

# 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 AUGUST 2020

**Councillors Present:** Jeff Beck (Chairman), Jeremy Cottam (Vice-Chairman), Rick Jones, Jane Langford, Tony Linden, David Marsh, Geoff Mayes, Andy Moore and Claire Rowles

**Also Present:** Julie Gillhespey (Audit Manager), Joseph Holmes (Executive Director - Resources), Stephen Chard (Principal Policy Officer) and Councillor Jo Stewart

**Apologies for inability to attend the meeting:** Barry Dickens, Councillor Thomas Marino and Andy Walker

#### PART I

#### 9 Minutes

The Minutes of the meeting held on 15 June 2020 were approved as a true and correct record and signed by the Chairman, subject to the following amendment:

**Item 4 – Minutes, first paragraph, second sentence:**

He reminded Members that if the external auditors wished to address the Committee standing orders would need to be **suspended** to allow them to do so.

#### 10 Declarations of Interest

There were no declarations of interest received.

#### 11 Forward Plan

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

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

#### 12 Internal Audit Annual Assurance Report 2019/20 (GE3821)

The Committee considered the Internal Audit Annual Assurance Report for 2019/20 (Agenda Item 5). It was noted that it was a requirement of the Public Sector Internal Audit Standards for the Audit Manager to make a formal annual report to those charged with governance within the Council.

The report was required to include an opinion on the Council's governance, risk management and internal control framework, which in turn supported the Annual Governance Statement.

The audit opinion was based upon the assurance work undertaken during the year; knowledge gained from previous assurance work; as well as intelligence gained from other sources of assurance, both internal and external, for example Ofsted and the Council's Finance and Governance Group.

Julie Gillhespey, Audit Manager, was able to provide reasonable assurance that the governance, risk management and control framework remained robust.

## **GOVERNANCE AND ETHICS COMMITTEE - 24 AUGUST 2020 - MINUTES**

She reported that there were two audits conducted in 2019/20 that were found to be weak and both would be subject to a follow up review. The outcome of the first follow up review (Purchase of Residential Care) was satisfactory. The second follow up review (S106 Agreements) was currently work in progress.

Four follow up reviews were completed during 2019/20 and for two of these it was concluded that unsatisfactory progress had been made. When these outcomes were reported to Committee in November 2019, it was agreed that a second stage follow up would be carried out to check on progress. This follow up work commenced in June 2020 and was work in progress. The outcome would be reported to the next Governance and Ethics Committee.

Paragraph 5.11 of the report provided a summary of the outcomes of the Internal Audit Team's assurance work during the year. This showed that the majority of audit opinions were satisfactory or above. This supported the reasonable assurance view given by the Audit Manager.

Julie Gillhespey also reported that the Internal Audit Team had achieved 94% productivity of the audit plan for 2019/20 against a target of 80%. This was a very good result for the team, the performance for 2018/19 was 81%.

An addition to the annual report was contained in paragraph 5.23. This covered the Council's requirement, under the Local Government Transparency Code 2015, to publish certain information regarding fraud.

Councillor Jeremy Cottam noted from paragraph 5.23 that the Council had no professionally accredited counter-fraud internal investigators and queried whether this impacted on the ability to conduct investigations.

Julie Gillhespey explained that this accreditation had been introduced for the investigation of housing benefit and tenancy fraud. However, Julie felt this would only be necessary if there was a large volume of such cases going to court. She assured Members that while this specific qualification was not held, investigations could still be conducted.

Councillor Cottam followed this by asking if this was a gap which needed to be filled. Julie Gillhespey advised that much experience was held within the team. She held much experience personally in undertaking fraud related work. The qualification would be useful but it was not in her view essential. This was supported by the fact that the Council had no housing stock and housing benefit investigations were conducted by the Department for Works and Pensions. There was therefore a limited number of such investigations.

Joseph Holmes, Executive Director for Resources, supported the view given by the Audit Manager. He did however add that if there became a specific need for an accredited investigator then this could be resourced externally.

