

Time Commenced: 11.06am
Time Ended: 12.59pm

AUDIT AND ACCOUNTS COMMITTEE

6 February 2019

Present: Councillor Willoughby (Chair)
Councillors Care, Cooper, Hudson, Hussain, Peatfield, and West
and Stuart Green

In attendance: Richard Boneham – Head of Internal Audit
Stephen Clark – Ernst and Young LLP
Heather Greenan – Director of Policy and Insight
Olu Idowu – Head of Legal Service
Don McLure – Strategic Director of Corporate Resources
Steven Mason – Democratic Services Officer
John Massey - John Massey – Head of Benefits and Exchequer
Services
Carole Mills – Chief Executive
Vishal Savjani – Ernst and Young LLP
Sarah Walker – Policy and Improvement Manager

55/18 Apologies for Absence

Apologies were received from Councillor Shanker and Philip Sunderland.

56/18 Late Items

There were no late items.

57/18 Declarations of Interest

There were no declarations of interest.

58/18 Minutes of the meeting held on 7 November 2018

The minutes of the meeting held on 7 November 2018 were agreed as a correct record.

59/18 LGA Feedback

The Committee received a report of the Chief Executive on LGA Feedback.

It was reported that the Council had invited the Local Government Association (LGA) to undertake a Corporate Peer Challenge (CPC) review in June 2017. It was also reported that the Peer Team looked at five key areas as part of that review:

1. understanding of the local place and priority setting
2. leadership of place
3. financial planning and viability
4. organisational leadership and governance
5. capacity to deliver

Members noted that the findings from the CPC were published on 20 December 2017 and included eleven recommendations made by the LGA team. Members noted that the Council had responded by developing a Corporate Improvement Plan (CIP) to address both the CPC findings and residual issues from the Section 24 report and VFM Opinion.

It was reported that considerable progress had been made since December 2017 in delivering the CIP with regular and effective oversight by the Corporate Leadership Team (CLT), Audit & Accounts Committee and Executive Scrutiny Board.

It was also reported that the opportunity to improve Councillor/colleague working featured as a key issue in the CPC report. Members noted that during 2018, the LGA had delivered training to three of the four political groups and over 100 employees. It was also noted that the three corporate statutory officers had also led several sessions with senior and middle managers focused on 'political nous'.

It was reported that in November 2018 the LGA carried out a follow-up review and that the outcome was detailed in the letter at Appendix 1 of the report.

Members noted that, overall the LGA feedback was positive about progress but it also believed that further work was necessary to embed the positive progress. It was also noted that, to this end, the LGA suggested a number of actions, with particular focus around Councillor/colleague working. Members particularly supported the following action proposed by the LGA as detailed at 4.7 of the report:

- Further steps to embed the confidence of officers that they will be taken seriously, and supported, if they have concerns about any Councillor behaviour.

Members felt that officers should review what is in place to support colleagues who feel they were being bullied by Councillors. Members agreed that there should be an opportunity for officers to speak confidentially with someone. It was proposed that the review should be widened to include colleague/colleague working and also take into account the best practice policies, flagged up in light of the #MeToo movement. Members agreed that a review should be undertaken into the policies in place to support officers who feel they are victims of bullying harassment and victimisation and that this should be considered by the Personnel Committee.

Members discussed casework systems, especially in relation to what Councillors could expect from officers. It was agreed that a report on a casework system, including clear guidance on response times, should be brought to a future meeting of the Audit and Accounts Committee.

Councillor Cooper proposed that the Chair should write a letter to the LGA asking them to name the group/s and individual/s who had been criticised for their behaviour, in relation to Councillor/colleague working. A vote was taken and Members agreed that a letter should not be written.

