

AUDIT AND GOVERNANCE COMMITTEE

Tuesday, 3 April 2018

Present:

Councillors Barrington-King (Vice-Chairman), Lewis-Grey, Neve, Nuttall, Hough, Quigley and Coleman

Officers in Attendance: Lee Colyer (Director of Finance, Policy and Development), Russell Heppleston (Deputy Head of Audit Partnership), Keith Trowell (Interim Team Leader (Corporate Governance) and Deputy Monitoring Officer) and Mike McGeary (Democratic Services Officer)

Members of the Public in Attendance: Dr R Banks, Dr C Davies and Mr P and Mrs C Wilson

APOLOGIES FOR ABSENCE

AG54/17 Apologies for absence were reported from the Chairman, Councillor Horwood, and from Councillors Hamilton, Ms Palmer and Podbury as well as from independent member Mr Shiels and from Town Councillor Henshaw.

DECLARATIONS OF INTEREST

AG55/17 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)

AG56/17 The Democratic Services Officer advised that there had been 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 MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE DATED 21 NOVEMBER 2017

AG57/17 The minutes of the meeting of the Audit and Governance Committee dated 21 November 2017 were submitted.

Independent member Mr Quigley asked for the following corrections to be made:

On page 3, under minute AG44/17 – Consideration of Civic Complex – Decision Report – fourth paragraph:

Mr Quigley added the following observations, apart from the above basic conclusion: (i) he asked whether there was time to include how to measure the cost/benefit analysis ahead of the Full Council meeting; (ii) he would expect to see details of '~~optimum~~ optimism bias', showing ~~how the authority might deal with increases in costs as the scheme proceeded~~ that the business case was still valid, even if costs increase as the scheme proceeds; and (iii) similarly, he wished to see a plan of how the Council would address the removal of 'single points of failure' in its project management.

Last paragraph:

Mr Quigley was keen to know whether the CIPFA review team was satisfied with the action the authority had taken since their report had been submitted. He added that: (i) he would like to see proper 'document control' in place with each important document having its version number and date clearly displayed (e.g. the dating of each report to be clearly labelled); and (ii) 'benefits realisation' set out in a plan which also has a designated owner responsible for delivery, in other words who would be responsible for ensuring the forecast benefits would be delivered; and (iii) assumptions and dependencies explicitly set out along with risks and issues.

RESOLVED – That, with the above amendments, the minutes of the Audit and Governance Committee dated 21 November 2017 be approved as a correct record.

UPDATE ON COMPLAINTS RECEIVED UNDER THE MEMBERS' CODE OF CONDUCT

AG58/17 Keith Trowell, the Interim Team Leader (Corporate Governance) and Deputy Monitoring Officer, presented an update report on complaints received under the authority's Members' Code of Conduct, for the period ending on 3 April 2018.

Mr Trowell advised that, since the meeting of the Committee held on 21 November 2017, three complaints against parish councillors had been received. He advised that two of the complaints were against the same councillor, in relation to the same allegations of bullying, thereby compromising the impartiality or integrity of a person working for the Council and bringing that Council into disrepute. Mr Trowell added that, having consulted with the Borough Council's Independent Person – as required – the Monitoring Officer had decided that the initial complaint would not be investigated, as matters had been resolved informally.

Mr Trowell said that the second complaint had been rejected by the Monitoring Officer, as it failed the 'local assessment criteria' test, because it was a repeat complaint, not supported by new or further evidence substantiating or indicating that the complaint was exceptionally serious or significant.

Mr Trowell advised that the third complaint was based on an allegation that a parish member had brought the office of councillor into disrepute by speaking in a rude and condescending manner. Mr Trowell said that, after consulting the Independent Member, the Monitoring Officer had rejected the complaint under one of the legal jurisdiction criteria tests, having concluded that the councillor was not acting in an official capacity at the time of the incident, as the conversation had taken place in a shop.

Mr Trowell reported that, subsequent to the publication of the agenda, a number of further complaints had been made, which he would report on at the next meeting.

Parish Councillor Coleman asked whether any of the complaints had been made by members of the public or officers employed by a parish council. Mr Trowell advised that, with the past complaints, one had been from a member of the public and one from officers of the parish council concerned. With the current complaints, he said that it was a mix of an officer and colleague of the parish councillors concerned.

RESOLVED – That the update on complaints received under the Members' Code of Conduct be noted.

