

AUDIT & GOVERNANCE COMMITTEE

MINUTES of the meeting held on Wednesday, 7 March 2018 commencing at 2.00 pm and finishing at 5.00 pm

Present:

Voting Members: Councillor Nick Carter – in the Chair
Councillor Tony Ilott (Deputy Chairman)
Councillor Paul Buckley
Councillor Ian Corkin
Councillor Helen Evans
Councillor Charles Mathew
Councillor Les Sibley
Councillor Roz Smith
Councillor Liz Brighthouse OBE (In place of Councillor D. McIlveen)

Non-voting Members: Dr Geoff Jones

By Invitation: Paul King and Ruth Plucknett, Ernst & Young

Officers:

Whole of meeting Nick Graham, Director for Law and Governance and Monitoring Officer; Lorna Baxter, Director for Finance; Sarah Cox, Chief Internal Auditor; Colm Ó Caomhánaigh, Committee Secretary

Part of meeting

Agenda Item	Officer Attending
7	Glenn Watson, Principal Governance Officer
10	Peter Clark, Chief Executive; Maggie Scott, Assistant Chief Executive

The Committee considered the matters, reports and recommendations contained or referred to in the agenda for the meeting, together with a schedule of addenda tabled at the meeting and decided as set out below. Except as insofar as otherwise specified, the reasons for the decisions are contained in the agenda, reports and schedule, copies of which are attached to the signed Minutes.

11/18 APOLOGIES FOR ABSENCE AND TEMPORARY APPOINTMENTS

(Agenda No. 1)

Apologies were submitted by Councillor D. McIlveen (Councillor Liz Brighthouse substituting).

12/18 DECLARATION OF INTERESTS - SEE GUIDANCE NOTE

(Agenda No. 2)

There were no declarations of interest.

13/18 MINUTES

(Agenda No. 3)

The minutes for the meeting of 10 January 2018 were agreed and signed subject to the following correction:

In the title of item 5/17 delete "PLAN" and replace with "UPDATE".

14/18 PETITIONS AND PUBLIC ADDRESS

(Agenda No. 4)

Councillor John Sanders asked the Committee to consider how the procedures for agreeing exemptions to the normal tendering process were being carried out. He had noticed in a report to the January Cabinet meeting that there were four such exemptions in November and December and that the contacts totalled around £0.75m.

Cllr Sanders was happy that the constitutional processes were being followed but having read the reports on each of the exemptions he was concerned that they were not sufficiently transparent in terms of explaining the reasons why the exemptions were justified. He asked the Committee to consider if the procedures should be enhanced to ensure transparency as required under EU law.

The Monitoring Officer explained that he conducts a legal appraisal of each proposed exemption and there is a financial report with the relevant details. If everything is in order, the Chief Executive signs the decision and it is reported to the next Cabinet meeting.

It was agreed that the Monitoring Officer will prepare a report for the Audit Working Group on the procedures followed in dealing with exemptions from the normal tendering procedures.

15/18 EXTERNAL AUDITORS

(Agenda No. 5)

Mr King introduced the reports. In particular, he drew attention to the reference to the risk of management override on page 5 of the Agenda and assured the Committee that it did not imply any specific concerns about the integrity of management at the Council. The other risks included in the Audit Plan, including the valuation of land and buildings and the valuation of the Pension Scheme liabilities, were normal where there were large figures in the balance sheet and a high degree of estimation and valuation.

The earlier deadline for completion of accounts is also recorded as a risk. Ms Baxter stated that the accounts had been prepared to the earlier deadline last year in

preparation for it becoming statutory this year. She was confident that the deadlines would be met.

The Council's termination of the contract with Carillion and the handling of Carillion's liquidation are referenced under Value for Money Risks. Councillor Roz Smith stated that she and other councillors had suggested the inclusion of a break clause in the contract with Carillion.

The Pension Fund plan is similar. There is an additional risk highlighted in relation to the change of custodian.

Mr King responded to questions from Members as follows:

- with regard to the financial difficulties of Northamptonshire County Council, EY have never had to issue a qualified audit report about a Local Authority with regard to going concern. But it has included an emphasis of matter paragraph in the audit reports of some hospital trusts referring to disclosures in the accounts about going concern (although an emphasis of matter paragraph is not a qualification of the true and fair opinion).
- the Pension Fund deficit looks like a very large number but the nature of pension fund liabilities are that they only fall due over many years.

The reports were noted.

