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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, 21 AUGUST 2017

Councillors Present: Steve Ardagh-Walter, Jeff Beck (Vice-Chairman), Graham Bridgman, Paul Bryant, James Cole (Chairman), Barry Dickens, Jane Langford, Geoff Mayes, 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), Stephen Chard (Principal Policy Officer) and Ian Pennington (KPMG)

Councillor Absent: Lee Dillon

PART I

7 Minutes

The Minutes of the meeting held on 19 June 2017 were approved as a true and correct record and signed by the Chairman.

Matters Arising:

Item 3 – Minutes – Audits of Shared Services/Joint Arrangements – Ian Priestley explained that joint arrangements were considered as and when necessary as part of the Council's audit planning processes regardless of whether they were hosted by the Council or another unitary authority. Where a service was hosted by another authority, such as Child Care Lawyers, Internal Audit would review the controls the client service had in place to ensure that the required service was being delivered, in the same way as an audit of, for example, the Council's Highways Maintenance term contract. Where the Council provided the service, Internal Audit would consider risks such as professional indemnity and affordability of the service.

Ian Priestley reported that there would be little value in considering the internal audit plans of other unitary authorities as they considered risks from different perspectives.

RESOLVED that the response to this action be noted and the action closed.

8 Declarations of Interest

There were no declarations of interest received.

It was noted that Councillors Jeff Beck, Graham Bridgman and Paul Bryant were Members of the Appeals Panel, the new arrangements for which would be discussed under Agenda Item 11.

9 Forward Plan

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

It was noted that the item to consider the outcome of the review of risk management arrangements needed to be added for the meeting scheduled for 27 November 2017.

GOVERNANCE AND ETHICS COMMITTEE - 21 AUGUST 2017 - MINUTES

Sarah Clarke confirmed that the review of the Council's licensing policies fell within the remit of the Licensing Committee.

Councillor James Cole pointed out to Members that the meeting that would normally be scheduled for August 2018 would be held in July 2018. It was noted, for this meeting, that the reports for Forward Plan items 13 and 14 (Annual Governance Statement – Statements in Support by the Monitoring Officer and Section 151 Officer) would be appended to the Annual Governance Statement and would not form independent items.

Councillor Graham Bridgman queried the necessity of receiving, on a quarterly basis, an update on ethical matters and whether a less frequent report would be more appropriate. Sarah Clarke acknowledged that this area of work was relatively quiet at present and Corporate Board had recently agreed to only receive an annual report on ethical matters. Committee Members were asked whether they would be satisfied with an annual report.

Councillor Bridgman felt this would be satisfactory on the understanding that matters of particular concern would still be brought before the Committee as and when required. He therefore proposed receipt of an annual report on ethical matters with matters of concern brought to the Committee's attention as and when required. This was seconded by Councillor Paul Bryant.

Barry Dickens supported a reduction in reporting as this would enable staff time to be freed up for more important duties.

RESOLVED that:

1. the Governance and Ethics Committee Forward Plan be noted and amended as discussed.
2. an annual report would be received on ethical matters rather than quarterly updates, with matters of concern brought before the Committee as and when required.

10 Update on Ethical Matters - Quarter 1 of 2017/18

The Committee considered a report (Agenda Item 5) which provided an update on local and national issues relating to ethical standards and which served to bring to the attention of the Committee any complaints or other problems within West Berkshire.

Sarah Clarke reported that during Quarter 1 of 2017/18, one formal complaint was received and no further action was taken on this complaint. There was one outstanding complaint that was still being investigated.

No dispensations were granted during Quarter 1 and no gifts or hospitality had been declared by District Councillors.

A number of Register of Interest forms had been submitted by Parish and Town Councils in cases where they had elected a new Chairman or Vice-Chairman or co-opted new Parish Councillors.

Councillor James Cole queried whether there would be value in sending out a reminder of the need to declare the offer and/or receipt of gifts and hospitality. Sarah Clarke confirmed that a reminder was sent out to Members and Officers on an annual basis in the lead up to Christmas. This could be extended to every six months.

