

**BROMSGROVE DISTRICT COUNCIL**

**MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

**30TH JULY 2019, AT 6.00 P.M.**

PRESENT: Councillors P. J. Whittaker (Vice-Chairman, in the Chair),  
A. J. B. Beaumont, R. J. Deeming (Substitute), M. Glass (Substitute),  
C. J. Spencer, M. Thompson (Substitute) and K. J. Van Der Plank

Observers: Neil Preece and Councillor G. N. Denaro

Officers: Ms. J. Pickering, Mrs. C. Felton, Mr C. Forrester, Mr. A. Bromage  
and Ms. A. Scarce

1/19 **ELECTION OF CHAIRMAN**

A nomination for the position of Chairman was received in respect of  
Councillor L. C. R. Mallett.

**RESOLVED** that Councillor L. C. R. Mallett be elected Chairman of the  
Committee for the ensuing municipal year.

2/19 **ELECTION OF VICE CHAIRMAN**

A nomination for the position of Vice Chairman was received in respect  
of Councillor P. J. Whittaker.

In the absence of Councillor Mallett, the meeting was chaired by  
Councillor Whittaker.

**RESOLVED** that Councillor P. J. Whittaker be elected Vice Chairman of  
the Committee for the ensuing municipal year.

3/19 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillors S. G. Hession, A.  
D. Kriss and L. C. R. Mallett, with Councillors R. Deeming, M. Glass and  
M. Thompson present as substitutes respectively. Apologies were also  
received from Councillor S. J. Baxter and J. E. King.

It was noted that Councillor S. Colella hoped to substitute for Councillor  
Baxter, but unfortunately he had been delayed in heavy traffic.

4/19            **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest nor of any whipping arrangements.

5/19            **MINUTES**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 14<sup>th</sup> March 2019 were submitted and it was noted that there were no Members present who had in fact attended that particular meeting.

**RESOLVED** that the minutes of the Audit, Standards and Governance Committee meeting held on 14<sup>th</sup> March 2019 be approved as a correct record.

6/19            **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Monitoring Officer presented the report which covered activity since the last meeting. It was confirmed that there had been no new Member complaints and there were none outstanding. There had been several training events since the elections and the Member Development Steering Group had chosen this year to spread out the training sessions for new Members to allow them the opportunity to settle in without being inundated with events and meetings. Any feedback on the Induction process and the events held would be appreciated in order for these to be considered at the next Member Development Steering Group meeting. Data Protection/GDPR and Safeguarding events were planned for September/October and as the Code of conduct session had proved successful it was hoped that a further session for those who were unable to attend would be arranged.

Councillor Van der Plank suggested a Finance training session similar to previous years be arranged, however officers advised that the trainer had now retired, but would look at alternative providers.

The Monitoring Officer reminded Members that a refresh was due following the Committee for Public Life and Standards review and recommendations arising from it. The Worcestershire Code had been adopted by all authorities as it was recognised that a number of Members were both District and County Councillors and in some cases also Parish Councillors. With this in mind it was proposed that a report would be brought to the next meeting. This would also include a summary of complaints to see if there were any trends and particular areas which needed to be addressed.

**RESOLVED** that the Standards Regime – Monitoring Officer's Report be noted.

## **DISPENSATIONS REPORT**

Members were reminded that with the changes to the Standards regime under the Localism Act there was a requirement for dispensations, for a Member to be involved in a debate of a particular subject. It was a matter for this Committee to decide whether these were reasonable requests. Requests which had been put forward by members for dispensations were detailed at 3.1 of the report. It was the Committees decision as to whether these were deemed to be reasonable requests. The report also included a general dispensation for all Members in respect of such areas as the budget and Council Tax.

### **RESOLVED:**

- a) that any Individual Member Dispensations (IMDs) and Outside Body Appointments dispensations 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;
- b) that the Audit, Standards and Governance Committee grant a dispensation under Section 33 (2) of the Localism Act 2011 to allow Members to address Council and Committees in circumstances where a member of the public may elect to speak;
- c) that subject to the caveat set out in paragraph 3 of this report in relation to setting the Council's Budget, the Audit, Standards and 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:
  - i. the Budget;
  - ii. Council Tax;
  - iii. Members' Allowances; and
  - iv. Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the District;
- d) 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
- e) that it be noted that the dispensations referred to at resolutions (1), (2) and (3) will remain valid until the first meeting of the Audit,

Governance and Standards Committee following the next District Council Elections in 2023.

8/19

**REGULATION OF INVESTIGATORY POWERS ACT 2000 (RIPA) REPORT**

The Monitoring Officer presented the report and explained that the powers under the Regulation of investigatory Powers Act 2000 (RIPA) were not used very often, if at all. However, there was a requirement for these to be available if necessary and therefore a refresh of the policy had recently been carried out. This report provided Members with an update in respect of the outcomes of that review.

**RESOLVED:**

- a) that the Council's RIPA Policy as reviewed, be endorsed; and
- b) that the update on RIPA activity be noted.

