

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

16TH JULY 2015 AT 6.00 P.M.

PRESENT: Councillors R. D. Smith (Chairman), P.L. Thomas (Vice-Chairman), S. R. Colella, M. Glass, C.A. Hotham, H. J. Jones, P. M. McDonald, M. Thompson and S. A. Webb

Parish Councillors: J. Ellis, (Stoke Parish Council) and C. Scurrall, (Belbroughton Parish Council)

Observers: Councillor G. N. Denaro and M Sherrey

Invitees: Mr P Jones and Ms Z Thomas (Grant Thornton)

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

1/15 **INTRODUCTION AND WELCOME TO THE NEW AUDIT, STANDARDS AND GOVERNANCE COMMITTEE**

Officers welcomed Members to the first meeting of the new Audit, Standards and Governance Committee. As the Audit Board and Standards Committee had merged into this Committee after the publication of the calendar of meetings for the year it was necessary to confirm the dates of future meetings of the Committee; which were due to take place on the evenings of 17th September 2015, 10th December 2015 and 24th March 2016.

During consideration of this item the extent to which it was appropriate for the Vice Chairman of the Council to serve as a Member of the Audit, Standards and Governance Committee was discussed. It was suggested that this might compromise the Vice Chairman's position at meetings of Council. However, the Monitoring Officer explained that there were currently no restrictions preventing the Vice Chairman of the Council from serving on the Committee.

2/15 **ELECTION OF CHAIRMAN**

Nominations for the position of Chairman were received in respect of Councillors R. D. Smith and M. Thompson.

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

3/15 **ELECTION OF VICE CHAIRMAN**

Nominations for the position of Vice Chairman were received in respect of Councillors P. L. Thomas and M. Thompson.

RESOLVED that Councillor P. L. Thomas be elected as Vice Chairman of the Committee for the ensuing municipal year.

4/15 **APOLOGIES AND NAMED SUBSTITUTES**

An apology for absence was received on behalf of Councillor S. R. Peters and Councillor C. Hotham was confirmed as attending as his substitute.

5/15 **DECLARATIONS OF INTERESTS**

There were no declarations of interest.

6/15 **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT BOARD MEETING HELD ON 19TH MARCH 2015**

The minutes of the meeting of the Audit Board held on 19th March 2015 were submitted.

Members noted that Councillor H. J. Jones had been present at that meeting of the Audit Board and was in a position to comment on the accuracy of the minutes.

RESOLVED that the minutes of the meeting of the Audit Board held on 19th March be approved as a correct record.

7/15 **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE STANDARDS COMMITTEE MEETING HELD ON 15TH JANUARY 2015**

The minutes of the meeting of the Standards Committee held on 15th January were submitted.

Officers explained that as there were no district Councillors present who had also attended this meeting the item would need to be deferred. This would provide time for an elected Member who had been present to confirm in writing whether the content of the minutes were accurate.

RESOLVED that confirmation of the accuracy of the minutes of the meeting of the Standards Committee held on 15th January 2015 be deferred until the following meeting for the reasons detailed in the preamble above.

8/15 **STANDARDS REGIME - MONITORING OFFICER'S REPORT**

The Committee was advised that at the beginning of every meeting the Monitoring Officer's report would be presented for Members' consideration. The report would focus on any developments relevant to the Council's standards regime.

During presentation of this report the Monitoring Officer highlighted a number of points for Members' consideration, including:

- A significant number of Member training sessions had been delivered since January 2015. This included 3 standards and code of conduct training sessions in June 2015. Members were advised that if any particular training needs were identified these should be reported to group leaders.
- This legislation had removed the right of Parish Councillors to vote at Standards Committee meetings, however, Parish Council representatives continued to be appointed to the Audit, Standards and Governance Committee in a non-voting capacity due to their interest in the proceedings.
- Parish Councillor J. Ellis had incorrectly been recorded in the report as the Chairman of Belbroughton Parish Council when he was in fact Vice Chairman of Stoke Parish Council.
- There were 2 independent persons under the standards regime with whom the Monitoring Officer was required to consult regarding any complaints about Members.
- The independent persons were not Members of the Committee but could attend meetings to observe proceedings.
- Officers were investigating the potential to reduce the number of independent persons to one, and it was noted that one of the independent persons had struggled to attend meetings.

