

A G E N D A

Audit and Corporate Governance Committee

Date: **Friday, 21st November, 2008**

Time: **10.00 a.m.**

Place: **Council Chamber, Brockington, 35
Hafod Road, Hereford. HR1 1SH**

Notes: Please note the **time, date** and **venue** of the meeting.

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Herefordshire Council

AGENDA

for the Meeting of the Audit and Corporate Governance Committee

To: Councillor ACR Chappell (Chairman)
Councillor RH Smith (Vice-Chairman)

Councillors MJ Fishley, JHR Goodwin, PJ McCaull, R Mills and AM Toon

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<p>1. APOLOGIES FOR ABSENCE</p> <p>To receive any apologies for absence.</p>	
<p>2. NAMED SUBSTITUTES(IF ANY)</p> <p>To receive any named substitutes.</p>	
<p>3. DECLARATIONS OF INTEREST</p> <p>To receive any declarations of interest by Members in respect of items on the Agenda.</p> <p>GUIDANCE ON DECLARING PERSONAL AND PREJUDICIAL INTERESTS AT MEETINGS</p> <p>The Council's Members' Code of Conduct requires Councillors to declare against an Agenda item(s) the nature of an interest and whether the interest is personal or prejudicial. Councillors have to decide first whether or not they have a personal interest in the matter under discussion. They will then have to decide whether that personal interest is also prejudicial.</p> <p>A personal interest is an interest that affects the Councillor more than most other people in the area. People in the area include those who live, work or have property in the area of the Council. Councillors will also have a personal interest if their partner, relative or a close friend, or an organisation that they or the member works for, is affected more than other people in the area. If they do have a personal interest, they must declare it but can stay and take part and vote in the meeting.</p> <p>Whether an interest is prejudicial is a matter of judgement for each Councillor. What Councillors have to do is ask themselves whether a member of the public – if he or she knew all the facts – would think that the Councillor's interest was so important that their decision would be affected by it. If a Councillor has a prejudicial interest then they must declare what that interest is and leave the meeting room.</p>	
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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Audit and Corporate Governance Committee held at Council Chamber, Brockington, 35 Hafod Road, Hereford HR1 1SH on Thursday, 25 September 2008 at 9.30 a.m.

Present: Councillor ACR Chappell (Chairman)
Councillor RH Smith (Vice Chairman)

Councillors: JHR Goodwin, B Hunt, R Mills and AM Toon

In attendance: Councillor S Bowen, Mrs L Cave (Audit Commission) and T Tobin (Audit Commission)

Councillor RH Smith (Vice-Chairman) in the Chair

107. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor MJ Fishley.

108. DECLARATIONS OF INTEREST

There were no declarations of interest declared.

109. NAMED SUBSTITUTES(IF ANY)

There were no substitutes declared.

110. MINUTES

RESOLVED: that the Minutes of the meeting held on 3 July 2008 be approved as a correct record and signed by the Chairman subject to the following amendment:

The words 'Government consider and agree ' being deleted and the words 'Governance Committee agreed' being substituted in the first line of part (a) of the Resolution to Minute No.105.

111. ANNUAL GOVERNANCE LETTER FOR 2008

The Committee received a report from Sonia Rees, Director of Resources, which introduced the external auditor's Annual Governance Report for 2008 which set out:

- (a) their opinion on the financial statements for 2007/08 approved by the Committee on 20 June 2008.
- (b) their opinion on the Council's arrangements for securing value for money.
- (c) their recommendations for further improvements in the Council's governance arrangements arising from their audit work.

Liz Cave and Terry Tobin represented the Audit Commission and presented the

Annual Governance Report for 2008.

Liz Cave reported that she was pleased to inform the Committee that the Audit Commission's Report was very positive and that there was very little substance to report which was good news. She made reference to page 12 and highlighted five new key areas of judgement and audit risks. These areas were looked at in detail and were found to be substantially correct. With regard to the draft representation letter, Appendix 1 to the Commission's Report, she stated that it was normal. There were no material weaknesses in internal control but drew the Committee's attention to two matters. The first was in respect of the ISIS (nursing home payments) system set out in paragraph 16 of the Report, with a recommendation that issues raised in relation to the system for paying nursing homes be addressed. The other matter which was the main concern, was in relation to pooled budgets and the fact that there were no signed agreements in place, paragraph 17 of the Report refers. The recommendation was that the pooled budget arrangements with the PCT including ensuring governance arrangements are updated and signed agreements are put in place. The corporate arrangements for securing economy, efficiency and effectiveness in its use of resources, i.e. value for money, were 'adequate' which meant that the basic requirements had been met.

The Committee was asked to consider and approve the draft representation letter attached to the Commission's Report at Appendix 1.

Sonia Rees reported that the Audit Commission's recommendations had been referred to the appropriate Directors and that their Actions taken would be tracked accordingly by audit.

Tony Ford, Chief Internal Auditor, informed Members that the recommendations would also be referred to a Scrutiny Committee. The Committee would be up dated on progress in terms of Directorate action and from a Scrutiny viewpoint.

The Chairman drew attention to paragraph 6 of the Commission's Report and whether the reference in the Report with regard to this Committee's approval of the Council's Accounts and Annual Governance Statement and the Committee's need to consider Audit Commission's findings in its Report was creating a 'tension' factor for the Committee.

Liz Cave emphasised that there were no material amendments in their Report so the wording was incorrect and that the respective wording in the draft Letter would as a consequence be reviewed.

Councillor RH Smith proposed that the Director of Resources be invited to submit a report summarising the extent and values of current pooling of budgets and current thinking and planning towards further pooling.

Sonia Rees informed Members that she would be working closely with the Director of Integrated Commissioning to produce a report on the pooling of budgets.

The Chairman wished to record acknowledgement for the work of the Director of Resources and staff in achieving such positive results in the Audit Commission's Report.

Members also expressed their appreciation to Liz Cave for her work.

RESOLVED: that

(a) the Audit and Corporate Governance Committee agrees the proposed action plan in response to the recommendations contained in the Annual Governance Report for 2008;

(b) the Audit and Corporate Governance Committee approves the Letter of Representation for signature by the Chair of the Committee and the Director of Resources, attached at Appendix 2 of the Audit Commission's Annual Governance Report 2008; and

(c) the Director of Resources be invited to submit a report summarising the extent and values of current pooling of budgets and current thinking/planning towards further pooling.

Councillor ACR Chappell (Chairman) in the Chair

112. REVIEW OF THE CODE OF CORPORATE GOVERNANCE

Kevin O'Keefe, Legal Practice Manager, presented a report which requested the Committee to consider a revised Code of Corporate Governance for the Council following the issuing of a new governance framework and guidelines.

Councillor RH Smith referred to paragraph 9 of the report and took the view that any supplemental or commentary instructions in respect of the Code of Corporate Governance by the officers should be submitted to this Committee for ratification.

Councillor Smith also referred to the last line of paragraph 10 of the report and requested clarity of meaning.

Kevin O'Keefe agreed that it was not clear but that its meaning was that the principles had been condensed from five to four.

RESOLVED: that subject to any supplemental or commentary instructions to the Code of Corporate Governance by the officers being submitted to this Committee for ratification and subsequent approval by Council, the redrafted Code of Corporate Governance be agreed for consideration by the Standards Committee for onward adoption by Council on 31 October 2008.

113. LEARNING DISABILITY INSPECTION ACTION PLAN - PROGRESS REPORT

The Committee considered a report of the progress made through the implementation of the action plan which followed the Commission for Social Care Inspection in January 2007, and the ongoing adult social care transformation programme.

Tony Ford, Chief Internal Auditor, reminded the Committee that previous years Annual Governance Statements had highlighted the need for improvement and that the report sets out the current status following the completion of the action plan.

Councillor AM Toon referred to paragraph 12 'Need to improve quality of the transitions process' in Appendix 1 to the report, and the following sub paragraphs on page 40 of Appendix 1, and requested clarification in respect of :

- (i) sub paragraph a. – what do all service users have and what has been done.
- (ii) sub paragraph e. – with regard to mandatory training, what is being done, when will this be achieved and is there an accreditation process.
- (iii) Sub paragraph f. – in respect of the dedicated administrator, was there a necessity for this and were the regulations and protocols complied with in the appointment to the post.

The Chairman suggested that a report be submitted to the next meeting setting out the answers to the points raised by Councillor Toon.

- RESOLVED:**
- (a) that subject to (b) below, the progress made against the action plan and its future inclusion in the overall social care transformation programme be noted; and**
 - (b) that the Interim Director of Adult Social Care submit a report to the next meeting clarifying the points raised by Councillor Toon in (i) to (iii) above.**

114. ANALYSIS OF INTERNAL AUDIT RECOMMENDATIONS IN 2007/08

Tony Ford, Chief Internal Auditor, presented a report which provided information which had been requested by the Committee on the risk analysis of internal audit recommendations made in 2007/08 and the internal audit recommendations not accepted by management in the year. He referred to the table in paragraph 6 of the report and informed the Committee of the following amendments to the Recommendations Accepted in Levels 1 and 2:

Level	Recommendations Accepted	
	No.	%
1	306	99.7
2	333	98.2

Councillor AM Toon referred to the Virtual Learning Environment and requested clarification on whether there had been any expenditure in this area. Tony Ford reported that although he was aware there had been some expenditure, he did not have the details with him. He would notify Councillor Toon with the details following the meeting.

Tony Ford further reported that there were a total of seven recommendations which had not been accepted out of the total number of recommendations made in Levels 1 and 2. He reminded Members that follow up procedures within the audit plan were in place with regard to the Critical 1 recommendations.

Councillor RH Smith took the view that non acceptance of three of the seven recommendations was reasonable but he was concerned with the remaining

four. He suggested that the Chairman and Vice-Chairman of the Committee meet with the Director of Resources and the Chief Internal Auditor to review the four recommendations and that a further report be submitted to the Committee giving details of the review.

RESOLVED: that

(a) subject to (b) below, the content of the report be noted; and

(b) the Chairman and Vice-Chairman of the Committee meet with the Director of Resources and the Chief Internal Auditor to review the four recommendations referred to by Councillor RH Smith and that a further report be submitted to the Committee giving details of the outcome of the review.

115. FIRST INTERIM AUDIT ASSURANCE REPORT 2008/09

A report was presented by Tony Ford, Chief Internal Auditor, which provided the Committee with an update on progress in making planned improvements to the internal control environment and progress with the Annual Audit Plan for 2008/09.

Tony Ford referred to paragraph 6 of the report and informed Members that the two officers who did not have the authority to authorise Information Communication Technology (ICT) travel and subsistence claims were agency staff.

Sonia Rees, Director of Resources, stated that all Directors should have induction protocols in place to ensure that all agency staff are aware of such responsibilities.

Tony Ford referred to the procedures regarding the purchase of laptop computers and informed the Committee that the new Head of Performance Planning and Development had assured him that all ICT procurement would be channelled through the set procurement procedures in future.

Some Members expressed concern about the incompatibility of ICT specifications which some schools prefer to acquire and the Councils ICT system.

Members were informed that it was necessary for schools ICT systems to be compatible with the Council's systems in relation to software and security.

Tony Ford also informed the Committee that the new Head of ICT Services has been reviewing the previous relationship between ICT Services and Children's Services with a view to working closer together on such matters.

Sonia Rees, Director of Resources, informed Members that the ICT issues between schools and the Council had been identified and measures were in place to move forward to protect the Council's interest. All the indications were that the Council was progressing positively in these areas. The Strategic Monitoring Committee would also be tracking the way these issues are moving forward.

Councillor JHR Goodwin expressed concern regarding schools computer systems not being able to take Virtual Learning Environment (VLE) software.

Tony Ford reported that Cabinet had considered and signed off the VLE agreement.

Councillor RH Smith was concerned about lack of control by management on certain procurement matters and the need to hold individual officers responsible for their actions. He emphasised that it was not about the laptop purchase issue, but the failure of management to ensure that procurement procedure is adhered to. He was of the view that the Committee should send out a clear message to all Directorates that failure of management not to adhere to procurement rules and procedures will not be tolerated.

Tony Ford, referred Members to the progress made on the status of audits started during the year and set out in Appendix 2 to the report. He informed the Committee that he would be employing the services of agency staff to help progress the audits. He also made reference to the Audit Opinions, paragraphs 13, 14 and 15 in the report, and that these were basically in line with Appendix 2. He emphasised that there were no Critical 1 recommendations and that there were no unsound audit opinions.

Councillor Smith extended his gratitude to Tony Ford and Sonia Rees for the extensive work with regard to the analysis of the Audit and Corporate Governance Committee's on going issues and Resolutions.

