

Minutes of the meeting of the Audit and Governance Committee held in Conference Room 1, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Monday 31 July 2023 at 10.00 am

Committee members present in person and voting: Councillors: Chris Bartrum, Frank Cornthwaite, Peter Hamblin, Robert Highfield, David Hitchiner (Chairperson), Aubrey Oliver (Vice-Chairperson) and Mark Woodall

Others in attendance: B Baugh (Democratic Services Officer), J Davies (Principal Auditor, South West Audit Partnership), L Davis (Head of Prevention and Support), I Halstead (Assistant Director, South West Audit Partnership), K Lloyd (Performance Team Lead), A Lovegrove (Director of Resources and Assurance), A Pitt (Director of Strategy and Performance), Claire (Director of Governance and Law), J Preece (Democratic Services Officer), P Stoddart (Cabinet Member Finance and Corporate Services) and P Wride (Head of Practice Management)

16. APOLOGIES FOR ABSENCE

No apologies for absence were received.

17. NAMED SUBSTITUTES (IF ANY)

There were no substitutes.

18. DECLARATIONS OF INTEREST

No declarations of interest were made.

19. MINUTES

RESOLVED:

That the minutes of the meeting held on 23 June 2023 be confirmed as a correct record and signed by the chairman.

20. QUESTIONS FROM MEMBERS OF THE PUBLIC (Pages 13 - 14)

A question received from a member of the public and the response given, including a supplementary question and the response, attached as Appendix 1 to the minutes.

21. QUESTIONS FROM COUNCILLORS

No questions had been received from councillors.

22. INTERNAL AUDIT ANNUAL OPINION 2022/23

The Assistant Director (AD) for South West Audit Partnership (SWAP) presented the report on Internal Audit Annual Opinion 2022/23. The purpose of the annual report was outlined; attention was drawn to Appendix A - Internal Audit Annual Opinion 2022/23. The following key areas were highlighted:

Activity and outcomes during the year

1. 47 reviews were delivered as part of the 2022/23 rolling Internal Audit Plan.
2. 80% of internal audit reports gave a substantial or reasonable assurance opinion.
3. 6 out of 8 strategic risks had good or 'some' audit coverage, the opinion was there had been effective audit coverage throughout the year.
4. There were no areas of significant corporate risk reported.
5. Five themes were highlighted to the committee:

I. Financial controls and budgetary management

It was highlighted that, although generally the Council operated effectively with commitment accounting and validating payments, there were a few isolated cases within some service teams where this was not the case and SWAP would be offering awareness training to those departments.

II. Grant Administration

The lack of consistent practices and knowledge of Grant Administration were highlighted. Cases were isolated to some service areas and not widespread. SWAP would support the Council by offering training to those departments.

III. Oversight of regulator actions

Whilst the actions identified by key regulators were picked up and the council monitored those effectively, it was reported that some actions from smaller regulators had slipped through the net.

Internal Audit would look to promote assurance mapping across the Council. SWAP was currently engaging with the Council's Performance Team to support the real time tracking of known actions through its audit management system.

IV. Counter Fraud and Risk Management

The overall opinion was that these were working effectively and outstanding actions had generally been implemented although it was highlighted that some improvement was needed around some of the long-term actions.

V. Prevention and detection of fraud

The Council had demonstrated effective control and had been able to protect public funds from fraud.

Taking into account the five themes highlighted, it was the AD's overall opinion for the year that generally the Council had sound systems of governance, risk management and internal controls however there was some scope for improvement in some areas.

In response to committee questions, it was noted:

