

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

THURSDAY, 10TH OCTOBER 2019, AT 6.00 P.M.

PRESENT: Councillors L. C. R. Mallett (Chairman), P. J. Whittaker (Vice-Chairman), S. J. Baxter, M. Glass (substitute), J. E. King, A. D. Kriss, C. J. Spencer and K. J. Van Der Plank

Invitees: Councillor J. Cypher (Parish Councils' Representative) and Richard D. Percival, Engagement Lead, Grant Thornton

Officers: Ms. J. Pickering, Mrs. C. Felton, Mr. A. Bromage and Mrs. P. Ross

18/19 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

Apologies for absence were received from Councillors A. J. B. Beaumont, with Councillor M. Glass present as substitute.

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

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

20/19 **MINUTES**

Councillor L. C. R. Mallett took the opportunity to express his sincere thanks to Committee Members for their confidence in voting and electing him as Chairman of the Audit, Standards and Governance Committee for the municipal year 2019/2020.

The minutes of the meeting of the Audit, Standards and Governance Committee held on 30th July 2019 were submitted.

RESOLVED that the minutes of the Audit, Standards and Governance Committee meeting held on 30th July 2019 be approved as a correct record.

21/19 **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Monitoring Officer presented the report which covered activity since the last meeting. There had been no new Member complaints and there were none outstanding.

The Monitoring Officer drew Members' attention to paragraph 3.4 in the report and highlighted the sessions that had been planned for October 2019 as part of the phased Induction Programme for new Members. The

sessions, as agreed by the Member Development Steering Group, included Data Protection training, which she would encourage all Members to attend.

In response to Councillor Kriss, the Monitoring Officer clarified that with regard to the Standards regime, that co-opted members could be appointed, but that currently no co-opted members had been appointed.

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

22/19

CODE OF CONDUCT - UPDATE REPORT

The Committee were asked to consider a report on a Review by the Committee on Standards in Public Life (CSPL) into Local Government Ethical Standards.

The Monitoring Officer presented the report and informed the Committee that in January 2019 authorities received the Review by the Committee on Standards in Public Life (CSPL) into Local Government Ethical Standards.

The CSPL had concluded that high standards of conduct in local government were needed to protect the integrity of decision-making, maintain public confidence and safeguard local democracy.

Local authorities were currently required to have in place a code of conduct of their choosing which outlined the behaviour required of councillors. There was considerable variation in the length, quality and clarity of codes of conduct. This created confusion among members of the public, and among councillors who represented more than one tier of local government. The CSPL report records that many codes of conduct fail to address adequately important areas of behaviour such as social media use and bullying and harassment.

There were, however, benefits to local authorities being able to amend and have ownership of their own codes of conduct. The committee recommended that the updated model code that they intended to propose should therefore be voluntary and able to be adapted by local authorities. The committee also recommended that the scope of the code of conduct should also be widened, with a rebuttable presumption that a councillor's public behaviour, including comments made on publicly accessible social media, was in their official capacity.

The Worcestershire Councils to date had already taken the decision to agree a Code of Conduct that was used by all such Councils, for consistency and to assist Councillors that, due to multiple roles, were subjected to the Code of Conduct of more than one authority. It was this Code of Conduct previously agreed by all Worcestershire Councils that had been updated, as detailed in Appendices 1 and 2 to the report, in order to reflect the recommendations in the CSPL report.

The Monitoring Officer highlighted that at the Council's Constitution Review Working Group meeting, Members requested the following:

- That the 'Gifts and Hospitality' threshold be reduced to £15 and that the Monitoring Officer requested that the rest of the county followed suit. The rationale being that a drink and plate of food could be accommodated within a £15 threshold;
- That 'Trolling' be included under 'Bullying and Harassment'. 'Trolling' related to a deliberate act of making random, unsolicited and/or controversial comments on various internet forums.

The Monitoring Officer concluded that a collective agreement had been reached, whereby the Worcestershire Councils had agreed to take the amendments, as detailed in the preamble above, to their respective authorities.

In response to Councillor Cypher and Councillor Baxter, the Monitoring Officer agreed to inform the Executive Officer, Worcestershire County Association of Local Councils (CALC) of the Worcestershire Councils proposed Code of Conduct.