Councillor Smith suggested that in future, minor amendments to the Agenda reports should not be referred to the Committee. He was of the view that 42 of the 65 live items that were outstanding could be closed immediately and suggested that with half of the 23 outstanding being in progress, the other half being could be referred to a meeting between the Chairman and Vice-Chairman of the Committee together with the Director of Resources and Chief Internal Auditor to agree which are to be closed or amended.

Councillor AM Toon made reference to item 16 in Appendix 1 regarding Section 106 Obligations and asked whether we were getting contracts in and were they value for money. Also, would the post created to manage these issues be value for money.

Kevin O'Keefe, Legal Practice Manager, reported that the indexing of the Section 106 agreements had been started. Also, that the post referred to would be self financing.

Councillor R Mills requested that a report be submitted to the next meeting setting out how the Section 106 procedure works.

The Chairman requested that specific examples of Section 106 agreements be included in the report and that the Head of Planning Services be instructed to attend the meeting for the item.

The Chairman referred to the Establishment of Audits in Appendix 2 and if the Wyebridge Academy had been audited prior to Information Technology handover.

Tony Ford reported that he had not been involved in any handover procedure

review.

The Chairman requested a report to the next meeting regarding the transfer of assets to Wyebridge Academy .

Councillor Smith requested a report to the next meeting to consider the audit recommendations not accepted by management. Also, that given the issues of culture and slimmed down schedule to be considered, that the Chief Executive or the Deputy Chief Executive (Interim) be invited to attend the next meeting to discuss culture issues.

RESOLVED: that

- (a) the Committee should send out a clear message to all Directorates that failure of management not to adhere to the Council's procurement rules and procedures will not be tolerated;**
- (b) the officers be authorised to close those Committee Resolutions which require no further action immediately;**
- (c) the Chairman, Vice-Chairman of the Committee, the Director of Resources and the Chief Internal Auditor be instructed to meet and be authorised to close, or close with minor amendments, the remainder of the Audit and Corporate Committee resolutions and recommendations referred to in Appendix 1 to the report and in future, the audit resolutions which are not closed be considered by the Chairman, Vice-Chairman, Director of Resources and Chief Internal Auditor for closure or closure with minor amendments;**
- (d) a report be submitted to the next meeting to consider the audit recommendations not accepted by management and that given the issues of culture and slimmed down schedule of recommendations to be considered , that the Chief Executive or the Deputy Chief Executive (Interim) be invited to the next meeting to discuss culture issues;**
- (e) a report be submitted to the next meeting setting out how the Section 106 procedure works with specific examples of Section 106 agreements to be included in the report and that the Head of Planning Services be instructed to attend the meeting for the item;**
- (f) a report be submitted to the next meeting regarding the current position with regarding the handover of assets to Wyebridge Academy; and**
- (g) subject to (a) to (f) above, the contents of the report be noted.**

THE EXTENT AND VALUES OF CURRENT POOLED BUDGETS

Report By: HEAD OF FINANCIAL SERVICES

Wards Affected

County-wide.

Purpose

1. To report to the Audit & Corporate Governance Committee on the extent and values of pooling of budgets under the National Health Service Act 2006 along with current thinking / planning towards further pooling.

Financial Implications

2. These are outlined in the report.

RECOMMENDATION

THAT the Audit & Corporate Governance Committee notes the content of the report.

Reasons

3. At the Audit and Corporate Governance Committee on 25 September 2008 it was resolved that the Director of Resources be invited to submit a report summarising the extent and values of current pooling of budgets and current thinking / planning towards further pooling.

Background

4. The dividing line between health and social care has generated discussions over resources in all parts of the country. The decision about which body provides care is of considerable importance for individual clients because of the different charging regimes which in essence sees free health care compared with the provision of social care where the client contributes towards its cost. This tended to mitigate against providing seamless systems of service provision.
5. In 1997, the government announced its intention to put in place a new statutory duty of partnership to be placed on the NHS bodies and local authorities to work together. These new partnership arrangements were implemented under Section 31 of the Health Act 1999.
6. Section 31 of the Health Act 1999 has since been repealed and replaced, for England, by Section 75 of National Health Service Act 2006.

7. The provision consolidated NHS legislation and is in exactly the same terms and existing Section 31 arrangements continue as if made under the new powers. The legislation permits the following mechanism to be employed to deliver the identified objectives:
- i) **Pooled budgets** - a pooled fund provides an opportunity for the partners to bring money together, in a discrete fund, to pay for services or projects. The intention is that instead of users being inconvenienced by disputes about health and local authority responsibilities, agreement will be reached at the outset about the range of services to be purchased and provided from a pooled fund.
 - ii) **Lead commissioning** - the partners can agree to delegate commissioning of a service to one lead organisation.
 - iii) **Integrated provision** - the partners can join together their staff, resources and management structures to integrate the provision of a service from managerial level to the front line.
8. In summary the aim is for partners to design and deliver services around the needs of users without the previously noted concerns about the boundaries for responsibilities. The arrangements should work in such a way that helps eliminate gaps and duplication between services.

Section 75 Agreements in Herefordshire

9. The Council and the PCT are committed to developing more integrated arrangements across health and social care to provide a more co-ordinated and efficient service which will improve the quality of life for Herefordshire residents, particularly those with complex needs. The new Joint Management team includes a number of joint posts which will be key in delivering this objective. In particular, the Director of Integrated Commissioning has the responsibility for improving commissioning across health and social care, and will be putting in place a combined commissioning unit to take this forward.
10. Currently spend and financial risk is not fully shared. The budgets for the current agreements are managed by one designated manager, but are accounted for separately and each party bears the risk for their element of the budget separately. More explicit joint objectives would assist in moving to an improved arrangement which would allow for action to deliver new services underpinned by joint funding, and for disinvestment of services which are less of a priority.
11. In the past year spend on learning disability services and on mental health has risen to meet increased demand. The needs analysis money agreed by the Council in relation to learning disability and older people (including those with mental health problems) has been invested in services that reduce reliance on residential care and are more cost effective. This has helped with the budget position and it is anticipated that with ongoing tight control of decision making we will be able to meet the rising demand this year within budget.

12. There are seven Section 75 agreements between the Herefordshire Council and Primary Care Trust (PCT).

Three are hosted by the PCT:

- a. Mental Health.
- b. Hillside Intermediate Care.
- c. Blanchworth Contract, Kington.

The four agreements hosted by the council are:

- d. Learning Disabilities.
- e. Integrated Community Equipment Store (ICES).
- f. Free Nursing Care (FNC).
- g. Joint Agency Management for Out of County Placements.

a) Mental Health

13. This Section 75 agreement commenced on 1 April 2002 and is for the provision of an integrated mental health and social care service. This service is available to all residents within the county of Herefordshire.

14. The main partners in this pooled budget and their contributions for 2007/08 were:
- a. Herefordshire Primary Care Trust - £15.9 million.
 - b. Herefordshire Council - £4.9 million.

15. Gross income and expenditure is summarised below with 2006/07 included for comparison:

2006/07 £000		2007/08 £000	2008/09 Budget £000
(19,120)	Gross Income	(20,828)	(25,045)
20,920	Gross Expenditure	24,234	25,045
<u>1,800</u>	Net over / (under) spend	<u>3,406</u>	<u>0</u>

16. In 2007/08 the council's gross over spend for mental health was £1,119,605.

b) Hillside Intermediate Care

17. Hillside is a residential intermediate care service provided as a partnership between Herefordshire Council and Herefordshire Primary Care Trust. It commenced on 1 April 2003 and its aim is to promote independence and enable individuals to maximise their potential allowing them to return home as quickly as possible following an episode of ill-health.

18. The main partners in this pooled budget and their contributions were:
- a. Herefordshire Primary Care Trust - £847,247.
 - b. Herefordshire Council - £353,383.

19. Gross income and expenditure for the year is summarised below:

2006/07 £000		2007/08 £000	2008/09 Budget £000
(1,225)	Gross Income	(1,201)	(1,268)
1,383	Gross Expenditure	1,241	1,268
158	Net over / (under) spend	40	0

20. In the 2007/08 the council's gross overspend for Hillside intermediate care was £11,757.

c) Blanchworth Contract, Kington

21. This commenced in June 2003 when the facility was opened. It is an integrated Health and Social Care facility in Kington.

22. The main partners in this pooled budget and their contributions were:
a. Herefordshire Primary Care Trust - £510,515.
b. Herefordshire Council - £348,610.

23. Gross income and expenditure is summarised below:

2006/07 £000		2007/08 £000	2008/09 Budget £000
(838)	Gross Income	(859)	(871)
838	Gross Expenditure	859	871
0	Net over / (under) spend	0	0

d) Learning Disabilities

24. This Section 75 agreement commenced on 1 April 2002 and is for the integrated learning disabilities health and social care service. This service is available to all residents with a learning disability within the county of Herefordshire.

25. The main partners in this pooled budget and their contributions were:
a. Herefordshire Primary Care Trust - £3.3 million.
b. Herefordshire Council - £8.8 million.

26. Gross income and expenditure is summarised below:

2006/07 £000		2007/08 £000	2008/09 Budget £000
(11,491)	Gross Income	(12,171)	(16,859)
12,609	Gross Expenditure	14,441	3,460
1,118	Net over / (under) spend	2,270	13,399

27. In the 2007/08 the council's gross overspend for integrated Learning Disabilities service was £2,274,297. The PCT's under spend was £4,297.

e) Integrated Community Equipment Service

28. This commenced on 1 April 2004 and is a joint equipment store service provided as a partnership between Herefordshire Council and Herefordshire Primary Care Trust. Its aim is to promote independence and enable individuals to remain in their home.

29. The main partners in this pooled budget and their contributions are:

- a. Herefordshire Primary Care Trust - £118,444.
b. Herefordshire Council - £550,012.

30. Gross income and expenditure is summarised below:

2006/07		2007/08	2008/09
£000		£000	Budget £000
(604)	Gross Income	(668)	(533)
548	Gross Expenditure	668	533
<u>(56)</u>	Net over / (under) spend	<u>0</u>	<u>0</u>

f) Free Nursing Care

31. The agreement commenced in 2003 and is a payment and recharge mechanism. Herefordshire Council pays free nursing care payments to service providers on behalf of Herefordshire Primary Care Trust. These payments are recharged to Herefordshire Primary Care Trust.

32. The main partner in this pooled budget is Herefordshire Primary Care Trust and their contribution was £1,261,784.

33. Gross income and expenditure is summarised below:

2006/07		2007/08	2008/09
£000		£000	Budget £000
(958)	Gross Income	(1,261)	(1,261)
1,003	Gross Expenditure	1,207	1,261
<u>45</u>	Net over / (under) spend	<u>(54)</u>	<u>0</u>

34. In 2007/08 the council's gross under spend for Free Nursing Care was £54,281.

g) Joint Agreement Management (JAM) Out of County Placements

35. Herefordshire Council and the PCT have signed a Section 75 agreement for the Joint Agency Management (JAM) of Out of County Placements for Children with complex educational, social and medical needs. The agreement pools spending in agreed proportions and spending is not separately allocated, but each child with these complex needs is funded directly from the pool irrespective of specific needs.

36. The number of such placements for Herefordshire is small and there will always be a small number of children and young people whose requirements cannot be met in county. The position of the JAM in considering each placement is rigorous. No placements are recommended without all the alternatives being explored and all partners being in agreement. The risk to the young people, their families and the community is very high if these placements are not maintained. The aim of the Joint Agency Panel is to ensure that these numbers do not increase.
37. Pooled budgets are reported on a monthly basis and also form part of the Adult Commissioning Board bi-monthly meetings. Contributions are laid out at the beginning of the financial year and agreed by the Board. All subsequent variations to contributions are completed by the pool host, signed and agreed by both parties.
38. For 2008/2009, Herefordshire Council has conducted a full zero based budgeting exercise in order to allocate and align additional funding agreed by cabinet and the transfer of grants into base budgets.
39. Gross income and expenditure is summarised below:

2006/07		2007/08	2008/09
£000		£000	Budget £000
	Gross Funding		
(157)	Herefordshire PCT	(199)	(293)
(732)	Herefordshire Council (DSG)	(597)	(878)
(646)	Herefordshire Council	(597)	(878)
(1,535)	Total Funding	(1,393)	(2,048)
1,575	Total Expenditure	1,393	2,048
40	Net over / (under)spend	0	0

Further Pooling

40. To date the Council and the PCT have in place a total of seven Section 75 agreements covering a diverse range of services. There may be some scope for looking at other user groups currently not covered by existing arrangements but this would need to be on the basis of whether standards would be raised so improving the quality and responsiveness of services. The legislation does not limit the size of the partnership or the number of arrangements.
41. The existing S75 arrangements do not reflect the over-arching ambitions of the Council and the PCT to work together in a broader range of areas and it is intended to develop a new agreement during this financial year in line with the objectives of Herefordshire Public Services. It is likely that there will be one agreement with a number of schedules describing the specific issues relating to particular service areas. As part of this process we will review the relevant budgets. The agreement will be considered by the HPS Steering Group with the intention that it will be in place for the next financial year.

