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Subject to approval at the next Audit & Governance Committee meeting

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## AUDIT & GOVERNANCE COMMITTEE

19 November 2020 at 6.00 pm

Present: Councillors Mrs Erskine (Chairman), Mrs Haywood (Vice-Chair), Bennett, Bower, Brooks, Clayden, Roberts, Ms Thurston and Tilbrook

Councillors Charles, Coster, Gunner, were also in attendance for all or part of the meeting.

Apologies: None.

### 309. DECLARATIONS OF INTEREST

There were no declarations of interest made.

### 310. MINUTES

The Minutes of the meeting held on 30 July were approved by the Committee with the agreement for the Chairman to sign them as soon as practicably possible.

### 311. INDEPENDENT MEMBERS' REMUNERATION PANEL - REVIEW OF SPECIAL RESPONSIBILITY ALLOWANCES FOR 2021

The Chairman offered her congratulations to Mr John Thompson on his MBE he received this year. She then invited the CEO to introduced his report where he drew Members attention to 1.8 of his report that detailed the new six Service Committees that would be implemented from May 2021 under the Committee Structure he also highlighted that the Panel had made a request that the report would be reviewed within the next 12 months for any changes that may be needed.

The Chairman of the Panel expressed his thanks for the support from Members and Officers. He also extended thanks to Sarah Miles for her additional efforts she contributed during the review. He advised that main items are linked and that wider research proved difficult due to the fact that there are not many other authorities operating under a Committee System and that given the pandemic many authorities were also not prepared to complete research on their behalf which was understandable. He explained that the Panel decided the best way forward was to share the current Cabinet Members allowances equally between the six new Service Committees with the Chairman in receipt of 70% and the Vice Chairman in receipt of 30% of the allowance. In summary he also echoed the CEO and stated that the need for a review to be undertaken in early 2020 was required in order to assess the impact of the new arrangements in operation.

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Members then took part in a full debate where the following comments were made. Concern was raised in terms of acceptance of no difference between current Cabinet Members and the new Chairman of each Service Committee, due to the removal of executive decision making. It was also raised that a request for a seminar was denied and therefore was felt that Members were largely in the dark with the regards to the new operation of the new structure. The Chairman drew members attention to sections 3.1 and 3.4 of the Panel's report where these points had been covered and she invited the Chairman of the Panel to provide a more substantive answer. Mr Thompson then advised it was felt that it the Committees would be challenging to Chair as well as ensuring that decisions made were moved forward. He the reiterate the importance of an early review on the new arrangements.

Other opinions expressed were that it was predicted that the workload for backbenchers would increase significantly and that the basic allowance for these Members should also have been reviewed. It was explained that the remit of the Panel's review was to look at the Chairman and Vice Chairman of the new Service Committees only. It was also stated that all Members were and would continue to be in receipt of a basic allowance which covers participation at any meeting attended.

It was then proposed by Councillor Bennett and seconded by Councillor Clayden that;

***Each Service Committee Chairman receives £5004.00 and each of the Vice Chairman receives £1,651.00***

During the debate on the proposal there were a broad range of views expressed but overall agreement on the reduction to the allowance for the Service Committee Chairman and Vice Chairman was clear. Advice was sought from the CEO and the Financial Services Manager who both supported the views that were being expressed by Members.

The Committee then took the vote on the proposal put forward and this was declared CARRIED

In returning to the substantive recommendations the Chairman invited non-committee members to ask any questions. It was again queried why the recommendations were only focused on the Chairman and Vice-Chairman of the six new Service Committees and not the allowance for the Leader and Deputy Leader of the Council at this time. The Chairman of the Panel reiterated that the terms of reference for the review were agreed by the Audit & Governance Committee in July 2020 and reminded Councillors that the Panel were tightly bound to those terms. With reference to the Leader and Deputy Leader of the Council had been recorded in the report for clarity and should either of those individuals subsequently become a Chairman or Vice-Chairman of one of the six new Service Committees then they would take the new Committee allowance that had just been agreed by the Committee.

The Chairman then drew the debate to a close, she extended a special thanks to the Panel for their hard work in getting the report together in a very short amount of time.

The Committee

RECOMMEND TO FULL COUNCIL that;

- (1) each Service Committee Chairman receives an allowance of £5004.00 and each of the Vice Chairman receives an allowance of £1,651.00; and
- (2) the recommendations set out in the Independent Panels Report at Appendix 1 be approved.

312. ERNST & YOUNG - AUDIT RESULTS REPORT

Kevin Suter from Ernst and Young, Associate Partner introduced the audit results report to Members. Jason Jones, Account Manager from Ernst and Young provided Members with an overview of key points from the Audit that had been completed.

