AUDIT AND GOVERNANCE COMMITTEE

Tuesday, 4 April 2017

Present: Councillor Len Horwood (Chairman)
Councillors Dawlings (Vice-Chairman), Chapelard, Nuttall and Podbury,
Independent Members Mrs Hough, Mr Quigley and Mr Shiels,
Parish Councillor Coleman and Town Councillor Henshaw

Officers in Attendance: Adam Chalmers (Head of Communities and Engagement), Rich Clarke (Head of Audit Partnership), Lee Colyer (Director of Finance, Policy and Development), Jane Fineman (Head of Finance and Procurement), Frankie Smith (Mid Kent Audit Manager), Keith Trowell (Senior Lawyer and Deputy Monitoring Officer), Claire Walker (Senior Auditor) and Mike McGeary (Democratic Services Officer)

Others in Attendance: Darren Wells (Grant Thornton)

APOLOGIES FOR ABSENCE

AG48/16 Apologies for absence were reported from Councillors Hamilton, Moore and Ms Palmer.

DECLARATIONS OF INTEREST

AG49/16 There were no declarations of interest made, within the provisions of the Code of Conduct for Members.

NOTIFICATION OF VISITING MEMBERS WISHING TO SPEAK (IN ACCORDANCE WITH COUNCIL PROCEDURE RULE 18)

AG50/16 There were no other members of the Council who had registered their wish to address the Committee, within the provisions of Council Meetings Procedure Rule 18.

MINUTES OF THE PREVIOUS MEETING

AG51/16 The minutes of the meeting of the Audit and Governance Committee dated 5 December 2016 were submitted.

RESOLVED – That the minutes of the Audit and Governance Committee dated 5 December 2016 be approved as a correct record.

UPDATE ON COMPLAINTS RECEIVED UNDER THE MEMBERS’ CODE OF CONDUCT

AG52/16 Keith Trowell, the Senior Lawyer and Deputy Monitoring Officer, presented an update report on complaints received under the authority’s Members’ Code of Conduct, for the period ending 17 March 2017.

Mr Trowell advised that, since the meeting of the Committee held on 5 December 2016, no further complaints had been received.

Mr Trowell added that there had been one outstanding complaint reported to the last meeting. He added that the complainant had been advised that the issue could not be considered further without additional information being provided. Mr Trowell said that nothing further had been received from the complainant and therefore the matter had now been closed.
RESOLVED – That the update report on complaints received under the Members’ Code of Conduct be noted.

SAFEGUARDING UPDATE

Adam Chalmers, the Head of Communities and Engagement, presented an update report on the Borough Council’s progress towards implementing the recommendations of a Mid Kent Audit report on ‘safeguarding’, undertaken in November 2016. He added that the reason why the progress report was being submitted to the Committee was because it had rated the authority’s control measures as ‘weak’.

Mr Chalmers advised that, in response to the outcome of the audit, an officer ‘Safeguarding Operations Group’ had been established, with a remit of reviewing the findings in detail and agreeing the recommended actions. The report listed the 12 audit recommendations and provided an up-to-date progress report on each issue.

Mr Chalmers drew particular attention to the one ‘high priority-rated’ action which had been slightly delayed but which had been signed-off at the most recent meeting of the Safeguarding Operations Group, namely the introduction of a Disclosure and Barring Service policy. Mr Chalmers added that this draft policy was now awaiting the approval of the authority’s Management Board and, possibly, the General Purposes Committee, before implementation.

Mr Chalmers ended his introduction by providing some context around safeguarding. He stressed that the Borough Council was not the provider of any ‘children’s service’ or similar, thus the safeguarding controls were very much centred on internal procedures.

Members of the Committee considered the report and the specific progress under each of the 12 actions and raised a number of questions.

The Chairman began by focusing on safeguarding training. He said that, as a school governor and in his charity work, he had undergone relevant training. He asked whether something similar would be provided for members of the Borough Council. Mr Chalmers said that this process had started, with the Cabinet Portfolio-holder responsible for this area, Councillor Weatherly. He added that it was the intention to widen this member training at some point, as appropriate.

Councillor Podbury asked for an explanation of the difference between the former ‘CRB’ checking system and the current ‘DBS’ process. The Chairman explained that a DBS check had replaced the former CRB process but was largely the same, in other words it enabled an employer to check someone’s criminal record if they applied for certain jobs or voluntary work, for example working with children or in healthcare.

Independent member Tony Quigley noted that many of the progress updates listed against the 12 actions were phrased as “will be” undertaken, rather than “had been” implemented. He asked how many of the actions remained outstanding.

Mr Chalmers explained that the reason why seven of the actions were not yet
complete was because of one of two reasons: either they were still awaiting final 'sign-off' by the Management Board or because, in some other cases, further discussions were still taking place with colleagues from Maidstone and Swale Borough Councils or, in a few cases, with contractors who were actually delivering some services. Mr Chalmers added that, once these discussions had been completed, and Management Board agreement obtained on the DBS policy, there was also a need to seek the approval of Mid-Kent Audit.