It was noted that all hospitality received by the Chairman whilst undertaking his civic duties was documented and reported to the Monitoring Officer.

Councillor Steve Ardagh-Walter queried the ability to bring to the attention of the Committee information on the receipt of a complaint that, for example, carried reputational risk for the Council outside of a formal meeting.

GOVERNANCE AND ETHICS COMMITTEE - 21 AUGUST 2017 - MINUTES

Sarah Clarke reiterated the point made as part of the Forward Plan discussion that if a complaint of significance was received it would be reported formally to the Committee as part of the complaints process. However, she urged caution in relation to the potential to e-mail information regarding complaints. Whilst this could take place, this could prevent Members being involved in determining a resolution to the complaint at a later stage.

Councillor Anthony Pick added his concern should the e-mailing of this information compromise the formal process.

Sarah Clarke concluded by stating that there were no areas of concern to report and the number of complaints received was low. This indicated that the standards of ethical conduct at both District and Parish/Town Council levels continued to be good across West Berkshire.

Councillor Graham Bridgman highlighted two points to amend/clarify within Appendix A. Paragraph 3.3 needed to be corrected to show that the membership of the Governance and Ethics Committee was listed for 2017/18 and not 2016/17.

The Advisory Panel membership listed in paragraph 3.5 appeared incomplete as only six Members were listed when the Panel consisted of eight Members.

Councillor Bridgman added that he also wished to discuss amendments to the Constitution and would do so offline with the Monitoring Officer.

RESOLVED that:

- the report be noted.
- Councillor Bridgman would discuss amendments to the Constitution with the Monitoring Officer.

(Barry Dickens left the meeting at 5.20pm).

11 Internal Audit Annual Report 2016/17 (GE3254)

The Committee considered a report (Agenda Item 6) which provided an update on the outcome of internal audit work carried out during the second half of 2016/17.

The report met the requirement, set out in the Public Sector Internal Audit Standards as adapted by CIPFA's "Local Government Application Note", for the Chief Internal Auditor to present annually an opinion of the Council's Internal Control Framework.

Ian Priestley referred Members to paragraph 5.3 of the report. This provided detail of an audit that was rated as weak – Section 17 Support in Children and Family Services. The report outlined the concerns of Internal Audit, i.e. that due to the lack of an up to date Policy and guidance, inconsistencies were found with how provisions were being made, recorded and reviewed. There were also inconsistencies with the budget codes used to record expenditure for this purpose.

Ian Priestley felt that the response from the Head of Children and Family Services, also contained within the report, was sensible. This stated that following a period of time in which there had been significant structural and financial changes, and to then allow time to fully embed these changes, a greater level of assurance had been gained and priority was being given to address all the issues raised in the audit. A re-profiling of the S17 budgets had already been undertaken. Julie Gillhespey added that follow up work on this audit was ongoing.

Councillor Anthony Pick stated his contentment with the comments of the Head of Children and Family Services.

Councillor James Cole queried whether the Committee was able to question/be informed of when the up to date Policy had been implemented. Sarah Clarke explained that the

GOVERNANCE AND ETHICS COMMITTEE - 21 AUGUST 2017 - MINUTES

report was to note, but the Committee was entitled to challenge the outcome of internal audit work. Councillor Quentin Webb added that the Overview and Scrutiny Management Commission had the role of investigating in more detail particular areas of difficulty. The Governance and Ethics Committee needed to be satisfied that systems/processes were in place and working correctly rather than looking at the detail of the Council's policies.

Councillor Cole made reference to Appendix A – current audit work. He questioned the time being taken in some cases to complete audit work with a current piece of work dating back to 2014/15 and others back to 2015/16. Ian Priestley explained that the resources of the audit team had shrunk over recent years. He added that non-planned additions to the work programme were also a factor and a significant amount of Officer time could be taken to conduct detailed investigations. Councillor Cole therefore highlighted the importance of preventing any further reductions to the audit team.

