

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

Date of Meeting: 1st DECEMBER, 2015

**PRESENT: Councillor Knowles (Chair)
Councillors Evans, Haworth, Hughes, Oakes, M Smith and Steen**

**IN ATTENDANCE: Mr S Sugarman, Chief Executive
Mr P Seddon, Head of Finance and Property Services
Ms C Birtwistle, Legal Services Manager
Ms K Murray, Audit Director, Grant Thornton
Ms R Lowry, Head of Internal Audit, Lancashire County Council
Mr Carl North, Audit Manager, Lancashire County Council
Miss M Hargreaves, Committee and Member Services Officer
Mr Mumtaz Ali, Co-opted Member**

**ALSO PRESENT: 6 members of the public
1 member of press
Councillors Ashworth, A Barnes, Cheetham, Lamb, Marriott, Morris, Serridge and D Smith**

1. CHAIR'S INTRODUCTION

1.1 The Chair welcomed everyone to the meeting.

2. APOLOGIES FOR ABSENCE

2.1 Apologies had been received from Councillor Essex (Councillor Haworth sub).

3. MINUTES OF THE MEETING HELD ON 29th SEPTEMBER, 2015

Resolved:

The minutes of the meeting held on 29th September, 2015 were agreed as a correct record.

4. URGENT ITEMS OF BUSINESS

4.1 The Chair confirmed that there were no urgent items of business.

5. DECLARATIONS OF INTEREST

There were no declarations of interest.

6. PUBLIC QUESTION TIME

- 6.1 The Chair agreed to deviate from the procedure for public speaking and allow members of public present to ask questions as items on the agenda were presented. Members of the public were permitted to ask questions on items not on the agenda at this point in the meeting.

7. CHAIR'S UPDATE

- 7.1 The Chair informed the committee that in relation to agenda item D1, this would be taken in two sections, the Internal Auditor would deliver the report and then the Head of Finance would respond to this on behalf of the Council. As discussed previously, the committee would then discuss this item before opening questions up to elected members and then members of the public.
- 7.2 The Chair also noted that due to ongoing investigations, i.e. disciplinary/criminal investigations, the Council may not be able to answer all the questions raised and this was because the Council would not want to prejudice the outcome of these. It was also noted that the Monitoring Officer was present to comment on any legal aspects in relation to questions if required.

8. ITEM D1A – ISSUES ARISING FROM THE OPERATION OF THE EMPTY HOMES AND COMMUNITIES AGENCY'S AFFORDABLE HOMES PROGRAMME: 'BRINGING EMPTY HOMES BACK INTO USE'.

- 8.1 The Head of Internal Audit (LCC) noted that work had been undertaken by Rossendale Borough Council's Internal Audit Service, provided by LCC at the Chief Executive's request. This was initiated due to the failure of the Council's commercial partner, AAW Ltd. The Committee were informed that LCC deemed it best to approach this matter in a positive and constructive manner and therefore designed an approach to be helpful.
- 8.2 With this approach, it was important to understand the issues by setting out what the objectives might have been in seeking the funding from the Homes and Communities Agency (HCA), what were the key risks and what controls might have mitigated these.
- 8.3 A series of tables addressing the objectives, risks and expected controls and actions taken in practice by the Council were outlined at appendix A of the report and were also summarised at page 1 of the report. In brief, key sections were detailed as follows: the management team's involvement was not sought in assessing the implications of the HCA's funding programme, its impact on the council's objectives and its financial implications. Fundamental issues that should have been considered by the council were missed. No indemnities were sought or received by the then Chief Executive. No consideration was given to the

options available and the Council's constitution had effectively been disregarded.

8.4 The Internal Auditor confirmed to the committee that in conclusion it was clear that the key officer involved in this programme was focussed to the exclusion of any other consideration on accessing the available funding, ensuring the HCA's targets were met and that funding was claimed to the fullest possible extent.

8.5 Each area of risk had been considered and the conclusions from these were detailed within the report.

9. ITEM D1B - MANAGEMENT RESPONSE TO THE LANCASHIRE COUNTY COUNCIL INTERNAL REPORT: BRINGING EMPTY HOMES INTO USE'

9.1 The Head of Finance outlined the report to the committee and acknowledged the work and report of the Internal Audit. It was noted that the Council welcomed the review work undertaken by LCC and its findings. It was confirmed that the Council recognised and accepted that there had been some serious failings in its management of the control procedures.

