appendices of the report and that actions that had been satisfied were shown in the extra column of the tables for transparency.

Members questioned with officers the process of tracking complaints as there had been some reports from constituents regarding lack of reference numbers in order to track complaints. The Executive Director, Finance and Enabling undertook to ask officers what the complaints process consisted of and how complaints were tracked.

# **Audit, Governance & Standards Committee**

Thursday, 30 January 2020

---

**RESOLVED that**

**the Internal Audit Progress report be noted.**

## **48. INTERNAL AUDIT - DRAFT AUDIT PLAN 2020/21**

The Head of the Worcestershire Internal Audit Shared Service presented the Internal Audit Plan for 2020/21 and explained that this was the proposed plan and would be confirmed by the Audit, Governance and Standards Committee at their next meeting. He explained that there could be potential changes as emerging risks were assessed and considered. The Committee were asked to look at the plan and propose any changes.

Members confirmed that they were satisfied with the current proposed plan. There were detailed discussions regarding the number of days that audit had allocated for each audit. The Head of the Worcestershire Internal Audit Shared Service explained to Members that these numbers were allocated and took into account staff holidays and sickness. He added that the hope was that the number of days would decrease as the levels of assurance increased.

Officers noted the request from Members in regards to including more detail when showing downward trends on page 80 of the report.

**RESOLVED that**

**the contents of the Draft Audit Plan 2020/21 report be noted.**

## **49. ROLE OF INDEPENDENT MEMBER**

The Executive Director, Finance and Enabling presented the report for Role of an Independent Member for Members' consideration. It had been previously been noted that Members were keen on reinstating the role on the Audit, Governance and Standards Committee. It was discussed that the application process would be delegated to officers who would arrange the advertisement of the role and the interview process. It was clarified by officers that this

# **Audit, Governance & Standards Committee**

Thursday, 30 January 2020

---

role would be a voluntary post travel costs would however be reimbursed.

It was agreed that there would be a panel of three to four Members to interview potential candidates. Members were asked to volunteer to sit on the interview panel. The following Councillors volunteered, Councillors Fisher, Baker-Price, Chalk, Shurmer and Thain.

**RESOLVED that**

**the process for recruitment of an Independent Member be noted.**

## **50. FINANCIAL SAVINGS REPORT**

The Executive Director of Finance and Resources presented the Financial Savings report to Members for their consideration. It was clarified that this report showed that the savings were being monitored and she explained the actions that had been undertaken to meet the recommendations within the Section 24 Notice from Grant Thornton.

It was discussed in detail that the expected savings of £1.127m would be realised and that £339K worth of savings had already been realised at quarter 2. The figures would become clearer by the end of the audit process by Grant Thornton which was expected to be in September or October 2020. At this time it was expected that there would be a qualified Value for Money (VFM) conclusion regarding the Section 24 Notice.

Members questioned whether it would be possible to release a statement to residents if the Section 24 Notice was lifted. The Executive Director, Finance and Enabling explained that Council was not statutorily obliged to release a statement but would do in order to clarify the situation for resident going forward.

The Committee also questioned the regularity of Financial reporting to the Committee given that sometimes the information was not up to date and the delays in pulling information together. However, Members agreed to continue to receive Financial Savings Monitoring Reports at meetings of the Committee for the time being.

# **Audit, Governance & Standards Committee**

Thursday, 30 January 2020

---

**RESOLVED that**

**the contents of the Financial Savings report be noted.**

**51. S151 HOUSING REPORT**

The Executive Director, Finance and Resources presented the S151 Update to Members. This report included the information regarding the Internal Housing Audit that took place the previous year and any updates on internal controls that had been put in place as a result of the audit.

The key points that were noted were as follows:

- External consultants worked on Stock Condition Surveys in order that they were completed in a timely fashion.
- The installation of the new Housing system would take place alongside the new Finance system.

Members queried when the last stock condition surveys were carried out and the Executive Director, Finance and Resources confirmed that it was a long while ago and so the comparisons between the two surveys could not be made as the stock had changed significantly since then. Officers resolved that they would inform Members of the outcomes of the report.

**RESOLVED that**

**the contents of the S151 Housing Report report be noted.**

**52. COMMITTEE WORK PROGRAMME**

The Senior Democratic Officer (Redditch) advised that the items that had been requested for consideration at future meetings of the Committee earlier in the meeting would be added to the work programme.

# **Audit, Governance & Standards**

Committee

Thursday, 30 January 2020

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**RESOLVED that**

**the content of the Audit, Governance and Standards  
Committee's work programme be noted.**

The Meeting commenced at 7.00pm  
and closed at 8.55 pm