Councillor Paul Bryant added his concerns that some audit work dated back to 2014/15 and 2015/16. He felt it would be useful to include a conclusion date where possible. Julie Gillhespey explained that the timetabling of work was not always in the team's control. For example, audit work would be postponed in the event that a service area was undergoing a review. However, the audit work was still valid and would be completed when possible. Julie Gillhespey added that when the work was conducted after a period of time had elapsed, any new guidance/the latest position of the service would be taken into account.

Councillor Cole suggested that delays were also encountered in cases where it took time to collate/for all necessary information to be provided to Auditors. Julie Gillhespey confirmed this could be the case and added that other priority work could take precedence during this time resulting in further delays in some cases.

Julie Gillhespey felt it would be sensible to state in the document the actual start date of audit work to better reflect the position.

Councillor Steve Ardagh-Walter felt it would be useful to schedule follow up audits of particular documents etc in a set time period. It was noted that this took place when necessary.

Councillor Quentin Webb recalled that a lengthier report had been provided in the past, but stated that he was content with the current report layout. Ian Pennington offered to share alternative ways of presenting audit information with Ian Priestley and his team. They would discuss that further outside of the meeting. Ian Pennington added his view that the Committee could request updates on progress in some areas of work via the Audit team and this could then be shared with Members. Regarding delays in obtaining information, Ian Pennington explained that when he worked in Internal Audit, he had similar difficulties with obtaining information for audit work and suggested that the Committee and Andy Walker could emphasise the requirement for services to provide the information promptly.

Jane Langford queried whether audit work was weighted depending on the area in question/its importance and whether this influenced timeframes. Ian Priestley confirmed that weighting was a consideration in terms of the importance given to and frequency of audits and this was detailed in the separate Audit Plan document.

In summary, Ian Priestley gave the view that the Council's Internal Audit Control Framework was performing well despite the challenges faced by the Council in terms of reduced resources.

RESOLVED that:

- the report be noted.

GOVERNANCE AND ETHICS COMMITTEE - 21 AUGUST 2017 - MINUTES

- Ian Pennington and Ian Priestley would discuss alternative ways of presenting audit information.

12 **Annual Governance Statement - Statement in Support by the Section 151 Officer (GE3253)**

The Committee considered a report (Agenda Item 7) which provided evidence and independent verification of governance matters which might impact on the Annual Governance Statement from the viewpoint of the Section 151 Officer.

Andy Walker explained that his view, as S151 Officer, was that all parts of the Council had acted in accordance with the budgetary and policy requirements in connection with the setting of the budget and met financial administration standards as set out in legislation. There had been no need to issue any formal reports to Council on any financial matters of concern, a legislative requirement where necessary, and the Council's finance and budgetary controls were in a healthy position.

Andy Walker added that for the 2017/18 Annual Governance Statement both the S151 Officer and Monitoring Officer reports would be appended to the Statement and not form standalone items.

RESOLVED that the report be noted.

13 **Annual Governance Statement - Statement in Support by the Monitoring Officer (GE3252)**

The Committee considered a report (Agenda Item 8) which provided evidence and independent verification of governance matters which might impact on the Annual Governance Statement from the viewpoint of the Monitoring Officer.

The Monitoring Officer, Sarah Clarke's, view of the Council's governance arrangements was that they were robust and effective. The systematic and regular review of the Council's Constitution and the relatively low level of complaints indicated that there was little, in terms of the governance of the Council, that needed attention if the current arrangements were followed.

Sarah Clarke went on to explain that there was a work programme in place which scheduled the regular review of the Council's Constitution.

Ethical matters did not give any particular cause for concern. A new Code of Conduct had been adopted by Council in September 2016 and Members training had been held on the revised Code.

Risk Registers were also subject to regular reviews by the Monitoring Officer and S151 Officer in their roles as members of the Council's Corporate Board. No significant risks had been identified and where necessary, appropriate measures had been taken to reduce or remove risks.

Councillor Graham Bridgman noted from Appendix A that the reasons why the number of complaints remained low might be due to good ethical behaviour or as a result of the lack of sanctions available under the standards regime. In addition to these reasons, Councillor Bridgman added that complainants might chose to not come forward.

