AUDIT AND GOVERNANCE COMMITTEE
29 June 2012

PRESENT: Councillor Ben Grower - Chairman; Councillor Nick King - Vice-Chairman; Councillors John Adams, Anne Rey and Roger West.

ALSO PRESENT: Councillor John Beesley, Leader and Cabinet Member with the portfolio for Resources.

The meeting commenced at 2.00 p.m.

Note: To see a copy of the public reports that were considered by the Committee at this meeting please visit:


SECTION I - BUSINESS RECOMMENDED TO THE COUNCIL

No Items

SECTION II - BUSINESS DECIDED UNDER DELEGATED POWERS

25. APOLOGIES

Apologies were received from Councillor Anne Filer, Cabinet Member with the portfolio for Corporate Efficiency, Simon Garlick and Chris Peachey, External Auditors, Keith Stuart, Emergency Planning Officer and Fiona Manton, Risk Manager.

26. CHAIRMAN’S ANNOUNCEMENTS

The Chairman -

- welcomed back Karen Tompkins, Senior Democratic Services Officer following a period of sickness.
- welcomed Liz Wilkinson, Executive Director for Finance to the Committee.
- welcomed Tanya Coulter in her capacity as acting Service Director for Law and Governance.
- welcomed Councillor John Adams to his first meeting as a Member of the Committee.
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- requested that the Committee place on record its thanks for the work done by Steve Parker, Chief Accountant who had now left the Authority. He asked that the Committee’s best wishes be passed on to him.

27. DECLARATIONS OF INTEREST

There were no declarations of interest.

28. PUBLIC ISSUES

There were no deputation requests or public questions for this meeting.


The Committee considered a report which provided an overview of the work of Internal Audit for the financial year 2011/12 and quarterly summary assignments for the final quarter of the period.

The Acting Service Director Law and Governance highlighted two key aspects as follows:

- Corporate Governance - Internal Audit Opinion - paragraph 6.2 - sets out the conclusions drawn from the work of the Internal Audit Team.
- Review of Effectiveness of Internal Audit - this was undertaken by the Corporate Governance Manager before he left the Authority in March 2012. The Acting Service Director for Law and Governance explained that a full review of the adequacy and appropriateness of audit and risk management arrangements at the Council will be undertaken by the Section 151 Officer who will report to the Committee setting out action needed later in the current financial year.

The Executive Director for Finance:

- explained to the Committee that she was looking at resources, succession planning and skills development required within the internal audit team to ensure robustness and would be bringing her recommendations to the Audit and Governance Committee later in this financial year.
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• explained, in response to a question, the purpose of the contingency which was included in the Internal Audit Strategy and Plan reflected normal audit planning conventions and existed to provide for any extraordinary items or matters that could arise in year out-side of the known Audit Plan - typically referrals requiring fraud & corruption investigation, whistle-blowing etc that can not by their nature be ‘planned’ for in advance.
• told Members that the quality and content of reports would be reviewed and improved as it was important to provide clear transparent information for Members.

DECISION MADE:

1. That the work of the Internal Audit Section for the period December 2011 to March 2012 be supported and noted.

2. That the formal Internal Audit Opinion for the period be noted.

3. That the outcome of the annual statutory internal review of the effectiveness of Internal Audit be noted.

4. That the provisional Internal Audit Strategy and Plan for 2012-13 be approved.

30. CORPORATE GOVERNANCE - ANNUAL GOVERNANCE STATEMENT AND GOVERNANCE IMPROVEMENT PLAN

The Committee considered the Annual Governance Statement - AGS- and Governance Improvement Plan.

The Chairman highlighted the references in the report to web links and requested that in future these documents be provided as hard copies for Members. Officers acknowledged this point and confirmed that hard copies would be provided to Members.

The Executive Director for Finance emphasised that not only did the Committee need to be satisfied with the Statement but it formed part of the Council’s financial statements and would be audited by the District Auditor. It was therefore an extremely important document and were it to be qualified by the District Auditor this would mean the Council’s Accounts being qualified.
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The Acting Service Director for Law and Governance highlighted the recommendations in the report and referred to the spread sheets attached as appendices. She informed Members that these spread sheets contained evidence informing the AGS but that the way in which this evidence was obtained and presented would be reviewed this financial year to improve the process and clarity of information provided.

The Executive Director for Finance explained that there is a requirement for the serving Section 151 to provide assurance on the adequacy and completeness of the Council’s arrangements during the financial year in question in bringing forward the AGS. As she took up post on the 15 March 2012 it was not possible for her to provide members with the necessary assurance regarding the proper operation of the Council’s internal control environment during 2011/12. The Committee was informed that the AGS had been compiled by Officers serving with the Council during the financial year 2011/12 and reliance place on the Chief Financial Officer Assessment of the 2011/12 financial statement contained in the Assurance Statement signed by the previous Section 151 Officer, Mike Forrester as part of the requisite pack prepared by officers in support of the AGS.