Risk Management

42. The effectiveness of Section 75 arrangements requires partners to be clear on the scope of any governance arrangements. This is handled via the Adult Commissioning Board that includes a PCT Board and Herefordshire Council representation.
43. Clear risk sharing arrangements about where responsibility for overspends should exist are part of Section 75 agreements.

BACKGROUND PAPERS

None identified.

DATA QUALITY – SIX MONTH UPDATE**Report By: Interim Deputy Chief Executive****Wards Affected**

County Wide

Purpose

To update the Committee on progress against the data quality action plan as required by the Council's data quality policy.

Financial Implications

There are no financial implications

RECOMMENDATION

- THAT**
- (a) progress against the data quality action plan be noted**
 - (b) that the plan be fully completed by the time of the annual review.**

Reasons

Demonstrable progress has been made with the action plan. These improvements in the Council's approach to data quality are expected to be reflected in the results of the 2008 audit that are due soon. However, as Appendix 1 indicates there are a number of tasks behind the original timescale or where there is no / limited progress currently. These should be completed by next April when the plan is reviewed and rolled forward.

Considerations

1. The Council's policy requires six monthly reports on progress against the data quality action plan to the lead Cabinet members, JMT, Cabinet and the Audit & Corporate Governance Committee. This is the first of these reports. It includes progress against the recommendations of the Audit Commission in its 2007/08 audit of the Council's data quality arrangements and statutory performance indicators.
2. There are 52 actions to be completed in the current action plan. There are currently 22 green (completed), 20 Amber (behind the original timescale) and 10 red (no / limited progress currently). More detail is given in paragraphs six to twelve that follow.
3. The Committee is reminded that the data quality action plan only addresses those parts of the Audit Commission's key lines of enquiry (KLOE's) where the Council was thought to be at its weakest in the 2007/08 audit. When it is rolled forward next spring, the action plan will need to address the remaining KLOE's together

with any recommendations from the 2008/09 audit which was conducted in July and on which a report is awaited.

4. There have been a number of successes. In particular:
 - a. The Council's data quality policy was agreed by Cabinet and communicated to staff in a variety of ways. There have been a number of follow up questions generated by team talk etc. Key documents are now available on the intranet in the info-library.
 - b. Key plans; corporate, directorate and service now refer to data quality and the actions being taken to improve this.
 - c. Standard data quality clauses have been agreed with the Assistant Chief Executive (legal and democratic services) for use in relevant contracts and SLA's.
 - d. Standard data quality requirements have been agreed with the Assistant Chief Executive (HR) for inclusion in job descriptions.
 - e. Business cases for new or upgraded ICT must now include consideration of data quality issues.
 - f. Data quality has been included as part of the staff training for the new social care system.
 - g. A Herefordshire Public Services information management group has been established. Although the group did not exist when the action plan was created, the activities of the group - data sharing protocols, data flow mapping and training – have all contributed to the action plans achievements.

5. However, the original timescales were over-optimistic. More attention needs to be given to the following in order to complete the action plan within 12 months.
 - a. Finalising the library of data sharing protocols and a definitive list of data sharing partners (paragraph 6 refers)
 - b. Consolidating corporate policies and procedures that relate to data quality (paragraph 7 refers)
 - c. Consolidating directorate and service policies and procedures that relate to data quality (paragraph 8 refers)
 - d. Developing the contracts register so that it provides information on data quality (paragraph 9 refers)
 - e. The final identification of posts with data quality responsibilities (paragraph 10 refers)
 - f. The development and delivery of data quality training where most needed (paragraph 11 refers)
 - g. The development and delivery of a rolling programme of data quality assessments to supplement internal audit work (paragraph 12 refers)

- 6 The existing list of protocols needs confirming by directorates and all significant routine and periodic sharing of data should be identified. Partner organisations could then consider the Council's policy and confirm that their policies ensure at least the same attention is paid to data quality. The one-year data-flow mapping project with the PCT began to establish these links but has now ended. The HPS information management group, referred to in paragraph 4 above, will be considering the next steps in the near future.
- 7 More time needs to be given over the next six months to identifying those corporate policies and procedures that are of relevance to data quality and then reviewing these as part of their established cycle. The Deputy Chief Executive's Office will begin this but the review stage will require the involvement of more directorates.
- 8 Equally more time is required to produce consolidated lists of directorate or service specific procedures, guidelines and operational practices that demonstrate how we ensure data quality on the ground and to which employees can turn for guidance. This is a task for all sections of the Council that handle data.
- 9 The information currently held centrally on contracts does not make it easy to identify those that involve the transfer of data and thus might require additional clauses relating to data quality in future. The available information on contracts needs supplementing for data quality purposes, it should be updated routinely and appropriate clauses inserted when contracts are re-tendered. Managers responsible for these contracts to need to be able to demonstrate that they are monitoring the quality of any data supplied under such contracts in an appropriate fashion.
- 10 Identifying posts with responsibility for data quality will enable job descriptions to be amended where necessary and appropriate training to be provided to current employees. The six-month interim staff review and development (SRD) meetings underway at present are being used to complete the process of identifying all relevant employees. All supervisors are expected to complete reviews and return the necessary data.
- 11 Once there is a clearer picture of the numbers of employees involved, appropriate training and awareness sessions can be delivered. Material for these sessions has already been developed for the Frameworki roll out and central induction. A more co-ordinated approach to employee responsibilities in relation to all information matters, including data quality, will be developed by HPS information management group referred to in paragraph 4 above.
- 12 Data quality assessments depend, in part on progress with some of the previous points. The more that responsibility for data quality is accepted as being part of the job of all employees, the fewer specific assessments will be required by internal audit or other performance staff. One of the aims of the training referred to in paragraph 11 above is to equip a wider range of staff with the skills to complete assessments for themselves.
- 13 There has still not been any formal notification of the results or recommendation from this July's data quality audit. The Audit Commission's deadline to complete the work was October, so feedback is expected imminently. However all the individual performance indicators that were

checked during the latter stages of the audit are understood to have been correct. If this is confirmed it indicates that the Council's increased focus on data quality is beginning to have a positive impact. This will need to continue in future.

Legal considerations

14. To ensure that there is a consistent approach in procurement process there should be outlined in the Tender measures and scoring for future contracts the requirements of Data Quality in all future contracts

Risk Management

Failure to take adequate action to ensure high quality data can result in a damaged reputation, adversely affect longer term CAA success and result in poor audit reports. On this basis the risk of poor quality data continuing in the long term has been entered into the corporate risk register. The Audit Commission regard this as appropriate. The most effective mitigating actions are contained in the data quality action plan attached at Appendix 1

BACKGROUND PAPERS

None

Further information on the subject of this report is available from Tony Geeson, Head of Policy and Performance
on 01432 261855

DATA QUALITY ACTION PLAN – 2008 – UPDATE 5 NOVEMBER 2008

References in [brackets] relate to Audit Commission recommendations in their data quality audit report February 2008

KLOE Ref	Action	Detail	Plan Date	Reasons
2.1	2.1.1 Data quality (DQ) policy agreed, signed off, available on intranet so it can be accessed and used by staff at all levels [R4 – The Council should put in place a data quality policy which can be accessed and used by staff at all levels]	1 Draft policy agreed by Information Policy Group [R2]	End of April 2008	All Completed
		2 Draft policy agreed by CMB[R2]		
		3 Draft policy agreed by Cabinet		
		4 Enter risk relating to poor quality data on corporate risk register and monitor [R4]		
2.1	2.1.2 Directorate Management Teams (DMT) to determine where corporate DQ policy needs extra directorate and / or service specific additions and communicate to relevant managers [R9 Guidance for staff should be readily accessible for all involved in the compilation process and R10 Roles and responsibilities of all staff included within the DQ process need to be clearly defined]	5 Draft policy considered by DMT's with suggestions for where additions would be appropriate	End of April 2008	
		6 Communicate policy to all managers	End of May 2008	
		7 Leadership forum item, News &Views (N&V) item	May 2008	
2.1	2.1.3 Communicate policy to all external data sharing partners and partnerships and get them to sign up to the policy or provide	8 Create a library of all data sharing protocols (Head of Policy & Performance)	End of April 2008	Delays in identifying all existing protocols.

KLOE Ref	Action	Detail	Plan Date	Reasons
	higher standards [R7 Formal protocols with Council Partners need to be developed to ensure accuracy of data]	9 Identify all data sharing partners x directorate and create a register (Improvement managers) 10 Establish common partners and how to approach them (Improvement managers / Head of Policy and Performance) 11 Dispatch policy with explanatory letter from Director and include an appropriate data sharing protocol / confirmation of existing one (Improvement managers) 12 Replies returned by (Improvement managers) 13 Identify and meet with partners who are unable to sign etc. (Relevant managers & improvement managers)	Follows on from the above End of May June 14 th End of June	They will be added to the intranet during November. A register of partners will follow. All remaining tasks will follow on from completing task 9 above
2.1	2.1.4 Establish and consolidate what corporate procedures, guidelines and operational practices exist that relate / refer to DQ [R2 Data quality needs to be embedded into the culture of the Council at strategic levels]	Task 41 (Head of policy and performance)	End of May 2008	A larger exercise than originally anticipated.

KLOE Ref	Action	Detail	Plan Date	Reasons
2.1	2.1.5 The four improvement managers to consolidate any existing and extra directorate and service specific procedures, guidelines and operational practices into one set of data quality guidelines and standards. [R9 Guidance for staff should be readily accessible for all involved in the compilation process & R10 Roles and responsibilities for all staff included within the DQ process need to be clearly defined]	Task 42	End of April 2008	Has been combined with other exercises e.g. quality assessments but also a larger task than was originally anticipated.
2.1	2.1.6 The corporate plan, directorate and service plans as well as the performance improvement framework all outline the Council's commitment to data quality [R2 Data quality needs to be embedded into the culture of the Council at strategic levels and R3 Ensure that data quality links between key documents such as the Corporate Plan and the Medium term financial strategy are clear]	14 Corporate plan and Performance Improvement Framework	End of March	Completed
		15 Consider need for standard text	April	
		16 Insert required paragraph into Directorate and Service plans and explain as required	End of April	
2.1	2.1.7 Identify all staff with responsibilities for DQ [as a first step to amending job	17 Get support of Human Resources and advice on process and practicalities	March	

KLOE Ref	Action	Detail	Plan Date	Reasons
	for DQ [as a first step to amending job descriptions and person specifications] [R10 Roles and responsibilities of all staff included within the DQ process need to be clearly defined]	18 Produce and quality assure staff list from each directorate (Relevant managers)	End of April	Underway – poor SRD completion rate in the spring of 2008. Proposing to use the interim SRD's currently underway to collect the missing information.
2.1	2.1.8 Include DQ requirements in all contracts, Service level agreements and similar documents where this is relevant and not currently explicit set up monitoring systems starting with the highest risks [R7 Formal protocols with Council partners need to be developed to ensure accuracy of data]	19 Consult contracts register; identify relevant entries, renegotiation dates / variation potential and risk levels (Head of policy and performance)	By April 30 th	A larger task than was originally anticipated. The available information did not identify data quality easily
		20 Take legal advice on current standard for contracts [explicit / implicit] and correct approach to making changes	End of March	Completed
		21 Contact all high risk organisations & those renewing during Financial Year2008/09 (Relevant managers)	End of May	Depends on completing task 19 above
		22 Create specimen text for DQ requirements	By End of April	Completed

KLOE Ref	Action	Detail	Plan Date	Reasons
		23 Insert appropriate DQ text where it is currently not explicit in new and renewing contracts (DCX legal and democratic services & relevant managers)	From March 31 st	In part depends on completing task 19 above
		24 Consider appropriate monitoring systems (Relevant managers and improvement managers)	May	Depend on task 19 above
		25 Consult and advise contractors (as task 24)	May	
		26 Implement monitoring systems (as task 24)	From June	
2.2	2.2.1 Existing corporate and directorate policies, procedures and guidelines [and amendments in future] to be promulgated in a variety of ways such as 121's, Staff Review & Development sessions (SRD's), service planning, emails, news and views, notice boards, performance clinics, team meetings, computer based training (CBT), leaflets and wider training etc [R9 Guidance for staff should be readily accessible for all involved in the compilation process and R10 Roles and responsibilities of all staff included within the DQ process need to be clearly defined]	27 Notify all e-mail users, cascade via key managers (Head of policy and performance)	June	Only corporate documents identified so far. Related to tasks 41 and 42
		28 Devise and include appropriate requirements in SRDs for staff identified in action 18 and get signatures for receipt of documentation (Head of policy and performance & relevant managers)	April onwards	Depends in part on task 18
		29 Set up CBT links / tests for all documents sent to action 18 staff (Head of policy and performance)	By end of June	Will follow task 28 and 37
		30 Poster campaign and N&V cascade (as task 29)	June onwards	Should be co-ordinated with the identification and training of staff

