

**Minutes of the meeting of the Audit and governance committee held in The Conference Room, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Wednesday 24 November 2021 at 10.15 am**

**Committee members present in person and voting:** Councillors: Jenny Bartlett, Dave Boulter, Sebastian Bowen, Peter Jinman and Nigel Shaw (Chairperson)

**Committee members participating via remote attendance:** Councillors: Christy Bolderson (Vice-chairperson) and Yolande Watson

*Note: Committee members participating via remote attendance, e.g. through video conferencing facilities, may not vote on any decisions taken.*

**Others in attendance:** B Baugh (Democratic services officer), S Cann (Democratic services officer), M Evans (Democratic services officer), P Harris (Head of corporate performance), A Lovegrove (Acting deputy chief executive - chief finance officer), J Roberts (Key audit partner, Grant Thornton), J Rushgrove (Head of corporate finance), C Trachonitis (Head of information compliance and equality) and C Ward (Acting deputy chief executive - solicitor to the council)

**46. APOLOGIES FOR ABSENCE**

Apologies for absence had been received from Councillor Bob Matthews. Councillors Christy Bolderson and Yolande Watson were unable to attend the meeting in person but participated via remote attendance.

**47. NAMED SUBSTITUTES**

In accordance with paragraph 4.7.171 of the council's constitution, Councillor Sebastian Bowen attended the meeting as a substitute member for Councillor Bob Matthews.

**48. DECLARATIONS OF INTEREST**

None.

**49. MINUTES**

The minutes of the meeting held on 27 October 2021 were received.

Attention was drawn to the action log attached to the minutes. It was noted that the vice-chairperson had identified a number of matters that needed to be addressed and a revised document was circulated at the meeting. It was acknowledged that further work was required to update various actions which were overdue or had been completed.

There was a further discussion about the action log at the end of the meeting and the chairperson requested that action owners be asked to provide updates and to indicate whether there were any problems in delivering the actions.

**RESOLVED: That the minutes of the meeting held on 27 October 2021 be confirmed as a correct record and be signed by the chairman.**

**50. QUESTIONS FROM MEMBERS OF THE PUBLIC**

No questions had been received from members of the public within the specified deadline but a question received after the deadline would be reported to the next meeting.

**51. QUESTIONS FROM COUNCILLORS**

No questions had been received from councillors.

**52. 2020/21 EXTERNAL AUDIT FINDINGS REPORT**

The committee considered the audit findings report for the year ended 31 March 2021.

Jon Roberts (Key Audit Partner, Grant Thornton) introduced the report, the principal points included: the National Audit Office had changed the timeline to enable focus on the financial statements, providing a three month window for the completion of work on arrangements to secure value for money; the report provided commentary on the risks identified in the Audit Plan; reference was made to the revised standard on accounting estimates, ISA 540; a new tool was being utilised to drill down into the council's journals; the outstanding matters identified in the 'Headlines' section had been cleared down since the publication of the agenda and final review steps were underway; and the audit opinion would include an 'emphasis of matter' paragraph on the valuation of retail and specific trading related assets, reflecting the fact that the valuer had highlighted a material valuation uncertainty - in line with the position advocated by the Royal Institute of Chartered Surveyors - due to the unknown impact of the Covid pandemic.

Responses were provided to questions from committee members, the key points included:

- i. The council's current Minimum Revenue Provision (MRP) (agenda page 45) had been benchmarked and it was in line with other authorities. It was noted that the external auditor would want to engage closely with officers on any changes, as this was a critical area of financial strategy.
- ii. It was acknowledged that the findings report identified that a 'verbal update' would be provided to the committee in a couple of instances and, with work completed to the satisfaction of the external auditor, the document would be updated accordingly and a final version would be circulated.
- iii. An overview was provided of the treatment of depreciated replacement cost (DRC) for land and buildings (agenda page 41) in terms of the balance sheets and the different approach to asset valuations for insurance cover purposes. Issues around business continuity planning and interruption insurance were briefly explored.
- iv. With reference made to the identified risks to financial sustainability (agenda page 51) in terms of the Court judgement for Children's Services and the write back of the by-pass costs, Jon Roberts said that it would be expected that any other

expenditure incurred would be disclosed in future accounts or as post balance sheet events.

- v. It was noted that the inclusion of 'Commercial in confidence' in the header to the report was an error and this should have been removed prior to publication.

**RESOLVED: That the report of the external auditor has been considered.**

Action(s):

- Action 127 That the final version of the external audit findings report be issued to committee members, with modifications highlighted.

Link: [The Audit Findings for Herefordshire Council report 2020/21 \(final\)](#)

### 53. 2020/21 STATEMENT OF ACCOUNTS

The committee considered the 2020/21 statement of accounts and associated letter of representation to the external auditor.

