

**MINUTES of the meeting of Audit and Governance Committee held at Committee Room 1, Shire Hall, St. Peter's Square, Hereford, HR1 2HX on Thursday 16 July 2015 at 2.00 pm**

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

Councillors: ACR Chappell, DG Harlow, EPJ Harvey, PD Newman OBE, RJ Phillips and LC Tawn

**In attendance:** Councillor AJW Powers

**Officers:** A Brookes, P Robinson

**61. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor J Stone.

**62. NAMED SUBSTITUTES**

There were no substitutions made.

**63. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**64. MINUTES**

**RESOLVED**

**That the minutes of the meeting held on 19 March 2015 be agreed as a correct record of the meeting.**

The chairman referred to an email sent to committee members, and reminded members that the role of Audit and Governance is to establish assurance on the council's audit and governance processes.

It was agreed that the agenda items relating to external audit would be considered earlier in the agenda to allow for visitors from Grant Thornton to leave early for another appointment.

**65. TRANSPARENCY CODE**

The information governance principal officer introduced the updated open data policy for the council which reflects major changes to the Local Government (Transparency Requirements) (England) Regulations 2014, as detailed in the transparency code. The requirements and standards of code have been met as information is being published in open format and there is a procedure to ensure information is published in a timely manner without breaches.

Officers were congratulated for their work on producing the policy.

A member referred to an example of a freedom of information request which was felt to have involved considerable work to access the information, and asked if there was further work required to improve the culture of the organisation and fulfil the ambitions of the "digital by

default” programme, which would enable more choice in customer self-service transactions. The positive improvement in understanding the principles underpinning the freedom of information legislation and willingness to make information available was noted. However, it was acknowledged that more could be done to remove technical barriers preventing information being published in an accessible format. Members were reminded that logging requests for information through the freedom of information process provided a framework for tracking the response to such requests. A more proactive approach to publishing information was being pursued, rather than await requests via the freedom of information process, but in parallel with this, further work was needed to ensure available information could be easily found.

## **RESOLVED**

**That:**

- (a) the report be noted; and**
- (b) The committee supports and endorses the actions proposed in order to address compliance with the Transparency Code.**

### **66. EXTERNAL AUDIT ANNUAL FEES LETTER 2015/16**

The director of resources presented the report and letter from the external auditors detailing the planned audit fee set for 2015/16. The fees, which are set within a national framework, have been reduced from the previous year.

## **RESOLVED**

**That the planned audit fee for 2015/16 be approved.**

### **67. AUDIT COMMITTEE UPDATE FROM GRANT THORNTON**

Representatives from external auditors Grant Thornton provided an update report on their work to June 2015. Work was underway on the final accounts audit and schools accounting. The report also describes national issues which may impact on the council, which include welfare changes; the Devolution Bill, Housing Bill (right to buy) and the Adoption Bill.

In September Grant Thornton will be hosting training for committee members details of which will be circulated.

A member asked whether the committee should be considering provisions regarding business rates and appeals and whether this was anticipated as a problem. It was confirmed that there is reasonable provision in place to manage the impact of re-valuations.

A request was noted from a member in attendance, regarding the Devolution Bill and combined authorities, that the committee requests to be kept informed by the administration of any local issues.

## **RESOLVED**

**That the auditor’s report be noted.**

### **68. CLOSURE OF 2013/14 ACCOUNTS**

Representatives from Grant Thornton referred to a letter to a member of the public which accompanies their report. The letter, which responds to an objection to the 2013-14

accounts with regard to the Worcestershire and Herefordshire waste management service private finance initiative (PFI) contract, is given to the committee as an interested party. However, the committee's remit is to consider Grant Thornton's response to the member of the public in relation to the closure of the 2014 accounts rather than looking at the details of the project.

The external auditor is required to give opinion on the accounts by September each year. The public can object and make representations to the auditor in relation to legality, reasonableness or on the basis of value for money, and the auditor is obliged to consider an objection and respond.

The auditor will issue a report on issues of gravity and national importance in the public interest. The objection was not considered to meet that criteria for a report to be issued and so a statement of reasons for that decision was provided for the objector. The points considered in the response were:

- Whether the project represented value for money;
- Whether the council handled the project appropriately; and
- That the accounts are in order.

A key aspect of this was whether the council made reasonable decisions. Councils are expected to seek expert advice on new projects and it is the task of audit to ensure that advice was sought from an appropriate source and acted upon and considered objectively. There is a long history to the waste incinerator project, with constraints of longevity and contractual terms. The auditor concluded that the council had sought appropriate advice and established information on value for money. The approach taken was not considered to be unreasonable and therefore there was no requirement to report in the public interest, although there were lessons learned from the project which have previously been reported to committee. The project stimulated a lot of local debate but it is audit's role to look at governance issues and not to challenge the views of the experts consulted by the council. The auditor concluded that the council's financial analysis was sound.

