

## **Minutes of the meeting of the Audit and Governance Committee held in Conference Room 1, Herefordshire Council Offices, Plough Lane, Hereford, HR4 0LE on Tuesday 24 October 2023 at 2.00 pm**

**Committee members present in person and voting:**      **Councillors: Chris Bartrum, Frank Cornthwaite, Peter Hamblin, David Hitchiner (Chairperson), Aubrey Oliver (Vice-Chairperson) and Mark Woodall**

**Others in attendance:**      R Apperley (Audit Manager, Grant Thornton), P Barber (Director, Grant Thornton), I Halstead (Assistant Director, South West Audit Partnership), R Hart (Head of Strategic Finance), J Higgins (Democratic Services Assistant), A Lovegrove (Director of Resources and Assurance), S O'Connor (Head of Legal Services and Deputy Monitoring Officer), J Preece (Democratic Services Officer) and J Tranmer (Chief Accountant)

### **40. APOLOGIES FOR ABSENCE**

Apologies were received from Councillor Robert Highfield.

### **41. NAMED SUBSTITUTES (IF ANY)**

There were no substitutes.

### **42. DECLARATIONS OF INTEREST**

No declarations of interest were made.

### **43. MINUTES**

#### **RESOLVED:**

**That the minutes of the meeting held on 27 September 2023 be confirmed as a correct record and signed by the chairperson.**

### **44. QUESTIONS FROM MEMBERS OF THE PUBLIC**

No questions had been received from members of the public.

### **45. QUESTIONS FROM COUNCILLORS**

No questions had been received from councillors.

### **46. 2022/23 EXTERNAL AUDIT FINDINGS REPORT**

The Director, Grant Thornton (DGT) presented the external audit findings report for the year ended 31 March 2023. The principal points included:

- I. The post-statements audit commenced in early July 2023 in accordance with the original timeline.
- II. Despite excellent cooperation from the council's Finance Team, due to a number of challenges particularly in relation to staff sickness Grant Thornton (GT) were not able to deliver the audit opinion on the financial statements by the statutory deadline of 30 September 2023 but good progress has since been made and the DGT confirmed their work was now complete.
- III. Attention was drawn to the 'Conclusion' section ([page 26 of the agenda](#)) and it was reported that, since publication, all outstanding items had been completed and no new issues had arisen that needed to be brought to the committee's attention.
- IV. Strong assurance is evidenced within the report that the Council has effective arrangements in place to produce complete, accurate and timely accounts.
- V. It was noted no material errors in the statements had been found.
- VI. Attention was drawn to the 'Audit Adjustments' section ([page 51 of the agenda](#)) and it was reported that there had been a revaluation of Land and building assets of £4.7m, it was clarified the adjustment had no impact on the outturn for the year.

14:18 Cllr Oliver joined the meeting and confirmed he had no declaration of interests to declare.

- VII. Attention was drawn to the 'Financial Statements: Significant Risks' section ([page 28 of the agenda](#)) a control weakness for the absence of formally documented evidence base review for larger journals had been identified.
- VIII. Attention was also drawn to the 'Fees' section ([page 54 of the agenda](#)) and it was noted that there had been a reduction of £3k to the final fees anticipated for 2022/23 due to the removal of costs associated with an auditors' expert in respect of land and building and investment properties. It was highlighted that compared to the previous year 2021/22 there had been a reduction of £30k in fees.

In response to committee questions, it was noted:

1. The DGT confirmed the level of borrowing by the council was not a concern.
2. The Director of Resources and Assurance (DRA) would provide a list of the council's "investment properties" to committee members.
3. With regards to concerns surrounding pension liabilities the DGT explained it was not a particular area of focus but explained that the share of the assets held by Worcester pension fund was quite easy to calculate based on the contributions, the returns and the growth so the assets allocated to Herefordshire could be quantified reasonably. Assurances are sought from the pension fund auditor about the arrangements in place and written evidence to support it acquired.

The DRA expressed his thanks to the DGT and the GT team for their work on what was thought to be a good audit given the challenges the GT had experienced within their team.

It was confirmed the letter of representation would be signed by the DRA and unless the DGT received any further information from the council that might impact the opinion, then he would sign and issue an unqualified opinion on 25 October 2023. Herefordshire Council would be the first unitary authority in the country to have their accounts signed-off as being 'true and fair'.

**Resolved:**

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

2023/24-010 Action: The Director of Resources and Assurance (DRA) to circulate a list of the council's "investment properties" to committee members.

#### **47. ANNUAL GOVERNANCE STATEMENT 2022/23**

The Head of Strategic Finance (HSF) introduced the report and highlighted;

- The annual governance statement (AGS) for 2023 forms part of the statutory accounts.
- The AGS was presented to the committee in June as part of the draft accounts in line with the statutory deadline to which no further changes have been identified.
- The AGS is a review of the control environment and the governance framework the council operates in; it is informed by the views of the head of internal audit, the annual opinion as well as other internal audit reports, compliance reviews and statements from directors.
- A progress report will come before the committee in January to update on the progress made in the areas identified where control arrangements can be strengthened.