The Parish Council representatives requested and it was agreed that in future the two Parish Council representatives would be listed as Parish Councillors on both the agenda and in the minutes of the meetings. In response to a question the Monitoring Officer reported that the political affiliation of Parish Council representatives was excluded from the political balance of the Committee.

RESOLVED that subject to the comments detailed in the preamble above the report be noted.

9/15

LOCALISM ACT 2011 - STANDARDS REGIME - DISPENSATIONS

The Monitoring Officer presented a report concerning the granting of dispensations under the standards regime as set out in the Localism Act 2011. Members were advised that this was an exceptional report intended to provide Members with a chance to declare any potential interests and to be granted with dispensations to take part in particular decisions at appropriate Council meetings. An updated copy of Appendix 1 to the report, detailing Individual Member Dispensations, was tabled at the meeting (Also attached at Appendix 1 to these minutes).

During consideration of this report the following matters were among those considered by Members.

- Dispensations for Parish Councillors were handled through a separate mechanism.

- Councillor Cooper's contract with the Sandwell and West Birmingham Hospitals NHS Trust and the extent to which this might compromise him in his position as the Council's representative on the Worcestershire Health Overview and Scrutiny Committee (HOSC). Was there any answer to this?
- The extent to which the items listed on Appendix 1 in terms of Individual Member Dispensations matched the content of elected Members' completed disclosable pecuniary interest (DPI) forms.
- The role of the Audit, Standards and Governance Committee in granting individual Member dispensations which was a power that had been delegated to the Committee by Council.
- The delays in respect of uploading completed DPI forms onto the Council's website. The Monitoring Officer confirmed that these would be made available to view shortly; delays had mainly occurred due to the volume of forms that had been received from both District and Parish Councillors.
- The requirement for Members to complete a written request in order for the dispensations to take an effect and whether this process could be more efficient. The Monitoring Officer explained that the dispensation system in relation to the budget setting process had worked effectively in previous years.
- The possible implications of applying the individual Member dispensations requested up until the first meeting of the Audit, Standards and Governance Committee meeting in 2019 after the District Council elections.
- The possibility of reviewing Members' dispensations on an annual basis. The Monitoring Officer explained that updates in respect of any changes to appointments to outside bodies mid-way through a term of office would be identified and reported to the Committee on an on-going basis.

It was noted in the report that provision of dispensations concerning the budget, Council Tax and Members' Allowances was subject to a caveat; that any Member in 2 month's arrears or more with their Council Tax payments could not participate in any Council meeting concerning the budget.

At Members' request the following details of the voting were recorded in respect of the continuing validity of Councillor B. T. Cooper's Individual Member's Dispensation as detailed in Appendix 1 to the report.

For the granting of the dispensation: Councillors M. Glass, H. J. Jones, P. L. Thomas and S. A. Webb.

Against the granting of the dispensation: Councillors S. R. Colella, C. Hotham, P. M. McDonald and M. Thompson.

The Chairman advised that he was satisfied that the dispensation was appropriate and made the casting vote in favour of granting the dispensation to Councillor B. T. Cooper.

Councillor P. M. McDonald requested that it be noted in the minutes that he had abstained from voting on resolutions (e) and (f) detailed below.

RESOLVED that

- (a) subject to the caveat detailed above in relation to setting the Budget, the Audit, Standards and Governance 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; and
 - (iii) Members' Allowances.
- (b) 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) The Audit, Standards and Governance Committee grants the individual dispensations which are being sought by Members, as detailed in Appendix 1, under section 33 (2) of the Localism Act 2011, to allow those Members to participate in and vote at Council and committee meetings in the individual circumstances detailed.
- (d) the Audit, Standards and Governance Committee grant a dispensation under Section 33 (2) of the Localism Act 2011 to allow Members to participate and vote at Council and committee meetings when considering the adoption of any new or updated Non-Domestic Rates – Discretionary Rate Relief Policy and Guidance affecting properties within the District.
- (e) the dispensations referred to at (a), (b), (c) and (d) above take effect on receipt of a written request from Members for a dispensation and where Members may have a Disclosable Pecuniary Interest in the matter under consideration, which would otherwise preclude such participation and voting
- (f) the dispensations referred to at (a), (b), (c) and (d) above be valid until the first meeting of the Audit, Standards and Governance Committee after the District Council Elections in 2019.

