

**Minutes of the meeting of the Audit and governance committee held in The Conference Room, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Tuesday 12 April 2022 at 2.00 pm**

**Committee members present in person and voting:**      **Councillors: Jenny Bartlett, Christy Bolderson (Vice-chairperson), Dave Boulter, Peter Jinman, Bob Matthews and Nigel Shaw (Chairperson)**

**Committee members participating via remote attendance:**      **Councillor 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), G Beal, K Charlton (Interim head of legal services), J Gooding (Assistant director, South West Audit Partnership), P Harris (Head of corporate performance), David Hitchiner (Leader of the Council), A Lovegrove (Director of resources and assurance), J Moore (Interim head of corporate finance), A Probert (Principal auditor, South West Audit Partnership), J Roberts (Key audit partner, Grant Thornton), G Turner-Radcliffe (Audit manager, Grant Thornton) and P Walker (Chief Executive)

**75. APOLOGIES FOR ABSENCE**

Councillor Yolande Watson was unable to attend the meeting in person but participated via remote attendance.

**76. NAMED SUBSTITUTES**

None.

**77. DECLARATIONS OF INTEREST**

No declarations of interest were made.

**78. MINUTES**

The minutes of the last meeting were received. The action log for the committee was reviewed during the later agenda item 'Work programme update'.

**RESOLVED:**

**That the minutes of the meeting held on 25 January 2022 be confirmed as a correct record and be signed by the chairperson.**

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

No questions had been received from members of the public.

## **80. QUESTIONS FROM COUNCILLORS**

No questions had been received from councillors.

## **81. AUDITOR'S ANNUAL REPORT 2020/21**

The chairperson noted that the report had not been published at least five clear working days before the meeting. The chairperson moved a proposed variation at the meeting to defer the item to the next meeting of the committee to enable full debate and to facilitate the receipt of any related questions from members of the public or from councillors. This was agreed by the committee. There was a brief discussion about the need to provide papers in a timely manner for all committee meetings.

[Note: To assist with the efficient transaction of business, the agenda item 'Corporate risk register' was considered before the agenda items 'Internal audit 1<sup>st</sup> quarter plan 2022-23 and internal audit charter' and 'Annual governance statement – action plan update' but the original agenda order has been maintained in the minutes for ease of reference]

## **82. INTERNAL AUDIT 1ST QUARTER PLAN 2022-23 AND INTERNAL AUDIT CHARTER**

The committee considered the proposed first quarter internal audit plan 2022-23 and the internal audit charter.

The assistant director of South West Audit Partnership (SWAP) introduced the report and advised that the charter had been updated to reflect the change from an annual to a quarterly planning process. The principal auditor explained that the first quarter plan comprised audits that were deferred from the previous year, audits arising from discussions with senior management, and a continuation of grant certification work. In particular, attention was drawn to the 'data quality / data management' audit area in response to recent thematic findings; it was clarified that this would be undertaken corporately. It was reported that, since publication of the proposed plan, there had been two additional requests for special reviews from the director of resources and assurance which would replace two of the identified audits, with further details to be provided in the next progress update.

In response to questions, the committee was advised about:

- i. The mix of internal audit resources available and the specialist resources that could be called upon.
- ii. The implications of the additional work during 2021/22; audits were in progress and many were near completion in terms of the fieldwork.
- iii. The performance target of greater than 90% for the delivery of the annual internal audit plan; work was considered completed once reports were in draft.
- iv. The 'Leavers Process' audit area, with the focus being on the controls around that process, including the completion of exit interviews; details would be reported to the committee if there were priority 2 findings. It was suggested that any wider concerns about the quantum of leavers could be discussed with HR services.
- v. The prioritisation of audits not started; this was informed by resources, the availability of officers for the audits, and any identified priority pieces of work.

The vice-chairperson, noting that eight out of twelve proposed audits related to grants in the first quarter, said that the presentation of the quarterly plan made it difficult to gain assurance that there would be sufficient coverage of other directorates and service areas within the council by the end of the year. It was also considered that the inclusion of a high level scope for each audit would be helpful to the committee. The assistant director of SWAP said that quarterly planning intended to capture emerging risk and the activity to be undertaken in a particular quarter. It was suggested that a forward pipeline of potential audits could be included in future reports.

