

Minutes of the meeting of Audit and governance committee held at On line meeting only on Friday 25 September 2020 at 10.30 am

Present: Councillor Nigel Shaw (chairperson)
Councillor Christy Bolderson (vice-chairperson)

Councillors: Dave Boulter, Peter Jinman, Bob Matthews, Diana Toynbee and Yolande Watson

Officers: Solicitor to the council, Chief finance officer and Interim Head of Legal Services, corporate finance manager, acting expert advisor, special engineering projects and commissioning and contract manager

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

2. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. MINUTES

RESOLVED:

That the minutes of the meeting held on 30 July 2020 be confirmed as a correct record and signed by the chairperson.

5. QUESTIONS FROM MEMBERS OF THE PUBLIC

Questions received and responses given are attached as appendix 1 to the minutes.

6. QUESTIONS FROM COUNCILLORS

There were no questions from councillors.

7. RE-THINKING GOVERNANCE

The solicitor to the council presented the report and highlighted that this represented extensive work undertaken by the cross-party re-thinking governance working group. The working group felt that after considering the feedback from all members and reviewing the issues, that the existing cabinet system could be improved. It was felt that there was benefit in improving the current system rather than move to a committee system which had a five year lock in period. The working group were also recommending that any changes were reviewed in one year's time to ensure that the changes had achieved their purpose.

It was noted that following a decision at Council in October 2020, there would be detailed work undertaken between October and May 2021 to re-write the Constitution.

It was further noted that it had been useful to have a cross party working group. It was hoped that the flexibility of recommendations could be taken advantage of.

The work had been and would continue to be undertaken collaboratively and members' views taken into account.

The solicitor to the council confirmed that if the May 2021 Council date was missed, then the next time Council would be able to vote on the matter would be at July Council.

It was anticipated that the work involved could be split into sub-divisions which would enable individual councillors to be involved in their areas of interests. The timing of these meetings would need to take into account the availability of councillors.

This was an opportunity to make changes which would ensure the engagement of the public and councillors.

A member of the committee suggested that as there were a number of newly elected councillors, it may be sensible that councillors observe more than the committee they sat on so that there was a broad understanding of how each committee worked.

It was noted that the working group represented membership from all political groups and it had unanimously resolved to support the recommendation to the committee.

RESOLVED that

having regard to the work undertaken by the Re thinking Governance working group, a hybrid cabinet model of governance be recommended to full Council with implementation with effect from annual council in May 2021.

8. EXTERNAL AUDIT PROGRESS UPDATE

It was noted that due to Covid-19 the external audit timetable had been extended to 30 November. The audit had been a slower process than normally expected but measures were now in place to progress it.

The effect of Covid-19 on the value for money opinion would be a factor for the 2020/21 audit.

The Redmond Review had been published and Grant Thornton would be presenting a report to the committee at its meeting on 14 October on the recommendations contained within the review.

Following a request from Grant Thornton, the council had amended information in a couple of areas (details contained on page 44 of the agenda pack). It was reported that there were no common threads as to the areas which had been requested to be amended.

Grant Thornton confirmed that they were no difficulties in obtaining the information required for the audit and there were secure file sharing processes in place.

It was noted that there would be uncertainty over property valuations for some time but this would have very little direct impact on councils as property valuations do not drive

council tax levels. However, Grant Thornton would urge caution in connection with the valuation of commercial property.

Following a query from a member of the committee, it was confirmed that there would be 6-9 months' notification of any potential issues in connection with a S114 judgement. Details would come through Cabinet, Audit and Governance Committee and other committees. It was noted that the council would have to make tough budgeting decisions due to the Covid-19 but the Chief Finance Officer was comfortable that there were sufficient reserves and that the council were engaging with stakeholder groups, including Government. The position was being actively monitored.

Following a query from a member of the committee, it was confirmed that there was liaison between internal and external audit. The internal audit plan was developed on a risk basis and that a number of sources were used in developing the plan. There would be audits where no control issues had been identified. If this was the case, then the area would not be audited for approximately 3 years.