1. The AD said that it was difficult to put an indicator about the level of internal control but indicated that it was in line with the previous performance and similar to that of other authorities.
2. In a query raised around external regulatory assessment, it was explained that these related to recommendations from regulators at a service level. An example was given with regard to the Registration Services report which identified a failure to address a number of recommendations made in an inspection by the General Register Office and where there had been no particular oversight or tracking from a managerial point of view and therefore no oversight as to if these recommendations had been implemented.
3. It was confirmed that the Council and SWAP had their own individual counter fraud teams that worked in unison. It was highlighted the Council's counter fraud team were working very successfully in preventing and detecting fraud.
4. The fraud baseline assessment demonstrated that the council was performing well but it was acknowledged that measuring the impact of fraud was difficult where there were issues around the lack of records. It was important to note that the council was actively rectifying the issues and making sure controls were put in place to ensure protection from fraud. The Section 151 Officer informed the committee that a report on Anti-Fraud, Bribery and Corruption Policy would be included on their agenda for the October 2023 meeting and this would look at the overall position of the council working with SWAP and a range of other partners.
5. Training had started with those service areas where it had been identified that there was a lack of grant knowledge. The training set out the expectations of SWAP in terms of the gold standard for grant administration. SWAP welcomed feedback from those sessions and hoped that the training would improve the process. In response to a question whether committee members could undertake this training, it was highlighted that this was training specifically directed at those dealing with grant administration, but offered to provide feedback that was received out of the training and provide committee members with assurance that any issues were being addressed.
6. Indication that training had been effective would be the receipt of effective grant submissions.
7. In most cases grants had been successful however there had been a few occasions where grants had been returned.

Resolved

That the report and the assurance provided by the annual opinion report be noted.

Action(s)

2023/24-003 SWAP be invited to provide the committee with an overview of the training provided and to provide assurance of the effectiveness of that training.

23. INTERNAL AUDIT - "LIMITED" OPINION REPORTS Q1 2023/24

The Principal Auditor, South West Audit Partnership (SWAP) introduced the report. Attention was drawn to the 'Registration Service: Final Report – February 2023' document at appendix A of the report.

It was highlighted that:

1. 17 recommendations had not been followed up following the General Registration Office (GRO) report submitted to the council in February 2022.
2. The Registration Service had been transferred to the Law and Governance directorate in July 2022 and the Head of the Practice Management was tasked with managing the service.
3. As part of the GRO's recommendations, an Internal Audit had been requested and undertaken with the main focus being to review the progress of the 17 recommendations. It was noted that the review also included a review on actions taken from recommendations made from an internal review carried out in October 2021.
4. Limited assurance was issued following the findings of that audit. The priorities within the appendix were highlighted.

The Head of the Practice Management (HOPM) provided the committee with an update on the actions taken. A written summary was included at Appendix D. The following points were highlighted:

- There was still work to be done but there was more assurance that the processes and staff training were in place to ensure that the department was able to carry out the work the GRO expected the council to do.
- It was noted the GRO had attended the service twice since January 2022 and they were much happier with the progress made and would be revisiting in 2 weeks' time.

In response to committee questions it was noted:

1. The morale of staff was described as 'up and down' but, with the recruitment of further staff and with the development and support provided over the last six months, it was thought that it was generally improving. The changes being made were seen to be helping staff in their day job and in turn provided the public with a better service. The addition of the online appointment booking system in December 2023 would vastly improve the management of the high volumes of calls and emails received from the public.
2. Shropshire Council had undertaken the quarterly checks for the backlog of 2 years up to March 2023. Herefordshire Council were just completing the quarterly check for the end of June 2023. It was highlighted that these checks did take up a large amount of time especially with new staff. However the checks had to be kept up and, with the additional staff recruited, the service would have more capacity in conducting these. The council would have conducted 4 quarterly checks by July 2024.
3. It was considered that the removal of the cash payments element had significantly reduced risk but systems to monitor income still needed to be put in place; to allow, for example, the tracing of individual payments to specific certificates so these could be seen in budget reports. It was thought this would be addressed in the next couple of months. The Assistant Director, South West Audit Partnership highlighted the need for constant awareness, checking and monitoring by the service, and SWAP would assist. The Assistant Director indicated his satisfaction with the initial management response.

4. The HOPM said that record keeping previously had been so incomplete that the potential for fraud to have taken place was there but, as there was no way of tracking through the system, it would have been difficult to find if this had occurred.
5. It was confirmed the GRO had conducted a previous review in 2017 and aspects from that report had also not been picked up until the HOPM took over the service July 2022.
6. It was noted that officers used daily 'banking sheets' to record the number of certificates issued which would equate in terms of money taken, but there is no facility for these to be inputted into the Business World system and therefore would not be pulled through on budget reports.

The Principal Auditor (SWAP), drew attention to the 'HC Housing Solutions Team Financial Processes: Final Report – March 2023' document at appendix C of the report.

It was highlighted that, following an audit of the homelessness prevention grant where some control weaknesses were identified, the Director of Community Wellbeing agreed an internal audit be undertaken into the financial processes within the Housing Solutions team. The audit findings led to a limited assurance opinion, the priority actions within the appendix were highlighted.