KLOE Ref	Action	Detail	Plan Date	Reasons
		31 Include in performance clinics, team meetings and training – the improvement managers to identify and log opportunities (Relevant managers & improvement managers)		A continuing process
		32 Include in SRD training and 'all in a days work' [R8] service planning training if held	January onwards	Completed
		33 Tour of DMT's	April onwards	
2.2	2.2.2 Improvement managers to identify if / where additional data champions are required within the directorate and recommend to DMT's for approval;	Task 43:	End of April	A continuing process
2.2	2.2.3 Improvement Managers to log examples of actions that improved DQ as they occur centrally and publicise these locally through N&V. Authority wide publicity periodically	34 Set up central log and monitor at each Improvement Network meeting	From April 2008	A continuing process
3.4	3.4.1 Improvement managers and the Herefordshire Partnership support team to co-ordinate the identification and listing of all instances of internal and external data sharing [e.g. PCT, police and voluntary bodies to support the LAA, JAR etc.] [R7 Formal protocols with Council partners need to be developed to ensure the accuracy of data]	Only requires Actions 9 – 13 described earlier	April to the end of June	

KLOE Ref	Action	Detail	Plan Date	Reasons
3.4	3.4.2 Agree a form of words in relation to DQ for SLA's, contracts and information sharing protocols based on the DQ policy [particularly important in respect of the LAA and national indicator set]	Action 22 does this	By end of April	
4.1	4.1.1 All Directors, Heads of service, their direct reports and improvement managers have DQ added to their job descriptions beginning in April 2008. [R2 Data quality needs to be embedded into the culture of the Council at strategic levels and R10 Roles and responsibilities of all staff included within the DQ process need to be clearly defined]	<p>39 Agree words for job descriptions and person specifications</p> <p>Only requires Actions 17, 18 and 28 described earlier</p>	<p>From April 08</p> <p>March, end of April, April onwards</p>	Completed
	4.1.2 One CMB member to be given lead responsibility for DQ [R2 Data quality needs to be embedded into the culture of the Council at strategic levels]	Action 50		Completed
4.2	4.2.1 Herefordshire Connects [HC] to ensure that the impacts on data quality staff skills and capacity are identified and training delivered as part of the roll out of new systems	35 Discuss with HC programme manager [HCPM] and incorporate into implementation programmes	February 2008 onwards	Completed

KLOE Ref	Action	Detail	Plan Date	Reasons
	4.2.2 Impacts of National Indicator set (NIS) on data quality staff skills and capacity are identified and training delivered as appropriate	Action 44 (Improvement managers)	From February 2008	No specific additional requirements identified yet but the NIS is not yet finalised
	4.2.3 Wherever new / amended systems are introduced the data quality aspects should be identified and appropriate / revised training should be given to staff [R8 Training for all staff involved in compiling performance indicators should take place at the earliest opportunity]	40 Amend business case process for IPG to cover data quality requirements	From May 2008	Completed
	4.2.4 Ultimately identify impacts of all residual systems on DQ staff skills and capacity and ensure training is provided where needed	36 Identify residual systems – Use the Hereford Connects audit as a starting place supplemented by paper systems which are out of the Connects scope (Hereford Connects Project manager & improvement managers)	From April 2008	An continuing process as the scope of Connects becomes clearer
4.2	4.2.5 DQ training is given as part of the corporate drive to improve performance [R8 Training for all staff involved in compiling performance indicators should take place at the earliest opportunity]	37 Develop appropriate material and decide on delivery methods for senior managers, managers, specialist staff and staff generally. Include in induction and mandatory for staff identified in task 18 (Head of policy and performance)	End of July 2008	Linked to the delays in identifying all relevant staff

KLOE Ref	Action	Detail	Plan Date	Reasons
4.2	4.2.6 Establish and deliver training programme on a service, directorate and corporate basis evaluating regularly via improvement managers. See 4.2.5 above	Task 51 (Head of policy and performance & improvement managers)	From August	See task 37
4.2	4.2.7 Ensure DQ weaknesses identified by external or internal reviews are addressed by training or appropriate de-briefing sessions	Task 52 (Relevant managers, improvement managers and internal audit)	Ongoing	A continuing process. No reviews have identified weaknesses to date
N/a	5.1 Identify key areas for a rolling programme of data quality audits [advice from internal audit] and include in Directorate / service risk registers. [R1 Data quality must be included within the corporate risk management arrangements and R5 Internal audit should carry out a review of a greater amount of performance indicators in 2007 / 08]	38 Secure support of Director of Resources	By May 31 st	Completed
	5.2 Train appropriate staff [with internal audit] to undertake audits	Task 45	June onwards	Completed

KLOE Ref	Action	Detail	Plan Date	Reasons
	5.3 Undertaken audits internally resourced by improvement managers and policy /performance teams – where available and possible [R5 Internal audit should carry out a review of a greater amount of performance indicators in 2007 / 08, R6 The systems in place for the collection of data will need to be reviewed to ensure that they are fit for purpose and R11 the audit trail needs to be improved upon. PI's made available for audit s should have an audit trail that has been reviewed by management prior to internal audit review]	Task 46 (Improvement managers & policy and research manager)	From July 1st	Depended on task 45. A programme will be developed by December 31 st
N/a	5.4 Ensure that all the 198+15 indicators in the NIS are supported by metadata pro-formas and appropriate systems including trained staff in the Council and Partners [R11 the audit trail needs to be improved upon. PI's made available for audit s should have an audit trail that has been reviewed by management prior to internal audit review]	Task 47	By May 31 st	

KLOE Ref	Action	Detail	Plan Date	Reasons
N/a	5.5 Ensure that the Council's local indicators re supported by metadata proformas and appropriate systems including trained staff [R11 the audit trail needs to be improved upon. PI's made available for audit s should have an audit trail that has been reviewed by management prior to internal audit review]	Task 48 (Relevant managers)	By May 31st	Have taken a lower priority to the NIS
N/a	5.6 Establish governance arrangements with JMT [R2 Data quality needs to be embedded into the culture of the Council at strategic levels]	Task 49 (Head of Policy and performance)	31 st May 2008	JMT have confirmed that the HPS Information Management Group is the officer forum for discussing data quality issues.

KEY

ACX(L&D)	Assistant Chief Executive (legal & democratic services)	IM	Improvement managers
CBT	Computer based training	Improvement Network	Meetings convened by the Head of Policy and Performance
CMB	Corporate management board – now JMT	IPG	Information policy group
DMT	Directorate Management Team	JAR	Joint area review
DQ	Data Quality	JMT	Joint management team
FY	Financial year	KLOE	Key lines of enquiry
HC	Herefordshire Connects	LAA	Local area agreement
HCPM	Herefordshire connects project manager	NIS	National indicator set
HoP&P	Head of Policy and performance	N&V	News and Views (Now team talk staff bulletin)
HOS	Head of service	PCT	Primary care trust
HP	Herefordshire partnership	PIF	Performance information framework
HPS	Herefordshire Public services	QA	Quality assurance
HR	Human resources	SLA	Service level agreement
ICT	Information and computer technology	SRD	Staff review and development sessions / staff appraisal
		121	Regular staff supervision sessions

USE OF CONSULTANTS

Report By: DIRECTOR OF RESOURCES

Wards Affected

County-wide.

Purpose

1. To report to the Audit and Corporate Governance Committee on the Council's Use of Consultants in 2007/08.

Financial Implications

2. These are outlined in the report.

RECOMMENDATION

THAT the Audit and Corporate Governance Committee notes the attached report.

Reasons

3. Strategic Monitoring Committee requested a report on the Council's Use of Consultants in 2007/08. This report is attached.

BACKGROUND PAPERS

Strategic Monitoring Committee report Use of Consultants and Appendix.

USE OF CONSULTANTS

Report By: Director of Resources

Wards Affected

County-wide

Purpose

1. To provide Strategic Monitoring Committee with information on the extent of the Council's use of external consultants in 2007/08.

Financial Implications

2. The report has looked at activity for 2007/08 and indicates the level of expenditure for the financial year. Any expenditure on consultants is funded by cash limited base budgets or grant from central government.

Background

3. At its meeting on 18 February 2008 the Strategic Monitoring Committee (SMC) requested information on the Council's use of consultants.
4. The regular financial reports to SMC provide budget monitoring information as part of the Integrated Performance Report. In the early stages of the 2007/08 financial year the reports and the accompanying presentations outlined the pressures being faced by the council and corrective action to address projected overspends.
5. One area that came to light was in ICT services. Subsequent effective management action reduced a projected overspend on the trading account and this was partly achieved by reducing the number of people employed as "consultants". In the case of ICT services the term was incorrectly used to cover interim management arrangements.
6. Other parts of the council also use consultants, but this tends to be for specific, focussed pieces of work. Using consultants in this way is accepted practice in local government where expertise is purchased to help with specific projects.
7. The initial work indicated a lack of consistency around what constituted consultancy. As with ICT Services in some cases interim management arrangements have been incorrectly viewed as consultancy.
8. In order to ensure that the exercise produces comparable information across the Council, a definition of consultancy was needed. On 16 July SMC received a report agreeing to use the following definition.

"Consultancy is the purchase of advice to clarify a particular situation or problem with the intention of producing focussed advice on possible options. Consultancy does not cover interim arrangements to fill existing posts or longer term contracted arrangements with the Council's partners."

Further information on the subject of this report is available from
David Powell, Head of Financial Services on 01432 383173

9. This definition has been applied to the work behind this report.

Methodology

10. The review commenced with the collection of total costs on relevant financial codes on the Council's financial system (Cedar Open Accounts). These costs were then analysed by Financial Services and the directorates who had commissioned the consultants using the definition agreed by SMC on 16th July. At an early stage it was decided to exclude all contracts below £1,000 as these tended to be for ad-hoc and minor work. Overall this amounted to £89,191 being removed from the total.
11. The review also aimed to establish if the use of consultants was 'Value for Money'. To reach this conclusion a series of standard questions was asked for each contract. These were:
- a) Did the Council have the work capacity and skills to deliver the target and aims of the above contract
 - b) On what basis was the decision made to use consultants?
 - c) Provide a brief description of the contract service that was provided
 - d) Was the work planned or was it unexpected due to unforeseen circumstances?
 - e) What selection criteria were used or basis of appointment? e.g. Specialised knowledge/unique skills etc?
 - f) How was 'Value for Money' achieved?
 - g) On completion of contract how was the work assessed and evaluated?
 - h) Provide a brief description of final outcomes/results of the consultancy service provided and how this added value.
12. The responses were then collected and analysed.
13. Further work was undertaken to determine whether the costs were met by the revenue account or capitalised under the relevant capital guidelines. This approach enabled the review to assess the extent to which consultancy activity contributed to the delivery of the capital programme.

Findings

14. The attached appendix gives details of the overall use of consultants but the key headlines established by the review are as follows:
- The Council had 75 contracts with consultants in 2007/08
 - Total expenditure amounted to £984,814

Further information on the subject of this report is available from
David Powell, Head of Financial Services on 01432 383173

- The funding of consultancy was not exclusively from base budget. Some consultancy costs were funded from government grant.
- The overall total expenditure needs to be compared with the Council's 2007/08 gross budget expenditure of £310million.
- The percentage of expenditure on consultants represents 0.3% of gross budget.
- Consultants have been appropriately used and this is predominantly to provide a level of expertise unavailable in the Council. In other cases the use of consultancy 'buys' time by bringing dedicated and focused resources to a project that the Council cannot provide.
- The review established that appropriate procedures were followed and that value for money was achieved.

Types of Consultancy Used by Directorates

15. The following gives an indication of the type of consultancy used by directorates in 2007/08. This is not an exhaustive list but does provide on a directorate by directorate basis some of the activity in 2007/08.

a) Adult Services

A contract was supplied that supported the modernisation of learning disabilities services. This was planned work that gave adult services access to a level of expertise unavailable in the Council and addressed the concerns raised by inspectors. The use of consultants was linked to a well defined 'brief' and led to the improvements in learning disabilities services now being delivered.

