

**GOVERNANCE & AUDIT COMMITTEE**  
**24 JUNE 2020**  
**7.30 - 8.55 PM**



**Present:**

Councillors Allen (Chairman), Wade (Vice-Chairman), Gbadebo, Mrs Hayes MBE, Heydon, Leake, Neil and Tullett

**Non-Voting Co-optee Present:**

David St John Jones

**1. Election of Chairman**

**RESOLVED** that Councillor Allen be elected Chairman of the Governance and Audit Committee for the municipal year 2020/21.

**2. Appointment of Vice-Chairman**

**RESOLVED** that Councillor Wade be appointed Vice Chairman of the Governance and Audit Committee for the municipal year 2020/21.

**3. Appointment of Code of Conduct Panel**

**RESOLVED** that the Code of Conduct Panel Membership and Code of Conduct Working Group Membership for the 2020/21 municipal year is as below:

**Code of Conduct Panel**

Any three councillors drawn from the membership of the Governance & Audit Committee based on availability, plus one co-opted independent member or parish/town council representative drawn from a pool based on availability.

Independent Co-opted Members Pool (for complaints concerning Borough councillors):

David St John Jones in his capacity as the independent Co-opted Member of Governance & Audit Committee

Heather Quillish

Khan Juna

Parish/Town Council Representatives (for complaints concerning Parish/Town Councillors):

Cllr McKenzie-Boyle – Crowthorne Parish Council

Cllr Strudley – Warfield Parish Council

Independent Persons:

Dr Louis Lee

Vacancy (reserve)

**Code of Conduct Working Group**

**Conservative (5)**

Allen  
Birch (Chairman Elect)  
Mrs Hayes MBE  
Kirke  
Leake  
**Labour (1)**  
Neil

David St. John Jones, Independent member on Governance & Audit Committee

4. **Declarations of Interest**

There were no declarations of interest.

5. **Minutes - 29 January 2020**

**RESOLVED** that the minutes of the meeting of the committee held on the 29 January 2020 be approved as a correct record, and signed by the Chairman.

Arising from the minutes the following questions were asked by the Independent Member to Ernst and Young (EY):

*Quality control in your audit partner is a key requirement from a client. What are Ernst and Young doing to allay clients' reservations around 3 issues recently reported in the press. These are:*

*The regulatory inspection onto EY's oversight of NMC Health*

*Questions about the audit of Wirecard*

*Questions about EY's role with Kaloti Jewellery International*

*EY are also one of three firms mentioned in an FRC investigation by London Capital and Finance PLC.*

Andrew Brittain the Associate Partner from EY addressed the Independent Members concerns. Due to the size of EY, globally there were a number of these examples that came up every now and then, the ones highlighted by the Independent Member went back over a number of years and covered a number of different Countries. Where regulators were involved EY would cooperate fully with the enquiries and regulator. However, Andrew was unable to comment on the individual cases as these were ongoing.

It did reinforce that by serving the public interest, it was important that there was trust and confidence from the stakeholders that EY reported too both in the public and private sectors and that audit quality was critical. Members were assured that EY were continuing to deliver the best audit quality globally.

Andrew detailed the Government Public Sector Practice which was a dedicated practice across the UK firms and focused on public sector audits. All staff members had been specifically trained and took the matters very seriously. EY ensured that investment had been made in their staff members to ensure that the quality expected was delivered on an ongoing basis.

Also arising from the minutes;

- The scale of the Joint Venture borrowing would be confirmed once the Business Plan was approved, which was expected to be later on in the year. The Executive would be recommending their preferred partner at their meeting in July.
- The risk register was yet to go back to CMT since the last meeting.

## 6. **Urgent Items of Business**

There were no urgent items of business.

## 7. **Internal Audit Annual Assurance Report 2019-20**

The Committee received a report setting out the Head of Internal Audit's Opinion for 2019/20.

The Council was required under the Accounts and Audit Regulations to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

The Public Sector Internal Audit Standards applicable to local government requires that the Head of Internal Audit provides a written report to those charged with governance timed to support the Annual Governance Statement. The report should include an overall opinion on the adequacy of the control environment, a summary of the work that supports the opinion and a statement on conformance with the Public Sector Internal Audit Standards (PSIAS).