The Chairman thanked Ernst and Young and the Finance team for all their work during what had been a difficult year.

Following a short discussion, where Members of the Committee echoed the Chairman's comments and expressed thanks to both teams. It was stated that an unqualified audit statement was great news and showed that the Council was working well.

The Committee then noted the audit results report.

313. STATEMENT OF ACCOUNTS 2019/20

*(Councillor Tilbrook left the meeting prior to discussion of this item)*

The Financial Services Manager confirmed to Members that an unqualified audit opinion on the Financial Statements was an excellent outcome especially in a year where Covid-19 provided very challenging working conditions with increased uncertainty particularly in areas like valuation techniques. She then explained that the management letter of representation on page 203 of the agenda, point 5, provided the reason for not adjusting for the Audit Difference identified during the audit was because the amounts were not material and the extra work would have far outweighed any benefit to the users of the accounts. She then reiterated to Members that the valuation issue was just a disagreement between two sets of valuers. Further work would only have resulted in increased fees which were no real cost to the Council and could have delayed the audit further. And that this and the other audit difference (£152k) made no difference to the Council's available balances overall. As stated in the Audit Results Report these differences were not material to the Accounts which were unqualified.

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Turning to the Statement of Accounts she referred Members to the narrative of the report which put the Accounts in to more context as it dealt with the real performance against the original budget. The variation analysis on page 94 of the agenda was in a similar format to the Outturn Report for 2019/20 which had been considered at Cabinet on 20 July 2020. She advised that it showed a very positive outturn due to items like strict monitoring of the establishment, that allows a further transfer of £844 to the Council's funding resilience reserve, which now stood at £5.826m, which was essential for the Council's financial strategy. The outturn report had the advantage of being in the same format as the budget, this was because the financial statements followed accounting standards (International Financial Reporting Standards) rather than local government legislation.

Following discussion,

The Committee

RESOLVED that:

- 1) they noted the findings of the EY Audit Results Report (previous item on the agenda);
- 2) approved the Letter of Representation on behalf of the Council in appendix 1; and
- 3) approved the Statement of Accounts for the financial year ended 31 March 2020 (Appendix 2).

314. ANNUAL GOVERNANCE STATEMENT 2019/20

The Internal Audit Manager advised Members that the Annual Governance Statement was a mandatory document that is required to be published alongside the Accounts and covered the period of April 2020 to March 2021. The Committee had already reviewed the Annual Governance Statement at the 30 July 2020 meeting where they noted the contents, however it was agreed at that meeting that this item would be brought back to the Committee alongside the Statement of Accounts. He then went on to advise Members that since the draft was noted in July, there had been 3 minor changes made, of which he highlighted the detail of too Members.

Following discussion,

The Committee

RESOLVED

that the Annual Governance Statement 2019/20 be approved.

### 315. TREASURY MANAGEMENT MID-YEAR REPORT

The Senior Accountant provided an overview of the mid-year report to Members where she highlighted point 3 on pages 237 – 241 of the agenda is the economic updated, that had last been updated on 9 November 2020, however she explained that in light of the current economic circumstances that these figures do become out of date very quickly. Point 4 on page 241, she requested that Members note that the CCLA property fund where £5million had been invested was still providing a return of around 4.3% despite Covid-19. She also explained that £1million had been invested in the diversified fund with CCLA and that this was achieving a 3% return. The returns are very challenging as reported on page 242 of the agenda. She explained that the Council was getting now between 0.1% and 0.7% versus previously seeing a return of over 1%. Although the rate of return for this year 20/21 is currently at 0.92% as at September 2020, against the budget of 1.26% this was considerably lower however, the interest received should be in line with the budget.

Following discussion, and thanks from Members for the work completed by the Senior Accountant and her team.

The Committee

RECOMMEND to FULL COUNCIL that:

- 1) the actual prudential and treasury indicators for 2020/21 contained in the report be approved;
- 2) the treasury management mid-year review for 2020/21 be noted;
- 3) the treasury mid-year activity for the period ended 30 September 2020, which has generated interest receipts of £331,00 (0.92%) year to date, against a budget of £550,00 (1.26%) for the full year be noted.

### 316. DATA PROTECTION BREACH OVERVIEW

The Interim Monitoring Officer provided Members with a full explanation on the seriousness of the breach and the damage that could have been caused reputationally and financially to the Council. He explained that the breach was in relation to an incident that took place after a meeting of the Development Control meeting on 26 May 2020. He confirmed that the Chief Executive sent a confidential email to all Members and information contained within that email had been leaked. He explained that Members were expected to treat emails from Officers in the manner of which they had been sent, specifically in this case, the trust that had been broken due to the confidential matter within the content of the email. He then advised Members that the breach was reported properly to the ICO (Information Commissioner Office) and because of this it was dealt with in a comparatively light way. He also confirmed to members that an investigation had taken place for Officers and Members who had been in receipt of the email. The investigation provided evidence that two Members had forwarded the email outside of the Council, which he explained was very disappointing.