A member thanked the auditors for the report and sought clarification on the distinction between relevant advice and sufficient advice and whether the project represented value for money for Herefordshire independent of other partners. In response to her question, the auditor felt there was no evidence to suggest that the council did not gain sufficient evidence or that experts in the field were not consulted. There was sufficient relevant evidence gathered to enable decisions to be made. The objector had asked if the variation to the contract represented good value for money and it was found that it did. This project was a very early PFI contract, not without its challenges and decisions were made in light of that and based on appropriate advice.

The member further commented that the report contains a caveat about the technologies chosen for the project not being the best and that they were not considered in terms of the specific site, implying that there was therefore no assessment of whether the best technology for the site was chosen and whether it represented value for money in that respect. It was believed that early reports suggested a different preferred solution.

The auditor replied that consideration needed to be given to tried and tested technologies and results from other sites. It was noted that most councils choose incinerator technology and that alternative technologies carry a degree of risk.

The chairman reminded the committee that its role is to consider the report and asked if members had any questions about the letter.

A member commented that councillors have a role in explaining to the public why decisions are made on spending. This was an early PFI project and there are lessons to be learned. However, as there were no national plans for such projects, councils were forced to have local solutions.

The vice chairman commented that regardless of individuals' views on the future of waste management and preferred technologies, the auditor's report provided assurance with regard to the process and whether it was clearly followed. Constraints were a major factor partly due to the partnership arrangement and the duration of the project. The constraints need to be noted so that consideration can be given to how future partnerships are established.

In response to a member's request for more detail about the report's recommendation for ongoing monitoring, the auditor confirmed that Worcestershire had set up a separate committee to consider risks relating to the councils' role as lender to the scheme the Audit and Governance Committee was tasked to carry out a similar role in Herefordshire. It was noted that matters relating to this lending had been reported to this committee in the past and this will continue.

A member observed that it appeared Grant Thornton had approached the matter thoroughly and professionally and that their report provides a clear account of that.

## **RESOLVED**

**That the closure of the 2013/14 accounts and the rejection of the objection received be noted.**

### **69. CHANGES TO THE STATUTORY APPOINTMENT AND DISMISSAL PROCEDURES FOR HEAD OF PAID SERVICE, MONITORING OFFICER AND S151 FINANCE OFFICER**

The governance manager presented the report which describes the requirements of the Local Authorities (Standing Orders) (England) Regulations 2015 in respect of the dismissal process for statutory officers. It was noted that these regulations were issued the day before the purdah period and so delaying the process for their local implementation.

It has always been a matter for Council to make decisions over the dismissal of the head of paid service and this was now extended to the monitoring officer and the section 151 officer. The requirement to appoint a designated independent person (DIP) for decisions regarding disciplinary action has been removed to be replaced by a panel including persons from the standards panel (or from the standards panel of another authority if there were not sufficient panel members). The regulations were a legislative requirement and the monitoring officer had delegated authority to make such amendments to the constitution as were required by law.

The requirements and timescales for implementing the regulations were noted.

## **RESOLVED**

**That:**

- (a) the changes to the statutory dismissal procedures be noted; and**
- (b) the monitoring officer makes the necessary changes to the constitution as required by law by no later than 17 July 2015.**

## **70. DRAFT ANNUAL GOVERNANCE STATEMENT**

The director of resources presented the draft annual governance statement and explained that there is a requirement to review the governance framework which is published with the annual accounts in September. The previous committee asked for an early draft, hence reporting at this stage. Actions have been completed although where there may be some concern, themes have been retained in the new statement.

The 2015/16 action plan shows twelve areas for improvement. The committee's role is to review progress and so there will be updates throughout the year.

In answer to a question from the chairman regarding health and safety, it was confirmed that there is training and awareness, a stronger inspection regime and a more holistic approach.

At this point the chairman declared interest in this item as a fire inspection consultant for Integral (a council contractor) and the vice-chairman took the chair.

A member commented that there is some vulnerability as regards condition of highways and pavements. He gave a further example of the impact of new legislation for establishing British citizenship in relation to registering marriages and that officials conducting wedding ceremonies had encountered difficulties accessing the relevant on-line information.

A member asked for clarification about initials in the documentation, and it was confirmed that GH was Geoff Hughes, director for economy communities and corporate.

In response to a member's question about tracking progress, welcoming the availability of three years' worth of reports, it was confirmed that it is now possible to indicate what has resolved and what is carried forward in future. It was further explained that the improvement outcomes are not reported this time as an update was provided at the last committee. There will be an update at the next committee with outcomes to inform what needs to be carried forward. The corporate plan and the financial plan are now combined to facilitate reporting. The corporate performance report will be presented to both this committee and cabinet.

