

**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 10 May 2017 at 2.00 pm**

**Present:** Councillor PD Newman OBE (Chairman)  
Councillor FM Norman (Vice Chairman)

Councillors: ACR Chappell, PGH Cutter, EPJ Harvey, JF Johnson, J Stone, LC Tawn and SD Williams

**In attendance:** Councillor PM Morgan

**Officers:** Claire Ward, Andrew Lovegrove, Jacqui Gooding (SWAP), Phil Jones (Grant Thornton), Zoe Thomas (Grant Thornton), Steve Hodges, Annie Brookes, Erica Hermon, Gill Cox, Lisa Fraser, Lee Davis, Tracey Sampson, Alan Lewis

**197. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors RJ Phillips and RL Mayo.

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

In accordance with paragraph 4.1.23 of the council's constitution, Cllr PGH Cutter attended the meeting as a substitute member for Cllr RL Mayo and Cllr SD Williams attended as a substitute member for Cllr RJ Phillips.

**199. DECLARATIONS OF INTEREST**

There were no declarations of interest.

**200. MINUTES**

**RESOLVED:**

**That the minutes of the meeting held on 21 March 2017 be confirmed as a correct record and signed by the chairman.**

**201. COUNCIL CONSTITUTION**

At the chairman's discretion, the council constitution item was taken first.

The chairman introduced the report and the monitoring officer went through the major changes to the code of conduct as follows:

- the proposed code looks different
- a new schedule 2 interests has been added
- the need to declare gifts and hospitality has decreased from £25 to £20.

There had been a majority vote at the standards working group in relation to the Nolan principle and the willingness to challenge poor behaviour. One of the independent person's view was that there should be a positive duty for members to report other members if they believed they were in breach of the code of conduct. The working group had debated this issue and it had been agreed by the majority of the working

group that the proposed code was in line with the Nolan Principles and that a willingness to challenge poor behaviour was sufficient.

Cllr FN Norman proposed an amendment to include a positive duty to report any poor behaviour as one of the rules, this was seconded by Cllr EJP Harvey.

For: 3  
Against: 6  
Abstentions 0

The vote was lost.

It was noted that if the revised code was adopted, there would be a requirement for new register of interests forms to be completed by all members. There would also be training arranged for members over the summer period.

The committee hoped that parish councils would also adopt the revised code.

The committee agreed to recommend the revised code of conduct to council on 19 May 2017 for adoption.

The monitoring officer highlighted the minor changes to the constitution since 16 December 2016 following consultation with the cross party working group:

- committee sizes are recommended as 7;
- An independent panel for dismissing statutory officers had been added in line with national guidance issued by the joint negotiating body for chief executive terms and conditions.
- The West Mercia Police and Crime Panel had been added to the list of joint committees.
- A delegation to the monitoring officer had been added where there were inquorate parish councils.
- The move to one budget setting meeting and one council tax meeting removing the requirement for a December meeting.

Following a concern raised by a member of the committee, Cllr PM Morgan, as a member of the governance improvement working group, explained that there would be an opportunity to review the numbers of committee members at the constitution review scheduled to take place in January 2018. It was noted that if there were any other issues with the new constitution, then they could be reviewed at the same time.

It was noted that the member-officer relations protocol contained a specific reference to consultation where changes could affect members' wellbeing.

The committee agreed to recommend the changes to the constitution to council on 19 May for adoption.

**THAT:**

- (a) having regard to the further work undertaken by the governance improvement working group and the standards working group, the revised constitution be recommended to full Council for adoption, with implementation with effect from annual council in May 2017; and**
- (b) authority be delegated to the solicitor to the council to make technical amendments (grammatical, formatting, and consistency) necessary to finalise the revised constitution.**

## **202. 2017/18 EXTERNAL AUDIT PLAN AND FEE**

At the chairman's discretion, the 2017/18 external audit plan and fee item was taken second.

Members were presented with the 2017/18 external audit plan and fee.

### **RESOLVED:**

**That subject to the decision to appoint an external auditor, the external audit plan and associated fee for 2017/18 be approved.**

## **203. HOUSING BENEFIT GRANT CERTIFICATION**

At the chairman's discretion, the housing benefit grant certification item was taken third.