In response to further questions:

- vi. The assistant director of SWAP emphasised that this report related to the first quarter plan and the internal audit charter, and progress reports on internal audit activity would be presented during the year.
- vii. The assistant director of SWAP commented that the intention was to complete as many audits as possible within the quarter but there would be situations when this did not happen, particularly where additional pieces of work were requested or there were good reasons to move activity to a later date.
- viii. The director of resources and assurance explained there was limited ability to negotiate the timeframes for work relating to grants due to the need to comply with grant conditions.

**Resolved: That**

- a) the proposed 1st quarter internal audit plan 2022-23 has been reviewed;**
- b) the internal audit charter, appendix 2 to the report, be approved; and**
- c) a forward pipeline of future audits, as anticipated by the internal audit team for the next twelve to eighteen months, be provided in each quarterly plan report.**

Action(s):

Action 145: As per recommendation c) above.

### **83. ANNUAL GOVERNANCE STATEMENT - ACTION PLAN UPDATE**

The committee received a report which reviewed progress with the action plan as at 31 March 2022.

The director of resources and assurance suggested that, in view of the deferral of the 'Auditor's annual report 2020/21', the next iteration of the draft annual governance statement could be presented to the June 2022 meeting.

In response to questions from the vice-chairperson on the current action plan:

- 1. The interim head of legal services confirmed that the action 'Implement Rethinking Governance recommended changes to the constitution and oversee operational procedures' should be marked as 'part complete' due to ongoing work.
- 2. The director of resources and assurance would check with officers that the action 'New CRM system for complaints and review the Unreasonable Behaviour and Complaints policies' had been completed.

3. The interim head of legal services confirmed that there had not been any progress by the government to date to amend the legislation to permit hybrid meetings, hence the action 'Promotion of becoming a council member reflective of the flexibility with increased virtual meetings' was 'not progressing'.
4. The interim head of legal services confirmed that the action 'Capture number of meeting that were excluded from public meetings' should be marked as 'not complete'.

The chairperson requested that officers give consideration as to how actions outstanding from the previous year(s) were identified in subsequent iterations of the annual governance statement action plan.

**Resolved: That subject to the status amendments identified at the meeting, the updated actions be noted.**

#### **84. CORPORATE RISK REGISTER**

The committee considered the status of the council's corporate risk register.

The head of corporate performance presented the report, highlighting the following: the three new corporate risks, one risk that had been escalated to the corporate risk register, and the three risks that had been de-escalated; the changes to the corporate risk register since the last report were shown in red text in Appendix A; the directorate risk registers were provided in Appendices B to E, with a summary of changes shown in paragraph 8 of the main report; the risk maturity assessment provided in Appendix F provided a good foundation for progression, with the intention to undertake a risk management audit, to provide additional training throughout the council to embed risk management, and to build the developments required into the risk management plan; and the identification of potential software solutions to improve efficiency and to free officer capacity to work to embed risk management within the directorates.

The main points made during the discussion included:

- i. The risk maturity assessment was the first one undertaken with South West Audit Partnership internal audit services (SWAP), so comparison with other local authorities was not yet possible.
- ii. With attention drawn to certain references in the economy and environment risk register, it was explained that the risk registers related to the situation as at the end of February 2022 and some matters had been addressed in the intervening period.
- iii. In response to comments about potential risks associated with inflation and increasing costs of living, the head of corporate performance commented that the risk management framework was becoming more dynamic and reported on discussions with the leadership team on strategic and longer term risks.
- iv. It was suggested that the risk registers should make reference to strategic partners where the council relied upon those partners to deliver activities for the council.
- v. The director of finance resources and assurance acknowledged the need to reduce the lead-in time between the preparation and presentation of the papers but was not aware of any other significant risks that should have been identified as at the end of February 2022, albeit various reassessments had been undertaken subsequently during March and April.

- vi. The chief executive made a number of observations, including: the opportunity to present the risk registers was welcomed; the value of regular dialogue between the head of corporate performance and the leadership team regarding strategic risks for specific directorates and for the council as a whole; the need to reflect matters included in the annual governance statement and the external auditor's annual report; the importance of ensuring that partnerships, such as the Herefordshire and Worcestershire Integrated Care System, worked well; and other challenges included workforce recruitment and retention, the delivery of major projects, the increasing demand for services, the ability to continue to deliver savings, and minimising exposure to cyber-attacks. Reflecting on experiences in other local authorities, the chief executive emphasised the importance of a broad and deep approach, raising the profile of risk management, and making better informed decisions.
- vii. With reference made to the deferred item, 'Auditor's annual report 2020/21', a committee member questioned the timing of the establishment of the Major Contracts Improvement Board and its effectiveness. The chief executive briefly commented on the improvements that had been put in place since 2020/21.
- viii. With comments made about the implications of inflationary pressures, a committee member considered that further assurance was needed on the management of risks and suggested that the committee could examine one or two risks in greater detail.