Resolved:

- 1. to recognise the positive progress set out in the LGA follow-up letter and endorse the further actions it sets out to embed effective councillor/colleague working;**
- 2. to agree that a review should be undertaken into the policies in place to support officers who feel they are victims of bullying harassment and victimisation; and**
- 3. to agree that a report on a casework system, including clear guidance on response times, should be brought to a future meeting of the Audit and Accounts Committee.**

60/18 Risk Management Monitoring Report for the Period to 31 December 2018

The Committee received a report of the Strategic Director of Corporate Resources on Risk Management Monitoring Report for the Period to 31 December 2018

Members noted that work had continued during the last quarter to strengthen the Council's risk management arrangements and that the report presented a summary of the progress made to date, and provided an updated strategic risk register for the period to 31 December 2018.

It was also noted that there were a total of eleven risks (to be reduced to ten) in the Strategic Risk Register, as at end of quarter 3, with changes made presented in paragraphs 4.7 and 4.8 of the report. It was reported that of the risks contained within the register, that five (45%) were judged to be 'significant risks' to the Council, and that the guidance available for the risks ratings was attached at Appendix 3 of the report.

It was reported that following the quarter 2 monitoring report, there had been one Risk Surgery (SR4 - Delivering financial plans). Members noted that the guidance for the selection of Surgeries was set out at Appendix 2 of the report, and possible areas for consideration were detailed in paragraph 4.9.

Members reviewed the report with a particular focus on changes to the register and the mitigating actions that were being taken in response to the most significant risks (Appendix 1 of the report and paragraphs 4.4 to 4.8).

Members discussed risk SR1 – Staffing, capacity, skill and knowledge and it was noted that Executive Scrutiny were due to consider the risk at a meeting to be held on Tuesday

12 February at 6.00pm.

Members discussed the creation of the Risk Management Team and noted that a Risk Improvement Officer was yet to be recruited. Members agreed that progress on the recruitment to this post be reported to the next meeting of the Audit and Accounts Committee.

Members asked officer to consider that a future Risk Surgery could focus on the delivery of funding for EHCPs.

Members agreed that a Risk Surgery should be organised to consider Managing Major Capital Projects (SR6), including the A52, if a report on this matter was not brought to the next meeting of the Audit and Accounts Committee. Members also agreed that a Risk Surgery be organised to consider Procurement and Contract Management (SR7).

Resolved:

- 1. to note the on-going improvements made to the Council's arrangements for risk management;**
- 2. to note that there are four risks (4.9) that could be considered at a Risk Surgery, based on the latest edition of the Strategic Risk Register (Quarter 3);**
- 3. to agree that progress on the recruitment of a Risk Improvement Officer be reported to the next meeting of the Audit and Accounts Committee;**
- 4. to agree that a Risk Surgery be organised to consider Managing Major Capital Projects (SR6), including the A52, if a report on this matter is not brought to the next meeting of the Audit and Accounts Committee; and**
- 5. to agree that a Risk Surgery be organised to consider Procurement and Contract Management (SR7).**

61/18 Internal Audit Progress Report

The Committee received a report of the Strategic Director of Corporate Resources on Internal Audit Progress Report.

The progress report attached at Appendix 1 provided Members with an overview of the output from Internal Audit assurance work for the period 1 September 2018 to 23 January 2019.

It was reported that the internal audit plan was constructed to ensure that it delivered against the Public Sector Internal Audit Standards (PSIAS) and the requirement to produce an annual Head of Internal Audit opinion on the Council's internal control environment.

Members reviewed the control issues being raised by Internal Audit and management's response to the risks. Members also reviewed the progress being made by management in respect of the implementation of internal audit recommendations

Members agreed that an update should be provided to the Corporate Leadership Team (CLT) on Tuesday 12 February on internal Audit recommendations not implemented and that CLT should pay particular attention to those recommendations on significant risks and moderate risks that had been overdue for more than 6 months, with a view to getting associated recommendations implemented. It was also agreed that dependent on the outcome of that meeting, a decision would be made to bring some outstanding significant /moderate risks to the March meeting, along with relevant officers.

