

## **Minutes of the meeting of Audit and governance committee held at Online meeting only on Tuesday 26 January 2021 at 10.15 am**

**Present:** Councillors Nigel Shaw (chairperson), Christy Bolderson (vice-chairperson), Councillors: Christy Bolderson, Dave Boulter, Peter Jinman, Diana Toynbee and Yolande Watson

**In attendance:** Councillor Gemma Davies

**Officers:** Solicitor to the council, Chief finance officer, Head of corporate finance and Interim Head of Legal Services, Assistant director, all age commissioning, assistant director technical services, car parking manager, democratic services manager, head of corporate services, deputy S151 officer, counter-fraud specialist,

### **36 APOLOGIES FOR ABSENCE**

Councillor Bob Matthews gave apologies for absence.

### **37 NAMED SUBSTITUTES (IF ANY)**

There were no named substitutes.

### **38 DECLARATIONS OF INTEREST**

There were no declarations of interest.

### **39 MINUTES**

#### **RESOLVED:**

**That the minutes of the meeting held on 17 November 2020 be confirmed as a correct record and signed by the chairperson.**

### **40 QUESTIONS FROM MEMBERS OF THE PUBLIC**

There were no questions from members of the public.

### **41 QUESTIONS FROM COUNCILLORS**

There were no questions from councillors.

### **42 EXTERNAL AUDIT PROGRESS REPORT**

Grant Thornton presented an interim external audit report. The audit had been undertaken remotely due to Covid-19 and had taken longer to conduct.

Grant Thornton were anticipating an unqualified opinion but there may be adjustments to the statement of accounts. They were waiting for the council to undertake some

work with regard to the capital programme which would inform the value for money opinion. They were satisfied and had no criticism of the council's financial sustainability and governance.

It was expected that the audit opinion work would be concluded by the committee meeting due to be held on 24 February. It was also hoped that the value for money work would be concluded as well but this was dependent on the council.

As part of the discussion of the item, the following points were made.

1. Grant Thornton were not sure whether the pending decision on the bypass (2 February 2021) would have any implications for the value for money work but it would be looked at because it was a significant item in the capital programme. Any decision would be outside of the audit year but it is a post balance sheet event and would need to be considered.
2. The McCloud position was in connection with pensions. It was reported that the council and actuary had no further work to do in relation to pensions. However, Grant Thornton did need to undertake work.
3. It was explained that journal authorisation was an important part of the external audit. It was accepted that there were controls in place but believed that it ought to be brought to the attention of the committee due to its inherent importance. It was noted that the council were considering whether the Business World system could be used or whether to continue with the controls outside of the system.
4. There were continuing discussions with government in connection with the outcome of the Redmond Review.
5. It was noted Herefordshire and Worcestershire had worked jointly to provide an explanation in connection with the valuation of the waste plant which had satisfied the auditors.

#### **RESOLVED that**

**The progress update attached at appendix A was reviewed.**

#### **43 PROGRESS REPORT ON 2020/21 INTERNAL AUDIT PLAN**

At the chairperson's discretion, this item was moved to the first substantive matter to be discussed.

South West Audit Partnership (SWAP) presented the report and highlighted:

1. The progress report was as at 16 December 2020.
2. 11 audits had been completed and 14 were in progress.
3. Two audits had priority 2 findings – Staff business car parking pass and emergency decision in connection with the purchase of Personal Protective

Equipment (PPE). Details of the priority 2 findings were set out on pages 66 to 69 of the agenda pack.

4. There was a proposal to move to a quarterly internal audit plan and it was anticipated this would allow for a more agile approach. The plan will be presented to the committee.
5. Quarter 1 of the 2021/22 internal audit plan would look at deferred audits from 2020/21 and any emerging risks.

In discussion of the item, the following points were raised:

#### PPE

It was noted that there had been two purchases of PPE where invoices could not be found. There was no question that the procurement and expenditure was in line with the council's requirements at the time and decisions had been taken under the emergency powers. The assistant director, all age commissioning, confirmed that there would be an expedited request to obtain the copy invoices within the next financial month but could not confirm what the financial value was of the invoices.

#### Staff Business Car Parking Passes

It was noted that the current system of recording staff business car parking passes was through Business World. The audit had highlighted that this was not the best solution to track and record permits as it did not record live permits. It was proposed that a bespoke system already in place for residents' car parking permits would enable better oversight.

#### **RESOLVED that**

**the proposed revised internal audit plan 2020/21 was reviewed**

#### **44 RE-THINKING GOVERNANCE WORKING GROUP - PROGRESS UPDATE**

The democratic services manager presented the report and highlighted the progress which the re-thinking governance working group had made. It was noted that there had been a number of focus group meetings and a survey in connection with planning had been undertaken. The working group would be working through the action plan attached at appendix B in order to inform the recommendations to Council in May 2021. These recommendations would fall into two categories, either a procedural or constitutional change. The working group would more be meeting fortnightly in order to ensure that the deadline of Council in May 2021 would be met.

It was further noted that there would be further member engagement and engagement with members of the public. This engagement should be largely completed by the time of the next progress update in March 2021.

Further work was required in order to make recommendations with regard to the structure of the governance arrangements and these would include standing panels, task and groups etc.

