

BRIGHTON & HOVE CITY COUNCIL

AUDIT & STANDARDS COMMITTEE

4.00pm 23 JUNE 2015

THE RONUK HALL, PORTSLADE TOWN HALL

MINUTES

Present: Councillors A Norman (Chair), Chapman, Cobb, Druitt, Morris, Robins (Group Spokesperson), Sykes (Group Spokesperson) and Taylor

Independent Persons & Co-opted Members: Diane Bushell and Dr David Horne

PART ONE

1 PROCEDURAL BUSINESS

1a Declarations of substitutes

1.1 There were no substitutes.

1.b Declarations of interests

1.2 There were none.

1c Exclusion of the press and public

1.3 In accordance with Section 100A of the Local Government Act 1972 ("the Act"), the Committee considered whether the public should be excluded from the meeting during consideration of any item of business on the grounds that it is likely in view of the business to be transacted or the nature of the proceedings, that if members of the public were present during it, there would be disclosure to them of confidential information as defined in Section 100A (3) of the Act.

1.4 **RESOLVED** - That the press and public are excluded from the meeting during consideration of Item 22 – Update on Coin Co International – Exempt Category 3.

2 MINUTES

2.1 **RESOLVED** – That the Chair be authorised to sign the minutes of the meeting held on 10 March 2015 as a correct record.

3 CHAIR'S COMMUNICATIONS

- 3.1 The Chair welcomed new councillor members to the Committee. The Chair also welcomed the new co-optee Diane Bushell. The Chair stressed that although council members represented political parties she hoped that the Committee could work together in the best interests of the city council.
- 3.2 The Chair thanked Councillor Les Hamilton for chairing the Committee in recent years.
- 3.3 The Chair informed members that a Financial and Standards Panel training session would be arranged in due course.
- 3.4 The Interim Executive Director Finance & Resources reported that a covering report on the Draft Statement of Accounts should have been included on the agenda. The Draft Statement of Accounts had been circulated to members of the committee and had been left in Members Rooms. There would be a full debate on this matter at the next meeting in September when members would be asked to sign off the accounts. The accounts would be available from 20 July. Training on this matter would be made available to members before the next meeting. Any questions about the Draft Statement of Accounts should be directed to Nigel Manvell, Head of Financial Services.

4 CALL OVER

- 4.1 It was initially agreed that all items be reserved for discussion.

NOTE: There was a Callover later in the meeting. The following items were not called for discussion and the recommendations contained within the reports were approved and adopted:

- Item 11: Internal Audit Plan 2015/16 Update
- Item 14: Audit & Standards Committee Annual Report 2014/15
- Item 16: Audit & Standards Committee Work Programme 2015/16
- Item 20: Targeted Budget Management (TBM) 2014/15

5 PUBLIC INVOLVEMENT

- 5.1 There were no petitions, written questions or deputations.

6 MEMBER INVOLVEMENT

- 6.1 There were no Petitions, Written Questions, Letters or Notices of Motion.

7 CODE OF CORPORATE GOVERNANCE

- 7.1 The Committee considered a report of the Head of Legal and Democratic Services which informed Members that the 2013/14 annual governance statement noted that to ensure continuous improvement in the Council's governance arrangements; the Council would review its Code of Corporate Governance. Appendix 1 set out a draft updated Code. The report was presented by the Monitoring Officer & Head of Legal & Democratic Services.

- 7.2 The Monitoring Officer & Head of Legal & Democratic Services suggested that the committee should approve the report and refer it to full Council for information. Typographical errors in the report would be corrected. (Page 11 - deletion of the word 'of' in first bullet point of Principal 1 and; page 12 - 'oversea' to read oversee on the first bullet point).
- 7.3 Dr Horne endorsed the recommendation to refer the report to full Council for information.
- 7.4 Councillor Taylor stated that he was pleased to see Principal 4: 'The Council will take informed and transparent decisions that promote value for money and are subject to effective scrutiny and managing risk.' Councillor Taylor would have liked to have seen this as Principal 1. He asked what would happen next. The Monitoring Officer & Head of Legal & Democratic Services reported that the code was a 'live' document.
- 7.5 Councillor Robins stated that he would have liked to see an explanation of Contract Standing Orders. He asked if there could be a further appendix. The Monitoring Officer & Head of Legal & Democratic Services replied that he would provide a glossary to explain terms used in the report.
- 7.6 **RESOLVED -**
- (1) That the draft updated Code of Corporate Governance be noted & approved.

