

# AUDIT AND MEMBER STANDARDS COMMITTEE

**27 APRIL 2021**

## **PRESENT:**

Councillors Greatorex (Chairman), Ho (Vice-Chair), Checkland, Grange, A Little, Norman, Robertson, Spruce and White

Observer: Councillor Strachan, Cabinet Member for Finance, Procurement, Customer Services and Revenues & Benefits & Councillor Pullen, Leader of the Council

Officers In Attendance: Mrs J Irving, Miss W Johnson, Ms D Tilley, Mr A Thomas, Ms Christie Tims & Ms Tracey Tudor

Also Present: Mr Avtar Sohal (Grant Thornton UK LLP) (External Auditor) and Mr Stuart Evans (Anthony Collins Solicitors) for Minute no. 57

## **47 APOLOGIES FOR ABSENCE**

There were no apologies for absence.

## **48 DECLARATIONS OF INTEREST**

There were no declarations of interest.

## **49 MINUTES OF THE PREVIOUS MEETING**

The Minutes of the Meeting held on 25 March 2021 previously circulated, were taken as read and approved as a correct record.

## **50 PAYMENT CARD INDUSTRY COMPLIANCE OUTSTANDING ACTION**

Ms Tracey Tudor (Head of Corporate Services) provided an update to the committee on the outstanding Payment Card Industry Data Security Standard (PCI-DSS) high priority recommendation as requested at the previous meeting. Ms Tudor advised that the council does comply with the PCI-DSS requirements for most payments and advised that the only area that was not compliant was where staff were taking payments over the telephone and typing the card details into the payments system. However, Ms Tudor assured members that the actual card information was not stored on any council IT system at any point as it was entered directly in to a PCI-DSS compliant website provided by a third party. Ms Tudor also said there was technology in Lichfield Connects that stopped the card details from being recorded.

Ms Tudor assured the committee that she was exploring new technology that will allow people to type in their own card details and maintain a high-quality contact experience as well as encouraging customers to continue to pay on a regular basis. She said that using the opportunities that Covid-19 had presented, customers would now be encouraged to pay by direct debits and alternative payment methods as we knew from the initial results of the live customer survey that digital channels were our customers preferred way to interact with us. Ms Tudor said a trial within the team at Lichfield Connects was underway where they no longer take payments but transfer the customers to a payment line instead and, if successful, this would be rolled out to all colleagues which would ensure PCI compliance. The trial

underway showed that of the 198 phone interactions in the first week 73% did not need intervention from staff and customers were either successfully transferred to the payment line or encouraged to use the website therefore mitigating the risk further.

Ms Tudor advised that a new finance system, a payments solution and a new telephone platform were all being shaped as part of the Digital Strategy which had a target delivery date of December 2021 following which the council would re-apply to become recognised as being PCI-DSS compliant.

**RESOLVED:** The Committee noted the update.

## 51 ANNUAL GOVERNANCE STATEMENT

Mr Anthony Thomas (Head of Finance & Procurement) delivered a presentation on the key points of the final draft version of the Annual Governance Statement for 2020/21 and consideration was given by members. Mr Thomas explained that any relevant authority must each financial year conduct a review of the effectiveness of the system of internal control and prepare and approve an Annual Governance Statement. He explained that the Annual Governance Statement enables the council to explain to the community, service users, tax payers and other stakeholders its governance arrangements and how the controls it has in place manages risks of failure in delivering its outcomes. He stated the current committee were best placed to endorse the Statement as it related to the year 2020/21 and the committee had received all relevant information on internal control and governance throughout the financial year. Mr Thomas stated that the figures relating to the gender pay gap were not yet available for 2020/21 and so the AGS would need to be updated when these figures were available and the final version will be included in the Statement of Accounts. He explained that this Annual Governance Statement would then be signed by the Leader and Chief Executive and will ultimately form part of the 2020/21 Statement of Accounts.