STRATEGIC RISK REPORT

AG59/17 The Chairman began this item by inviting Dr Banks, who had registered to speak on this item under Council Procedure Rule 19, to address the Committee.

Dr Banks referred to three of the strategic risk scenarios listed in the report. Under risk scenario 3 (resident engagement), he felt that the 'potential impact and consequences' listed, namely 'direction and decisions out of line with public opinion' and 'directing resources to wrong areas, potentially away from areas of most need' were well-demonstrated by the Council's plans for the new civic development. He added that the proposed 84% reduction in the budget for community grants was a further example of that.

With risk scenario 4 (unable to plan financially over the longer term), Dr Banks drew attention to two elements of the 'potential impact and consequences': 'appeals wipe out any growth with no new funding flowing to the Council'; and 'proceeds of business rate growth may not be fully received'. With the former, Dr Banks said these presumably would include appeals against housing and the civic development; on the latter, he said that the statement ran counter to previous predictions made by the authority.

Finally, under risk scenario 11 (civic development), Dr Banks claimed that all nine elements listed under 'vulnerability/contributory factors' had previously been raised by the public but ignored. He added that four of the elements were listed on the Council's website as being 'myths', and queried how, if they were indeed myths, they could be part of the risk register. In conclusion, Dr Banks welcomed the inclusion of some of the major risks associated with the civic development and asked how these would be made known to the Full Council, who he said had not been made aware of these at the time the decision was made to endorse the project.

Lee Colyer, the Director of Finance, Policy and Development, presented the 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 risks identified. It was noted that one additional risk scenario had now been added, which related to the proposed civic development.

Mr Colyer said that he was the 'officer risk owner' for scenario 4 – 'unable to plan financially over the longer term'. He therefore explained the key elements of this risk scenario, expanding on the main contributory factors. In summary, Mr Colyer said that the Council was in a good position, through its past performance and strategies, to benefit from growth, in terms of development, business rates' retention and infrastructure.

Mr Quigley raised the issue of other officer risk owners – or relevant Cabinet Portfolio-holders – attending meetings and being able to answer questions on the full range of risk scenarios. He also felt that, while 'risk logs' were an important element of the Risk Register, the more important aspect was the process of managing risks.

On the first point, Mr Colyer said that it had been this Committee's past practice to invite officer risk owners to attend, explain the key aspects of the risk scenarios for which they are responsible and answer Committee members' questions; he added that their attendance was done on a rotational basis. Mr Colyer also said that, if the Committee were able to identify specific questions they wished to have answered outside that pattern of attendance, then he would arrange for suitable officer presence.

On the second point, Mr Colyer agreed with Mr Quigley's assessment, adding that the authority had a robust risk management process in place, with an officer group maintaining a close watch on progress, including a periodic review by the Management Board.

Councillor Neve developed the point, suggesting that, if any risk scenarios were in the 'red' category, i.e. the likelihood of failure was 'significant', 'high' or 'very high', combined with its effect having a 'major' impact on the authority, then the officer risk owner and/or the relevant Cabinet Portfolio-holder should attend each meeting automatically.

Mr Quigley said that he understood the reasons why such a policy might be in place, but he felt that, with many of the risk scenarios listed, it was external issues which were the controlling factor. He added that, on that basis, it was unlikely that an officer risk owner or Cabinet Portfolio-holder would be able to add much from one meeting to the next. He said that, from the resultant discussion on this issue, he was content for the existing rotational risk owner attendance to continue unchanged.

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

INTERNAL AUDIT AND ASSURANCE PLAN 2018/19

AG60/17 Russell Heppleston, the Deputy Head of Audit Partnership, presented the Internal Audit and Assurance Plan for 2018/19, which set out the Service's risk-based work for the year ahead. It was noted that the Plan included relevant sections extracted from the Public Sector Internal Audit Standards – which specified the requirements that a Head of Audit must meet – as well as how it had been compiled and how it was proposed to manage its delivery.

Mr Heppleston began his summary of the Plan by drawing attention to the key risks faced by the four authorities within the partnership, which included such matters as (i) the impending General Data Protection Regulations and (ii) cybersecurity, the latter involving external IT audit expertise, accessed under local and regional framework contracts.

Mr Heppleston next ran through the proposed audit work for the year ahead, which was set out in the order of the three directorates of the authority. The Plan described how the audit work planned also included a 'non-project' element, covering activities such as; risk; counter-fraud; member support; recommendation follow-up; and audit planning.