The Executive Director for Finance reported that she had spoken to the District Auditor who had indicated that he understood the practical difficulties the year end change over in Section 151 responsibilities posed in such circumstances and that the Council would therefore rely on the evidence provided by Mike Forrester’s statement in fulfilling this requirement in respect of the 2011/12 AGS.

The Committee considered the Annual Governance Statement set out at Appendix A to the report and considered each of the exception items set out at pages 4-6 of the statement. The following issues were highlighted:

- Corporate: Compliance with Health and Safety Policies - 43310 - The Executive Director for Finance reported that she was bringing together the new corporate Directorate now further to the Chief Executive’s restructure and the future arrangements for ensuring the robustness of the Council’s Health and Safety function will be addressed within that wider process.
- Corporate: Partnership Working - 65030 - The Executive Director for Finance reported that this concerned an internal control mechanism which needed to be strengthened through resourcing to enable research and monitoring activity. She reported that progress was being made but it would take time.
- Technical Services: Vehicles Acquisition and Management - 46095 - this had been addressed and was progressing.
- Corporate: Officers’ Expenses - 65110 - The Committee requested that when the next Audit was carried out the report be referred to the Committee.
- Corporate: Control of Consultants and Self Employed Staff - 65125 -
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- The Executive Director for Finance explained that the rules and procedures governing the use of consultants are to be set out in the Council’s new Financial Regulations & Procurement Rules being brought forward for Council adoption in autumn 2012. This would include how they were procured and for what they could be used.

- The Chairman highlighted the implications for the Council of claims for national insurance and pensions rights.

- The Vice-Chairman reported that this issue had been brought to his and the Chairman’s attention by the Executive Director and the Acting Service Director for Law and Governance but what was a more fundamental issue was that the quarterly internal audit report submitted to the Committee in March 2012 by previous officers bore little resemblance to the content of the final internal audit report on the Control of Consultants and Self-Employed staff. The Executive Director for Finance supported the issues raised by the Vice-Chairman. She told Members that she would give her personal assurance that if she had concerns about any issue that she would bring it before the Committee. It was essential to maintain a close working relationship with those Members charged with governance.

- The Vice-chairman asked what safeguards were in place to ensure that this situation did not arise again. The Executive Director for Finance confirmed that she and the Monitoring Officer would ensure that reports were provided with adequate time for them to consider and make appropriate comments. The Executive Director advised that good governance relied on a robust system of necessary checks and balances, where the roles, responsibilities, expectations and the professional, managerial and political integrity of all concerned were clearly understood, documented and respected at all times by all parties. As this was as much a ‘human’ system as it was a bureaucratic one then it wasn’t possible to eliminate error per se but the checks and balance built across the system should be sufficiently robust to mitigate individual points of failure should they arise. Clearly high standards of professionalism, a concern for ethical behaviour and personal strength and integrity were fundamental to this and whatever training was required to support this would be undertaken as work to develop robust arrangements at the Council progressed over time.

- The Chief Executive reported that he did not feel that there was any widespread failure. He told Members that the new Statutory Officers were committed to reviewing the structure and tightening up where necessary.
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- Richard Saunders, Service Director reported that since the publication of the report the current arrangements had been reformed. He told Members that the categorisation of workers was complex. However focussing on Consultants he reported for this year that 17 had been engaged on a short term contract. Members were informed that there were 2 specific areas where the consultancy was coming to an end. The Service Director explained that all authorisations for consultants were now processed through him. Members requested that an Annual report/statement on Consultants with financial information be submitted to the Committee in the future.

- The Leader of the Council explained the progression of events which led up to the appointment of the Interim Executive Director for Finance and Business Improvement which was only ever anticipated to be short term but events did not allow that to happen. He highlighted the position of HM Revenue and Customs and welcomed the suggestion for an Annual report/statement on Consultants for the Committee. The Leader reported that he had not been involved in the reports for the Audit and Governance Committee but as he had to sign the AGS welcomed the scrutiny of the document by the Committee. He suggested that for the future everyone needed a wider understanding of the issues. The Chief Executive and Richard Saunders, Service Director explained the arrangements by which the interim Executive Director for Finance and Business Improvement, Mike Forrester, had also undertaken the Section 151 Officer role.

The Chairman requested that Members act as a Committee to ensure that audit and governance procedures are working.

Councillor West had raised a number of issues, which were responded to above, including the requirement for an Annual Report for Overview and Scrutiny. The Executive Director Finance reported that the Overview and Scrutiny Management Panel at its last meeting had considered this issue. She explained that this matter was being dealt with by the Chairman of the Management Panel.