The Supporting People Service also made use of consultants in 2007/08. Work was commissioned to undertake an assessment of housing support needs in Herefordshire to inform Supporting People Commissioning priorities. The work had been planned but capacity issues within the team led to the commissioning of an external provider to deliver this significant piece of work. The project was endorsed by the Supporting People Commissioning Body. This was a two stage process with the first stage producing a needs analysis report. This report was evaluated to determine whether to proceed with a wider evaluation. A decision was taken not to proceed with stage 2.

b) Central Services

This area covers 'central' budgets and includes such budgets as the income from treasury management activities.

The Council employs an external advisor to give specialist management consultancy and investment advice. This is a 3 year arrangement meeting a need for external professional advice and a degree of challenge to our investment and debt management activities. The consultants provide advice on the creditworthiness of institutions to which we consider lending our cash. Their advice has assisted our performance and informs our borrowing decisions.

c) Children and Young People

The Department for Children Services and Families (DCSF) has a system of accreditation for Child Advocacy. The piece of work commissioned provides ongoing review and service development so that the authority meet its statutory obligations in relation to advocacy for those in the looked after system. The work also includes on-going support.

Following the postponement of the school's review the Council engaged a consultant to analyse the pupil forecast data and methodology used to produce projected pupil numbers. This independent analysis was requested by members and the outcome was used to further improve the robustness of pupil forecast data.

d) Corporate and Customer Services

Corporate and Customer Services used external consultancy to advise and guide the Council on gaining ISO27001 (information Security Management System). The standard applied to ICT Services and the Modern Records Unit. This was planned work to meet central government requirements for information security. The lack of internal resource meant that an external consultant was an appropriate way forward. The outcome was the award of ISO27001 to the Council. Payment was on a results basis and if the Council had not achieved the standard no cost would have been incurred.

e) Environment

A contract was let for specialist environmental advice in connection with a closed landfill site. The work was planned but lack of in house specialist skills meant that an external supplier was required. The work addressed the need for specialist technical advice in connection with planning permission conditions relating to properties close to Council owned (closed) landfills sites.

Another contract was let to supply environmental consultancy around landfill gas. This specialist work could not be carried out in house and

Further information on the subject of this report is available from
David Powell, Head of Financial Services on 01432 383173

helps inform discussions with the Environment Agency about site restoration.

f) Resources

Asset Management and Property Services use independent surveyors to carry out building condition reports. This occurs because of a lack of in house staff. The work is building specific and covers mechanical and electrical condition reports. There is an annual programme of inspections and the work helps safeguard the Council's property.

The Revenue and Benefits Services let a contract to transfer encrypted images from the obsolete Comino document management system to the new Idox system. The expertise was unique to the company engaged to carry out the piece of work. This was planned work but the complexity and volume involved meant the task was larger than originally assessed. The project meant that staff in both Revenue and Benefits as well as Customer Services have access to required documents.

Conclusion

16. The review has established that in 2007/08 the Council had 75 contracts covering the use of consultants. The total expenditure of £984,814 represents 0.3% of the 2007/08 gross expenditure.
17. Comparative data across councils for the use of consultants does not exist but it can be stated that all council's will engage consultants for specific tasks. The reasons for doing so will probably be in line with those that the review has noted: a need for specialist advice; lack of in house expertise or capacity; to address the outcome of external assessments or inspections and to provide validation or challenge.

RECOMMENDATION

THAT the report be noted, subject to any comments the Committee wishes to make.

BACKGROUND PAPERS

- **None**

**Herefordshire Council
Consultancy Fees 2007/ 08**

Appendix

<u>Directorate(s)</u>	No. of Contracts	Consultancy Fees	Capital Fees	Revenue Fees
Adult Services	10	£135,735	£0	£135,735
Central Services	6	£45,006	£0	£45,006
Children & Young People	21	£142,622	£0	£142,622
Corporate & Customer Services	4	£27,867	£0	£27,867
Environment & Culture	14	£359,076	£44,325	£314,750
Human Resources	8	£78,996	£0	£78,996
Resources	12	£195,512	£0	£195,512
	75	£984,814	£44,325	£940,489

PLANNING OBLIGATIONS AGREEMENTS

Report by: Head of Planning and Transportation

Wards Affected

County wide.

Purpose

1. To review arrangements for Planning Obligation Agreements.

Financial Implications

2. Planning Obligations can generate significant capital sums to help the authority achieve key projects and deliver services. However, they are voluntary and dependent on the development industry carrying out building projects; consequently the income stream is variable and not within the direct control of the Council.

Recommendation

THAT the current arrangements for Planning Obligations be noted and a further report be made at the end of the current financial year.

Reasons

3. To enable further monitoring in the light of changing circumstances.

Considerations

Background

4. The Audit and Corporate Governance Committee has requested that the Planning Committee inform them of the following:
 1. The rules that apply in Section 106 Agreements which when completed by a Developer prompt the payment of monies to the Council.
 2. The monitoring procedures adopted by the Planning Service to ensure that Developers complete the requirements of Section 106 Agreements.
 3. The protocols for determining how Section 106 contributions are utilised.
5. In order to respond to those points it is necessary to set out the background to Section 106 agreements generally, and the way in which Herefordshire Council has prepared and adopted its policies on such agreements.
6. Section 106 of the Town and Country Planning Act 1990 has four sub-sections: the first three are as follows (the fourth concerns Ministerial powers and is not relevant to this report):
 - 1) A local planning authority may enter into an agreement with any person interested in land in their area for the purpose of restricting or regulating the development or

Further information about this report is available from Peter Yates, Planning Policy Manager on 1952

- use of the land, either permanently or during such period as may be prescribed by the agreement.
- 2) Any such agreement may contain such incidental and consequential provisions (including financial ones) as appear to the local planning authority to be necessary or expedient for the purposes of the agreement.
 - 3) An agreement made under this section with any person interested in land may be enforced by the local planning authority against persons deriving title under that person in respect of that land as if the local planning authority were possessed of adjacent land and as if the agreement had been expressed to be made for the benefit of such land.
7. The government has also published Circular 5/2005 and a Good Practice Guide (in 2006) to give clear guidance as to how such agreements should be used. In summary: such agreements must only cover matters which are genuinely connected to the development in question, are appropriate in scale and kind and are reasonable in all respects. It is very important to appreciate that there should be a sound planning policy basis for any Section 106 agreements and clear definition as to the amount and purpose of any financial contribution.
 8. Against that background the Heads of Terms of any proposed agreement are routinely reported to the Planning Committee and/or the Area Planning Sub-Committee as appropriate in connection with planning applications. In this way there is full and proper public scrutiny and the opportunity for Members of the relevant Committee/Sub-Committee to be aware of the Heads of Terms before the meeting at which they are discussed.
 9. The policy basis for Planning Obligations was codified for Herefordshire in the Supplementary Planning Document, "Planning Obligations", which was adopted and came into effect for all planning applications received after 1st April 2008. The document is part of the Local Development Framework and is published on the Council's website. The document follows closely the guidance in the Circular and Good Practice Guide referred to above.
 10. Those Section 106 agreements which require financial contributions always include provisions as to when the payments should be made, the indexing of payments to allow for annual inflation, and provision for repayment back to the developer if the sums are paid but not used after a period of, typically, ten years. Since the Supplementary Planning Document came into effect agreements now include provision for a 2% additional contribution for monitoring purposes.
 11. The typical trigger for the payment of the contribution is the commencement of developments. Prior to that point it is always possible that the development will not go ahead anyway and the "impact" which the payment is intended to ameliorate will not occur.
 12. Planning Officers are normally aware of the dates when development commences due to the typical need for planning conditions to be discharged. Agreements also include requirements for the developer to notify the Council of commencement. At that point payment is normally made voluntarily but on some occasions a developer has had to be reminded. It is very rare that formal proceedings have to be threatened for two main reasons: firstly the developer actually wants the contribution to be effective (it is, after all, in the interests of the development in the first place), and secondly, if a new house, for example, is about to be sold and it is revealed on a search that payments are outstanding then the developer will find that the intended sale is jeopardised.

13. Notwithstanding the above it is true, however, that since the Supplementary Planning Obligations SPD came into effect the number of such agreements has increased significantly. In the quarter April to June 2008 six planning permissions were issued with Section 106 agreements attached, in the quarter July to September 2008 16 such permissions were issued. As the new policy takes effect it is likely that the number of agreements will increase and, whilst there is as yet no evidence of payments being missed, the need for formal monitoring procedures will increase.
14. Once the payments have been made they are passed to the relevant Directorate budget whereupon it is up to each Directorate to ensure that the correct use is made of the funds. The purposes of the contributions are clearly set out in the Heads of Terms and the Agreements themselves along with any flexibility as to what the payments are for.

Responses to the Questions put by the Committee

15. Against the above background the specific responses to the Committee's questions (as reproduced in paragraph 4 above) are as follows:
 1. The "Rules" which apply to the due dates for payment are set out in the Heads of Terms and the agreements themselves and are typically that payment should be made upon commencement of development. In some larger schemes the payments are phased throughout the progress of the development, and this too is set out in the agreement.
 2. The monitoring procedures at present rely on the vigilance of planning officers to be aware of development commencements (which they usually are due to the contemporary need to discharge planning conditions). Only rarely has the threat of legal action been required to ensure payment. However, it is acknowledged that, as the numbers of agreements increases, it would be prudent to proceed with the appointment of a monitoring officer.
 3. The justification for any payments under Section 106 agreements is set out in the Council's adopted Supplementary Planning Document and, whilst each agreement is negotiated on a case-by-case basis, they are all done in accordance with the Council's adopted policy. Once the contributions have been passed to the relevant spending directorate it is up to the internal procedures of that Directorate to manage the use of the contributions.
16. The Section 106 agreements themselves are fully in the public domain. They are kept on the "working file" of the relevant planning applications, and these files are available for public inspection in the ordinary way at the Council's offices.
17. It is also worth noting the impact of the current economic slow-down. Due to the lack of commencements on significant new building projects this year no Section 106 payments were made to the Council in the period April 2008 to September 2008. (This compares with around £2 million in 2006/07 and £4 million in 2007/08). However, the 22 planning applications referred to in paragraph 13 above, i.e. permissions with Section 106 agreements issued in the period April 2008 to September 2008, will generate £1.9 million between them when they have all been commenced.

Risk Management

18. There is a risk that not all contributions are being collected but that risk remains small whilst the number of agreements is relatively small and, during the current slow down in economic activity, there is a reduced number of active building sites anyway. However, it would be prudent to reconsider the need to appoint a Monitoring Officer

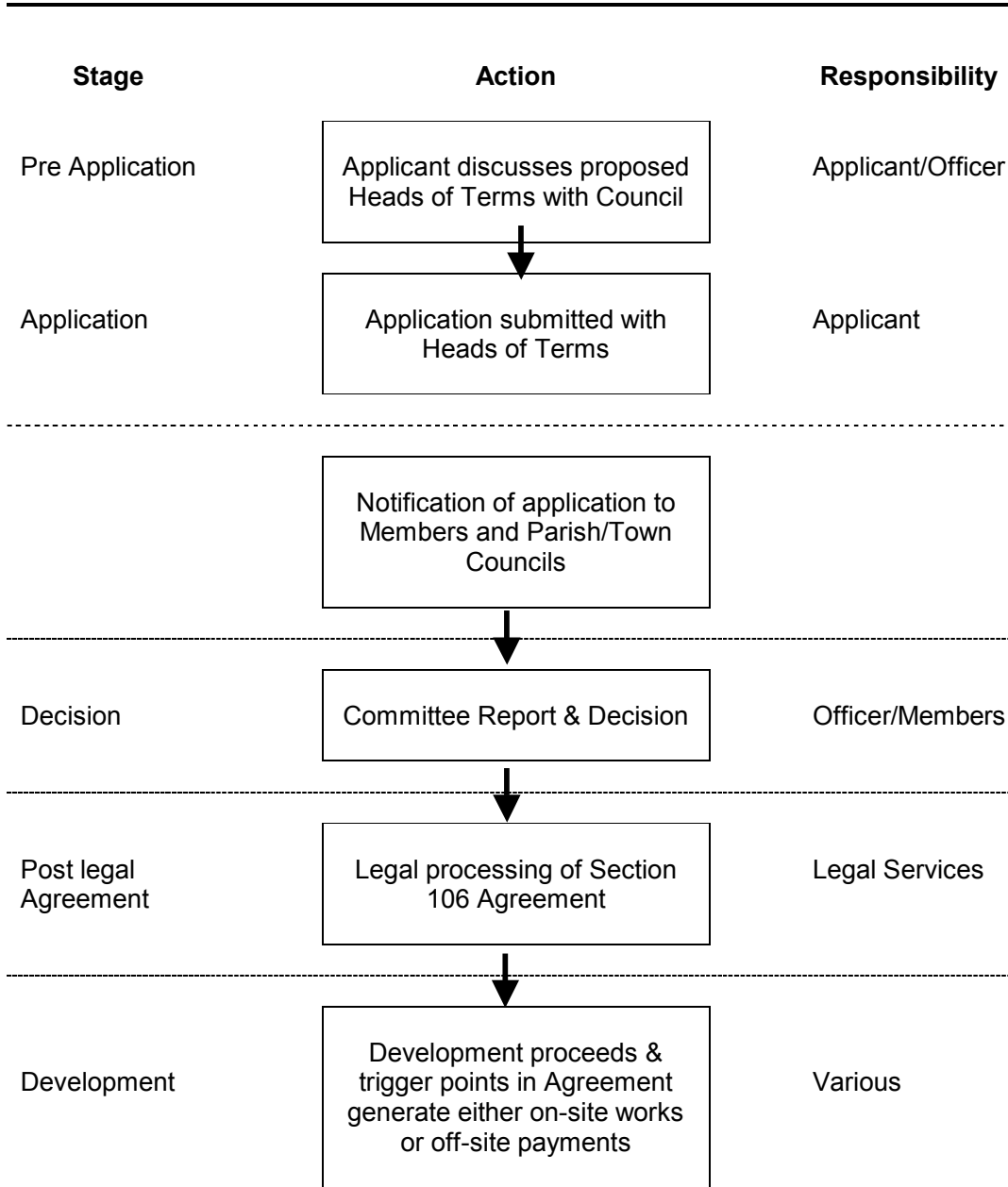
before building rates pick up again and as the number of agreements increases as the Supplementary Planning Guidance “beds in”.

