

**MINUTES of the meeting of Audit and Governance Committee held at Committee Room 1, Shire Hall, St. Peter's Square, Hereford, HR1 2HX on Wednesday 23 September 2015 at 10.00 am**

**Present:** Councillor BA Durkin (Chairman)  
Councillor FM Norman (Vice Chairman)

Councillors: ACR Chappell, DG Harlow, EPJ Harvey, PD Newman OBE, J Stone and LC Tawn

**In attendance:** Councillors AJW Powers and P Rone

**Officers:** Annie Brookes, Paula Gibson (SWAP), Jacqui Gooding (SWAP), Phil Jones (Grant Thornton), Peter Robinson, Josie Rushgrove and Terry Tobin (Grant Thornton)

**74. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor RJ Phillips.

**75. NAMED SUBSTITUTES**

None.

**76. DECLARATIONS OF INTEREST**

None.

**77. CHAIRMAN'S ANNOUNCEMENTS**

There would be a change to the order of items on the agenda, to consider Item 9 before Item 5 and Item 7 before Item 6. This would help to put the statement of accounts to be contextualised by the external auditors and for all financial agenda items to be groups together.

The Chairman and Vice-chairman attended a training event earlier in the month hosted by external auditors, Grant Thornton, from which the slides would be circulated to committee members.

Members were reminded about forthcoming training in October hosted by internal auditors, SWAP which had been circulated previously.

**78. MINUTES**

**RESOLVED**

**That the minutes of the meeting held on 16 July 2015 be accepted as a correct record.**

**79. EXTERNAL AUDIT FINDINGS REPORT 2014-15**

The director of resources introduced the findings from Grant Thornton. The report was positive, and reflected the information that had been reported throughout the year.

The accounts reflected compliance with regulations and focus on the balance sheet, giving the committee opportunity to consider issues such as the pension deficit, asset base and collections fund rather than budgetary issues.

Representatives from Grant Thornton gave an overview of their findings from the executive summary. Few issues were found with the accounts and officers were commended for their work in producing good accounts. A key issue related to school assets, which are generally complicated for councils and assumptions needed to be made with regard to what needed to be shown on the balance sheet.

In terms of value for money conclusion, it was reported that three of the eight authorities audited in the area by Grant Thornton were qualified. Herefordshire was unqualified and rated green on all areas of financial performance. A surplus was reported in 2014-15, and future challenges were recognised.

Officers were thanked and congratulated for assisting with reporting and for modernising the process which was slicker. Any issues were in one area as a one-off in relation to school assets, and guidance had been given on improving some processes.

The council had a more robust medium term financial plan. Adult spending was now under control and it was noted that this was unusual for councils.

The chairman welcomed the positive comments and thanks to officers were noted.

A member welcomed the higher reserve figures for the year and asked how Herefordshire compared with other councils with regard to schools reserves. It was confirmed that school reserves were probably slightly over average in comparison with others, noting that there were restrictions on powers in controlling school funds. Schools were monitored and it was clear what work was required in managing this issue. There were variations between schools and changes such as inflationary increases and salaries would put pressure on schools, and so support would be offered. It was noted that reserves were finite.

A member commended officers for this report. In answer to his question regarding what was considered to be of concern, it was explained that some judgements had to be made regarding the valuation of assets. It was noted that advice from CIPFA was not clear regarding the inclusion of assets with regard to voluntary aided and voluntary controlled schools. It was noted further that judgements were required with regard to non-domestic rates (NNDR) for GP surgeries. Pension funds were also coming under pressure. Auditors formed conclusions on whether the assumptions were reliable with the advice from the actuary.

Officers were congratulated by a member on the more robust process. She pointed out issues around deficit and risk management and asked for more information on the impact of reductions in staff numbers on the pension fund. It was clarified that there was budgetary provision in the accounts to manage the pension fund deficit which is reviewed annually. In answer to her further question regarding the management of reserves, explanation was given that reserves had been too low but this had been addressed and although they were at a safe level, they required monitoring to ensure they were sufficient and used appropriately. Auditors confirmed that there was reasonable confidence regarding reserves but it was noted that some reserves were kept for risk mitigation such as with regard to NNDR appeals from GP surgeries where there was some degree of uncertainty regarding required funds.

