

## **Minutes of the meeting of Audit and governance committee held at Three Counties Hotel, Belmont Road, Belmont, Hereford, HR2 7BP on Monday 28 June 2021 at 10.30 am**

**Present:** Councillors Nigel Shaw (Chairperson), Christy Bolderson (Vice-chairperson), Dave Boulter, Peter Jinman, Bob Matthews, Jenny Bartlett and David Summers

**In attendance:** Councillors David Hitchiner (Leader of the Council) and Liz Harvey (Cabinet member - finance, corporate services and planning)\*

**Officers:** Claire Ward (Acting deputy chief executive - solicitor to the council), Andrew Lovegrove (Acting deputy chief executive - chief finance officer), Josie Rushgrove (Head of corporate finance)\*, Kevin Bishop (Lead development manager)\*, Andy Churcher (Portfolio manager)\*, Yvonne Coleman (Planning obligations manager)\*, Andrew Husband (Strategic property services manager)\*, Chris Jenner (Assistant director for technical services)\*, Jonathan Nelson (Counter fraud specialist)\*, Ben Baugh (Democratic services officer) and Jenny Preece (Democratic services officer)

**Others present:** Jacqui Gooding (South West Audit Partnership)\* and Amy Probert (South West Audit Partnership)\*

[\* attended as virtual participant(s)]

### **1 APOLOGIES FOR ABSENCE**

Apologies for absence had been received from committee member Councillor Yolande Watson.

### **2 NAMED SUBSTITUTES**

Councillor David Summers attended the meeting as a substitute member for Councillor Yolande Watson.

### **3 DECLARATIONS OF INTEREST**

No declarations of interest were made.

### **4 QUESTIONS FROM MEMBERS OF THE PUBLIC**

No questions had been received from members of the public.

### **5 QUESTIONS FROM COUNCILLORS**

No questions had been received from councillors.

### **6 MINUTES**

The minutes of the meeting held on 4 May 2021 were received.

Attention was drawn to the action log attached to the minutes. It was suggested that action owners be asked to comment on the reasons why actions had not been completed by the due dates and, if necessary, invite them to request revised due dates. There was a brief discussion about the need to interrogate the reasoning behind due dates to ensure that they met the

expectations of the committee, and to identify clearly where changes had been made to the action log.

**RESOLVED: That the minutes of the meeting held on 4 May 2021 be approved as a correct record and be signed by the chairperson.**

## **7 PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY**

The committee considered the progress report on internal audit activity.

Representatives of South West Audit Partnership (SWAP) presented the report and highlighted the following key points:

- i. Since the last update, eighteen audits had been completed, two audits were at report stage, eleven audits were in progress, and two follow ups had been completed.
- ii. For the audits completed: two were limited assurance; six were reasonable assurance; three were substantial assurance; four were grant certifications and were reasonable; two were advisory audits; and one was a Covid-19 advisory audit.
- iii. In the period covered by the report, six priority 2 recommendations had been made: Section 106 agreements had two; Education Health Care Plans had one; commercial investments had two; and accounts receivable had one. No final reports identified high corporate risks.
- iv. The pandemic and associated additional work had impacted on some of the timescales for the completion of audits, with priority being given to the completion of the 2020/21 audits ready for the annual opinion.
- v. Attention was drawn to: the approved changes to 2021/22 quarter 1 internal audit plan, as a result of requests for additional pieces of work, including grant certifications; the proposed 2021/22 quarter 2 plan; and the counter fraud update.

Questions and comments were invited from committee members on the priority 2 findings, and responses were provided by the attending officers, the principal points included:

### Section 106 agreements

1. It had not been found that resourcing in legal services had impacted upon the delivery of Section 106 agreements.
2. Reference to 'external organisations' related to bodies such as the Environment Agency and Herefordshire and Worcestershire Clinical Commissioning Group in the sentence 'With regards to reporting on the Section 106 monies paid to external organisations, the Planning Obligations Manager will write to those organisations on a biannual basis outlining what money they have received and asking them to advise the council on what the monies have been spent' (agenda page 32). It was confirmed that the finding arose from gaps in information and the need for improved recording.
3. The committee was advised that the action dates reflected the need to develop and implement an appropriate software system.
4. The action 'information in relation to Section 106 monies held by council should be reported on a biannual basis to senior management' (agenda page 31) would be delivered through the council's management board, rather than cabinet.