### **RESOLVED**

**That the draft 2014/15 annual governance statement be noted.**

Having declared an interest Cllr Durkin abstained from this resolution.

## **71. INTERNAL AUDIT ANNUAL REPORT AND OPINION 2014/15**

At this point Councillor Durkin returned to the chair for the remainder of the meeting.

The SWAP director presented the report and introduced senior auditor, Paula Gibson. This was the first annual report by SWAP for Herefordshire. Audits have been completed to report stage either as final reports or in discussion.

The report showed the level of assurance for audits completed to draft or final report stage, and illustrated that over half were of reasonable assurance and one had no assurance. Risks were well managed but for some areas there is more risk management. The report reflected challenges as well as the commitment from senior management to audit and the support of the director of resources.

In terms of identified risks, those that are high and very high are reported to the committee. Those with high risk as marked so because of the impact on the council, although there is low probability.

In answer to a question from the chairman, the SWAP director explained that if an audit showed up significant risk, it would be defined as high risk because of the risk assessment formula used.

The SWAP director confirmed that the audit action plan is monitored and follow-up audits are carried out in the next financial year.

A member commented on the presentation and interpretation of information around risk, that the number ranking of priorities was not intuitive and asked if other formats could be considered. She added that once an audit is completed, it needs to be tracked to ensure that recommendations are followed through.

The Chairman expressed concern that even though probability was low, it was recorded as a high risk and asked SWAP to provide committee members with a briefing on how the final level of risk was determined.

## **RESOLVED**

**That the report be noted.**

## **72. GOVERNANCE IMPROVEMENT WORKING GROUP UPDATE**

An update was provided by the governance manager, regarding ongoing planned work to review governance arrangements in line with good practice. There was a planned review of the constitution and this is on hold pending the governance review. The working group that was established to start the review was a cross-party and cross-function group reporting to the Audit and Governance Committee and following the election requires new membership to allow the work of the group to be completed. Group leaders had been consulted on membership for the new working group and nominations are awaited.

Prior to the election, the group had started to gather evidence and identify strengths and weaknesses of the current arrangements. If it were concluded that the council move back to a traditional committee structure, this would require public consultation and it could only be in place after annual full council. Other models could be implemented more quickly.

It was confirmed that there was extensive consultation in 1999 prior to the current structure being implemented.

In response to a member's comment about the value of benchmarking with other councils, it was confirmed that benchmarking needs to establish what a good constitution looks like. The last review in 2009 was extensive and so if the current model fits then the constitution may only require stylistic changes which would make it clearer.

In response to a member's question, it was confirmed that the outcomes and recommended changes to the constitution would be reported to full council.

It was confirmed that Cllr Seldon has been nominated to join the working group as the member representing It's Our County/scrutiny function.

## **RESOLVED**

**That:**

- (a) the outcomes of the initial work carried out by the governance improvement working group as set out in the report be noted;**
- (b) future membership of the working group as set out at paragraph 4 be confirmed; and**
- (c) the outline work programme for the working group as set out at paragraph 9 be approved.**

### **73. AUDIT AND GOVERNANCE WORK PROGRAMME UPDATE**

The work programme for the year was presented for review.

Discussion took place regarding a Public Interest Disclosure Act (PIDA) update and guidance was sought from the committee as to how to take this forward as the current membership was not involved in earlier work. Although a working group had not concluded its work, the issues were picked up through the monitoring officer's annual report.

A member commented that the PIDA working group was concerned with a specific issue regarding the procurement of the customer relationship management (CRM) software and there was a recommendation to consider how feedback from staff is acted upon. This was in conjunction with the whistleblowing policy which was also to be reported to the committee and had been under review and union consultation.

It was confirmed that the chief executive had reported to the committee the staff survey results and these were now built into the committee's annual work plan.

The review of the whistleblowing policy every two years was a standalone piece of work.

In response to a question about the work of the governance improvement working group having an impact on the role of the committee, it was confirmed that reports arising from the group would be built into the work programme.

In discussion with SWAP, consideration would be given to internal audit involvement in the financial strategy.

Discussion took place regarding the inclusion of the ICT plan in the work programme as this had been requested at the last meeting on 19 March 2015. It was confirmed that this was in relation to ICT internal audit work and would be reported to committee by SWAP.

It was clarified that the item regarding the tipping point report, which is currently unallocated to a particular month, would be scheduled as necessary.

## **RESOLVED**

**That an updated work programme be recirculated.**

The meeting ended at 4.05 pm

**CHAIRMAN**