

**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 26 November 2014 at 10.00 am**

**Present:** Councillor JG Jarvis (Chairman)  
Councillor EMK Chave (Vice-Chairman)

Councillors: CNH Attwood, WLS Bowen, BA Durkin, EPJ Harvey,  
Brig P Jones CBE and J Stone

**In attendance:** Councillor TM James

**Officers:** Bill Norman (Assistant Director, Governance), Peter Robinson (Section 151 Officer), Phil Jones (Grant Thornton), Terry Tobin (Grant Thornton), Jacqui Gooding (South West Audit Partnership), Ian Baker (South West Audit Partnership)

**28. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors PGH Cutter and MAF Hubbard.

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

In accordance with paragraph 4.1.23 of the Council's Constitution, Councillor BA Durkin attended the meeting as a substitute member for Councillor PGH Cutter and Councillor EPJ Harvey attended the meeting as a substitute member for Councillor MAF Hubbard.

**30. DECLARATIONS OF INTEREST**

Councillor JG Jarvis wished it to be noted that for Item 6 of the agenda he would hand the chairmanship to Councillor EMK Chave as he was Leader of the Council between 2011 and 2013, which was the period the CRM system was put into place, although decisions concerning its implementation were made before this period.

**31. MINUTES**

A member raised a point of clarification on the minutes relating to item The Review of the Council's Audit Findings Report for 2013/14 concerning the Energy for Waste Plant part of the report. It was confirmed that the minutes were a correct record as the discussion on this matter had been limited due to the objection Grant Thornton have received from a member of the public.

A member pointed out a spelling mistake of Colwall School in item 23 of the minutes.

**Resolved: That the minutes of the meeting held on 29 September 2014 be confirmed as a correct record and signed by the Chairman.**

## 32. ANNUAL AUDIT LETTER 2013/14

The council's external auditors Grant Thornton UK LLP presented the committee with the statutory Annual Audit Letter (AAL) for 2013/14. The letter sets out the unqualified audit opinion on both the financial statements and Value for Money conclusion. This is an improvement on the position last year when a qualified opinion was given.

Grant Thornton UK LLP wished to thank all of the staff involved in the audit for their co-operation and hard work.

Grant Thornton UK LLP pointed out the key message referring to their Public Information Disclosure Act (PIDA) investigation and that important lessons need to be learnt from the project this refers to. They are pleased to note the committee are taking the matter seriously with its ongoing work.

The unqualified Value for Money conclusion is taken on the view that the proper arrangements are in place to secure efficiency, effectiveness and economy. They have noted the review of the Energy to Waste Plant (EfW), the latest Ofsted report and the financial control systems in this conclusion.

Concerning the EfW issue Grant Thornton UK LLP confirmed their work is still continuing following the receipt of an objection from a member of the public concerning this issue. The ongoing consideration of the objection means they are limited to the answers they can give the committee on this subject as they do not want to affect the ongoing work.

Following a member's enquiry Grant Thornton UK LLP confirmed they are unable to give a timescale for the work around the objection due to the complexity of the history of the subject and the level of detailed work required but the committee would be kept informed of the progress of the work.

In reply to a member's enquiry about the nature of the work Grant Thornton UK LLP are doing concerning the objection it was confirmed further detail concerning this can be found in the Audit Findings Report, which was presented to this committee on the 29 September 2014. Grant Thornton UK LLP is looking at a decision taken in 2009 and the governance surrounding how an expert option was accepted.

Following a member raising concern at if this committee would need to look at the matters concerning the EfW plant in future the Chairman confirmed this matter would be included in the ongoing agenda planning.

In answer to a member's enquiry about their recommendation concerning property valuations Grant Thornton UK LLP advised they are not strongly critical of the valuation process as it is, but the Chartered Institute of Public Finance and Accountancy (CIPFA) has updated its guidance concerning the valuation of assets. This recommendation has therefore been made to most Local Authorities in light of the change in guidance. Grant Thornton UK LLP added that CIPFA recommend valuations are done every 5 years, but checked each year to ensure the valuation at the end of the 5 years will be accurate. It was further confirmed the policy referred to in the report to be agreed by 1 November 2014 was now in place.

A member asked for further clarification of the recommendation concerning commitment accounting. Grant Thornton UK LLP confirmed this is a system where rather than waiting for an invoice to put on the system an order is committed to the service at the point it is raised. The Section 151 Officer went on to advise that orders are placed on the system each month for goods and services, essentially accrued. However, this is not done for residential and nursing care, where a forecast is done to the end of the financial year based on current occupancy levels.

In answer to a member's query about issues surrounding payments going over the year end process the Section 151 Officer confirmed that since 1 April 2014 payments are not issued without an order, therefore the commitment to the payment is already in the system.

Concerning the accounting of projects, the Section 151 Officer confirmed nothing is added to the accounts without an order being in place. However, he did confirm further work is being done around capital projects where the system could be improved upon.

A member pointed out the importance of clear information to members concerning savings schemes, as this would lead to a better debate on subjects where savings are being made. The Section 151 Officer confirmed more detail on savings would be included in the budget monitoring report that will be going to Cabinet in December 2014. An Audit and Governance Committee task group is meeting to review this information in advance of its dispatch to Cabinet. Grant Thornton UK LLP advised they are aware of other Local Authorities that have tackled this issue well and will pass on the details to officers.