9/19

**GRANT THORNTON EXTERNAL AUDIT - AUDIT FINDINGS REPORT 2018/19**

Prior to presentation of the report, Mr. N. Preece, Grant Thornton referred Members to a recent article which had been in both the national and local press which had referred to the Grant Thornton being put into "special measures" by its regulator. He explained that there had been significant interest in such matters following recent high profile business collapses and accounting scandals, which had resulted in the regulatory taking much more interest in commercial audits. The latest FCA annual report had reported on its findings within a large number of audit firms, not just Grant Thornton, each having areas which required improvement. The findings had related to commercial audits, although there were implications for the public sector, including areas such as pensions, property and plant where a more robust audit should be carried out.

Councillor K. Van der Plank questioned the target figure of 90% which had been highlighted in the report and where Grant Thornton was in relation to this. Mr. Preece confirmed that Grant Thornton was at 50%, but that this did not mean that they did not meet the FCA standard, or that the findings were not safe. However, it was acknowledged that there was room for improvement and appropriate actions were being taken.

In respect of being in "special measures" Mr. Preece assured Members that this was a miss-reporting by the press and that this phrase was not used by the FCA. He also confirmed to Members that Grant Thornton had an office in Birmingham and were both a national and international firm.

In respect of the Audit Findings Report 2018/19 Mr. Preece reported that it was predominantly good news. The highlighted the following areas in more detail:

- Officers had built on the work carried out in the previous year and the accounts had been ready by the end of May and on target to be signed off by 31<sup>st</sup> July as expected. This deadline had been brought forward by two months, so this had been an intense time for all concerned.
- An unqualified opinion and unqualified Value for Money conclusion had been achieved, with no significant changes other than pension fund deficit which was following a Public Sector legal case, which impacted on all local authorities.
- An updated report from the Pensions Actuary had brought relatively large changes, although these were relatively minor in the bigger picture.
- The preparation had not been without its challenges and these were highlighted in the key messages at page 7 of the agenda pack, with recommendations to address these detailed in Appendix A of the report.
- The significant risks which had been reported earlier in the year were discussed, including the management override of controls.

Members asked for clarification on a number of areas including:

- Some reconciliation work taking longer than planned and requiring officers to run a number of different reports – Mr. Preece advised that the systems used were quite old and no longer fit for purpose. It was anticipated that this would be addressed in future years by the investment in the new Enterprise Finance System, which Members had recently authorised. The Executive Director, Finance and Resources confirmed that the Team were committed to ensuring that the fixed assets register would be the first area of the new system to be completed and that appropriate training would be provided to ensure that this was done correctly from the outset.
- Extra time that had been taken to ensure the accounts were completed and the reasoning behind the need for this. The Executive Director Finance and Resources explained that there was a number of reasons for this including the current system and the need to do many things manually and a training need, which had been addressed.
- Members discussed the cash flow and short term borrowing figures on the balance sheet in some detail and Mr. Preece explained how this worked and that it was common practice amongst local authorities throughout the year, due to the nature of its business.

The Financial Services Manager together with Mr. Preece took Members through the detail around the Treasury Management Strategy and long term liabilities, in particular the pension fund. Changes were reported on an ad hoc basis because of the way the pension fund worked, and that the long term date was over a number of years. Members also discussed the assets and valuations of land and buildings and it was

confirmed that these were carried out on cyclical basis with valuations being checked appropriately.

The Action Plan and response from Officers was highlighted at page 26 together with details of the extra work required to form a conclusion on the valuation of other land and buildings and to resolve the very high number of questions raised, inadequate explanations to those questions and the number of amendments required to the settlement of the Accounts.

It was confirmed that, as Council had delegated the approval of the accounts to the Audit, Standards and Governance Committee, at its meeting on 24<sup>th</sup> July, recommendation 2.2 no longer applied.

**RESOLVED** that the Audit Findings Report 2018/19 as attached at appendix 1 of the report be noted.

10/19

**GRANT THORNTON (EXTERNAL AUDIT ) AUDIT FEE LETTER 2019/20**

Mr. Preece reminded Members that some years ago the way in which auditors were appointed changed and authorities had the ability to appoint their own. The Council had chosen to “opt-in” to the scheme where the PSAA appointed auditors and set the fees, this was therefore not negotiable. Mr. Preece pointed out the fee remained the same as this year and there had been no change in the baseline cost since 2017/18, with just one reduction of 20 percent

Members discussed the FCA report and the need to see an improvement in the quality, as had previously been discussed. Mr. Preece responded that there had been much debate around this and the bottom line was that the key to making those improvements was often down to the time allotted to the work, which inevitably impact on the cost.

**RESOLVED** that the Audit fee, as detailed at appendix 1 of the report, be approved.

11/19

**EXTERNAL ASSESSMENT PROGRESS REPORT**

Mr. A. Bromage, the Head of Internal Audit Shared Service presented the report and in so doing reminded Members that this was an update on implementation progress made against the 2017/18 External Assessment. A similar report has been brought before Committee for information approximately 12 months ago with the understanding that regular reporting would be undertaken until the areas identified were satisfactorily completed.

