

AUDIT AND STANDARDS COMMITTEE

Meeting - 9 April 2019

Present: D Anthony (Chairman)
G Hollis and P Hogan

Also Present:

Apologies for absence: R Sangster

93. **MINUTES**

The minutes of the Audit and Standards Committee held on 17 January 2019 were approved and signed by the Chairman as a correct record.

94. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

95. **UPDATE ON STANDARDS FRAMEWORK**

The Committee considered a report of the Monitoring Officer (MO) on compliance with the requirements of the current standards framework. The framework required all Councils to adopt a code of conduct and Members were reminded that this had been updated recently to clarify that a member who declared a personal interest was still entitled to speak and vote on the item of business. The Monitoring Officer was pleased to report that all Councillors continued to be up to date with their register of interest forms, which they could update via the Extranet. Members noted that the Council kept a record of Town and Parish Councillor register of interests which had been largely complied with. Democratic Services reminded Clerks regularly to provide up to date register of interest forms for their Town/ Parish Councillors. These forms were published on the District and relevant Town/ Parish website.

The report also included recommendations made by the Committee of Standards in Public Life (CSPL) following their review on local government ethical standards. The Committee's recommendations were in full at Appendix 1 to the report. The following key points were highlighted:

- Some of the key recommendations of the CSPL were highlighted at section 3.5 of the Monitoring Officer's report.
- The CSPL found that the majority of Councillors and officer's maintain high standards of conduct.

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- Where there was misconduct, this was usually due to social media use, bullying and harassment.
- There was considerable variation in codes of conduct nationally, and some of the codes failed to adequately address social media, bullying, harassment or other disruptive behaviour.
- The role of the Independent Person was an important safeguard in the current system, and the CSPL felt that the role should be strengthened and clarified.
- The current sanctions available to Local Authorities were deemed insufficient by the CSPL.
- The CSPL made 26 recommendations largely directed at central government as legislation would be required to make the changes.
- A national model code of conduct was suggested to ensure consistency in codes nationally. This was previously a requirement of the Local Government Act 2000, repealed by the 2011 Localism Act which gave Authorities the discretion over wording.
- The CSPL recommended that the current rules on declaring interests be repealed and replaced with an objective test. It was noted that Scotland and Wales have this provision.
- Further, that Councils be given discretion to establish standards committees with voting Independent Members and voting Members from dependant Parishes. The 2011 Localism Act repealed a similar requirement in the Local Government Act 2000.
- It was recommended that powers to suspend councillors be given back to Councils for a period of up to 6 months, to include Parish Councils and with agreement of the Independent Person. Councillor should be given the right of appeal to the Local Government Ombudsman.
- Parish Councils should be required to adopt the code of their principle authority (or the new model code).
- Monitoring Officers should be provided with adequate training, support and resources to undertake their role.
- Town and Parish Clerks should hold an appropriate qualification.

- Some of the recommendations were aimed at political groups; asking them to set clear expectations of their Members, and require Members to attend code of conduct training.

The CSPL's best practice recommendations were detailed in the table at 3.6 of the report, reviewed and given a RAG status by the MO. It was noted that the gifts and hospitality register was not published quarterly as very few entries were made in the register.

With reference to recommended best practice (14) Members noted that Councils should report on separate bodies they have set up as part of their annual governance statement. The Head of Finance advised that currently Consilio was still at the early stages of trading and had not been included in the Annual Governance Statement to date and the MO confirmed that the Company's Directors were not Members of the Council. It was noted that the CSPL report could be used as a benchmark for recommended best practice for the new Unitary District Council.

Members welcomed the recommended changes to the framework particularly abolishing criminal offences with reference to Disclosable Pecuniary Interests and providing greater powers on suspending councillors where required, with the agreement of the Independent Person. In response to a question it was noted that when Councillors were suspended for six months under the previous standards framework this did not engage the six months rule in relation to attendance. Members also noted that new legislation would be required to implement the proposal. Members agreed that the new Council should take on board these recommendations with the exception that the recommendation that Parish Clerks should be able to ask the Chairman to complain on their behalf be brought to parish and town councils attention.

RESOLVED to note the current position and that the new Unitary District Council should consider whether any changes should be brought forward for consideration in the light of the recommendations made by the Committee on Standards in Public Life in their report on ethical standards in local government.

96. **STANDARDS WORK PROGRAMME**

The Committee received the Standards Work Programme. The Head of Legal and Democratic Services reported that the Work Programme included the standard reports, such as the Annual Review of Code of Conduct and Complaints procedure but was also forward looking in respect of standards procedures for the new Unitary District Council. In response to a question regarding the Shadow Authority, the Head of Legal and Democratic Services reported that she was leading on a Sub Group giving legal advice to work streams for the transition into the Unitary District Council.

RESOLVED that the Standards Work Programme be agreed.

97. **ANNUAL INTERNAL AUDIT REPORT**

The Committee received the Internal Audit Annual Report for 2018/19. The report summarised the outcomes of the reviews that have been carried out on the organisation's framework of governance, risk management and control and was designed to assist the Council in making its annual governance statement. The Head of Internal Audit's opinion allowed him to draw a positive conclusion as to the adequacy and effectiveness of the Council's risk management, control and governance processes. The Appendix gave a summary of all the audit reports.

A Member referred to the Counter Fraud report which had 'no opinion' and asked for clarification on this. The Head of Internal Audit reported that because this was relating to a specific issue and was advisory it had been given 'no opinion' so that it did not skew the overall report. The final outcome of this report would be reported to the next Committee.