Councillor Bridgman then sought clarity on paragraph 4.5.2 of Appendix A. This paragraph noted that there had been an increase in the number of instructions received by Legal Services from Council service areas. He queried whether this was linked to the point also made in relation to the receipt of formal action letters in connection with potential judicial review proceedings. Sarah Clarke confirmed that there had been a significant increase in litigious activities. Service areas were being challenged more

GOVERNANCE AND ETHICS COMMITTEE - 21 AUGUST 2017 - MINUTES

frequently on service delivery at a time when reductions to service provision were being made, resulting in the increased number of instructions received.

Councillor Quentin Webb queried whether this area of work had increased due to a greater awareness of the potential to challenge via judicial reviews. Sarah Clarke reaffirmed that the workload of Legal Services had been altered with an increased requirement for litigation work. The judicial review process did however serve to bring issues to a conclusion.

Councillor Steve Ardagh-Walter made reference to the boundary review and the likely reduction in the number of Members. He queried whether governance arrangements would be reviewed as a result and if so the most appropriate timing of this. Sarah Clarke responded that she did not see an automatic need to alter governance arrangements as a result of the boundary review. Effective governance would always need to be maintained.

Councillor Bridgman felt there would be a need to review arrangements, i.e. the number of committees in place and this would be an appropriate role for the Governance and Ethics Committee. Councillor James Cole added that the concern for Members was the expectation of the same workload but with fewer Members to share the load.

Councillor Anthony Pick queried if there had been an increased number of planning appeals and associated enquiries. Sarah Clarke confirmed there had been a significant increase which impacted on the workloads of Officers in Legal and Planning.

Councillor Bridgman referred to the intervention of the Secretary of State on a planning application and queried whether it was felt that this could reduce the amount of appeals moving forward. Sarah Clarke indicated that this would be likely to have an impact but the full extent of that would take time to show.

RESOLVED that the report be noted.

14 Annual Governance Statement (GE3269)

The Committee considered a report (Agenda Item 9) which set out the Annual Governance Statement (AGS) for the Council for 2016-17.

Ian Priestley introduced the report. The AGS formed part of the Council's Financial Statements and was designed to provide stakeholders of the Council with assurances that the Council had operated within the law and that the Council had met the requirements of the Accounts and Audit Regulations. This formed part of the requirement for the Council to review, at least once in a year, the effectiveness of its systems of internal control.

In addition to the reports on this agenda, this assurance was achieved via the consideration and monitoring of service risk registers and by considering reports from external regulators, i.e. Ofsted and KPMG (the Council's external auditors). Changes required by KPMG had been or were in the process of being implemented.

Ian Priestley explained that there were a couple of errors in the covering report, i.e. a reference to the Governance and Audit Committee, and reference to a review of the AGS by the Risk Management Group that had in fact not taken place.

Ian Priestley then referred to the significant governance issues identified in the report for 2015/16 and 2016/17. For those issues identified in 2015/16, the report detailed the action taken to manage these issues during 2016/17. Work to mitigate 2016/17 issues would continue throughout the coming year as would work to review the Council's governance arrangements to ensure they were fit for purpose in the increasingly complex and challenging environment that the Council was working within.

GOVERNANCE AND ETHICS COMMITTEE - 21 AUGUST 2017 - MINUTES

Councillor Quentin Webb was pleased to note that all Heads of Service had returned their Assurance Statements.

Councillor Jeff Beck queried whether there should be an expectation of Portfolio Holders to attend this meeting. Councillor Anthony Pick felt that Portfolio Holders should attend to address particular issues when required. Councillor James Cole agreed Portfolio Holders should attend in these cases, but questioned whether routine attendance was necessary when Officers were already present. Councillor Paul Bryant queried whether there was sufficient time available between receiving reports and alerting Portfolio Holders to attend when necessary. Ian Priestley suggested that Portfolio Holder attendance could be discussed at and arranged if needed following the Chairman's briefing meeting. Councillor Cole gave his agreement to that approach. He would expect Officers to flag up the need for Portfolio Holder attendance.

Councillor Webb reiterated that he was content with this report on the basis that Assurance Statements had been received from all Heads of Service. If this had not been provided then he might have sought the involvement of Portfolio Holders.

