

MINUTES of the meeting of Audit and Governance Committee held at Committee Room 1, Shire Hall, St. Peter's Square, Hereford, HR1 2HX on Monday 4 July 2016 at 10.00 am

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

Councillors: EPJ Harvey, RI Matthews, PD Newman OBE, AJW Powers, PD Price and J Stone

Officers: Claire Ward, Clive Lloyd, Josie Rushgrove, Charlotte Collins, Martin Samuels, Dr Arif Mahmood, Sukhdev Dosanjh, Jacqui Gooding (SWAP), Zoe Thomas (Grant Thornton) and Phil Jones (Grant Thornton).

142. APOLOGIES FOR ABSENCE

Apologies were received from Councillors LC Tawn, and ACR Chappell

143. 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 LC Tawn and Cllr RI Mathews as substitute for Cllr ACR Chappell.

144. DECLARATIONS OF INTEREST

There were no declarations of interest.

145. MINUTES

Resolved:

That the minutes of the meeting held on the 9 May 2016 be confirmed as a correct record and signed by the chairman.

146. CHAIRMANS ANNOUNCEMENTS

The chairman referred to the fact that the report to cabinet on risk was not on the June cabinet agenda,

The directorate services team leader explained that the delay was due to the change in cabinet member and further work proposed from management board to enhance and provide clarity to the cabinet report (rather than the audit and governance report).

147. 2016/17 EXTERNAL AUDIT PLAN AND FEE

Representatives from external auditors Grant Thornton presented the report and letter from the external auditors detailing the planned audit fee for 2016/17. The fees which are set within a national framework are the same as last year. The audit timetable was outlined to the committee with confirmation that the final accounts audit work would be completed by July 2017.

In response to a members query as to how the auditors satisfy requirements that the council decisions have followed correct procedures. It was explained that the auditors look to confirm that broad processes are in place but that auditors could not give assurances that every council decision had followed the correct procedures.

Resolved

That the external audit plan and associated fee for 2016/17 be approved.

148. EXTERNAL AUDIT PROGRESS REPORT AND UPDATE YEAR ENDED 31 MARCH 2016

Representatives from external auditors Grant Thornton provided an update report on their work to June 2016. Interim work on the final accounts had been completed with the aim to complete the final accounts audit by the end of July. External auditors were working closely with the finance team in developing improvements in accounts production efficiency and project management of future audit visits.

An amendment to the audit plan was highlighted in regard to the valuation of the pension fund net liability. This does not reflect any new risk at Herefordshire but merely the national view that pensions were a significant risk area in local government accounts.

It was explained that the scope of work in terms of the value for money (vfm) conclusion had changed. The code requires that auditors satisfy themselves that the council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Three sub criteria for assessment to enable a conclusion were given. These were:

- informed decision making
- sustainable resource deployment
- working with partners and other third parties

A member noted reference to emerging accounting issues and it was confirmed that there was nothing contained in this year's accounts that required attention however very often new accounting issues arise due to changes in legislation.

A member raised a concern that the council was retaining its asset base but changing its assets holding from smallholdings to roads. It was confirmed that the council would be required to place a higher value on highways assets and that if this results in a key decision then auditors will look at it.

Resolved:

That the report be noted

149. ANNUAL GOVERNANCE STATEMENT 2016/17

The head of corporate finance presented the draft annual governance statement and explained that there was a requirement to review the governance framework which was published with the annual accounts in September.

The committee were informed that following changes to the regulations governing the timeframe for approval of the accounts, the draft annual governance statement must be published by the end of May. The views of the committee were sought at its meeting in May prior to publication and have informed the development of the statement and action plan. Since that draft a further review of the effectiveness of the governance framework had been carried out by management board and the proposed action plan for the year

was now more focussed on improvement which will strengthen the governance framework.

A member raised concerns regarding evidence of slippage in terms of completion timescales and sought assurances that timescale targets would be met. In reply, assurance was given that the actions would be pursued with every effort made to adhere to stated time scales, however, it was also recognised that further actions can arise which can effect timescales.

Concern was raised that members in full time employment were not discriminated against in enabling them to carry out the full range of member's duties with confirmation that this area would be addressed in the constitution review.

In response to a members query as to when the adults and wellbeing directorate performance will be added to the periodic performance reviews. It was confirmed that this was due to commence soon.