The Action Plan was broken down into three elements, recommendations compliance and suggestions. Members attention was drawn to the summary of these at appendix 1 of the report, which showed all actions raised by the external assessment had been

addressed. All improvements outlined in the summary would be maintained under the next assessment, which was due in 2021/22, although Worcestershire internal Audit Shared Services (WAISS) would continue to seek ongoing improvement through the Client Officer Group.

**RESOLVED** that the report and implementation progress of the External Assessment be noted.

12/19

**INTERNAL AUDIT PLAN 2019/20**

Mr. A. Bromage, Head of Internal Audit Shared Services, presented the report and advised Members that it was very similar to that received at the last meeting of the Committee. The plan was for approval with the key message being that there had not been any substantial material changes since the last report. Any variations would be brought back to Committee in due course following discussions with the Section 151 Officer.

**RESOLVED:**

- a) that the Audit Plan be approved; and
- b) that the Key Performance indicators be approved.

13/19

**INTERNAL AUDIT - ANNUAL REPORT 2018 - 19**

Mr. A. Bromage, Head of Internal Audit Shared Services, presented the report and the key message was included within the audit opinion and commentary, together with an analysis of all progress reports in the last 12 months. It also included a summary of the allocation in respect of the 225 audit days delivered against the 230 budgeted. Feedback had been provided to the relevant Managers in respect of any particular themes or risks which had been identified. Work had also been carried out and shared with the external auditors. The Service requested feedback in regard to audits to monitor quality. Four formal responses had been received and reported before Committee. A copy of the quality assurance improvement programme was also attached at appendix 5 of the report.

In respect of delivery against the plan there was a small difference of 5 days, and feedback in respect of this was included within the commentary of the report. Details of the KPIs delivered over the last 12 months were also highlighted together with the breadth of areas covered.

Members' attention was drawn to appendix 3 of the report and the overall conclusion where it was noted that a small number of areas had been picked up which needed to be monitored. There was a clear and robust action plan in place which had been discussed at Corporate Management and Senior Management Team meetings and Internal Audit would carry out follow up audits with progress being reported back to this Committee.

Appendix 5 provided detail of the Quality Assurance Improvement Plan Matrix for 2019/20 and set out the service improvement plan for the next 12 months which was derived from a self-assessment that took place in April 2019. Regular updates on progress would be reported before Committee.

Members discussed the summary of audits and assurance levels and concerns were raised in respect of those areas which were the lowest and which were areas that supported some of the most disadvantaged residents and the importance of improvements to be made as soon as possible within these areas. The Executive Director, Finance and Resources responded that there had been a number of issues within this area and the Team had been working with the DWP over the last 5-6 months with significant improvements already having been made. There had been the additional of 3 team leaders to the group who had been able to support the team in making these improvements, with DWP being more satisfied with the response rates and the work being carried out.

**RESOLVED** that the 2018/19 Internal Audit Annual Report and Audit Opinion be noted.

14/19

**FINANCIAL SAVINGS MONITORING REPORT FOR JANUARY TO MARCH 2019**

The Executive Director, Finance and Resources presented the Financial Savings Monitoring Report for 2018/19. In so doing she highlighted the savings of £478k which had been delivered in the financial year. It was also noted that the External Auditors had recommended that these savings be more closely monitored and this was reflected in this report. Further savings would need to be made in the coming year and £227k had already been identified with Heads of Service looking in more detail at their service areas to see where further savings could be made.

**RESOLVED** that the final financial position for savings, from January to March 2019 as presented in the report and at appendix 1 be noted.

15/19

**STATEMENT OF ACCOUNTS 2018/19**

The Financial Services Manager tabled two updates which had been provided subsequent to the agenda being published. The Executive Director, Finance and Resources apologised for the delay in publishing the item and confirmed that this would be addressed in future years.

The Financial Services Manager confirmed that there had been some issues in producing the accounts and lessons had been learnt moving forward. A number of areas were highlighted within the covering report, which the Financial Services Manager discussed with Members, including:



- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- The Cash Flow Statement
- The Collection Fund

The Executive Director, Finance and Resources asked for a delegation to be included within the recommendations to allow for any last minute changes to be made in consultation with the Vice Chairman.

**RESOLVED:**

- a) that the Statement of Accounts 2018/19 as detailed in appendix 1 of the report be approved; and
- b) that any final changes on the Statement of Account be delegated to the Executive Director, Finance and Resources following consultation with Vice Chairman of the Committee before approval.

16/19

**ANNUAL APPOINTMENT OF RISK MANAGEMENT CHAMPION FOR THE COMMITTEE**

The Chairman asked for a volunteer to act as the Risk Management Champion for the Committee for the remainder of this Municipal Year.

**RESOLVED** that Councillor K. Van der Plank be appointed as Risk Management Champion for the Committee.

17/19

**AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

Members considered the Committee's Work Programme.

**RESOLVED** that the Audit, Standard and Governance Committee's Work Programme for 2019/20 be noted.

The meeting closed at 7.20 p.m.

Chairman