

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 23 January 2019 at 2.00 pm

Present: Councillor PD Newman OBE (Chairperson)
Councillor ACR Chappell (Vice-Chairperson)

Councillors: E Chowns, EPJ Harvey, AW Johnson, RJ Phillips and J Stone

Officers: Annie Brookes, Steve Burgess, Andrew Lovegrove, Tracey Sampson

340. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor CR Butler.

341. NAMED SUBSTITUTES (IF ANY)

Councillor AW Johnson attended the meeting as a substitute member for Councillor CR Butler.

342. DECLARATIONS OF INTEREST

Councillor EJP Harvey declared that under item 7, she had requested the audit in connection with the Joint Use Agreement – Ledbury Rugby Club.

There were no other declarations of interest.

343. MINUTES

RESOLVED:

That the minutes of the meeting held on 28 November 2018 be confirmed as a correct record and signed by the chairperson.

344. QUESTIONS FROM MEMBERS OF THE PUBLIC

There were no questions from members of the public.

345. QUESTIONS FROM COUNCILLORS

There were no questions from councillors.

346. PROGRESS REPORT ON 2018/19 INTERNAL AUDIT PLAN

The head of internal audit presented the progress report on the 2018/19 internal audit plan was presented.

The head of internal audit reported that a meeting with the chief finance officer had taken place to discuss the timing of the internal audit of the South Wye Transport Package. The audit would be undertaken in quarter 1 of the 2019/20 internal audit plan.

Following a query from a member of the committee, it was confirmed that SWAP would be looking at the Southern Link Road capital programme as part of the review of the Blue School House recommendations which was due to be reported to the March 2019 committee meeting. This would check whether the recommendations from Blue School House were being implemented in other capital projects.

The head of internal audit reported that since the last progress report to the committee:

- 16 audits had been completed
- 2 were in draft
- 11 audits were in progress
- There were 2 audits with partial assurance which were SEN transport and Health and Safety.
- No significant high corporate risk had been identified.
- There had been 2 additions to the audit plan which were honorarium, market forces and standby and on call allowances and treasury management.
- The mandatory training audit had been moved to 2019/20.
- The local population forecast using for future planning such as house building requirement had been removed from the audit plan

In response to queries raised by members of the committee in connection with the health and safety audit, the head of HR and organisational development confirmed the following:

- There are a low number of accidents reported but it was believed there was under reporting so action was being taken to raise the profile of this area.
- A new health and safety manager would be starting at the beginning of February.
- Risk assessments in high risk areas are completed and are done well.
- That the display screen equipment (DSE) assessment was covered as part of the induction and mandatory training. It was noted that it was the responsibility of the employee.
- There are no health and safety champions but that this was a good idea so it would be looked into.
- There were processes in place to ensure that staff have the security required to work safely.

Following a request from a member of the committee, it was confirmed that internal audit would be starting work in February to look at the processes used by the children's and families directorate following the two recent high court cases.

The head of internal audit confirmed that data quality is normally good and that SWAP are always provided with the data requested. When checking a key performance indicator (KPI), the methodology used for the calculation is requested and if SWAP cannot resolve the calculation, then they will make a recommendation to the service.

With regard to the treasury management internal audit which had been added to the audit plan, it was confirmed that in comparison to other councils, Herefordshire is doing well.

In response to queries raised by members of the committee in connection with the SEN transport audit, the head of transportation and access services confirmed:

- There was now a policy owner. Following discussions with the children and families directorate, it had been agreed that the transport team within the economy and place directorate would take over ownership of the policy.
- The policy was not out of date and was available on the council's website.
- A passenger transport board has been established drawing together senior officers from the client directorates and chaired by the head of transportation and access to help coordinate policy review and provide oversight in respect of service issues. This board will be monitoring requests for transport which were outside of the guidance provided to officers.
- The complaints process has been reviewed and the government's guidance on a 2 stage dispute escalation process has been adopted. If an issue cannot be resolved to the satisfaction of the requester by senior officers within the passenger transport team (Stage 1), they can submit an appeal to an independent officer panel (Stage 2). Complainants not satisfied after Stage 2 may refer their complaint to Local Government Ombudsman.
- The length of journeys for children with SEN are monitored and the council aim to follow national guidelines - 45 minutes for primary school aged children and 75 minutes for secondary school aged children. This can be challenging due to the limited number of specialist schools in the county which are concentrated in Hereford and the size of the county.
- Transport operators and the council's in house staff who provide the transport services have to undertake training and are subject to DBS checks. Specialist training may also be required depending on the specific conditions of individual riders. In these circumstances the council agrees appropriate controls with parents/carers and their medical advisors.
- The passenger transport board will be looking at the potential future demand for special transport to help inform budgeting decisions. Information which will help include the number of education, health and care (EHC) plans, the number of looked after children (LAC) and their trends and wider demographic data.
- It was noted that new demands for special transport can be requested on a daily basis due to changes in the circumstances of individual children.

