



Honiton Town Council Beehive Audit

South West Audit Partnership

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Auditor	Andrew Ellins/ Moya Moore
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South West Audit Partnership Ltd

Yeovil Innovation Centre
Barracks Close
Copse Road
Yeovil
Somerset
BA22 8RN

Direct Line: 01935 385906
E-mail: andrew.ellins@southwestaudit.co.uk
moya.moore@southwestaudit.co.uk
www.southwestaudit.co.uk

Management Summary

Background

The Beehive is a community centre in Honiton, run by Honiton Community Complex Ltd (HCCL) on behalf of Honiton Town Council. Despite the achievement in building the Beehive Councillors have expressed a number of concerns. The Town Council unanimously agreed to accept the offer of an independent mediation exercise made by EDDC at their meeting on 9th February 2015.

The Southwest Audit Partnership (SWAP) were appointed to complete the review, being EDDC's existing internal Audit providers, and recommended by them. It was agreed that 6 days work would be provided.

SWAP have been providing internal audit services to local authorities, police and fire authorities, schools and other quasi-government entities in the south west of England since 2005. SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors and the CIPFA Code of Practice for Internal Audit in England and Wales.

The Terms of Reference for this review were signed by the Deputy Mayor on the 19th February 2015, following an initial meeting held at EDDC with the Deputy Chief Executive (EDDC), Deputy Mayor (HTC) and the Deputy Town Clerk (HTC) on the 17th February 2015. The Terms of Reference was then circulated to all HTC Councillors the same day.

The intention from the outset has been to take a forward looking approach to improve governance arrangements. As the Town Clerk has made clear in the Council Meeting of 10 March 2015, this report has no impact on the validity of previously made decisions made by the Council.

All Councillors were invited by the Deputy Town Clerk to provide details of any concerns they wished to raise. These were collated into a document known as The Submission of Concerns, which was presented to SWAP at the initial meeting as an aid to defining the scope of this review.

For practical reasons it was not possible for all Councillors to be interviewed as part of this review. SWAP met (or spoke with) with the following people during the review in an effort to obtain a balance of opinions: Town Clerk, Deputy Town Clerk, Mayor, Deputy Mayor, 1 Councillor and a Director of Beehive. The Monitoring Officer was also contacted, as was EDDC Democratic Services Manager.

Audit Objective

The corporate governance framework sets out the systems and processes, cultures and values, by which the Town Council is directed and controlled, and through which they account to, and engage with stakeholders. The management of the Beehive is subject to the same principles and processes.

The objective of the audit is to provide an independent review of governance arrangements in relation to the Beehive, Honiton. The scope includes the following:

- Clarification of the circumstances that have given rise to the need for such a review.
- Examination of the decision making processes in relation to the Beehive.

It was not within the scope or resources of this audit to address every concern raised. For example technical VAT and legal queries will not be directly addressed in this report. It should also be noted that the purpose of the review

was to identify governance improvements for the future, as opposed to a retrospective review of decisions made in the past.

Conclusion

Through discussions, observation and examination of relevant documentation it was established that there are a number of significant weaknesses in internal control. The concerns raised by Councillors relating to the Beehive are considered symptomatic of these weaknesses. A number of improvements to the Council's governance arrangements are recommended in this report. In addition to these improvements, areas for further investigation which were outside the scope of this audit have been highlighted.

Summary of Main Findings

1. Lack of **effective** committee structure

The Town Clerk reports directly to the Town Council on Beehive matters, the result of which has meant that all Councillors are expected to understand and maintain knowledge to a high level of detail. Debate and consideration of these items is often after 10pm (in part B items). An effective governance committee, between the Town Clerk and the Town Council could reduce the burden on the Councillors and would be welcomed by the Clerk.

2. Internal Audit

Although an internal auditor has been appointed, the Town Clerk had to contact them to confirm the scope of their work in writing. It is possible that there is a duplication of effort with the external auditors (Grant Thornton), missed opportunity to use the auditor to investigate issues (such as the allegations that construction payments were not properly authorised) and a possibility that the Statement of Internal Control is inaccurate/misinformed by assumptions.

3. Lack of forward planning by the Council and timely management of affairs

The Council may lose its General Powers of Competence at the elections because the Town Clerk is not qualified. They have had 2 years to address this. There is a worrying lack of certainty over what the consequences are (if any) for the Beehive, should these powers be lost.

4. Chairmanship

- We were informed that the Monitoring Officer has advised that some Councillors undertake chairmanship training in the past, but this was never completed.
- Town Council meetings commonly run for more than 3 hours (beyond 10pm) and are routinely extended or adjourned to the next day.
- A high level of debate was observed around whether Standing Orders are being complied with in regard to management of meetings and handling of Councillor's debating time.

5. Lack of Sanctions for non-compliance with Council policy

- There is a lack of compliance with the Members Code of Conduct regarding courtesy and respect.
- Confidential information has been shared with the press or other external bodies, having a detrimental effect on the Council and in contravention of the Council's Media Policy.
- Although the Monitoring Officer has little power to impose sanctions in relation to complaints, more could be done to advise Councillors on how they can handle breaches appropriately.

Objectives & Risks

Objective: The corporate governance framework sets out the systems and processes, cultures and values, by which the Town Council is directed and controlled, and through which they account to, and engage with stakeholders. The management of the Beehive is subject to the same principles and processes.

The objective of the audit was to provide an independent review of governance arrangements in relation to the Beehive, Honiton. The scope includes the following:

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Risks:

1. Underlying concerns raised about the governance of the Beehive are not clearly understood.
2. HTC fail to take informed and transparent decisions scrutinised and risk managed.
3. HTC fail to engage with stakeholders to ensure public accountability.

Audit Findings

1. Underlying concerns raised about the governance of the Beehive are not clearly understood.

1.1 Identifying the origin of concerns

During the life of the Beehive so far, a large number of concerns have been raised by Councillors and members of the public.

It was not within the scope of the audit to address all of these. The Submission of Concerns, referred to above was used, along with other sources to inform the audit and help define the scope.