**Resolved: That the Audit & Governance Committee discuss and take note of the content of the Annual Audit Letter for 2013/14 attached to the report.**

### **33. FOLLOW UP TO OUTCOME OF PUBLIC INTEREST DISCLOSURE ACT INVESTIGATION**

The Assistant Director, Governance presented members with his report, as a follow up to the PIDA report investigation carried out by Grant Thornton UK LLP, giving details of what is done differently with major projects in the organisation since the Customer Relation Management (CRM) system was implemented.

It was explained that text had been lifted from the Grant Thornton UK LLP report to ensure the original meaning of the words remained. The text in bold writing in the report was to highlight what, in his opinion, had changed.

The report was based on the Grant Thornton UK LLP report as the focus of this was a criticism of a major procurement exercise. It was not, in the time frame required of the report, on wider governance issues.

The Assistant Director, Governance, explained he felt the reasons for the failure of the CRM project were the failure of the project team to engage with all of the departments affected by the new system, therefore failing to get buy in from them, and consequently the projected savings were not achieved. The current senior management team is harmonious in nature and able to discuss matters openly in a collegiate manner. The current financial environment also means there is no room for unrealistic projections.

Concern was raised by a member concerning the timing of the CRM implementation, with the key decision being made in March 2011, during the purdah period, and the contract for the software being signed 10 days after the election in that year. Questions were raised about whether rules should be in place concerning the timing of decisions and contracts around elections.

The Assistant Director, Governance, advised there had been no points raised in the Grant Thornton report, or the complaint made, concerning the political timing of the decision. However, he went on to say the pace at which the decision had been made had meant there had been no time to prepare for and gain cross organisation take up; and it was this lack of corporate buy in had led to the projected savings not being fully

delivered. It was also pointed out that, with the rules used today the decision taken would now be a member decision rather than an officer decision.

A member raised concerns about the wider governance issues and pointed out that if good governance is in place, even without a collegiate atmosphere, good work will still be achieved. The Assistant Director, Governance agreed it is important that good organisational working is carried forward as administrations, or committee membership changes.

As part of the work of the Task and Finish Group members made the following suggestions as areas of its work. It was concluded that members of the group will meet on the 4 December 2014 to decide what areas it is going to concentrate on and what areas it will recommend to pass onto the next administration.

- The management and monitoring of savings schemes.
- Concerns about the timing and pace of decisions; the level at which decisions are made; and decision-making during the purdah period.
- Collective working of members and officers to be embedded into the governance structure.
- Reports and statistical data concerning staff issues such as bullying, harassment and whistleblowing.
- Request the Digital Strategy Task and Finish Group review the way forward for the CRM system, and whether any further value for money be saved.

**Resolved: That**

**(a) This report be noted; and**

**(b) Following the discussions held at the meeting, the Task and Finish Group meet on 4 December 2014 to decide on the scope of its work and what it will recommend be passed to the Audit and Governance Committee following the elections in May 2015.**

#### **34. PROGRESS REPORT ON 2014/15 INTERNAL AUDIT PLAN**

The council's internal auditors, the South West Audit Partnership (SWAP) presented members with an update of their internal audit work with a summary of the work completed up to 7 November 2014. For the audits completed to this date none have been assessed as partial or no assurance. As further reports come through they will be reported on to the committee.

It was confirmed that all of the audits for quarter 2 are in progress and the work in quarter 3 will include key financial controls. It was confirmed the draft report on a special review mentioned on page 6 of their report was now finalised and its recommendations agreed with officers. The 2015/16 audit plan will include follow up work concerning some issues identified as part of the review.

Following a member's query SWAP confirmed the grant money for troubled families is paid both by results and when troubled families are identified.

In reply to a member's query on the details of the income collection audit area that currently is at the drafting stage, SWAP confirmed the details of the area the audit is looking at will be reported to the member.

The Section 151 Officer went on to say that charging is reviewed on an annual basis with the two main areas of Council Tax and car parking being those focussed upon. He

confirmed the income charging guidelines from 2012 are being adhered to. SWAP went on to add that they can add this area to next year's work programme.

SWAP confirmed the items not yet started will be completed. Some items may move onto next year's plan where, unless other areas become of a higher importance, they will take place. Meetings in January 2015 will take place to confirm the ongoing programme.

**Resolved: That subject to any comments the committee wishes to make the report be noted.**

### **35. DRAFT ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY 2014**

SWAP presented members with the draft Anti-Fraud, Bribery and Corruption policy for their comment. The draft document will need to go through the council's governance process, so a timescale for its implementation could not be given.

The draft policy is an updated version of the current policy and SWAP pointed out the main amendments. The priorities at paragraphs 1.4 and 1.5 are additions to the existing policy and section 9 concerning the recovery of losses has been re written.

SWAP confirmed the document is still to be formatted and the intention at the end of the document is to have a section explaining how it links to other policies.

