

# DRAFT

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## GOVERNANCE AND ETHICS COMMITTEE

### MINUTES OF THE MEETING HELD ON MONDAY, 25 APRIL 2016

**Councillors Present:** Jeff Beck (Vice-Chairman), Graham Bridgman, James Cole, Lee Dillon, Rick Jones, Anthony Pick and Quentin Webb (Chairman)

**Also Present:** Lesley Flannigan (Finance Manager: Financial Reporting), Julie Gillhespey (Audit Manager), David Holling (Head of Legal Services), Ian Priestley (Chief Internal Auditor) and Andy Walker (Head of Finance), Moira Fraser (Democratic and Electoral Services Manager) and Ian Pennington (KPMG)

**Apologies for inability to attend the meeting:** Councillor Steve Ardagh-Walter, Chris Bridges and Barry Dickens

#### PART I

#### 39 Minutes

The Minutes of the ordinary meeting held on 08 February 2016 and the minutes of the special meetings of this Committee held on the 08 February 2016, 17 February 2016, 22 February 2016 and 14 March 2016 were approved as a true and correct record and signed by the Chairman subject to the inclusion of the following amendments:

**Ordinary Meeting 08 February 2016, Item 26 (Internal Audit- Interim Report 2015-16) Page 7, final paragraph –**

In the first sentence replace the word 'were' with 'where'.

**Special Meeting 14 March 2016** – Councillor Graham Bridgman requested that in future the minutes of these 'hearing meetings' be formatted in a similar style to planning minutes.

He also requested that **the third paragraph on page 25** of these minutes be amended as follows: 'Councillor Graham Bridgman asked Councillor Lewis whether, if he had sent out by mistake a draft of a letter that libelled someone, and had not realised that error for a number of months, he would accept that he would nevertheless have committed a libel?'

#### 40 Declarations of Interest

There were no declarations of interest received.

#### 41 Forward Plan

The Committee considered the Governance and Ethics Committee Forward Plan (Agenda Item 4). An update on the work of the Risk Management Group by Councillor James Cole would be added to the November 2016 agenda.

**RESOLVED that the Governance and Ethics Committee Forward Plan be noted.**

#### 42 Governance and Ethics Committee (Annual Report 2015/16) (C3034)

The Committee considered the Annual Report (Agenda Item 5) of the Governance and Ethics Committee.

David Holling in introducing the report noted that:

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- There had been a significant increase in the number of complaints received in 2015/16. Twenty six complaints were received in total compared to nine in 2014/15. Sixteen of these complaints pertained to District Councillors and ten to Parish or Town Councillors. However, as a large number of these complaints pertained to events that transpired at an Area and subsequent District Planning Committee and were dealt with expediently he was not overly concerned.
- Following the Initial Assessment of these complaints no further action was taken on twenty two of them, a local resolution was sought in two cases, one was withdrawn and one was investigated.
- Two investigations were concluded in 2015/16 (one pertained to a case from 2014/15) and the cost of these external investigations amounted to £12,789.00. The cost of these external investigations and a lack of internal resources could lead to a budget pressure should the trend continue.
- Both investigations pertained to Parish Councillors and it was not possible to recover these costs from the authorities concerned.
- All new Members and a significant number of new Parish and Town Councillors had attended Code of Conduct training which was encouraging.
- The Independent Persons continued to fulfil a very useful function as regards the ethical framework and had contributed a good deal of outside knowledge and common sense to the decision making process and he thanked them for their input.

Councillor Anthony Pick noted that the two complaints that had been investigated had arisen due to personal differences between parish councillors. He therefore asked that every effort be made to ensure that parish councillors resolved their conflicts without resorting to the 'Standards regime'. Dealing with these complaints used up valuable Councillor time. David Holling reassured him that he spent a lot of time speaking with parishes to try and resolve their issues without resorting to the complaints procedure. Councillor Webb acknowledged Councillor Pick's point but noted that where complaints were submitted due process had to be followed.