8 GOVERNANCE: WHISTLEBLOWING UPDATE

- 8.1 The Committee considered a report of the Monitoring Officer & Head of Legal & Democratic Services which set out proposed changes to the Council's Whistleblowing Policy. The proposals aimed to improve whistleblowing arrangements within the council.
- 8.2 The Monitoring Officer & Head of Legal & Democratic Services stated that whistleblowing arrangements had not been as effective as they should have been. Paragraphs 3.3 and 3.4 of the report provided clarity as to what and who the policy applied to. The Council's current Whistleblowing Policy applied to 'members of staff', i.e. employees, casual and agency workers, apprentices, contractors and self-employed consultants working on the Council's premises. The new proposed Policy would extend that remit to members of the public. Other main changes to the policy were set out in paragraphs 3.5. Alongside these changes a model whistleblowing policy had been drawn up for maintained schools.
- 8.3 Members' attention was drawn to a flow chart at Appendix 1 which provided guidance to employees who wished to raise a concern.
- 8.4 Councillor Cobb queried whether the policy would be effective. She expressed concern that the policy would not be beneficial to the whistleblower.
- 8.5 The Monitoring Officer & Head of Legal & Democratic Services replied that the council guaranteed anonymity. The whistleblower also had the option of being provided with

independent advice. If the person felt that they were being victimised they would be protected under employment laws. Part of the policy had been drafted to address this problem.

- 8.6 The Head of Internal Audit stated that an e learning course had been made available to staff to raise awareness of these issues.
- 8.7 Councillor Sykes stated that the changes seemed a sensible move forward. He was concerned that the numbers of people whistleblowing in the council needed to be raised. He expected increases in numbers of whistleblowing cases as a result of the policy.
- 8.8 The Monitoring Officer & Head of Legal & Democratic Services stressed that there would now be an exhaustive list of whistleblowing. He would have regular meetings with HR to discuss this issue. There was a need to encourage people to come forward and a need to make people feel safe. It would also be necessary to publicise the policy.
- 8.9 Councillor Taylor concurred with Councillor Cobb. There needed to be a safe climate for whistleblowers. He commended the work carried out by officers and found the flow chart helpful. Councillor Taylor referred to paragraph 3.6 and asked if there was provision for academy schools. The Monitoring Officer & Head of Legal & Democratic Services replied that he would be happy to send the recommendation to academy schools as well as maintained schools.
- 8.10 Councillor Robins asked whether someone who remained quiet was complicit in wrongdoing. The Monitoring Officer & Head of Legal & Democratic Services advised that this could potentially be an issue if the person was in a position to stop wrongdoing. There was an expectation that if a person was aware of a problem they should report it.
- 8.11 Councillor Morris referred to the flowchart and asked for clarification about the box which stated 'seek advice and support'. This referred to outside bodies. He asked what was on offer for staff. The Monitoring Officer and Head of Legal & Democratic Services referred Councillor Morris to paragraph 8.1 of the policy.
- 8.12 Councillor Druitt asked if Whistleblowing training was in place for staff. The Monitoring Officer replied that he would be happy to include training on whistleblowing in the induction programme for managers.
- 8.13 Paul King of Ernst & Young referred to paragraph 8.1 of the policy. He asked for his name to be deleted and for the postcode to be corrected to RG1 IYE.
- 8.14 Councillor Chapman asked if other options such as mediation would be suggested when promoting the policy. The Monitoring Officer & Head of Legal & Democratic Services referred to paragraph 3.2 of the policy. The Whistleblowing policy sat alongside other policies.
- 8.15 Councillor Cobb raised the question of anonymity. She referred to paragraphs 5.1 and 6.5 of the policy in which people were encouraged to put their name to any concerns they raised. The Monitoring Officer & Head of Legal & Democratic Services explained that people were encouraged to reveal their name as this made the wrongdoing easier to investigate. However, there was no requirement for people to disclose their identity.