16/18 REVIEW OF LOCAL GOVERNMENT ETHICAL STANDARDS: STAKEHOLDER CONSULTATION

(Agenda No. 6)

The report was introduced by Mr Graham who asked members to consider if the current system dealing with ethical standards is working or requires improvement. This Council does not receive many complaints against Members but this might be because the sanctions are perceived to be weak. He noted that the consultation also asked for views on intimidation of councillors and that there had been a motion on this recently at Full Council.

Members raised issues with Mr Graham who responded as follows:

- The most common grounds for complaints in his experience were conflict of interest, transparency and inappropriate behaviour.
- When he receives a complaint, he consults the Code and liaises with an independent person. If there is deemed to be a possible breach a subcommittee is formed but very few get to that stage.
- Members of the public might feel that the Monitoring Officer is too close to Members of the Council to be able to maintain impartiality.

It was agreed to form a small group to consider the Council's response to the consultation. The Monitoring Officer will coordinate the group and its submission. All Members will be emailed and encouraged to submit their views to the group.

RESOLVED that:

- a) Councillors Ian Corkin, Helen Evans and Roz Smith will meet to discuss a response to the consultation; and**

- b) The Monitoring Officer will coordinate the submission of responses before the closing date of the consultation.**

17/18 SCALE OF ELECTION FEES AND EXPENDITURE 2018/19

(Agenda No. 7)

Mr Watson presented the report and highlighted the differences from last year when a full review had taken place. The payments for preparation of ballot boxes and the fee for poll clerk have been increased.

Mr Watson responded to Members' questions as follows:

- In last year's elections a lot of recruits cancelled at the last minute.
- Our fees would be out of kilter with the City Council's in particular if we do not raise them.
- Most recruits are local authority staff, former staff or friends and family of staff but anyone can apply.
- If the owners of a building asked for too much money, the Council would simply go elsewhere but this has not happened.
- The preparation of ballot boxes involves making sure that they have the correct register, sufficient ballot papers and supplies.

RESOLVED: to approve the Scale of Expenditure for the financial year 2018/19, as shown in Annex A to this report, for the election of County Councillors and any other local referendums.

18/18 "FIT FOR THE FUTURE" TRANSFORMATION PROGRAMME UPDATE

(Agenda No. 10)

Mr Clark introduced the report and described how the work done on the Unitary proposal and by PwC has contributed to the transformation programme. Ms Scott gave a presentation on the outcomes from Phase 2 and an overview of Phase 3. They responded to questions from Members as follows:

- 'Customer management' refers to phone calls, interviews etc with customers.
- Phase 3 will run to July and the full roll-out will take 2 to 3 years.
- The programme is not dependent on the unitary proposal. The Council has worked very well with the Districts and City on the recent growth deal worth.
- By July the work by PwC will have cost £2.1m. The Council has previously tried transformation itself with mixed results. It currently has less staff and management and is dealing with big agendas like the growth deal, Oxford-Cambridge arc, integrating care systems and dealing with the overspend on children's services.
- The Council has a strong record on reducing its spending in each sector but now a more holistic approach is needed to make further improvements.
- There is a strong commercial strategy in the programme including the use of capital but perhaps it needs to be better articulated.
- There is an opportunity to review outsourcing and ensure that it is not just about savings but looks also at the best outcomes.

- It is acknowledged that there is a tension over the use of terminology such as “customer” or “resident”. There will be more about how the programme will impact on the public in the presentation to all Members on 12 March.
- There will be a particular focus on demand management in children’s services with better signposting to ensure proper referral.

RESOLVED to

- a) **note the content of the report; and**
- b) **request a further update at the Committee meeting on 25 July 2018.**

19/18 AUDIT WORKING GROUP REPORT

(Agenda No. 8)

Ms Cox summarised the report and drew particular attention to the discussions on Mental Health and S106s. Mr Jones, Chairman of the AWG, stated that, on Mental Health they are not at the critical decision stage yet and there are big challenges to be tackled on S106s.

Ms Cox reported that Council officers visited Hampshire regarding the VAT issue and are satisfied that there is a good plan to ensure compliance. Any issues identified so far have been compliance issues and not related to fraud.

The Chairman asked if the AWG needed to meet more often given the volume of work. Mr Jones responded that there was still a certain backlog resulting from the time lost over the two elections last year but that the current cycle which matched the main Committee meeting cycle was sufficient.

RESOLVED: to note the report.

20/18 WORK PROGRAMME

(Agenda No. 9)

The Committee agreed the following additions:

25 April 2018

Draft narrative statement and Accounting Policies for inclusion in the Statement of Accounts

25 July 2018

Fit For the Future Transformation Programme Update

..... in the Chair

Date of signing