Councillor Cottam was reassured by these comments, but queried if this would be kept under review. Julie Gillhespey advised that this was something she would continue to have oversight of. She added that while the specific qualification was not held, all members of the team undertook anti-fraud training regularly. Internal Auditors followed best practice in undertaking investigations.

Councillor Rick Jones commended the achievement of 94% productivity. However, he noted that the level of unplanned work undertaken impacted on the planned work and he queried the impact of this on the workload for future years.

Julie Gillhespey stated that there had been an increase in unplanned work during 2019/20. However, this counted towards the productivity level. This unplanned activity

## GOVERNANCE AND ETHICS COMMITTEE - 24 AUGUST 2020 - MINUTES

had resulted in some planned work being postponed and rescheduled to 2020/21 if it aligned with the risk environment.

Julie was pleased to report that recruitment was ongoing for an additional Auditor and she was comfortable that, subject to recruitment, this would help the team keep on top of its assurance workload as well as conducting the unplanned work.

Councillor Cottam noted that the Audit Manager undertook a large proportion of the unplanned work and this accounted for 46% of her time. He queried this high percentage. Julie Gillhespey explained that much of the unplanned work related to investigations of employee disciplinary and grievance issues, and she held the necessary investigatory skills for this work. Work was prioritised based on levels of risk and unplanned work often needed to be prioritised ahead of planned activity.

Councillor Cottam followed this by asking if resource levels were adequate, especially if the increase in unplanned work was to continue. Julie informed Members that this had been the second financial year in a row with higher levels of unplanned work and this was a reason why recruitment to a further post had been approved.

Councillor Jeff Beck concluded the item by thanking Julie and the Audit Team for all their hard work and for achieving such a high proportion of the audit plan.

**RESOLVED** that the report be noted.

### 13 Annual Governance Statement (GE3823)

The Committee considered the report (Agenda Item 6) which set out the Annual Governance Statement (AGS) for the Council for 2019/20. The report outlined those issues that Corporate Board considered should be included in the 2019/20 AGS as requiring action to resolve.

The AGS set out the Council's governance arrangements and reviewed their effectiveness. The AGS needed to be reviewed and approved by the Committee on an annual basis and was published with the financial statements.

The review for 2019/20 had highlighted four key areas to include in the AGS and these were incorporated into an accompanying action plan. The four key areas of focus identified as requiring improvement were:

- Delivering effective engagement
- Capacity to deliver projects
- Improving asset management
- Commercial investment

Councillor Jeremy Cottam noted that training in the use of project management methodology was listed in the action plan and he queried the software to be used. Joseph Holmes, Executive Director for Resources, advised that training would be on the use of the PRINCE2 project management methodology. Approximately 50% of the relevant officers had been trained prior to the outbreak of the Covid-19 pandemic and the remainder would be trained via Zoom.

Joseph confirmed that it was mandatory for all projects to be managed via the project management methodology. The necessary officers would be involved in the production of business cases, all which would be presented to the Corporate Programme Board for approval.

Councillor Rick Jones queried if progress on the action to deliver effective engagement would be reported to the Governance and Ethics Committee. Joseph Holmes explained that it was his intention for the AGS to be a live working document. As part of this, a

## **GOVERNANCE AND ETHICS COMMITTEE - 24 AUGUST 2020 - MINUTES**

biannual report would be provided to the Committee that set out progress being made with the action plan. It was the aim to provide the first of these reports in early 2021.

Councillor Jones commended the document. The complexities of the AGS were clearly explained within the document. He pointed out a minor typographical error for correction in paragraph 5.12 of the report. This needed to state that the focus on commercial investment had been brought forward to 2020/21.

Councillor Andy Moore queried the process undertaken in reviewing the Constitution, including the involvement of the Finance and Governance Group, and how this aligned with the work of the Constitution Review Task Group. Joseph Holmes explained that the Finance and Governance Group was an officer group. A key role of the group was to prepare reports prior to submission to this Committee. It was important for the Finance and Governance Group to have the opportunity to review the Constitution on an annual basis, but he was aware that the Constitution Review Task Group was working through the Constitution in much more detail.

