

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 March 2016 at 10.00 am

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

Councillors: ACR Chappell, PD Newman OBE, J Stone and LC Tawn

Officers: Josie Rushgrove, Jacqui Gooding (SWAP), Phil Jones (Grant Thornton)

111. APOLOGIES FOR ABSENCE

Apologies were received from Councillors RJ Phillips, EPJ Harvey and DG Harlow

112. NAMED SUBSTITUTES (IF ANY)

In accordance with paragraph 4.1.23 of the council's constitution, Cllr AJW Powers attended the meeting as a substitute member for Cllr EPJ Harvey and Cllr SD Williams attended the meeting as a substitute member for Cllr Harlow.

113. DECLARATIONS OF INTEREST

There were no declarations of interest.

114. CHAIRMAN'S ANNOUNCEMENTS

The chairman confirmed that the matter of phosphate levels had been sent to the chairman of the overview and scrutiny committee for consideration as a task and finish study.

The chairman recently attended the HCCG (Herefordshire Clinical Commissioning Group) at the request of the committee. It was confirmed that either the chairman or vice chairman of the audit and governance committee would attend future HCCG meetings and report back to the audit and governance committee. It was suggested that it be discussed with the audit and assurance committee for the HCCG that the chairman and vice chairman be invited to attend future audit and government meetings.

115. MINUTES

A member queried the resolution from item six on the agenda where it states that point five and six of the significant findings contained in the agency staff report to the committee be referred to the children's wellbeing performance review for comment and action with feedback to be delivered at the March meeting. The member noted that the item did not feature on the agenda.

It was explained to the member that due to the absence of any legal advice available to the committee it was viewed prudent that the committee only consider audit matters for the March agenda.

It was confirmed that the relevant feedback will feature on the agenda for April.

RESOLVED

That the minutes of the meeting held on 26 January 2016 be confirmed as a correct record and signed by the Chairman

116. EXTERNAL AUDIT UPDATE

The Committee received a report from external auditors, Grant Thornton.

The main issues emerging from the report were:

- Autumn statement and financial health
- Devolution
- Integration with the health sector
- Earlier close down of accounts

It was the opinion of the auditors that these issues would have an impact on the council although it was accepted that the devolution agenda had yet to gain traction within the county.

Attention was drawn to key developments within the sector and in particular fair value accounting with the assertion that this would have an impact on the valuation of surplus assets. It was also confirmed that from 2016/17 highways network assets will also be included in this process.

Other areas addressed by the auditors were:

- Materiality
- Significant risks
- Other risks - operating expenses
- Value for Money
- Key audit dates

In response to members concerns regarding planning related risks the auditors stated that the report does not preclude the consideration of other risks as they arise.

A member noted that in regard to Ofsted inspections the resources required to support the regime were not inconsiderable and queried whether this was an area of concern with the response being that a better idea of the impact will be had once the work had been completed.

A member raised a point that at a recent meeting it was revealed that although the LEP (Local Enterprise Partnership) had been operational for five years, only now have accounts been made available. It appears that there had been a lack of accountability available to the public. The member expressed dismay that the chairman of the LEP was not aware that accounts had not been audited. The member believed that Herefordshire council's role in terms of the LEP included governance, however, no documents relating to the LEP have come before the committee. He also believed that the LEP accounts were to be made available on the Shropshire council website but were not available at this time.

The chairman requested Grant Thornton to enquire with senior managers what arrangements were in place to protect the council in terms of partnership working and expressed concern that the committee was unsighted in this area.

Grant Thornton confirmed that they would provide clarity on this area but added that it would be unlikely that assurances could be made on every partnership in place.

The chairman confirmed that he would discuss the matter with the leader.

The chairman noted that the recent care home case had been awarded in favour of the council. He congratulated the legal team on the case and commended the care home staff and council officers in their efforts in relocating vulnerable residents.

A member highlighted the issue of the five year land supply believing that there were inherent financial risks to the authority unless the land supply issue was resolved. With a further comment stating that the situation undermines parish councils and the neighbourhood planning system.

Grant Thornton confirmed that the matter would be pursued with officers.

In respect of unlodged non domestic rate appeals it was confirmed that a letter had been sent outlining reasons for disagreement with adjudications.

Grant Thornton drew the committee's attention to the requirement of local authorities to have their local auditors appointed by 31 December 2017 in order for them to begin their engagement on 1 April 2018.

It was suggested that a benchmarking exercise with neighbouring authorities be explored to determine the best way forward on this matter.

RESOLVED:

- a) **The external audit plan at appendix A of the report be considered for any potential additional areas of focus;**
- b) **Comments be provided on the external auditors assessment of risk at appendix B of the report, whether the management response to that assessment is consistent with the understanding of the committee and the impact of the core strategy and land supply;**
- c) **The external auditors update on progress at appendix C to this report be reviewed and any areas of concern identified.**

117. INTERNAL AUDIT CHARTER (SWAP)

The Internal Audit Charter setting out the work of internal audit for the period 1 April to 31 March was presented.

RESOLVED

That the report be noted.

118. INTERNAL AUDIT PLAN 2016/17 (SWAP)

The plan is guided by the charter approved by the committee today and contains regular areas of work and special projects as detailed in appendix B of the report.

In response to a concern from a member that big ticket items might be overlooked, it was confirmed that any new emerging risks would be considered.

In answer to a point raised regarding planning fees, the auditor clarified that planning fees are repaid if applications are not determined within the set timescales. The auditor confirmed that discussions will be held with the director of resources on the matter.

RESOLVED

That the report be approved.

119. 2015/16 BI-ANNUAL FORECAST OUTTURN

The head of corporate finance 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 £1.908 in children's wellbeing which had been mitigated by underspend elsewhere. Assurance was given that the budget would balance over all. The report as a whole gave a high level of assurance.

A member's commented that the over spend highlighted has occurred in this area for a number of years and that underspend elsewhere puts pressure on other service areas.

It was encouraging that reserves had not been called on however, it was recognised that increased pressures could fall on non-statutory services with the vulnerable section of the community being most affected.

The Chairman drew the committee's attention to point five of the report where it states that of 97 child protection referrals from the police nearly 30% did not progress to the threshold that required child protection measures were put in place.

It was confirmed that audit activity is due to commence to test the rigor of the child protection referral mechanism.

On the matter of digital strategy it was confirmed that the new website was scheduled to go live in October 2016.

RESOLVED

That the report be noted.

120. WORK PROGRAMME UPDATE

The committee was asked to note that the revision to financial procedure rules had been moved from March to April and would be included as part of the constitution review.

A further amendment was the postponement of the staff survey report to April.

It was explained to the committee that due to the unavailability of legal advice the agenda for March only featured audit matters.

An update on the current working groups was given with the understanding that the draft constitution and draft code of conduct complaints procedure would be available at the next meeting.

The risk register working group had met and agreed a scoping statement with the next meeting set for 23 March 2016.

The meeting ended at Time Not Specified

CHAIRMAN