8.16 RESOLVED -

- (1) That the new Whistleblowing Policy for the Council (Addendum 1) and the model policy that Schools will be encouraged to adopt (Addendum 2) be approved and referred to Full Council for information.

9 ANNUAL GOVERNANCE STATEMENT 2014/15

- 9.1 The Committee considered a report of the Interim Executive Director Finance & Resources, and Monitoring Officer which presented the draft Annual Governance Statement for 2014/15 following completion of the annual review of the council's governance arrangements, including its systems of internal control. The report was presented by the Risk Management Lead.
- 9.2 The Risk Management Lead drew attention to the bullet points on page 46 and to the lists of work in progress and new actions set out on page 56 of the agenda.
- 9.3 Diane Bushell stated that in future she would like to see a flowchart showing how the Audit & Standards Committee, Officers' Governance Board, etc. fitted into the process.
- 9.4 The Risk Management Lead replied that she would work on this suggestion and present it to the Officers' Governance Board.
- 9.5 The Interim Executive Director Finance & Resources stated that a great deal of work had gone into producing the report. It was worth reading in detail.
- 9.6 Dr Horne stated that there should be some reference in the report to the potential loss in respect of CCI in the annual governance statement.

9.7 RESOLVED -

- (1) That the draft Annual Governance Statement (attached as Appendix 1) be approved subject to comments made by members as outlined above.

10 REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT

- 10.1 The Committee considered a report of the Head of Internal Audit which detailed the results of a self-assessment of the system of Internal Audit against the UK Public Sector Internal Audit Standards by the Head of Internal Audit. The process should also be considered as part of the wider annual review of the council's governance arrangements and production of the Annual Governance Statement. Appendix one to the report set out compliance with the Public Sector Internal Audit Standards and the Local Government Application Note – Self Assessment Summary. The report was presented by the Head of Internal Audit.
- 10.2 The Head of Internal Audit referred Members to paragraph 6.2 of the report which detailed two areas where compliance with International Public Sector Internal Audit Standards was partial.

- 10.3 In relation to paragraph 6.2, Councillor Druitt questioned whether it was a good system to have the Executive Director of Finance & Resources appointing the Head of Internal Audit. The Interim Executive Director of Finance & Resources replied that it was entirely appropriate. The Chair stressed that the Committee members would be fully involved in recruitment procedures.
- 10.4 Dr Horne referred to the three priorities set out in paragraph 6.3. He asked that members be updated about these priorities outside the committee meeting before September. The Head of Internal Audit reported that there was an implementation rate of 87% for high priority recommendations. There were 40 to 50 high priority cases a year. There had been six recommendations this year that had not been implemented. Two related to IT issues. There would be a tracking system in place in the next couple of weeks.
- 10.5 Diane Bushell asked if all recommendations were referred to the Executive Leadership Team (ELT). The Head of Internal Audit replied that high priority recommendations were referred to ELT.

10.6 **RESOLVED -**

(1) That the Head of Internal Audit's self-assessment including the proposal to accept the council's current arrangements for the two areas of partial compliance) be noted. (see paragraph 6 and appendix 1 to the report)

(2) That the implications for the Annual Governance Statement be noted.

11 INTERNAL AUDIT PLAN 2015-16 - UPDATE

11.1 The Committee considered a report of the Head of Internal Audit which updated Members on the planned internal audit work for 2015/16.

11.2 **RESOLVED -**

(1) That the update to the internal audit plan be approved.

