

**Audit and Corporate Governance Committee – Meeting held on Wednesday, 11th October, 2017.**

**Present:-** Councillors Chaudhry (Chair), Brooker, Amarpreet Dhaliwal (from 6.33pm), Sadiq, Swindlehurst (from 6.32pm) and Usmani

Co-opted Independent Members: Mr Roberts and Mr Zafar

Parish Council Member: Parish Councillor Gahir (Wexham Court)

**Also present under Rule 30:-** Councillors Plenty and Strutton

**Apologies for Absence:-** Councillor Chohan, Mr Sunderland and Dr Lee

**PART 1**

**12. Declarations of Interest**

No interests were declared.

**13. Minutes of the Last Meeting held on 26th July 2017**

**Resolved –** That the minutes of the meeting held on 26th July 2017 be approved as a correct record.

*(Councillors Swindlehurst and Amarpreet Dhaliwal joined the meeting)*

**14. Schedule of Activity - Whistleblowing Complaints**

The Interim Monitoring Officer introduced a report that updated Members on the activity undertaken in relation to complaints received under the Confidential Whistleblowing Code.

The new Code had been incorporated into the Constitution in May 2017 and aimed to encourage people to have the confidence in the process to raise legitimate concerns. There had been four complaints received in 2017 and these were summarised, without disclosing any details that would breach confidentiality or details of individual cases. It was noted that two cases had been investigated internally and two externally, all of which had been closed. Three had been closed with no evidence having been found to substantiate the allegations and the other had been closed and referred to HR as the content of the complaint fell within the grievance procedure.

The Committee asked a number of questions and discussed a wide range of issues. The process for arranging investigations was raised and it was responded that they would ordinarily be conducted internally, although on occasions the nature and subject of investigations required external investigation. It was confirmed that the Deputy Monitoring Officer, who was a lawyer working for another authority and was therefore considered

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independent, had conducted an external investigation. In response to a question it was clarified that the Independent Person was not consulted on Whistleblowing Complaints as their role related to complaints under the Councillors' Code of Conduct.

A Member raised concern about two specific instances where it was felt the correct procedures hadn't been followed in relation to the governance route and reporting lines. Assurance was sought that the correct action had ultimately been taken in each instance. The Interim Monitoring Officer responded to the concerns and confirmed that it was the MOs responsibility under the Whistleblowing Code to consider and arrange for the investigation of any complaints. There was no requirement for such matters to be considered by any Committee. Assurance was provided that all allegations were thoroughly investigated and that all recommendations arising from investigations were fully considered and actioned where appropriate. Whistleblowers could have confidence in the process where matters were properly reported as set out in the Code.

Speaking under Rule 30, Councillor Plenty raised a number of issues including the perceived independence of any investigation arranged by the Interim Monitoring Officer that was conducted by the Deputy Monitoring Officer and potential conflicts of interest. The Monitoring Officer refuted the allegation, stated that there were no conflicts of interest and reiterated the circumstances in which an external, independent investigation may be appropriate.

A Member also expressed concern that the recent training provided on Understanding the Accounts & Governance had been poorly attended. It was confirmed that the training would be repeated for those Members not able to attend and there would also be training on the revised Code of Conduct to be considered later in the meeting.

During the course of the discussion, it was agreed that future reports would include the dates investigations were started and completed to give Members clearer information on the timescale for dealing with each complaint. The report was then noted.

**Resolved** – That the update on activity undertaken by the Council's Interim Monitoring Officer in relation to complaints received under the Confidential Whistleblowing Code be noted.

### **15. Schedule of Activity - Code of Conduct**

The Interim Monitoring Officer introduced a report that updated the Committee on the activity undertaken since September 2016 in relation to complaints received under the Councillors' Code of Conduct.

The number of complaints had fallen in the last six months and the Monitoring Officer was responsible for dealing with those that were received. There had been nine complaints received since September 2016, three of which had

been submitted in the past six months. The Monitoring Officer made the initial decision on whether an informal or formal investigation was required, consulting the Independent Person where appropriate. All nine complaints received during the period had been informally investigated; six had been closed, with further action or matters being pursued in the other three cases.

Members discussed the schedule of activity and the role of the Independent Person. The Interim Monitoring Officer confirmed that there was no requirement for the Independent Person to be consulted on all complaints and it was for the Monitoring Officer to decide which complaints they should be notified of and consulted about. There was briefing and dialogue on relevant issues even where formal consultation was not necessary.

During the course of the discussion it was agreed that future reports would include the dates complaints were received and resolved. A Member also requested that the report indicate whether the Independent Person had been consulted. The report was then noted.