The following sources of information have been reviewed to identify any common themes, trends or similarities in the concerns raised:

- Timeline of events provided by the Deputy Town Clerk
- Submission of Concerns prepared by the Deputy Town Clerk
- Concern raised by member of the public (Appendix B to the Submission of Concerns)
- Initial Meeting (Deputy Town Clerk and Deputy Mayor)
- Correspondence from the Monitoring Officer

The analysis showed that the concerns can be grouped into several types, for example:

- Management information is not always available in advance to enable the right people to have an informed view
- Management information is not thought to be complete or accurate
- Deviation from the Business Plan
- Unclear boundaries over roles and responsibilities
- Lack of appropriate expertise or expert advice is disregarded
- Meetings do not facilitate open and constructive debate/ ineffective meetings

Each type of concern could have several underlying causes. These potential underlying causes have been used as the basis of testing to look for areas for improvement in the governance arrangements of the Council.

1.2 Governance Overview

In order to obtain an overview and understanding of the general governance environment at Honiton Town Council, the following documents were requested as part of the audit:

- Standing Orders
- Financial Regulations
- Members Code of Conduct
- Disciplinary Policy
- Business Plan (latest version – 6)
- Internal audit report for year ended 2013-14 and subsequent Interim report
- Statement of Internal Control
- External Audit Report
- Organisational reports for the Beehive and the Council
- Freedom of Information Policy
- Committee Membership leaflet
- Terms of Reference for Committees

The following observations were made:

Financial Regulations

The version on the Council website is dated 13/3/13. At the time of the audit there was a lack of clarity over whether this was the most up to date version of the document.

Member's Code of Conduct

There is no reference in this document on what happens if members fail to comply with the Code of Conduct. The document could be improved by including reference to section 31 of Standing Orders which relates to allegations of breaches in the Code of Conduct.

(Note - a repeated concern relates to the lack of sanctions against those who breach policies or the Code of Conduct. Please refer to section 2.2 of this report)

Internal Audit Scope

Although a copy of the Internal Auditor's contract was provided, uncertainty over the exact scope of Internal Audit was expressed by the Town Clerk, and Deputy Mayor at the time of this audit. Although the Internal Auditor was contacted and requested to provide this information, it was clear that the scope of this work was not regularly reviewed, although internal audit reports were presented to the Council.

There is a possibility that the Internal Auditors are duplicating work with Grant Thornton (the external auditors).

In support of the Annual Governance Statement, the Town Clerk prepares a Statement of Internal Control which includes the following statement:

"The Council has appointed an Independent Internal Auditor who reports to the Council on the adequacy of its; records, procedures, systems, internal control regimes, risk management, reviews. The effectiveness of the internal audit is reviewed annually."

It was not possible at the time of the audit to obtain clarity over what this last statement means and there is a concern that the items above in the Statement of Internal Control are assumed, rather than confirmed.

Freedom of Information

The Freedom of Information Policy is dated February 2012 and includes the previous Town Clerks contact details.

Committee Terms of Reference

Terms of References could not be located for all Committees and working groups as requested, despite requiring to be reviewed annually.

2. HTC fail to take informed and transparent decisions scrutinised and risk managed.

2.1 Handling Management Information and Decision Making

Many of the concerns (and associated underlying causes) can be linked to the lack of an effective governance structure to review information and make decisions. Opportunities for improvement were found in a number of areas including the following:

- Committee Structure
- Accuracy of information
- Uncertainty about previously agreed decisions
- Application of policies and procedures

Committee Structure

At the outset of the Beehive project, the Council, under the guidance of EDDC, was proactive in setting up groups to manage and monitor proceedings. Formal Terms of References, membership and delegated powers were agreed. Examples of these groups included the Steering Group and the Beehive Governance Group.

The benefits of setting up these groups were:

- Ownership and responsibility was assigned for specific tasks.
- The Council could benefit from the experience and knowledge of a range of people, rather than relying on an individual, who may have limited experience in a particular area.
- Members of those committees and groups had a designated arena and space to focus on the tasks without other issues distracting them.
- Members could build up detailed knowledge about their specific area of responsibility, rather than trying to know everything about all aspects of the Council's activities in detail. Tasks and ideas could be rigorously debated by a well-informed group.
- Councillors outside of those committees would be reassured that the tasks assigned were in hand and could satisfy themselves of this through access to minutes and the ability to make requests to the agenda.
- Councillors outside of the committee could be reassured that submissions to the Town Council Meetings had been checked and challenged for reasonableness before they were asked to look at it.
- Expert advice could be requested, examined and challenged by a collective group, rather than an individual.
- The activities of a formal group or committee that is minuted could be perceived as being more transparent than relying on the work and recommendations of an individual officer.

It was found that over time the Steering Committee disbanded. The Governance Group, although technically still in place, has not met for some time as it was no longer considered effective (concerns included: not enough time to discuss items, some items only proposed at the start of the meeting and a perceived lack of respect shown to others in the meetings themselves).

Since the cessation of these groups, the arena for completing the tasks previously assigned to them has become the Town Council meetings. The responsibility for submitting the information for these meetings rests with the Town Clerk and Deputy Town Clerk.

Many of the concerns raised by Officers and Councillors relate to this current arrangement, highlighting issues with the effectiveness of this approach:

- Meetings are more time consuming and in some cases repetitive because of the number of people involved and the need to ensure everyone understands and remembers the detail of the situation. During the audit, concern was expressed that in some cases, Councillors had not taken time to read the relevant reports prior to the meeting, or failed to grasp the consequences of their decisions, largely because of the complexity of the information to be understood in a short period of time. This uncertainty may have led them to vote in a particular way and created a culture of challenge and instability.
- Constructive debate and progress may be hindered by the size of the meeting and the public arena. The conduct by some Councillors may be symptomatic of their frustration with this situation.
- The submission of information to the Town Council is primarily the sole responsibility of the Town Clerk, rather than a collective submission. There may be a perception that this officer is working alone and has given rise to suggestions that they are working to their own agenda. The use of a committee would support the Town Clerk and offer reassurance to the other Councillors. An example of where this could have been applied is in the use of the SLCC (Society of Local Council Clerks) which was used to back up previous advice already received. The Town Clerk feels it is appropriate but some Councillors have questioned the suitability and reliability of advice procured from this body.
- The quality (and perceived reliability) of reports to the Town Council may be improved if it was presented through a general governance committee (or similar group), rather than an individual.
- Opportunities for the Town Clerk to obtain supplementary information or clarification of some details prior to submission to Town Council may be missed. Delays may result that could have been avoided if a committee had reviewed the proposals first.
- There is a perception that the right people aren't getting sight of management information and that information is being hidden. This view may have arisen because the Town Clerk is under pressure to provide a high level of detail to tight deadlines. It may not be practical for her to supply all information to everyone, and some judgement is applied. The use of a group or committee would provide reassurance to Council that they are being presented with the right information and help prevent an adversarial atmosphere. An example of this is the 10 year lease that Councillors approved in October 2014 and were then asked to sign an agreement for lease in January 2015. In the event the signing of the agreement for lease was delayed and in the meantime it emerged that some amendments had been made that the Councillors had not been made aware of when they agreed to sign. This created a perception that information was being withheld.

The use of a committee in this circumstance would have ensured that everyone involved was aware that the Town Clerk was requesting amendments (and what they cost). They would have been more informed about the nature of the amendments and have an opportunity to ask questions in a timely manner. This may have meant that the lease could have been finalised sooner.

- The Council is very reliant on the Town Clerk and Deputy Town Clerk. The Council could function more effectively in the event of their absence if knowledge was shared more widely through the use of effective committees.

Recommendations

- A general governance committee or group should be set up that sits between the officers of the Council and the Full Council.
- A chairmanship course should be attended by all chairs to ensure the meetings are effective and in line with Standing Orders.
- The Terms of Reference should be agreed taking into account relevant skills and experience of members.
- A formal agenda should be adhered to and sufficient time allocated to debate and discuss items.
- Any delegated powers should be approved and associated decisions ratified by Full Council.
- Before going to Full Council, Councillors have the opportunity to engage with the Committee.
- Membership should include the Town Clerk and several Councillors appointed by Full Council. Guest contributors should be invited as required (including representatives from the Beehive Company).

Accuracy of Information

Accuracy of information is important as errors create misunderstandings, opportunities for unnecessary debate and the loss of a reliable basis for decision making. The following examples of inaccuracy (some minor) were identified during the audit and have been highlighted to demonstrate the impact inaccurate information has on those who rely on it:

- According to a Councillor the Town Clerk advised them that SLCC stood for the Society for Local Councils and Clerks, which they felt was misleading as it actually stands for Society of Local Council Clerks. Although the error is minor, it shows that Councillors did not feel the source of the advice they were receiving was reliable.
- The Risk Register is not accurate regarding the Town Clerk's qualifications (see 2.3 below). Unless there is an accurate record of risks facing the Council, threats and problems may not be mitigated on a timely basis.
- The Deputy Mayor has suggested that in the past, the reconciliation reports he received at the Finance Committee did not disclose all relevant information and would be misleading unless they were closely interrogated. (For example, balances included reserves put aside for specific purposes which was not made clear.)
- The membership of Town Council Committees leaflet is not correct in respect of at least one Councillor.
- Some policies on the external website have not been updated for over 2 years and contain outdated information (e.g. Freedom on Information Policy includes the previous Town Clerks contact details.)

Recommendations

- Sources of management information should be clear so that Councillors are able to take that into account when making decisions.
- Finance training should be provided following the elections for all Councillors.
- Policies and procedures should be reviewed on a rolling basis to ensure they are up to date.
- All information should be interrogated for accuracy prior to being used to make management decisions.

Uncertainty about previously agreed Decisions

Business Plan deviation

At the outset of the project a Business Plan was created of which version 6 is the most recent (dated January 2012). The Business plan received independent review by BIP (Business Information Point).

It states (at the top of the document in bold letters) that it *"is intended to be used as a dynamic working document to support the development and build of a community complex for Honiton. The plan is continuously being reviewed."*

This suggests that the document will evolve alongside the development of the project. This does not appear to be the case as the Council have not reviewed the Business Plan on an ongoing basis (last updated January 2012). This has fuelled a perception among Councillors that it is a static, unchanging document. The concerns relating to the decisions that have resulted in deviation from the Business Plan originate in a lack of clarity over the purpose and use of this document.

Discussion with the Director of the Beehive confirmed that he acknowledged deviation from the Business Plan. He regarded it as an initial plan, and since then they have developed a Management Plan to run the Centre. He was of the opinion that Councillors are aware of this approach.

The specific area of deviation that Councillors are concerned about relates to loss of control. In summary, the Business Plan advised (based on external legal advice) that the Council should keep control of the Beehive *"control of the Beehive must not pass out of the hands of HTC"*. Since then, they have since set it up as a company (and are the sole member). However a decision to transfer the company to charitable status has caused some concern over loss of some control.

This perceived loss of control was discussed with the Director of the Beehive. He confirmed that there would be a reduction in Directors from the Council (down to two) but since they have never been able to find enough Councillors who want to take on the role of Director, he didn't think there would be any significant loss of control in reality.

Concern has been expressed by some Councillors that the Directors of the Beehive want to move to charitable status as that would give them more control over the activities of the Centre. Although there are SLA's stating that the beehive must be run for the benefit of the community it has been alleged that it is being run as a "gym palace" and arts venue, rather than a hub for the community.

This was discussed with the Director of the Beehive. He confirmed they comply with the aims and objectives of the Business Plan. The direction and activities of the Beehive as a charity would be governed by the SLA and the lease, meaning that the Council would retain control over the centre in this respect. He confirmed that it is used for community based activity. There are events that bring people in from across the Southwest, bringing business to Honiton. These events mean that the Council is able to offer local residents reduced (or even free) rates for their own events (such as birthday parties). He claimed that sometimes they are more expensive than other venues but this is because they can't be seen to be undercutting local business. The lack of venues in Honiton generally means there are enough bookings for everyone.

