

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

16TH JUNE 2016 AT 6.00 P.M.

PRESENT: Councillors R. D. Smith (Chairman), B. T. Cooper, R. L. Dent,
P. M. McDonald, C. J. Spencer, P.L. Thomas and M. Thompson

Observers: Councillor G. Denaro

Invitees: Richard D Percival, (Associate Director, Grant Thornton)

Officers: Ms. J. Pickering, Mrs. C. Felton, Mr. A. Bromage, Ms. S. Morgan
and Ms. J. Bayley

1/16 **ELECTION OF CHAIRMAN**

At the start of the meeting Officers advised that Councillor M. Glass had incorrectly been recorded as a member of the Committee on the front cover of the agenda when in fact Councillor C. Spencer should have been noted in the membership. Members were also asked to note that following publication of the agenda CALC had appointed one Parish Council representative to serve on the Committee; Parish Councillor C. Scurrrell.

A nomination for the position of Chairman was received in respect of Councillor R. D. Smith.

RESOLVED that Councillor R. D. Smith be nominated Chairman of the Committee for the ensuing municipal year.

2/16 **ELECTION OF VICE-CHAIRMAN**

A nomination for the position of Vice Chairman was received in respect of Councillor S. R. Colella.

RESOLVED that Councillor S. R. Colella be elected as Vice Chairman of the Committee for the ensuing municipal year.

3/16 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received on behalf of Councillors S. R. Colella and S. R. Peters.

4/16 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest or any whipping arrangements.

5/16 **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 11TH MAY 2016**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 11th May 2016 were submitted.

The Chairman advised that the minutes had been considered at a meeting of Cabinet in June 2016. All of the Committee's recommendations, as detailed in the minutes, had been approved.

RESOLVED that the minutes of the meeting of the Audit, Standards and Governance Committee held on 11th May 2016 be approved as a correct record.

6/16 **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Head of Legal, Equalities and Democratic Services presented the Monitoring Officer's report. Members were advised that the complaint that had been made against a Parish Councillor, previously reported to the Committee in March 2016, had been resolved with the complainant's consent. The Monitoring Officer had also been asked to investigate a Member to Member complaint in respect of the process for recording gifts and hospitality. This had been discussed at a recent meeting of the Constitution Review Working Group and Members had agreed that Officers should investigate arrangements for recording gifts and hospitality at other local authorities with a view to simplifying the current scheme.

A series of Member training sessions had taken place since the beginning of the municipal year. Officers were working with the Member Development Steering Group to ensure that future training continued to meet the needs of Members.

Following the presentation of the report Members discussed a number of matters in further detail:

- The extent to which Members should have to declare gifts of relatively minor value such as a cup of tea.
- The amount of information that could be provided for the Committee's consideration about individual complaints.
- The support that had previously been provided by the Council for particular religious celebrations.
- The potential for religious groups to apply for funding for community events from the Equality and Diversity Forum.

At the end of these discussions the Committee

RESOLVED that the report be noted.

7/16

DISPENSATION REPORT

The Head of Legal, Equalities and Democratic Services presented 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 or where their spouse might have such an interest. Members were advised that following the publication of the agenda there had been one amendment to the dispensations that had been requested in respect of Amphlett Hall Management Committee; Councillor R. Laight had replaced Councillor H. Jones.

Following questions from Members of the Committee Officers clarified that where Members had requested dispensations to allow their participation in debates concerning employment issues this was because either they or their spouse was an Officer working for Unison. Elected Councillors who were members of a union but who were not employed by a union were not considered to need to apply for a dispensation to participate in discussions about staffing matters.

RESOLVED

- (1) That the new Individual Member Dispensation for Councillor Mallett, as detailed at Appendix 1 to the report, together with the dispensation applying to Councillor R. Laight on the Amphlett Hall Management Committee, 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) That the update to the Individual Member Dispensations in relation to the Artrix Operating Trust (Bromsgrove Arts Centre Trust – charitable company), as agreed by full Council on 18th November 2015 and as detailed at Appendix 1 to the report, be noted;
- (3) To note the position, as detailed under section 3 of the report, in relation to the previously granted general dispensations for:
 - i) the setting of the Budget, Council Tax and Members' Allowances;
 - ii) allowing Members to address Council and committees in circumstances where a member of the public may elect to speak; and
 - iii) the adoption of any new or updated Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the District;

- (4) That 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) That it be noted that all dispensations granted, unless amended by periodic reports such as this, remain valid until the first meeting of the Audit, Standards and Governance Committee after the District Council Elections in 2019.