**Resolved** – That the update on the activity undertaken by the Council's Interim Monitoring Officer in relation to complaints received under the Councillors' Code of Conduct be noted.

## **16. Revised Councillors' Code of Conduct**

The Interim Monitoring Officer introduced a report that requested the Committee to consider and recommend the revised Councillors' Code of Conduct to full Council.

The existing Code had been adopted in 2012 and the review had been undertaken as part of the wider process of updating the Ethical Framework to provide greater clarity, simplicity and guidance to Members in light of recent experience. The main changes were summarised which included moving the Nolan principles to the front of the document and retaining, but simplifying, complaints procedures. The comments of the Member Panel on the Constitution were considered relating to guidance about dispensation regarding trusteeships and some practical examples of interests.

Members discussed a range of issues and agreed to recommend the revised Code Council, subject to the following amendments:

- A brief additional reference to councillors' roles relating to Council controlled trusts simply indicating that Members should seek advice on any interests regarding trusteeships.
- Updated job titles arising from the recently implemented management restructure.

**Recommended to Council** – That the revised Councillors' Code of Conduct as at Appendix 1 to the report be approved, subject to the addition of a reference to trusts

and updates to titles arising from the management restructure.

## **17. Settlement Agreements**

The Interim Monitoring Officer introduced a report that updated Members on the number of settlement agreements with senior managers for the past four financial years and comparative information for other nearby local authorities. Members were reminded that the agreements were confidential and individual cases could not be discussed.

The figures varied year to year, but the general trend was that the number of settlements and cost of exit packages for the Council was lower than in 2013/14 and less than neighbouring Council's. The Committee welcomed the report and the information provided, however, Members highlighted that the report did not distinguish between standard agreements and the smaller number of senior posts where payments had been in excess of statutory entitlements. The general view was that given the context of a period of senior management instability, it was important that Members had confidence that the organisation had the necessary policies, transparency and culture to be effectively governed. The Interim Monitoring Officer agreed to provide a further report to the next scheduled meeting in December 2017 on the non-standard agreements where additional payments had been made above the statutory entitlement.

A Member asked about the use of 'gagging clauses' and Councillor Plenty, speaking under Rule 30, also expressed concern about their reported use. The Interim Monitoring Officer explained it was standard practice for settlement agreements to be confidential on both sides. However, it was emphasised that this would not prevent a former employee making a protected disclosure such as reporting a whistleblowing complaint. Councillor Plenty expressed the view that settlement agreements should not prevent former employees raising issues of concern with elected Members. He also asked for clarification on a number of specific points on the information in the report to which the Interim Monitoring Officer responded. It was generally felt that an open and transparent approach in communicating with Members was important, within the limits of confidentiality, given the current level of Member interest in these issues.

The tax arrangements of agreements was raised and Members sought assurance that payment schedules were not made to allow any form of tax avoidance. It was confirmed that all payments were made in accordance with legal requirements and guidelines. Members were also assured that settlement agreements were subject to audit and a business case was made in each case.

At the conclusion of the discussion, it was agreed that the report be noted and that a further update be considered at the next scheduled meeting with information on the non-standard settlement agreements where payments exceeded statutory entitlements and including the key HR lessons learned. It

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was also noted that this was expected to be the final meeting of the Committee that the Interim Monitoring Officer would attend, and she was thanked for the work she had done in Slough during a challenging period.

### **Resolved –**

- (a) That the update on the number of settlement agreements with senior managers for the past four financial years be noted.
- (b) That the Committee receive a further report at the next scheduled meeting in December including further information on those non-standard agreements which included provision that was above the statutory entitlement and a summary of the key HR lessons learned.

## **18. Financial Statements 2016/17**

The Director of Finance & Resources updated the Committee on the progress of the external audit of the 2016/17 financial statements. Members would normally have received the external auditors report and approve the financial statements at the meeting, however, there had been a delay which would necessitate a further meeting of the Committee being convened.

The Council had submitted a signed copy of its financial statements to the external auditors, BDO, by the statutory deadline of 30<sup>th</sup> June 2017. The audit process had been ongoing over the summer but there had been some delays such as the requirement to produce group accounts, inclusive of Slough Urban Renewal (SUR), for the first time and some further sampling of various invoices had meant it had not been possible to agree the adjusted and unadjusted movements to the account. Officers and BDO had therefore not been able to finalise and review the audit conclusions and they were not ready for the Committee to consider.

Members discussed the reasons for the delay given that it was known that there would be a need to produce group accounts with SUR at some point. BDO confirmed that the provision of group accounts was in the audit plan for the year but it wasn't know whether the figures would be material, which it was now established they were.

At the conclusion of the discussion, the update was noted and it was agreed that a further meeting of the Committee be convened in November to consider the external audit report and approve the financial statements.

