

**Minutes of the meeting of Audit and governance committee held at Committee Room 1, Shire Hall, St. Peter's Square, Hereford, HR1 2HX on Tuesday 4 July 2017 at 2.00 pm**

**Present:** Councillor PD Newman OBE (Chairman)  
Councillor ACR Chappell (Vice-Chairman)

Councillors: BA Durkin, EPJ Harvey and J Stone

**Officers:** Andrew Lovegrove and Claire Ward, Kevin Lloyd and Zoe Thomas (Grant Thornton)

**211. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Cllr RJ Phillips and Cllr LC Tawn.

**212. NAMED SUBSTITUTES (IF ANY)**

There were no substitutes.

**213. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**214. MINUTES**

**RESOLVED:**

**That the minutes of the meeting held on 10 May 2017 be confirmed as a correct record and signed by the chairman.**

**215. QUESTIONS FROM MEMBERS OF THE PUBLIC**

There were no questions from members of the public.

**216. QUESTIONS FROM COUNCILLORS**

There were no questions from councillors.

**217. EXTERNAL AUDIT PROGRESS UPDATE**

Members were presented with an update on the external audit progress.

The external auditors had been on site since 12 June and anticipated completing the audit by the end of July.

It was noted that this audit had been a dry run as from next year the audit will need to have been finished by July. There had been some teething issues which were being addressed.

The external auditors and the chief finance officer were meeting in order resolve any outstanding issues, which were mainly around the valuation of property.

The committee requested that acronyms were not used in reports unless there was an explanation of what they stood for.

## **RESOLVED**

**That the report be noted.**

### **218. CORPORATE RISK REGISTER**

The business intelligence officer presented the quarterly corporate risk register report.

Following a query from a member, it was confirmed that the risk register was based on a 5 x 5 matrix. It was noted that the colouring rating would need to be reviewed as the numerical risk did not always match the colour rating.

It was noted that the performance, risk, opportunity and management (“PROM”) policy was currently being reviewed and would be presented to cabinet in September for approval. The policy would form part of the corporate risk register report in November in order that the committee could receive an overview of the changes to enable them to understand any amendments to the framework.

Following a query from a member, it was confirmed that flood alleviation did appear on a service risk register. It was agreed that a copy of the risk as it appeared on the relevant risk register would be an appendix to the next corporate risk register report so that the committee could assure themselves that the risk was being appropriately monitored. It was also noted that a report on the local flood risk management strategy would be presented to the general scrutiny committee meeting on 11 July 2017.

The committee thanked officers for tracking changes on the risk register and requested consideration be given to illustrating when any changes last took place. The committee were interested in the rate of change in the corporate risk register.

Officers were also thanked for producing three detailed responses in connection with the three examples of fracking, water quality and flood alleviation which had previously been used to test the operation of risk management in the council.

The committee requested further clarification as to why the following risks had been removed from the risk register:

- Fastershire – as a new contract had been approved for a new provider, the committee felt that there was a potential reputational risk of non-delivery.
- Brexit – the committee felt that it seemed counter intuition that this risk was removed when negotiations were just starting. It was noted that Herefordshire was the only county which qualified as rural in England and there were emerging significant effects on rural counties.

Following a query from a member, the business intelligence officer confirmed that the waste loan agreement was managed as a directorate risk and there was a shared risk register with Worcestershire.

A member queried whether the recruitment of short breaks, regular monitoring related to the recruitment of short break providers and when the wording on the risk was last reviewed. The business intelligence officer would ask the children’s wellbeing

directorate what controls were in place and provide an update as part of the next corporate risk register report.

**RESOLVED**

**That the report be noted.**

**219. ENERGY FROM WASTE (EFW) LOAN UPDATE**

The chief finance and S151 officer presented the energy from waste loan update.

It was reported that the plant was now becoming operational and the loan was making repayments. There were no breaches during the drawdown phase and the technical handover of the plant had been delayed by two days.

Following a query from a member of the committee, it was confirmed that the two waivers which had been approved enabled a smooth transition period.

The committee agreed that unless there were exceptional reasons, a report on the energy from waste loan be presented on an annual basis.

**RESOLVED**

**That:**

- (a) the risks to the council, as lender, are confirmed as being reasonable and appropriate having regard to the risks typically assumed by long term senior funders to waste projects in the United Kingdom and best banking practice; and**
- (b) arrangements for the administration of the loan are reviewed and, having regard to the advice of external advisors, confirmed as satisfactory.**

**220. ACCOUNTING POLICIES UPDATE**

The chief finance and S151 officer presented the accounting policy update.

It was noted that when Hoople Ltd was set up, council staff were transferred with their pension obligation and the council acted as a guarantor for the pension liability. It was noted that the treatment, recognition and reporting of the pension liability had not been clear in previous sets of council's accounts and this policy update would resolve this issue. An independent actuary, Mercers, had been commissioned to provide an opinion on the valuation of the pension liability and these figures were reflected in the report.

It was further noted that the external auditors were looking at this accounting policy update as part of their audit.

It was agreed that the report be deferred to the September meeting in order that the external auditors' opinion could be taken into account.

**RESOLVED**

**That the report be deferred until 20 September 2017.**

## **221. ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY 2017**

The chief internal auditor presented the anti-fraud, bribery and corruption policy 2017. The policy was based on the previous policy and changes were minimal. A fraud triangle diagram had been introduced which illustrated the three key elements of fraud, bribery or corruption.

Following a query from a member, it was confirmed that a decision to refer to the police could take place at any point during or after the investigation, it would depend on the nature of the potential fraud. No time limit was put in place for any investigation as the length of any queries could vary depending on the complexity of the alleged fraud, etc.

It was noted that the strategy focused on financial types of fraud but there were other ways in which people could behave in a fraudulent way. This could mean that there may not be a documented audit trail. The chief internal auditor confirmed it would be a matter of judgement as to whether something was written down but that there would be supporting information which would detail how the decision was made.

It was confirmed that the council would normally seek to recover losses and this may be via internal process or the courts.

The committee requested that a cross-reference was made to the need to keep records as set out in the council's records management policy.

### **RESOLVED**

**That the anti-fraud, bribery and corruption policy 2017 be approved.**

## **222. WORK PROGRAMME UPDATE**

The committee's updated work programme was presented. The following amendments to the work programme were agreed:

- Corporate risk register – move to November meeting (from September 2017)
- Code of conduct report – move to September (from January 2018)
- Accounting policy update – deferred from July committee meeting
- Breach of confidentiality report – September 2017
- Overview of council's constitution - process for doing so – November 2017

### **RESOLVED**

**That subject to the amendments agreed at the meeting, updated work programme be agreed.**

The meeting ended at 3.50 pm

**Chairman**