B R O M S G R O V E D I S T R I C T C O U N C I L

MEETING OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE

10TH DECEMBER 2015 AT 6.00 P.M.

PRESENT: Councillors R. D. Smith (Chairman), P.L. Thomas (Vice-Chairman), S. R. Colella (from Minute No. 33/15 to 44/15), M. Glass, P. M. McDonald, S. R. Peters, M. Thompson and S. A. Webb

Parish Councillors: Mr. C. Scurrell and Mr. J. Ellis

Officers: Mr. A. Bromage, Ms. S. Morgan, Ms S. Knight and Ms. J. Bayley

33/15 **APOLOGIES FOR ABSENCE AND NAMED SUBSTITUTES**

An apology for absence was received on behalf of Councillor H. J. Jones.

34/15 **DECLARATIONS OF INTEREST AND WHIPPING ARRANGEMENTS**

There were no declarations of interest or any whipping arrangements.

35/15 **TO CONFIRM THE ACCURACY OF THE MINUTES OF THE AUDIT, STANDARDS AND GOVERNANCE COMMITTEE MEETING HELD ON 17TH SEPTEMBER 2015**

The minutes of the meeting of the Audit, Standards and Governance Committee held on 17th September 2015 were submitted.

RESOLVED that the minutes of the meeting of the Audit, Standards and Governance Committee held on 17th September 2015 be approved as a correct record.

36/15 **STANDARDS REGIME - MONITORING OFFICERS' REPORT**

The Head of Legal, Equalities and Democratic Services presented the Monitoring Officer's report and in so doing highlighted the following:

- There had been one complaint about a Councillor since the last meeting of the Committee had taken place. The case had been investigated and it had been found that there had been no breach of the Council's Code of Conduct.
- A small amount of training had occurred since the previous meeting and there had been particularly positive feedback about the Chairing skills training.

- Members were encouraged to report any suggestions about training to their group leaders for further discussion at a future meeting of the Member Support Steering Group.
- The County Monitoring Officers' Group had recently agreed that it was no longer necessary for Members to seek dispensations to participate in the budget or Council Tax setting process.
- The Localism Act 2011 placed a requirement on Councils to promote and maintain high standards of conduct (at both District and Parish Councillor level). This included co-opted Members who had voting rights.
- It was confirmed that this did not apply to co-optees who did not have voting rights but Members were advised that there were currently no co-optees in that position.

RESOLVED that the report be noted.

37/15 **STANDARDS REGIME - REVIEW OF THE ARRANGEMENTS FOR STANDARDS HEARINGS**

The Head of Legal, Equalities and Democratic Services also presented a report concerning the Council's arrangements for Standards Hearings. During the delivery of this presentation the following points were raised for Members' consideration:

- Council had agreed that the Audit, Standards and Governance Committee should consider Standards Hearing arrangements following the merger of the Audit Board with the Standards Committee.
- There was a requirement for the Council to have a set process in place for Standards Hearings, though Members were advised that it was unlikely that a hearing would take place.
- Officers had reviewed Standards Hearing arrangements in place at other Councils where the Audit and Standards functions were fulfilled by a single Committee and had identified a number of options for the Council's Standards Hearing procedures from this research.
- Members were asked to consider both appropriate Standards Hearing arrangements and preferred membership appointment processes.
- A permanent Standards Sub-Committee was one option available. Membership appointments would need to be made on a politically proportional basis and this could impact on appointments to other Committees.
- Alternatively, the Audit, Standards and Governance Committee could establish Standards Hearings on an ad hoc basis as and when required. Ad hoc meeting arrangements would provide the Council with greater flexibility than a permanent Sub-Committee.
- Complaints would only reach a Standards Hearing in cases where the complaint had been made by the member of the public and no simple resolution could be identified or the councillor refused to comply with any sanctions that were imposed.
- A separate process, involving group leaders, had been introduced for handling complaints against Councillors made by another elected Member.

