

# 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, 29 JULY 2019

**Councillors Present:** Adrian Abbs (Substitute) (In place of Andy Moore), Jeff Beck (Chairman), James Cole, Jeremy Cottam (Vice-Chairman), Barry Dickens, Jane Langford, Tony Linden, Steve Masters (Substitute) (In place of David Marsh), Geoff Mayes, Claire Rowles (Substitute) (In place of Thomas Marino) and Joanne Stewart

**Also Present:** Sarah Clarke (Head of Legal and Strategic Support), Shannon Coleman-Slaughter (Chief Financial Accountant), Julie Gillhespey (Audit Manager) and Andy Walker (Head of Finance and Property), Moira Fraser (Democratic and Electoral Services Manager) and Roger Hunneman (Parish Councils)

**Apologies for inability to attend the meeting:** Councillor Thomas Marino, Councillor David Marsh and Councillor Andy Moore

**Councillor(s) Absent:**

#### PART I

#### 8 Minutes

The Minutes of the meeting held on 17 June 2019 were approved as a true and correct record and signed by the Chairman subject to the inclusion of the following amendment:

Item 7 Corporate Risk Register (Q4 Update 2018/19), page 3 penultimate paragraph be revised to state that "Councillor James Cole stated that one thing that was still outstanding was the subject of Risk Appetite, particularly necessary to deal with now that the Council is deliberately taking on risk, and that the Committee will see what is proposed in due course. He recommended that Officers look at the work undertaken by Maidstone Council as he felt that this was a good starting point."

#### 9 Declarations of Interest

Councillor Claire Rowles declared an interest in all agenda items pertaining to Grant Thornton, the Council's external auditors, by virtue of the fact that she dealt with the company in respect of a network that she ran in London. She reported that, as her interest was a personal or an other registrable interest, but not a disclosable pecuniary interest, she determined to remain to take part in the debate and vote on the matters.

#### 10 Forward Plan

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

A request was made to add the following items to the 02 September 2019 meeting:

1. Report on the Effectiveness of the Audit Committee following the external audit of Internal Audit.
2. ISO 260 Report from Grant Thornton.

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

**11 Internal Audit Annual Assurance Report 2019/19 (GE3625)**

Julie Gillhespey (JG) presented the annual report (Agenda Item 5) The Public Sector Internal Audit Standards (PSIAS) required the Audit Manager to make a formal annual report to those charged with governance within the Council.

The Audit Manager's annual audit opinion was that reasonable assurance could be provided that the Council's governance, risk management and control framework remained robust.

The Audit Manager reported that there was one audit deemed to be weak. This related to the use of procurement cards. Although this had Council wide implications there were relatively low values involved.

It was noted that the target of achieving 80% of the audit plan had been met by the team as 81% of the planned activity had been undertaken. This was slightly lower than the previous year and had been impacted by a vacancy in the team. In relation to a query about how the programme was set up JG explained that the plan was agreed by the Committee each year. If areas of concern arose in year they could also be included.

Councillor Jeremy Cottam noted that the size of the audit team had been reduced over the past couple of years. He stated that he would be very unhappy to see any further reductions in staffing numbers. Andy Walker (AW) stated that Officers had to make the best use of limited resources and therefore the audit programme tended to focus on higher risk areas.

Councillor Jo Stewart queried whether the issues in respect of procurement cards were similar to those that had previously arisen. JG stated that the primary recommendation arising from this audit was around training for card holders and administrators. Although guidance was in place it was felt that detailed training would be more effective. JG was confident that this training would be beneficial. A follow up audit would be undertaken six months later.

Councillor Steve Masters also raised concerns about staffing levels and the risk to the Council if numbers were further reduced. JG stated that staffing levels had been raised during the Team's New Ways of Working Review and a request had been made to increase staffing numbers from four to five.

**RESOLVED that** the item be noted.

**12 Annual Governance Statement (GE3627)**

Andy Walker presented a report (Agenda Item 6) which set out the Annual Governance Statement (AGS) for the Council in 2018/19.

