

MINUTES OF GOVERNANCE COMMITTEE

MEETING DATE Tuesday, 16 June 2020

MEMBERS PRESENT: Councillors Ian Watkinson (Chair), Colin Sharples (Vice-Chair), Christine Melia, Angela Turner, Damian Bretherton, Colin Clark and Margaret Smith

OFFICERS: Gary Hall (Interim Chief Executive), Chris Sinnott (Deputy Chief Executive), Chris Moister (Director of Governance), James Thomson (Deputy Director of Finance), Dave Whelan (Shared Services Lead - Legal & Deputy Monitoring Officer), Janice Bamber (Interim Head of Shared Assurance Services), Darren Cranshaw (Assistant Director of Scrutiny & Democratic Services) and Coral Astbury (Democratic and Member Services Officer)

EXTERNAL AUDITOR: Mark Heap – Grant Thornton

OTHER MEMBERS AND OFFICERS: Councillor Paul Foster (Leader of the Council and Leader of the Labour Group)

28 Apologies for absence

There were none.

29 Declarations of Interest

There were none.

30 Minutes of meeting Tuesday, 28 January 2020 of Governance Committee

The minutes of the last meeting held on Tuesday, 28 January 2020 were agreed.

31 Suspension of Standing Order 33

Members were asked to approve the suspension of standing order number 33 in the Council's constitution relating to public participation due to the current restrictions in place due to the COVID-19 pandemic.

RESOLVED: (Unanimously)

That standing order number 33 of the Council's constitution be suspended for the duration of the meeting.

32 **Draft Annual Governance Statement 2018/2019 and 2019/2020**

The Director of Governance/Monitoring Officer presented the draft Annual Governance Statement covering the financial years 2018/2019 and 2019/2020.

The Council is required to ensure it has in place a sound system of governance, that it regularly reviews the effectiveness of that system and that it continuously seeks to achieve best value in service delivery. As part of that, the Council is required to publish an Annual Governance Statement. The Annual Governance Statement is developed alongside the Statement of Accounts but assesses the governance framework for the whole council and all of its activities. The form of the Annual Governance Statement and approach taken to its development is based on guidance produced by CIPFA and SOLACE.

The Annual Governance Statement for 2018/2019 was not signed off as significant governance failings that predated the submission of the Annual Governance Committee in May 2019 were identified. As a result, it was clear that the statements within the Annual Governance Statement as presented were incorrect and did not accurately reflect the position of the Council as regards the maintenance of and compliance with a robust governance framework. Following discussions with the Council's external auditor and because the Annual Governance Statement is supposed to reflect the point at which it is agreed, the statement covers the 2018/2019 and 2019/2020 financial years.

The Director of Governance/Monitoring Officer took the meeting through the five key sections of the Annual Governance Statement:

- ▶ Section one – the Council's responsibility in producing an annual governance statement
- ▶ Section two – the purpose of the annual governance statement
- ▶ Section three – the governance statement and how the Council complies with its local code
- ▶ Section four – how the Council reviews the effectiveness of the governance framework
- ▶ Section five – the steps that have been taken to test and enhance the Council's governance framework and the actions needing to be taken in the coming period

A number of significant governance failings were identified and follow the statutory section 24 report issued by the external auditors in 2018. The key issues were grouped around the themes of: leadership, culture, process and monitoring and review.

The Director of Governance/Monitoring Officer highlighted the importance of learning and implementing the remaining actions to embed effective governance across the Council.

The external auditor reported that their audit work would be ongoing over the summer period.

The Leader of the Council commented on the disappointing Annual Governance Statement and pattern of behaviour in failing to follow governance procedures. The Leader provided assurance that since 2019 there had been a change in culture and there was now full compliance and transparency.

Committee Members raised the following queries with regards the report:

- ▶ In response to an enquiry about achieving value for money with regards the McKenzie Arms site project, the Committee was advised that Members had been provided with all the necessary information to make an informed judgement when making their decision on this project. Statutory officers act as a check and balance to ensure Members have all the necessary information to allow them to make a decision and that there is full transparency in place.
- ▶ Referring to a lack of leadership, confirmation was provided that a key role of the Chief Executive and other statutory officers is to ensure good governance and decision-making.
- ▶ With regards the dynamic nature of the action plan, it was proposed that a progress report be provided on an exception basis to each Governance Committee meeting. Measures of how effective the actions have been would also be brought back to the Committee.
- ▶ As the Annual Governance Statement is integral to the annual accounts, an external audit opinion would be provided on the whole. The external auditor would be carrying out a detailed review over the summer and was unable to commit to a timescale to complete their work at this time.
- ▶ The Director of Governance/Monitoring Officer confirmed that he had not seen any similar pattern of governance failures in his experience and stressed the importance of learning and continuous improvement.
- ▶ Confirmation was provided that governance framework and procedures are available to Members and officers on the Council's website, CllrCONNECT and the intranet. The proposed Annual Governance Statement action plan includes review of some governance documents and the suggestion to include a review date on those documents would be taken on board.
- ▶ Confirmation was provided that the Interim Chief Executive had previously offered to brief the shadow Cabinet on relevant matters.

