

Full Council

16 July 2019



Report of:	Head of Paid Service
Title:	Update on External Auditor recommendations relating to senior executive remuneration
Ward:	Citywide
Member Presenting Report:	N/A

Recommendation

That Full Council notes the actions taken to implement the recommendations of the Council's External Auditors, BDO, relating to senior executive remuneration.

Summary

This report provides an update on the actions taken to implement the recommendations from the Council's External Auditors, BDO, which were considered by Full Council on 19 March 2019.

The significant issues in the report are:

This report confirms that the recommendations from the Council's External Auditors, BDO have been implemented. It updates Full Council on the actions that have been taken since the Full Council meeting on 19 March 2019 and summarises the observations and input received in respect of those recommendations from the Audit and HR Committees.



Policy

1. This report provides an update on the actions taken to implement the recommendations from the Council's External Auditors, BDO, which were accepted by Full Council on 19 March 2019.

Consultation

2. **Internal**
The observations and input of the Audit Committee on 26 March 2019 and the HR Committee on 9 May 2019.
3. **External**
The Council has implemented the recommendations of the External Auditor.

Context

4. At its meeting on 19 March 2019, Full Council considered a report from the external auditors BDO and an action plan to address BDO's recommendations. Full Council resolved as follows:
 - i) Full Council accepts the recommendations from the Council's external auditors, BDO;
 - ii) Full Council approves the action plan in response to the recommendations from the Council's external auditors, BDO; and
 - iii) Full Council requests that the Head of Paid Service provides a written update to be debated at the next Ordinary Meeting of Full Council after Annual Council having first been considered by the Council's Audit and HR Committees with their input provided as part of the written update.
5. This report confirms that the recommendations from the Council's External Auditors, BDO have been implemented. It updates Full Council on the actions that have been taken since the Full Council meeting on 19 March 2019 and summarises the observations and input received in respect of those recommendations from the Audit and HR Committees.

Proposal

6. The report to Full Council on 19 March 2019 identified 4 recommendations (3 statutory) from the External Auditors, BDO, together with an action plan to deal with each of those recommendations. The detail of those recommendations, as well as the action plan to address the recommendations, is set out in Appendix 1 of this report.
7. The recommendations from the External Auditor were reported to and debated at the Audit Committee on 26 March 2019 and comment provided for the Head of Paid Service to consider.
8. At its meeting on 9 May 2019, the HR Committee also considered and debated the recommendations from the External Auditors and provided comment for the Head of Paid Service to consider. The HR Committee considered the specific actions to implement the recommendations from the External Auditors. These were the amendment to the Council's Pay Policy Statement as well as revised terms of reference for the HR Committee. These changes

addressed the recommendations in the External Auditor’s report and were subsequently approved by Full Council at its annual meeting on 21 May 2019.

9. In preparing this report, the comments and observations from the Audit Committee and the HR Committee have been considered and the principal matters that have been raised are addressed below.
10. The Audit Committee agreed four specific observations as follows:
 - i) Should similar circumstances take place again officers involved would be subject to disciplinary action and Members/Mayor involved would be subject to a referral to the Monitoring Officer under the Member Complaints process;
 - ii) All decision making in relation to the employment of senior officers to have a proper documented trail for audit purposes;
 - iii) Internal Audit to carry out inspections of future decision making for assurances that processes were being followed and report back to the Audit Committee; and
 - iv) A timeline for implementation of recommendations be drafted.
11. These are important points relating to conduct, decision-making and transparency. Maintaining high standards of conduct is vital to maintaining the reputation of the Council. It is important that the Council is accountable for payments that it makes and that there is appropriate oversight and transparency of such payments through the Audit Committee.
12. The HR Committee made a number of observations which can be summarised as follows:
 - i) The External Auditors had not considered all of the matters that the Audit Committee had raised;
 - ii) The audit trail and documentation relating to decision-making should be improved;
 - iii) The control of documents (version control, draft documents) needs to be improved;
 - iv) The legal service should have greater oversight of any future arrangements, including the commissioning of external legal advice; and
 - v) A request for further investigation by the External Auditors.
13. The scope of the review focused on four key areas, final payment arrangements, recruitment processes, probation arrangements and performance management arrangements. The recommendations made by the External Auditors relate only to those matters that were still considered to be of concern arising from their audit of the 2017/18 Annual Accounts and those were reported to Full Council on 19 March 2019. Whilst other matters may have been raised, to which a full public response was not provided, we are assured that the review undertaken was comprehensive and there is no further scope for the External Auditors to review those matters further.

