

**MINUTES of the meeting of Audit and Governance held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Tuesday 26 November 2013 at 10.00 am**

**Present:** Councillor J Stone (Chairman)  
Councillor NP Nenadich (Vice Chairman)

Councillors: CNH Attwood, EMK Chave, MAF Hubbard, TM James,  
Brig P Jones CBE and DB Wilcox

**In attendance:** Councillors PJ Edwards and A Seldon

P Jones (Grant Thornton), T Tobin (Grant Thornton) D Gilbert (Internal Audit),  
J Sharman (Independent Person), D Williams (Independent Person)

**Officers:** C Cameron (Senior Governance Support Officer), E Hermon (Statutory Services Manager), J Jones (Monitoring Officer), P Robinson (Chief Finance Officer), V Roissetter (Principal Auditor)

**17. APOLOGIES FOR ABSENCE**

Apologies were received from Councillors PGH Cutter and PJ McCaull.

**18. NAMED SUBSTITUTES**

There were no named substitutes present at the meeting.

**19. WELCOME**

The Chairman welcomed David Williams and John Sharman, the Council's Independent Persons on the Standards Panel, to their first meeting of the Committee.

Councillors MAF Hubbard, NP Nenadich and DB Wilcox were also welcomed to their first meeting of the Committee.

**20. DECLARATIONS OF INTEREST**

Councillor EMK Chave declared a non-pecuniary interest in agenda item 6 Standards Panel Recommendations – personal friend of Councillor Harvey.

Councillor MAF Hubbard declared a non-pecuniary interest in agenda item 6 Standards Panel Recommendations – friend of Councillor Harvey and attended the Standards Panel on 10 October 2013.

Councillor CNH Attwood declared a non-pecuniary interest in agenda item 5 Internal Audit Progress Report – Board Member of Hoople Ltd.

## 21. BUDGET MONITORING REPORT - SEPTEMBER 2013

The Committee considered the report of the Chief Finance Officer which gave an update on the financial position of the Council to 30 September 2013, together with the Treasury Management position:

- The Chief Finance Officer spoke to his report outlining the monitoring arrangements put in place, emphasising that the budgeting process will replenish the Council's reserves which had reduced.
- Attention was drawn to page 20 of the Report which identified a £2.3m saving which would not be achieved this financial year. It was confirmed that plans had been put in place to achieve this saving in the next financial year.
- A Member expressed concern that savings originally identified in the current year would not be fully achieved. They also expressed concern about the risks associated with the level of reserves.

The Chairman of the General Overview and Scrutiny Committee commented on the need for effective contract monitoring. He suggested that a joint Task and Finish Group should be established to review this issue.

A Member questioned the robustness of the budget and its capacity to take account of unexpected demand such as a flu pandemic. The Chief Finance Officer acknowledged that unexpected events were a high risk in respect of budget management.

Concern was expressed about the setting of effective and realistic targets for the delivery of savings. It was recognised that improvements were needed in this area of budget management.

**RESOLVED: That:**

- (a) the Report and the present position be noted; and**
- (b) the Chairman of the Committee and the Chairman of the General Overview and Scrutiny Committee consider setting up a joint Task and Finish Group to review the effectiveness of the Council's contract monitoring arrangements.**

## 22. INTERNAL AUDIT PROGRESS REPORT

Consideration was given to the report of the Head of the Internal Audit Service updating the Committee on the progress of internal audit work and also drawing attention to key internal control issues from work recently completed.

Members were pleased to note that improved assurances had been achieved in a number of areas such as the Agresso access controls and Hoople Ltd (Governance and Performance Management).

Performance Management, Sustainability and Business Continuity and the General Ledger and Creditors functions had all now been given "Adequate Assurance". However, concern was expressed about the lack of progress in respect of the review of the Council's Health and Safety function which had previously been given a "Limited Assurance". The Committee requested assurance that progress was being made following the Auditor's Report. The Statutory Services Manager reported that action was being taken and Property Services were implementing a robust review of the health and

safety issues identified in the report and plans were in place to implement follow up actions, the costs of which would be met from within existing budgets.

In response to a question it was confirmed that no improvement/enforcement notices had been served on the Council.

A discussion took place on the arrangements put in place by Hoople Ltd concerning its audit arrangements.

**RESOLVED: That subject to the above comments the Report be accepted.**

### **23. ANNUAL AUDIT LETTER 2012/13**

The Committee considered the report of the Chief Finance Officer attached to which was the external auditor's statutory Annual Audit Letter for 2012/13. It was noted that the external auditors had highlighted four key issues for the Council to focus on in the coming year:

- the Council's financial position;
- Adult Social Care;
- Waste disposal; and
- Safeguarding Children

The Committee were pleased to note that an unqualified opinion on the accounts had been issued by the external auditors.

In response to a question, it was reported that work was still needed to improve the Council's process for the production of final accounts and it was recognised that additional training had been provided to staff on the use of the Agresso ledger system.

Following a Member's question it was explained that the Audit Fee was set by the Audit Commission and not Grant Thornton and that a 40% reduction from the previous year's fee had been negotiated.

**RESOLVED: That subject to the above comments the report and the Annual Audit Letter for 2012/13 be noted.**

### **24. REVIEW OF THE COUNCIL'S ARRANGEMENTS FOR SECURING FINANCIAL RESILIENCE**

Consideration was given to the report of Grant Thornton, External Auditor which explained that as part of the work to support its value for money conclusions, the external auditors had reviewed the Council's arrangements for securing financial resilience.

The Committee noted the external auditors' conclusion that the Council faced very significant financial risks which needed to be responded to urgently.

Concern was expressed about the number of potential risks or weaknesses that had been identified and the fact that the level of the Council's Reserve Balances had been identified as a high risk.

The Committee was assured that arrangements had been put in place to address the risks identified by the Council's external auditors. These included making significant budget savings to replenish reserves and bringing adult social care in house with considerable savings.

Although the Committee accepted that plans were in place to address the risks, it remained concerned about the Council's level of reserves.

**RESOLVED: That subject to the above comments the report be noted.**

## **25. STANDARDS PANEL RECOMMENDATIONS**

The Committee considered the report of the Monitoring Officer which contained the recommendations of the three Independent Persons following meetings of the Standards Panel on 10 September, 9 October, 10 October and 6 November.

There was a lengthy discussion about the Standards process for dealing with Standards complaints operated by the Council. It was accepted that the process had been approved by the Committee and reviewed earlier in the year, but it was felt that further consideration should be given to the procedure.

It was reported that Group Leaders had indicated that they would like the Committee to further review how the Council dealt with complaints against Councillors.

**RESOLVED:**

**That:**

- 1. The Monitoring Officer be asked to prepare alternative options for the operation of the Council's Standards process.**
- 2. (a) the Chairman's report of the Standards Panel meeting on 9 October 2013 (Reference 13026) be agreed and the subject Member be required to make a formal public written apology to the complainant.**  
**(b) the Chairman's report of the Standards Panel meeting on 10 October 2013 (Reference 13020 and 13022) be agreed and the subject Member be required to make a formal written apology to the complainant and the views of the Panel in respect of complaint reference 13020 be endorsed.**  
**(c) the Chairman's report of the Standards Panel meeting on 6 November 2013 (Reference 13001, 13016 and 13017) be approved and the view of the Standards Panel in respect of these complaints be endorsed.**

The meeting ended at 12.52 pm

**CHAIRMAN**