They haven't developed the café as they don't want to compete with the high street. It is open for events only at the moment.

The concern over the deviation from the Business Plan shows that there is a lack of clarity over the decision pathway the Council has chosen to take, despite decisions being made at Full Town Council.

Recommendations

- Following the elections continue to ensure all Councillors are reminded (and reassured) of the Council decisions that led to the current arrangements.
- Create a decision pathway (timeline) diagram to help Councillors understand what all the options were and what decisions lead to the current arrangements.
- Clarify the purpose of the Business Plan and Management Plans for Councillors.

Lease

There is a high level of debate over items that have previously been resolved (agreed). For example, it was agreed that the 10 year lease should be signed in October 2014. The lease remained unsigned until 10 March 2015, only 2 days before the existing lease expired.

The result has been that:

- The Town Clerk feels undermined in her attempts to act on Council resolutions and get the documents on the Agenda for signature.
- It creates additional work for the Officers as they may have prepared information that is not required (due to last minute changes) and have to advise Councillors on the consequences of their decisions to remove planned items from the agenda. This might not be straight forward. In this case the Officer had to research and convey information about the consequences of not signing the lease and on the viability of alternatives such as signing a 6 month lease instead.
- The decision is time pressured which is not conducive to making an informed decision.
- The Beehive felt under pressure to inform stakeholders of the consequences and possible closure of the Beehive owing to the uncertainty of signing a lease in time.

Recommendations

- The Council should remind Councillors of the process in place should they wish to formally challenge a decision and recognise the impact this has on the Officers and other third parties.
- Debate over previously agreed decisions should be limited as appropriate in meetings by the Chairman and Councillors should abide by those limitations.
- A forward plan should be in place to ensure decisions are made on a timely basis.

Application of Policies and Procedures

During the audit a number of instances were identified where the Council failed to consult its own policies, procedures or other appropriate guidance. HTC have a good suite of policies and structures in place to administer their affairs, but they are not always adhered to (or staff and members are not familiar with their contents.) This is despite them being recently reviewed by the policy committee and approved in October 2014.

For example, a lack of clarity was expressed over handling employee grievances, when the Council has an Employment Committee, clauses in Standing Orders (section 26), Employment Contracts and a Disciplinary Policy to guide them on the appropriate action.

Another example where the Council's policies are not complied with is the chairmanship of Meetings. For example, the Town Council Meeting of the 9 March lasted over 3 hours and extended after 10pm. The agenda was not completed and the meeting was adjourned to the following night. The Town Clerk confirmed that although there was an intention to manage time, this was not done.

Standing Orders Section 3 provides clear guidance over how meetings should be chaired and the length of time that should be allotted to each speaker. There have since been arguments over the legality of the meeting adjournment which were observed to have caused considerable disruption and work over the course of the following day for Officers.

The Monitoring Officer has in the past recommended that all chairmen of groups and committees attend a chairmanship course, but this action was not implemented.

Another example is the failure of the Steering Group to agree and implement a payment schedule for the project, despite having it in their terms of reference to do so. The Town Clerk (who was making the payments) was not aware of this as it happened prior to her employment. The Deputy Mayor has criticised the Town Clerk for this failure but the lack of such a schedule should have been apparent to all, had suitable monitoring of the project been taking place.

See 2.2 below for more information on project management expertise.

Recommendations

- The Monitoring Officer (or other appropriate person) could give a policy overview to remind Councillors and Officers what policies they have, where they can be found, the consequences for non-compliance and how to handle these.
- Where policy breaches are identified, the appropriate action should be identified and followed through.

2.2 Expertise, Roles and Responsibilities

Several of the concerns and underlying causes can be linked to issues surrounding expertise, roles and responsibilities. Opportunities for improvement were identified in the following areas:

- Lack of confidence in the procurement of expert advice – also addressed in 2.1
- Courtesy and respect
- Relationship between Honiton Town Council and EDDC
- Making Decisions
- Expertise of Officers

Lack of Faith in the Procurement Process

EDDC provided assistance to HTC in the early stages of the project until tenders were awarded. This provides some assurance that this was done in a fair and transparent way. However, following the disbanding of the Steering Group and Governance Group there have been questions over the sources of some of the technical information presented to Councillors on which to base their decisions. Issues of this nature could be better addressed using an appropriate Committee Structure (see 2.1).

Courtesy and Respect

A concern about a general lack of courtesy and respect at the Council has been expressed by both Councillors and officers. Although there are allegations of aggressive or intimidating and emotive language, it can also be seen where Councillors fail to constructively support each other and officers of the Council and instead appear to undermine and work against each other.

Setting aside allegations of hidden agendas (which are not within the scope of this audit), poor behaviour could also be explained by the frustration felt by passionate people, who want to contribute but feel they are not listened to because of an ineffective decision making structure, or ineffective meeting chairmanship.

It can also be symptomatic of a lack of clarity and certainly over roles and responsibilities. Whilst on site it was observed that both the Town Clerk and Deputy Town Clerk are under pressure to justify their actions on a regular basis to Councillors, when they feel their duties are set out in Standing Orders or their job descriptions.

The reason for this may be that Councillors are not fully aware of the Town Clerk and Deputy Town Clerks roles, are uncertain of their own or other Councillors boundaries, particularly where they are Councillors at

both Honiton Town Council and East Devon District Council, or are providing temporary cover during the absence of another individual. This consequently drives a culture of repeated enquiry, or challenge.

During the audit an example of this arose whereby a Councillor challenged the decision of the Town Clerk to issue a Town Council Agenda without his approval. Although Standing Orders stated that the Town Clerk was entitled to do so, acting as Proper Officer, the wording of her job description was less clear and stated that this should be done "*in consultation with appropriate members.*" This lack of clarity means roles and responsibilities may be open to interpretation and debate.

Another example is a report that was prepared in October 2014 setting out the options available to members in relation to the Beehive, and the Town Clerk's recommendation. The Governance Committee (now disbanded) had the following Terms of Reference; "*To determine the most effective model of governance in order to ensure the future sustainability of the Beehive for the benefit of Honiton Residents.*" There is therefore a lack of clarity over whose responsibility it is to oversee the model of governance for the Beehive (Town Clerk stepped in because of a lack of an effective or Governance Committee).