The Head of Prevention and Support Services (HOPSS) provided the committee with an update on the actions taken. A written summary was included at Appendix E.

The following points were highlighted:

- Providers had been set up with business accounts which would reduce the need for spend on procurement cards, however it was noted that when emergency housing was needed and a provider was not set up on the system, a procurement card would need to be used.
- The interim Housing Solutions Manager had put in place management overview and approval of individual spend on the procurement cards.
- Although very few homelessness loan payments were made, seven loans payments were made in 2022/23. Registered Providers would now need to provide invoices. Imprest accounts may still be needed for smaller "one-off" suppliers as it may be difficult for them to supply invoices in the timescales required.
- Authorisation for Imprest accounts now required two signatories via email detailing the requestor and approvers in all cases.
- The review into process and procedure notes were in progress but operational and personnel matters had slowed progress on completing this action, which was a priority within the service leads' service delivery plan with a timescale for completion of 30 September 2023.
- With regard to staff resources a revised structure, focused on resilience, would be implemented by the newly appointed Acting Head of Housing.
- It was noted the cash Imprest and cheque book accounts had not yet been formally closed, but both continue not to be used and the actions would be completed by 31 August 2023.

- The Housing Service Lead had ascertained the mandatory costs associated with void works and the Directorate Accountant had added an account/ analysis code for that budget.

In response to committee questions, it was noted:

1. Assistant Director for (SWAP), confirmed that he was not aware of any other services within the council where money was being spent without any oversight. It was highlighted there were managerial processes for procurement cards and resilience, validation and authorisation controls were in place. The internal audit and the council would continue to monitor this situation.
2. The Section 151 Officer explained that there was a clear trail for the allocation of procurement cards across the council and that officers had to authorise and code their own spends through an automated system to which managers would then have oversight of the overall spend. It was identified that managers would not see every transaction and that decisions were delegated to those officers.
3. In relation to the Housing Solutions Team and the concerns raised with procurement cards, the HOPSS advised that although there had been no management overview and approval of individual spend on procurement cards until now, no one officer had acted alone and that there had always been more than one individual involved in the process.
4. The Assistant Director (SWAP), confirmed a project was ongoing looking at procurement cards specifically across the whole of the council looking at the fraud controls and there is a data analytical process which he would look to bring back to the committee to provide further reassurance that controls are working effectively.
5. In a response to a question concerning the setup of business accounts, the HOPSS confirmed that invitations to tender were sent to local providers of temporary accommodation and to those the council knew might be interested. The process was undertaken by the procurement team and there were certain requirements that needed to be met in order to enter into a framework agreement. The framework agreement was an open agreement and providers could still join. It was confirmed that there was a list of those providers that could be viewed.

Resolved:

That the report and the mitigations to the risks outlined in the internal audit reports on Registration Services and Housing Solutions - Financial Processes be noted.

Action(s)

2023/24-004 SWAP to provide the committee with findings from the project work being undertaken around procurement cards across the council.

24. UPDATE ON INTERNAL AUDIT RECOMMENDATIONS

The Performance Team Lead (PTL) provided the committee with an update on the progress made in the council's response to audit recommendations made by SWAP in their audit reports issued before April 2023. It was highlighted that:

- The Housing Solutions report was not included within this report as this was reported during April 2023.

- The updates on the recommendation could be found at Appendix A to the report.
- Of the 30 recommendations that were previously reported to the committee as overdue: 15 recommendations had since been completed; 1 deferred; and 14 remained outstanding.
- Of the recommendations due for completion between October 2022 and March 2023, it was highlighted that 19 of the 36 remain outstanding.
- Of the future recommendations, 75% of these were on track to be completed; it was noted that from previous forecasts it was expected that these would be completed when the report was brought back to committee in six months' time. It was highlighted to the committee that when next reported the "future recommendations" would appear as those "due in the period" and the quantity would be increased as it would include audits published between now and the end of September.
- It was highlighted that focus needed to be on ensuring that those historical recommendations were acted on or at least changes had taken place within the service that mean that the recommendations are no longer relevant. To ensure that completion rates did improve in the future, recommendations were to be included in the new service business plans and it was expected this would result in higher completion rates which would be reported back to the committee.