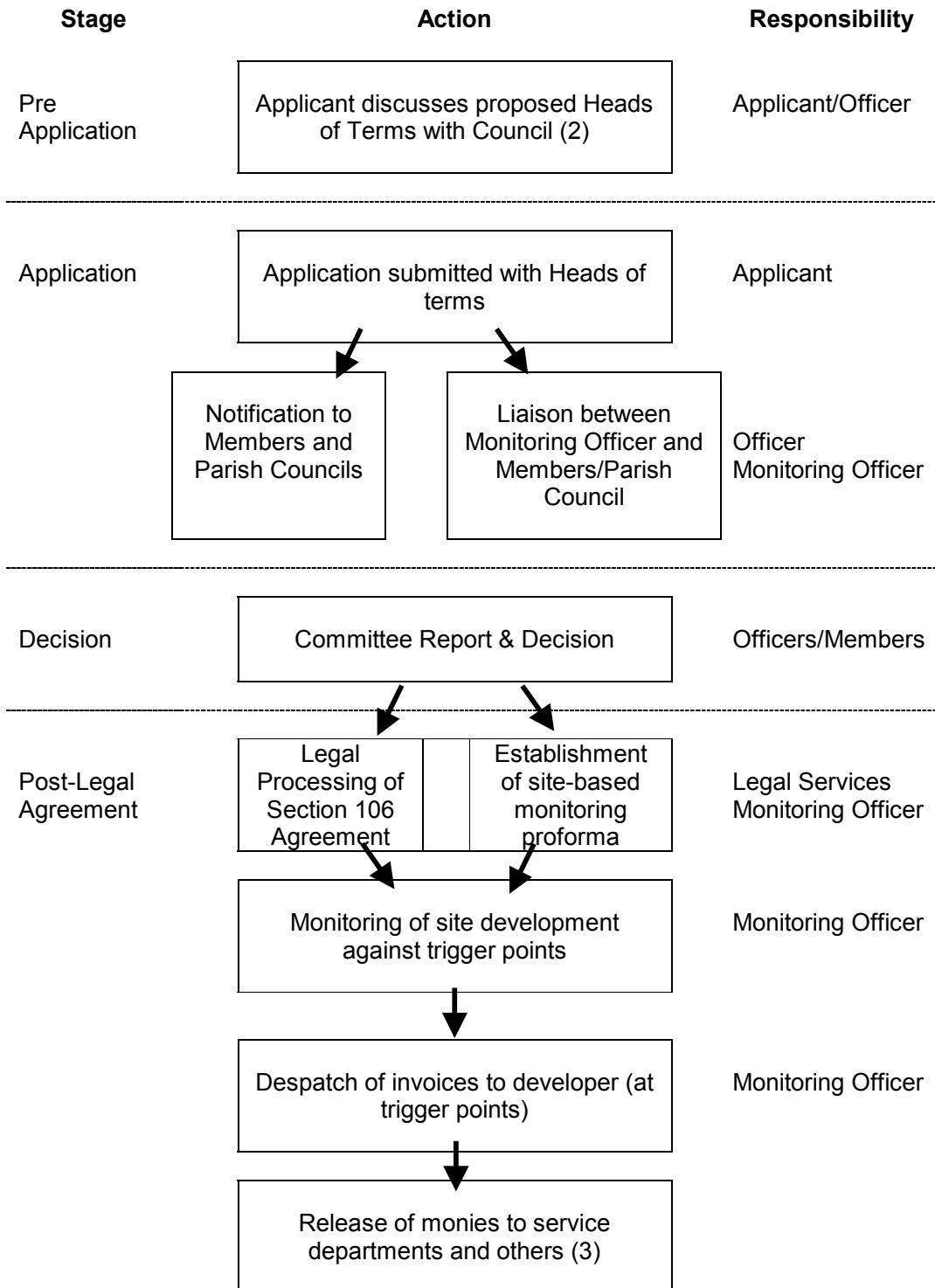
Background Papers

ODPM Circular 05/2005, Planning Obligations, July 2005

CLG Planning Obligations: Practice Guide, July 2006

Planning Obligations: Supplementary Planning Document, Herefordshire Council, April 2008





Notes

- (1) The Monitoring Officer will have two initial tasks
 - (a) to establish the scale and extent of all existing Section 106 Agreements and to what extent they have/have not been discharged
 - (b) work with Service Departments/Town and Parish Councils to prepare a rolling programme of local projects/schemes which could reasonably be funded by Section 106 Agreements and against which developers could be advised of local needs etc
- (2) The revised system will ensure that when the list at (1) (b) above is prepared it is made available to/discuss with developers at the pre-application meeting.
- (3) National best practice indicated that a monitoring officer/Head of Planning should both establish an audit trail and allocate funding to service departments to ensure that expenditure follows that original agreed at Committee

UPDATED ANNUAL GOVERNANCE STATEMENT FRAMEWORK 2008/09

Report By: Chief Internal Auditor

Wards Affected

1. County-wide.

Purpose

2. To update the Annual Governance Framework in line with the Code of Governance approved by Council on 31 October 2008.

Financial Implications

3. There are no financial implications arising as a direct result of this report.

RECOMMENDATION

THAT:

- (a) **Subject to any comments from the Audit & Corporate Governance Committee, the updated framework for gathering evidence supporting the Annual Governance Statement as set out in appendices 1 and 2 to this report be approved.**

Reasons

4. The Use of Resources key lines of enquiry focus for 2008/09 will require evidence that the council:
 - a) Has adopted, promotes and demonstrates the principles of good governance.
 - b) Demonstrates a strong ethical framework and culture.
 - c) Applies the principles and values of good governance to its partnership working.
 - d) Has a clear strategy and effective arrangements, including allocation of appropriate resources, to manage the risk of fraud and corruption.

Further information on the subject of this report is available from Tony Ford (Chief Internal Auditor)
on tel: (01432) 260425

- e) Has a sound system of internal control including internal audit.
5. Strong, transparent and responsive corporate governance is a critical feature of any democratically representative body whose primary function is community development and representation.
 6. Governance is about how the council ensures that it is doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner.
 7. Corporate governance comprises the systems and processes, culture and values by which the council is directed and controlled and how it accounts to, engages with and, where appropriate, leads local communities.
 8. Herefordshire Council has a Code of Governance that sets out its governance principles. It is a public statement of the council's commitment to those principles of good governance and sets out how they will be reflected in all areas of the council's business.
 9. The Annual Governance Statement describes the extent to which the council has complied with the Code of Governance. The governance framework shows how the evidence will be collected to support the conclusions drawn in the Annual Governance Statement drafted for approval by this Committee.

Considerations

10. The Audit & Corporate Governance Committee agreed a framework for gathering the supporting evidence for the Annual Governance Statement the council needed for 2007/08 on 29 February 2008. The Council approved a Code of Governance on 31 October 2008.
11. The framework for gathering the supporting evidence for the Annual Governance Statement for 2008/09 needs review in order to ensure it reflects the recently approved Code of Governance.
12. The revised framework outlined in appendix 1 to this report shows how the individual sources of evidence that will be used to support the preparation of the Annual Governance Statement link to the five principles contained in the Council's Code of Governance.
13. The five principles outlined in the Council's Code of Governance have in turn been linked to the six principles of good governance outlined in the SOLACE / CIPFA* publication 'Delivering Good Governance in Local Government'. The Council's Code of Governance contains five principles because it has chosen to combine separate principles in the SOLACE / CIPFA* guidance relating to roles of councillors and officers and their capacity to be effective.

Further information on the subject of this report is available from Tony Ford (Chief Internal Auditor)
on tel: (01432) 260425

14. For ease of reference, the following table matches the Council's set of principles with those contained in the SOLACE / CIPFA* guidance.

SOLACE / CIPFA* Guidance - Principle 1	Focusing on the purpose of the authority, on outcomes for the community and creating and implementing a vision for the local area.
Council - Principle 1	Provide the best possible service to the people of Herefordshire.
SOLACE / CIPFA* Guidance - Principle 2	Members and officers working together to achieve a common purpose with clearly defined functions and roles.
Council - Principle 2	Define the roles of members and officers, ensure that they work together constructively, and improve their effectiveness.
SOLACE / CIPFA* Guidance - Principle 3	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
Council - Principle 3	Require high standards of conduct.
SOLACE / CIPFA* Guidance - Principle 4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
Council - Principle 4	Take sound decisions on the basis of good information.
SOLACE / CIPFA* Guidance - Principle 5	Developing the capacity and the capability of members and officers to be effective.
Council - Principle 2	Define the roles of members and officers, ensure that they work together constructively, and improve their effectiveness.
SOLACE / CIPFA* Guidance - Principle 6	Engaging with local people and other stakeholders to ensure robust public accountability.
Council - Principle 5	Be transparent and open: responsive to Herefordshire's needs and accountable to its people.

Further information on the subject of this report is available from Tony Ford (Chief Internal Auditor) on tel: (01432) 260425

15. Appendix 2 to this report outlines the process for preparing the draft Annual Governance Statement and the decision-making process leading up to formal approval by the Audit & Corporate Governance Committee. The Annual Governance Statement should be approved by the Audit & Corporate Governance Committee at a meeting prior to that set aside for approving the final statement of account for the same financial year.

Risk Management

16. The Council has a legal obligation to produce an Annual Governance Statement; this is also a requirement of the Use of Resources assessment. The risk of non-compliance is mitigated by having an approved framework for drafting the Annual Governance Statement in place as proposed in appendices 1 and 2 to this report.

Background Papers

The SOLACE / CIPFA* publication 'Delivering Good Governance in Local Government'.