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He confirmed that the ICO had made a number of recommendations, that detailed exactly what the Council was required to do in order to rectify the issue and referred Members to section 1.4 of the report where these actions had been set out. He was pleased to confirm that all Officers had completed all the required training. However he found that there was a lack of Members that had signed up to the I.T Security Policies at the start of his investigations, however he was now pleased to report that all member's had now signed up to these. He reported that in future should these policies not be signed up to when required I.T access would be removed until these had been satisfactorily completed and signed.

In summing up he reiterated that the impact of this case had been set out clearly within the report, but highlighted that the financial penalties for breaches could be huge and that any policies and protection measures put in place were only as good as the Members and Officers that uphold them. He also highlighted that to, recklessly disclose personal data is a criminal offense and the breach should be seen by the Committee as a very near miss and therefore taken very seriously. He stated that the Council had managed the situation very well and that whilst the investigation had revealed that two Members had not followed protocol, he stated it would remain unknown if those two Members were indeed who leaked the information to the Press. The ICO did take into account the work that was done to protect the Council and the fact that, the breach was reported early went in the Council's favour. What the Council does with its data, matters, and the disregard for the protocol's in place was not acceptable, and an aggravating criminal factor, a further aggravating factor was that all Members were asked if they had caused the breach and no one came forward.

The Chairman then confirmed to Members that the recommendations were split into two, the second part were forward looking. She reminded Members that they should avoid discussing personal matters at this time.

During discussion it was commented that it was disappointing to learn that two Members may have been responsible and had not followed protocol. It was asked by several Members if the names of the two Members could and would be released as it was felt that the public had a right to know who they were. It was advised by the Interim Monitoring Officer that due to this being a criminal matter he could not provide names at the meeting, but he was happy to have separate conversations outside of the meeting. It was also asked why the Chief Executive had not referred the two members to the Standards Committee as it was a clear breach of the Councils code of conduct. It was explained that this situation was one that could potentially have more than one legal route to take and it can cause problems when carrying out investigations with the Police for example. It is standard procedure to separate out each option and it was important that the Council not be seen to prejudice or impede any other ongoing investigation.

The Chief Executive advised that he saw the report as part of rounding off the whole investigation internally. He also advised that there was still a possibility that this situation could go to the Standards Committee.

Following further discussion, the Chairman drew the debate to a close by reconfirming that the recommendations in front of the Committee were split in to two

parts. She advised that she did not feel there was enough satisfaction in the summary of findings section and confirmed that the Committee were expected to receive a further update along with an additional report to be provided to the Standards Committee.

The Committee

RECOMMEND to FULL COUNCIL that;

- 1) the summary of findings from the data protect breach be noted by Full Council and the Standards Committee;
- 2) recognise, engage and fully endorse the importance of all Members and Officers completing mandatory training and adhering to policies, in order to minimise the risk of future data protection breaches;
- 3) recognise that the Council is responsible and accountable for breaches of data protection, and as such can face large fines, be liable to pay compensation, and suffer adverse reputational damage; and
- 4) Council IT equipment should not be issued until the relevant security policies have been signed. In the case of re-elected Members who already have equipment, their accounts should be disabled until policies are signed.

#### 317. PROGRESS AGAINST THE AUDIT PLAN

The Internal Audit Manager explained that an audit plan comes to the Committee every February, and as explained at 30 July 2020 meeting, the planned work to the audit plan has been significantly disrupted due to the Pandemic. The team had however been supporting the work on distributing grants. There was a significant overhead on the vast amount of money that was given by the Government. A second lockdown had been put in place and further grants had been distributed. All of these needed to be checked and verified to ensure that any fraudulent cases were highlighted. He explained that the aim was to move back to more normal planned work and a new report would be provided to the Members at the meeting on 25 February 2021.

The Group Head of Corporate Support advised Members that a tremendous amount of work had been completed by the team and it had been invaluable.

Members thanked the Internal Audit Manager and his team for their support and work completed during this year.

The Committee noted the update.

#### 318. INFORMATION / ADVISORY DOCUMENTS RECEIVED

The Committee noted the Cabinet Office report provided.

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319. WORK PLAN REVIEW 2020/21

The Work Plan was reviewed and updated in October 2020, however due to the pandemic a further to review and potential changes to timescales for the remaining items would be required.

The Committee noted the update from the Internal Audit Manager

(The meeting concluded at 8.32 pm)