Councillor Lee Dillon noted that of the three dispensations considered by the Governance and Ethics Committee two were considered via virtual meetings and one at a special meeting. He felt that it was likely that greater consistency would arise if all meetings were held in situ. It was agreed that Officers would remind Members of the need to apply for a dispensation in December 2016 and that if at all possible all the dispensations would be discussed at the February 2017 Committee meeting. If necessary a special meeting would be held to take cognisance of the fact that Members might not be aware of the need for a dispensation until the Executive paperwork was published.

Councillor Bridgman requested that the following typographical errors be corrected:

- Page 37 item 13 – remove the stray bracket
- Page 38 item 21 should refer to (15) to (20) and not (15) to (21)
- Page 44, paragraph 11.2 ensure the wording reflected the current wording in the Constitution.

Councillor Rick Jones noted that a number of the complaints pertaining to parish councils were based on a breakdown in relationships and he requested that this issue be focussed on in future training sessions for the parish councillors.

**RESOLVED that:**

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**A recommendation be made to Council that the report be noted and circulated to all Parish and Town Councillors in the District for information subject to the inclusion of the amendments requested at this meeting.**

### **43 External Audit Plan 2015-16 (GE3008a)**

Ian Pennington introduced the report which set out the external audit plan from KPMG for 2015/16. Mr Pennington noted the document set out the timelines and procedures associated with the summer audit of the Council's accounts which would be reported to the Committee in the autumn of 2016.

The report asked Members to note the attached plan and the two key objectives within the plan to audit/review and report on:

- (1) The Financial Statements including the Annual Governance Statement, providing an opinion on the accounts.
- (2) The use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the Council's use of resources.

Mr Pennington explained that the materiality, or financial amount the auditors were willing to risk, had been set at £6m for the Council. This sum was based on the Council's budget of £350m and the estimated value of assets being circa £400m. The auditors would undertake sampling in order to test the validity of the accounts. They were obliged to report uncorrected omissions or misstatements, other than those that were clearly trivial, to the Governance and Ethics Committee. During the previous year Officers had accepted all the changes and therefore nothing needed to be reported to the Committee.

The auditors had not identified any significant risks other than that required by auditing standards namely management override of controls. This would involve looking at areas that could be exploited by management including journals, estimates and any significant transactions. Historically there had not been issues at this Council.

The other areas the audit would focus on were:

- Valuation of property, plant and equipment;
- Pension assets and liabilities.

The second area of work that the auditors would undertake centred on the Council's value for money arrangements. The risk assessment undertaken by the auditors had identified two value for money significant risks:

- Financial resilience
- Better Care Fund/ Care Act eligibility.

Mr Pennington noted that this was the third audit of West Berkshire Council that he had been involved in. He would be heading up a new audit team and he hoped that this might provide a fresh perspective. The fee for 2015/16 was around £25k lower than the previous year.

Councillor Rick Jones noted that the internal audit report would also be looking into the Better Care Fund and Care Act eligibility and he wondered how the two audits would relate to each other. Mr Pennington noted that KPMG would look at the internal audit report to ensure that all the questions they needed to cover had been addressed.

Councillor Jones also noted that Children's Services had been subjected to an Ofsted Inspection and a lot of internal scrutiny and wanted to ensure that KPMG would not be duplicating work that had already been done. Mr Pennington noted that they were aware that there was an existing action plan to address deficiencies. The external auditors

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would be checking to see if the problems had been identified and that work was being undertaken to rectify the issues.

Councillor Lee Dillon noted that journal entries and estimates were potentially areas that could be exploited by managers overriding the controls and he wondered if contract values would be considered alongside this work. Mr Pennington noted that deliberately over paying a contract would constitute fraud. The auditors would look at the processes underpinning this area of work and would seek reassurance, for example the use of external valuers. During the previous audit an extra piece of work on Procurement had been undertaken. One issue had been identified and had been reported to the Committee in September 2015.