9.2 It was noted that the key failings and their consequences become clear to officers following AAW Ltd ceasing trade in January 2015 and these failings were confirmed in the LCC' report. Although it was also noted that early on, warning signs from external experts were ignored by the former Chief Executive. The key failings and points arising from this were detailed in the report.

9.3 With regard to the recovery of the Empty Homes Programme (EHP), it was confirmed that the Council had already taken a number of steps to complete the outputs and outcomes of the HCA programme and to ensure that the aims of bringing empty properties back into use were fulfilled, further details of this were outlined within section 5.5 of the officers report.

9.4 The Head of Finance clarified the current actions taken to date and details of these were outlined at section 5.6 of the officer's report. It was particularly noted that the monitoring of the risk monitoring procedures had been moved from the Overview and Scrutiny Committee to the remit of the Audit and Accounts Committee.

9.5 The Committee were informed that the review by LCC was just one of the investigations being undertaken in respect of the failings of the EHP, along with internal disciplinary investigation into the conduct of officers, it was confirmed that a number of external agencies that would be reviewing the project and taking action accordingly. These included Lancashire Police, The HCA and the Council's external Auditors (Grant Thornton).

9.6 The Head of Finance noted that a detailed action plan would be produced, following the six areas of risk identified within the LCC report, to provide an

overview of actions that would be required as an organisation to ensure that governance procedures were adhered to and to avoid a similar situation occurring again.

- 9.7 It was also apparent that following the LCC Report, there were other actions confirmed which involved the Council defining what parameters and tests define a material project, relevant training for officers, the revision of the risk register and future grant schemes in relation to property would always result in a local land charge where the law provided for this.
- 9.8 In conclusion, the scope of LCC's work was finalised in May 2015 once the full extent of the organisations failure was understood, the internal auditors had been provided with complete access to all available information and contacts. The report was welcomed and the Council accepted the findings within it.
- 9.9 The Chair agreed to waiver the public speaking procedures for this item and therefore questions and comments were made on the report, from committee members, councillors and public which included the following:
- At 5.8 of the report, a point was made that actions and decisions made were not discussed with all 36 members of the council – it was important to have the opportunity to do this. It was noted that members would have this opportunity at full council on 9th December, 2015.
 - Report taken to Cabinet which sought its approval for the council's role as the accountable body which was stated at 5.2 of the internal auditors report. This needed to be discussed at full council to allow all members to comment.
 - Officers that were interviewed as part of the process.
 - Work had not been discussed with the former Chief Executive. The Council was advised by Counsel not to contact the former Chief Executive at this stage.
 - If a financial impact analysis had been completed. It was noted that this had been reported to Cabinet in October and November 2015. A report would also be taken to full council on 9th December which would be detailing the net capital expenditure of £1.7million (prior to any partner contribution).
 - Internal Auditor's view on the Council's response.
 - It was noted that the work and ongoing activity of this project was reported to the former Portfolio Holder for that area and it was informed that the project was achieving numbers and there was no indication there was anything untoward with the project.
 - Structure of the senior management team and if this was investigated.
 - The Leader confirmed that in relation to the officer delegation there had been member involvement, though the former Portfolio Holder was consulted and the Scheme of Delegation was then signed.
 - The Chair deemed it necessary to include the Risk Register within the

Audit and Accounts remit.