The member noted that the mix of services implied a continued increase in reserves in line with increasing difficulty in managing responsibility. She commented that the report

takes account of underspend, noting that if current spending plans were realised there would have been an over spend in 2015/16 of £1.2m.

The director of resources gave assurance that there would be more robust estimates for children's safeguarding in view of there being comparatively higher spending in 2016/17.

The member noted that the medium term financial strategy included the generation of £60m from the sale of assets based on their valuation, noting that care was needed to get best value and reduce risk for council. In answer to her question regarding earlier settlement of the pension deficit, it was confirmed that this would be recommended should there be an appropriate opportunity.

A member asked if there were any material bearings on the accounts that should be brought to the committee's attention. It was confirmed that the balance sheet was prepared with as much up to date information as possible and any issues raised in the letter of representation. However, it was positive in terms of reduced risks and there was nothing material to draw attention to.

## **RESOLVED**

**That the content of the external audit findings report be noted.**

### **80. 2014-15 STATEMENT OF ACCOUNTS**

#### Statement of Accounts

The director of resources presented the report, highlighting that the accounts were better presented and provided more explanation in order to reflect good practice in making them more user friendly.

In answer to a member's question regarding any borrowing from the local enterprise partnership (LEP), it was confirmed that the LEP did not have funds from which the council could borrow.

A member complimented officers on the user-friendly presentation of the accounts. In response the director of resources explained that the accounts were produced by a small team which did an excellent job. The team had responded one year early to national year end timescales being brought forward by one month which very few councils had achieved.

The Chairman commended officers for reducing the process by one month.

#### Annual Governance Statement

The governance manager presented the annual governance statement, a draft of which was presented to the committee in July 2015. The statement provided an updated outturn from last year's action plan and showed more robust information and focus on expected outcomes to complete the action plan.

A member commented that in terms of transparency and in the context of the current consultation on the council's budget, there was work to do around increasing access for the public to participate. In particular this was in regard to technology and communications to ensure that aspirations were realised.

The chairman noted these comments and acknowledged that progress was being made. Progress reports on the annual governance statement action plan would be presented to committee during the year.

In response to comments about the website, the director of resources clarified that improvement work was under way with Hoople and the communications and customer service teams, with plans in place to improve the website. It was acknowledged that although web content was of good quality, it could be hard to find information. Other best practice solutions were being considered, provided they could be delivered within current resources.

In response to a member's question regarding school relocation overspend, it was clarified that this was not captured on the annual governance statement as not all parts of the risk register were included.

A member sought assurance that there were sufficient governance resources to discharge responsibilities particularly around sound and informed decision making. It was clarified that whilst not part of this committee's remit at this stage, reassurance had been given to the employment panel that the role of the monitoring officer was adequately resourced.

## **RESOLVED**

**That:**

- (a) the 2014/15 statement of accounts (appendix a) be approved; and**
- (b) the letter of representation (appendix b) be signed by the chairman of audit & governance committee and the director of resources; and**
- (c) the annual governance statement (appendix c) be approved and signed by the chairman of audit and governance committee, the chief executive and the director of resources.**

**1 member abstained from recommendation (c) above.**

### **81. 2015-16 BI-ANNUAL FORECAST OF REVENUE AND CAPITAL OUTTURN**

The director of resources presented the report, which provided assurance that budget monitoring and management were appropriate. This was reported twice a year and showed how forecasting informed the accounts. This had already predicted an over spend of £1.3m in children's safeguarding which had been mitigated and assurance was given that the budget would balance over all. The report as a whole gave a high level of assurance.

In response to a member's question regarding schools relocation overspend, it was confirmed that that was within children's services, mitigation was identified and the position was being addressed.

## **RESOLVED**

**That the report and the forecast position be noted.**

### **82. COMMUNITY GOVERNANCE REVIEW**

The governance manager presented the report.

It was a requirement to carry out community governance reviews (CGRs) periodically and good practice suggested that this took place every 10 to 15 years. There were also a number of triggers for one to be considered, such as requests from the community, for example the recent review in Ross-on-Wye, or where it is shown that there are

significant anomalies such as population changes. There had not been a review for some twenty years, and in line with good practice, a review was due.

