

# DRAFT

Note: These Minutes will remain DRAFT until approved at the next meeting of the Committee

## GOVERNANCE AND ETHICS COMMITTEE

### MINUTES OF THE MEETING HELD ON MONDAY, 24 APRIL 2017

**Councillors Present:** Jeff Beck (Vice-Chair, in the Chair), Graham Bridgman, James Cole, Barry Dickens, Lee Dillon, Anthony Pick and Quentin Webb

**Also Present:** Sarah Clarke (Acting Head of Legal Services), Lesley Flannigan (Finance Manager: Financial Reporting), Julie Gillhespey (Audit Manager), Ian Priestley (Chief Internal Auditor), Andy Walker (Head of Finance), Ian Pennington (KPMG) and Jo Reeves (Principal Policy Officer)

**Apologies for inability to attend the meeting:** Councillor Steve Ardagh-Walter and Councillor Keith Chopping

#### PART I

#### 32 Minutes

The Minutes of the meeting held on 13 February 2017 were approved as a true and correct record and signed by the Chairman.

#### 33 Declarations of Interest

There were no declarations of interest received.

#### 34 Forward Plan

The Committee considered the Governance and Ethics Committee Forward Plan (Agenda Item 4).

Councillor Graham Bridgman suggested that if Item 1 'New Arrangements for Licensing Sub-Committees' was the only item for the meeting on 19 June 2017, the meeting could be cancelled and the item deferred. Councillor Quentin Webb noted that the meeting clashed with the Annual Recognition Event.

Councillor Lee Dillon requested that, subject to the approval of the 'Proposed New Model for Scrutiny' at the Special meeting, a review paper be brought to the Governance and Ethics Committee in February 2018.

Ian Priestley advised that Item 8 was a duplicate of Item 5 and could be removed.

Sarah Clarke advised that Item 13 was not required.

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

#### 35 Monitoring Officer's Quarterly Report 2016/17 Year End (C3083)

The Committee considered a report (Agenda Item 5) concerning the Monitoring Officer's Report for 2016/17. The report explained that only one dispensation was granted in 2016/17 by the Monitoring Officer to allow Councillor Nick Goodes to speak and vote on matters pertaining to Council Tax. A four year dispensation (expiring in May 2019) remained in place for the other 51 Members to speak and vote on any items pertaining to Council Tax.

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The number of gifts and hospitality received by Members remained relatively low although this could be as a result of under reporting by Members. All elected Members of West Berkshire Council had completed and submitted their Register of Interest forms.

There had been a significant decrease in the number of complaints received in 2016/17. All three complaints received pertained to parish councillors. Following the initial assessment it was agreed that one of these complaints would be investigated (NPC1/17), informal resolution was sought in respect of NPC2/17 and no further action was taken on NPC8/16.

There would be some changes to the Parish Council representatives on the Governance and Ethics Committee and the Advisory Panel for 2017/18.

Councillor Beck noted that in the previous year, the number of complaints in respect of District Councillors had been skewed by one individual making a complaint regarding each member of the Western Area Planning Committee.

Councillor Bridgman enquired how new members for the Committee's Advisory Panel had been recruited. Sarah Clarke advised that all parish clerks had been contacted to identify volunteers. Any members who were also District council members were discounted in order to avoid the appearance of bias. Councillor Bridgman, referring to section 11 of the Supporting Information to the report, noted that in 2012/13 there were 18 complaints, 11 of which resulted in no further action being taken. He asked whether there were any areas of concern of which Members should be notified. Sarah Clarke advised that the Council had robust investigation procedures but some complaints 'snowballed'.

Councillor Pick expressed surprise that there were not more complaints and referred to his experience of vexatious complainants as a Newbury Town Councillor. Sarah Clarke advised that some Parish and Town Councils would handle complaints internally.

Councillor James Cole expressed concern that the report advertised the Council's 'limited power' in respect of sanctioning breaches of the Code of Conduct. Sarah Clarke advised that this was already well known among Members and most did seek to adhere to the Code of Conduct. The number of complaints was low considering the number of parish councils in the District. Councillor Beck noted that the government had reduced the sanctions available to local authorities. Sarah Clarke offered reassurance that if the Council received a complaint in respect of a Disclosable Pecuniary Interest (DPI) this was a criminal matter and would be referred to the police. She knew of one prosecution nationally in respect of a member who had declared a DPI on his register of interests but had participated in a meeting at which matters relating to his DPI were discussed. Councillor Bridgman commented that the negative publicity would be punitive.

Councillor Dillon commented that he had completed his own Register of Interests form but he had found the form to have unclear wording and requested that this be looked at. Sarah Clarke agreed to present a revised form following consideration by the Finance and Governance Group.

**RESOLVED that** the report be noted and the Register of Interests form to be revised.

### 36 Internal Audit Plan 2017/18 (GE3081)

The Committee considered a report (Agenda Item 6) concerning the Council's Internal Audit Plan 2017/18. The report 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.