A member of the committee expressed concern that there had a policy without an owner and requested assurance that there were no other policies without owners. The directorate services team leader agreed to work with the performance leads in the other directorates to check that there were policy owners for all policies.

The chief finance officer agreed to send a copy of the joint use agreement: Ledbury Rugby Club audit to a member of the committee.

RESOLVED

That the report be noted.

347. TRACKING OF AUDIT RECOMMENDATIONS

The directorate services team leader presented the tracking of internal and external audit recommendations.

Tracking of internal audit recommendations

It was noted that the trend improvement was 82% of recommendations completed within timescale compared to 76% during the last period.

Following a concern raised from a member of the committee about the number of revised completion dates, it was confirmed that the original deadline dates were agreed with the relevant manager. However, there may be a justification for revising the completion target date, e.g. there may have been an under-estimation of the amount of time it would take to complete the action recommended by SWAP or there may be further work required once work on the action commenced. SWAP also revisits the priority findings to ensure that there is progress.

The committee expressed concern over the number of NMiTE recommendations still outstanding. The chief finance officer confirmed that he was working with NMiTE to address the recommendations and meets on a monthly basis with the university. It was noted that some of the dates had slipped due to changes in personnel. There was an ongoing dialogue with NMiTE and the Department for Education (DfE) and there had now been significant progress and NMiTE were on track to complete the recommendations albeit at the later date.

Given that the council were the accountable body for the DfE funding, and the reputational risk, the committee remained concerned about the slow progress and requested that the chief finance officer report at the next NMiTE board that they were requesting assurance that the recommendations would be implemented swiftly.

External audit recommendations tracking

A member of the committee requested that the external audit recommendations tracking were presented in the same fashion as the tracking of the internal audit recommendations.

A member of the committee requested assurance on the capital programme as they did not feel fully assured. There was a claim that there was an overspend on a capital project where the business case had not yet been approved. It was noted that this was a major area and it was anticipated that this will be the focus of the next external audit.

It was noted that work to improve capital reporting was ongoing and the capital programme was long term so changes needed to be embedded. It was acknowledged that some schemes would be delivered later than planned. However work was being undertaken to align the projects to a more realistic timescale.

A member of the committee commented that it was important that senior management take ownership of data quality. It was noted that delays in capital projects may also be due to the actions of third parties and therefore outside the control of the council.

RESOLVED

That the report be noted.

348. CORPORATE RISK REGISTER

The directorate services team leader presented the report. The following points were highlighted:

- 5 new risks added to the corporate risk register
- 1 risk had been removed and an explanation had been provided.
- The risk registers had been reviewed in line with the performance, risk, opportunity management (PROM) framework and scores have been challenged within directorates as part of the process
- A scoring matrix is now included within the report, as requested by committee at its last meeting.
- Appendices 2-4 contained the directorate risk registers which reflected the previous directorate structure. These risk registers will be aligned to the new directorate structures in due course.

The directorate services team leader agreed to arrange for a briefing note which explained why risk number CR.048 (Delayed Transfer of Care [DToC]) had appeared on the corporate risk register at the highest rating even after mitigation.

It was agreed that the DToC and risk number AWB.029 (Care Home Ratings) be referred to the Adults and Wellbeing Scrutiny Committee due to the high level of risk involved.

A member of the committee requested that the ratings for the following risks be reviewed:

CR.36 (Good decision making) – in light of the concerns expressed over the governance of the SLR.

CR.21 (Welfare Reform) – in light of the recent national decisions, it was felt that the removal from the corporate risk register may be premature.

RESOLVED

That the report be noted.

349. EXTERNAL AUDIT ANNUAL CERTIFICATION LETTER

The external audit annual certification report was presented.

RESOLVED

That the report be noted.

350. EXTERNAL AUDITORS ANNUAL PLAN

The chief finance officer presented the report.

The committee expressed concern that the accounts for 2016/17 and 2017/18 had still not been signed off.

It was reported that the council do not have any leverage in connection with the confidential matter which was still outstanding as it did not relate to an existing staff member or a company which the council have a controlling interest in.