RECOMMENDED that subject to the amendments, as detailed in the preamble above, as requested by the Council's Constitution Review Working Group, that Council approve the changes to the Code of Conduct; to reflect the Committee on Standards in Public Life (CSPL) Best Practice Recommendations.

23/19

BENEFITS AND COMPLIANCE UPDATE REPORT 2019/2019

The Executive Director, Finance and Resources presented the report for April to June 2019/2020. The report detailed the savings delivered for the first quarter against those identified in the Medium Term Financial Plan (MTFP).

The Council's External Auditors, Grant Thornton, had recommended that the delivery of savings be monitored more closely to ensure that the Council was meeting savings in the way that was expected when the budget was set.

The Executive Director, Finance and Resources gave Members the reassurance that savings were well on target.

In response to questions on vacancy savings, the Executive Director, Finance and Resources informed the Committee that business critical staff vacancies were filled.

Councillor Baxter commented that Council Tax income was not shared across all preceptors, and that future reports should show that Council Tax income was shared across major preceptors; Worcestershire County Council, the Fire and Rescue Authority and the Police Authority.

RESOLVED that the Benefits and Compliance Update Report for 2018/19 be noted.

24/19

GRANT THORNTON ANNUAL AUDIT LETTER 2018/2019

Members were presented with the Grant Thornton Annual Audit Letter for the 2018/19 financial year, which summarised the key findings arising from the work carried out at the Council for year ended 31st March, 2019.

Mr. Richard Percival, Engagement Lead, Grant Thornton informed Members that Grant Thornton were required to provide an annual audit letter.

Members' attention was drawn to page 59 of the main agenda pack, which provided the Executive Summary and details on the work carried out by Grant Thornton. Mr. Percival explained that work on the Council's Housing Benefit subsidy claim was not yet complete; the deadline date was 30th November 2019, but he was hoping to finalise before the deadline date.

It was reported that unqualified opinions were given for the accounts and Value for Money Judgements. Officers acknowledged that there remained financial pressures for the Council and that these would be considered as part of the Medium Term Financial Plan (MTFP).

Members raised several questions on the Grant Thornton fee for 2018/19, more specifically the additional £8k which related to additional work undertaken. An explanation of the additional work undertaken was detailed on page 65 of the main agenda report.

In response Mr. Percival commented that things had slipped back a bit, with many changes repeated from the previous year; however, the Executive Director, Finance and Resources and the finance team now had a clear grip of what was required for 2019/2020.

The Executive Director, Finance and Resources further stated that a lot of resources had been allocated in order to close the previous year's accounts. Officers thought they could achieve a better result this year, but the Asset Management spreadsheets proved to be limited and weak. She would reassure Members that new spreadsheets were now in place, which officers would go through with Grant Thornton. The Executive Director, Finance and Resources informed the Committee that having spoken with other treasurers across the County, she had been made aware that they had incurred additional charges in their fees, due to an increase in audit work.

Mr. Percival further commented that in terms of a broader context it had been a mixed year, with some authorities having stated that they had struggled to maintain momentum with the pressure on resources due to a significant increase in assets. Grant Thornton would continue to work with

the Executive Director, Finance and Resources and the finance team to reduce the amount of any possible future additional work.

In response to further questions and reassurance sought from the Committee, the Executive Director, Finance and Resources, stated that resources were now in place and that there was a specific timetable for next year's accounts. The new finance system would not go live until after the 2019/2020 end year accounts in order to avoid any possible disruption. The new finance system would go live in June / July 2020.

In response to further questions from Members, Mr. Percival stated that the Council was currently in a sound financial position. Grant Thornton would continue to focus on financial stability, whilst being aware of the roll over for this year and the challenges that the Council would continue to face in the future. The Council had reserves for at least three years, he would be less confident if those reserves were low in the future.

The Executive Director, Finance and Resources further commented that the MTFP for the year going forward had to be a balanced budget, with a 4 year plan, and maintaining a reserve balance level that Members had approved. There were various uncertainties and Members would have to make some difficult future decisions. It was understood that the New Homes Bonus (NHB) community grant funding would be received in 2020/2021 but it was expected that this would only be for one year without the further 4 years as previously anticipated.