- The risk element of the EHP was, from the outset, assessed as nil and a report was taken to Cabinet which stated there was no risk to the Council.
- Establishing a management project board to ensure an accurate process would be followed and guarantee that this situation would not occur in the future. It was noted that nothing could be guaranteed, more robust systems should have been in place to identify risk (which was the main issue) with regard to the EHP. The design control around risk management and that members were now aware of the consequences and financial implications of this. Controls were in place however they were overridden. Consequently it is now necessary to undertake a fundamental reappraisal of the risk register procedures (which is part of the action plan).
- Key to raise awareness to staff and ensuring the correct process be followed.
- Lack of information reported from Lancashire PLACE and clarification of officers/members that attended these meetings.
- Would follow up reports be provided following the investigation by LCC? The Chair referred to 5.7 of the management response which outlined that further investigations were being undertaken by external agencies.
- Reference to the Audit Commission and how the council would be rated now if the Commission was still in existence. It was felt the Council had lost its reputation. It was confirmed that the Audit Commission was no longer in existence and that the external audit was now undertaken by Grant Thornton.
- The External Auditor gave a brief description on her role in relation to Rossendale Borough Council and the work to be undertaken in relation to the EHP.
- Grant Thornton contract and if this was tendered. It was noted that the Grant Thornton applied to a national framework to win the contract. The Council would have the opportunity in 2017 to put this work out to tender.
- If the former Chief Executive would have an opportunity to provide her view. The External Auditor confirmed that it would be a matter of process to formally interview/ review evidence and it was entirely possible to look at this option.
- Option of taking the Internal Auditor's report to full council in order to instigate a full discussion. The Monitoring Officer stated she would check the constitution in relation to this request.
- A request was made for the statement of monies that had been received, the contract in relation to the Council and the number of properties within the Rossendale Area. Request to be made to the Head of Finance. It was confirmed that the Council was still a registered provider and was currently working with the HCA to complete the scheme.
- Concern was made in relation to tenants housed that maybe detrimental to the area, including Rossendale that was outlined within the report. The social problems of these tenants was also raised.

- Inconceivable to understand members were not aware of what was occurring.
- The scheme changed from a purchase scheme to a lease and revolving loan scheme without recourse to members or advice from Finance or legal.
- Terms of Reference of the Audit and Accounts Committee and where to locate these. The Chair noted that these were in the Council's Constitution; however the remit of the committee was outlined.
- Request was made for a copy of the contract signed by the Director of Business. It was confirmed a Freedom of Information (FOI) request would need to be submitted which would then be considered by the Monitoring Officer through the FOI procedure.
- The role of the Monitoring Officer. This was outlined by the Monitoring Officer and was also included within the constitution.
- Reference was made to the contract signed by the Council in terms of its perceived wording along with reference to invoices and payment timescales/ authorisation in relation to these.
- Clarification whether property damage was considered when the contract was signed.
- It was confirmed the Head of Health, Housing and Regeneration had resigned.
- Roles of other Pennine Lancashire Chief Executives and their Council's involvement in the scheme as they supported Rossendale in this project.
- Clarification was made in terms of the timeline of events by Officers for the public in attendance.
- The Leader of the Conservative Group raised the email circulated to all members on the 2nd February, 2015. The context of this email was considered; it was not clear and not apparent of the scale of the problem at that point. A question was raised at Cabinet regarding this but was unable to be answered as the information was commercially sensitive. It was noted that queries could be asked directly of the sender for clarification rather than waiting for a meeting to discuss.
- A suggestion of a public meeting following all the investigations, including the external investigations.
- The Leader noted that questions could be asked directly to her outside a meeting. It was not necessary to wait for a committee meeting to ask a question.
- Following the additional responsibilities taken by the Audit and Accounts Committee in terms of the risk register, it was felt that there was a need for meetings to be more frequent. The Chair noted this had already been looked into.

Resolved:

That the Audit and Accounts Committee Members formally receive the independent report of our Internal Audit Service, provided by Lancashire County

Council, to note and comment on the action taken to date and endorse the Council's response set out in sections 5.6 to 5.9, with a quarterly monitoring report to the Council's Audit and Accounts Committee.

10. AUDIT AND ACCOUNTS COMMITTEE UPDATE

- 10.1 The External Audit Director informed the committee of the summary of work done by Grant Thornton. It was noted that the report was split in to two parts. Section one outlined the progress with the audit work, it was confirmed that following the publication of the internal investigation report in relation to the Council's EHP, any outstanding work could now be completed.
- 10.2 It was confirmed that the impact on the EHP on the Council's Value for Money conclusion would be considered and reported at a future committee. Any outstanding work to be completed was included on page 6 of the report.
- 10.3 The External Audit Director referred to the second part of the report which included the Audit Committee Effectiveness Review which outlined an insight into the ways in which audit committees could create an effective role within an organisation's governance structure.
- 10.4 The Chair of the Committee clarified that this document had been circulated to the committee for information.
- 10.5 Following the delivery of the report, members asked questions and made comments as follows:
- Guidelines in relation to business rates set by the borough

Resolved

That the update be noted.

The meeting commenced at 6.30pm and finished at 8.55pm

Signed (Chair)

Date