Following a query concerning whistleblowing it was confirmed the policy concerning this is being re written and will be presented to the committee in January 2015. It was pointed out that 4.2 of the draft policy gives details of the actions members should take.

With regard to the use of telephone numbers and job titles used within the report, members suggested a front sheet could be used with this information that could be updated without the need to change the policy document.

Members asked for further information concerning part 7 of the report which details investigations. SWAP confirmed that it depends of the nature of the allegations as to when, or if, during an investigation the matter is passed to the Police. They took on board comments concerning the decisions going through senior management at the council but felt they had confidence in the governance process that would lead to a police referral.

Concerning the Police and Criminal Evidence Act (PACE) SWAP confirmed that not all of its officers are trained as PACE interviewers but have other levels of qualifications such as being ACFE qualified or have had forensic training. Concerning the PACE training, they have found that as long as the evidence to the Police is of the required standard this is sufficient.

**Resolved: That the Audit and Governance Committee comment on the draft update of the Anti-Fraud, Bribery and Corruption Policy.**

### **36. BUDGET MONITORING REPORT**

The Section 151 Officer presented members with the Budget Monitoring Report setting out the financial position up to the end of August 2014. This was the same report that went to Cabinet on the 9 October 2014. It confirms that although there were additional pressures in Adult and Wellbeing and Children's Wellbeing the forecast was a break even position.

The Section 151 Officer confirmed this position was unchanged as at the end of October 2014. This would be reported to Cabinet in December 2014 along with additional

information concerning savings monitoring. In reply to a member's question about the cost of maintaining old buildings the Section 151 Officer confirmed choices had been made about which older buildings to make investments in and which to dispose of. The Town Hall does have a maintenance backlog which does cause additional budget pressures.

Members raised concerns about the over spend against budget by the Adult and Wellbeing and Children's Wellbeing teams. The Section 151 Officer confirmed that the policies agreed by council had not changed in these departments. The base budget, being an estimate of spend, had been robust in its assumptions. However both of these teams do have particular difficulties as they are demand led.

Following a member's query about the cost of the new wheelie bins the Section 151 Officer advised that savings in this area will not just come from the additional recycling, but also from the change to fortnightly collections. The council had bought the wheelie bins as it was financially advantageous to do so; however the cost of replacing stolen or damaged bins was within the waste contract. Concerning the pay back loan, the revenue saving is net against borrowing against the bins for a number of years.

A member questioned if the extra funding put into highways improvements and Pot Hole Funding had been spent, or if there was money still in the fund. The Section 151 Officer will report back to the member with the answer to this, but advised the amounts had been approved by Cabinet and 700 pot holes had been repaired in the county.

Following a member's question about the income received by pre planning applications the Chairman of the Task and Finish Group looking at Planning procedures advised he would supply this information.

**Resolved: That the Audit and Governance Committee note the report and the forecast position.**

## **37. RECORDING OF MEETINGS**

The Assistant Director, Governance, presented a report to note the technical amendments to the constitution and a draft protocol for the recording of public meetings following the changes made to regulations by the Local Audit and Accountability Act 2014.

The protocol had been designed to ensure any recording is done in an unobtrusive way and for notices to be displayed meetings. The balance has to be made between the rights of people who wish to record the meetings and the members of the public who may not want to be recorded.

A member pointed out that the regulations do not say that a person has to give prior notice to Governance Services of their intention to record the meeting.

The Assistant Director, Governance, confirmed this is the case, but prior knowledge of the filming would allow organisation of placing of any filming and would limit any disruption or concern felt by people attending the meeting.

It was agreed it would be best for an announcement to be added to the Chairman's script at the beginning of meetings to ask for anyone who is intending to record meetings to let them know, and to inform other members of the public that they might be filmed.

**Resolved: That**

- (a) The amendment of paragraph 4.1.24.1 of the constitution being undertaken by of the Assistant Director Governance to comply with legislation is noted; and
- (b) The draft protocol (at appendix 1) for recording of public meetings of the council be approved with amendments to the Chairman's script at the beginning of meetings to include an announcement of filming.

### **38. ROSS-ON-WYE COMMUNITY GOVERNANCE REVIEW**

The Assistant Director, Governance presented members with a report asking them to recommend to council the second draft order of the Ross-on-Wye Community Governance Review.

Council originally passed the order on the 26 September 2014; however, consent should have been sought from the Local Government Boundary Commission for England before the order was made. That consent has now been obtained. Therefore, the original order is to be revoked and a new order recommended to council for approval.

**Resolved: That the Audit and Governance Committee recommends to Council that:**

- (a) **The County of Herefordshire District Council (Reorganisation of Community Governance) (Ross-on-Wye) Order 2014 be revoked with immediate effect; and**
- (b) **The Assistant Director, Governance be given delegated authority to execute The County of Herefordshire District Council (Reorganisation of Community Governance) (Ross-on-Wye) (No. 2) Order 2014 (to be substantially in the form set out in Appendix 2 to this report, subject to any necessary typographical and/or technical amendments) and publicise the outcome of the community governance review in accordance with section 96 of the Local Government and Public Involvement in Health Act 2007.**

The meeting ended at 12.10 pm

**CHAIRMAN**