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

- The circumstances under which a complaint would be referred to a Standards Hearing. Members were advised that this was only likely to happen in exceptional circumstances.
- The potential for the Councillor who was the subject of the complaint to ignore sanctions imposed by both the Monitoring Officer and a standards Hearing. In these circumstances Members were advised that the case, and the sanctions imposed, would be referred to full Council for consideration in public.
- The need for complaints to be substantiated before they reached the stage of being referred to a Standards Hearing for further consideration.
- The extent to which complainants would be willing to make their complaints public and their identity known to the Councillor who was the subject of their complaint.
- The potential for political bias to occur in appointments to Standards Hearings if appointments were made in a politically proportionate manner and the legal requirements on this matter. The Committee was advised that Members had always recognised the gravity of the situation and had in the past carried out Standards Assessment Sub-Committee hearings in a professional manner without political bias.
- The mechanisms available to elected Members to enable them to defend themselves against any complaints that were made about them by the public.
- The need for robust training for Members serving on Standards Hearings in order to fulfil their roles fairly and effectively.

Following further discussions it was

RESOLVED that

(a) Standards Hearings be established by the Audit, Standards and Governance Committee on an ad hoc basis as and when required; and
(b) Appointments to Standards Hearings be determined on a case by case basis by the Audit, Standards and Governance Committee.

38/15 STANDARDS - PARISH COUNCILS' REPRESENTATIVES' REPORTS (VERBAL UPDATES)

There were no updates provided by the Parish Councils' representatives on the Committee.

39/15 GRANT THORNTON ANNUAL AUDIT LETTER

Ms Zoe Thomas, Manager, Grant Thornton, presented the external auditor's annual audit letter 2014/15 for Members' consideration. During the presentation of this item she highlighted the following for the Committee's consideration:

- The letter summarised the audit work undertaken by Grant Thornton during the year.
- Grant Thornton had given unqualified opinions in respect of the Council's accounts and the Value for Money judgement.
- A number of S11 recommendations had been made in relation to the accounts and an action plan had been developed to address these.
- Work would begin to address points raised in the Action Plan from January 2016 onwards.
- The Council's accounts had been presented late and lessons needed to be learned in order to make improvements in future.
- Grant Thornton had highlighted that the Council had a good level of balances but had raised some concerns about budget management arrangements.
- Work had been completed on the audit of benefit claims and this had been qualified as it did not meet certain criteria. Members were advised that this was fairly common and a letter had been sent to the Department of Work and Pensions (DWP).
- It was likely that Grant Thornton would be issuing a supplementary fee. This was required to address the costs of the additional work that had arisen following the late submission of the Council's accounts.

Following presentation of the report the Committee discussed a number of issues in further detail:

- A typographical error in the report concerning the fees for the service. It was confirmed that the main audit fee was £48,680.
- Discussions at the previous meeting of the Committee concerning the reasons why the accounts had been submitted late.
- The impact of staff vacancies on delays in submitting the accounts.
- The intention of Officers to present the S11 action plan at the following meeting of the Committee. In the meantime updates would be emailed to members of the Committee on a monthly basis.
- Progress made to date by the Financial Services team in terms of addressing the S11 recommendations.
- The extent to which the actions detailed in the plan and the deadlines provided were realistic. The Committee was informed that Officers were confident that the actions could be implemented in the timescales available.

RESOLVED that the report be noted.

40/15 GRANT THORNTON PROGRESS REPORT - COMMITTEE UPDATE

Ms Zoe Thomas, Manager, Grant Thornton, also presented the external auditor's Committee update for December 2015 and in so doing raised a number of points for Members' consideration:

- Interim reviews due to take place in January and February 2016 would pick up on some of the issues identified the previous year.

- The final accounts audit would start in July 2016, for completion in August and would be reported to Committee in September.
- Deadlines for auditing the accounts had been brought forward because, in 2017, there would be a legal requirement for this to be completed at an earlier date and it was felt prudent to attempt to apply similar arrangements in 2016 in preparation for this change.
- The National Audit Office (NAO) was responsible for setting the criteria for Value for Money conclusions. The criteria had changed and had more of a risk based focus than in previous years. This was unlikely to impact on findings but the external auditors had to be mindful of these developments.
- Grant Thornton had delivered a number of Member training sessions, including an event at Wychavon focusing on governance arrangements.
- Members were advised that Grant Thornton had also produced a number of reports including a guide to devolution and a review of effective Audit Committees.
- The Business Location Index had been developed by Grant Thornton to help local authorities address an unequal balance in terms of inward investment across England.
- Grant Thornton could provide further briefings to Members on any subject where required.

RESOLVED that the report be noted.