In response to committee questions, it was noted that the HSF would provide a written response on the General Data Protection Regulation (GDPR) practices and procedures and on how training is determined, the format it is delivered and how the effectiveness of the training is assessed.

#### **Resolved:**

**That the annual governance statement 2022/23 be approved.**

Action(s) 2023/24-011 The HSF would provide a written response on the General Data Protection Regulation (GDPR) practices and procedures and how training is determined, the format it is delivered and how the effectiveness of the training is assessed.

#### **48. 2022/23 STATEMENT OF ACCOUNTS**

Further to the consideration of a draft at the 23 June 2023 meeting ([minute 11 of 2022/23 refers](#)), the committee received the updated 2022/23 Statement of Accounts.

The Head of Strategic Finance (HSF) introduced the report, it was noted that very few amendments had been found, all of which were minor. Attention was drawn to appendix D of the External Audit Findings Report ([Page 51](#)). The Director, Grant Thornton (DGT) had already highlighted the revaluation of Land and building assets.

In response to committee questions, it was noted:

1. The Director of Finance and Assurance (DFA) explained that the Council does what it can to collect on debt by way of payment plans but where write off rules need to be applied, there is a formal process which is reported to this committee and cabinet.
2. The DFA confirmed during the Covid pandemic, the Council made payments to suppliers as soon as an invoice was received as the impact on businesses' cash flow was recognised, however this has now been reset to 30 day terms unless other terms have been agreed.

3. The DFA verified the Council had 18M of reserves in government grants in advance most of which is held in cash so therefore he had no concerns with the Council's cash flow.

The Chair expressed his congratulations to the DFA and HSF.

**Resolved:**

**The 2022/23 Statement of Accounts (at Appendix 1) were approved; and the Letter of Representation (at Appendix 2) be signed by the Chief Finance Officer.**

**49. INTERNAL AUDIT UPDATE REPORT QUARTER 2 2023-24**

The Assistant Director (AD), South West Audit Partnership (SWAP) introduced the report. It was reported that the audit management system that had been introduced was working well and that this would enable internal audit to report to officers and members on areas of concern in real time.

The following five themes were highlighted:

- Coverage – The coverage maps show a clear alignment with corporate goals. More coverage maps are on the horizon and the outputs will mature as the team further integrates the new audit management system.
- Activity - 38 assignments are complete or in progress at the end of Quarter 2 and the internal audit work is on track to deliver an annual opinion.
- Outcomes – 92% of the opinion related work found the control environment to be either substantial or reasonable assurance. There were no significant corporate risks to be reported.
- Issues – 55% of the issues identified were associated with a root cause of the design of systems, policies and processes.
- Quality – SWAP are quality assessed every three years independently by an external body. At the last assessment SWAP were conformant with the internal audit standards.

In conclusion for quarter 2, there was reasonable assurance, generally systems and processes are in place but there are some areas that require Improvement.

In response to committee questions it was noted:

1. The AD confirmed that there was only 6 months' worth of data that made up the customer satisfaction questionnaire statistics ([page 220](#)) but as the data matures the committee would be provided with a further updates. It was agreed that an extra column would be included to show the "percentage of responses".
2. The AD explained the process of allocating priorities when compiling their rolling audit plan and welcomed any feedback from members should they feel any items needed a higher level of focus in their audit work.
3. With regards to the deferment of the "Proactive Fraud Work Tax Evasion" ([page 229](#)) the Head of Strategic Finance confirmed this was due to the HMRC undertaking a routine compliance check which the findings would be presented to SWAP and avoided a duplication of efforts.
4. The AD confirmed that work had been conducted on planning in relation to Section 106 agreements which he would share with the committee.

5. The Director of Resources and Assurance (DRA) informed the committee that two papers had been taken to Cabinet with proposals to deal with the delivery of all Section 106 monies and future monies received and these would be circulated to the committee.
6. The AD explained that Children's Services was not a key area of work for Internal Audit at this time as they can take assurances from other providers who are inspecting and working on the improvement of the service. The AD did confirm that he was still meeting with the Director of Children's and Families to ensure they align with his vision and the goals that he has.
7. The AD recognised the risks associated with phosphates and confirmed it was on Swaps top 10 risks across local authorities but currently it was not an area of activity he would consider looking at on this year's plan.
8. The AD confirmed the medium-term and long-term financial planning would be part of the of the internal audit process in future.
9. The AD has no concerns with the processes of the Project Management Office (PMO) but suggested there could still be some improvement needed generally in some areas. As a support service, the PMO are not specified within the plan but do make up parts of other projects featured. The AD offered to provide the committee with specific issues or coverage which related to the PMO in order to provide the committee with more assurance.

A request was made that the "Waste Strategy Contract" and the "Planning Enforcement" have priorities be reassessed in SWAP's rolling audit plan.