In response to questions with regard to the impact of the future pension strain, Mr. Percival explained that at the Council's request the actuary had re-run the valuation report with their best estimate of the impact re McCloud. Authorities had had a huge number of significant liabilities on their balance sheets. Members should note that the estimated figure of current pension liability would be susceptible to any changes in rates.

The Executive Director, Finance and Resources, further responded with regards to the pension strain and in doing so explained that the percentage rate as agreed with the actuary would be included in the financial projections for the following 3 years.

RESOLVED that the Grant Thornton Annual Audit Letter 2018/19, as detailed at Appendix 1 to the report, be noted.

25/19

INTERNAL AUDIT PROGRESS MONITORING REPORT

The Head of Internal Audit Shared Services presented a report that informed the Committee on Internal Audit's performance for the period 1st April 2019 to 31st August 2019.

The Head of Internal Audit Shared Services asked the Committee to note that the report had been written at the end of August and that he would provide a verbal update where required.

Members' attention was drawn to page 79 of the main agenda pack and the 'Summary of Assurance Levels', more specifically the audits with a 'limited' assurance level. It was highlighted that all 'limited' assurance reviews went before the Corporate Management team (CMT) for full consideration, with any potential risk to the Council and how to mitigate those risks.

The Head of Internal Audit Shared Services further informed the Committee that a follow up would be conducted on all of the actions, as detailed at Appendix 3 to the report, to ensure they had been implemented in order to provide a satisfactory control of the risks identified.

Following a lengthy debate, the Executive Director, Finance and Resources and the Head of Internal Audit Shared Services, responded and provided clarification to Members on the following items:-

- DWP Intervention – Processing times for new housing benefit claims, council tax Support claims. The DWP intervention was withdrawn on 16th September 2019. The DWP were no longer concerned and had complimented the work of the benefits team with addressing their initial concerns. Members were asked to note that additional management support to officers had been provided and that an interim management structure had been put in place to support the concerns raised by staff and the DWP. The processing times for new claims had significantly decreased, with processing times well within the average processing time.
- Health and Safety – A Senior Health and Safety advisor had been appointed, who had formulated a comprehensive and robust action plan to address the points raised in the audit. There would be a planned follow up audit in quarter 4.
- Risk Management – Zurich had been commissioned to assist with the compilation of the corporate risk register during October 2019.
- Transport – Untaxed vehicles, it was clarified that there was only one untaxed vehicle.
- What was in place for a potential terrorist attack?

Members expressed their concern with the number of audits with a 'Limited' assurance level. It was agreed that the Corporate Management Team (CMT) be asked to provide an action plan, which would include timescales for 'Limited' assurance level audits.

Although Members were mindful that a considerable amount of the findings detailed on the Health and Safety audit had been actioned, they had concerns that the Health and Safety (H & S) audit had highlighted that basic health and safety checks had not been in place. Members were of the opinion that H & S should be fully embedded in the Council, with an ethos on health and safety. The CMT was charged with and accountable for health and safety, effective leadership for Health and Safety was fundamental. The H & S audit had highlighted that the CMT appeared to be somewhat adrift from their corporate H & S responsibilities.

The Executive Director, Finance and Resources agreed to discuss the concerns raised by Members with the CMT.

The Executive Director, Finance and Resources responded and stated that lessons had been learnt in relation to Health and Safety issues. However, she would reassure Members that the appointed Senior Health and Safety advisor was fully aware of the audit findings; and as Members had already noted, a consideration amount of the findings had been addressed. A follow up audit would be conducted in quarter 4 and she would assure Members that the aim was for the assurance level to be improved.

The Head of Internal Audit Shared Services acknowledged the Committee's comments that, the audit reports were somewhat difficult to navigate; and agreed to take this into account for future audit reports.

