

GOVERNANCE AND AUDIT COMMITTEE

5 JUNE 2018

Present:- Councillor Fox (Chair), Councillor F Maclean, Councillor Whitehead and Councillor Willetts

Substitutes:- Councillor Cope for Councillor Higgins
Councillor Flores for Councillor Davidson
Councillor Hogg for Councillor Chuah

105. Have Your Say!

Angel Kalyan

Angel Kalyan attended the Governance and Audit Committee meeting to have her say regarding requesting action required as a result of a complaint that she had written to the Local Government Ombudsman.

Angel Kalyan stated that the complaint relates to officers in paid service of the Council and local ward Councillors who have been advised not to engage with her following legal advice from the monitoring officer. Following on from this Angel Kalyan explained that after writing to the Local Government Ombudsman, the ombudsman advised that the matter would need to be considered by the Council's Standards Committee before further consideration by the Ombudsman.

106. Urgent Item – Colchester Commercial Holdings New Director Appointments

Councillor Flores (by reason being nominated as a Director of Colchester Commercial (Holding) Company Ltd) declared a non-pecuniary interest in the following item pursuant to the provisions of Meetings General Procedure Rule 7 (5).

Councillor Fox informed the Committee that this report had been added to the agenda as an urgent item as the decision needs to be confirmed at the Cabinet meeting on 6 June 2018.

Andrew Weavers provided a brief summary of the report, and highlighted that the Governance and Audit Committee was now the shareholder committee for Colchester Commercial (Holdings) Ltd. This means that the Governance and Audit Committee will also receive business plans and other reports relating to the commercial companies.

Andrew Weavers stated that the appointments are made on a political group basis, and as there is a vacancy from both the Conservative and Labour groups the nominees are from these political groups. The Conservative group have nominated Councillor Vic Flores and the Labour group have nominated Councillor Julie Young.

Have Your Say!

Portfolio Holder for Commercial Services - Councillor Nick Barlow

Portfolio Holder for Commercial Services Councillor Nick Barlow attended the meeting to put on record the thanks to the work of the previous directors on the Colchester Commercial (Holdings) board, Councillors Feltham, Fox and Davies.

Councillor Barlow highlighted that he is the incoming Chair of the Colchester Commercial (Holdings) Ltd board and looks forward to working with the new nominated directors. Councillor Barlow also highlighted that he would be happy to attend future Governance and Audit Committee meetings to answer any queries and bring reports in relation to the commercial companies.

Councillor Barlow also wanted to express his thanks, as previous Chairman of the Governance and Audit Committee, to the officers and report authors who supported the Committee in its work during the last municipal year and going forward into the new municipal year.

The Chairman thanked Councillor Barlow for attending the meeting and highlighting his willingness to work with the Governance and Audit Committee.

RESOLVED;

- a) that the resignation of Councillor Fox and Councillor Davies as nominee directors of Colchester Commercial (Holdings) Ltd be noted.
- b) to RECOMMEND to CABINET that Councillor Julie Young and Councillor Vic Flores be appointed nominee directors to the board of Colchester Commercial (Holdings) Ltd.

107. Minutes

RESOLVED that the minutes of the meeting held on the 6 March and 23 May 2018 were considered as a correct record.

108. Year End Internal Audit Assurance Report 2017-18

Hayley McGrath, Corporate Governance Manager, introduced the Year End Internal Audit Assurance Report 2017-18. The report requests that the Committee review and comment on internal audit activity for the period between 1 October 2017 and 31 March 2018, and the performance of internal audit by reference to national best practice benchmarks.

Hayley McGrath provided the Committee with a summary of the report and highlighted that internal audit is undertaken by Mazars, an external provider, who have been in place a number of years. Hayley McGrath informed Committee members that two reports come to the Committee each year, a mid-year and end of year report.

Hayley McGrath informed Committee members that the past year had been a good year with four audits receiving full assurance and all but one other audit achieving substantial ratings. Hayley McGrath stated that the full audit rating for payroll was particularly pleasing as this is a key financial audit. Further information on the audit with limited assurance and the two priority one recommendations is included within the appendix.

Committee members expressed thanks to officers for the work undertaken. A member of the Committee asked for further information regarding the checking of staff ID on the premises recommendation for the Hollytrees Museum audit. In response Hayley McGrath stated that museum also has staff facilities on site and that whilst the site was being audited there was a possibility that a member of the audit team would have been able to access those areas and therefore an additional outcome was recommended.

RESOLVED that the Governance and Audit Committee reviewed and commented on the internal audit activity for the period 1 October 2017 to 31 March 2018 and the performance of internal audit by reference to national best practice benchmarks.