14. The control of and documentation of decision-making is an important part of the Council's internal processes and appropriate document management and storage is essential to maintain good governance, ensure a clear audit trail and to enable the provision of accurate advice by internal, and where appropriate, external legal advisers.

Observations of the Head of Paid Service

15. With regard to matters raised by the Audit and HR Committees and addressed in the preceding paragraphs, the following points should be noted by Full Council.

i) The Council now has in place clear and robust arrangements for the approval of severance payments to senior officers and full details have now been incorporated into the Council's Pay Policy Statement, as approved by Full Council at its annual meeting.

ii) The HR Committee's role in relation to senior executive severance payments is very clearly defined and revised terms of reference were approved by Full Council at its annual meeting for and the Audit Committee will be able to obtain assurance that appropriate procedures have been followed.

iii) Democratic oversight of severance arrangements will need to be based on accurate information and procedures around record management will be strengthened to ensure that the committees are provided with accurate and complete information to inform decision-making.

iv) The legal service has put in place procedures to ensure appropriate oversight of legal instructions and in particular the commissioning of external legal advice.

v) The format of the Council's statement of accounts includes explanations about severance payments for senior officers. The details contained within the report to the HR Committee will inform the final treatment in the accounts. The total amount of any compensation for loss of office' paid to senior staff in connection with the ending of their employment will be set out in the notes and any discretionary payments made as part of the payment will be separately outlined.

vi) The Council must comply with its duties and obligations as an employer in line with employment law and practice. The Council has in place procedures to deal with disciplinary matters relating to staff, as set out in the Officer Employment Procedure Rules and the Council's HR policies, which will be followed where disciplinary action is being contemplated in relation to any officer.

vii) The Monitoring Officer oversees procedures relating to complaints against Members of the Council.

Risk Assessment

16. There are no specific risks arising from this report.

Public Sector Equality Duties

- 17a) Before making a decision, section 149 Equality Act 2010 requires that each decision-maker considers the need to promote equality for persons with the following “protected characteristics”: age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. Each decision-maker must, therefore, have due regard to the need to:
- i) Eliminate discrimination, harassment, victimisation and any other conduct prohibited under the Equality Act 2010.
 - ii) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to --
 - remove or minimise disadvantage suffered by persons who share a relevant protected characteristic;
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of people who do not share it (in relation to disabled people, this includes, in particular, steps to take account of disabled persons' disabilities);
 - encourage persons who share a protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
 - iii) Foster good relations between persons who share a relevant protected characteristic and those who do not share it. This involves having due regard, in particular, to the need to –
 - tackle prejudice; and
 - promote understanding.
- 17b) There are no specific equalities implications arising from this Report.

Legal and Resource Implications

Legal

The matters raised in this report address the recommendations of the Council’s External Auditors. This report confirms that those recommendations have been implemented in accordance with the Action Plan approved by Full Council on 19 March 2019.

Legal advice provided by Tim O’Gara, Director: Legal and Democratic Services

Financial

(a) Revenue

The financial disclosure notes which form the Options Appraisals in the report to the HR Committee will be prepared in line with the requirements of the Accounts and Audit Regulations 2015 and as such the extract from this report will seamlessly flow to the Statement of Accounts.

(b) Capital

N/A

Financial advice provided by Denise Murray: Director of Finance.

Land

Not applicable

Personnel

The senior executive severance payments arrangements apply to Executive Directors and Directors (the Head of Paid Service and JNC Chief and Deputy Chief Officers).

Personnel advice provided by Mark Williams: Head of Human Resources – 14 June 2019

Appendices:

External Auditors recommendations and action plan – Full Council 19 March 2019

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

Background Papers:

None