12 STRATEGIC RISK REGISTER REVIEW

12.1 The Committee considered a report of the Interim Executive Director Finance & Resources which informed Members that the Committee had a role to monitor and form an opinion on the effectiveness of risk management and internal control. As part of discharging this role it reviewed the Strategic Risk Register, recently updated by ELT on 22 April and 6 May 2015. The Strategic Risk Assessment Report was attached as Appendix 1 and provided further detail on the actions taken ('existing controls') and planned actions ('solutions') to manage each strategic risk. A summary of the whole risk register was set out in paragraph 4.4 of the report. More detail was supplied in the appendix. Each strategic risk had a responsible officer. The report was presented by the Risk Management Lead.

- 12.2 Diane Bushell asked how embedded risk management was in the council. The Risk Management Lead stated that a Risk Management Strategy Annual Progress report for 2014 was submitted to the last committee meeting. Risk management training, including e learning was available to all the council staff.
- 12.3 Councillor Druitt referred to page 95 of the agenda. He considered that the column stating 'immediate action required and need to escalate to the management level above.' should have been placed immediately to the left of the column stating 'Review & ensure effective controls'. Councillor Druitt also raised questions about the colour coding.
- 12.4 The Risk Management Lead replied that some strategic risks were significant issues, so she was not surprised if there was not a shift between the risk levels on each risk from one report and the next given the 6 months timescale and the scope and complexity of the risks. Sometimes this happened but on this occasion risks were static but the report evidenced regular and realistic consideration; this was good practice. Only red or amber risks would be expected to be included in the Strategic Risk Register. The Interim Executive Director Finance & Resources stressed that there was a focus on things that were critical to the Local Authority. She would expect such issues to be red risks.
- 12.5 **RESOLVED -**
- (1) That the Strategic Risk Report (Appendix 1) be noted.

13 STRATEGIC RISK MAP FOCUS: SR2 FINANCIAL OUTLOOK; AND SR18 EFFECTIVE USE OF TECHNOLOGY

- 13.1 The Committee considered a report of the Interim Executive Director Finance & Resources which informed Members that the Committee had a role to monitor the effectiveness of risk management and internal control. This included oversight of the Strategic Risk Register which was set and reviewed every six months by the Executive Leadership Team (ELT). Each Strategic Risk had a Risk Management Action Plan (a "risk MAP") to deliver action to address the risk by a Risk Owner, a member of ELT. The report was presented by the Risk Management Lead.
- 13.2 The meeting was attended by Rachel Musson, Interim Executive Director Finance & Resources who is the Risk Owner for both Strategic Risks SR" (Financial Outlook) and SR18 (Effective use of Technology). Mark Watson, Chief Technology Officer attended to answer questions on SR18.
- 13.3 Members first asked questions related to Strategic Risks SR 2 (Financial Outlook).
- 13.4 Dr Horne asked if the risk was related to the current financial year. The Interim Executive Director of Finance & Resources replied that the risk under discussion was medium term and current.
- 13.5 Councillor Druitt stated that there was much mention of efficiency savings and value for money. He asked how much more scope there was to save money without impacting services. The Interim Executive Director Finance & Resources replied that £26m

needed to be saved in this financial year alone. The challenge was immense and it could not be carried out without changes to services. The Council would prioritise services for the most vulnerable. The budget took into account an equality impact assessment.