In response to committee questions it was noted:

1. The committee were informed of the current process of tracking and the progression of recommendations made from audit reports. It was highlighted there had been some circumstances where reports had not been circulated to the wider audience and therefore the PTL has undergone discussions with SWAP to obtain access to their real time tracking audit management system which should ensure recommendations were recorded and responded to in a timely manner. It would also assist SWAP with having access to the council's progress updates which would aid them in future follow-up reports. It was stressed that the council would still monitor and report internally.
2. The Assistant Director, South West Audit Partnership gave the committee members an overview of the audit management system which they would be providing the Council as part of the ongoing partnership.
3. The Section 151 Officer explained that the impact of the Covid 19 pandemic had been the main cause for so many of the recommendations having slipped.

Resolved:

That; the status of current audit recommendations be noted.

There was a short adjournment.

25. CORPORATE RISK REGISTER

The Director of Strategy and Performance (DOSP) introduced the report and highlighted the following:

- The Corporate Risk Register incorporates the key risks across the whole organisation.
- There were currently 16 corporate risks and 73 directorate risks.

- The committee were informed that the directorate risk registers were reviewed on a monthly basis with the relevant service and corporate directors which then reported into the corporate risk register should any risks need escalating; risks scored 16-25 would be escalated.
- With regard to development work on the approach to strategic risk, it was highlighted that more work needed to be undertaken on the risk register surrounding the aggregation of risks, understanding of accountability and action planning. It was reported that the corporate leadership team would challenge and have more ownership of the risks in the corporate register.
- The senior management team would undertake training, to be provided by the council's insurance company, within the next couple of months.
- The corporate risk register and the directorate risk registers were appended to the report.

In response to committee questions, it was noted:

1. The DOSP confirmed that service directors had overall responsibility of their individual directorate registers to ensure that risks were de-escalated, removed and added when applicable, risk scores were regularly reviewed and scores, controls and future mitigating activity were updated where necessary.
2. All service areas would identify their own individual risks and those key risks to the council that needed oversight would be captured within the relevant risk register. It was highlighted that reporting could be made clearer with demonstrating where it is a strategic risk, a service risk or a financial risk and what the mitigation actions were and the impact those had on the council.
3. There was a need to consider whether Council's decision on Friday 28 July 2023 to renew Herefordshire Council's commitment to taking action to tackle the climate and ecological emergency was addressed appropriately in the risk registers, along with any further work necessary to identify other risks related to this.
4. Following a question surrounding cross-departmental risks, it was confirmed that these would be included in the strategic risk register.
5. In response to a question about the management of risk in circumstances where a risk owner position was vacant, the DOSP confirmed that the directorate leadership team would have oversight and ultimately the service directors had overall responsibility for their directorate register to ensure that those risks had oversight, mitigation in place, and were monitored in an effective way.
6. The DOSP offered to circulate the Risk Management Plan to members of the committee.
7. The cabinet member finance and corporate services offered his support in reviewing the risk register.
8. The Section 151 Officer confirmed there was still work to be done around the risk register and acknowledged concerns raised around Cyber Attacks (CS.09) being de-escalated from the corporate risk register.
9. The Section 151 Officer confirmed in response to a query around Wetlands (EE.13) that the £1m of the LEP grant money had been spent.

10. It was noted that Phosphates (EE.28) was a significant issue for the County but was only mentioned in the context of Neighbourhood Development Plans and a request was made to the DOSP as part of her review to look into what other risks could be associated with phosphates.
11. The Chairperson made observations on the de-escalation of Highway Condition (EE.20) from the register.
12. The notice to terminate the lease at The Maltings Car Park (EE.56) was noted.
13. The Chairperson made the observations about the 'risk management' sections included in council reports and considered that improvements could be made to the wording of those sections.
14. In response to a question surrounding what 'de-escalating' from the register meant, the DOSP advised there could be a number of reasons why a risk could be de-escalated, such as mitigating actions could have been put in place. It was explained that, if a risk was de-escalated from the corporate risk register, it would remain in the directorate risk register.
15. The Chairperson, noting that a number of items within the risk registers were of interest to the committee, suggested that the committee undertake a 'deep dive' into selected risks to provide assurance that the risk management framework was being applied appropriately.

Resolved

That:

- a) **the status of the council's corporate risk register be noted; and**
- b) **the Director of Strategy and Performance be invited to review risk descriptions and to explore whether risks had been addressed appropriately in terms of: the climate and ecological emergency; phosphates; risks identified by the auditors; and cyber security.**

Actions(s)

2023/24-005 The Risk Management Plan to be circulated to committee members.