Councillor Cottam next queried the Council's approach to commercial investment and the extent to which this would continue. Joseph Holmes explained that a consultation exercise had been undertaken by Central Government with regard to the ability to borrow from the Public Works Loan Board (PWLB) for investment purposes. The results of this were awaited and were expected in the coming months. Councils could still invest funds, but this was restricted to, for example, use of capital receipts. Councillor Jones reported that he was aware that the Executive had been exploring other avenues in which to invest capital funding.

Councillor Cottam followed this by querying if it was within the Committee's remit to review the Council's commercial investments in light of Covid-19 and how this impacted on the viability of retail properties and offices.

Joseph Holmes advised that the Overview and Scrutiny Management Commission undertook a review of commercial investment at its meeting in January 2020. However, he acknowledged the point that the situation had changed with Covid-19. Joseph felt it would be useful for the Governance and Ethics Committee to review whether property valuations had changed in recent months and the impact of this on the financial statements. This could be discussed at a future meeting with potential input from external auditors.

Councillor Cottam considered that property investment at this time would be high risk and he agreed this should be reviewed. In terms of timing to do so, it was felt that this could take place once the property market had been able to recover on the back of Covid-19. Councillor Tony Linden had discussed the Council's existing investments with Joseph Holmes and the Portfolio Holder and had been reassured that the investments remained viable.

Standing Orders were then suspended in order to allow the external auditor (Barrie Morris of Grant Thornton) to address the Committee.

Barrie Morris agreed that property valuations should be monitored and it was the expectation that values would have decreased within this financial year. The implications of Covid-19 were ongoing and it was necessary to make considered decisions. The Grant Thornton assessment of the Council's decision making in terms of property investment would be based upon factors including business cases and performance in terms of value for money obtained.

Mr Morris added that Grant Thornton would provide comments and any recommendations once their review of the AGS had completed.

## GOVERNANCE AND ETHICS COMMITTEE - 24 AUGUST 2020 - MINUTES

Joseph Holmes agreed that effective governance arrangements needed to be in place. The outcome of the PWLB consultation would be carefully considered to review the impact of this on governance arrangements.

Standing Orders were reinstated.

**RESOLVED** to approve the AGS and the actions proposed within it to mitigate risks to the Council's governance arrangements.

### 14 **Draft Going Concern Assessment as at 31st March 2020 and Supporting Draft Executive Directors' Narrative Statement for the 2019/20 Financial Statements (GE3822)**

The Committee considered the report (Agenda Item 7) which summarised the management assessment of the Council continuing to operate as a going concern for the purposes of producing the Statement of Accounts for 2019/20. The going concern assessment took account of Covid specific financial risks.

Joseph Holmes, Executive Director for Resources, advised that the assessment contained assurances of the Council's resilience and stability. This included reserve levels and capital funding.

He then added that non ring-fenced funding of £8.6m had been provided by Central Government to support the Council in its response to Covid-19. This figure had been received in three separate tranches.

Central government was also introducing an income share scheme and this could be used to help offset income pressures as a result of Covid-19. The full detail on this had yet to be provided but it was anticipated that the Council would need to fund the first 5% of losses. All further losses would be shared between the Council (25% of all further losses) and the Government covering 75% of all further losses.

In conclusion, Joseph Holmes reported that the Council would continue as a going concern for this financial year and beyond.

#### **RESOLVED that:**

- On the basis of the S151 Officer's assessment, it be agreed that this report be provided as a working paper to the external auditor confirming the going concern assessment had been completed and the conclusion maintained the assertion that the Council was a going concern as at the Balance Sheet date of 31 March 2020.
- The draft Narrative Statement be noted.

*(The meeting commenced at 4.00pm and closed at 4.50pm)*

**CHAIRMAN** .....

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