5. It was reported that the council held £9.1m in Section 106 monies, split across twelve service areas; the largest funding pot being for transport / highways of £4.2m. It was noted that some agreements had expiry dates but others did not. It was requested that details of the proportion that had passed the repayment date be circulated to committee members.
6. The committee was advised that the infrastructure funding statement identified the financial contributions secured and the monies spent on an annual basis. The committee discussed the need to monitor each service area to ensure that the monies were spent in the requisite timescale and to avoid inflation diminishing the value of the monies secured.
7. In response to a comment about information for ward councillors and local councils, attention was drawn to the 'Section 106 contributions search' facility on the council's website: [www.herefordshire.gov.uk/local-plan-1/section-106-planning-obligations/3](http://www.herefordshire.gov.uk/local-plan-1/section-106-planning-obligations/3).
8. It was reported that the amount held was not unusual and monies were being spent proactively and some capital projects required an amalgamation of funding. It was also reported that a piece of work was being undertaken on the management of the spend of transport / highways monies.
9. The process for reflecting internal audit recommendations in the budget and in risk registers was questioned. The solicitor to the council provided an overview of the risk escalation process and of the role of corporate services going forward. There was a brief discussion about the resourcing challenges associated with the commissioning of transport / highways projects and it was requested that further information be circulated to committee members.
10. It was recommended that enhanced training be provided for all members on Section 106.
11. It was confirmed that follow up audits would be completed where the auditor could only provide limited assurance.
12. The chief finance officer recognised the concern about the pace of Section 106 monies being deployed and said that the planning obligations team and corporate services would look at this jointly; reference was also made to the potential for the council to lend money to itself to progress certain schemes in advance of some developer contributions being received. In response to a question, it was confirmed that Section 106 agreements were index linked from the date of the agreement to the date of the payment.

#### Education Health Care (EHC) Plans

13. An outline was provided of the further investigations being undertaken by the service area on the reasons for some EHC Plans not being recorded in the Synergy system and the longer term intention to use a different element of the system for the recording.
14. The committee was advised that the absence of records of completed annual reviews for 47 of 93 EHC Plans did not necessarily mean that no actions had been undertaken but it could not be guaranteed that there had been no impact on children as a result of this situation. It was noted that the follow up audit would be of interest to the committee.

#### Commercial investments

15. In relation to the monitoring of income and expenditure for Maylord shopping centre, an outline was provided of the work being undertaken to improve the information being received from the agent and the related processes. It was reported that there was an

annual financial plan, and a medium and long term financial plan was in development as part of the overall strategy for the site.

16. The arrangements for the annual service charge budget and payments were explained. It was requested that appropriate details of the deduction of £172k for expenditure paid on behalf of the council be provided to committee members. Clarification would also be provided on whether the audit included other payments / deductions.
17. The cabinet member - finance, corporate services and planning welcomed the audit and commented on some issues that had been identified with the contractor's practices.
18. The chairperson noted that there was a learning curve associated with the management of a commercial enterprise in this way and the importance of the follow up audit.
19. In relation to the payment process control issue, the chairperson expressed concern about the action date of 31 January 2022. It was explained that the issue had been addressed and the date reflected the next scheduled review and update to the Contract and Financial Procedure Rules.

#### Accounts receivable

20. The committee was advised about improvements to the reports on aged debt to enable budget holders to interpret the results better, work undertaken to move from a manual to an automated process for issuing statements, and the intention to revisit the Debt Recovery Policy before 31 November 2021.

Questions and comments were also invited from committee members on the follow up audits, and responses were provided by the attending officers, the principal points included:

#### Treasury management

21. It was confirmed that the monthly payroll figures were now being shared with the head of corporate finance.
22. It was commented that, as this had been a long outstanding recommendation, the committee might have expected this to have been reported earlier, such as in the update on internal audit recommendations.

#### Project management / Home Point

23. It was confirmed that the Programme Management Office (PMO) had introduced a new project management process and related documentation, and the Verto project management tool had been updated accordingly. Extensions to the target dates had been sought to enable a full review to be undertaken of the existing process and significant changes to be made.
24. An overview was provided of the implementation of new software to manage registered providers of housing but, with project closure and transfer to 'business as usual', the PMO officers present could not comment on current usage by the housing service.
25. It was acknowledged by SWAP that the presentation of such follow up audits could be reviewed to ensure that the recommendations for different audits could be differentiated more easily in the future, e.g. separating the general project management actions from a specific action relating to Home Point.

