

STANDARDS AND AUDIT COMMITTEE**Wednesday, 8th February, 2017**

Present:-

Councillor Rayner (Chair)

Councillors A Diouf
Derbyshire
HollingworthCouncillors Brown
Tidd

*Matters dealt with under the Delegation Scheme

**30 DECLARATIONS OF MEMBERS' AND OFFICERS' INTERESTS
RELATING TO ITEMS ON THE AGENDA**

No declarations of interest were received.

31 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Caulfield.

32 MINUTES**RESOLVED -**

That the minutes of the Standards and Audit Committee meeting held on 23 November, 2016 be approved as a true record.

33 EXTERNAL AUDIT TECHNICAL UPDATE AND PROGRESS REPORT

Kay Meats of KPMG presented the external audit progress report and technical update.

The external auditor had concluded work on the 2015/16 accounts and value for money conclusion, the results of which would feed in to the external audit plan for 2016/17, which would be presented to a future meeting of the Committee.

It was noted that key members of the Council's finance team were due to attend training workshops run by KPMG for local government staff involved in preparing the statement of accounts.

The Local Government and Regulatory Law Manager would check the Council's position regarding the calculation of licence fees following a recent judgement in the Court of Justice of the European Union.

It was noted that consultation had been undertaken on proposals for the 2017/18 Code of Practice on Local Authority Accounting in the United Kingdom.

***RESOLVED –**

That the External Audit Progress Report and Technical Update be received and noted.

34 **EXTERNAL AUDIT ANNUAL REPORT ON GRANTS AND RETURNS 2015/16**

Kay Meats of KPMG presented the external audit annual report on the Council's 2015/16 grant claims and returns.

This included certification of the Housing Benefit Subsidy claim and the pooling of Housing Capital receipts claim. The Housing Benefit Subsidy claim had been subject to a qualification letter due to a minor unreconciled difference and a transcription error. The Council had claimed the correct subsidy amount, and no adjustments had been required as a result of the certification work.

The report made one recommendation regarding full reconciliation of future returns and an action plan had been agreed with the Council to do this for 2016/17.

***RESOLVED –**

That the External Audit Annual Report on the Council's 2015/16 grant claims and returns be received and noted.

35 **EXTERNAL AUDIT REPORT - REDEFINING INTERNAL AUDIT**

Kay Meats of KPMG presented the report 'Redefining Internal Audit' produced by the KPMG Local Government Team.

The report set out the key challenges and opportunities for internal audit in local government and provided a useful reference for audit committees when considering internal audit plans.

***RESOLVED –**

That the KPMG report 'Redefining Internal Audit' be noted.

36 **TREASURY MANAGEMENT STRATEGY REPORT 2017-18**

The Director of Finance and Resources presented a report recommending for approval the Treasury Management Strategy Statement and the Annual Investment Strategy Statement for 2017/18 and the Minimum Reserve Provision (MRP) Policy for 2017/18.

The report outlined the key aims of the Chartered Institute of Public Finance and Accountancy (CIPFA) 'Code of Practice for Treasury Management in the Public Services', adopted by the Council in 2003. The Council was required to approve the Treasury Management and Investment Strategies and reaffirm its adoption of the Code before the start of each financial year.

The report detailed the Council's estimated capital expenditure, how this would be financed and the Council's borrowing need, along with the proportion of income used to finance the debt and the impact on Council Tax and housing rents.

The Treasury Management Strategy Statement 2017/18 was attached to the report, and the economic and interest rate forecast provided by the Council's financial advisers, including details of permitted investments, was provided at Appendix A.

In response to questions from Members it was confirmed that the Council took advice from its financial advisers when arranging its investments, taking account of risk factors, in order to protect public money. Predicted capital receipts were based on estimated valuations, and the borrowing

need and the proportion of income to finance debt would be impacted where the level of actual receipts varied from this.

***RESOLVED –**

That Full Council be recommended to:

- (i) affirm its adoption of CIPFA's Code of Practice on Treasury Management;
- (ii) approve the Treasury Management Strategy Statement and Annual Investment Strategy, including the Prudential Code Indicators;
- (iii) approve the Minimum Revenue Provision Policy.

37 EXTERNAL REVIEW OF INTERNAL AUDIT

The Internal Audit Consortium Manager presented a report informing members of the results of the external review of internal audit which had taken place in October 2016.

The Public Sector Internal Audit Standards (PSIAS) required an external assessment of internal audit be undertaken at least once every five years. The assessment had been undertaken by an experienced External Quality Assessor.

The assessment concluded that the Internal Audit Consortium complied with the expectations of PSIAS. The assessor's report was attached to the report at Appendix 1.

The assessor's report included a number of recommendations and an action plan had been developed to address these, which was attached to the report at Appendix 2.

The key theme from the assessment and recommendations related to enhancing and developing the use of risk based auditing in order to be able to provide increased levels of assurance.

In respect of the recommendation on providing assurance relating to the IT risks, it was noted that the Council had now achieved PSN accreditation following external assessment, and in respect of the recommendation on the internal audit plan providing wider assurance in

support of the governance statement, it was noted that the format of the annual audit plan would be reviewed to ensure it covered all significant risks.