- 13.6 Councillor Taylor asked about targets this last year and this year for the Value for Money programme. The Interim Executive Director Finance & Resources confirmed that there had been a shortfall on delivery against targets for last year, and that she would respond to his outstanding request on the value of targets for this year.
- 13.7 Diane Bushell referred to the consultation for the budget setting process. She asked if officers were looking at options to involve the voluntary sector in the process. The Interim Executive Director Finance & Resources confirmed that this issue was being addressed. A report would be submitted to Policy & Resources Committee in July. There would be a full consultation process.
- 13.8 Members asked questions relating to SR18 (Effective use of Technology).
- 13.9 Councillor Taylor asked if there was pooling of information and resources amongst different councils, for example learning the lessons from the interesting work at Adur & Worthing Council. The Chief Technology Officer reported that officers were trying to absorb as much information as possible from other councils. Officers were in touch with a number of Councils including Adur & Worthing Councils, worked closely with colleagues across the South East Seven partnership and were also talking to the private sector. For example, the Chief Technology Officer had recently met with his counterpart at Amex.
- 13.10 Councillor Cobb asked about changing the Citrix system to a new system and whether other Councils used this. The Chief Technology Officer explained that Citrix would continue to be used across much of the authority for desktop usage and no change was proposed. However Citrix was not the right solution for councillors and this was being addressed.
- 13.11 The Chief Technology Officer went on to explain that The Link, which is a consortium of public service ICT services across Sussex was another way the council worked in partnership. The Council buys its network this way with East Sussex County Council, East Sussex Fire & Rescue Service and a number of Districts and Borough Councils. It is open to all public service partners and is very successful.
- 13.12 Councillor Cobb asked if other authorities had reported that they experienced similar problems with IT. The Chief Technology Officer replied that he had talked to other authorities about services to councillors. Mobile services were one of the most significant difficulties.
- 13.13 Dr Horne asked if there was a financial saving in the 2015/16 budget. The Interim Executive Director Finance confirmed that there was a budget saving identified. Some savings would be expected to be made through technical solutions.

13.14 The Chief Technology Officer stated in terms of future years officers were looking at the relationship between investment in technology and savings. Investment in technology would not fill the financial gap, but would help.

13.15 **RESOLVED -**

(1) That Members' questions of the Risk Owner based on the information provided in the Strategic Risk MAPs in Appendix 1 (Strategic Risk Assessment Report) be noted.

14 AUDIT & STANDARDS COMMITTEE ANNUAL REPORT 2014/15

14.1 The Committee considered a report of the Head of Internal Audit. The draft report at Appendix 1 provided a summary of the Audit & Standards Committee's work, performance and achievements during 2014/15. It had been prepared on behalf of Audit & Standards Committee Members.

14.2 **RESOLVED -**

(1) That the draft report at Appendix 1 be noted.

(2) That the report be referred to Full Council for information.

15 INTERNAL AUDIT ANNUAL REPORT AND OPINION 2014-15

15.1 The Committee considered a report of the Head of Internal Audit. Appendix 1 summarised the work carried out by internal audit and the corporate fraud team, including the Head of Internal Audit's annual opinion for 2014/15. The report was presented by the Head of Internal Audit.

15.2 The Head of Internal Audit reported that Section 2 of the Annual Report set out the Annual Opinion. This stated that in the opinion of the Head of Internal Audit, reasonable assurance could be provided on the overall effectiveness of the council's control environment for the year ended 31 March 2015, but only limited assurance on the effectiveness of the council's purchasing and contract management practices.

15.3 Councillor Sykes considered the report to be excellent and a great improvement. He stressed the importance of focusing on all important issues not just one or two of the most important matters.

15.4 Diane Bushell referred to paragraph 3.5 of the Annual Report. This stated that 'the consistent number of high priority recommendations made over the past three years would suggest that the control environment has neither improved or declined significantly.' She considered that the control environment should be expected to improve.

15.5 Simon Mathers, Ernst & Young stated that there had been significant improvements made to the council's payroll system. This had been a great success in recent years and a 'big win' in improving the control environment. The Head of Internal Audit agreed that payroll systems was a good example of where the council was instrumental in

making changes. There was a high level of support from the Executive Leadership Team, senior managers and the committee.

15.6 RESOLVED -

- (1) That the report be noted.

16 AUDIT & STANDARDS COMMITTEE WORK PROGRAMME

16.1 The Committee considered a report of the Interim Executive Director of Finance and Resources which set out the proposed programme of work for the Audit & Standards Committee for 2015/16.

16.2 RESOLVED -

- (1) That the work programme as set out in Appendix 1 be noted and approved.