*SOLACE - Society of Local Authority Chief Executives and Senior Managers

*CIPFA – Chartered Institute of Public Finance and Accountancy

ANNUAL GOVERNANCE STATEMENT FRAMEWORK 2008/09

Sources of Evidence

	SOLACE/CIPFA Guidance Principle 1	SOLACE/CIPFA Guidance Principle 2	SOLACE/CIPFA Guidance Principle 3	SOLACE/CIPFA Guidance Principle 4	SOLACE/CIPFA Guidance Principle 5	SOLACE/CIPFA Guidance Principle 6
	Council Principle 1	Council Principle 2	Council Principle 3	Council Principle 4	Council Principle 2	Council Principle 5
A	Annual processes / sources of evidence supporting the preparation of the Annual Governance Statement					
	Corporate plan	Corporate plan	Corporate plan	Corporate plan	Corporate plan	Corporate plan
	Service and statutory plans	Service plans	Register of interests	Staff review & development	Annual employee opinion survey	Community strategy
	Medium term financial strategy	Medium term financial strategy	Annual review of members expenses	Statement of accounts	Community strategy	Local area agreement
	Code of governance		Letter of representation	Annual governance letter	Annual scrutiny report	Comprehensive area assessment
	Local area agreement			Business continuity plans	Officer induction	Medium term financial strategy
	Best value performance indicators			Risk management framework	Staff review & development process	Revenue and capital budgets
	Statement of accounts			Annual audit plan		Statement of accounts
	Community strategy			Annual audit assurance report		Comprehensive equality policy and equality scheme
				Annual Governance Statement		Service Plans
				Annual audit and inspection report		Communication strategy
				Use of resources assessment		
				Annual declaration of interests by councillors, relevant members of the Joint Management Team and heads of service		

ANNUAL GOVERNANCE STATEMENT FRAMEWORK 2008/09

Sources of Evidence

	SOLACE/CIPFA Guidance Principle 1	SOLACE/CIPFA Guidance Principle 2	SOLACE/CIPFA Guidance Principle 3	SOLACE/CIPFA Guidance Principle 4	SOLACE/CIPFA Guidance Principle 5	SOLACE/CIPFA Guidance Principle 6
	Council Principle 1	Council Principle 2	Council Principle 3	Council Principle 4	Council Principle 2	Council Principle 5
B	Ad hoc processes / sources of evidence supporting the preparation of the Annual Governance Statement					
	Committee reports	Members allowances	Codes of conduct	Codes of conduct	Pay & workforce development strategy	Council constitution
	Integrated corporate performance reports	Conditions of employment	Contract & financial procedure rules	Member induction scheme	Performance management processes	Security reports
	Cabinet reports	Contract & financial procedure rules	Members / officers protocol	Training for committee chairmen	Public information protocols	Customer satisfaction surveys
	Financial monitoring reports	Partnership agreements	Standing orders	Whistle – blowing policy		Committee agendas
	Equality impact assessments	Codes of conduct	Anti - money laundering procedures	Job descriptions & person specifications		Committee minutes
	Directorate & service plans	Performance management framework	Bi - annual Monitoring Officer report	Area forums roles and responsibilities		Parish council protocols
		Bi - annual Monitoring Officer report	Chief Internal Auditor's interim assurance reports	Codes of conduct		
		Job descriptions & person specifications	Anti - fraud policy	Committee minutes		
		Community strategy	Whistle-blowing policy	Council constitution		

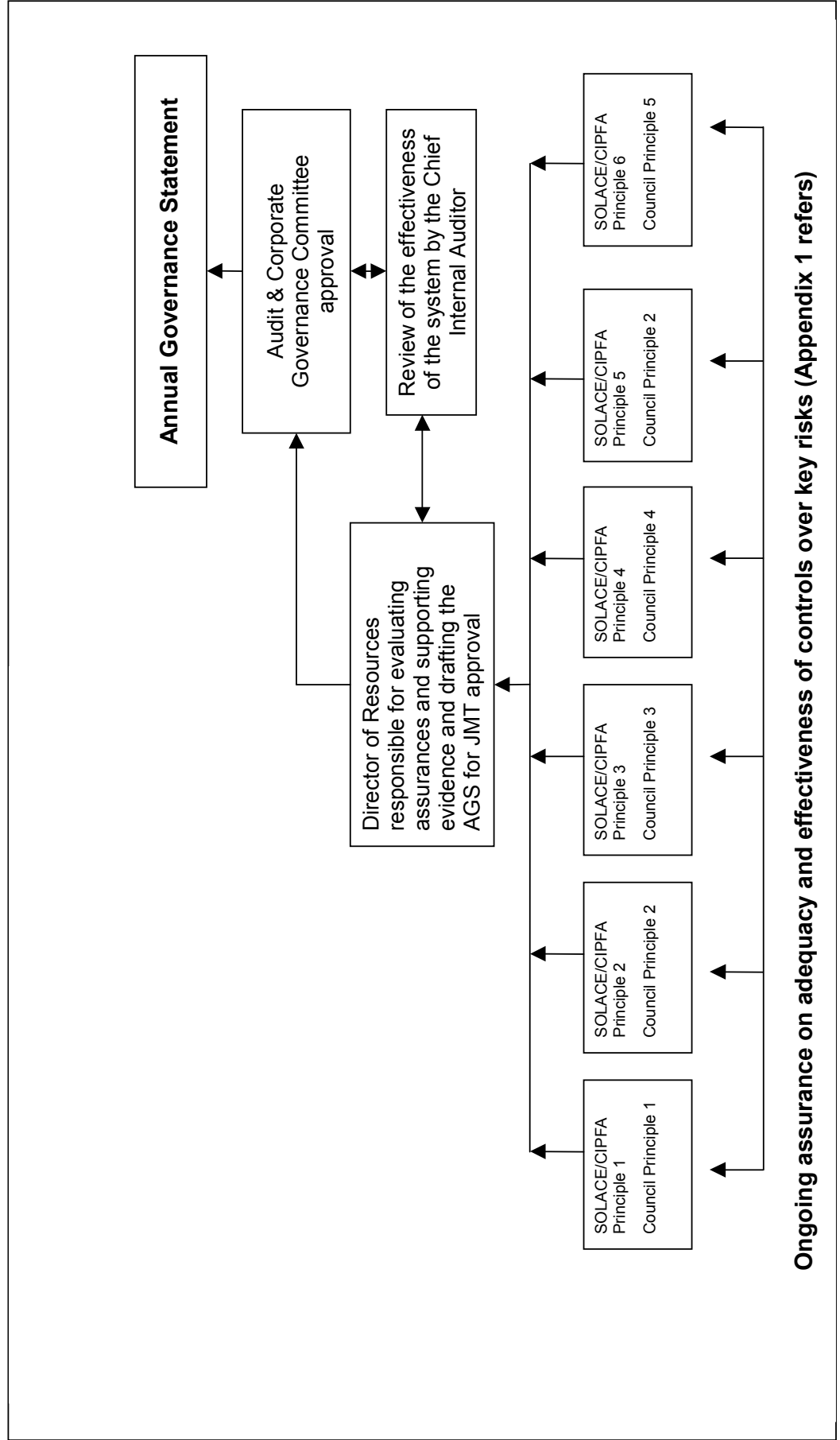
ANNUAL GOVERNANCE STATEMENT FRAMEWORK 2008/09

Sources of Evidence

	SOLACE/CIPFA Guidance Principle 1	SOLACE/CIPFA Guidance Principle 2	SOLACE/CIPFA Guidance Principle 3	SOLACE/CIPFA Guidance Principle 4	SOLACE/CIPFA Guidance Principle 5	SOLACE/CIPFA Guidance Principle 6
	Council Principle 1	Council Principle 2	Council Principle 3	Council Principle 4	Council Principle 2	Council Principle 5
C	Other contributory processes / sources of evidence supporting the preparation of the Annual Governance Statement					
	Partnership protocols	Scheme of delegation	Officer declarations of interest	Audit & Corporate Governance Committee	Members development working group	Scrutiny process
	Complaints procedure	Section 151 officer role	Procurement strategy	Complaints procedure	Parish council protocol	Complaints procedure
	Scrutiny process	Monitoring Officer role	Scrutiny process	Records of decision making and supporting materials	Scheme of delegation	Partnership protocols
		Scrutiny process	Standards Committee	Monitoring Officer role	Council constitution	
		Statutory powers	Values statement	Public consultation strategy & events	Member induction and training	
		Constitution	Protocol for partnership working	Decision-making protocols	Local area agreement	
			Audit Services	Public information protocols	Scrutiny process	
			Audit Commission	Procurement strategy	Strategic partnerships	
			Complaints procedure	Report writing protocols	Area forums - roles & responsibilities	
			Cabinet	Statutory Provisions	Public consultation strategy & events	
			Monitoring Officer		Succession Planning	
			Audit & Corporate Governance Committee		Prince 2 Project Management	
			Complaints Procedure			

ANNUAL GOVERNANCE STATEMENT FRAMEWORK 2008/09

Decision Making Process



Ongoing assurance on adequacy and effectiveness of controls over key risks (Appendix 1 refers)

Decision Making Process

UPDATE ON AUDIT & CORPORATE GOVERNANCE COMMITTEE RESOLUTIONS AND RECOMMENDATIONS - MAY 2007 TO JUNE 2008

Report By: Chief Internal Auditor

Wards affected

1. County-wide.

Purpose

2. The purpose of this report is to identify the resolutions and recommendations made by the Audit & Corporate Governance Committee between May 2007 and June 2008 that require further monitoring because:
 - i. The position reported to the Committee by the responsible officer was satisfactory but the matter is not yet concluded – ‘open and ongoing’ items.
 - ii. The position reported to the Committee by the responsible officer was not satisfactory.

Financial Implications

3. There are no financial implications arising as a direct result of this report.

Recommendation

THAT (a) Subject to any comments by the Audit & Corporate Governance Committee, the report is noted.

Reasons

4. As requested, the Director of Resources prepared a report on the action taken in respect of all Audit & Corporate Governance Committee resolutions and recommendations between May 2007 and June 2008 for the Committee’s last meeting on 25 September 2008. This information was provided as Appendix 1 to the Chief Internal Auditor’s first interim audit assurance report for 2008/09 (item 9 on the agenda for that meeting).
5. The Committee resolved that the Chair and Vice Chair of the Audit & Corporate Governance Committee should meet with the Director of Resources and the Chief Internal Auditor to discuss the resolutions and recommendations listed in Appendix 1 to the first interim assurance report for 2008/09. The Committee authorised the Chair, Vice Chair and Director to close, or close with minor amendments, those items that had been dealt with satisfactorily (minute 115 refers).

Considerations

6. Appendix 1 to the Chief Internal Auditor's first interim assurance report for 2008/09 showed that the Audit & Corporate Governance Committee had made 65 resolutions and recommendations that required action by officers.
7. Forty six of the items were closed as a result of the discussion between the Chair, Vice Chair, Director of Resources and Chief Internal Auditor. The situation for the remaining items is summarised in the following table:

Status of the Audit & Corporate Governance Resolutions and Recommendations	Number	Percentage %
Closed	46	71
Open and ongoing	10	15
Unsatisfactory response from the responsible officer	9	14
Total	65	100

8. Appendix 1 to this report sets out the Chair and Vice Chair's comments on the 19 items that were identified as requiring further monitoring. The responsible officers have been sent a copy of Appendix 1 and their comments / actions are set out in the Chief Internal Auditor's second interim audit assurance report for 2008/09 which appears later on the agenda for this meeting.

Risk Management

9. The Audit & Corporate Governance Committee oversees the council's internal control environment. There is the risk that resolutions and recommendations made by the Committee are not actioned by officers, which would have an adverse effect on the council's internal control environment. To mitigate this risk the Chief Internal Auditor will keep the Committee informed of action taken by officers in response to their resolutions and recommendations as part of his routine audit assurance reporting arrangements.

BACKGROUND PAPERS

The Chief Internal Auditor's First Interim Audit Assurance for 2008/09 dated 25 September 2008.

APPENDIX 1

**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	POSITION REPORTED TO COMMITTEE ON 25 SEPTEMBER 2008	CHAIR & VICE CHAIR COMMENT
OPEN AND ONGOING ITEMS							
3	21 (i)	21/09/07	Special Report from the Director of Resources	Implementation of the recovery plan as detailed and attached to the Special Report is prioritised in line with the time table indicated within it	Sonia Rees	Progress has been regularly reported to the Audit & Corporate Governance Committee. Progress is now being reported to the Strategic Monitoring Committee and Cabinet as part of the Integrated Corporate Performance Reporting arrangements. The next update will be reported to Cabinet on 2nd October, 2008.	The Audit & Corporate Governance Committee should continue to ensure progress is reported to Cabinet and the Strategic Monitoring Committee until the action plan has been fully implemented.
29	43	30/11/07	Revised Audit Plan 2007/08	A report be submitted to this Committee giving details on how the ISO 27001 in ICT will affect the Council.	Geoff Cole (Zack Pandor)	These issues have been incorporated into the ICT review being carried out by the Strategic Monitoring Committee. The Strategic Monitoring Committee is scheduled to receive this report in October 2008.	The Audit & Corporate Governance should continue to monitor this item to ensure the issue has been addressed by the ICT review being carried out by the Strategic Monitoring Committee.

APPENDIX 1

**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	POSITION REPORTED TO COMMITTEE ON 25 SEPTEMBER 2008	CHAIR & VICE CHAIR COMMENT
39	49 (ii)	30/11/07	Update of Action in the Special Report – Governance Improvement Plan.	All future reports to this Committee to give details of risks, the service they relate to and the name of the officer who manages the risk.	Alan McLaughlin	The report template is being reviewed with the intention to introduce it in November.	The Audit & Corporate Governance Committee should continue to monitor progress on this issue.
41	51 (i)	30/11/07	Updated Interim Assurance report 2007/08	A form of wording to be incorporated in the Financial Standing Orders to ensure that contract sums cannot be divided to be reduced below £50,000.	Sonia Rees	This was omitted for the review completed in March 2008, but will be added to Financial Procedure Rules and Contract Procedure Rules at the next annual review.	The Audit & Corporate Governance Committee should ensure that the next annual review of the Financial Procedure Rules and Contract Procedure Rules addresses this issue.
47	56(i)	2/12/07	Update on Community Network Upgrade and Critical recommendations In Use of Contractors In ICT Services.	All Councillors be given half day awareness training on Prince 2 Project Management and also on the analysis of business cases.	Andrew Williams	The Corporate Programmes Manager is liaising with the Assistant Chief Executive - Legal and Democratic to schedule Prince 2 training for members within the priorities and budget for member training.	Item 61 refers. The Audit & Corporate Governance Committee should continue to monitor progress in delivering this training session.