In reply to a members question as to what protocols had been developed with local councils and the voluntary and community sectors, it was confirmed that available framework and guidance details would be circulated to the committee.

In reply to a question regarding scrutiny committees and adequate resources, the monitoring officer was not aware that resources were restricting scrutiny committees in their ability to perform the duties required of them.

Resolved:

That the annual governance statement be signed by the chairman of the audit and governance committee, the chief executive and the section 151 officer.

150. INTERNAL AUDIT REPORT AND OPINION 2015/16

Representatives from SWAP presented a report giving a summary of the internal audit work undertaken in 2015/16 and the overall internal audit opinion based on this work.

The report showed the level of assurance for audits completed to draft or final report stage with only eight of 62 reviews being drafted or are in progress, these reviews remain a priority for completion. It was reported that over 50% were of reasonable assurance and 9% receiving a commendable substantial assurance. It was also noted that there were no reviews that attracted no assurance opinion.

Risks were viewed as well managed but some areas required the introduction or improvement of internal controls to ensure the achievement of objectives.

The report reflected challenges as well as the noted commitment from senior management to the audit process.

In reply to a members question whether the number of reasonable assurances given was typical in comparison with other councils, the SWAP representative believed that due to the complexity of work, comparisons would vary, although the aim was for all audits to achieve a reasonable assurance. It was also the opinion that progress was being made where an opinion of partial assurance had been returned.

It was noted that of the audits which had reached report stage through the year, three had been assessed as high risk, these being, payroll, public health investment outcomes and Shaw Healthcare provision (contract management).

A member raised a concern in the apparent weakness in data collection in relation to public health and the possible risk on public health. The director for adults and wellbeing believed that although he was confident that funding was being spent wisely, concern remained that the lack of robust data might result in spending not being targeted on the most effective areas.

Resolved:

That the report be noted

151. PROGRESS REPORT ON 2015/16 INTERNAL AUDIT PLAN

The report was presented by representatives from SWAP.

It was noted that a total of 13 audits had been completed to final reports since the last update was received.

Four audit reports given a partial assurance were highlighted, these were:

- Shaw Health Care (SHC) provider contract
- public health investment and outcomes
- direct payments
- midland heart care provision

In response to members concerns regarding the ability to renegotiate the SHC contract. It was confirmed that the contract was not a standard council contract but was a standard contract used by SHC. It was recognised that the contract was a 'legacy contract' and that challenges do exist around the flexibility in managing the contract.

Resolved:

That the report be noted

152. HEREFORD CITY CENTRE TRANSPORT PACKAGE (HCCTP) - LINK ROAD SCHEME

The head of corporate finance informed members of the outcome of a review of reported spend in relation to the hereford city link road project.

It was explained that a member had noted discrepancies between the 2015/16 medium term financial strategy (mtfs) approved by council in February 2015 and the report in the 2016/17 mtfs approved by council in February 2016.

Following a review of two relevant tables, it was identified, that the figures used in the 2015/16 mtfs had inadvertently included projected spend as well as spend to date. A corrected table was published on the council's website for clarification. However, to provide additional assurances internal audit were asked to carry out an independent review of the accuracy of spend figures relating to the link road project, hence this report. In summary, the review has confirmed that the total actual expenditure up to 31 March 2015 was £10,658k which matched the £10,658k reported in the mtfs of February 2016.

A member commented that he planned to discuss the matter further with the relevant director

A member commented that although the report finding was understood, the confusion did little to assist transparency and openness.

Concern was expressed that the role of SWAP as internal auditors can appear confusing and it would provide greater clarification if the council were to issue a statement on the relationship between SWAP and the council and how they can be described as independent.

It was agreed that communications be requested to issue a statement clarifying the relationship between SWAP as internal auditors and the council.

RESOLVED:

The report is noted

153. WORKING GROUP UPDATE - GOVERNANCE IMPROVEMENT

The monitoring officer outlined the progress of the governance improvement working group and the redrafting of the constitution.

It was confirmed that the working group will meet on the 5 August and again on the 9 September. The working group will then report to this committee in September before progression to council.

Resolved:

That the new timetable be noted

154. FUTURE WORK PROGRAMME

The committee's updated work programme was presented, with the inclusion of the constitution review in September noted.

It was explained to the committee that the work programme is a live document and is presented to the committee for perusal and discussion

RESOLVED

That the updated work programme be agreed.

The meeting ended at 12.25 pm

CHAIRMAN