Mr Thomas said that current best practice required a Local Code of Corporate Governance for 2021/22 to be produced also based on the seven core principles. Mr Thomas summarised and discussed the principles and explained that the drafting of the Annual Governance Statement takes place over the whole financial year and involves his team gathering and assessing the implications of the views of Internal Audit, an annual review of the effectiveness of Internal Audit, the views of the External Auditors, the views of the Head of Paid Service (Chief Executive), Monitoring Officer and himself as Section 151 Officer.

For 2020/21 the only one significant weakness on governance or internal control was highlighted in relation to the proposed disposal of an area of public open space. He said the findings and proposed actions from the independent investigation would be reported to this committee in due course. He was happy to report there had been no additional significant weaknesses in governance or internal controls highlighted.

It was noted that due to team pressures the Leader had not been provided with a draft of the Annual Governance Statement prior to its consideration by the committee, however, this had since been rectified.

Members asked questions and highlighted additional information for inclusion in relation to the approach to safeguarding in contracted-out services such as leisure centres, engagement as part of the sustainable physical activity and sports opportunities for the district options appraisal, the number of responses to the budget consultation, reference to the public open space weakness in the consultation section and the number of members that attended the Member Training Event. Mr Thomas agreed to provide answers to the questions raised and to update the draft Annual Governance Statement to take account of the committee's feedback.

In the Code of Corporate Governance at Appendix B, members commented that some of the outcomes were aspirational rather than reflecting the current position. It was agreed to update

the narrative in relation to confidential reports to reflect that in addition to justification, reasons should also be provided.

Councillor Grange believed that the Annual Governance Statement portrayed the position as overly positive and did not take into account a number of known significant governance weaknesses. However, Councillor White highlighted that although there were a couple of well documented issues these should not detract from the overall strong governance position of the Council.

Members raised the issue that the delegation was to the current Chair of the committee and the Chair and membership of the committee could change at Annual Council. It was noted that the changes to the Annual Governance Statement (excluding the Gender Pay Gap information for 2020/21) and Local Code of Corporate Governance were to be agreed prior to Annual Council.

**RESOLVED:** (1) The Committee reviewed and approved the draft Annual Governance Statement that will form part of the 2020/21 Statement of Accounts at Appendix A;  
(2) The Committee agreed to delegate authority to the Chair of the Committee and the Head of Finance & Procurement to make further minor amendments to the Annual Governance Statement prior to the inclusion of the final version in the 2020/21 Statement of Accounts;  
(3) The Committee reviewed and approved the Local Code of Corporate Governance 2021/22 at Appendix B.

## **52 ANNUAL REPORT FOR INTERNAL AUDIT (INCLUDING YEAR-END INTERNAL AUDIT PROGRESS REPORT)**

Mr Anthony Thomas (Head of Finance & Procurement) presented the Internal Audit Annual Report (including results for Quarter 4 to 31 March 2021). Mr Thomas said this detailed the work completed during 2020/21 being 18 audits which equated to 94% of the plan achieved at year-end with a customer satisfaction score of 4.2 (29 issued and 24 (83%) returned) compared to the target of 4.0 or more. Mr Thomas said performance against other KPI's had been affected due to allowing service areas to concentrate on business critical service delivery responding to Covid-19 which had resulted in exceeding timescales set as targets within the KPI's but no material matters of fraud or irregularity had been reported during the year.

A summary of the reports issued were included in Appendix 01 and members noted that the total open actions as at January 2020 were 24 high and 206 medium but had gone down to 10 high and 67 medium as at 31 March 2021. The committee members requested a detailed list of the outstanding 10 high priority actions and Mr Thomas agreed to provide this to the committee. This was noted but the progress to date was commended in the current circumstances.

**RESOLVED:** The Committee noted the Internal Audit's Annual Report including results for the quarter to 31 March 2021 and asked that performance measures continue to be reviewed by the new Internal Audit Manager to see if they remain appropriate.