Members thanked the Head of Internal Audit for his report and the Head of Finance reported that TIAA would undertake the final audit for South Bucks District Council for 19/20 and the Shadow Authority would then appoint a new auditor for the new Buckinghamshire Council.

RESOLVED that the report be noted.

98. **INTERNAL AUDIT PROGRESS REPORT**

The Committee received the Internal Audit Progress Report 2018/19. There had been five substantial evaluations and one advisory. The advisory report related to contractor health and safety and information was attached at Appendix B of the report. Appendix A showed progress against the Annual Plan. The Head of Internal Audit referred to changes to the Annual Plan, particularly audits that had been deleted because they were not required as they were already covered by the Public Services Network review. Reports relating to benefits, council tax support, council tax and Non Domestic Rates had been deferred to Quarter 1 19/20 due to bringing the council tax process back in house and the new unitary arrangements. Because of the transition process to the new Unitary District Council Members noted that it was important to be flexible with the audit plan for 19/20 and that the Programme would need to be accelerated so that reports could be drafted by the end of December before the transition in April 2020 to ensure that there were no legacy issues.

In response to a question, Members noted that further time had been allowed to respond to the contractor's health and safety audit to ensure that the policies and procedures were relevant and up to date and a further audit would be carried out in a few months. Members also noted that risk management had been a key piece of work throughout the year and staff training had been undertaken. The risk management processes for the new Unitary District Council would need to be identified. The Fareham Park- leases report would be undertaken in 19/20.

A Member asked a further question about the new Customer Experience Strategy and the Head of Internal Audit reported that this was being looked at to ensure that it was fit for purpose. Revenue and Benefits was no longer included in the scope of the project as this required additional funding which would need to be agreed by the new Unitary District Council.

RESOLVED that the progress report be noted.

99. **RISK MANAGEMENT UPDATE**

The Head of Finance reported that the new Unitary District Council would need to develop its own risk management policies and procedures and that there was a risk work stream to undertake this work to ensure the new Authority was 'safe and legal'. However, work was still being undertaken in 19/20 on improving risk management processes in the Council.

100. **EY CERTIFICATION OF CLAIMS AND RETURNS ANNUAL REPORT**

The Committee received the certification of claims and returns Annual Report which outlined the results of the certification work in order to highlight any significant issues. In particular the External Auditor checked and certified the housing benefits subsidy claim with a total value of £15,259,119. There were some errors which the Council corrected. The amendments had a marginal effect on the grant due. This meant that the DWP would not claw back subsidy at the higher level as they would do if the threshold were breached.

It was noted that the DWP were currently considering the results reported to them, and that a letter relating to the determination of the amount of subsidy and whether there would be any adjustments had not yet been received by the Council, but the DWP historically took a lot of time to consider such matters.

The External Auditor reported that because extra work was required in 2016/17 with follow up queries from DWP the proposed final fee was higher, which was subject to PSAA approval. The Head of Finance reported that due to the changes in Universal Credit the Finance Department were now dealing with more challenging cases and it was taking longer to process claims.

RESOLVED that the report be noted.

101. **EY ANNUAL AUDIT PLAN**

The Committee received the Annual Audit Plan for the year ended 31 March 2019. The overview of the 2018/19 audit strategy was set out on page 62. A number of audit risks had been identified as follows and a new audit process would be designed to take account of these new risks:-

- risk of misstatements due to fraud or error
- the need for group accounts relating to Consilio
- the application of the new accounting standards relating to financial instruments (money markets, investments with banks, bonds) and revenue from contracts
- a risk of fraud in revenue and expenditure recognition and the inappropriate capitalisation of capital expenditure
- valuation of land and buildings
- pension asset valuation

Reference was made to 'value for money' and the one potential risk that had been identified which was the impact on the Council's capacity to manage its operations as well as planning a smooth transition to a Unitary District Council; also managing strategic risks and medium-term financial planning.

Members noted the fee information at Appendix A and that there could be a scale fee variation for the additional work in relation to the first time production of group accounts in 2018/19. Members were advised that there had been a 23% reduction in fees for 2018/19 due to Public Sector Audit Appointments Ltd (PSAA) publishing a new scale fee, which was detailed in Appendix A to the report.

RESOLVED that the report be noted.

102. **ANNUAL GOVERNANCE STATEMENT 18/19**

The Committee received the Annual Governance Statement 2018/19 which included evidence to conduct the statutory review of the effectiveness of the Authority's Governance Framework/ system of internal control and to approve the statutory Annual Governance Statement for 2018/19. The Head of Finance reported that the Council operated under good governance with clear objectives, clear constitution and good plans including performance and risk management. The sources of assurances were set out on page 95 of the agenda. There were no significant issues to report. Appendix 1 of the report showed a checklist of evidence to support the review of the governance framework. The statement was attached at Appendix 4. The transition to a Unitary District Council had been identified as a risk and this would be monitored carefully by the Council, internal and external audit.

A Member asked for clarification on what the priority was in terms of being efficient and effective and the Head of Finance responded that the most important criteria was not to break the law, but that legislation could sometimes create inefficiency.

The External Auditor referred to the main governance issue (6) and commented that if processes failed in the last year of existence it would not only be a material risk for the new Council but also South Bucks District Council. Having reviewed the assurances provided it was

RESOLVED that the Annual Governance Statement be approved.

103. **AUDIT WORK PROGRAMME**

The Committee received the Audit Work Programme.

RESOLVED that the Audit Work Programme be agreed.

The meeting terminated at 7.15 pm

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