It was noted that the assessment provided a positive reflection on the internal audit team.

***RESOLVED –**

- (1) That the results of the external review of internal audit be noted.
- (2) That the action plan developed to address the recommendations from the review be approved.

**38 PROPOSED NEW SYSTEM OF INTERNAL AUDIT CONSORTIUM
OPINION CLASSIFICATIONS**

The Internal Audit Consortium Manager presented a report for Members to consider a revised system of classification for the internal audit opinions issued as the conclusion for each audit report.

Based on current best practice and the recommendations of the external reviewer of internal audit, it was proposed to revise the classifications issued to focus more on the level of assurance that could be given with regard to the area being audited.

The report gave a definition for each of the four proposed classifications – substantial assurance, reasonable assurance, limited assurance and inadequate assurance.

Arising from discussion it was proposed that the Standards and Audit Committee be provided with copies of audit reports with a limited or inadequate assurance classification and that the relevant officers be requested to attend the Committee for reports with an inadequate assurance classification.

***RESOLVED –**

- (1) That the revised internal audit report opinion classifications be introduced from the commencement of the 2017/18 internal audit plan year.

- (2) That the Standards and Audit Committee be provided with copies of audit reports with a limited or inadequate assurance classification and that the relevant officers be requested to attend the Committee for reports with an inadequate assurance classification.

39 **SUMMARY OF INTERNAL AUDIT REPORTS ISSUED - JANUARY 2017**

The Internal Audit Consortium Manager presented a report summarising the Internal Audit reports issued during the period 5 November, 2016 to 13 January, 2017 in respect of reports relating to the 2016/17 internal audit plan.

The Committee noted that the classification of the reliability of internal controls was 'satisfactory' in five cases and 'unsatisfactory' in one case (Health and Safety). No issues in respect of fraud had been identified.

Pursuant to Minute No. 4 (Standards and Audit Committee 2016/17), a copy of the unsatisfactory report in respect of Health and Safety was attached to the report.

The Health and Wellbeing Manager updated the Committee on the progress of the implementation schedule in respect of the audit recommendations on Health and Safety, and he responded to Members' questions on this.

It was noted that the main Health and Safety policy would be reviewed in mid 2017 and that a prioritised plan of other policies to be reviewed or deleted would be produced by April 2017. In the meantime existing policies remained in place and were available to managers and staff on the Council's intranet.

It was recognised that the majority of the current officer resource time was currently being taken up with major projects, particularly in respect of asbestos management work and management of contractors. It was expected that completion of the asbestos surveys across the Council and development of an action plan would take approximately 12 months. Options to provide additional support in the short term to undertake some of the immediate work required were being considered, following which the resource required in the longer term would be reviewed.

It was confirmed that the corporate health and safety audits focused on working processes and systems and that discussions were ongoing with Kier in respect of surveys of facilities.

*** RESOLVED –**

- (1) That the report be noted.
- (2) That a progress report on the implementation of the audit recommendations on health and safety be provided to the next meeting of the Committee on 5 April, 2017.

40 LOCAL GOVERNMENT ACT 1972 - EXCLUSION OF PUBLIC

*** RESOLVED –**

That under Section 100(A)(4) of the Local Government Act 1972 the public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Schedule 12A of the Act.

41 REVIEW OF COUNCILLOR COMPLAINTS

The Monitoring Officer presented a report to give Members an overview of complaints about councillors from the introduction of the current standards system in July 2012 to the present and to recommend updates to the current system.

The Council had adopted a new code of conduct in June 2012 as required by the Localism Act 2011 to deal with complaints about Chesterfield Borough councillors, Staveley Town Council councillors and Brimington Parish Council councillors. It was emphasised that the code only covered behaviour in the capacity as a councillor.

The procedure for considering complaints was attached to the report as an appendix, and the report detailed the number of complaints received between July 2012 and December 2016, the themes of the complaints and the outcomes. Of the total number of 30 complaints received, nine had been withdrawn before assessment, 16 had been assessed by the Monitoring Officer (or his nominated deputy) as not being within the remit of the code of conduct and in one case it had been assessed that an investigation should take place.

It was noted that under the current system to date it had not been necessary to apply any sanctions, although appropriate training had been recommended in some cases. If a complaint related to a town or parish councillor, any sanction would be a recommendation to the town or parish council to consider and implement.

The report outlined some comments on the effectiveness of the current standards system and proposed updates to the current procedure for considering complaints in respect of the timescale in which assessments should be completed and the frequency at which summary reports should be submitted to the Standards and Audit Committee.

It was noted that the code of conduct would be reviewed to consider if updates or improvements could be made and that a separate report would be submitted to a future meeting of the Committee as appropriate.

*** RESOLVED –**

- (1) That the report be noted.
- (2) That the following changes be made to the Council's procedure for considering complaints:
 - (i) 'That complaints will be assessed within 20 working days where practicable, but in some more complex cases or where clarification is needed longer may be required and the complainant should be kept informed';
 - (ii) 'That a report will be submitted every 6 to 12 months to the Standards and Audit Committee';
 - (iii) That further clarification be provided of the reason why a complaint may be found to be outside the remit of the code.