41/15 BENEFIT FRAUD - QUARTER 2 MONITORING REPORT

The Assistant Benefits Manager presented the Benefits Fraud update for the second quarter of 2015/16. Members were advised that information had been provided about the background to the cases covered during the period and some of the demographic details underpinning these cases.

Responsibility for investigations concerning housing benefit fraud would be transferring to the DWP under the Single Fraud Investigation Service in February 2016. The Council had been asked by the DWP to take on no new cases from December 2015, though staff continued to work on old cases identified prior to this date. Consequently, whilst a further Benefit Fraud update report would be available to report to the Committee for Quarter 3 it would not be possible for officers to report to the Committee in subsequent quarters.

RESOLVED that the report be noted.

42/15 INTERNAL AUDIT MONITORING REPORT

The Worcestershire Internal Audit Shared Service Manager presented the Internal Audit Monitoring report. During the delivery of this presentation he highlighted the following matters for the Committee's consideration:

- A couple of Internal Audit reports had been finalised since the previous meeting of the Committee.

- The report contained more contextual information in relation to each Internal Audit investigation to enable the Committee to reach a balanced view of the outcomes.
- The audits that had been completed had concluded there was either moderate or significant assurance which was considered to be acceptable.
- The key focus of the Committee needed to be on internal audits that concluded there was limited or no assurance, which had not occurred in this quarter.
- Information had been provided regarding progress in respect of the Internal Audit plan for 2015/16. This indicated that the team was making good progress.
- No high priority recommendations remained outstanding and a small number of medium priority recommendations were in the process of being implemented.
- The Internal Audit team also monitored progress with the implementation of recommendations made in previous years. Only one priority from 2014/15, concerning equalities and diversity, needed to be followed up further.

The Committee subsequently proceeded to discuss a number of specific points in further detail:

- The rent guarantee bond and the fact that the Council held this bond. Members requested further information about the collective level of funding accruing from such bonds and the extent to which the Council earned interest from them.
- The Internal Audit team's findings in respect of the bond, which had concluded that there were reasonable practices in place though these could be strengthened.
- The extent to which the terminology within the report could be amended to provide greater clarity. In particular, positive references to "significant assurance" could be confusing as "significant risk" had more negative connotations as a term.
- Debt recovery delays in respect of sundry debts. The Committee was advised that this was a separate matter to the Write off of Debts report which focused on benefit repayments.
- The impact of system issues on debt recovery and the action that had been taken to resolve these issues.

RESOLVED that the report be noted.

43/15 **OUTLINE INTERNAL AUDIT PLAN 2016/17**

The Manager of the Worcestershire Internal Audit Shared Service also presented an outline of the Internal Audit Plan Report 2016/17. The report had been provided at this stage because the Audit Board had previously requested that the draft Internal Audit Plan 2016/17 be presented to the Committee to enable Members to comment on the content and to suggest amendments. Also, as previously requested by Members, information had

been provided in the plan about the anticipated quarter in which specific Internal Audits would be completed. It was possible that dates would change during the year, though it was unlikely that any changes would be significant.

It was proposed that the overall number of audit days for 2016/17 be reduced to 230 from 250 in 2015/16. The Committee was informed that Officers were confident, in light of shared services and other close working relationships with partner organisations, that this number of days would enable the Internal Audit team to undertake their work in a robust fashion.

Members expressed concerns about the possible financial risks arising from the withdrawal of Worcestershire County Council from Worcestershire Regulatory Services (WRS). The Committee was advised that there were financial risks associated with this decision and these would need to be addressed as part of a robust risk assessment. The Internal Audit team would also address this issue as part of their proposed Internal Audit of WRS.

The proposed Key Performance Indicators (KPIs) for Internal Audit and the suitability of these KPIs for the service was also considered. Members questioned the suitability of the first 2 KPIs listed in the report, which focused on decreasing the number of high priority recommendations and decreasing the number of moderate and low assurances. Instead, it was suggested that these KPIs appeared to be more appropriate as targets for the services that were subject to an Internal Audit.

RESOLVED that

(a) The content of the outline Audit Plan 2016/17 be noted; and
(b) Subject to the Committee's comments as detailed in the preamble above the Key Performance Indicators be noted.