RESOLVED: (Unanimously)

That the Annual Governance Statement be approved in draft form for consideration by External Audit.

33 Internal Audit Progress Report - Audit Reports with Limited Assurance Opinion

The Interim Head of Shared Assurance Services presented the Internal Audit Progress Report, including internal audit reports with limited assurance opinion.

It was reported that there had been 5 audit reviews where the opinion of the control environment had determined that only limited assurance could be placed on the controls in place and substantive control weaknesses existed in those areas. The reviews with limited assurance were:

- ▶ Environmental Health – Food Safety
- ▶ Car Park Management and Enforcement
- ▶ Tree Inspection and Maintenance
- ▶ Commercial Properties Follow up
- ▶ Shared Services – Creditors

In addition to reviews with limited assurance, a further 2 reviews in the opinion of internal audit no assurance could be placed on the effectiveness of controls in place and the extent to which risks are mitigated. The reviews with no assurance were:

- ▶ Procurement of Utilities and 2 other contracts
- ▶ Health and Wellbeing Campus – review of procurement of provider and project governance arrangements.

Committee Members raised the following queries with regards the report:

- ▶ Clarification was provided that the limited assurance provided to tree inspection and maintenance was separate to the corporate plan project of planting 110,000 trees as the audit was ensuring the necessary policies were in place to help deal with insurance claims. The newly planted trees would be classified in line with the proposed new policy.
- ▶ Confirmation was provided that the consultant's report on the Asset Management Strategy concluded in May had considered all of the Council's assets.
- ▶ The purpose of reporting on the internal audit reports was to allow the Committee to consider and note the reports, not to debate the contents. The reports feed into the Annual Governance Statement, which will be presented to Council and that would be the opportunity for Members debate any issues, such as the Health and Wellbeing Campus.
- ▶ The quality assurance approach taken to ensure that internal audit reviews were rigorous and robust was explained, which includes a manager checking the evidence file, discussion with the client/service lead, presentation to the director and a final sign off.

- ▶ Where internal audit reviews have looked at elements where relevant officers are no longer with the Council, the evidence available has been considered.

The following two questions were received from members of the public:

Question 1

“I have just read the internal audit that has been presented at Governance meeting tonight written by Janice Bamber. The report is very comprehensive and paints a damning state of the running of SRBC by senior management. But the ultimate responsibility lies with the councillors who enable the poor practise and not holding senior management to account. I cannot comprehend how much ratepayers money has been wasted by this council as it states in the report major failure to demonstrate value for money in the procurement.

I have 2 questions that I require answering:

- 1. How many managers have been disciplined or dismissed?*
- 2. Why have councillors allowed this happen?”*

Question 2

“On the basis of the contents of the report, how many of the staff have been disciplined or dismissed?”

In response, officers advised that it was not in the remit of the Governance Committee to deal with employee issues. The internal audit reports outline themes around the Council providing training and organisational development. Having appropriate employee policies in place to deal with poor performance was also important. A written response would be provided to members of the public submitting questions.

RESOLVED: (Unanimously)

That the report be noted.

34 Internal Audit - Head of Audit Annual Report

The Interim Head of Shared Assurance Services presented the Head of Internal Audit Annual report from 1 April 2019 to 31 March 2020. The report also provided the Head of Internal Audit’s overall opinion on the adequacy and effectiveness of the Council’s framework of governance, risk and control.

During the year 92.54% of the planned internal audit work had been completed (based on the original audit plan for 2019/2020). Internal Audit achieved a 100% acceptance rate for its recommendations/agreed management actions relating to the reports completed and management actions agreed.

Overall the Council has a sound governance framework in place and in general has appropriate policies, rules, regulations and procedures in place. However, there

have been failings in regards to management controls, fundamental failures and weakness of internal controls and the disregarding of existing policies in some circumstances. This has led the Interim Head of Shared Assurance Services to reach the conclusion that the internal control environment only provides limited assurance.

The external auditor confirmed that this report is one of the documents considered as part of their audit work.

Following a Committee Member enquiry about the internal audit plan for the current year, the meeting was advised that this had been delayed due to the COVID-19 pandemic. It is envisaged that the thrust of this year's plan would be reviewing progress with the actions from those internal audit reports with limited assurance. A report would be provided to a future meeting of the Committee.

RESOLVED: (Unanimously)

That the Internal Audit Annual Report 2019/2020, progress of work against the Annual Plan and Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk and control be noted.

35 Update of Closure of Accounts 2019.20

The Deputy Director of Finance (Section 151 Officer) presented a report updating on the closure of accounts for 2019/2020.

The deadlines for the closure of the Council's accounts have been amended by the Government in response to the COVID-19 pandemic. The audited financial statements for 2019/2020 are to be published by 30 November 2020. A meeting of the Governance Committee will be arranged prior to the 31 August 2020 to consider the draft financial statements.

It was reported that the Council was on track to deliver the financial statements in accordance with the revised timescales.

RESOLVED: (Unanimously)

That the progress on the closure of accounts for 2019/2020 included the revised deadlines for submission of the draft accounts and sign off of the final accounts be noted.

Chair

Date