A timetable for establishing the case for a county-wide review was set out in the report for consideration. The alternative would be to focus on individual areas. The report took a cautious approach in recognition of the statutory requirement to complete a review once it was decided to conduct it, and in consideration of the resources that would be required. A further consideration was the timing of implementing any changes alongside other electoral activity.

The chairman reminded the committee of the 2012 boundary commission changes and advised caution that this could happen again around 2018 and would have a bearing on a review.

A member acknowledged the potential scale of a review based on previous experience of the Ross review. It was confirmed that the permitted timescale commences once council decides it will undertake a county wide CGR. There was no discretion for the council to vary this and so evidence was being gathered at this stage. All parish and town councils were consulted and were meeting in September. They were asked to identify what issues they would like to have covered in any review. At the same time, data were being collected on elector numbers and aligning this to population growth predictions. Herefordshire Association of Local Councils (HALC) was engaged and was supporting parishes. As much ground work as possible was being carried out without entering into consultation as this would be part of the statutory process.

A member sought reassurance that the problems and challenges were sufficiently clear and that it had been made clear to parishes about their responsibilities with regard to a review. It was confirmed that there had been discussions with HALC and it was concluded that that it would be better in practice to work alongside parishes to ensure that they did not feel passive in a review although the council had a responsibility to lead the process.

The chairman welcomed the point that HALC were involved. It was noted that not all parish councils had HALC membership and that it was essential that all parish councils were included.

The vice chairman welcomed a more receptive approach to parishes and an awareness of their concerns.

A member in attendance commented on the determination of parish boundaries and asked how a review would align with area plans. In response, explanation was given that community identity, physical boundaries and also those boundaries defined by partners such as the police were taken into account in a review, and that timescales would need to be considered in relation to mapping of area plans.

Further comments from members included:

- Observation that the review had been discussed at some parish council meetings within a ward although it was not clear to what extent its significance had been acknowledged. There was also concern regarding capacity at parish level to respond to devolved responsibility;
- feedback that parishes were content with their current arrangements;
- implications related to issues in addition to area plans and that any future reviews of constituency boundaries may have an impact on how parish boundaries are aligned;
- more devolved powers may attract a different range of people taking part on parish councils, increasing opportunities for greater proactivity;

- localities had been a useful concept with regard to service centres for delivering services especially in remoter areas; and
- Stage 1 of the process outlined in the report was felt to be too short

## **RESOLVED**

**That the timetable as set out at paragraph 9 of the report be agreed.**

**1 member abstained.**

### **83. WHISTLEBLOWING POLICY**

Review of this policy was part of the committee's work programme. Consultation had taken place with unions and legislative changes had been recognised such as the inclusion of agency workers within the scope of the policy. There was also procedural guidance available and a discrepancy was noted between the policy and the procedure in relation to members, which would be corrected.

Reporting on use of the procedure to the committee was via the annual monitoring officer's report.

A member welcomed the inclusion of the revised policy on the agenda and commented on the practical application of and relationship between this procedure and the grievance procedure, under which there is less protection. It was noted that matters pertaining to individuals were not for discussion at committee. However, the intention was that the grievance process would be followed in the first instance, and referring to the whistleblowing procedure if there were concerns about conduct or application of the grievance procedure. It was the expectation that staff members would be directed to the grievance process.

It was further noted that clarity was required on the length of time that a whistle blower would receive protection under the policy and not be placed in detriment and that the policy needed to be seen in practice to determine its effectiveness. It was noted that timescales were not prescribed within the process and this would be considered.

## **RESOLVED**

**That the revised whistle blowing policy be approved, effective 1 October 2015.**

**1 member abstained.**

### **84. PUBLIC INTEREST DISCLOSURE ACT (PIDA) WORKING GROUP UPDATE**

The update report summarised the working group that was established in 2014 in response to a report from external auditors, Grant Thornton, which highlighted areas of learning for future major projects, following the procurement and implementation of the customer relationship management (CRM) system.

There remained one member of the group, who described that the group was set up as a task and finish group to consider the processes followed for the procurement and implementation of the customer relationship management (CRM) system following a whistleblowing matter raised by a member of staff. The working group met once in December 2014 to scope the work. The member added, however, that the group was advised to await development work on the whistleblowing policy and the constitution. There was a lack of continuity and the group did not meet again due to changes in personnel, resulting in the group not reaching a conclusion and issues not pursued.