2023/24-006 The committee to undertake a 'deep dive' into a risk example, following the 'Approach to strategic risk management update' report due to be considered at the November 2023 meeting.

26. ANNUAL REPORT ON CODE OF CONDUCT

The Director of Governance and Law / Monitoring Officer introduced the report. The principal points were raised:

- A correction was identified to paragraph 8 of the 'Key considerations' section, it was highlighted that independent persons had offered support to councillors who had received complaints against them during the year 2022/23. It was noted that going forward the Independent Persons would be contacted before bringing a report to the committee to ensure that accurate reporting was made; it was important for councillors to be assured that this support was available to them.

- It was highlighted there had been disruption with the timeliness of reporting to the committee. This was due to the number of complaints being received but largely due to turnover of new staff and the disruption this created with the handing over of processes. Further strengthening was being implemented within the team with the recruitment of a permanent Governance Lawyer and the Deputy Monitoring Officer would be leading on and assisting with investigations.
- It was confirmed that Cornwall Council were no longer assisting with investigations of complaints which was felt to have created confusion and had led to delays.
- A dedicated Code of Conduct inbox had been created, meaning that delays should not be incurred in complaints due to being double or triple handled.
- The standards panel had identified improvements and made recommendations; some of which have been implemented during the review year. Mainly on operational matters around improving and giving full reasons for decisions and sign posting complainants to where else they could go if it did not fall under the members code of conduct.

In response to committee questions, it was noted:

1. It is a duty of the Monitoring Officer under legislation, rather than the role of Herefordshire Council, to investigate a complaint about a parish councillor, if it meets the criteria. Law dictates that the views of an independent person (IP) were sought. If a parish councillor was found to be in breach of the code, it would be directed back to the parish council to deal with independently.
2. There was no specific time limit in which to deal with code of conduct complaints but ideally they would be dealt with as efficiently as possible for the complainant and the relevant councillor; times would vary depending on the complexity of the complaint, the number of witnesses involved and the timeliness of replies. It was noted that reporting on the average elapsed time of cases and percentages of councillors where they had complied with sanctions would be included in future reports to the committee. An action was recorded to provide specific details on the 12 cases still open from 2020/21, as recorded in the table at paragraph 19 of the report.
3. Each case was dealt with on a particular set of facts and the council must remain neutral and not be seen to be assisting a complainant if their complaint did not fall under the members' code of conduct, but there could be circumstances where other routes could be suggested, such as contacting the district auditor or the local clerk.

Resolved

That:

- a) the annual report on code of conduct complaints be noted; and**
- b) reporting on the average elapsed time of cases and percentages of councillors where they had complied with sanctions be included in future reports to the committee.**

Action(s)

2023/24-007 The Monitoring Officer to provide specific details on the 12 cases still open from 2020/21, as recorded in the table at paragraph 19 of the report.

Update provided:

The spreadsheet is a snapshot in time at year end, and so some of the complaints might have only been open for days or weeks at this point – for instance, 6 cases were received in the period Jan-Mar 21 and I would not expect these to have been completed by year end. We cannot see from our background data the reasons why 12 cases were open at year end, but during 2020/21 the Council was still operating an appeals process, and this led to complaints being outstanding for significantly longer as it allowed subject members and complainants to appeal decisions to a Standards Panel. Complaints do not expire due to time, and any case open at year end would simply continue until it is finalised.

Going forward it will probably be more helpful if I reported on complaints closed within the year, because for example a number of complaints could come in on the 31 March.

27. WORK PROGRAMME

The work programme for the committee was considered. The following adjustments were noted:

- The paper requested on Ash Dieback, particularly in relation to the role of Balfour Beatty Living Places in handling potential risks, had not yet been circulated to members and the Chair requested that this be escalated to officers, with a report be brought to the committee in September 2023.
- The report on independent committee members would be allocated to the September 2023 meeting, subject to officers being in a position to meet the required deadlines for publication.
- The 'Approach to Strategic Risk Management Update' report would be moved to the November 2023 meeting.

RESOLVED:

That, subject to the identified adjustments, the updated work programme be agreed.

28. DATE OF NEXT MEETING

Wednesday, 27 September 2023 at 3pm.

The meeting ended at 12.12 pm

Chairperson