Councillor Quentin Webb asked whether the Council should complete more audits, if it had the necessary resources. Councillor Beck noted that over recent years, the number

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of full time equivalent (fte) staff had reduced from 10 to four. He asked what risks there were to the Council by completing the proposed plan of internal audits. Ian Priestley responded that he had had to spread out the frequency of audits and noted that if more resources were allocated to audits they would be taken from elsewhere.

Councillor James Cole stated that he could not object to the plan, given the Council's financial circumstances, but advised that he felt uncomfortable with the proposed plan as it was at the minimum level. He noted that Ian Priestley would be retiring in a year and would need to be replaced. Andy Walker agreed that the current level of audit work was at the minimum level but advised that he saw audit as a priority and it was one of his duties as S151 Officer.

Councillor Bridgman questioned why some low risk areas were scheduled for audit when some high risk areas such as Community Infrastructure Levy (CIL) were not. Julie Gillhespey advised that a CIL audit would be undertaken and this was shown on page 55.

Councillor Dillon enquired whether the Council's shared services, such as the Public Protection Partnership, would be covered by internal audit. Andy Walker advised that the lead authority would be responsible for auditing the service and reporting any identified areas of concerns to the other parties in their management groups. Councillor Dillon stated that the Governance and Ethics Committee should have sight of any audits of shared services as any failures would pose a risk to all local authority partners involved. Councillor Cole suggested that Councillor Dillon's point might fall under the remit of the Overview and Scrutiny Management Commission. Andy Walker advised that he would raise the point at the next meeting of the Berkshire Treasurers Group and report back at the next meeting.

**RESOLVED that** the Internal Audit Plan 2017/18 be approved. Andy Walker to report to the Governance and Ethics Committee on audits of shared services.

### 37 External Audit Plan 2017-18 (GE3082)

The Committee considered a report (Agenda Item 7) to provide Members with a copy of the external audit plan from KPMG for 2017/18.

There were no significant changes to the Code of Practice on Local Authority Accounting in 2016/17, which provided stability in terms of the accounting standards the Council needed to comply with.

Materiality for planning purposes had been based on the previous year's expenditure and set at £5 million.

KPMG were obliged to report uncorrected omissions or misstatements other than those which were 'clearly trivial' to the Committee, and this had been set at £250,000.

KPMG had identified two risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error. These were management override of controls and pension liability including assumptions and having regard to the potential for significant changes arising from the LGPS Triennial Valuation.

Other areas of audit focus were valuation of Property, Plant and Equipment (PPE) and disclosures associated with retrospective restatement of the Comprehensive Income and Expenditure Statement (CIES), Expenditure and Funding Analysis (EFA) and Movement in Reserves Statement (MIRS).

A Value for Money risk was ongoing but the main identified risk was the Council's financial resilience.

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Councillor Beck enquired how it was possible that data provided to the actuary by the Council could be inaccurate. Ian Pennington, Director of KPMG advised that data might not be transferred properly or could be out of date. He also noted that small changes in interest rate assumptions could have a knock-on effect. Andy Walker advised that in respect of the Berkshire Pension Fund, the Council was currently contributing 18.1% employer contributions and this was set to increase to 22.5% by 2020. Ian Pennington also noted that the Council's establishment was decreasing.

Lesley Flannigan advised the Committee that the CIES would now follow budget monitoring rather than the government statement of accounts. Ian Pennington advised that this change would mean that it would be easier to translate the budget to the financial statements.

Councillor Bridgman enquired what risk there was if the Council misstated its PPE. Lesley Flannigan advised that the Council's worth would be misstated. Ian Priestley advised that there would be little insurance risk as premiums were based on rebuild cost and not market value.

Following a question from Councillor Dillon, Ian Pennington advised that he might report uncorrected omissions or misstatements below the value of £250,000 if pertinent.

**RESOLVED that** the external audit plan 2017/18 be approved.

### 38 External Review of Internal Audit (GE3268)

The Committee considered a report (Agenda Item 8) which outlined the options for commissioning an external review of Internal Audit.

The Accounts and Audit Regulations required internal audit to follow Public Sector Internal Audit Standards. These standards were in turn based on the Institute of Internal Auditors (based in the USA) International Standards. The requirement to follow these standards was introduced from 1 April 2013.

Standard 1312 required that an external (from outside the organisation) assessment of the internal audit service had to be carried out once every five years. An external assessment therefore had to be carried out by 31 March 2018. In order to minimise the cost of this exercise a self assessment would be carried out that would be validated by the Chief Audit Executive of one of the neighbouring Berkshire Councils.

The only associated cost would be in officer time as there was a reciprocal arrangement with the other authorities.

Councillor Dillon asked whether there would be any areas not covered by the self assessment; Julie Gillhespey advised that there was a standard checklist irrespective of whether a self assessment was completed or an external auditor was appointed.

**RESOLVED that** a self assessment be carried out to be validated by the Chief Audit Executive of one of the neighbouring Berkshire Councils.

*(The meeting commenced at 17:00 and closed at 18:09)*

**CHAIRMAN** .....

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