The chairperson said that committee members had raised a number of questions in advance of the meeting and these had been responded to by the head of corporate finance; it was suggested that this document be published as supplement to the minutes of this meeting.

Responses were provided to questions from committee members, the key points included:

- i. The reference to 'funds held under agency terms for third parties' (agenda page 68) related to agency arrangements with the Department for Business, Energy & Industrial Strategy (in respect of grants awarded to business rated properties in response to the Covid pandemic) and with the New Model Institute for Technology and Engineering (NMITE).
- ii. Employee benefits (agenda page 99) were for employees of the council but not those employed by an agency; any such costs would be shown against the service area in the comprehensive income and expenditure statement.
- iii. The commentary about Fastershire was noted, 'The ultimate aim is that by the end of 2022/23 there will be access to fast broadband for all those who need it' (agenda page 84), but the ability to deliver this within the identified timescale would be challenging given that a company involved had ceased trading recently. It was suggested that the relevant scrutiny committee might wish to explore the position as part of its work programme.
- iv. An explanation was provided of the asset revaluation movement for retail properties (agenda page 141) and it was noted that a level of uncertainty remained due to market turbulence.
- v. It was confirmed that 'compensation for loss of office / benefits in kind' (agenda page 148) related to contractual payments. It was reported that it was required by law that this was disclosed to the committee and, as part of the accounts process, external audit often looked at such payments to ensure that the council was acting lawfully.
- vi. Clarifications were provided on 'Significant provisions, contingencies and write-offs' (agenda page 85), including the independent assessment of business rates appeal

provision and the arrangements to cover potential excess liabilities. The committee was advised that write-offs occurred when all avenues of recovery and settlement had been exhausted and these were reported to Cabinet; the write-offs in 2020/21 were not considered significant.

- vii. The purpose of 'Business Rates Smoothing' being set aside as a reserve (agenda page 124) was explained, reflecting uncertainties about the impact of revaluations and small business rate relief. The accounting arrangements in relation to revaluations were outlined.
- viii. An overview was provided of the budget setting process for capital schemes and how the capital financing costs of prudential borrowing may be repaid from savings generated by the investment. In the event that the savings requirement was not delivered in a particular service area, performance monitoring would highlight any overspend and this would be investigated and mitigated.

In accordance with paragraph 4.1.141 of the Council's constitution, a recorded vote was held on the recommendations a) and b) and this was agreed unanimously by Councillors Bartlett, Boulter, Bowen, Jinman and Shaw. Recommendation c) was also agreed.

The chief finance officer and the committee thanked the external audit team for their work. In response to a question, Jon Roberts briefly commented on evolving working practices in the context of operational efficiency and environmental impact considerations.

**RESOLVED: That**

- a) **The 2020/21 statement of accounts, at appendix A to the report, be approved;**
- b) **The letter of representation, at appendix B to the report, be signed by the chairperson of the committee and the chief finance officer; and**
- c) **The general scrutiny committee be invited to consider matters pertaining to the delivery of Fastershire as part of its work programme.**

Action(s):

Action 128 That the questions and responses document in relation to the 2020/21 statement of accounts be published as supplement to the minutes.

Link: [Questions and responses on the 2020/21 statement of accounts](#)

#### **54. RETENDER OF EXTERNAL AUDIT CONTRACTS**

The committee considered the options available in relation to the retender of the external audit contract in order to recommend a preferred option to Council.

The head of corporate finance introduced the report, the principal points included: the appointing period would cover the audits of the five financial years commencing 1 April 2023; the council currently used the Public Sector Audit Appointments Limited (PSAA) national arrangement, as did 98% of eligible bodies; neighbouring authorities had not indicated any appetite to establish a regional procurement arrangement; and, for the reasons detailed in the report, opting into the national arrangement was considered a sensible option to meet the requirements for an external audit service.

Responses were provided to questions from committee members, the key points included:

- The potential downsides of a local appointment regime included the administrative burden, the lack of capacity in the audit market, and the risks associated with not being able to procure an external auditor to comply with the statutory requirements.
- Issues with the current external auditor had been resolved efficiently. It was noted that, if the national arrangement was the preferred option, PSAA would be responsible for appointing an auditor.
- The national scheme arrangement had driven costs down but additional pressures were likely to increase audit fees in the next billing round.

The committee discussed the preferred method for re-procuring external audit services through the PSAA, comments included: the audit profession had been subject to high profile reviews in recent years and this arrangement should provide assurance about the quality of the appointed auditor; there was a lack of alternative options available currently; and this would provide an additional safeguard to protect the public purse.

**RESOLVED: That the PSSA national arrangement be recommended to Council as the preferred method for re-procuring external audit services.**

## 55. UPDATE ON INTERNAL AUDIT RECOMMENDATIONS

The committee considered a report on the progress of internal audit recommendations implementation.