109. Review of the Governance Framework and Draft Annual Governance Statement

Hayley McGrath, Corporate Governance Manager, introduced the report which requests that the Committee consider and note the review the Councils compliance with seven principles of good governance, including the review of effectiveness of the internal control arrangements. The report also requests the Committee approve the Annual Governance Statement for 2017/18.

Hayley McGrath informed the Committee that the Council has a duty to review the governance arrangements once a year, to ensure that they are appropriate and meet the seven principles of good governance, which is based on the CIPFA and SOLACE guidance document.

The review of the governance framework consists of looking at the arrangements for audit in the Council as a well as conducting interviews with senior management on a one to one basis reviewing the previous year alongside the seven principles of good governance. This also involves looking at policies and produces and committee structure of the organisation. A significant element to the report is the Head of Internal Audit Report produced by Mazars, which provided a substantial assurance rating that the financial and non-financial systems are working appropriately. Hayley McGrath also highlighted that the governance review looks at Colchester Borough Homes and the Colchester Community Stadium Company to ensure that they are working appropriately. Hayley McGrath confirmed that the statement uses prescribed wording to provide the relevant assurances.

As part of the statement it is necessary to identify those internal control areas which require action. This relates to areas where control arrangements could be improved rather than where a specific issue has occurred. Hayley McGrath highlighted that a more detailed action plan of these items is included within Appendix 2.

The role of the Committee is to approve the Annual Governance Statement, which is included as part of the Statement of Accounts and verified by external auditors.

Committee members thanked the officers for the work undertaken. Further information was requested with regards to the relationship between the Council and the Partnerships. Hayley McGrath confirmed that for the North Essex Parking Partnership and the Colchester and Ipswich Museum Service, Annual Governance Statements are reported directly to their Joint Committees. The partnerships do not have to complete a statement due to the size, but it is good practice to complete governance reviews.

A further query was raised with regard to how the new Council owned companies would be

governed. In response Andrew Weavers, Monitoring Officer, confirmed that the companies have a group governance arrangement in place. This maps out the arrangement between the Council and each subsidiary company. The Governance and Audit Committee, as the shareholder Committee will receive reports from the board of Colchester Commercial Holdings with regard to the financial performance of the company and how it is performing against its targets. Hayley McGrath also confirmed that the companies would be listed within next year's Annual Governance Statement in a similar way to how Colchester Borough Homes is currently reported.

RESOLVED that;

- a) The review of the Council's compliance with the seven principles of good governance including the review of effectiveness of the internal control arrangements be noted.
- b) That the Annual Governance Statement for 2017/18 be noted.

110. Draft Annual Statement of Accounts 2017/18

Steve Heath, Finance Manager, introduced the Draft Annual Statement of Accounts report. The report requests that the Committee consider the report relating to the pre-audit Statement of Accounts for 2017/18 and to consider the proposal for a separate internal briefing for the Committee prior to the scheduled meeting for approving the audited accounts on 10 July 2018.

Steve Heath informed the Committee that the deadlines for submitting the statement of accounts have now moved forward to 31 May. Steve Heath confirmed that Colchester Borough Council certified the statement of accounts on 24 May and the draft statement has now been published on the Council's website for public inspection until 8 June. Steve Heath highlighted that in preparation for the Committee meeting on 10 July a briefing would be arranged for members of the Committee, which would provide an opportunity to discuss any queries from the auditors.

Steve Heath explained that the format of the accounts now provides a clear link from the outturn that will be reported to the Scrutiny Panel next Tuesday.

With regard to the external audit of the accounts, the final accounts audit started on 21 May and is progressing well, with the findings reported to the Committee on 10 July.

RESOLVED that;

- a) The report relating to the pre-audit Statement of Accounts for 2017/18 be noted.
- b) The proposal for a separate internal briefing session for the Committee prior to the scheduled meeting for approval of the audited accounts of 10 July 2018 be approved.

111. Audit Fees 2018/19

Steve Heath, Finance Manager introduced the Audit Fees 2018/19 report. The report requests that the Committee note the proposed audit fees for 2018/19.

Steve Heath informed members that the audit fees do not relate to 2017/18 audit which is being performed by Ernst and Young. This refers to next year's audit, which will be undertaken by new auditors BDO. The audit plan for next year's audit will be brought to the Committee in March next year.

Steve Heath stated that BDO will be the Council's external auditors for the next five years and that Ernst and Young had been auditors since the Audit Commission. With regard to the fee, Steve Heath stated that the fee of £48,188 is less than was budgeted for, however this could be subject to adjustment during the year.