The following actions were agreed by the Committee:

- Page 90 of the main agenda report - "There was a high risk item set in 2016 which was not complete as of 11th June 2018. Review date stated mentions 2019". The Executive Director, Finance and Resources to provide Committee Members with more detail.
- Any 'Limited' assurance audits that have taken place, information to be provided to Committee Members.
- The relevant Head of Service to be invited to attend any future meetings where a 'Limited' assurance level was given.
- The CMT to provide an action plan, to include timescales for 'Limited' assurance level audits.
- Terrorist attack - include on the Corporate Risk Register.

RESOLVED that the Internal Audit Progress Report be noted.

26/19

FINANCIAL SAVINGS MONITORING REPORT APRIL - JUNE 2019/2020

The Executive Director, Finance and Resources presented the Financial Savings Monitoring Report for 2019/20. In doing so she highlighted the savings of £332k which had been delivered in the financial year. It was also noted that the Council's External Auditors, Grant Thornton had recommended that these savings be more closely monitored and this was reflected in the report.

The Executive Director, Finance and Resources reassured the Committee that savings were on target.

In response to questions from Members with regard to vacancy savings and staff being put under pressure; the Executive Director, Finance and

Resources informed the Committee that there was currently a freeze on recruitment; however, any business critical vacancies would be filled.

RESOLVED that the final financial position for savings for April to June 2019/20, as presented in the report and as detailed at Appendix 1 to the report, be noted.

27/19

RISK MANAGEMENT REVIEW

The Executive Director, Finance and Resources presented a report on the Risk Management Review and in doing so informed the Committee that the review had that there was evidence that the Council took the management of risk to its objectives seriously and some key stakeholders recognised the value that the risk management framework brought to the organisation.

However, the review found that there was not a consistent approach to robust risk management processes.

Three priority areas were identified by Zurich:-

- Improve the link between performance and risk by developing the role of the Cabinet and Portfolio Holders within the Risk Management framework to include consideration of, and input into, Strategic and Service Level Risk whilst being conscious of releasing such information into the public domain.
- Provide greater direct support to Departmental management teams to build a robust risk profile and support the embedding of effective risk management practices.
- Improve the level of risk management capability and awareness across Member and Officer groups, tailored to needs. Possibly supported by the establishment of a Risk Management Group.

A session with the Corporate Management team had been undertaken in order to go through the recommendations from Zurich and a further session had been set up to risk appetite. The risk management group has been re-established and an action plan to address the recommendations was being developed and would be presented to future meetings of the Committee. Training had been agreed with Zurich and was due to be delivered to 4th tier managers in October 2019.

RESOLVED that current review of risk management arrangements being undertaken, be noted.

28/19

RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR VAN DER PLANK)

Councillor Van der Plank provided the Committee with a verbal update, as her role of Risk Champion, as detailed at Appendix 1 to the minutes. The following was noted:

Risk Strategy and Management Processes – Headline Summary

It was noted that Members had been updated on the recent Risk Management Review undertaken by Zurich and the findings of that review, during the course of the meeting.

That the Risk Steering Group be renamed as the Risk User Group. Risk Champions meetings to be made a higher priority, as meetings were frequently cancelled.

Current top 5 strategic risks need reviewing and updating, they have not be updated for some time and should include terrorist attacks, as suggested by Councillor Kriss.

Emergency Planning, Business Continuity response plan & communication strategy had worked really well.

Members commented that the update was really well aligned with the findings of internal audit.

The Chairman thanked Councillor Van der Plank for her detailed update.

The Executive Director, Finance and Resources also expressed her thanks and thought that the update would be insightful for officers.

29/19

AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME

Members considered the Audit, Standards and Governance Committee's Work Programme for 2029/20.

It was noted that the Council's, Senior Health and Safety advisor be invited to attend the next meeting of the Committee.

The Executive Director, Finance and Resources agreed to provide the Committee with more information on the Council's Brexit strategy. Members were informed that the Deputy Chief Executive & Executive Director, Redditch Borough & Bromsgrove District Councils was the lead officer with regard to Brexit.

RESOLVED that the Audit, Standards and Governance Committee's Work Programme for 2019/20, be updated to include the items discussed and agreed during the course of the meeting.

The meeting closed at 7.54 p.m.