17 HROD ANNUAL REPORT

17.1 The Committee considered a report of the Interim Executive Director of Finance and Resources which informed Members that the Human Resources & Organisational Development (HROD) service comprised Human Resources, Health & Safety and Workforce & Organisational Development. This was the second year the service had presented an annual report. Its purpose was to highlight the continued contribution the service had made in supporting the organisation over the last 12 months and set out the focus of activity this year. The Human Resources & Organisational Development Annual Report 2014/15 was attached as appendix 1 to the report. The Corporate Health & Safety Annual Report was attached as Appendix 2. The report was presented by the Head of Human Resources & Organisational Development and the Head of Health & Safety.

17.2 The Chair thanked the Head of Human Resources & Organisational Development and the Head of Health & Safety for a very useful report.

17.3 Dr Horne welcomed the reports. He referred to Appendix 2 of the Corporate Health & Safety Annual Report - Accident/Incident summary Data on page 191. He commented that the Total Days Lost had increased alarmingly and asked for further information about who non staff referred to. Dr Horne asked what monitoring happens at a corporate level. The Head of Health & Safety explained that Non Staff related to schools and service users, residents, carers and visitors to buildings. The majority of the total days lost were due to slips, trips and falls between October to December. HR are working with partners to see if this was a trend. Incidents would be monitored by the Health & Safety Committee.

17.4 Councillor Cobb also referred to the accident/incident summary data on page 191. She asked if it was possible to break this information down. The Head of Health & Safety undertook to circulate the Annual Health & Safety Incidents Report to members. This contains detailed information.

- 17.5 Councillor Robins asked for more information about apprenticeship recruitment. The Head of Human Resources & Organisational Development replied that she would be happy to send detailed information to Councillor Robins. Apprentices had a wide range of roles in the council and worked in many areas including HR, Finance, Children's Services, communications and schools. Work placements were also a successful route for those moving on the apprenticeships and provided for a career pathway into work. Apprentices were showing good results in the conversion to full employment.
- 17.6 The Chair stated that any information sent to councillors on apprentices would be useful.
- 17.7 Councillor Morris referred to page 169 relating to the Occupational Health Service. He was pleased to see this included mental health. He asked about the content of the two health & safety newsletters mentioned on page 189. The Head of Health & Safety replied that officers worked closely to provide timely information.
- 17.8 Councillor Sykes considered the reports were excellent. He asked questions relating to Living Our Values, progress and feedback from managers and payroll. The Head of Human Resources & Organisational Development explained that values were developed through staff engagement. The cultural change programme would continue. There was a desire to continue the improvement in the management of performance and accountability which was a key aspect of the leadership development programme.
- 17.9 Councillor Druitt referred to page 172 which referred to the liP Silver award. He asked what areas were flagged up as areas to improve and why the service had not been assessed for a Gold Award. Councillor Druitt referred to page 196 in relation to contractor management. He noted that the numbers quoted were small. The Head of Human Resources & Organisational Development explained that action plans had been suggested in relation to the liP Silver Award. The service had chosen to be assessed for the Silver Award as it wanted to focus on performance management before being assessed for the liP Gold Award. The Head of Health & Safety explained that with regard to contract management, wider health and safety management arrangements were monitored with an in depth audit. Key contracts were identified for the audit.
- 17.10 Diane Bushell referred to page 168 in relation to the statistic for sickness absence and asked for clarification. The Head of Human Resources & Organisational Development explained that it was a recognised statistic. Generally the public sector had a higher rate of sickness absence. She was working with managers and occupational health to bring the numbers down.
- 17.11 Councillor Taylor referred to page 160 and asked for more information about staff travel expenses. The report mentioned that the total value of unrecovered salary overpayments amounted to £366,827. He asked if the figure was coming down. Councillor Taylor was pleased to hear that action was being taken regarding staff sickness. The Head of Human Resources & Organisational Development replied that the staff travel expenses related to matters such as mileage claims. She agreed that the unrecovered salary overpayments was a large figure. There was evidence of an improvement in recovery. The Head of Human Resources and Organisational Development also highlighted that there had been a significant improvement in payroll assurance for the second year.

17.12 RESOLVED -

- (1) That the annual report of activity, assurance and business plan priorities from the Human Resources & Organisational Development (HROD) Service be noted.