Any changes to the Constitution could be amended if they do not deliver the anticipated improvements.

Working group were thanked for their work and it was noted that there would be a further progress update at the March committee meeting.

### **RESOLVED that**

**The report be noted.**

## **45 ANTI FRAUD AND CORRUPTION ANNUAL REPORT**

The Counter Fraud Specialist presented the report and highlighted that:

- the council had a no tolerance approach to fraud and would take appropriate action.
- work had been prioritised to take into account the Covid-19 grants which had been introduced and there had been a noticeably national increase in fraud as Covid-19 had presented new opportunities.
- counter-fraud work would continue in 2021 and would need to be embedded within the council.
- a counter-fraud risk assessment was being developed with the internal auditors, SWAP.
- technology was being utilised more in order to detect fraud.

During the discussion of the item, the following points were raised:

- Currently fraud related work was primarily in connection with the Covid-19 grants.
- There was co-operation with other national / international agencies in order to counteract fraud.
- The recovered money was reported back to central government but that the council do the investigatory work.
- More assurance work was being undertaken and there were new schemes being implemented.
- The flowchart should be amended so that the lessons learnt had a feedback to, e.g. Management Board.
- The strategy was designed to be accessible to members of the public as well as employees.
- The action plan would be more appropriately led by an officer rather than the chairperson of audit and governance committee. It was for the committee to monitor progress and comment on the progress of the actions.
- The action plan would need to be Specific, Measureable, Achievable, Realistic and Timely (SMART)
- Clarification would be needed as to who is the most appropriate to sign the strategy, the committee, the relevant member or an officer.

- The risks would be identified, prioritised and targeted when developing the risk assessment.
- Bribery would need to be referenced within the strategy.
- On page 123 of the agenda pack, there was a statement that the council was fully compliant with legislation for this area. It was suggested that this needed to be amended to reflect that the council were attempting to achieve full compliance.

**RESOLVED that:**

- (a) The flowchart in the strategy be amended to include a lessons learnt feedback to management.**
- (b) Within the strategy where there are references to other pages, policies or documents include the relevant links to the relevant webpage or website.**
- (c) The role of the committee in connection with the strategy and the action plan be clarified.**
- (d) Quarterly updates to the committee be considered.**
- (e) Clarification to be provided as to who should be sign the strategy**
- (f) Change the statement on page 123 of the agenda pack to the council was attempting to be fully compliant with the relevant legislation.**
- (g) The strategy come back to the committee for approval when it has been amended [committee date to be confirmed].**

**46 UPDATE TO FINANCE AND CONTRACT PROCEDURE RULES**

The chief finance officer and head of corporate services presented the report.

The following points were raised as part of the discussion:

- It was noted that the financial procedure rules were a fine tuning and included clarification with regard to the treatment of under / over spends, recruitment and acceptance and spend of external grant funding.
- Clarification was provided that where there was a contract for services and there was a building which could be provided, then a lease will be agreed. This would provide a choice to any bidders about whether or not to use one of our buildings.
- More changes would be required to national legislation in respect of Brexit which may impact the contract procedure rules. It was noted that a local platform had been delivered to publicise tenders now that there was no requirement to publish in OJEU. The thresholds for contracts remained the same.
- It was confirmed that the approval of the accountable body status by the relevant cabinet member and Council was a local choice function. As this provision was in the financial procedure rules which form part of the constitution, no further amendments to the constitution were required.
- SWAP confirmed that the changes had been made in light of their recommendations in internal audit reports and they should provide better clarify.
- The reasons why the low value threshold of £25k had been deemed appropriate were outlined. The reasons included that the procurement process was difficult for

smaller organisations so this would enable local and smaller business to participate and in turn would evidence best value and provide better social value. A significant proportion of the council's contracts were above £25k so the risk had been minimised. Consideration may be given at a later stage to a greater value but there would to be a local market available.

- Mandatory training was now in place for officers at appropriate levels and included the requirement that contracts should not be disaggregated.
- The original financial procedure rules and contract procedure rules incorporated best practice standards and had evolved over a number of years.
- Where an exemption or waiver was being considered, the responsible director would need to sign if off after consultation with relevant teams within the council, e.g. procurement, legal services.
- On page 143 of the agenda pack (paragraph 4.6.15) further work was requested to provide clarity when the council needed technical assistance in developing a tender and whether or not the organisation who had assisted could or could not bid on the work being tendered.
- Increasing the number of quotes required may encourage officers to widen the scope of who can bid. If suppliers cannot be identified, then the scope can be widened out and if waiver was still needed then an officer would be able to explain the reasons why.
- The contracts register was published quarterly on the council's website.

**RESOLVED that:**

- (a) The contract procedure rules at appendix 2, financial procedure rules at appendix 4 and financial procedure rules guidance notes at appendix 6 be approved**
- (b) Further work be undertaken to provide clarity when the council needed technical assistance in developing a tender and whether or not the organisation who had assisted could or could not bid on the work being tendered.**

**47 WORK PROGRAMME UPDATE**

The committee's updated work programme was presented.

**RESOLVED That**

**the updated work programme be agreed.**

The meeting ended at 1.13 pm

Chairperson