Frankie Smith, the Mid-Kent Audit Manager, advised that her service was due to conduct a follow-up process, the outcome from which she would provide for members of the Committee at their June meeting. The Chairman felt that, because of the concerns raised by members, he would like to see an interim report before then, with the full report coming before the Committee on 27 June.

Rich Clarke, the Head of Audit Partnership, said that, in view of the comments made by Committee members, he would provide a detailed update for the Management Board so that, by the beginning of May, a detailed position report, setting out Mid Kent Audit’s view on progress, could be circulated to the Committee members. He added that this would then provide sufficient time for Mr Chalmers to prepare a full update report at the June meeting. This proposed way forward was agreed.

The Chairman added that, in respect of recommendation 10 set out in the report, he would like to see the words “...at least an annual report” added. Mr Chalmers undertook to make that amendment.

RESOLVED –

(1) That the progress towards implementing the recommendations in Mid Kent Audit’s report on safeguarding be noted;

(2) That the Mid Kent Audit Manager circulate an interim progress report to Committee members in May; and

(3) That the Head of Communities and Engagement submit a full update report to the Committee at its 27 June meeting.

STRATEGIC RISK REVIEW

AG54/16 Lee Colyer, the Director of Finance, Policy and Development, presented a risk management report, which described the authority's arrangements for managing strategic risk. The report provided an update on the evaluated threat level as well as the controls in place for each of the 10 risks identified.

Mr Colyer added that he would be leading on updating the Committee on the two strategic risks where he was the named ‘officer risk owner’, namely risks 4 and 6.

Risk scenario 4 – Unable to plan financially over the longer term

Mr Colyer highlighted the key areas of vulnerability within this scenario, drawing attention to a number of contributing factors, such as the exposure to costs stemming from successful business rate appeals. As an example of this, he cited the case of the new hospital in Tunbridge Wells, where an
appeal remained outstanding from as far back as 2010. He did add that, after a number of representations which this authority – and others – had made, there were signs that the Government was considering dealing with such losses at a national level.

On that specific point, Councillor Podbury asked whether the issue had been raised with Greg Clark MP. Mr Colyer confirmed that the MP was indeed aware of the extent of this Council’s concerns.

Councillor Nuttall asked how these aspects of vulnerability were impacting on the Council’s future plans. Mr Colyer said that this authority had a good record in dealing with unexpected changes to its financial planning, on an annual basis. He added that, in recent years, central government policy changes had been much more frequent, leading to the prospect in 2018/19 of negative revenue support grant being applied. He stressed that, whatever policy changes emerged, the authority knew that it had to manage within its known resources and would continue to mitigate against changes and difficulties wherever it could.

Councillor Chapelard asked the Director of Finance, Policy and Development to expand on the possibility of facing negative revenue support grant. Mr Colyer advised that, as part of the four year funding settlement which Tunbridge Wells had agreed to enter into, the current projections showed that in 2019/20, this Council would have to pay back £600k to central government, rather than receive any revenue support grant. However, he added that the Government had said that they would bring forward their intended policy of permitting local authorities to retain business rates to that same year. He said that Tunbridge Wells had to accept that verbal assurance in its financial planning, adding that this was a major technical element.

**Risk scenario 6 – Missing something significant (£100k - £250k impact)**

Mr Colyer said that he had reduced both the level of likelihood and of impact of this scenario, based upon: (i) the authority’s track record generally; (ii) the six consecutive ‘clean’ Audit Letters received; and (iii) the effective responses to cyber security attacks.

Independent member Tony Quigley said that the summary of the risk scenarios set out on page 25 of the agenda needed to be amended, to remove risk 6 from the ‘red’ area. He also drew attention to the ‘reduced staff and management resources’ vulnerability and sought reassurance that the mitigating actions were adequate.

Mr Colyer advised that the Mid-Kent partnership service was now a well-established operational model, which was delivering effectively on its ‘increased resilience’ objective.

Councillor Nuttall asked what the current level of staffing was for the authority. Mr Colyer advised that it currently stood at 270 full time equivalent, as compared with a figure of approximately 400 in 2010.

Independent member Gary Shiels said that, from an external auditor viewpoint, there might be an argument for amending the risk profile of this scenario, to reflect the fact that staff numbers have dropped to this extent, including the loss of one of the Director positions. Mr Colyer acknowledged the point, but felt that it was wise to wait for a further period, after which the
situation would be reassessed and the risk profile could, at that stage, be amended, if appropriate.

RESOLVED – That the risk management report and arrangements for managing strategic risk be noted.

INTERNAL AUDIT AND ASSURANCE PLAN 2017/18

Rich Clarke, the Head of the Audit Partnership, introduced the proposed Audit and Assurance Plan for 2017/18, which set out the Service's risk-based work for the year ahead. He added that the Plan included relevant sections extracted from the Public Sector Internal Audit Standards as well as how it had been compiled and how it was proposed to manage its delivery.

Independent member Tony Quigley sought further information on the ‘audit resource evaluation 2017/18’, set out on page 46 of the agenda, specifically where Tunbridge Wells stood in comparison to the standards described on risk. Mr Clarke advised that Tunbridge Wells had no formally documented risk appetite. However, he added that his Service had a good working understanding of the appetite that exists in practice, adding that this was, generally, on the increase.