Members were provided with the housing benefit grant certification letter from Grant Thornton.

It was noted that very small errors had been found and that steps had been put in place to remedy the situation.

### **RESOLVED**

**That the report be noted.**

## **204. PROGRESS REPORT ON 2016/17 INTERNAL AUDIT PLAN**

Members were presented with an update on the progress of the internal audit work.

It was noted that by July 2017 all audits would be completed. It was confirmed that two audits were at fieldwork stage and draft reports for a further 5 audits were with managers for comment.

Members' attention was drawn to the significant and partial assurance findings of the report which were:

- Pre-paid cards (direct payments) – partial
- Children missing education – partial
- Looked after children – partial
- Concessionary fares – partial
- Payroll - partial

### Payroll

The head of HR and organisational development confirmed that all actions identified in previous and current audits were being undertaken. It was confirmed that a new payroll structure had been in place since April 2017 and a new payroll manager would be in post from 22 May 2017. It was noted that there were several reasons for overpayment of salary which included managers not notifying payroll in a timely manner. Steps were being taken to ensure that managers were aware of their responsibilities.

### Children missing education (CME)

Following queries from members, the head of learning and achievement explained that the previous director for children's wellbeing had commissioned the audit and that it was based on an audit sample of four schools. The audit had been commissioned due to the high level of authorised absences recorded by schools. It was noted that the

schools were not using the absence code correctly and the directorate would be sending information to all schools and academies to clarify the use of the code correctly. The audit had identified additional issues and an additional audit was being commissioned with a larger sample of schools.

#### Looked after children (LAC)

The head of looked children confirmed that the issues raised by the audit would be resolved by changing the way Mosaic (the children's safeguarding case management system) is used. It was anticipated that new processes would be implemented in June 2017 and it should make it simpler for practitioners to use the system.

In response to a query from a member, it was confirmed that the reason for the delay was that Mosaic was a complex computer program and a major upgrade to the system had taken place the previous year. There had also been a need to consult with practitioners and then re-configure the system.

Following a member's query, the head of LAC explained that where there were audit recommendations which are dependent on other systems, the service would look at the level of risk, the issue of regulatory compliance and whether it is a requirement and the impact on children's safety. If the audit recommendation did impact on children's safety, then other methods would be put in place.

In response to a member's question, the head of LAC confirmed that the number LAC had increased over the last 12 months. It was noted that while the fostering service had increased the number of foster carers, there was still a gap and the service was reliant on independent fostering agencies and residential units.

#### Pre-paid cards (direct payments)

In response to a member's query, the head of prevention and support confirmed that as soon as there was a possibility of data protection breaches, contact was made with the contractor. It was confirmed that the system was now safe in terms of information governance.

It was noted that the current provider had given notice to withdraw from the contract and that an officer decision would be taken to appoint a new provider from 1 July 2017 pending a procurement exercise.

14:58 Cllr Williams left the meeting.

#### Concessionary fares

The passenger transport manager advised that the consultancy who administer the concessionary fares reimbursement scheme had been successfully used since 2008 and carried out similar work for numerous other councils. However as a result of the audit we would also be introducing closer monitoring of the bus operators returns in-house.

### **RESOLVED**

**That the report be noted.**

## **205. TRACKING OF INTERNAL AUDIT RECOMMENDATIONS**

Cllr JF Johnson left the meeting at 15:20.

The directorate services team leader presented the report.

It was noted that the committee had agreed to bi-annual reports which would set out all outstanding actions in relation to significant 4 or 5 audit findings and contain details of priority 3 recommendations from 2016. The report contains information up to 31 March 2017 and 187 recommendations had been completed. Of the remaining 12 outstanding actions, 7 would be completed if the contract procedure rules and finance procedure rules were approved by the committee later in the meeting.

Following a member's query, it was agreed that a briefing note would be circulated to committee members providing an update on all the actions which were due for completion by 31 May 2017.

The committee were reassured that the system seemed to be working well.

## **RESOLVED**

**That the report be noted.**

### **206. CORPORATE RISK REGISTER**

The chairman introduced the item and reminded the committee that they would not be able to challenge the additions or deletions to the corporate risk register but were looking for assurance that the frameworks were being applied appropriately.