RESOLVED that

the progress report and sector update attached at appendix 1 was reviewed.

9. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2019/20

South West Audit Partnership presented the report and highlighted that:

- The annual opinion was to support the annual governance statement.
- The sources used to inform the opinion were contained within the report. .
- The senior management team were supportive of SWAP's recommendations and that there was a good relationship with senior management.
- There had been a significant increase in advisory audits.
- There had been a decrease in partial assurance audits (10.5% down from 18% in the previous year).
- The number of priority findings had increased.
- There were findings that the governance processes were not being followed in capital projects and record of officer decisions. This was an area for improvement which the council had identified and there were revised arrangements in place. A member of the committee commented that it was good to see that these areas were still being raised but they believed there had been an improvement.

In discussion of the item, the following points were discussed:

- That there had been some areas of duplication and fraudulent activity with regard to the small business grants. An update on the work in connection with counter fraud would be provided to the committee at its next meeting.
- An advisory audit was undertaken as there was perceived to be a weakness or risk in the service area. This then supported the manager in their understanding of the weakness and the recommendations in place to improve the service area.
- The annual audit opinion took into account all audits.
- Priority 1 and 2 findings of all audits were reported to the committee.
- Advisory audits were equally as important as substantive audits as they potentially targeted higher risk areas.
- The number of advisory audits was closely monitored.
- As the financial year progressed, there will be changes to the internal audit plan due to a request to look at a particular area. At this stage, there would be a discussion about whether it would be undertaken as an opinion or advisory audit.

- An opinion audit could change into an advisory audit. SWAP would prefer to provide an opinion, but they would not wish to discourage officers from approaching them to undertake audits where they thought there may be weaknesses. An audit opinion gave the committee better assurance and understanding of what was going on irrespective of whether an officer had highlighted concerns. Advisory audits did not provide an opinion as to the level of assurance.
- The members expenses audit was briefly discussed and SWAP confirmed that there had been a number of findings which had been reported to the committee. It was agreed that a copy of the report would be circulated to committee members.
- The HomePoint award of system contract was discussed. This was an allocation system which displayed available social housing operated by the various housing association trusts operating within Herefordshire. The committee were grateful for the audit raising points which required more scrutiny in the decision making process.
- SWAP did try to highlight where there had been similar recommendations from past audits.
- It was agreed that the review date of the next service level agreement with SWAP would be provided to the clerk so that an agenda item could be added to the appropriate committee year and / or date.
- If an audit had been deferred and replaced by other work in the year, it would be considered in the following year's plan.

RESOLVED that:

- (a) The members expenses audit to be shared with the audit and governance committee members.**
- (b) Officers consider and bring back to the committee a process of advising the audit and governance committee of a change from an audit opinion report to an advisory audit.**
- (c) Officers to include details of similar recommendations from previous internal audit recommendations in the summary provided by South West Audit Partnership**
- (d) Officers to let the clerk to the committee know when the SLA with SWAP is to be reviewed so that an item can be included in the work programme for the relevant municipal year.**
- (e) SWAP to provide details of the number of responses received from officers in relation to internal audits with regard to the audits undertaken.**

10. PROGRESS REPORT ON 2020/21 INTERNAL AUDIT PLAN PROPOSED REVISED INTERNAL AUDIT PLAN 2020/21

SWAP presented the report and highlighted:

- Three audits had been completed; 2 were at report stage and that 9 were in progress.
- An additional audit in connection with commissioning and value for money – BBLP had also been completed.

Procurement Cards

Following a query from a member of the committee, the corporate finance manager confirmed that an email reminder had been sent out to 130 people who possessed a procurement card as this was the most appropriate way to undertake the action. A sharepoint site had now been set up for procurement card holders to upload receipts. There were other controls in place which included testing by the team. Spend had always been monitored but receipts had not been checked.