Whilst this level of interest and challenge is understandable bearing in mind the major project the Council has undertaken and their lack of previous experience in managing these (see below), the result of these enquiries and challenges are that officers feel that they spend a disproportionate amount of time in meetings with Councillors, or by email, explaining why they have taken certain action. As well as taking up the officer's time, this has an undermining effect and can create a situation whereby the officers find it difficult to perform their roles for fear of criticism. It also puts pressure on them to complete their day to day tasks as both work part time hours.

It was apparent that decisions are made by Councillors which can impact significantly on the work of the Town Clerk and Deputy Town Clerk. Whenever extraordinary meetings are called, there is pressure to get the papers out on time, often with short notice. Where meetings are adjourned to the next day, as occurred on 9 March 2015, the Town Clerk is expected to attend at short notice, outside normal working hours, travelling home late at night, having also attended the previous evening. A general dissatisfaction with the Councils lack of regard for its employees was expressed during the review by the Town Clerk.

Over time the officers have developed strategies for avoiding conflict and argument with Councillors that has resulted in inefficient and outdated working practices. For example, two Councillors cannot be reached by email. Rather than insisting on this, the Deputy Clerk and Town Clerk issue their papers by post which is costly, time consuming and inconvenient for them. There is also a delay in the Councillor receiving the documents and this method does not facilitate easy exchange of information. On top of this it is not considered to be an environmentally sustainable method of communication and is not in line with the Councils Environmental Policy on their website.

When the Deputy Clerk wanted to advise Councillors of the scope of this audit and provide them with a copy of the Terms of Reference, she had to prepare a paper copy for each Councillor and post it, stating that everyone had been issued with the same information at the same time.

In addition to these points, there is also the issue of data security and the risk that data or sensitive information could be lost or intercepted through the postal system, which could result insignificant damage to the Council's reputation.

Recommendations

- Review and clarification of roles and responsibilities of Officers and Councillors to ensure consistency and reasonableness.
- Meetings with the Town Clerk and Deputy Town Clerk by appointment only (no unannounced visits).
- The Council should require the use secure email by all Councillors
- Review Members Code of Conduct to ensure it includes the consequences for non-compliance.
- Clarify and implement sanctions against those who act inappropriately towards others in consultation with the Monitoring Officer.
- Reminder of the structure in place to manage Councillor behaviour as listed in Risk 22 of the Risk Register.

Relationship between Honiton Town Council and EDDC

Concerns about an EDDC Councillor interfering in the affairs of HTC have been raised. According to the EDDC Democratic Services Manager, EDDC have a duty to act in an advisory capacity, if asked, but no other duty of care. She confirmed that they should use EDDCs Monitoring Officer if there was a governance issue.

The Democratic Services Manager confirmed that some Councillors are members of both EDDC and the Town Council. She advised that some District Councillors attend the Town Council meetings but are not actually members of HTC. She confirmed that they would be excluded from any voting and would be treated as members of the public in terms of being able to ask questions and debate. She confirmed that EDDC Councillors have shown an interest at HTC meetings because EDDC have given money and land to HTC. When asked if EDDC Councillors who are not HTC Councillors could attend Part B meetings, she confirmed that this was possible, but it would be by invitation, rather than right of access.

The Town Clerk confirmed that she has made enquiries with EDDC about access to VAT advice. She was declined, even though she is willing to pay for it. This is likely to be because she needs specialist advice and this is not appropriate for EDDC to provide.

The Town Clerk has confirmed that in the past she had assistance from the Head of Finance, Democratic Services Manager, Property Services Manager, Economic Development Manager and the Monitoring Officer. She expressed concern that there is no continuity when staff leave EDDC. She would welcome a closer working relationship and felt that contact with the Procurement Officer about managing contracts and projects would have been useful.

The Town Clerk expressed concern that the relationship with EDDC has been damaged in the past where they have offered advice and Councillors have failed to maintain confidentiality. She was concerned that this could make EDDC less inclined to help them in future. The issue of confidentiality is addressed in 3.1.

The EDDC Economic Development and EDDC Property Services Manager were on the original Steering Group for the project. Both these officers have now left, along with the original Town Clerk and the original EDDC Monitoring Officer. In addition to this there was a change of staff at the building contractor.

Recommendation

- Reminder of the structure in place to manage Councillor behaviour as listed in Risk 22 of the Risk Register.
- A single point of contact should be requested with EDDC to discuss issues that arise from time to time.
- Remind Councillors who are members of both Councils to maintain appropriate levels of confidentiality.
- Where it is felt that an EDDC is acting beyond the boundaries of their duties, Town Clerk should contact the EDDC Monitoring Officer and EDDC Proper Officer.

Making decisions

A number of distractions may be influencing the decision making abilities of some Councillors in relation to the governance arrangements of the Beehive.

- One of the concerns raised by Councillors describes a situation where the Directors of the company (HCCL) demanded that the company be transferred to charitable status or else they would walk out. Whilst the accuracy of this allegation has not been verified as part of the audit, it raises a question mark over who has control of the Beehive - the Directors or the Council?

Recommendations

- The risk register needs to be updated and take into consideration risks such as directors of the Beehive being unavailable to complete their duties.

Expertise of Officers

Qualifications

The Town Clerk is not fully qualified, although she is experienced and is also Town Clerk of Branscombe Parish Council. Although we were advised that she was to complete her studies within 1 year of appointment, the Town Clerk has not felt able to complete her qualification due to her workload. Some Councillors have expressed disappointment that she did not complete her qualification within a year as agreed when she took on the role. It should be noted, however, that she made a another request to the Employment Committee in December 2014 to complete her CiLCA training (Certificate in Local Council Administration) as without this the General Power of Competence would be lost after the next elections. This was the power that enabled the Council to set up the Beehive Company. She also requested some time to complete this.