8/16

STANDARDS - PARISH COUNCILS' REPRESENTATIVES' REPORTS **(ORAL UPDATES)**

Officers confirmed that when tendering his apologies Parish Councillor C. Scurrall had advised that he had no matters to report for the consideration of the Committee.

The purpose of the oral update from the Parish Councils' representatives on the Committee was subsequently discussed in some detail. Officers explained that following legislative changes Parish Councils no longer had any voting rights on local authority Standards Committees. However, the local Council remained responsible for handling complaints that were made against Parish Councillors. To ensure that standards issues were managed in an inclusive and transparent manner a decision had been taken to involve Parish Councillors as co-opted members of the Council's Audit, Standards and Governance Committee.

Two Parish Councillors could be appointed to the Committee and were invited to report on any standards matters that might arise from a Parish Council perspective. However, the Committee was advised that the Parish Councillors would rarely have anything to report at the meetings. In this context the Committee agreed that the oral updates from the Parish Councils' representatives should be removed as a standing item from the agenda. Instead, the Committee agreed that the Parish Councils' representatives should be invited to request in advance that an item be added to the agenda for a particular meeting as and when any issues arose.

The process for appointing Parish Council representatives to the Committee was also considered. Members were advised that Parish Council appointments were made by CALC. There was general agreement amongst Members that, due to the important role of the Committee in the local democratic process, it would be preferable for the Parish Councillors who served on the Committee to be elected rather than co-opted onto a Parish Council. However, it was acknowledged that this would ultimately be determined by CALC.

RESOLVED that

- (1) the Parish Councils' Representatives' oral update report should be removed as a standing item from the agenda of meetings of the Audit, Standards and Governance Committee; and
- (2) in future the Parish Representative be invited to contact the Democratic Services Team in the event that they had any items to report to the Committee.

9/16

GRANT THORNTON - PROGRESS REPORT

Representatives from Grant Thornton presented a progress report on the subject of external audit work undertaken since the meeting of the Committee in March 2016. During the presentation of this report the following matters were highlighted for Members' consideration:

- The Council was progressing well with preparation of the accounts and appeared to be on track to submit these prior to deadline.
- The work of Grant Thornton had been reviewed by an external regulator, in accordance with standard practice, and a number of points had been raised to enhance processes.
- This had included a recommendation that the Council's pension fund liabilities should be recognised as a significant risk. This was due to the scale of the liability and was not specific to the Council.
- The process that external auditors needed to follow when issuing their value for money opinion had changed. As part of this change Grant Thornton would need to identify significant risks associated with value for money which would be separate to corporate risks.
- The value for money opinion would focus on the Council's financial outturn, the budget setting process and Medium Term Financial Plan, corporate planning and the monitoring of services.
- Three reports, concerning joint ventures, the role of Audit Committees and fighting fraud and corruption locally, had been produced by Grant Thornton and CIPFA and were highlighted as being of potential interest to the Committee.

Following the presentation of the report Members briefly discussed the identification of the Council's pension fund liabilities as a risk. The Committee was advised that whilst Grant Thornton's regulator's had felt that this should be classified as a corporate risk this did not mean that the extent of the liabilities had changed or that significant additional work would be required.

RESOLVED that the updates detailed in the Grant Thornton progress report be noted.

10/16

GRANT THORNTON - AUDITING STANDARDS

Representatives of Grant Thornton also updated the Committee on auditing standards and the process for communication with the Council's Audit, Standards and Governance Committee. Members were advised that the external auditors needed to be satisfied that the Council's Cabinet, senior management and Audit Committee were meeting responsibilities in respect of; fraud, law and regulation, going concerns, related parties and accounting for estimates.

During consideration of this item Members discussed the process for advertising the accounts to the public and how the external auditors responded to complaints from the public about the accounts. In the first instance Members were advised that Grant Thornton would direct members of the public to the Council, particularly if they had not yet discussed this matter further with Officers. The external auditors would also consider whether the complaint was vexatious before determining whether to proceed with investigating the matter further. When considering public feedback in respect of the accounts the external auditors would ensure that they took into account all objections before issuing an opinion. However, the external auditors could only take into account material matters. Any investigation in response to a complaint would be regarded as a challenge process and would be subject to an additional charge to the Council from the external auditors.