The directorate service team leader presented the report.

The three risks which had been recommended by the committee for inclusion on the corporate risk register were used as examples. Members noted that it was difficult to ascertain whether local issues had been taken into account when assessing the risk, e.g. local economy, tourism, etc. The committee requested a further clarification of the analysis and confirmation that it reflects the Herefordshire situation.

The committee noted that the performance, risk, opportunities and management framework approved by cabinet last year was still embedding. The committee requested a review of the framework to ensure that Herefordshire's local situation was appropriately reflected.

Cllr PGH Cutter left the meeting 15:55

Following a request from members, the directorate service team leader agreed to highlight any changes in the corporate risk register for the next meeting.

The committee thanked the directorate service team leader for the report.

## **RESOLVED**

**That the report be noted.**

### **207. ANNUAL GOVERNANCE STATEMENT**

The head of corporate governance presented the report.

It was noted that the councils are required to produce an annual governance statement as an appendix to the statement of accounts. There had been a change in the statutory guidance in 2016 and the changes to the constitution have also been reflected in the statement. The statement takes into account a range of information and includes an action plan.

Following a query from a member, it was confirmed that the CIPRA principles have been taken into account when developing the statement.

The code of corporate governance had been updated to include a summary of what constituted the council's governance arrangements and the changes in CIPFA principles which had taken place over the years. The draft code had been reviewed by the governance improvement working group who were supportive of the changes. One of the council's appointed independent persons had suggested that the code would be strengthened by making reference to the independent persons. It was agreed that this addition should be made to the code.

The head of corporate governance was thanked for her report.

#### **RESOLVED**

- That (a) the draft 2016/17 annual governance statement be approved; and**
- (b) the draft code of corporate governance be recommended to full Council for adoption within the council's constitution**

#### **208. CONTRACT PROCEDURE RULES**

The chairman introduced the item and requested that the head of law and governance used the Blue School House situation as an example of where the revised contract procedure rules would have prevented the issue arising.

The head of law and governance presented the report. The committee noted that the previous contract procedure rules (CPR) had focused on procurement activity and did not look at the procurement process from start to finish. The new CPR sets out the activity that needs to be take place in connection with a contract. There is separate detailed guidance for officers which is attached at appendix B. The contract register had been re-designed which would enable better project planning.

Following a member's query, it was confirmed that value was not the sole measure of complexity for contracts, for example contract length, number of providers in the market, etc. would be taken into account. It was confirmed that if the CPR were approved, contract/procurement management training would be rolled out.

In response to a member's query, it was confirmed that due to the number of contracts in place, the revised CPR would be for new contracts but there may be scope to look at the bigger, high value contracts.

The section 151 officer and chief finance officer explained that in relation to Blue School House, there had been a member decision to award a contract for an agreed figure of £950k. The cost of the contractor work was higher than the decision and for some reason, the contractor received authorisation to carry out the work at the higher cost without a further formal decision. The contractor then identified further issues. The officers chose not to address these issues and not to follow the CPR. It was noted that monitoring had identified the overspend but officers had chosen to override this. An audit has been requested and the section 151 officer and chief finance officer would be ensuring that appropriate monitoring is in place for contracts. It was agreed that the committee would receive a separate report in relation to the Blue School House situation.

#### **RESOLVED**

- That (a) the contract procedure rules be adopted for implementation with effect from annual council in May 2017 alongside the constitution.**
- (b) authority be delegated to the head of law and governance to make technical amendments (grammatical, formatting, and consistency) necessary to finalise the CPR for publication.**

**209. FINANCIAL PROCEDURE RULES**

The section 151 officer and chief finance officer presented the revised financial procedure rules.

It was confirmed that the financial procedure rules was compliant with statutory requirements and the governance improvement working group were supportive of the revised rules.

**RESOLVED**

**That the financial procedure rules be approved.**

**210. WORK PROGRAMME**

The committee's updated work programme was presented. It was noted that reports on accounting policies update and external audit progress update had been added to the July agenda.

**RESOLVED:**

**That subject to the reports on Blue School House, accounting policies update and external audit progress update being added, the work programme be agreed.**

The meeting ended at 16:49

**CHAIRMAN**