Chairman

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Risk Champion Update Report – September 2019

Overview

For the purpose of this role, I will focus on a different area to report back on at each meeting, as follows:

1. Risk management strategy and processes - Overview
2. Risk management by area: Environmental Services, Community Services
3. Risk management by area: Leisure, Planning, Business Transformation /IT
4. Risk Management by area: Legal & Democratic services, Finance, Corporate

Risk Strategy and Management Processes – Headline Summary

- A recent review by Internal Audit and Zurich Insurance have identified that current risk management is not of a consistent nature and needs improvement. However, it has been reported that some of the gaps and weaknesses have already been identified and remedial plans are currently being developed to address these. So this is encouraging but we cannot be complacent
- Risk management seems to have suffered through lack of resource. Plans are in place to address this with a new Insurance and Risk Manager appointed and a Risk Steering Group and departmental Risk Champions recently established but this needs monitoring
- Compliance with the management of risk is an area of concern. Some basic processes for managing and reviewing risk are in place but not being adhered to, consistently, across the organisation. Risk management activities seem to take low priority for example, risk champions meetings are frequently cancelled to focus on other issues. Risk management needs to be made a higher priority across the organisation.
- Current top 5 strategic risks need reviewing and updating: some are very broad and external landscape has changed and this needs reflecting
- Once the new strategy and processes are developed, training will be required to ensure these are properly embedded as well as tighter review and audit processes as these are lacking at the moment

Key Observations / Findings

Risk Management Processes

- With the exception of business continuity/ emergency planning management where accountabilities are clear and the process seems to work well, all other aspects of risk management require improvement. The review by Zurich as well as the internal audit both highlight this and make a number of recommendations for improvement which are timetabled to be addressed in the autumn. This should be monitored to ensure these actions happen

- Overall responsibility for risk management sits with the Director of Finance and Resources and has lacked the focus it requires due to capacity. A new post, Insurance and Risk Manager, has recently been created (starts November) and should enable improvement but this needs monitoring to ensure sufficient resource is allocated
- In theory, Heads of Service manage their own risk register and action plan but the quality and frequency of review seems to be patchy and there is no clear audit trail or checks that this happens. The reports have identified that there are services who manage their risks well within the Council however this is not consistent across the Council
- A risk management steering group was established approx. 4 months ago, made up of 'Risk Champions' from each department. This is a positive step forward, but needs further work to embed it. So far, some of the meetings have been cancelled and participants need more training on risk management processes.

Identifying and categorising risk

- The current key strategic risks are broad and require updating. More focus is needed on external horizon scanning and ensuring this is reflected into our risk planning (eg implications of Brexit, Universal Credit, cyber threats etc)
- More work needed with Heads of Service / Senior Managers to ensure they review and plan for risk more thoroughly and more regularly. A stronger audit trail is needed as well as more regular checks that risk management processes are happening consistently throughout the organisation

Training and supporting staff

- More training is needed across all parts of the organisation to ensure understanding. This includes senior managers and elected members especially Cabinet, Portfolio Holders and relevant committee members.
- Wider staff briefing / training is needed too. There have been big improvements in workplace Health and Safety over the last 18 months which has been really positive and something to build on. Using a similar approach, there is an opportunity to encourage all staff, including operational and admin teams, to report risks (currently H&S reporting tends to be more physical risks such as trip hazards, but this could be expanded to wider corporate risks)

Emergency Planning, Business Continuity response plan & communication strategy

- There seem to be clear contingency plans, including key responsibilities, in place for dealing with a emergency or incident
- Several examples were provided of previous major incidents and in each occasion the process had worked well. It was also really positive to learn that after each incident a formal review was carried out to identify any learnings to factor in for future incidents

Leadership

- Historically, there has been a risk strategy but this is out of date and doesn't seem to be in use. There doesn't seem to be much strategic focus from Directors, Heads of Service or Elected Officers around risk management or strategy. For example, discussions and decisions around issues such as the organisational appetite for risk don't seem to have happened. More focus and leadership from the senior team is needed

- The senior team also need to support their teams creating a stronger risk culture within the organisation, making this a higher focus/ priority and ensuring compliance, during their departmental team meetings. This would help change the current culture where risk management is at the bottom of everyone's priorities

Kate Van der Plank September 2019

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