In light of issues raised during the year it was proposed that the following measures would be put in place:

- A review of the ASC forecast overspend position was undertaken by the Chief Executive and Audit Manager during 2018/19, and made a number of recommendations to strengthen the financial management arrangements within ASC and across the Council. These recommendations were being implemented according to an agreed plan and would be closely monitored for their effectiveness.
- Regular reporting of School DSG funding performance to be embedded within existing financial performance arrangements.

**RESOLVED that** the Annual Governance Statement be approved.

**13 West Berkshire Council Financial Statements 2018/19 (GE3624)**

## GOVERNANCE AND ETHICS COMMITTEE - 29 JULY 2019 - MINUTES

Shannon Coleman Slaughter introduced the report (Agenda Item 7) which provided members with a draft copy of the Council's Financial Statements for the 2018/19 financial year. Grant Thornton, the Council's external auditors, were auditing the financial statements. Once the audit was completed the financial statements would be made available alongside the ISA260 report from the auditors which would detail their opinion on the Financial Statements and Value for Money and would detail recommendations made by them.

Andy Walker apologised that the financial statements had to be circulated to Members under separate cover. Barrie Morris also apologised that Members had received such a large document outside of the usual timescales. He informed Members that the audit work was not yet complete but that Members were being asked to sign them off in order to comply with the statutory requirements. He explained that there had been a number of technical changes to processes and this was the first audit of this Council that they had undertaken. The approach they adopted differed from the previous auditors. Officers had however been very supportive of the revised audit processes.

Barrie Morris noted that one of the outstanding issues pertained to the evaluation of the Council's assets and they had asked officers to provide them with some additional information. Information was also being sought from the pension fund auditors. The modelling around adult social care was also being revisited.

Sarah Clarke noted the comments around the Council's commercial property investment activity. She noted that the purchase of properties was delegated to her as the Monitoring Officer and was not a Member decision. Barrie Morris agreed to refine the comments in the final version of the report.

**RESOLVED** that the financial statements be approved in accordance with the Local Audit and Accountability Act 2014.

### 14 Financial Year 2018/19 Going Concern Assessment (GE3781)

Shannon Coleman-Slaughter (SCS) presented a report (Agenda Item 8) which stated that as a result of the significant reduction in funding for local government in recent years and the potential threat this posed to the ongoing viability of one or more Councils as a consequence, External Auditors were placing a greater emphasis on local authorities undertaking an assessment of the 'going concern' basis on which they prepared their financial statements. This report summarised the management assessment of the Council continuing to operate as a going concern for the purposes of producing the Statement of Accounts for 2018/19.

The report concluded that the assessment had been undertaken by the s151 Officer. Having considered the assessment and the overall financial strength of the Council, it was proposed that this assessment did not contain an imminent risk to the going concern assertion.

Members requested the graph in paragraph 4.1 (page 56) be amended to refer to a denomination of £4m.

Members raised some concerns about the net assets, especially the pension liability, and the usable and unusable reserves. SCS explained that a detailed report on reserves would be brought to the next meeting.

**RESOLVED** that a detailed review of the Earmarked Reserves be undertaken to ensure financial provision aligned to key strategic financial risks identified via our internal governance processes.

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**15 External Audit Fee (GE3624a)**

Shannon Coleman-Slaughter presented a report which set out the Audit Fee Letter for 2019/20 from Grant Thornton. The letter set out the fee for the audit in line with the prescribed scale fee set by the Public Sector Audit Appointments Limited. The Governance and Ethics Committee had agreed previously that the Council should become a member of the PSAA who now appointed the Council's auditors. The Council's scale fee for 2019/20 had been set by the PSAA at £74,423 which was the same as in 2018/19.

**RESOLVED that** the report be noted.

**16 Proposals for Reviewing the Constitution (GE3792)**

Sarah Clarke presented the report which provided an outline plan for the review of the Council's Constitution.

**RESOLVED that :**

the following Members be appointed to a cross party task group to oversee the review:

1. Graham Bridgman
2. Jeff Beck
3. Howard Woollaston
4. James Cole
5. Geoff Mayes
6. Andy Moore
7. David Marsh

the task group be supported by appropriate officers.

The planned review and indicative timetable as detailed in appendix C be approved.

*(The meeting commenced at 4.30 pm and closed at 5.40 pm)*

**CHAIRMAN** .....

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