RESOLVED that the Grant Thornton Auditing Standards report and management responses be noted.

11/16

QUARTER 4 (JANUARY TO MARCH 2016) FINANCIAL SAVINGS UPDATE

The Executive Director of Finance and Corporate Resources presented the April – March Financial Savings Monitoring Report 2015/16. During the presentation of this report she raised a number of matters for Members' consideration:

- The need for a robust system to be in place to track the Council's progress with achieving proposed savings had been identified by the Council's external auditors.
- The report did not yet pick up on additional savings that had been achieved, though it was anticipated that monitoring update reports for 2016/17 would cover this.
- The 2016/17 editions of the report would also include information about capital savings.
- Members were advised that the majority of proposed savings had been achieved.
- The exception to this was Parkside. The Council had aimed to achieve £200,000 of savings but had in fact achieved £100,000. It had been possible to cover the additional costs using the reserves that had been set aside for the move to Parkside.

Once the presentation had been delivered the Committee discussed the following points in further detail:

- The contribution that had been made by staff redundancies to achieve savings in Enabling Services. Officers agreed to obtain further information in respect of this matter for Members' consideration.
- The potential for the costs of staff redundancies to be addressed in future editions of the reports.
- The savings that had been achieved in respect of the strategic purpose 'Keep my place safe and looking good' and whether these had been achieved at the expense of value for money in terms of service delivery at the start of 2016/17. Particular reference was made to a lack of grass cutting in the parks and complaints that had been made to Members by residents and dog owners clearing up pet faeces in the long grass.
- The length of grass on the verges in the district and the high number of complaints that had been received by Members on this subject. Members were advised that the issues detailed in these two bullet points would be raised with relevant lead Officers.
- The savings that had been achieved through the renegotiation of the community transport contract and the cause of the reduction in costs. The Committee was advised that further information would be requested from relevant Officers on this subject.

Following further discussion it was

RESOLVED that the final financial position for savings as presented in the report for the period April – March 2015/16 be noted.

12/16

SECTION 11/ACTION PLAN - PROGRESS UPDATE REPORT

The Financial Services Manager presented an update on the progress that had been achieved in respect of the Section 11 recommendations as detailed in the action plan. During the presentation of this report she raised a number of key points for Members' consideration:

- The Council was progressing well with the preparation of the accounts.
- A draft set of accounts had been submitted for the consideration of the Executive Director of Finance and Corporate Resources in order to assess quality.
- Officers were in the process of producing template working papers for the accounts, though it had not yet been possible to finalise these.
- No risks had been identified in respect of the accounts.
- Officers had been holding regular meetings with the external auditors to ensure that appropriate paperwork and information was provided in a timely manner.

Following the presentation of this report the Committee

RESOLVED that the Section 11 update and Action Plan be noted.

13/16

RISK MANAGEMENT GROUP MONITORING UPDATE

The Executive Director of Finance and Corporate Resources presented the draft Corporate Risk Register for 2016/17 and the draft Annual Governance Statement for 2015/16. Whilst presenting these documents the following points were highlighted for Members' consideration:

- A red, amber and green (RAG) rating system was used to assess each risk and the extent to which proposed mitigation would help to reduce that risk.
- Officers were aiming to ensure that the Corporate Risk Register would be a working document and items could be added or removed from this document in response to changing circumstances.
- The register focused on corporate risks. Departmental risks were recorded on a service by service basis and were the focus of the Committee's Risk Champion.
- The risk recorded in respect of non-compliance with health and safety legislation had previously focused only on the potential for a fatality in service. This had been updated to take into account other issues such as injuries at work.
- The risk arising from poor decisions being made quickly in order to achieve savings was also considered. In future managers would be provided with direct access to figures for budgets in their remits rather than having to rely on monthly update reports.
- The risk of financial constraints arising due to external factors was difficult to influence. Ideally financial data needed to be reported as quickly as possible for Members' consideration.
- There was a further risk that partners would fail to deliver on joint working commitments due to budget constraints.
- Members were advised that the reference in the register to combined authorities would be removed following recent discussions at Council.
- In the long-term it was hoped that the reference to the business continuity plans could be removed from the register, though there remained a lot of work to do to address this issue.
- Financial accounting and monitoring arrangements had been included as a corporate rather than a departmental risk due to the implications arising from the Section 11 recommendations.