Councillor Anthony Pick asked if the audit would be used to identify areas where savings could be made by the Council. Mr Pennington noted that the role of external audit was not to identify areas where savings could be made although clearly if they came across any savings that could be made they would point them out. The value for money aspect of the audit was designed to look at the processes employed by the Council and was not designed to deliver value for money.

Councillor Quentin Webb asked how many transactions would be tested. Mr Pennington stated that it was difficult to say but reiterated that they would be focussing on processes and that various testing methods would be employed.

Councillor Webb noted that the Better Care Fund involved partner organisations and he therefore queried how much auditing could be undertaken. Mr Pennington explained that they would focus on the Council's arrangements but that they could speak to the Clinical Commissioning Groups to establish if the Council was a good partner from their perspective.

Mr Pennington explained that it was anticipated that the Council's accounts would be completed by the end of May 2016, the audit would take place during June and July and a report would be brought back to the 22 August 2016 Governance and Ethics meeting.

**RESOLVED that the plan and the two key objectives within the plan to audit/ review and report on be noted.**

### 44 Internal Audit - Work Plan 2016-19 (GE3008)

The Committee considered a report (Agenda Item 7) which set out the proposed plan of work for internal audit over the next three years and outlined the method used to compile the plan, which was based around risk. The purpose of this report was to set out a risk based plan of work for Internal Audit that would provide assurance to the Governance and Ethics Committee on the operation of the Council's internal control framework and which would support the Committee's review of the Annual Governance Statement.

Ian Priestley highlighted the fact that there were a number of changes to the priorities of the team which had been made in response to the reduced level of resource available to the team as follows.

- (1) The audits of the "Key Financial Systems", in Customer Services and Finance, used to be carried out annually, partly because of the scale and materiality of them and partly as the Council's external auditor relied on the work Internal Audit did on these systems. However, the external auditor no longer required these systems to be audited annually, and so they had been moved over to a cyclical basis.
- (2) In the past all audits were subject to a follow up audit to measure the extent to which agreed recommendations had been implemented. In future only audits with weak or very weak opinions would always be followed up. Audits with a satisfactory

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opinion might be followed up if, in the opinion of internal audit or management, the weaknesses identified by the audit warranted a follow up.

- (3) The frequency and depth of audits of schools would be reduced. Over recent years the Finance Service – Schools Accountancy Team - had delivered very effective training and support to schools, that was paid for by schools, and that would compensate for the reduced audit coverage.

The Public Sector Internal Audit Standards provided the following definition of Internal Audit:

*"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".*

Internal Audit was there to help Services deliver the Council Strategy by identifying and helping to mitigate weaknesses in service delivery systems and procedures, whilst staying within the statutory framework that governed local authorities. The objectives for Internal Audit were set out in the Audit Charter which formed an appendix to the Terms of Reference of this Committee.

The work programme for Internal Audit for the period 2016-19 was attached at Appendix B. The plan analysed the different areas of Council activity that Internal Audit felt required auditing. The work programme was based on levels of risk. The risk registers were used to inform the level of risk where appropriate and this was supplemented by an audit view of risk.

The work of Internal Audit formed the basis of the opinion given by the Chief Internal Auditor on the Council's internal control framework. The work of Internal Audit was regulated by the Public Sector Internal Audit Standards. This set out the standards and methods that should be applied in doing the work. At an operational level Internal Audit had a procedure manual that explained in detail how work was delivered. In addition an Audit Protocol was published to all Heads of Service setting out how the service operated.

The work produced by Internal Audit was designed to identify and remedy weaknesses in the internal control framework. Weaknesses that were identified were categorised according to their severity (fundamental, significant, moderate and minor).

Taken together, the above provided a sound basis for the Chief Internal Auditor to provide an annual opinion of the internal control framework of the Council.