18 2014/15 AUDIT PROGRESS REPORT

- 18.1 The Committee considered a report of the external auditor EY. The report was presented by Mr S Mathers of EY.

18.2 RESOLVED -

- (1) That the 2014/15 audit progress report, along with progress made be noted.

19 ERNST & YOUNG 2015/16 AUDIT FEE LETTER

- 19.1 The Committee considered a report of the external auditor Ernst & Young. Members were informed that the fee reflected the risk-based approach to audit planning set out in the National Audit Office's Code of Audit Practice for the audit of local public bodies applying from 2015/16. There had been a further reduction in audit fees in 2015/16. The report was presented by Mr P King of Ernst & Young.

- 19.2 The Chair commented that the fee looked like a good offer and she appreciated the attendance of Mr King and Mr Mathers.

- 19.3 Diane Bushell asked Mr King if there was anything he could recommend as a training tool for the committee. Mr King replied that Ernst & Young did provide training sessions on the role of external audit. He was happy to provide a brief session for committee members. This was usually arranged as part of the overall suite of training induction. The Head of Internal Audit said he would have discussions with Ernst & Young on training support. This would be decided outside of the meeting.

19.4 RESOLVED -

- (1) That the 2015/16 audit fee letter be noted.

20 TARGETED BUDGET MANAGEMENT (TBM) 2014/15**20.1 RESOLVED -**

- (1) That the report and extract from the proceedings of the Policy & Resources Committee be noted.

21 ITEMS REFERRED FOR COUNCIL

- 21.1 It was agreed that no additional items be referred to Council.

Note: Item 7 – Code of Corporate Governance. Item 8 – Governance: Whistleblowing Update and Item 14 - Audit & Standards Committee Annual Report 2014/15 were already referred to full Council for information.

22 UPDATE ON COIN CO INTERNATIONAL

- 22.1 The Committee considered a report of the Interim Executive Director of Finance & Resources which updated Members on the progress of company administration which was seeking to recover sums owing to secured and unsecured creditors following the failure of the cash-in-transit contractor, Coin Co International plc (CCI) with whom the council held a contract. The council was an unsecured creditor of the company and was owed £3.243m at the time it entered administration on 27 November 2014. The report also summarised the action being taken by the council to ensure that any learning from this event was effectively identified and reported.
- 22.2 The report stated that CCI was first appointed by the council in 2008 to provide cash collection and cash in transit services. This included car parking income collection, collection of cheques and sealed containers from council premises. It was based locally in Sussex, offered significantly greater service flexibility than bigger national/global companies at a considerably better price, had a range of private and public sector clients, and had been trading for over 30 years.
- 22.3 It further stated that the council entered into a new framework contract with CCI on 3 February 2014. However, increasing delays in receiving payment-over of cash collected were experienced during 2014 with a maximum sum of £4.746m outstanding. Following meetings and communications with the directors of the company, this was brought down considerably but after a short period the company began to default on agreed payment arrangements and the council terminated the contract on 19 June 2014, intending to pursue sums owing through debt recovery and/or litigation processes if necessary. However, CCI subsequently entered administration owing £3.243m to the council.
- 22.4 The report stated that the legal costs in relation to insolvency (i.e. company administration and liquidation) can be substantial. The council is very mindful that any losses should not be compounded and will use every endeavour to challenge and minimise costs. Members should note however that the costs of company administration, being undertaken by Baker Tilley LLP, and subsequent costs of any company liquidation will normally be chargeable against any unsecured liquidated funds or assets, thereby reducing the sums available to unsecured creditors in the first instance.
- 22.5 The report stated that, at this time it is known that there are company assets against which there are securities, which will be available to the administrators to meet, as far as possible, the claims of the relevant secured creditors. However, in relation to unsecured creditors, of which there are hundreds worldwide including the council, the level of available company assets is not yet known and it is not clear whether or not, after taking into account the costs of company administration/liquidation, any funds will be available to be shared among unsecured creditors.
- 22.6 The report was presented by the Interim Executive Director Finance & Resources. Members were informed that the former Executive Director of Finance & Resources

along with the Interim Executive Director of Finance & Resources had commissioned Internal Audit, supported by external consultants to carry out a review to determine whether improvements to the Council's procurement processes and or decision making could minimise financial risks of this nature in the future.