Mr Quigley asked whether Tunbridge Wells would benefit from a formally documented risk appetite. Mr Colyer said that the approach followed was that the Council looked at every opportunity on its own merits, adding that each Cabinet report, for instance, included a statement on the degree of risk attached to each decision. He added that he was comfortable that this was a realistic approach.

Mr Quigley then turned his attention to the proposed civic development, specifically the importance of the ‘gateway reviews’. He recommended that such an approach would be of benefit to the Council.

Lee Colyer, the Director of Finance, Policy and Development, said that the approach being followed by the authority was that established by the Royal Institute of British Architects (RIBA), which provided the same opportunity as a gateway review to determine whether the next stage should be entered into. Specifically on the civic development, Mr Colyer said that the Council had determined on 22 February to move onto stage 3 (developed design) and would be in a position to consider moving to stage 4 (technical design) – and make the financial commitment towards the project – in the late Autumn period.

Mr Colyer advised that, at that point, the Full Council will need to be provided with total reassurance about the risks associated with proceeding, adding that it had not yet been determined who would provide that independent assessment. Mr Quigley maintained that the gateway review process was geared up to providing that aspect and he commended that approach to the authority for a project of this scale and complexity.

Mr Colyer thanked Mr Quigley for this proposal, adding that he would study that option further.

Independent member Mr Shiels considered that the authority’s greatest liability related to staff pensions, an aspect upon which he sought additional reassurance. Mr Colyer suggested that the Committee would have the
opportunity to examine this element when the draft Statement of Accounts were presented, at which point a discussion could take place on the authority’s process for managing that liability.

Mr Quigley asked that the reference to ‘Ashford BC’ be amended to Tunbridge Wells Borough Council on page 54 of the agenda, which Mr Clarke undertook to correct.

RESOLVED –

(1) That the Committee approves the Audit and Assurance Plan for 2017/18;

(2) That the Committee notes the longer term issues recorded by Mid Kent Audit;

(3) That the Committee endorses the view of the Head of Audit Partnership that the Plan sets out sufficient resource to complete a work programme leading to a Head of Audit Opinion on the Council’s internal controls, risk management and governance; and

(4) That the Committee notes the Head of Audit Partnership’s assurance that the Plan is compiled independently and without inappropriate influence from management.

EXTERNAL AUDIT PLAN

AG56/16 Darren Wells, the Director of Grant Thornton, the authority’s external auditors, introduced ‘The Audit Plan’, an outline of the audit work which it was proposed would be undertaken in respect of the 2016/17 financial statements and the value for money assessment.

Independent member Jane Hough referred to the issue of ‘materiality’, set out on page 75 of the agenda. She asked to what extent the approach to this issue had changed in recent years.

Mr Wells said that, based upon current professional judgement, the level of materiality was £500k for cash and cash equivalents; for other elements he said that the figure was higher. He added that, for the purposes of planning the audit, Grant Thornton was working to a figure based on 2% of gross revenue expenditure.

Independent member Tony Quigley drew attention to Grant Thornton’s statement (set out on page 74 of the agenda) that the CIPFA Code of Practice 2016/17 would lead to an improvement in the accessibility of financial statements for the reader. He said that this was a welcome development. Jane Fineman, the Head of Finance and Procurement, said that, as a result, there would be some changes to the front of the statements which would make them easier to understand; she added that, as a consequence, there was the likelihood of more repetition within the document.

Mr Wells acknowledged the point made. He added that in a comparison of statement of accounts across Kent, made two years ago, it was noted that Tunbridge Wells’ submission was felt to be the shortest and the sharpest.

RESOLVED – That Grant Thornton’s Audit Plan be agreed.
FUTURE WORK PROGRAMME
AG57/16 The Committee’s work programme was presented for members’ information. Lee Colyer, the Director of Finance, Policy and Development, proposed that the attendance of a strategic risk owner should be a feature of every meeting. This suggestion was fully supported.

RESOLVED – That, with the above addition, the work programme be noted.

URGENT BUSINESS
AG58/16 The Democratic Services Officer advised that there were no additional items for the Committee’s consideration which had arisen since the publication of the agenda.

DATES OF NEXT MEETINGS
AG59/16 It was noted that the next meetings of the Committee would take place on (i) Wednesday 24 May, immediately after the Annual Meeting of the Council, to appoint members to the Constitution Review Working Party and (ii) Tuesday 27 June at 6pm.

INDEPENDENT MEMBER MR JAMES HEDGES
AG60/16 The Chairman advised that the four year term of office of independent member Mr James Hedges had ended on 19 February 2017. He added that, as this was Mr Hedges’ second term of office, he could not be re-appointed for a further period of office.

The Chairman paid tribute to the work of Mr Hedges and his significant contribution to the effectiveness of the Committee over the past eight years, which had been greatly appreciated by councillors and officers alike. He added that consideration would be given by the Borough Council to a possible replacement, at the Annual Meeting of the Council taking place on 24 May.

NOTE: The meeting concluded at 7.00 pm.