10/15 **STANDARDS - PARISH COUNCILS' REPRESENTATIVES' REPORT (ORAL UPDATE)**

The Parish Councillor representatives on the Committee confirmed that they had no updates to provide for the consideration of Members.

11/15 **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Audit, Standards and Governance Committee's Work Programme was submitted for noting alongside the terms of reference and procedure rules for the Committee.

During consideration of this item the following issues were discussed:

- The reference to “informed recommendations” in paragraph 1.3, which was not repeated in paragraph 12.3 of the Procedure Rules and the extent to which this different wording was contradictory. Members noted that a few changes to the phraseology would help to clarify the roles outlined in these 2 paragraphs.
- The potential for the Audit, Standards and Governance Committee to request that Internal Audit investigate particular services or projects.
- The budget available for the Committee to make payments to advisers, assessors and witnesses as detailed in paragraph 13 (d) to the Committee’s procedure rules. The Monitoring Officer explained that there was a small budget which covered the expenses of the independent person, though approximately £6k remained available to use for Committee investigations.
- The difficulties that the Committee might encounter with proposing a single minority report alongside a majority report if agreement could not be reached in relation to a particular issue.
The Monitoring Officer suggested that if this proved to be challenging Members could review the process for producing minority reports as part of the review of the operation of the Committee at the end of the municipal year.
- The stipulation in the procedure rules that the party whip should not be applied at meetings of the Committee. Declarations of Party Whip had not formally been incorporated into the agenda for the Committee. However, for future meetings Members requested that declarations of whipping arrangements should be considered on the agenda.
- Members confirmed that they had not been subject to whipping arrangements for any of the items on the agenda for the meeting.

RECOMMENDED to Council that the word “informed” be removed from paragraph 1.3 in the Audit, Standards and Governances Procedure Rules; and

RESOLVED that the Committee’s Work Programme be noted.

12/15

BENEFITS FRAUD INVESTIGATIONS QUARTER 4 UPDATE REPORT

The Assistant Benefits Manager, Shona Knight, presented the Benefits Fraud Quarter 4 Update report for the Committee’s consideration.

During consideration of this report Members discussed the following matters:

- Housing Benefit claims and Council Tax Support claims and the extent to which errors in the system for these claims were due to staff error.
Members were advised that whilst some errors were as a result of staff actions in many cases the errors arose due to inaccurate information provided by the customer. To ensure this was clear it was suggested that references should be made to “claimant errors” where applicable in future versions of the report.
- The types of investigations that might result in a decision to prosecute a customer and the extent to which these decisions needed to be taken early in the process.

- The value to Members of further information within the report about the total projected spend for the year compared to overpayments during the quarter.
- The potential for similar figures to be provided for other local authorities for benchmarking purposes. Officers explained that in many areas the function had already transferred to the Department for Work and Pensions and this would make the provision of comparable data difficult..

RESOLVED that subject to the comments detailed in the preamble above the report be noted.

13/15 **GRANT THORNTON AUDIT FEE REPORT**

The Chairman welcomed Mr. P.Jones (Engagement Lead) and Ms Z Thomas (Manager) from the Council's external auditors, Grant Thornton, to the meeting. Members were advised that Grant Thornton had been the Council's external auditors for the past 3 years.

The Committee was invited to consider the Grant Thornton Audit Fee Letter 2015/16. The audit fee for 2015/16 had been calculated and set by the Audit Commission before it closed on 31st March 2015. The figure of £48,680 set by the commission was less than the £64,006 that had been set in the previous year. Despite the reduction in the fee the level of work that Grant Thornton would be expected to deliver for that fee would remain the same as in 2014/15. The Council's budget for 2015/16 had assumed the level of fee as set in the letter and therefore the costs of the fee could be covered.

RESOLVED that the audit fee for 2015/16 of £48,680 be agreed.

14/15 **GRANT THORNTON UPDATE REPORT**

The Committee was asked to note the latest Grant Thornton Update report to June 2015.

As Councillor C. Hotham, as a substitute Member, had not had prior sight of the supplementary pack containing a copy of this report Members agreed to hold a brief adjournment at 7.28pm.

The meeting reconvened at 7.30pm.