- 22.7 The Interim Executive Director of Finance & Resources stressed that CCI were a local firm with a previous good record. CCI had passed all the necessary checks and evaluation processes to be selected for the procurement framework.
- 22.8 The Head of Internal Audit informed members that his focus was to find out why CCI went into administration. It was important that lessons were learnt from this process. A further report would be submitted to the Committee in September 2015.
- 22.9 Councillor Robins expressed concern about the large amount of money that was owed to the council. He asked what had happened to the £3.2m. The Interim Executive Director explained that the administrators were attempting to find the money that was outstanding but had not been able to locate the funds. It should have been cash paid into a separate account.
- 22.10 Dr Horne stated that he was keen to see open local government and stressed that some sort of statement should be made available to members of the press and public on this issue. The Interim Executive Director of Finance & Resources stated that some information had been put into the public domain.
- 22.11 Dr Horne noted that information had been reported in the Statement of Accounts however it had not described the debt as an exceptional loss. There was no reference to the matter having been reported to Policy & Resources Committee. There needed to be disclosure in the accounts. Dr Horne asked the Head of Internal Audit to look at monetary processes. He was concerned that the contract was let in February 2014 and terminated in June. The firm had lost £1m of council money per calendar month. He asked if the Council was covered by insurance. The Interim Executive Director reported that the council did not have an insurance policy.
- 22.12 Paul King of EY stated that he did not consider members of the press and public were being misled by not revealing the name of the company in the Policy & Resources report. The Governance Statement provided the necessary information.
- 22.13 Councillor Morris stated that he wanted to register that he was not happy with the decision not to provide more information to the press and public. The Interim Executive Director explained that this might be appropriate when the Committee received its final report in September. She urged the Committee to allow the Head of Internal Audit to complete his review first.
- 22.14 Councillor Druitt expressed concern that the debt had reached such a high level. He echoed the concerns about openness. Councillor Robins also expressed similar views.
- 22.15 The Interim Executive Director stated that officers were still working with the administrators. She asked the Head of Internal Audit to explain the timeline.

- 22.16 The Head of Internal Audit explained that he had got a long list of control monitoring emails and other documents which went back a long time. He did not have a timeline for the administration process.
- 22.17 The Head of Legal & Democratic Services suggested that the Part One minute contained all information that was not prejudicial to the council. Councillor Drutt thought this was a good suggestion but hoped that officers would not be overly cautious in what was included in the minutes. He wanted to see the maximum amount of information in the public domain.
- 22.18 Councillor Cobb asked if the firm owed money to other organisations. The Head of Internal Audit replied that a significant amount was owed to other local authorities and charities.
- 22.19 The Chair stated that she supported the suggestion of the Head of Legal & Democratic Services to have detailed information in the Part One minutes. She did not see any advantage in publishing information that could be damaging to the council.
- 22.20 Councillor Robins supported this view but worried about the sheer size of the money owed to the council. The Interim Executive Director stated that the size of the debt was the reason officers were carrying out so much work on the issue.
- 22.21 Diane Bushell asked if there was a job for internal audit to ensure information provided to the council was verified when awarding contracts to key suppliers. The Interim Director of Finance & Resources replied that internal audit could not be involved in every contract. There were specific lessons to be learnt about the contract in question. This was part of reason why the council were moving to cashless payments.
- 22.22 **RESOLVED -**
- (1) That the preliminary findings and the current position regarding the administration process be noted
 - (2) That detailed Part One minutes be made available setting out information that is not prejudicial to the council.

23 PART TWO PROCEEDINGS

- 23.1 **RESOLVED** – That the Part 2 report and minute remain exempt from disclosure from the press and public. A detailed Part 1 minute would be provided.

The meeting concluded at 7.36pm

Signed

Chair

Dated this

day of