Sarah Clarke highlighted the need to recognise those functions which fell in the remit of Council and those which were the responsibility of the Executive. This needed to influence this debate as a Portfolio Holder would introduce an item at Council meetings.

Ian Pennington advised that it was not his experience from equivalent meetings at other local authorities that Portfolio Holders were in attendance as a matter of routine.

Councillor Graham Bridgman voiced his concern at the layout and formatting of the AGS. He requested that the document be tidied prior to its publication. Andy Walker agreed to do so.

Councillor Cole referred back to the significant governance issues identified for 2016/17 which related to property investment and the Council's transformation programme. He queried whether these would result in changes to governance arrangements.

Andy Walker explained that following Council approval of the Property Investment Strategy, a Property Investment Board had been established which included Member representation. The transformation programme was an area for ongoing review but would not necessarily result in governance changes. The review of governance arrangements in 2017/18, referred to in paragraph 6.2 of the report, would form a large part of the work of the Finance and Governance Group over the coming year.

Councillor Cole proposed acceptance of the report and the actions it contained to mitigate risks to the Council's governance arrangements. This was seconded by Councillor Webb.

RESOLVED that the report and the actions it contained to mitigate risks to the Council's governance arrangements be approved, subject to a final proof read and tidy of the document.

15 **West Berkshire Council Financial Statements 2016/17 Including External Auditor's Opinion. (GE3251)**

The Committee considered a report (Agenda Item 10) from KPMG which provided their opinion on the Council's Financial Statements, the Council's Value for Money and proposed recommendations.

The Committee would then be asked, following consideration of KPMG's opinion, to approve the Financial Statements for 2016/17 and formally close the accounts.

Ian Pennington presented the ISA260 KPMG report. He explained that in summary, West Berkshire Council's Statement of Accounts, including information provided on use of

GOVERNANCE AND ETHICS COMMITTEE - 21 AUGUST 2017 - MINUTES

resources and value for money, provided a sound position for the 2016/17 financial year. Mr Pennington confirmed the KPMG opinion that West Berkshire Council had a clean audit report. This was a good news story for West Berkshire.

Mr Pennington then highlighted the following specific points:

- Pension liability was highlighted as a significant audit risk. However, this was a national issue due to the Local Government Pension Scheme (LGPS) Triennial Valuation system. KPMG had reviewed the processes in place and reviewed the position of the actuary, and found the calculations to be acceptable and in line with the view of the Berkshire Pension Fund.
- Pension Fund assets could improve a local authority's net budget position. However, consideration needed to be given to potential discounts as these varied based on interest rates. The level of liability was an additional factor to consider.
- Fraud risk of revenue recognition was not considered an issue for local authorities.
- KPMG had no issues to report on the management override of financial controls.
- Two areas of audit focus had been identified. Firstly, the changes introduced in the 2016/17 Local Government Accounting Code had been adhered to. Secondly, in terms of assuring the fair value of PPE (Property Plant Equipment), the issue highlighted in relation to asset valuations had been corrected. This error was due to assets not owned by the Council being incorrectly included in the valuation figures. Pre-audit, PPE was reported as £432.1m, post-audit and the correction to asset valuations, this figure reduced to £427.5m. However, subject to adjustments being made, this change had no effect on the Council's General Fund. Recommendations were included in the report for the Council to review its valuations and the processes used to ensure accuracy.
- Mr Pennington confirmed that any investment properties purchased by the Council would form part of the PPE. He also confirmed that the Council's stance on valuations was more conservative than that of the valuer and KPMG were supportive of that.
- Turning to the key judgements made in the report, provisions had moved from £350k to £153k, but this was not considered a material change. A material change would be in the region of £5m, when considering the Council's overall budget.
- The judgement on the Council's reserves was considered by KPMG to be optimistic. The balance on General Fund reserves of £6.3m was largely unchanged from 2015/16 but as this was close to the minimum safe limit set by the S151 Officer it was considered optimistic.
- The Council had good accounting processes in place.
- The accounts had been finalised within an accelerated timeframe and this put the Council in a good position to meet the new 2017/18 deadline. Despite this shortened timeframe, the Council had produced a good set of draft accounts. The documentation would benefit from being proof read prior to publication.

