

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, 15 APRIL 2019

Councillors Present: Jeff Beck (Vice-Chairman), Jeff Brooks, Paul Bryant, Keith Chopping (Chairman), Barry Dickens, Jane Langford, Geoff Mayes, Anthony Pick and Quentin Webb

Also Present: Sarah Clarke (Head of Legal Services), Lesley Flannigan (Finance Manager: Financial Reporting), Julie Gillhespey (Audit Manager) and Andy Walker (Head of Finance and Property), Moira Fraser (Democratic and Electoral Services Manager) and Barrie Morris (Grant Thornton)

Apologies for inability to attend the meeting: Councillor Steve Ardagh-Walter

Councillor(s) Absent: Councillor Jason Collis

PART I

27 Minutes

The Minutes of the meeting held on 26 November 2018 were approved as a true and correct record and signed by the Chairman subject to the correction of a feww minor typographical errors and the inclusion of Councillor Graham Bridgman on the list of attendees.

28 Declarations of Interest

There were no declarations of interest received.

29 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.

30 Monitoring Officer's Annual Report to the Governance and Ethics Committee - 2018/19 Year End (C3424)

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

Sarah Clarke noted that the report concluded that although there was a relatively high number of complaints (22), they were limited to related matters in a very small number of parishes. Twenty of the complaints pertained to parish councillors, one to a co-optee and one to a district councillor. It was noted that only two matters were referred for investigation, no further action was taken on fourteen of the complaints, three were withdrawn, informal resolution was required in two cases and one was still being dealt with. It was the opinion of the Monitoring Officer that standards of conduct at all levels across the district remained high, which was to be commended.

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As part of the learning from the complaints received the Council had amended its Social media Protocol for Members and some changes had also been made to the Member Development Programme.

Ms Clarke also noted that the Committee on Standards in Public Life had published their report on ethical standards in local government on the 30th January 2019. It was heartening to see that they were recommending that the ability to suspend councillors be reintroduced as a sanction. This would however require legislative changes. Officers were suggesting that after the May 2019 elections a small group be formed to look at the implications of the report to see what changes should be made to the Council's protocols prior to a discussion at a Governance and Ethics Committee meeting. It was however noted that some of the changes would be dependent on legislative changes.

The number of gifts and hospitality declarations by officers was broadly similar to the previous year. The number of declarations by Members had increased slightly. The Monitoring Officer was however concerned that there was still a degree of under reporting and that there was a lack of consistency in declarations across the Council.

Councillor Jeff Brooks noted that there had been an increase in the number of complaints and he queried if this was an indication of a systematic problem. Sarah Clarke stated that the complaints were limited to a very small number of matters and a few parishes. In 77% of cases the matter was either withdrawn or no further action was taken on the complaint. It should also be noted that only two complaints were investigated. She was therefore reassured that conduct at all levels across the district remained high and she commended all councillors for this.

The Committee welcomed the possibility of being able to apply a suspension as a sanction where breaches of the Code of Conduct occurred. They agreed that since the introduction of the Local Government Act in 2011 the sanctions available to them had been largely 'toothless' and that if the legislation was passed it would be useful to have this sanction available to them.

The Chairman noted that the report would be presented to full Council and that it would be circulated to all the parishes after that meeting.

The Chairman, on behalf of the Committee, requested that their thanks be conveyed to the Independent Persons and the Parish Councillors who sat on the Governance and Ethics Committee and Advisory Panel for all their hard work over the past year.

RESOLVED that:

1. the content of the report be noted.
2. it be recommended to full Council that the report be circulated to all town and parish councils.
3. the thanks of the Committee be passed on to Independent Persons and the Parish Councillors who sat on the Governance and Ethics Committee and Advisory Panel for all their hard work over the past year.

31 Internal Audit Plan Progress Report for Quarter Three (GE3629)

The Committee considered a report (Agenda Item 6) which set out the outcome of Internal Audit work carried out during Quarter Three of 2018/19.

Julie Gilhespey explained that the Public Sector Internal Audit Standards (PSIAS), as adapted by CIPFA's "Local Government Application Note", required the Audit Manager to provide periodic updates to Senior Officers and Members on performance against the Audit Plan. As stated in the Council's approved Internal Audit Charter quarterly updates were required to be presented to the Governance and Ethics Committee. The periodic reports aimed to provide a progress update against the work in the Audit Plan together

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with highlighting any emerging significant issues/risks that were of concern. Appendix C set out which audits had been completed and work in progress was included in Appendix D.

The report concluded that no significant/fundamental weaknesses had been identified in the Council's internal control framework through the work carried out by Internal Audit during the third quarter of 2018/19. All the follow up audits were also satisfactory.

As reported for quarters one and two progress against the plan had been slow due to a senior auditor post becoming vacant, and also because there had been a number of unplanned audits/projects that the Audit Manager had been heavily involved in.

Councillor Quentin Webb commented that the report was good news and the Committee thanked officers for their endeavours.

RESOLVED that the report be noted.

32 **External Audit Plan Provided by Grant Thornton for the Audit of Financial Year 2018/19 (GE3427)**

The Committee considered a report (Agenda Item 7) which included a copy of the External Audit Plan from Grant Thornton for the Financial Year ending 31st March 2019. The plan gave an overview of the scope and timing of the annual statutory audit of the Council's financial statements and value for money arrangements.