The head of corporate performance confirmed that a similar action was included in the committee's action log (action 99 refers), commented on the need for input from the relevant service areas, and outlined the potential benefits of a software solution for risk management in terms of data visualisation. The chief executive advised that strategic risks could be an appropriate starting point.

- ix. A committee member suggested broadening use of specific, measurable, attainable, realistic, timescale (SMART) goals to include ecological / environmental impacts, and responding / rewarding (SMARTER) goals.
- x. The vice-chairperson welcomed the development of a strategic risk register, potentially enabling the directorate risk registers to sit with the leadership team and with the cabinet members, and commented on the need to avoid silos and for the committee to be sighted on cross-cutting risks.

The head of corporate performance said that the first iteration of a strategic risk register might be available for the September 2022 meeting and the new software system should be in place for business planning in 2023/24. The head of corporate performance added that he was due to leave the authority shortly.

- xi. In response to questions: the chief executive advised that directorate risks were discussed with cabinet members in their briefings; and the director of resources and assurance advised that the Major Contracts Improvement Board had been established by Cabinet in July 2021 (minute 32 of 2021/22 refers) and Councillors Davies, Harvey and Harrington were the cabinet members on the board currently.
- xii. The chairperson said it should be made clear that the new risk in relation to receiving an adverse Ofsted inspection (CRR.66) related to the children and young people directorate and not to an individual school.

It was agreed that a workshop would be arranged in October or November 2022 to consider the first iteration of the strategic risk register and to examine one or two strategic risks in greater detail.

On behalf of the committee, the chairperson thanked Paul Harris for his work on corporate performance and for the progress that had been made with the risk management approach.

At the conclusion of the item and in response to a comment from a committee member about the need for visibility of, and to learn lessons from, issues that had given rise to problems, particularly in relation to major projects:

- the chairperson outlined some of the occasions where the committee had put forward requests to the Section 151 officer for internal audit into certain activities;
- the director of resources and assurance noted the opportunity for the committee to input into the internal audit plan and invited members to contact him directly between meetings;
- following a comment by the chairperson about the potential for internal audit to look back over previous audits to identify any significant findings that may be worth revisiting, the assistant director for SWAP said that the audit plans for any particular pieces of work could be shared with committee members; and
- the chief executive suggested that the director of resources and assurance liaise with SWAP to explore how additional assurance could be provided to the committee that recommendations for standout pieces of work in recent years had been actioned and addressed; and
- the vice-chairperson noted that the committee received a regular report on progress against internal audit recommendations.

**Resolved: That status of the council's corporate risk register be noted.**

Action(s):

Action 146: Where corporate or departmental risks have an integral component supplied by partnerships, consideration be given to identifying those partnerships in the relevant risk entries.

Action 147: A workshop be arranged in October or November 2022 to consider the first iteration of the strategic risk register and to examine one or two strategic risks in greater detail.

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

## **85. WORK PROGRAMME UPDATE**

Further to minute 78 above, the action log for the committee was reviewed in detail and adjustments were made. The principal points included:

1. Where an action would be delivered through a future report, the action should not be 'reported complete' until that report had been presented to the committee.
2. Actual completion dates be included in the 'report complete' column.
3. Officers needed to avoid using the use of the term 'audit' when referring to separate investigatory or review work not being delivered by internal or external audit.

The committee's work programme was reviewed and the following amendments were made:

- The 'Auditor's annual report 2020/21' item would be considered at the May 2022 meeting.
- The 'Draft annual governance statement' item would be considered at the June 2022 meeting.
- The next 'Corporate risk register' item would be considered at the September 2022 meeting.

**RESOLVED: That, subject to the amendments noted, the updated work programme be agreed.**

**86. DATE OF NEXT MEETING**

It was agreed that the date of the next meeting be moved from Tuesday 3 May 2022 to Tuesday 10 May 2022 at 11.00 am.

The meeting ended at 4.55 pm

**Chairperson**