The Town Clerk has confirmed that the Employment Committee have agreed that she should complete her qualifications. However, the Town Clerk now has to fit this in and around Year End processes. Even if completes her studies now, there is likely to be a delay in hearing the result. The current Power of Competence expires when new Councillors are elected in May 2015. It is therefore very likely that there will be a period of time when the Council no longer has General Power of Competence.

The Town Clerk explained that this means that the Council is only allowed to perform what it has a duty to provide and has its expenditure limited in other areas.

It was unclear what the impact would be for areas already in place as a result of the General Powers (for example the setting up of the Beehive Company and the move to the 10 year lease and Charitable status). It is possible that they will lose the ability to do this and at the time of the audit no investigations into this had taken place.

Recommendations

- The Town Clerk should be supported in her studies.
- The implications for the Council if the General Power of Competency is lost should be established, particularly in reference to move to charitable status and the Beehive's ability to trade.

Knowledge of internal systems and control

The internal auditor does not currently provide a written terms of reference or scope annually. This has been reported under 1.2.

Project Management

The lack of an identifiable project manager at the Council for the Beehive project has not gone unnoticed by the public, one of whom wrote a report about it (Appendix B of the Submission of Concerns).

Several failures in the management of the project can be attributed to a lack of experience in handling projects of this type.

For example, the Town Clerk confirmed that after the Steering Group disbanded (after the tender stage) it became her responsibility, alongside the current Deputy Mayor to meet with the Bailey Partnership, the Project Managers. They provided a cost report, after they had certified the work, which was then reported to the Town Council. Other than cost reports (of which only paper copies were provided, not electronic so they couldn't be easily circulated), no other formal reports were received. Performance information, was discussed in site meetings and put into minutes. Verbal reports were given in Town Council Meetings.

Accusations have been made about unauthorised payments relating to the construction of the Beehive. Although the contract was a fixed price contract some additional payments were made. These accusations have been made by more than one Councillor and the Monitoring Officer has been advised. No analysis of these payments or investigation of these allegations was carried out as part of this audit. An Internal Audit report dated 11 March 2015 made a recommendation to resolve the current situation and is supported by this review.

The liability to pay costs has been an ongoing source of disagreement between some Councillors and the Town Clerk. The Town Clerk was advised by the Project Management Company that there was a legal obligation to pay the Contractor once the project manager certified the works completed, whether or not the works were part of the original plans. The Project Management Company informed the Council (via its representatives) that unless the invoices were paid the build work would stop.

The Terms of Reference for the Steering Group states that the Group has delegated powers to "*c) Set up a schedule of payments to be agreed by the Town Council.*" The Town Clerk confirmed that she had no recollection of any payment schedule, this would have been set up before her employment with the Council. No payments schedule was used to track costs against the planned schedule of payments.

In future the Council should recognise the benefits of employing professional expertise for major projects:

- Access to professional knowledge and experience
- Recourse in the event of problems
- Minimises impact on the existing day to day duties of the officers to continue business as usual

Recommendations

- The recommendation proposed by the Internal Audit in their report of 11 March 2015 should be implemented.
- The implementation of the recommendation by Internal Audit should be overseen by a panel (or other appropriate committee) with delegated authority to deal with these issues.

2.3 Risk Register

The Council has identified a number of risks relating specifically to the Beehive in their Risk Register. The risks were reported to the Town Council in October 2014 and approved.

- *Risk 1 - The risk is damage to the Council owned community complex (Beehive).*
- *Risk 2 - The risk is that the Council have to manage the community centre. (It is not clear where there is also a risk that the Council don't manage the community centre.)*
- *Risk 3 - The risk is the Council have to meet financial losses made by the community complex - The mitigation is about having an audit trail, not a suitable legal structure to protect the Council.*

The following issues were identified:

- There is no risk identified that sets out what the risk of having a management company means i.e. deviation from the Business Plan.
- The accuracy of the Risk Register could be improved. For example Risk 12 is about Powers of Competence and the mitigating action is "*Clerk and Deputy Clerk qualified.*" There is no associated action. The Town Clerk is not fully qualified. (The same mitigation is used for Risk 17 - stating that the Clerk is qualified.) Although the Power of Competence risk is on the Risk Register, it does not appear that this has prompted any action to confirm what will happen if the Clerk is not qualified.
- The Risk Register could be more user friendly; you need to look at another document to understand the key.
- The risk wording could be improved. For example "*The risk is Council owned limited companies fail to provide regular reports.*"
- Some of the risks have mitigation pending (i.e. they have not been completed).
- There are very few actions on the Risk Register.

Recommendation

- A review of the Risk Register should take place to ensure it is complete, accurate and up to date so that it can form part of the decision making processes at the Council and mitigation of threats can take place on a timely basis.

2.4 Meeting documentation

An example of the Town Council's Minutes for October 2014 were reviewed and the following points noted:

- They don't say who chaired the meeting.
- They don't say what time the meeting started.
- It is not always clear from the minutes what the outcome of an item is. For clarity each item should state what was resolved, even if it was just to note a report.

The Agendas could be improved in the following ways:

- They could explain what "Part B" means (see 3 below).
- They could include links to relevant policies such as Declarations of Interest and the Code of Conduct.

Recommendation

- The minutes and agendas should be improved to include the information highlighted.
- The Town Clerk expressed an intention to improve the way Agendas are compiled, using pdf documents and hyperlinks to enable easy navigation around a single document, as opposed to a folder with multiple documents as currently exists. This should link all supporting documents to the main Agenda.

3. HTC fail to engage with stakeholders to ensure public accountability.

3.1 External Transparency

A number of improvements could be made to the way information is shared outside the Council. This includes the following:

- Confidential Information
- Website
- Freedom of Information

Confidential Information

Releasing information into the public domain that should be kept confidential has a number of detrimental effects for the Council.

Although the Council has recognised this in its Standing Orders (for example in sections 1, 24 and 28), a number of opportunities for improving the Council's management of confidential information exist.