## **53 RISK MANAGEMENT UPDATE**

Mr Anthony Thomas (Head of Finance & Procurement) presented the Risk Management update as at March 2021 and highlighted the changes made since the committee's last risk management update received in February 2021:-

- The current score in SR4 had been increased from 6 to 9 to account for the increasing likelihood of there being a failure to meet governance and/or statutory obligations;

- An additional strategic risk, SR8 (failure to safely, securely and legislative compliantly deliver the May 2021 Elections due to having to run them during pandemic conditions) had been upgraded from an “other horizon scanning risk” to a strategic risk;
- An additional strategic risk, SR9 (Council strategic leadership compromised by the change in Chief Executive) had been upgraded in part from an “other horizon scanning risk” to a strategic risk;
- Updates to mitigating controls, actions and lines of assurance had been updated on the register where applicable;
- “Other horizon scanning risks” arising at March 2021 which were not strategic risks currently but needed a watching brief had also been updated at the end of the register. (The change to procurement as a result of leaving the EU had been removed as there has been minimal changes to EU practice so SR8 and SDR9 had been upgraded from a scanning risk).

**RESOLVED:** The Committee noted the Internal Audit’s Risk Management update and received assurance on the actions taking place to manage the Council’s most significant risks.

#### **54 CHAIR OF THE AUDIT COMMITTEE'S ANNUAL REPORT TO COUNCIL**

The Chairman, Councillor Greatorex, introduced his Annual Report which CIPFA had recommended that Audit Committees produce. Councillor Greatorex said it set out to promote the role and purpose of the committee and detailed the committee’s performance, an evaluation on whether the committee is continuing to meet its terms of reference and document how the committee adds value. The member and officer attendance was highlighted for the year and a summary of the training undertaken, as well as a summary of the sources of assurance that the committee received during 2020/21 notably, internal and external audit/inspection, financial management, risk management and corporate governance. The Chairman asked members to note and endorse the contents thereof which would be circulated to all Councillors.

**RESOLVED:** The Committee noted and endorsed the proposed Annual Report 2020/21 and it was agreed that the Chair of the Audit & Member Standards Committee circulate the report to all Councillors. A vote of thanks was given to the Chairman for his excellent chairmanship throughout the year.

#### **55 REVIEW OF THE EFFECTIVENESS OF THE AUDIT & MEMBER STANDARDS COMMITTEE**

Members received a report on the annual self-assessment of the Audit & Member Standards Committee effectiveness from Ms Christie Tims, Head of Governance & Performance/Monitoring Officer. Ms Tims stated that the report also set out a review that incorporated the key principles set out in CIPFA’s Position Statement which were essential factors in developing an effective Audit Committee. She advised that the responses to the 2021 knowledge and skills self-assessment had been fed into the assessment and members were asked to consider it.

Ms Tims said that last year the actions had been to produce a Chair’s Annual Report to Council which was included in this agenda and to receive training on Governance, Internal Audit, Counter Fraud and Treasury. She advised that this action was still outstanding as, due to Covid-19, this had not been possible and will need to be carried out in the training plan going forward for 2021/22. Discussions then took place with regard to the appointment of an Independent Member on to this committee. The current committee unanimously agreed that there was already a diverse skillset in the current membership and therefore there was no reason to appoint an Independent Person at this time, however, if the current membership were to change a review would be needed.

**RESOLVED:** The Committee considered the attached self-assessment checklist and endorsed the actions to improve its effectiveness.

## 56 ANNUAL AUDIT FEE LETTER

The Annual Audit Letter was presented by Mr Avtar Sohal from Grant Thornton setting out a variation to the external audit fee for 2020/21. Mr Sohal explained the reasons for the increase in the fee which had increased by £22,500.00. He referred to the major changes which had taken place over the last couple of years and set out the expected fees impact, the need for which had recently been acknowledged by both the Redmond Review and MHCLG's subsequent response. Mr Sohal referred to the additional work and the new audit requirements for 2020/21 which was due to the new NAO Code. He explained that there will have to be more extensive reporting and a new set of key criteria had been set covering governance, financial sustainability and improvements in economy, efficiency and effectiveness.