A member proposed that the group be reconvened, which was seconded by the vice chairman.

There followed a discussion during which the following points were made by members:

- a working group was required to investigate the processes followed for the implementation of the CRM and to identify lessons to be learned for other projects;
- there was concern that the majority of members of the group were no longer around and that the findings so far lacked depth;
- the group did not meet again after the initial meeting;
- there was potential to gather people who have an interest in addressing the issues and to make it known that this is happening;
- outcomes must be seen to be robust and so there would need to be a clear topic for a reconvened group to work to;
- the report was factually correct but is not conclusive;
- concern that work was held up pending work on the constitution.

The governance manager referred to the report which described the group's belief that the CRM processes were robust and sufficient. The greatest concern was regarding processes not being followed and this may be a focus for a future working group.

A member suggested that it would be practical to repeat process unless the report was accurate and provided the necessary information. However, the view from the proposer was that there were outstanding issues and the matter needed comprehensive consideration. A member added that the original requirement to capture learning points with regard to the treatment of staff and procurement had not been met and that it would not be complete to accept the report as it stands.

The chairman proposed that the report be noted and that the proposer and seconder produce a form of words to enable a proposal for the working party, which would be discussed with the chairman of the General Overview and Scrutiny Committee.

A motion was carried to take the item and investigate the findings and determine the need to undertake further work. A working party would be formed to guide this review, and authority delegated to the chairman to determine the terms of reference for the group.

## **85. PROGRESS REPORT ON 2015/16 INTERNAL AUDIT PLAN**

The report was presented by representatives from internal auditors, SWAP.

It was noted that there was overall control assurance and there were no audits which had no or partial assurance. There was slow progress in bringing some reports to audit stage due to resource issues but an update report would be presented in November. There were no special reviews or unplanned work but the work plan was adjusted to look at grants.

In response to a member's question regarding solutions to minimise the impact of processes relating to the pupil premium and free school meals, it was confirmed that six schools were investigated. It showed that there can be reluctance to sign up and whilst no problems were found with the process, schools needed to convey to parents that they needed to actively apply.

A member commented on the role of the committee having an overview for internal audit work and that the section 151 officer may add work to the programme. He noted that one

audit was removed, and asked how this would happen without reference to the committee. It was explained that the audit plan was agreed in March with the caveat that it may change in response to emerging risk, and that changing the plan would be in agreement between audit and the section 151 officer, reporting back to the committee. The member expressed concern that work had gone from the plan without consultation and that this represented poor governance.

It was clarified that the area was removed because it was considered low risk, and that a number of contract management audits were added to plan and so adjusting the plan to have overview of contract management. This represented a change to the plan rather than a material removal of an item.

The member stated uneasiness about agreed items being removed without the committee's approval. The director of resources confirmed that he was happy to bring items to committee for approval.

The chairman moved that items were not to be removed or amended without the committee's approval.

A member questioned how lessons to be learned were identified and actioned following the May elections. It was noted that feedback had been sought from staff and agents involved in the process and used internally to inform improvement in addition to any statutory returns made to electoral commission. Assurance was given that issues are picked up and activity is scheduled to assure that issues are recognised. However there were some issues relating to the returning officer functions which are separate to the council.

The vice chairman noted that there was no debriefing after the elections and this was unfortunate.

A member commented that she was not approached for feedback and noted that independent candidates would not have agents.

## **RESOLVED**

**That subject to amendment regarding items being removed from the plan, the report be noted.**

## **86. WORK PROGRAMME UPDATE**

The committee's updated work programme was presented, showing additions which included a review of the risk register and updates on the annual governance statement.

It was noted that the whistleblowing policy had been presented earlier than planned and so that could be removed from the work plan for November.

A member commented on the inclusion of consideration of performance appraisals for members and it was clarified that council had agreed for an options report to come to the committee. Research was in progress to inform this report.

## **RESOLVED**

**That subject to the amendment noted, the updated work programme be agreed.**

The meeting ended at 12.35 pm

**CHAIRMAN**