As an example, a Town Council Agenda was reviewed (9 March 2014). The following statement is made to highlight Part B items: *"The Chairman will propose that the meeting go into Part B session to discuss matters of a contractual nature. The press and public will be asked to withdraw from the meeting at this point due to the nature of the business to be transacted."*

No explanation is given on the Agenda to explain what is meant by "Part B".

EDDC include the following in their agendas: *"Private meeting: Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012: Notice is given of intention to hold this part of the meeting in private as required by the Regulations. The statements of reasons for meeting to be held in private, details of any representations received why the meeting should be open to the public in response to the '28 clear days' notice' already posted on the Council's website, and the Council's response to the representations, are set out against each agenda item below. Where it has been impracticable to comply with the private meeting notice procedures, the required agreement has been obtained from the relevant chairman or vice chairman that the meeting is urgent and cannot reasonably be deferred. Notice of this agreement, if relevant to this meeting, may be viewed on the council's website. View statutory exclusion information here."*

"that under Section 100(A) (4) of the Local Government Act 1972 the public (including the press) be excluded from the meeting as exempt information, of the description set out on the agenda, is likely to be disclosed and on balance the public interest is in discussing this item in private session (Part B)".

The Council's Media Communication Policy cites bad publicity as the main risk associated with releasing confidential information into the public domain. However, some other consequences were identified during the audit:

- Loss of Goodwill – The Town Clerk was concerned that EDDC would be less willing to provide advice if this is not kept confidential. There have been instances in the past where she has been put in an awkward position by Councillors being indiscrete. An example of this was the announcement in the local paper that EDDC were funding this mediation exercise, when in fact EDDC hadn't yet formally approved the expenditure.
- Difficulties in attracting funding – A Beehive Director confirmed that the Beehive has had third parties initially refuse to deal with them because they did some internet research and saw all the adverse publicity and discussions of criminal proceeding.

Recommendations

- An explanation of “Part B Reports” should be included on the Agendas and in Standing Orders.
- Remind Councillors of the importance of confidentiality, referring them to the Code of Conduct and the Media Communications Policy on their website (which contains statutory guidance).
- Non-compliance with Council Policy should be reported to the Monitoring Officer who will advise on appropriate action.

Website

The Council has an external website where it records all its policies and procedures. Whilst the Council is to be commended for sharing its policies, care should be taken to monitor the appropriateness of releasing all information into the public domain. A prime example of this is the Risk Register. It may not be appropriate to advertise the risks the Council faces as it could expose the Council to additional threat.

Recommendation

- Either remove the Risk Register or include only a summary of the risks on the external website.

Internal Transparency

Improvements could be made to the way information is shared within the Council. This includes:

- Managing expectations
- Use of the Website

Managing expectations

There is an expectation among Councillors that they should be provided with copies of all information at all times. This has created a perception that if this is not done, there is a hidden agenda or something to hide. For example, one Councillor raised a concern that they had not been provided with a copy of the Final Internal Audit Report.

Whilst it is agreed that this information should be available on request (as per Standing Orders section 22), it is time consuming to provide this information for everything. The information provided by the internal auditors is intended for operational use by the Officers of the Council. The Finance Committee (or another appropriate committee) should review the contents of the Audit Report and make sure it is complied with. The fact they have done so should be reported to Council to reassure Councillors. There should be no need for all Councillors to have every report.

The Finance Committee Terms of Reference has no mention of receipt and review of the Internal Audit Report and this was found for all Committee Terms of References.

Recommendation

- Information should be managed through an appropriate structure. The finance committee (or other appropriate committee) should have the receipt and review of the Internal Auditors Report as part of their Terms of Reference.

Use of the Website

It was noted during the audit that the Council has a member’s area of the external website, but the Town Clerk confirmed it was rarely used. She expressed a keen interest in getting Councillors to use it as it could save her time if she could make information available there for them to access. The use of the intranet or members only section of the Website would facilitate easier and more consistent sharing of information.

Recommendation

- The Council should consider how the member’s areas should be used and communicate any changes to Councillors, providing training and access as required.

Beehive

The recommendations were discussed and agreed in a meeting on 18th March 2015 attended by SWAP, the Town Clerk, Deputy Town Clerk, Mayor and Deputy Mayor. A responsible person was assigned for each recommendation and a target implementation date agreed.

Agreed Action Plan

Finding	Recommendation	Management Response	Responsible Person	Implementation Date
<p>Objective: The Corporate Governance Framework sets out the systems and processes, cultures and values, by which the Town Council is directed and controlled, and through which they account to, and engage with stakeholders. The management of the Beehive is subject to the same principles and processes.</p> <p>The objective of the audit is to provide an independent review of governance arrangements in relation to the Beehive, Honiton. This will include the following:</p> <ul style="list-style-type: none"> • Clarification of the circumstances that have given rise to the need for such a review. • Examination of the decision making processes in relation to the Beehive. 				
<p>1. Underlying concerns raised about the governance of the Beehive are not clearly understood.</p>				
1.2	<p><u>Governance Overview</u></p> <ul style="list-style-type: none"> • The version of Financial Regulations on the Council website is dated 13/3/13 and should be updated. • There is no reference in the Members Code of Conduct on what happens if members fail to comply. The document could be improved by including reference to section 31 of Standing Orders which relates to allegations of breaches in the Code of Conduct. • Although a copy of the Internal Auditors contract was located, uncertainty over the exact scope of Internal Audit was expressed by the Town Clerk and Deputy Mayor at the time of this audit. Although the Internal Auditor was contacted and requested to provide this information, it was clear that the scope of this work was not regularly reviewed. • The Freedom of Information Policy is dated February 2012 and includes the previous Town Clerks contact details. 	<p>Agreed – will be included as part of the current website update.</p> <p>Agreed</p> <p>Agreed</p> <p>Agreed</p>	<p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p>	<p>End of Qtr 1</p> <p>End of Qtr 1</p> <p>End of Qtr 1</p> <p>End of Qtr 1</p>