Resolved:

- 1. to note the progress being made by Internal Audit on the 2018/19 plan; and**
- 2. to agree that an update should be provided to the Corporate Leadership Team (CLT) on Tuesday 12 February on internal Audit recommendations not implemented and that CLT should pay particular attention to those recommendations on significant risks and moderate risks that have been overdue for more than 6 months, with a view to getting associated recommendations implemented. Dependent on the outcome of that meeting, a decision should be made to bring some outstanding significant /moderate risks to the March meeting of the Audit and Accounts Committee, along with relevant officers.**

62/18 Audit and Accounts Committee – Terms of Reference

The Committee received a report of the Strategic Director of Corporate Resources on Audit and Accounts Committee – Terms of Reference.

It was reported that at its meeting on 7 November 2018, the Committee reviewed the recommended changes put forward by the Committee's Terms of Reference Working Group, and a number of amendments were made at that meeting.

Members noted that although it was resolved at the November meeting "to agree that, subject to amendments being made as outlined at the meeting, the Audit and Accounts Committee terms of reference be referred to Council for approval", the Chair had requested that the terms of reference be brought back to Committee for a final review.

Members reviewed and agreed the amended terms of reference.

Resolved to agree to refer the amended Audit and Accounts Committee terms of

reference (shown in Appendix 1) to Council for approval.

63/18 Internal Audit Report – s24 Recommendation

The Committee received a report of the Strategic Director of Corporate Resources on Internal Audit Report – s24 Recommendation.

The report provided Members with the outcome of a review of further evidence provided to Internal Audit following the publication of the original internal audit reports on the Council's implementation of the Section 24 Recommendation action plan.

It was reported that at the meeting on 19 September 2018, the Committee were presented with 2 internal audit reports in respect of the audit review of the progress made on the implementation of the s24 Recommendation Action Plan. Members noted that one report had covered a review of the actions around Financial Controls and the other report had been a review of the actions around Capital Asset Valuation. It was also noted that both reports had originally been given a "limited" assurance rating by Internal Audit.

It was reported that following the meeting in September, further evidence was provided by Accountancy around the control/risk issues raised by internal audit to address the concerns raised by Committee and that the additional evidence was reviewed by Internal Audit and a revised assurance rating was determined for both reports. Members noted that these reports were attached at Appendices 1 and 2 of the report. It was also noted that Internal Audit was now able to provide a "reasonable" assurance rating for both the Financial Controls and the Capital Asset Valuation reviews.

Members discussed the following S24 Financial Controls, where the post audit evidence was not accepted, as outlined at Appendix 1 of the report:

9. The draft 2017/18 Closedown Timetable was not comprehensive. Some expected tasks had been omitted from the plan.

11. There was no single document to manage the completion of the closedown process and, although the CIPFA checklist was considered a key control document by Finance, it was only used after the statement had been produced.

Members discussed the following S24 Capital Asset, where the post audit evidence was not accepted, as outlined at Appendix 2 of the report:

3. Capital transactions were not being processed throughout the year to ensure revaluation and recording routines were embedded. The Capital Accounting RAM system and the general ledger were reconciled only at the year-end when the general ledger was updated via journals.

Members agreed that mediation should take place to help to address the above three

areas of concern, and that progress should be reported to the next meeting of the Audit and Accounts Committee.

Resolved:

- 1. to note the findings and the revised assurance ratings from the internal audit review of the implementation of the action plan to address the s24 Recommendation;**
- 2. to agree that a report be brought to the next meeting of the Audit and Accounts Committee on progress made in addressing the following S24 Financial Controls, where the post audit evidence was not accepted:**
 - 9. The draft 2017/18 Closedown Timetable was not comprehensive. Some expected tasks had been omitted from the plan;**
 - 11. There was no single document to manage the completion of the closedown process and, although the CIPFA checklist was considered a key control document by Finance, it was only used after the statement had been produced; and**
- 3. to agree that a report be brought to the next meeting of the Audit and Accounts Committee on progress made in addressing the following S24 Capital Asset, where the post audit evidence was not accepted:**
 - 3. Capital transactions were not being processed throughout the year to ensure revaluation and recording routines were embedded. The Capital Accounting RAM system and the general ledger were reconciled only at the year-end when the general ledger was updated via journals.**

MINUTES END