The report set out the Head of Internal Audit's Opinion for 2019/20, summarised the results and conclusions of Internal Audit's work for 2019/20 and provided a statement on compliance with the PSIAS.

A limited assurance opinion was given for the control environment for 2018/19 during 2019/20 audits have shown there has been real improvement throughout, however there are still quite a few audits where an adequate opinion hadn't been given. In addition, when going back to re audit areas where significant weakness had previously been found in 2018/19 some of the weaknesses had still not been fully addressed.

In some areas, management had asked for audits to be deferred to allow time for the improvements to be implemented, these were supposed to be happening in quarter 4, however due to the Covid-19 pandemic, staff were unable to access systems from home to do testing that was originally planned and these areas had other priorities due to the pandemic, so the audits had not taken place.

Due to all these factors a limited assurance had again been given for 2019/20, however real improvement had been made over the past year and real progress had been made in areas where major recommendations had been made. It was specifically noted in the opinion that the direction of travel was positive and if sustained a more favourable opinion was likely in 2020/21.

Attention was brought to section 4.3 of the report which set out the areas of significant weakness and controls and section 4.4 which showed the outcome of the follow up audits.

As a result of Members comments and questions, the following points were made:

- The word adequate had been highlighted in bold on page 15 of the report, the Head of Audit and Risk Management explained that this was because she was confident that there were satisfactory controls around those areas and that proper arrangements were in place for effective risk management and governance.
- P16 set out the scale, and adequate fell between good and partial.
- The audit results were heading in the right direction, but this was a journey. In 2018/19 there was a significant number of areas with weaknesses found. These issues had been raised for a number of years but not addressed. The council was doing a lot of work to improve these areas.
- A reduction of the number of major recommendations was needed going forward for the Head of Audit and Risk Management to be comfortable with the control environment.
- There were still some areas of control that needed work, but a number of strategies and plans had been put in place to address these matters. Some of these were in areas that would take a while for results to be visible.
- The Director: Resources agreed that it was not acceptable that there were continuous issues with purchase cards. The report did however detail that there had been significant improvements for example previously there had been lengthy delays between the purchase being made then authorised and this was now much tighter. There was also fewer issues with inadequate descriptions then this time last year. It was about record keeping which was important to get on top on rather than issues around spending. CMT had discussed that if there were continuous issues in areas then the cards would be withdrawn.
- It was important that there be consistency with purchase cards.
- CMT was taking the audits very seriously and were addressing the key areas of concern.
- Some of the audits and actions had been taken by officers that were no longer with the Council and new officers had taken over the responsibility.
- Positive progress was being made in areas where there had been concerns for a number of years.
- CMT had decided that a working group was needed to look at the purchase card compliance and to identify what more needed to be done to tackle the issues.
- The Chair was pleased to see that working groups had been set up to look at purchase cards and officer expenses.
- Members asked if they could be part of the working group to assist in these matters.
- There was a sense of frustration amongst the Committee members in regard to the progress, which was shared with the Director: Resources.
- It would be difficult to set timescales within the report, as it set out the situation at present and was out of the Head of Audit and Risk Management's control. Within each internal audit there were timescales set against the recommendations. It was hard at present to give an estimate of when these might be met.
- It was suggested that the working group set timescales for the recommendations and progress updates be brought back to the Committee.