10. With regards to concerns raised surrounding homelessness and the impacts on the councils budget position on future forecasts, the AD confirmed that this would be an item for the Scrutiny Management Board to consider.

**Resolved:**

**The committee notes the Internal Audit Update Report Quarter 2 2023-24.**

Action(s)

2023/24-012 The DRA to circulate the reports taken to cabinet on the proposal to deal with the delivery of all Section 106 monies and future monies.

2023/24-013 Concerns raised surrounding homelessness and the impacts on the councils budget position be highlighted to the Scrutiny Management Board to put on their work programme.

2023/24-014 The AD to reassess the priority of the "Waste Strategy Contract" and the "Planning Enforcement" on SWAP's rolling audit plan.

2023/24-015 The AD would share the work Swap had conducted on planning in relation to Section 106 agreements with the committee.

**50. WHISTLEBLOWING - INTERNAL AUDIT FINDINGS AND REPORT**

The Head of Legal Services (HLS) introduced the report on the Internal Audit finds on the operation of the Whistleblowing Policy. It was highlighted there were 4 findings recorded and mitigated during the audit ([recorded at paragraph 6 of the report](#)).

In response to committee questions it was noted:

1. The Assistant Director for South West Audit Partnership (SWAP) opinion was that he would rather see a significant number of complaints than no complaints at all.
2. The HLS explained the point of collecting and reporting the data was so common trends could be identified and recurring problems could be reported back to the committee and the Monitoring Officer. It was noted in the committee's yearly report it will consist of "data categorised by the type of complaint".
3. The HLS confirmed that the process did not involve data sharing across other councils, but for example in relation to a professional officer there would be a record from reporting to the police or professional body.
4. The HLS explained if a vexatious complaint was received and it was not a whistleblowing complaint it would be investigated by the Line manager. Complaints are kept anonymous and secure, once resolved the data would be deleted after 12 months with only a record of the trends having been kept for data purposes.
5. The HLS confirmed that there was not a clear timeframe for dealing with complaints as it would depend on the nature of the complaint, the number of people involved etc. but the committee could be assured that legal services do monitor the service areas, chase for updates and escalate straight away if there was no action. It was highlighted that the service areas did take complaints seriously and prioritised them.

**Resolved:**

**That the findings of the Internal Audit; and the changes in the operation and reporting underpinning the Whistleblowing Policy were noted.**

## **51. IN YEAR CHANGES TO FEES AND CHARGES**

The Head of Legal Services (HLS) introduced the report on In Year Changes to Fees and Charges. It was explained that currently the constitution did not assist officers in how to set charges and what consideration needed to be taken in determining what a charge should be. Attention was drawn to [\(page 245\)](#) and paragraphs A to L were highlighted. It was noted a report had been approved at [Cabinet on 30 June 2011](#) detailing those paragraphs and the HSL proposed these paragraphs be added to the constitution.

The HSL explained that Full Council set the budget in February and that should be sufficient however if changes needed to be made in year, permission was sought from the committee for officers to make recommendations for changing fees and charges provided that they consult with the lead member, chief finance officer and group leaders. It was noted that if the change is agreed, those same parties are all notified and the normal constitutional controls would be followed. If members disagreed then they would have the opportunity to call the decision in by virtue of [paragraph 4.5.61](#) of the constitution.

In response to committee questions it was noted:

1. The HLS explained that inflation rates could have an impact and gave the example of changes to registration and parking fees as an example of where officers may recommend changes.
2. The HLS confirmed that the process was incumbent on the Director being contented with the consultation undertaken.
3. The HLS confirmed that Group Leaders had been consulted on the report prior to coming to committee and comments and suggestions made had been incorporated into the recommendations.

The committee discussed the following paragraph and agreed that the wording "(other than an inflationary increase\*)" should be removed;

Where a change is proposed by the Director (other than an inflationary increase) then the Chief Finance Officer, relevant Lead Members and Group Leaders must be consulted. The same group will then also be notified of the decision.

**Resolved  
That**

**a) The changes in paragraph 9\* are approved to enable in-year changes in fees and charges to be made by directors in consultation with Chief Finance Officer and relevant members; and**

**b) the Monitoring Officer is authorised to amend the Financial Procedure Rules (Part 4 Section 7) and Financial Guidance (Part 4 Section 7b) of the Constitution to reflect recommendation a.**

## **52. WORK PROGRAMME**

The committee's updated work programme was presented, showing amendments which included the Approach to Strategic Risk Management Update which would be delayed to the committee's meeting in January. It was noted that the Director of Strategy and Performance should be informed that it was important this report was brought to the January meeting and further delays would be unacceptable.

As part of the agreed recommendations from the Independent Persons report from the committee's previous meeting, the Chair reminded committee members they needed to complete and return the skills matrix circulated to them by the end of October 2023.

**RESOLVED**

**That subject to the amendment noted, the updated work programme be agreed.**

## **53. DATE OF NEXT MEETING**

Tuesday, 28 November 2023 2pm.

The meeting ended at 3.50 pm

**Chairperson**