Members were advised that the report provided updates on progress achieved in relation to a number of areas of external audit work, highlighted areas for Members' attention and provided an opportunity for Members to consider areas of topical interest to local government.

The following matters were highlighted during consideration of this report:

- A new financial ledger had been introduced during the year. This had led to some delays in terms of completing various processes.
- Due to the risks associated with the new ledger there was a need for external auditors to review the system.

- Additional tests would be required to secure assurance that the new ledger was effective. This testing represented additional work for the external auditors which would be subject to additional fees.
- There had been a restructure of the Council's Finance Team and turnover of key staff.
- The statement of accounts had not been submitted by the deadline set by Government. In part this had been due to the turnover in specialist staff. Due to the timing of this occurrence and difficulties recruiting to posts a decision had been taken to recruit a team of technical accountants to provide support on a temporary basis.
- References within the report to support that had been received by the Finance team from consultants should actually have been referring to these Technical Accountants. Members were assured that no consultants had actually been involved in this process.
- Further information was requested regarding the financial costs involved in recruiting the technical accountants to provide support in these circumstances.
- No penalties at the national level had been identified in terms of failing to submit the statement of accounts by the deadline. However, there was a risk that this could lead to delays in terms of the external auditors completing investigations.
- The Payroll Manager had also left the organisation and had not been immediately replaced. Due to the risks involved it had been determined that this would be suitable for consideration by the external auditors.
- Some issues had been identified in relation to Housing Subsidy in the previous year. However, investigations indicated that improvements had been made in recent months.
- The external auditors would be considering the valuation of the Council House and Dolphin Centre as operational assets due to the changing demand for use of these assets in recent months. Members were advised that this valuation would be separate to the market valuation of the properties.
- There had been some criticisms from external audit regarding the business case for Parkside. Officers had learned from these criticisms and the business case for the Dolphin Centre had been considerably more robust.
- External audit had not been able to complete reviews of the Council's IT controls, in part due to a considerable number of updates to the Council's systems.
- The content of the Devolution White Paper might be of interest to Members in the context of the discussions about a combined authority that were due to take place. The external auditors would be keen to ensure that Members reached well informed decisions on this subject.
- Guidance had been provided by Grant Thornton to assist Members in terms of reviewing Council accounts.

RESOLVED that the Grant Thornton progress reports and updates be noted.

15/15 **ANNUAL GOVERNANCE STATEMENT 2014/15**

The Executive Director of Finance and Corporate Resources presented the Annual Governance Statement 2014/15.

During consideration of the Annual Governance Statement Members discussed the following points:

- The Service Level Agreement (SLA) with the Bromsgrove and Redditch Network (BARN), the financial costs of this agreement and the outcomes from joint working.
- The potential for copies of the report concerning the future governance of Worcestershire Regulatory Services (WRS) to be made available for the consideration of Members of the Committee.
- The arrangements for meeting borrowing costs for the replacement of the Dolphin Centre. Officers explained that these would partly be covered by balances, though it was also anticipated that revenue generated by future leisure services would also help to address these costs.
- The potential to review the financial costs involved in the capital programme for both the Dolphin Centre and the move to Parkside and the extent to which decisions that had already been made on this subject could be revisited.
- An alternative option to review the stage that had been reached in terms of the funding position for all of the Council's capital schemes. Officers suggested that this might be a more appropriate task for the Overview and Scrutiny Board to consider.

Following further debate it was

RESOLVED that subject to the comments detailed in the preamble above the Annual Governance statement be recommended for inclusion in the Statement of Accounts.

16/15 **INTERNAL AUDIT ANNUAL REPORT AND DRAFT AUDIT OPINION 2014/15**

The Worcestershire Internal Audit Shared Service Manager presented the 2014/15 Internal Audit Annual Report. Members were advised that the report was presented for Members' consideration on an annual basis and outlined progress that had been achieved during the preceding year in terms of delivering internal audit reviews.

During the presentation of this report the following issues were highlighted:

- The Internal Audit team would be reporting to the Committee in relation to a number of performance indicators during the year.
- In total 5 of the 6 audit reports that had been listed as draft in the agenda pack had since been finalised. There had, however, been no changes to the assurance that had been detailed in the report.