- It was commented that the issues around purchase cards were a procedural and management failure.
- Opinions are given when audits are undertaken, in addition some audits are just a follow up and are limited to just focusing on the recommendations previously raised. In these cases, an opinion is not given. If the weaknesses have not been met in the follow up then a major recommendation is raised instead.
- The average spend on purchase cards was £200 per month per card.
- IT auditors were brought in for IT audits and The Head of Audit and Risk Management would raise the question with the IT auditors around the cloud software on p20 and whether migration would remove this from the list and resolve a number of issues.
- The Head of Audit and Risk Management felt very confident about Forest Care, as there had been a number of strategies put in place.
- Social Care annual reviews had been an issue for many years and was quite a common problem in Local Authorities. They had done a lot of work and brought the numbers down from 246 that that were overdue, to 161. A program was in place to look at these, but this was an issue that had been raised for a number of years.
- Public Health was an area of concern, the grant money was coming in every year but not being spent. This was followed up recently and they still hadn't spent the unspent monies from over a year ago nor had they finalised a plan to how best utilise the money. As it could affect future funding in this area.
- It was not a full review on Social Care, it was a partial review on a social care pathway, the whole system hadn't been looked at in its entirety, therefore an opinion couldn't be given.
- The Head of Audit and Risk Management would have to report back to the committee in regards to the question about whether the audits were being looked against the GDPR excluding the derogations and if so why wasn't the data protection act being used as the benchmark.

The Governance and Audit Committee noted the Head of Audit and Risk Management's Annual Report setting out the Head of Internal Audit's Opinion for 2019/20.

## 8. **Annual Governance Statement**

The Committee received a report on the Annual Governance Statement for 2019/20.

The statement provided an account of the processes and systems which gave assurance of the Council's discharge of responsibilities.

As in previous years the statement is based on 7 CIPFA principles of good governance, as detailed in the report.

An Action Plan had been drawn up to address the issues highlighted in the Annual Governance Statement and was attached as Appendix 2 to the Annual Governance Statement.

An inadequate rating had been given to information governance as part of their audit. The Information Commissioner had recently undertaken an audit which had been successful in the three areas found in the report, which were FOI arrangements, governance arrangements and information security arrangements were deemed to be reasonable in these three areas, a desk top review would be taken in the next 6 months.

Next years Annual Governance Statement would look at the arrangements and response during the Covid -19 pandemic.

The Borough Solicitor had given assurance for the internal controls issue, as he was looking at the structures rather than the outcomes.

The LGA were due to publish a model code of conduct shortly which could impact the Councils code of conduct, and a review of the code of conduct could occur as a result of this.

There was still work to be done around business continuity, which would need to be expanded on due to Covid-19.

Possible dissolution of Downshire Homes could result in a number of actions that the council may need to undertake as the shareholders.

A consensual audit on GDPR had taken place, based on the council's compliance which would include both the data protection and GDPR provisions.

As a result of the Member's comments and questions, the following points were made:

- The outcomes were just as important as the process. The process needed to be focused on efficient outcomes.
- The Borough Solicitor had worked within the CIPFA code and principles, there was an overlap with the Audit Assurance report which worked on a different methodology to the Annual Governance Statement.
- Code of Conduct draft model code was asking for comments, prior to the final document being submitted.
- The code of conduct working group would look at the model code of conduct and would also review the Council's code of conduct.
- There was a code of conduct working group had been set up at Annual Council.
- The Joint Venture would be made reference to in next years Annual Governance Statement and the process undertaken.
- At the next review of the risk register the Joint Venture could be considered.

**RESOLVED** that the draft Annual Governance Statement ("AGS") and Action plan appended to this report be approved.

## 9. **Annual Standards Report**

The Committee received the Standards Annual Report which would advise Council of the activity within its Standards framework from 1 April 2019 to 31 March 2020.

There had been seven code of conduct complaints, four were Borough Councillor complaints, three were Town/Parish Councillor Complaints. Two of the Parish complaints were upheld. None had been upheld for the Borough complaints.

The report had been superseded by the model code of conduct and the report would be amended to reflect this. The time scale had slipped for this with the final version originally due to be unveiled at the LGA conference in June which would now not be the case.

The model code of conduct would be available on the LGA website and circulated to the Committee Members and Members of the Code of Conduct Working group.

The Committee noted:

- i. The Standards outputs in 2019/20 as set out in (APPENDIX B) of the Borough Solicitors report.
- ii. The update in respect of the work of the Local Government Association (LGA) in developing a new Model Code of Conduct further to one of the recommendations set out in the January 2019 Committee for Standards in Public Life report into Ethical Standards in Local Government

**CHAIRMAN**