Following a query from a member of the Committee, Steve Heath confirmed that Ernst and Young had the audit contract for a period of five years, this was then extended for one more year. Procurement for a new auditor was conducted centrally by Public Sector audit appointments and BDO won the part of the procurement that Colchester Borough Council is part of, which contains most of the larger authorities in Essex.

Steve Heath also provided clarification on the difference between internal and external audits. Steve Heath stated that internal audit focuses on the internal controls around how the Council works, whereas external audits are when auditors look at the accounts to assess whether they represent a true and fair view of the expenditure and balances.

In response to a question about the reduction in fees and whether this represents a reduction in the amount of audit work undertaken. Steve Heath stated that the reduction is a standard scale fee. The cost savings were achieved through procurement, which would not change the scope or volume of audit work required. Steve Heath stated that the total audit fee may change slightly due to the new Council companies and the arm's length management organisation, which increases the complexity of an audit.

With regard to the Colchester Commercial Holdings companies, Steve Heath confirmed that they will have their own arrangements for external audit, but will be part of the group accounts reported in the statement of accounts. This will be reflected in next year's statement of accounts and accountants may wish to do a small amount of work to check on the group accounts figures. Steve Heath highlighted that the Council and the new companies use the same accounting software which will assist with the speed of the checks and that there wouldn't be duplication in the two different audits.

RESOLVED that the audit fees for 2018/19 be noted

112. Committee on Standards in Public Life Response to Consultation on Local Government Ethical Standards

Andrew Weavers, Monitoring Officer, introduced the Committee on Standards in Public Life response to Consultation on Local Government Ethical Standards report. The report requests that the Committee note the Council's response to the stakeholder consultation by the Committee on Standards in Public Life in relation to Local Government Ethical Standards.

Andrew Weavers informed the Committee that this is being noted by the Committee following a report to the Governance and Audit Committee on 6 March 2018. At this meeting it was agreed that a survey would be set up for Councillors to respond to, prior to a response being formed in consultation with the Chairman and Group Spokespersons. Andrew Weavers highlighted that there had been a total of 12 responses from Councillors to the survey. Andrew Weavers confirmed that responses to the consultation were anonymised, with no information passed on to Officers or Councillors as requested at the Committee meeting on 6 March. The report provides a copy of the response that was submitted back to the Committee on Standards in Public Life.

Committee members welcomed the report and noted the information contained within the response. It was suggested further work on the subject matters raised in the letter could be brought back to the Committee for further discussion at a future meeting. Andrew Weavers highlighted that the Committee would be reviewing the Members Code of Conduct at its meeting in October.

In response to a query Andrew Weavers confirmed that the letter had been acknowledged by the Committee on Standards in Public Life however there was no timescale as yet for when a response to the consultation will be provided. The Committee on Standards in Public Life will compile a report to provide to the Government who will then decide whether changes to the existing regime is required.

Members of the Committee discussed issues around the Code of Conduct, the current arrangements and the lack of binding sanctions. Andrew Weavers highlighted that the old Standards Committee had powers to suspend Councillors, however this never occurred at Colchester Borough Council. The current arrangements have non-binding sanctions, which may cause concern to members of the public who see that there are no real consequences to a breach of the code of conduct and therefore may deter members of the public from making complaints.

In response to a question as to whether candidates have any rules or regulations about their conduct, Andrew Weavers stated that there is guidance available for candidates however it is completely separate to this regime. If a candidate repeatedly flaunts the guidance, then it would be a case of reporting them to the electoral commission.

Members of the Committee discussed online abuse and conduct, as the response included information stating that there is a gap in the current ethical regime in relation to Councillor to Councillor respect for each other. Committee members agreed that this needed to be improved and a Member of the Committee highlighted the need for mental health awareness. Andrew Weavers highlighted that social media training had been provided to Councillors at the beginning of the municipal year, and that 15 members had attended.

RESOLVED that the response to the stakeholder consultation by the Committee on Standards in Public Life in relation to Local Government Ethical Standards be noted.

113. Work Programme 2018-19

Jonathan Baker, Democratic Services Officer, introduced the Work programme report, which requests that the Committee note the work programme for the ensuing municipal year.

Jonathan Baker provided information regarding the items that are on the work programme during the year, and informed the Committee that the Review of Meetings and Ways of Working had been moved to the July meeting.

Members of the Committee suggested that the October meeting be received due to the significant number of items that are on the agenda.

RESOLVED that the Work Programme 2018-19 be noted.