- There was one outstanding audit report concerning Worcestershire Regulatory Services (WRS). Internal Audit were working with partners in an attempt to finalise the content as soon as possible.
- Internal Audit had assessed there to be limited assurance for WRS, though noted that this was an unusual, joint service.
- Internal Audit had followed up on all recommendations detailed in the Internal Audit Plan 2014/15.
- The Worcestershire Internal Audit Shared Services Manager had responsibility for producing the audit opinion which had been included in the report. This reflected on the work that had been undertaken during the previous 12 month period.
- The majority of internal audits during the year had been awarded a moderate or above rating.

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

- The fact that services, including shared services, were assessed on a case by case basis.
- The influence that, as a partner, Bromsgrove District Council had over WRS and the limited assurance rating that the shared service had been awarded. For example each Council set their own licensing fees and partners could not influence each other in this process to ensure moderate or above assurance.
- No other shared services had been rated as having limited assurance by Internal Audit to date.
- The possibility of benchmarking data being provided for other local authorities in future versions of the report for comparative purposes.

RESOLVED that the 2014/15 Internal Audit Annual Report be noted.

17/15

CORPORATE RISK REGISTER

The Executive Director of Finance and Corporate Resources presented the draft Corporate Risk Register.

A number of key issues were brought to Members' attention during the presentation of this report:

- The register was designed to address corporate and strategic risks to the Council.
- The content of the register had been reviewed by the Corporate Management Team (CMT) and fourth tier managers.
- Some risks, included in the register at the start of the year, would be removed during the course of the year as the risks reduced or were removed.
- Operational risks were more likely to be listed in service level risk registers. Action plans focusing on key risks might also be produced for particular projects as and when required.
- A scoring matrix was used to assess the level of risk in particular contexts.

- The Impact Scoring Criteria was used to classify risks from negligible, where the risk was low, to catastrophic, where the risks entailed reputational damage and expenditure in excess of £1 million.
- Inherent risks were those where there was a significant chance that if the Council did not take action it was likely that the risk would occur. Only 2 cases had been classified as inherent risks.
- There was action that could be taken to mitigate risks arising when poor decisions had previously been made. However, the Council had less flexibility where there was a need to comply with particular legislative requirements.
- At the national level corporate fraud, procurement fraud and HR fraud were becoming topic issues and it was possible that these would need to be added to the Corporate Risk Register in the long-term.

Members discussed the following areas after the presentation had been delivered:

- The risks associated with the Council entering into a combined authority and the extent to which this had been addressed within the Corporate Risk Register.
- Officers explained that there were sections dedicated to joint working, though this could be expanded to encompass the risks involved in taking part in a combined authority.
- The extent to which Members had been provided with information about combined authorities and the financial risks involved.
- The risks associated with the potential failure of the Council's Development Plan.
- Officers explained that it was likely the Development Plan would already be listed on the Planning Risk Register, though other local authorities had recorded this in their Corporate Risk Register and Bromsgrove District Council could adopt a similar approach.
- The level of monitoring undertaken in relation to the risk register. The Committee was advised that Officers monitored developments in relation to the register on a monthly basis.
- The risks associated with capital expenditure on the Dolphin Centre and the extent to which it would be more suitable to list these risks on the Leisure Services risks register.
- The impact of LOBO loans on local government finances. Officers confirmed that Bromsgrove District Council had not received any LOBO loans.

At the end of the Committee's discussions Members agreed that a number of items should be added to the Corporate Risk Register including:

- Corporate fraud.
- The Statement of Accounts.
- The designation status of Planning Services.
- The Planning Development Plan.

The Committee discussed the value of appointing a Member to act as Risk Champion. The Risk Champion could meet with relevant Officers and assess risks from an elected Members' perspective. The Risk Champion's findings could then be reported back for the Committee's consideration.

Nominations were received on behalf of Councillors M. Glass and M. Thompson to serve as the Committee's Risk Champion.

RESOLVED that

- (a) Councillor M. Thompson be appointed to serve as the Committee's Risk Champion for the remainder of the municipal years; and
- (b) Subject to the changes detailed in the preamble above, the proposed Corporate Risk Register 2015/16 be approved.

18/15

AUDIT BOARD DRAFT END OF YEAR REPORT 2014/15

The Audit Board Annual Report 2014/15 was submitted for Members' consideration.

RESOLVED that the content of the Audit Board Annual Report 2014/15 be noted.

The meeting closed at 8.55 p.m.

Chairman