Although there was an increase in fees to enable Grant Thornton to achieve the financial reporting standards expected, the committee asked if any lobbying to the Treasury was being done to help with the higher costs. Mr Thomas stated that there was frustration echoed throughout the financial/audit sphere and a lot of questions had been asked regarding having to comply with some of the requirements set i.e. Property, Plant & Equipment - is this really local government activities?

**RESOLVED:** The Committee noted the Annual Audit Fee Letter 2020/21 for Lichfield District Council and accepted that the environment had changed for all External Auditors.

## 57 INVESTIGATION REPORT IN RELATION TO THE DISPOSAL OF PUBLIC OPEN SPACE - LAND AT LEYFIELDS & NETHERSTOWE, LICHFIELD

Mr Stuart Evans, Legal Director of Anthony Collins Solicitors presented his Investigation Report in relation to the disposal of public open space land at Leyfields and Netherstowe, Lichfield and summarised the complaints, the legal position, and his findings and recommendations as follows:-

- (1) To ensure best consideration in all future contracts that reference should be made where time has elapsed to the need for a fresh valuation report being obtained.
- (2) To have in place a check list for the disposal of land. It is noted that there is now a new draft disposal of land and property assets policy in place and paragraph 5 specifically deals with open space land.
- (3) To have a checklist for land disposal that provides an audit trail of decision making and actions that are required to be taken.
- (4) To put in place an appropriate document signing process and sealing system that provides evidential proof that contracts have been appropriately signed and sealed where required and that signing of all procurement documentation should be supervised by a legal officer/monitoring officer.
- (5) To review whether there is a need for a decision review trigger to be written into the Constitution when there is either a period of time between Cabinet sign-off or the implementation of that decision or a change in Cabinet membership. This would deal with the issue where, for example, there has been a change in land value or central government policy on a particular matter.
- (6) Relevant professional input into the signing off of all reports and all decisions; that all Cabinet reports are signed off by the Section 151 Officer and Monitoring Officer.

- (7) Training is provided to Members and Officers setting out the importance of public consultation in such disposals and the statutory obligations to consult as detailed in the Local Government Act.
- (8) The decision of the 4 September 2018 should not be relied upon to authorise the sale of the two areas of open space land to Bromford Housing Association.
- (9) If the sale is now to take place it is recommended that a fresh process is commenced with district valuation reports and appropriate notices in the press and proper consultation prior to a decision being made by Cabinet to sell the open space land if it is considered this is the appropriate way forward.

Ms Christie Tims (Head of Governance & Performance/Monitoring Officer) advised that the report had been brought to committee as soon as practicable and further discussions are planned to deal with the findings and recommendations.

A number of questions were raised including whether the officers accepted the recommendations and the Chief Executive explained that the issues required further, more-detailed work. However, in principle the recommendations were accepted. Comments that the very basic things did not happen in ignorance of the 1972 Local Government Act and the lack of consultation was agreed by the committee to be very disappointing. Some Members wanted more political answers and hoped to get them at some point in the future.

In response to a question from Councillor Norman that there were still details on who had done what to be shared, Diane Tilley (Chief Executive) advised the committee that she would need to understand the value and purpose of naming individuals as this would not aid the ability to learn lessons from the episode and, as she had publicly stated before, none of the officers involved were any longer working for the council. She said she needed to protect the workforce and there was an exercise in learning for the council here. She confirmed that she accepted all the findings and recommendations in the Investigation Report in principle but said more detailed discussions were now required for their implementation. Councillor Pullen (Leader of the Council) also confirmed he accepted all the findings and recommendations and said the practical implications now needed to be looked at.

Ms Tilley said a report was due to come forward to Cabinet in May regarding the withdrawal of the deal to dispose of the land and further reports were due in June in respect of the implementation of the recommendations and July to consider the Disposal Policy.

**RESOLVED:** The Committee welcomed the report and looked forward to future updates regarding the lessons learnt.

(The Meeting closed at 8.00 pm)

CHAIRMAN