The following points were raised in discussion with the issue:

- The matter had been ongoing for 3 years and there was no indication when this could reasonably be expected to change

- There had been no sharing of information in a confidential session so the committee struggled to see how it could be reasonably allowed to continue.
- It appeared that there were no elected representatives who were in possession of an understanding of the issue. The chief finance officer confirmed that the issue was being held by the statutory officers of the council.
- Grant Thornton had issued an audit opinion for audit of the accounts and the value for money audits.
- The level of materiality could not be determined at this stage but Grant Thornton could not comment until the matter was progressed further. Grant Thornton were being kept informed of progress. It was noted that there were different levels of materiality but it did not reach the £6m financial materiality level.
- This was an historical event and not an ongoing issue but there could be ramifications arising from the event.
- It was a complex issue which cut across a number of things and there were different routes which the issue could go down.
- This was a complex, sensitive issue and external legal advice had been sought.
- The council were in the hands of third parties and there was another conversation with them on Thursday 24 January 2019.
- It was concerning to note that this issue may go beyond the May 2019 elections.
- It would be inappropriate to identify the third parties as this would fuel speculation

It was agreed that:

- A letter would be sent to Grant Thornton and ask what action has been taken, what the options are and the timescales involved.
- A report would be presented to the March meeting setting out the progress of this issue.

A discussion over whether the committee could be briefed on the issue in private session took place. It was agreed that there would be no private session.

Grant Thornton presented the annual audit plan for the 2018/19 accounts.

It was noted that the level of materiality may be different following discussions between Grant Thornton and the council. There will be an update on what the materiality level will be at the March committee meeting.

Following a query from a member of the committee, it was confirmed that the audit fee was a scale fee which was set by the PSAA.

Following a question from a member of the committee, Grant Thornton confirmed that they would not look specifically at the development regeneration partnership (DRP) and SLR. They would look at the high level information and if there were any specific queries, they would then look at any issues in more depth. At this stage, they could not confirm what they would be looking at in more depth.

With regard to the housing benefit certification, it was confirmed that a view would be taken closer to the time as to who would be best placed to carry out this work.

RESOLVED

That the external auditors annual audit plan for 2018/19 be approved.

The head of corporate governance presented the report.

The following points were highlighted.

- The action plan attached at appendix 1 to the papers had been approved at the audit and governance meeting held in July 2018.
- There was progress for all actions and tracked changes were on the action plan which showed where there were any revised dates.
- A draft annual governance statement will be presented to the March committee meeting.
- A close down of the 2018/19 action plan would be included within the annual governance statement report due to be discussed at the July 2019 committee meeting.

Councillor EPJ Harvey left the meeting at 16:32.

Following a query from a committee member, the chief finance officer outlined the improvements on capital reporting following the Blue School House recommendations:

- There was improved ledger reporting
- Managers can only commit spend if there is a budget.
- The budget is now compared over the life of the project.
- Capital reports which are presented to cabinet and council have greater levels of detail.
- For the larger capital programmes, the projects which make up the programme will be shown.
- The reporting template are now the same in order to ensure consistency.

With regard to the public question which had been re-directed from audit and governance to cabinet, the chief finance officer confirmed that the answer would be provided at the next Cabinet meeting.

RESOLVED

That the report be noted.

352. RECRUITMENT OF INDEPENDENT PERSONS

The chief finance officer presented the report.

It was agreed that the issue of remunerating independent persons would be re-visited in a year's time to enable data to be collated.

A member of the committee requested that details of how the independent persons were utilised be included within the annual code of conduct report to the committee.

It was also noted that the views of the independent persons would be sought over any improvements which could be made to the processes.

RESOLVED

That the following candidates be recommended to Council for appointment for a term of office of four years from the date of appointment:

- **Sheila Archer**
- **Jake Bharier**
- **Bryn Caless**
- **Malcolm Foorde JP**
- **Gerald Hodson**
- **Claire Jenkins**
- **Stephen Willmot**
- **Roger Yates**

353. STANDARDS APPEALS PANEL WORKING GROUP UPDATE

The chairperson thanked all members who had sat on the working group.

The head of corporate governance presented the report.

Councillor Richard Gething, nominated HALC representative and Mr Richard Stow, independent person were thanked for their contribution.

The head of corporate governance explained that the processes which covered all councils within Herefordshire were operational and were a matter for the monitoring officer. They were presented to the committee for endorsement.

RESOLVED

That the amendments to the standards appeals process be endorsed by the committee

354. WORK PROGRAMME UPDATE

The work programme was discussed and it was agreed that:

- The remuneration of independent persons would be added to the 2019/20 work programme
- A report on the failure to sign off the accounts would be added to the March 2019 agenda.
- The internal audit plan for 2019/20 report scheduled for the March 2019 meeting would include the South Wye Transport Pack
- The internal audit progress report scheduled for March 2019 would include references to Blue School House and the Southern Link Road.

RESOLVED

That subject to the above amendments the work programme be approved.

The meeting ended at 4.53 pm

Chairperson