Lesley Flannigan explained that Grant Thornton would also be assessing the Council's arrangements to secure value for money with particular emphasis on Financial Resilience and had requested a Going Concern assessment from the Council agreed by the s151 Officer (Head of Finance and Property). The Going Concern Assessment would be produced by the Council post completion of the draft 2018/19 Financial Statements.

Barrie Morris (Grant Thornton) stated that the key issues that they would take into account were set out on page 66 of the paperwork. These included:

- Local Government funding continued to be stretched with increasing cost pressures and demand from residents.
- There continues to be increased pressure on the Council in demand led areas and specifically in adult social care.
- Implications of Brexit.
- Arrangements around the joint venture with Sovereign.
- The Court ruling on Newbury Development.
- The Council's Property Investment portfolio.

Significant risks (where there was a higher risk of material misstatement) to Councils were identified as fraudulent transactions and management over-ride of controls. Other significant risks included valuation of property, plant and equipment valuation of pension fund net liability. More detail around these risks and what Grant Thornton proposed to do when looking into them was set out on pages 67 and 68 of the paperwork.

In terms of materiality, the changes that would be deemed to be significant to stakeholders, Grant Thornton would set the figure at £5m which equated to 1.5% of the Council's prior year gross expenditure for the year. This was higher than the figure used by the previous auditors KPMG who used a figure of £3.6m. This was a reflection of the fact that the Council's finances were well controlled and previous concerns had not materialised. Errors below £250k would be deemed to be trivial. Any errors over £250k would be reported to Members. Grant Thornton designed its procedures to detect errors in specific accounts at a lower level of precision which they determined to be £20,000 for

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Senior officer remuneration. These standards were industry wide and in line with their competitors.

Councillor Anthony Pick noted that in terms of assets on the balance sheet these figures were based on a judgement on future events and he queried if this was based on cautious or optimistic forecasting. Mr Morris explained that a range of data was used, including disposal data, to ensure that net book value was as accurate as it could be,

The chairman thanked Mr Morris for taking the time to come along to the meeting and present his report. Andy walker stated that to date he was very pleased with the working relationship with the new auditors.

RESOLVED that the report be noted.

33 Internal Audit Plan 2019-2022 (GE3426)

The Committee considered a report (Agenda Item 8) which set out the proposed Internal Audit work for the three year period covering 2019/20 to 2021/22.

The report set out the proposed work programme for Internal Audit over the next three years. In order for an informed decision to be made regarding the work programme this report set out the role of Internal Audit together with supporting information as to how the plan was compiled.

Julie Gilhespey explained that she was required to review the Internal Audit Charter annually. She had drawn on some of the recommendations from the external review of internal audit during this process. The most significant change was clarifying that the Audit Manager should have direct access to both the Chair of the Governance and Ethics Committee as well as the Chief Executive. This was standard practice which needed to be adopted.

The Audit Manager had also made some changes to the Reporting Protocol. Firstly she had removed the requirement for consultation with the Portfolio Holder, this stage never resulted in any changes to the draft report and extended the consultation period by a month. The second change was the removal of the requirement to include Head of Service comments/progress update in the Audit Plan update reports. It was felt that including comments at this stage was not adding anything to the update report. She reassured the Committee that the Portfolio Holder would still receive the final report as per current practice.

Councillor Jeff Brooks noted that the programme was very long. He drew attention to the audit of IR35 (Audit No. 5) which was listed as high risk and stated that unless the Council was utilising a large number of limited company contractors he was not sure why this was the case. Julie Gilhespey accepted Councillor Brooks's comments but stated that this was a new process which had recently been introduced and it had been agreed that the area should be audited once the process had been imbedded. She stated that as this included schools the number affected might be higher than expected by Members. Councillor Brooks felt that there were other areas that should be deemed more important.

He asked if the Audit Manager was confident that there were sufficient resources available to cover all the audits. Ms Gilhespey stated that Appendix E highlighted that in 2019/20 there were 693 planned audit days and only 672 staff days available. Councillor Brooks stated that the programme should be looked at carefully to ensure that all the audits were necessary. The Audit Manager explained that the audits were programmed on a cyclical basis and high risk areas were scheduled to be audited every five years. This could be extended but would increase this risk level in these areas. The Chairman

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suggested that if members had concerns about specific audits they should send these to the Audit Manager outside of the meeting.

Councillor Keith Chopping noted that the audit team had been reduced from nine to four employees over the years. They had also been carting a vacancy. He asked the Committee for their comments on the level of resourcing for this important area. Councillor Paul Bryant asked if there was any evidence to support the contention that the team was too small given the high costs of staffing. Julie Gilhespey explained that the external audit of internal audit undertaken by CIPFA had indicated that the team was on the small side for a unitary authority. This was also reflected in benchmarking data.

Andy Walker explained that the service was about to be the subject of a New Ways of Working Review where data, including benchmarking, would be looked at in detail. It would therefore be better to await the outcome of that process. The Committee agreed to this approach.

RESOLVED that the Proposed Audit Plan, Internal Audit Charter and Internal Audit Reporting Protocol be approved.

34 **Report from the Deputy Monitoring Officer in Respect of NPC15/18 (GE3706)**

Moira Fraser presented a report (Agenda Item 9) which drew attention to the Governance and Ethics Committee of a failure by a Parish Councillor to adhere to the agreed outcome of an assessment of a complaint.

After a lengthy discussion the Committee **RESOLVED that** the content of the report be noted and that no further action be taken on the complaint NPC15/18.

(The meeting commenced at 5.00 pm and closed at 6.19 pm)

CHAIRMAN

Date of Signature