The head of corporate performance introduced the report, summarising the current position and drawing attention to the detailed information provided in the appendices 'Recommendations overdue at the last report to committee', 'Recommendations due between April 2021 and September 2021', and 'Recommendations due in the future'. A commitment to review the management and monitoring of internal audit recommendations was acknowledged but staffing pressures had delayed this work; it was anticipated that additional resource would help to complete this review and embed improved processes in early 2022.

Responses were provided to questions from committee members, the key points included:

- i. Recommendations on specific topics could be grouped under subject heading but it was considered that current presentation of the appendices helped to make the recommendations due for completion more visible.

Later in the meeting, a committee member commented on the potential to group recommendations on specific topics by subject heading.

- ii. In relation to significant partnerships (agenda page 207), the progress with information on the Youth Justice Board and on the recommendation 'For directors to attend the Audit and Governance Committee with link officer to report on the value of the partnership during 2021/22' would be reviewed with the relevant officers.
- iii. In response to questions about Section 106 (agenda pages 205, 210, 215 and 216), the chairperson noted that detailed information was available and the chief finance officer highlighted the Section 106 contributions search facility that was available on the council's public website. It was reported that Cabinet was to consider new delivery proposals and processes for Section 106 at its meeting on 25 November 2021.

The chairperson suggested that a request for information on the spread of funding across different wards could be raised with the relevant cabinet member.

The vice-chairperson noted that the current search facility provided information on Section 106 monies that had been paid but it may not indicate monies that may be available in the future which could be relevant to the earlier delivery of development impact mitigation schemes.

Comments were made by another member on the potential of the Community Infrastructure Levy and on the need to share information with town and parish councils.

- iv. The 'pending update' entries were part of the ongoing chasing of information from officers and it was hoped that the process could be improved and standardised, with enhanced corporate awareness of internal audit recommendations and actions.
- v. The committee was advised that slippage in the delivery of the review of the income charging policy (agenda page 202) was partly due to the pressures associated with the Covid pandemic. The vice-chairperson commented that there seemed to be a pattern in terms of capacity across a number of departments which may need to be considered in the context of the risk registers.
- vi. It was explained that internal audit would undertake follow-up audits for priority 1 and 2 recommendations, and were likely to check on related priority 3 recommendations, which could result in updated or superseded recommendations.
- vii. It was recognised that information about internal audit recommendations and follow-up audits could be usefully shared with the scrutiny committees.
- viii. A committee member drew attention to the continuing healthcare funding process entries (agenda page 197) and noted that the update did not identify any dates, therefore it was uncertain whether the commentary that a new policy was 'now at the governance stage for sign off' reflected an historic or a recent position. The head of corporate performance reported that this was the current position but the need to encourage action owners to make actions SMART (specific, measurable, achievable, realistic and timely) was recognised; adding that minimising the need to chase updates would provide more time to validate the quality of the input. The chairperson noted that there was a balance in trying to ensure that enough detail was included but also to maintain readability.

Consideration was given to a more frequent update on internal audit recommendations. The chairperson noted the current position with priority 2 findings and the opportunity to ask senior officers to attend future committee meetings to explain any delays. Potential resource implications were also briefly discussed. On balance, it was considered that reporting every six months was proportionate.

**RESOLVED: That the status of current audit recommendations has been reviewed and actions recommended in order to provide further assurance that actions identified by audit activity were being actively managed.**

Action(s):

- Action 129 That information on relevant internal audit recommendations be circulated regularly to scrutiny committee members.

Action 130 Consideration be given to collating internal audit recommendations on specific topics by subject heading.

Action 131 That action owners be encouraged to make responses SMART and to provide appropriate updates prior to the due date.

[Note: There was a short break before the next item]

## 56. CORPORATE RISK REGISTER

The committee considered a report on the status of the council's corporate risk register as at the end of September 2021.

The head of corporate performance introduced the report, the principal points included: the current position with the corporate risk register was summarised, including the inclusion of two new risks in relation to the availability of HGV drivers and labour to support waste collections and in relation to the integration of the Multi Agency Safeguarding Hub; attention was drawn to the directorate risk registers and Covid risk register appended to the report; there had been increased movement in risks since the introduction of the new performance management framework and risk management plan in November 2020; the risk management plan refresh was behind schedule but this would enable it to be informed by the findings of a risk management maturity assessment being undertaken with internal audit; the performance team continued to chase and challenge officers on the articulation of risks; work was being undertaken in terms of networking and benchmarking, this had identified a prioritisation approach to strategic, critical operational and technical risks which would align well with the framework; and a number of actions identified in the committee's action log would be addressed through the refresh.

The chairperson noted that increased movement in the corporate risk register demonstrated that it was a dynamic document.