44/15 QUARTER 2 FINANCIAL MONITORING REPORT

The Financial Services Manager presented the Financial Monitoring Report for the second quarter of 2015/16. The report detailed the Council's progress mid-year in terms of achieving the savings predicted in the Medium Term Financial Plan 2015/16 – 2017/18. The data provided reflected the Council's revenue position mid-way through the financial year so could only be regarded as an estimate. However, information provided by the Heads of Service indicated that the Council was performing well with only one projected overspend anticipated for the end of the year.

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

- The impact that the overspend at Parkside might have on expected variances at the end of the year and anticipated revenue from the sale of the Council House site.
- The extent to which Heads of Service could accurately predict whether savings would be achieved mid-way through the financial year.

- The type of works that were classified as essential maintenance at the Council House site.
- The source of the reserves that had been used to offset the additional expenditure on Parkside.
- The need for contingency planning in cases where significant expenditure was required.

RESOLVED that the report be noted.

45/15 **CORPORATE RISK REGISTER - PRESENTATION**

The Financial Services Manager delivered a presentation on the subject of the Corporate Risk Register (Appendix 1).

The Committee debated a number of issues arising from the presentation:

- The reasons why the risks in relation to financial constraints were considered to be high. Members were advised that this rating was considered appropriate because there was uncertainty about the eventual government grant settlement.
- The deadline for the announcement of the Government grant settlement, which was likely to take place on 17th December 2015.
- The action that was being taken by the Council to mitigate the risks arising from the financial constraints impacting on the Council.
- The potential for future reports and presentations about the Corporate Risk Register to stipulate that the content was accurate as of a particular date.
- The need to ensure that the Council complied with data protection requirements. Members suggested that this should be included on the Corporate Risk Register due to the significant amount of data collected and maintained by the Council.

RESOLVED that the presentation be noted.

46/15 **RISK CHAMPION - VERBAL UPDATE REPORT (COUNCILLOR MICHAEL THOMPSON)**

Councillor M. Thompson provided a verbal update on his work as the Council's Risk Champion and highlighted a number of key points for Members' consideration.

a) Customer Access and Financial Support

Councillor Thompson had met with the Head of Customer Access and Financial Support to discuss the various risks within her service areas.

In terms of Customer Access there were risks arising from the relocation to Parkside.

There were a number of risks associated with services provided by the Benefits team. This included the potential impact of the introduction of

Universal Credit on people living in the district, such as on demand for hardship schemes.

In respect of the work of the Revenues team there were risks in relation to business rates. These risks related both to the collection of the business rates and the distribution of funds amongst partner organisations.

b) Leisure and Cultural Services

Councillor Thompson had also met with the Head of Leisure and Cultural Services to discuss risks within his service areas.

There were a number of general risks associated with maintaining leisure facilities, including slippery surfaces and falls. Risks in respect of specific services had also been discussed.

The potential financial risks in relation to the new Dolphin Centre were discussed by the Committee. Concerns were expressed that, following a recent petition to Council about the absence of a sports hall from the new Dolphin Centre, there might be a decline in public support for use of the centre and this could impact on income. It was proposed that the Head of Leisure and Cultural Services could be invited to attend the following meeting of the Committee to discuss the financial risks involved and the extent to which these might have changed since the original plans were discussed by Cabinet.

However, it was suggested that this subject would be more suitable for the Overview and Scrutiny Board to discuss. As the Board was already scheduled to receive a presentation on the subject of the Dolphin Centre from the Head of Leisure and Cultural Services it was suggested that this would provide an opportunity to discuss financial risks.

RESOLVED that the Chairman of the Audit, Standards and Governance Committee should raise the subject of financial risks arising from the new Dolphin Centre during the meeting of the Overview and Scrutiny Board on 14th December 2015.

47/15 **AUDIT, STANDARDS AND GOVERNANCE COMMITTEE WORK PROGRAMME**

The Committee was advised about the opportunity for Members to participate in Effective Risk Management Training in Birmingham on 4th February 2016. The training would be provided by PricewaterhouseCoopers and would provide useful guidance to elected Members. The Council had been offered 3 free places on the training session, 1 of which had already been reserved. Members were encouraged to approach the Democratic Services team as soon as possible if they wanted to participate.

Members considered the other training needs of the Committee whilst discussing this item. As part of this discussion further information was

requested about the financial costs involved in arranging for an academic expert to deliver training on the Committee's audit function.

RESOLVED that the Work Programme be noted.

The meeting closed at 8.10 p.m.

Chairman