If there was a failure to follow the appropriate processes, the advice from internal audit had been to monitor the situation for 3 months and if there were persistent offenders then the appropriate HR process should be followed. It was also noted that the relevant line manager would be notified at an early stage. It was noted that the maximum per month that could be spent was £15k with a single item maximum of £5k. Any extraordinary spend would also be highlighted.

It was confirmed that managers are trained and do understand their financial responsibility.

Commissioning and Value for Money – BBLP

The number of recommendations and findings in connection with the commissioning and value for value – BBLP audit did not necessarily correlate with the findings of the external consultant report which had been presented to Cabinet on 24 September 2020. SWAP confirmed that they had seen the draft external consultant's report. It was noted that there were links between the two reports and that Cabinet would be monitoring the improvement plan in six months' time. SWAP indicated that there could be a request at some point from the Chief Finance Officer as to the progress on the implementation of the external consultant's recommendations.

As it was approaching the 3 hour time limit on public meetings, it was agreed that meeting would continue to 1.45 pm but that the Energy from Waste item and the work programme would be deferred to the meeting due to be held on 14 October 2020.

Following a query from a member of the committee, it was explained that due to Covid-19 there had been delay with regard to the decision in connection with the contract extension. However, it was confirmed that this decision would be completed in an appropriate fashion by the November 2020 deadline. The chief finance officer reminded the committee, that Cabinet had considered a performance report in connection with BBLP.

In response to a query from a member of the committee, it was agreed that the chairperson and solicitor to the council would consider requesting that the General Scrutiny Committee scrutinise the council's preparedness for Brexit as it was a risk to the council. It was noted that the critical details were still awaited from government.

Revised internal audit plan for 2020/21

It was agreed that this section of the report be deferred until the meeting on 14 October 2020 at 10.30 am.

RESOLVED that:

- a) **Chair and the monitoring officer to consider asking General Scrutiny Committee to scrutinise the council's preparedness for Brexit and to raise the matter with the chief executive.**
- b) **Members of the committee be provided a copy of the Commissioning and Value for Money – BBLP.**

11. ENERGY FROM WASTE LOAN UPDATE

This item was deferred to the meeting due to be held on 14 October 2020.

12. ANNUAL REPORT ON CODE OF CONDUCT

The solicitor to the council presented the report and introduced the two independent persons for standards, Claire Jenkins and Jake Bharier, who were available to answer questions.

The following points were highlighted:

- Support from independent persons to councillors subject to complaints was now available.
- A review of the arrangements would be taking place with the independent persons for standards.
- There had been an increase in allegations of a failure to declare an interest.
- Other course of action had been used in clusters of complaints in parish councils.
- The standards panel had reviewed 28 complaints and that there was a good level of assurance in the complaints process.

Following a query from a member of the committee, the solicitor to the council confirmed that if a parish council goes inquorate, then as a principal authority, Herefordshire Council, would need to step in.

It was also confirmed that if there were complaints about the monitoring officer, then the corporate complaints process could be used. If there were complaints about the process used to determine complaints, then the complainant or subject member could appeal and if it met the criteria a standards panel would be convened to hear the appeal.

It was explained that there were regular IP conferences which provided an opportunity to ensure that best practice was being used and to demonstrate that there was a shared learning experience and that there was continuous improvement.

The independent persons were thanked for their time.

It was agreed that the parish councils would be consulted on the arrangements for dealing with code of conduct complaints.

RESOLVED that:

- (a) the recommendations from the standards panel advising this committee (appendix 1), following their annual sampling exercise, are considered and are adopted as appropriate into the action tracker**
- (b) summary of the Nolan principles could be included in the agenda papers for Herefordshire Council committee agendas and to encourage parish council to adopt the same approach.**
- (c) The parish councils be consulted on the arrangements for dealing with code of conduct complaints.**

13. WORK PROGRAMME UPDATE

This item was deferred to the meeting due to be held on 14 October 2020.

The meeting ended at 13.52pm

Chairperson