Responses were provided to questions from committee members, the key points included:

- i. Risks not escalated to the corporate risk register or the directorate risk registers, such as the position with the Shirehall in Hereford, were often captured as service level risks.
- ii. It was suggested that questions relating to the local flood risk management strategy (agenda page 254) and the public realm services contract with BBLP could be raised with the relevant cabinet member.
- iii. The children and families strategic improvement plan should be a mitigation or control for a number of risks identified in the children and families directorate risk register.
- iv. Recent developments in terms of Fastershire delivery (agenda page 247) could affect the scoring in subsequent iterations of the corporate centre directorate risk register.
- v. Vaccination as a condition of employment in the social care sector was likely to be a factor in the market workforce economy risk identified in the corporate risk register (agenda page 237). A committee member suggested that the horizontal connectivity between risks could be made more evident.

- vi. With reference made to the housing under 'everyone in' arrangements risk (agenda page 242), it was recognised that some of the wording in the adults and communities directorate risk register may need to be reviewed to ensure that each risk was articulated correctly and reflected the relevant point in time.
- vii. It was noted that the risk to the local economy in the Covid risk register (agenda page 255) would need to be reviewed, as the risk score after controls was shown as being higher than the risk score before controls.
- viii. Referring to a point made by the vice-chairperson earlier in the meeting, the chairperson commented on the need for consideration to be given at a corporate level as to how capacity across the organisation was affecting organisational performance more generally.
- ix. A committee member considered that the highway condition risk in the economy and place directorate risk register (agenda page 254) may need to be reviewed, with another member suggesting that the risks may not be the same for different categories of roads.

**RESOLVED: That the report has been considered and noted.**

Action(s):

- Action 132 That horizontal linkages between risk registers be made more evident in risk descriptions.
- Action 133 That officers be encouraged to review and refresh the wording of risk descriptions where appropriate.

[Note: In accordance with paragraph 4.1.18 of the council's constitution, the chairperson determined that the meeting continue beyond three hours duration]

## **57. ANNUAL REVIEW OF THE COUNCIL'S INFORMATION ACCESS AND INFORMATION GOVERNANCE REQUIREMENTS**

The committee received a report on performance in the areas of complaints, data incidents and requests for information made to the council over the municipal year 2020/21.

The head of information compliance and equality introduced the report, the principal points included: the volume of requests for information had fallen slightly during the first Covid lockdown but volumes had increased subsequently; and, although many local authorities had suspended their processing of requests during 2020, the council's information access team continued to process requests at the same time as being redeployed to work on the response to the pandemic, achieving an overall response rate of 98%.

On behalf of the committee, the chairperson commended the team for their hard work and excellent response rate. The information on the position with complaints was also welcomed.

**RESOLVED: That the report be noted and the information access team be commended for its work.**

## **58. WHISTLEBLOWING POLICY REVIEW**

The committee considered a report on the council's whistleblowing policy.



The solicitor to the council introduced the report and explained that: the policy had been revised in October 2020 following recommendations from this committee's working group; a staff panel had been convened to understand how the policy was perceived and being used in the council, and this had provided useful feedback; and it was important to spend time on workplace culture and embedding the policy.

There was a discussion about the negative connotations from the word 'whistleblowing' which could be a barrier to staff engaging with the process and the challenge of identifying an alternative title with a commonly understood meaning. It was suggested that alternative titles be explored with staff and relevant organisations.

Attention was drawn to the suggestion identified in the report (agenda page 272) that 'the monitoring officer undertakes an awareness campaign addressing the barriers listed above and report back to the committee what work has been achieved in 9 months' time' but it was considered that this could be aligned with the annual policy review in 12 months' time.

**RESOLVED: That**

- a) **consideration be given to the title of the policy, with the solicitor to the council authorised to change it if necessary following further research and consultation; and**
- b) **a report on progress with the policy be provided as part of the annual policy review in 12 months' time.**

#### **59. WORK PROGRAMME UPDATE**

The committee considered its work programme.

The chairperson advised that the committee was due to consider the recommendations of the re-thinking governance working group in January 2022 which may require some changes to the agenda in order to accommodate this important piece of work; a separate workshop for committee members was also likely to be arranged.

The solicitor to the council advised that the annual code of conduct report would feature at the next meeting. The committee was also advised that two independent persons had recently resigned and thanks were expressed for their work in supporting the council's code of conduct regime. In response to a question, the solicitor to the council confirmed that four independent persons remained and a recruitment process was due to be undertaken during 2022.

**RESOLVED: That the work programme be agreed.**

#### **60. DATE OF NEXT MEETING**

The next scheduled meeting was to be held on Tuesday 25 January 2022.

The meeting ended at 1.34 pm

**Chairperson**