	<ul style="list-style-type: none"> • All information should be interrogated for accuracy prior to being used to make management decisions. <p><u>Uncertainty about previously agreed Decisions</u></p> <ul style="list-style-type: none"> • Following the elections continue to ensure all Councillors are reminded (and reassured) of the Council decisions that led to the current arrangements. • Create a decision pathway (timeline) diagram to help Councillors understand what all the options were and what decisions lead to the current arrangements. • Clarify the purpose of the Business Plan and Management Plans for Councillors. • The Council should remind Councillors of the process in place should they wish to formally challenge a decision and recognise the impact this has on the Officers and other third parties • Debate over previously agreed decisions should be limited as appropriate in meetings by the Chairman and Councillors should abide by those limitations. • A forward plan should be in place to ensure decisions are made on a timely basis. <p><u>Application of Policies and Procedures</u></p> <ul style="list-style-type: none"> • The Monitoring Officer (or other appropriate person) could give a policy overview to remind Councillors and Officers what policies they have, where they can be found, the consequences for non-compliance and how to handle these. • Where policy breaches are identified, the appropriate action should be identified and followed through. 	<p>Point noted</p> <p>All Agreed – to be included as part of induction pack</p> <p>Point noted</p> <p>Agreed - to be included in induction training, dates to be advised.</p> <p>Point noted and will contact the Monitoring Officer to clarify what appropriate action can be taken.</p>	<p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p>	<p>End of May 2015</p> <p>End of May 2015</p> <p>End of May 2015</p>
2.2	<p><u>Courtesy and Respect</u></p> <ul style="list-style-type: none"> • Review and clarification of roles and responsibilities of Officers and Councillors to ensure consistency and reasonableness. 	<p>Agreed - Policy Committee to review May 2015</p>	<p>Deputy Town Clerk</p>	<p>End of June 2015</p>

	<ul style="list-style-type: none"> • Meetings with the Town Clerk and Deputy Town Clerk by appointment only (no unannounced visits). • The Council should require the use of secure email by all Councillors. • Clarify and implement sanctions against those who act inappropriately towards others. <p><u>Relationship between Honiton Town Council and EDDC</u></p> <ul style="list-style-type: none"> • Reminder of the structure in place to manage Councillor behaviour as listed in Risk 22 of the Risk Register. • A single point of contact should be requested with EDDC to discuss issues that arise from time to time. • Remind Councillors who are members of both Councils to maintain appropriate levels of confidentiality. • Where it is felt that an EDDC Councillor is acting beyond the boundaries of their duties, Town Clerk should contact the EDDC Monitoring Officer and EDDC Proper Officer. <p><u>Making decisions</u></p> <ul style="list-style-type: none"> • The risk register needs to be updated and take into consideration risks such as directors of the Beehive being unavailable to complete their duties. <p><u>Expertise of Officers</u></p> <ul style="list-style-type: none"> • The Town Clerk should be supported in her studies. 	<p>Employment Committee have already agreed this. A reminder will be issued. Agreed – will check DALC advice on this Point noted and will contact the Monitoring Officer to clarify what appropriate action can be taken.</p> <p>Agreed as part of induction training Agreed</p> <p>Point noted</p> <p>Point noted</p> <p>Agreed risk register will be updated.</p> <p>Agreed – Town Clerk to register for CILCA, with submission to follow.</p>	<p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p> <p>Town Clerk</p>	<p>End June 2015</p> <p>End of May 2015</p> <p>End of May 2015</p> <p>End of May 2015</p> <p>End of May 2015</p> <p>Commencing April reviewed periodically after that</p> <p>Submission Mid-April 2015</p>
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	<ul style="list-style-type: none"> • The implications for the Council if the General Power of Competency is lost should be established, particularly in reference to move to charitable status and the Beehive’s ability to trade. • The recommendation proposed by the Internal Audit in their report of 11 March 2015 should be implemented • The implementation of the recommendation by Internal Audit should be overseen by a panel (or other appropriate committee) with delegated authority to deal with these issues. 	<p>Agreed</p> <p>Agreed</p> <p>Agreed – update reports will be provided.</p>	<p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p>	<p>End of April 2015</p> <p>Implementation date dependant on Final account date.</p> <p>23 March 2015</p>
2.3	<p><u>Risk Register</u></p> <ul style="list-style-type: none"> • A review of the Risk Register should take place to ensure it is complete, accurate and up to date so that it can form part of the decision making processes at the Council and mitigation of threats can take place on a timely basis. 	As agreed above.		
2.4	<p><u>Meeting documentation</u></p> <ul style="list-style-type: none"> • The minutes and agendas should be improved to include the information highlighted in the report. • The Town Clerk expressed an intention to improve the way Agendas are compiled, using pdf documents and hyperlinks to enable easy navigation around a single document, as opposed to a folder with multiple documents as currently exists. This should link all supporting documents to the main Agenda. 	<p>Agreed</p> <p>Agreed to investigate with EDDC</p>	<p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p>	<p>End of April 2015</p> <p>End of April 2015</p>
3.1	<p><u>External Transparency</u></p> <ul style="list-style-type: none"> • An explanation of “Part B Reports” should be included on the Agendas and in Standing Orders. 	Agreed	Deputy Town Clerk	End of April 2015

	<ul style="list-style-type: none"> • Remind Councillors of the importance of confidentiality, referring them to the Code of Conduct and the Media Communications Policy on their website (which contains statutory guidance). • Non-compliance with Council Policy should be reported to the Monitoring Officer who will advise on appropriate action. • Either remove the Risk Register or include only a summary of the risks on the external website. <p><u>Internal Transparency</u></p> <ul style="list-style-type: none"> • Information should be managed through an appropriate structure with appropriate delegated authority. • The Council should consider how the member's areas should be used and communicate any changes to Councillors, providing training and access as required. 	<p>Agreed part of Induction (possibly as part of an Away Day)</p> <p>See above</p> <p>Agreed – risk index to be retained on website and reviewed</p> <p>See above re Terms of references.</p> <p>Agreed – website to be assessed and proposed changes and cost implications identified and reported to Finance Committee</p>	<p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p> <p>Deputy Town Clerk</p>	<p>End of May 2015</p> <p>End of April 2015</p> <p>Start of Qtr 3</p>
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