The Chief Internal Auditor now had the support of 4 Full Time Equivalent (FTE) staff and the service was provided entirely through in-house provision.

Councillor Quentin Webb queried what impact the closure of the Calcot Office would have on internal audit. Julie Gillhespey explained that although there would be one fewer area to audit, the revised processes that would ensue would need auditing.

Councillor Lee Dillon asked for a comment on auditing of schools. Ian Priestley explained that the frequency of these audits would decrease as would the depth of these audits. Audits would focus on leadership and governance, financial management, budget control, the handling of payments and how any income was dealt with.

Councillor Rick Jones thanked Officers for the comprehensive report and for the clarity given the complexity of this area of work. Officers explained that the audit plan was based on risk. High risk areas were audited every four or five years, medium risks every seven years and low risk areas were audited less frequently. However as resources were depleted the frequency of audits would be lengthened.

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Councillor Jones queried if internal audit looked at value for money of capital projects. Officers explained that this would be a time consuming exercise and that with the resources available they could only look at processes.

The Chairman thanked Officers for the well written report. He also thanked the team for doing such a good job.

**RESOLVED that the work plan be approved.**

### 45 Corporate Parenting Panel (C3103)

The Committee considered a report (Agenda Item 8) which proposed changes to the governance of the Corporate Parenting Panel to provide a robust framework that upheld the Council's statutory responsibilities in relation to carrying out its responsibilities towards children and young people in care including care leavers.

Corporate Parenting was a statutory function of the Council. The leadership and commitment of Elected Members in their role as Corporate Parents was of critical importance in achieving good outcomes for children and young people in care. The Ofsted Inspection of Children's Services undertaken in March 2015 provided an overall judgement that Children's Services in West Berkshire were inadequate. The inspection concluded, amongst other things, that the characteristics of good leadership were not in place but that the local authority had recognised this and were taking action to address this.

One of the comments made by the Ofsted inspection team was that there was a need to "ensure that the Corporate Parenting Panel and children in Council care consistently contributed to improved outcomes for Looked After Children".

A review of the current Corporate Parenting Panel arrangements had therefore taken place and this report recommended proposals for strengthening those arrangements to ensure robust challenge and improved outcomes for Looked After Children in the district.

The review had therefore looked at membership, objectives, scrutiny mechanisms that were in place, performance monitoring and reporting mechanisms in order to provide a robust governance structure for the future.

Councillor Graham Bridgman requested that the typographical errors be corrected before the report was considered at full Council:

- in paragraph 3.3 use the correct form of 'its';
- that paragraph 3.3 item 13 be amended to clarify its meaning by for example adding the words 'by their attendance' to the end of the sentence;
- That paragraph 3.3 item 7 be re-written so that it made more sense by for example removing the first 'the' and inserting the word 'and' between 'Council' and 'our';

Councillor Bridgman commented that he felt that the whole of paragraph 3.3 should be looked at to ensure that it made more sense. He also stated that the membership section should be revisited. Paragraph 3.10 referred to 9 Members and it was not clear if these were District Councillors or not. Reference was made to 4 Members and 2 Substitutes and it was not clear if these were elected Members or not.

Councillor Lee Dillon asked what could be done to ensure that the views of the Council's Looked After Children of all ages were heard. It was agreed that this would be a good question to raise at Council.

Councillor Rick Jones commented that it was not clear from the report what changes had been made. He therefore requested that the Council version of the report included a paragraph setting out the key changes and what impact these changes would have.

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It was agreed that the report would be amended and sent to all Governance and Ethics Committee Members prior to inclusion in the Council agenda.

**RESOLVED that the Governance and Ethics Committee recommend to Full Council that the governance of the Corporate Parenting Panel be amended to include new membership and Terms of Reference as set out in Appendix B to the report, subject to the inclusion of the amendments requested at this meeting.**

*(The meeting commenced at 5.00pm and closed at 6.18pm)*

**CHAIRMAN** .....

**Date of Signature** .....