At the end of the presentation Members noted that it was important to avoid treating risks as business as usual and there needed to be constructive action to address these risks. The Committee proceeded to propose the following points in respect of the Corporate Risk Register:

- The date by which proposed mitigation action was due to be completed for each of the risks should be noted on the register.
- The mitigations recorded for the IT systems and infrastructure should be reviewed. Members commented that the proposed review of business continuity procedures was not an action that would necessarily resolve any problems with those systems.
- Similarly Members suggested that the actions listed in respect of financial accounting would not necessarily act to mitigate that risk. For that reason Members requested that the mitigations listed for this risk be reviewed.
- The Committee noted that the proposed mitigations were all designed to prevent the risk from happening. Members suggested that actions to minimise the impact of that risk if it became reality should also be recorded amongst the mitigations.

RESOLVED that

- (1) Subject to including the points detailed in the preamble above in future editions of the register, the contents of the draft Corporate Risk Register be noted; and
- (2) The updates on the Annual Governance Statement be noted.

14/16

INTERNAL AUDIT ANNUAL REPORT 2015-16

The Services Manager for Worcestershire Internal Audit Shared Service presented the Internal Audit Annual Report 2015/16. Whilst presenting the report Members were invited to consider a number of points:

- The report highlighted the work that had been undertaken by the Internal Audit team during the year, any follow up action that had been completed and the outcomes from this work.
- The Internal Audit team was due to reflect back on anti-fraud and corruption action in 2015/16 and to report to the European Institute for Combating Corruption and Fraud (TEICCAF). This would not take place until August 2016 at the earliest.
- The dates allocated to corporate audits had not yet been used following agreement with senior managers to postpone this work until the first quarter of 2016/17.
- Many of the audits that had been undertaken in the previous 12 month period had moved on since the publication of the report. All had been finalised and the assurance had been confirmed where this had been recorded in the report.
- A number of previous audits had been revisited during the year. In many cases the recommendations had been fully implemented though a number were being actioned on an on-going basis.
- In total 90 per cent of the service areas that had been audited had received an audit allocation of moderate or above which was acceptable.

- A limited assurance had been identified in respect of the procurement of consultants and agency workers and an action plan had been devised to address this.

Following presentation of the report Members discussed some key matters in detail:

- The meaning of the term “critical review”. Officers clarified that this referred to the auditing of services that were subject to service transformation where it was felt that an internal review would offer a helpful critical friend challenge.
- The Internal Audit team’s performance in respect of its key performance indicators (KPIs).
- The feedback received from other teams in respect of the Internal Audit process. Members were advised that all services that had been the subject of an internal audit were sent a questionnaire once the process was completed. However, only two completed questionnaires had been returned in this period so it was difficult to assess outcomes from this data.

At the end of these discussions the Committee

RESOLVED that the 2015/16 Internal Audit Report be noted.

15/16

RISK CHAMPION - APPOINTMENT

Members thanked Councillor M. Thompson for his hard work as Risk Champion in 2015/16. The Chairman explained that, whilst there should be a designated Risk Champion, he was keen for all Members of the Committee to be mindful of risks that might potentially impact on the local authority and to keep abreast of action that was being undertaken to mitigate these risks.

A nomination was received on behalf of Councillor P. L. Thomas to serve as Risk Champion on behalf of the Audit, Standards and Governance Committee in 2016/17.

RESOLVED that Councillor P. L. Thomas be appointed Risk Champion in 2016/17.

16/16

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

Members considered the content of the Audit, Standards and Governance Committee’s Work Programme. The Committee was advised that the external auditor’s audit fee letter for 2016/17 would be presented for Members’ consideration at the following meeting. Members were asked to contact the Democratic Services Officers if there were any further items that were not detailed on the Work Programme and which they felt might be suitable for further consideration at a future meeting of the Committee.

At the end of the meeting all those present united in paying their respects to Jo Cox, MP for Batley and Spen, by observing a minute's silence.

The meeting closed at 7.30 p.m.

Chairman