Before opening up the meeting for questions, the Chairman of the meeting wished to place on record his thanks to Mr Heppleston and the Audit team, adding that he had always been a strong supporter of partnership working and the benefits that it brought to the authority.

Mr Quigley drew attention to paragraph 6 of the introduction section of the Plan. He asked what the impact was of not being able to address all of the Council's risks across the 12 month period. Mr Heppleston said that, while it was difficult to quantify the impact of not being able to address all of the Council's risks, the planning process did include consideration of wider assurances, upon which Internal Audit might place reliance, such as a service obtaining external accreditation. Mr Heppleston added that the Plan was reactive – and had contingency – so that if a risk were identified, it would be added, if necessary.

Mr Quigley also asked about the issue of cybersecurity; he sought reassurance that this was being addressed in a robust way and asked that the Committee be informed if there were any potential problems emerging during the work. Mr Heppleston advised that access to specialist expertise was guaranteed as the Partnership had just signed into the Apex framework with Croydon. He added that, while the precise work was still to be fully scoped, the Committee would be made aware of any key issues following the usual process. He reassured Mr Quigley that, should there be a potential problem, he would report this to the Committee during the year.

Parish Councillor Coleman said that, with a service such as Building Control, it was difficult to undertake a risk-based audit, as it had to compete with a private sector alternative. He sought clarification on whether the audit would investigate the impact of private sector competition. Mr Heppleston advised that, while individual reviews would be scoped in advance of the audit, a financial controls audit would look at how income was collected and banked and charged in accordance with the Council's agreed fees and charges. He added that operational and technical compliance would usually take the form of a separate review.

On the operational aspect, Parish Councillor Coleman asked whether the scope of the review would extend to the Kent Fire and Rescue Service, which the Council required information from in order to fulfil its duties. Mr Heppleston said that the audit would focus on whether the service was operating in full compliance with its agreed procedures and controls, so if the Council were placing reliance on information received from external sources – such as Fire and Rescue – then it would be taken into consideration.

RESOLVED –

- (1) That the Internal Audit and Assurance Plan for 2018/19 be approved;
- (2) That the view of the Head of Audit Partnership, that the Partnership has sufficient resources to deliver the Plan and a robust Head of Audit Opinion, be noted; and
- (3) That the Head of Audit Partnership's assurance that the Plan is compiled independently and without inappropriate influence from management be noted.

LAND CHARGES - AUDIT REPORT UPDATE

AG61/17 Russell Heppleston, the Deputy Head of Audit Partnership, advised that, in December 2017, an audit review into the administration of the Local Land Charges partnership service had concluded that the controls in place offered a 'weak' level of assurance.

Mr Heppleston said that, since then, the service had fully implemented four of the six audit recommendations set out, leading to a re-assessment at this interim stage from 'weak' to 'sound'. Appended to the report was a summary of the recommendations from the original report, plus an update on the management response and progress made to date.

Mr Heppleston advised that the Audit Partnership service would monitor implementation of the remaining recommendations and report further to the Committee, either at the annual update (in July) or at the interim stage (in November).

RESOLVED – That the progress made towards the implementation of the recommendations arising from the audit of Land Charges be noted.

EXTERNAL AUDIT PLAN

AG62/17 Ade Oyerinde, on behalf of the Council's external auditor – Grant Thornton – summarised the 'External Audit Plan', a copy of which had been circulated with the agenda. He said that this set out the work Grant Thornton would undertake for the Council's 2017/18 financial statements and the value for money assessment. Mr Oyerinde added that Grant Thornton would also be undertaking certification work in respect of the housing benefit subsidy claim submitted by the Borough Council; he drew attention to details of the claims and returns certified for the previous year, which had been circulated with the agenda.

Mr Oyerinde said that he intended to report to the July meeting on any issues at that stage.

The Chairman thanked Mr Oyerinde for presenting the External Audit Plan, which the Committee accepted without comment.

RESOLVED – That the External Audit Plan be agreed.

FUTURE WORK PROGRAMME

AG63/17 The Committee's work programme was presented for members' information.

RESOLVED – That the work programme be noted.

URGENT BUSINESS

AG64/17 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

AG65/17 It was noted that the next meetings of the Committee would take place on Wednesday 23 May (to appoint members to the Constitution Review Working Party only) and Tuesday 17 July at 6.30pm.

NOTE: The meeting concluded at 7.30 pm.