26. Comments were made about the need for timely completion of agreed actions and for appropriate reporting where original target dates could not be met. It was requested that the head of corporate performance be asked to confirm that the position and completion of actions identified in follow up audits would be captured in the council's action tracking.
27. An overview was provided of the lines on the capital programme being managed on Verto currently. The prioritisation of projects and migration of existing projects were also outlined. It was reported that there were challenges around the recruitment of project managers and project support staff currently.
28. Concerns were expressed about the potential risks associated with projects not being delivered or with internal audit recommendations not being actioned. It was emphasised that, whilst not all projects were on Verto, projects reported to a project board. Further details were also provided about the recruitment and deployment of PMO staff.
29. The cabinet member - finance, corporate services and planning commented on historic issues with project management, the need to create the PMO and to recruit people with the appropriate skillsets internally or externally, and the importance of spreading project management culture and ethos throughout the whole organisation.
30. It was reported that sessions on the new process had been provided to the leadership group, some service teams and members. It was confirmed that an e-learning package was in development to help officers understand the process and the PMO intranet site had been updated recently.
31. The committee was advised that the number of lines on capital programme being managed on Verto was higher than 50% and it was agreed that further details would be circulated to committee members.

Attention was drawn to the summary of recommendations by priority per quarter for 2020/21 (agenda page 42) and to the increase in Priority 3 recommendations in quarter 4. It was reported that this was primarily due to the completion of the eighteen audits in that timeframe.

Attention was also drawn to the revised internal audit work plan quarter 1 2021-22 (agenda page 52) and to the number of audits not started. It was confirmed that SWAP were behind with the plan and it was reiterated that priority was being given to the completion of the 2020/21 audits. It was also reported that SWAP had recruited a new team member recently which would help with the backlog and to move forward as quickly as possible.

A brief overview was provided of the audit of 'loss of monies – Children's – Special Investigation' (referenced on agenda page 51). The chief finance officer advised that the money had not been recovered and that the matter had been reported to the police. Assurance was provided that the changes that had been made should prevent a reoccurrence of this type of incident.

The committee considered recommendations and actions, and agreed the following resolution.

**RESOLVED: That**

- a. the committee has reviewed performance against the approved plan;
- b. the committee has considered the assurances provided and the recommendations which the report makes;
- c. the proposed 2nd quarter internal audit plan 2021-22, appendix A to the report, has been reviewed;

- d. the corporate fraud update has been noted; and
- e. the following actions be agreed:
  - i. that training be arranged for councillors in relation to Section 106, including the facility to access publicly available information and the processes involved;
  - ii. information on the position with Section 106 monies held, including timelines and quantification of the value of unspent money which exceeds the repayment dates be circulated to committee members;
  - iii. information on the treatment of Section 106 monies for transport / highways be circulated to committee members;
  - iv. appropriate details of the deduction of £172k for expenditure paid on behalf of the council in relation to Maylord shopping centre be circulated to committee members;
  - v. that it be made clear in future internal audit plan progress reports which specific audits the follow-ups relate to;
  - vi. that follow-up audits completion be captured in action tracking by the head of corporate performance; and
  - vii. that the number of lines of the capital programme and proportion of capital spend being managed through Verto be circulated to committee members.

## **8 COUNTER FRAUD AND CORRUPTION STRATEGY UPDATE**

The committee considered the updated counter fraud and corruption strategy 2021-2024.

It was noted that the committee had considered a draft document at its meeting on 26 January 2021 (minute 45 of 2020/21 refers) and the revisions that had been made in response to the recommended actions identified by the committee were explained in detail.

Attention was drawn to the fraud response flowchart (agenda page 75) and it was commented that 'consider lessons learned' was just as important for a successful outcome as for an unsuccessful outcome. It was agreed that the flowchart would be adjusted accordingly.

**RESOLVED: That, subject to the identified adjustment to the fraud response flowchart, the updated Counter Fraud and Corruption Strategy 2021-2024, as attached at appendix A to the report, be agreed.**

## **9 WORK PROGRAMME UPDATE**

It was requested that the work programme document be printed for members at an appropriate scale for ease of review at future committee meetings. It was also requested that the use of shading and colour on the document be reviewed.

**RESOLVED: That the work programme be agreed.**

The meeting ended at 1.00 pm

Chairperson