**DECISION MADE:**

1. That having considered the Annual Governance Statement - AGS- attached at Appendix A and B to the report the Committee:

   a. notes and welcomes that all Officers present and the Leader of the Council have given their assurances/undertaking that issues are being addressed.
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b. requests an update on consultants used, prices, purposes and arrangements in place as a pre-cursor to an Annual Report/Statement.

c. acknowledges that matters of concerns will be brought forward in the interim and the new Section 151 Officer will be introducing an annual report on breaches and waivers of regulations to be reported for Audit & Governance members to consider further to the introduction of new Financial Regulations & Procurement Rules in autumn 2012.

d. acknowledges that the requisite checks and balances are now in place and/or are in the process of being strengthened as a result of the actions of the new S151 Officer and the Acting Monitoring Officer.

e. requests that the outcome of the next audit on Officers’ expenses is submitted to the Committee.

f. has confidence in the new Section 151 Officer - Chief Financial Officer and Acting Monitoring Officer.

g. requests that the Chief Executive and Leader of the Council take into account the issues raised during the debate on the AGS and approves the statement for their signature.

2. That the Local Code of Corporate Governance for the financial year 2012/13 attached at Appendix C to the report be approved.

3. That the progress made on the 2011/12 Governance Improvement Plan attached at Appendix D to the report be noted and the Governance Improvement Plan for 2012/12 attached at Appendix E to report be noted in order to support and monitor the actions proposed within it.

31. UPDATE ON EXTERNAL AUDIT ARRANGEMENTS

The Executive Director for Finance reported that the new external arrangements were in place following the abolition of the Audit Commission. Members were informed that there were seven regions. In Dorset Grant Thornton had been appointed as the external auditor for Local Authorities. Grant Thornton would TUPE people to the company with Simon Garlick continuing although members of his team may change. The Executive Director Finance reported that she proposed to invite a senior partner from Grant Thornton to attend a future meeting of the Committee.
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The Committee was informed that in time the Local Authority may make a direct appointment for its external auditors, but that this was not possible at the moment.

DECISION MADE:

That the report be received and noted.

32. RISK MANAGEMENT

The Committee received an update on the work of the Risk Management section and the Council’s Strategic Risk Management Group. This included an update on developments on the Strategic and Operational Risk Registers, the Strategic Risk Management Group Annual Report for 2011/12.

The Acting Service Director for Law and Governance explained that the risk function was being reviewed and the Committee would be kept advised of progress.

The Executive Director for Finance explained how risk was assessed and the importance of appreciating that effective Risk Management arrangements helped organisations manage and mitigate both adverse threats and positive opportunities.

DECISION MADE:

1. That the progress made on risk management, together with the monitoring of the Action Plan of the Strategic Risk Management Group be noted.

2. That the developments on the Strategic and Operational Risk Registers be noted.

3. That the content of the Strategic Risk Management Group Annual Report for 2011/12 be noted.

33. EMERGENCY PLANNING UPDATE - PROGRESS REPORT FOR THE THREE MONTHS TO MARCH 2012

The Chief Executive presented the report on emergency planning for the period to March 2012. The report included an update on planned work, preparations for the Olympic Torch Relay celebrations and the planning for the 2012 Bournemouth Air Festival.
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The Chief Executive reported that progress on the installation of the new Town Hall Generator was progressing and that consideration was being given to the appointment of the second emergency planning post.

Officers responded to questions and confirmed that the Council would be resilient in dealing with an incident associated with the Bournemouth Air Festival.

DECISION MADE:

That the work of Emergency Planning for the three months to March 2012 be supported and noted.

34. HEALTH AND SAFETY

The Committee considered a report on the work of the Corporate Health and Safety Team.

The Corporate Health and Safety Manager in particular reported that the Cautionary Contacts List - CCL - had been completed.

Members commented on those issues/reports that needed to be submitted to the Committee. The Executive Director suggested arranging a meeting with the Chairman and Vice-Chairman and the Monitoring Officer to discuss the forward plan for the Committee.

DECISION MADE:

1. That the progress made by the Corporate Health and Safety Team and the key achievements during the year be noted

2. That the Fire Safety Update be noted

3. That the Corporate Health and Safety Action Plan attached at Appendix A to the report be noted

4. That the adoption of the Accident/near Miss Reporting and Investigation Policy attached at B to the report be supported.

5. That the Executive Director for Finance meets with the Chair and Vice-Chair to agree the forward plan.
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35. DRAFT STATEMENT OF ACCOUNTS 2011/12

The Executive Director for Finance updated the Committee on the preparation of the draft Statement of Accounts for 2011/12. She reported that the statements were now ready and thanked Tina Worthing and Paul Gee for all their work. The Committee was informed that the statements would be signed this afternoon. The External Auditors would then report to the Committee in the Autumn on the outcome of the Audit.

DECISION MADE:

That the report be received and noted.

The meeting closed at 4.30 pm

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Next Meeting: 25 September 2012 at 9.30 am at the Town Hall. It is recommended that you check this information with Karen Tompkins nearer the scheduled date of the next meeting in case the arrangements have changed.

Website: www.bournemouth.gov.uk