Jane Langford queried whether the increase of judicial reviews gave cause for concern in seeking to maintain safe levels of reserves. Councillor Graham Bridgman commented that it was the outcome of judicial reviews, rather than the reviews themselves, which could create a cost to the Council, i.e. a task introduced or reintroduced which would need to be budgeted for.

Councillor Quentin Webb pointed out that the page numbers provided on the contents page of the KPMG report needed correcting.

GOVERNANCE AND ETHICS COMMITTEE - 21 AUGUST 2017 - MINUTES

Within the financial statements document, Councillor Webb referred to the section on 'doubtful receivables' and the need to determine an appropriate provision for debts not likely to be collectable. This provision was to increase and Councillor Webb queried if this was a result of the financial climate and whether this was a trend experienced in other areas. Andy Walker confirmed that an increase in this provision was proposed due to the age of some debts. Mr Pennington confirmed that this was a 'blip' he had observed in other local authorities. He went on to give the view that it was sensible to take this cautious approach for the provision based on the more historic debt.

Mr Pennington did however feel there were more active ways of debt recovery that the Council could employ. Councillor Bridgman confirmed that the debt provision was discussed as part of financial challenge review work and actions identified from this were being implemented which included recovery. Andy Walker added that different tools for debt recovery were being explored.

An amendment was noted on page 99 of the financial statements to clarify the reference made to the Council Tax Base.

Councillor Jeff Beck returned to the KPMG document and specifically the need for management representations. This section of the report noted that the Council was required to present a signed copy of the management representations document to KPMG before it could formally issue its audit opinion and Councillor Beck queried if this had been provided. Mr Pennington advised that this did not form part of these papers. He explained that this was a standard management requirement which confirmed that the necessary procedures had been followed, i.e. in relation to the Council's financial standing and to confirm the legality of the Council's transactions. Mr Pennington confirmed that the Council had followed the procedures as required. If there were matters of concern then the Council would have needed to provide more detailed representations.

In order to complete the representations process, Mr Pennington would forward the template to Andy Walker for completion. Andy Walker agreed that he would then issue the draft document to Committee Members via e-mail for comments before it was signed off and returned to KPMG.

Councillor James Cole proposed that, following consideration of KPMG's report and subject to the completion of the management representations template, West Berkshire Council's Financial Statements for 2016/17 be approved. This was seconded by Councillor Bridgman.

Councillor Beck took the opportunity to thank the Council Officers involved in producing the documentation and KPMG for their assistance.

RESOLVED that following consideration of KPMG's report, West Berkshire Council's Financial Statements for 2016/17 be approved, subject to the completion of management representations and the amendment of any typographical or other minor errors.

16 **New Arrangements for Appeals Panels (C3361)**

(It was noted that Councillors Jeff Beck, Graham Bridgman and Paul Bryant were Members of the Appeals Panel).

The Committee considered a report (Agenda Item 11) which proposed an increase in the number of Members on an Appeals Panel from three to four and to remove the requirement for a substitute.

It was noted that this would be line with the approach which had been agreed for Licensing Sub-Committees. As Appeals Panel meetings were so infrequent the proposal would enable Members to gain more experience. There would be no additional cost as

GOVERNANCE AND ETHICS COMMITTEE - 21 AUGUST 2017 - MINUTES

four Members would be in attendance in any event but the substitute would not currently be used unless necessary.

Councillor Graham Bridgman proposed that the number of Members for future Appeals Panels would consist of four Members with no substitute required and that necessary changes be made as a result to the Council's Constitution. This would be recommended for Council approval at its meeting on 14 September 2017. Councillor Paul Bryant seconded the proposal.

RESOLVED that the Governance and Ethics Committee recommend that Council approve the proposals contained within the report and as detailed above at its meeting on 14 September 2017.

(The meeting commenced at 5.00pm and closed at 6.52pm)

CHAIRMAN

Date of Signature