### **Resolved –**

- (a) That the update on the external audit and timescale for finalising the 2016/17 financial statements be noted.
- (b) That an extraordinary meeting be convened in early November to consider the financial statements for approval.

**19. Internal Audit Progress Report - Quarter 2 2017/18**

The Head of Internal Audit introduced a report that updated on the progress of audits in the 2017/18 Internal Audit Plan and the remaining audits from the 2016/17 plan.

The Council had finalised the final two reports from 2016/17 plan since the previous meeting of the Committee, with the exception of two follow up reports that remained in draft. Two reports from the 2017/18 plan had been finalised – Management of Housing Stock and Gas Servicing – a further five had been issued in draft and twelve were in progress. A ‘partial assurance’ opinion had been issued on the Management of Housing Stock audit and a summary of the high and medium recommendations was included in the report.

The Head of Internal Audit informed Members that the two negative opinions found to date in 2017/18 audits would be reported but would not in isolation lead to a qualified Head of Internal Audit Opinion. It was noted that four audits scheduled for the second quarter would be delayed for various reasons.

Members discussed a number of issues including the findings of the Management of Housing Stock audit and some of the detailed high and medium priority recommendations were reviewed. At the conclusion of the discussion, the Internal Audit Progress report was noted.

**Resolved** – That the Internal Audit Progress Report for the 2nd Quarter of 2017-18 be noted.

**20. Audit & Risk Management Update - Quarter 2 2017/18**

The Head of Financial Reporting introduced the Audit & Risk Management Update for the second quarter that updated on the finalising of draft internal audit reports, implementation of internal audit recommendations and the corporate risk register.

Four internal audit reports remained in draft as at 14<sup>th</sup> September, three of which related to schools and would be completed upon their return. An amendment was made to the report to note that there had been an improvement in the implementation of internal audit recommendations with a reduction in the number of management actions where ‘no action’ was taken from 32% to 22% since the previous report. The new RSM risk management system was fully operational and reports would be presented at future meetings of the Committee.

Various issues were discussed including the progress of implementing high priority recommendations as set out in Appendix 2 to the report and the Committee was assured that management was taking the necessary action to address weaknesses identified in the audit process. In relation the risk register, a Member raised the issue of the management of urban regeneration projects and expressed concern that the register did not currently include

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details on the assurance level, action plan or responsible officer. He also queried whether the financial risks had been fully assessed for the Cabinet's recent decision to approve the acquisition of the freehold of Nova House. In response, it was noted that a recent risk workshop had been undertaken to complete the risk register under the new system and this would be reflected in future versions presented to the Committee. In relation to Nova House, the approval of the acquisition was taken under urgency provisions due to the safety and fire risks and was subject to due diligence.

At the conclusion of the discussion, the Committee noted the report.

**Resolved** – That the Audit & Risk Management Update for the 2nd Quarter of 2017-18 be noted.

### **21. Update on Financial Procedure Rules**

The Committee received the latest version of the Financial Procedure Rules which were being revised to improve clarity and reflect the changes arising from the senior management restructure which came into effect on 2<sup>nd</sup> October 2017. The Rules would come back to the Committee for comment and approval once these changes had been made.

**Resolved** – That the current position in relation to the update of the Financial Procedure Rules be noted.

### **22. Corporate Fraud - Quarter 2 2017/18 Update**

The Head of Financial Reporting introduced a report that updated the Committee on the counter fraud activity of the Council the second quarter of 2017/18.

The Corporate Fraud team had been expanded with the appointment of an Intelligence Officer which helped to improve responsiveness. The team had dealt with 261 enquiries from a variety of sources during the period which was an increase of 44% on the first quarter. Four prosecutions had been submitted including the first the Council had undertaken relating to offences on Council Tax Support under the Fraud Act 2006.

Speaking under Rule 30, Councillor Strutton queried whether the increase in enquiries would result in more prosecutions and whether the Council had sufficient legal resources to deal with them. It was responded that it wasn't possible to estimate the number of cases that would end up in court, but that working proactively to identify issues earlier would improve outcomes. It was confirmed that the legal support was properly resourced.

At the conclusion of the discussion, the report was noted.

**Resolved** – That the activity and outcomes of the Corporate Fraud Team be noted.

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**23. Members Attendance Record 2017/18**

**Resolved** – That the Members' Attendance Record be noted.

**24. Date of Next Meeting - 14th December 2017**

The next meeting was likely to be an extraordinary meeting in November to approve the financial statements.

The next scheduled meeting would be held on 14th December 2017.

Chair

(Note: The Meeting opened at 6.30 pm and closed at 8.34 pm)