APPENDIX 1

**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	POSITION REPORTED TO COMMITTEE ON 25 SEPTEMBER 2008	CHAIR & VICE CHAIR COMMENT
53	65 (iii)	25/1/08	Annual Governance Statement	The new framework be subject to an annual review by Cabinet, the Audit and Corporate Governance Committee and the Standards Committee.	Tony Ford	Refreshed framework to be presented to the Audit and Corporate Governance in November 2008.	The Audit & Corporate Governance Committee should ensure the corporate governance framework is refreshed once the re-drafted Code of Governance has been agreed by Council.
54	65 (iv)	25/1/08	Annual Governance Statement	The Code of Corporate Governance be reviewed by the Director of Resources and the Monitoring Officer in the light of the new requirements for the Annual Governance Statement by March 2008.	Alan McLaughlin	Following consultation with the Audit and Corporate Governance Committee and the Standards Committee the presented code has been re-written by the Chair of the Standards Committee.	The Audit & Corporate Governance Committee can remove this item from the follow-up list once the re-drafted Code of Corporate Governance has been agreed by Council.

APPENDIX 1

**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	POSITION REPORTED TO COMMITTEE ON 25 SEPTEMBER 2008	CHAIR & VICE CHAIR COMMENT
58	72 (iv)	29/2/08	Annual Audit and Inspection Letter 2008	A 'bring forward' system for actions required by the Audit Commission and the Audit and Corporate Governance Committee, be considered at the Committee's meeting to be held on 20 th June 2008.	Paul Rogers	When the draft minutes have been agreed by officers, an action sheet will be circulated to officers indicating required actions by officers.	The Chair and Vice Chair will receive a copy of the action sheet as well as the relevant officers.
61	76	29/2/08	Training for Members	Training in respect of Prince2 be delivered by external trainers.	Andrew Williams	The Corporate Programmes Manager is liaising with the Assistant Chief Executive - Legal and Democratic to schedule Prince 2 training for members within the priorities and budget for member training.	Item 47 refers.

APPENDIX 1

**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	POSITION REPORTED TO COMMITTEE ON 25 SEPTEMBER 2008	CHAIR & VICE CHAIR COMMENT
63	93 (i)	20/06/08	Audit Services Assurance Report 2007/08	The Chief Executive circulate details of the number of external contractors employed by Council services other than the ICT Service and also reasons for the delay in the merging of ICT services with another Directorate.	David Powell	A review of agency and contracted expenses is being carried out by the Head of Financial Services for the Strategic Monitoring Committee.	The Audit & Corporate Governance Committee will be copied with this report for information. The Strategic Monitoring Committee is due to receive the ICT review report on 20 November 2008.

APPENDIX 1

**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	POSITION REPORTED TO COMMITTEE ON 25 SEPTEMBER 2008	CHAIR & VICE CHAIR COMMENT
POSITION REPORTED TO AUDIT & CORPORATE GOVERNANCE COMMITTEE ON 25 SEPTEMBER 2008 UNSATISFACTORY							
9	26 (ii)	19/1007	Progress Report No. 1 – Director of Resources Report	The amended policy in respect of travel and subsistence be reported to this Committee for information.	Gi Cheesman (Anne Couffis)	See comment for Minute No. 21(i) above.	The Audit & Corporate Governance Committee required a report on the updated policy for travel and subsistence and has not yet received it.
12	26	19/1007	Progress Report No. 1 – Director of Resources Report	The Audit & Corporate Governance Committee recommended that all overseas trips are authorised in advance and are cash limited and that the appropriate Cabinet Member is Informed.	Gi Cheesman (Anne Couffis)	See comment for Minute No. 21(i) above.	The Audit & Corporate Governance Committee requires evidence to demonstrate that this recommendation has been accepted and implemented.

APPENDIX 1

**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	POSITION REPORTED TO COMMITTEE ON 25 SEPTEMBER 2008	CHAIR & VICE CHAIR COMMENT
16	26 (a)	19/10/07	Section 106 Planning Obligations	<p>The Planning Committee be requested to inform Audit and Corporate Governance Committee of the following with regard to Section 106 Agreements:</p> <p>(i) The rules that apply in Section 106 Agreements which when completed by a Developer prompt the payment of monies to the Council.</p> <p>(ii) The monitoring procedures adopted by the Planning Service to ensure that Developers complete the requirements of Section 106 Agreements.</p> <p>(iii) The protocols for determining how Section 106 contributions are utilised.</p>	Andrew Ashcroft	Approval was given by Cabinet to establish a post in Planning Services to manage these issues. Recruitment to date has not been successful.	The Audit & Corporate Governance Committee requires a report from the Head of Service demonstrating that all reasonable steps have been taken to implement the Cabinet decision to establish a post in Planning Services to manage Section 106 agreements, and that measures are in place to deliver the policy in the mean time.
17	26 (b)	19/10/07	Update Number Two on implementation of Recommendations arising from Special Investigations.	That the Planning Committee be requested to consider adopting a procedure whereby all Section 106 Agreements are available for public inspection to ensure that these matters are transparent.	Andrew Ashcroft	See comment for 26(a) above.	The Audit & Corporate Governance Committee seeks confirmation that Section 106 agreement procedures are now transparent.

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**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	POSITION REPORTED TO COMMITTEE ON 25 SEPTEMBER 2008	CHAIR & VICE CHAIR COMMENT
21	36 (iv)	16/11/07	Report of The Independent Review	The Strategic Monitoring Committee be requested to revisit the review that has been carried out in respect of ICT.	Geoff Cole (Zack Pandor)	The Strategic Monitoring Committee review is in progress.	The Audit & Corporate Governance Committee seeks more detail on the timetable for this review including when it will be considered by the Strategic Monitoring Committee, the outcome and progress implementing the resulting action plan.
40	49 (iii)	30/11/07	Update of Action in the Special Report – Governance Improvement Plan.	The Strategic Monitoring Committee be requested to review the control of asset management process and procedure and actions which are taken against officers who do not adhere to these rules.	Geoff Cole (Zack Pandor)	Information Outstanding.	The Audit & Corporate Governance Committee seeks confirmation from the Interim Deputy Chief Executive that this matter has been satisfactorily addressed.

APPENDIX 1

**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	POSITION REPORTED TO COMMITTEE ON 25 SEPTEMBER 2008	CHAIR & VICE CHAIR COMMENT
42	51 (ii)	30/11/07	Update of Action in the Special Report – Governance Improvement Plan.	An action plan be formulated regarding monies payable by Parish Councils when elections take place.	Alan McLaughlin	An agreement with HALC is in place, covering the calculation and payment of election costs.	The Audit & Corporate Governance Committee seeks confirmation from the relevant officer that the action plan has been developed and implemented and notified to all town and parish councils.
43	51 (iii)	30/11/07	Update of Action in the Special Report – Governance Improvement Plan.	Human Resources to investigate and report to this Committee on formulating a policy to restrict the use of Council funds for the entertainment of members and officers.	Gi Cheesman/ Alan McLaughlin	The Employee Code of Conduct has been reviewed and approved by Council. Joint Management Team approved new guidance on travel and subsistence on 15 September 2008.	The Audit and Corporate Governance Committee required a report confirming and detailing the relevant policy and has not yet received it.
44	51 (iv)	30/11/07	Update of Action in the Special Report – Governance Improvement Plan.	The Head of the Economic and Community Service be instructed to review the Terms of Reference of the Drugs Forum Partnership in relation to its involvement in alcohol issues and report back to this Committee accordingly.	Natalia Silver	The Terms of Reference have been reviewed since November, 2007 and a copy is available from the Herefordshire Community Safety & Drugs Partnership Manager.	The Audit & Corporate Governance Committee has not received the report it requested.

APPENDIX 1

**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

SECOND INTERIM AUDIT ASSURANCE REPORT 2008/09

Report By: Chief Internal Auditor

Wards affected

1. County-wide.

Purpose

2. This report provides the Committee with an update on progress in making the planned improvements to the internal control environment and progress with the Annual Audit Plan for 2008/09.

Financial Implications

3. None.

Recommendation

THAT (a) Subject to any comments by the Audit & Corporate Governance Committee, the report is noted.

Reasons

4. Compliance with good practice as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

Considerations

Key Issues Identified in 2007/08

5. The Audit & Corporate Governance Committee reviewed and approved the Annual Governance Statement for 2007/08 (AGS) on 20 June 2008. The AGS identified the key governance and internal control issues that needed addressing in 2008/09. These issues are set out in the table that follows with commentary provided by the responsible officer on progress to date. Text in italics in the 'reported progress' column of the table is new information supplied for this report.

Key Issue Identified for Improvement	Responsible Officer(s)	Reported Progress
Complete the review of the Constitution and implement the remaining actions from the Director of Resources' special report and the Crookall review.	Deputy Chief Executive Assistant Chief Executive (Legal & Democratic) Assistant Chief Executive (HR)	This review is being jointly co-ordinated by the Democratic Services Manager and the Head of the Chief Executive's Office. External, expert constitutional governance support is being secured to enable the review to report back in December 2008. <i>Progress implementing the remaining actions from the Director of Resources' special report and the Crookall review are reported to Cabinet as part of the bi-monthly Integrated Corporate Performance Report.</i>

Produce the Corporate Plan for 2010 – 2013 in accordance with the agreed timetable.	Deputy Chief Executive	Being actioned by the Head of Policy & Performance through the Performance Improvement Framework and in accordance with the Comprehensive Area Assessment action plan, both agreed by Cabinet. See box below.
Review and update the Medium Term Financial Strategy regularly in line with the agreed approach to integrating corporate, service and financial planning.	Director of Resources	The Joint Management Team agreed the process by which The Corporate Plan 2008-2011 and the medium Term Financial Management Strategy 2008-2011 was updated in an integrated way on 8 September 2008.
Review the Code of Governance in line with the approved governance framework.	Assistant Chief Executive (Legal & Democratic)	<i>Council approved a Code of Governance on 31 October 2008.</i>
Continue to promote improvement of the Council's financial management arrangements in line with the Use of Resources assessment criteria, audit reviews and the newly updated Constitution.	Director of Resources	Training sessions for both councillors and employees have been taking place and are scheduled into the future. <i>Over 200 employees with financial management responsibilities have now attended the in-house financial management training course appropriate to their specific responsibilities in order to obtain their 'licence to practice'.</i>
Implement the remaining elements of the improvement plan for the Council's performance management arrangements and report progress to Cabinet in September 2008.	Deputy Chief Executive	Being actioned by the Joint Management Team through the Performance Improvement Framework agreed by Cabinet. <i>The next regular report is scheduled for Cabinet and Strategic Monitoring Committee to consider in November 2008.</i>
Implement the new assurance framework and risk management arrangements for 2008/09 and improve linkages between corporate, directorate and service risk registers.	Assistant Chief Executive (Legal & Democratic)	<i>Joint Management Team considered the draft Integrated Corporate Performance Report being presented to Cabinet and Strategic Monitoring Committee in November 2008. This report incorporates the risk assurance framework and it was recognised that further work was needed to ensure it reflected key council risks accurately. This will be carried out for the next quarterly reporting cycle.</i>
Continue to promote the Council's anti fraud, anti corruption and whistle-blowing policies, keeping them under regular review	Assistant Chief Executive (Legal & Democratic) Director of Resources	The Council's whistle-blowing policy has been reviewed and an associated 'Do the right thing' leaflet has been distributed to staff. The anti fraud policy is due for review in March 2009. It is intended that a joint policy is developed with the PCT. These policies are also brought to the attention of staff through notices on pay slips and noticeboards. In addition, creditor remittance slips inform all recipients of the Council's whistleblowing policy.
Continue to promote the Council's adopted approach to managing major programmes and projects.	Deputy Chief Executive	Approval by Cabinet of the Herefordshire Connects procurement policy has been supported by the extension of Prince 2 project management good practice, resources and training for projects managed or supported by the Corporate Programmes and Herefordshire Connects teams.

Continue to develop the Council's community engagement arrangements including strategic consultation on corporate objectives, priorities and budget allocations.	Deputy Chief Executive Director of Resources	The Joint Management Team agreed proposals for public consultation on strategic budget options on 8 September 2008. <i>These proposals were agreed with the Executive. Feedback from the consultation exercise is due in early December and will be used to inform decisions on budget setting for 2009/10 and following years.</i>
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6. The Audit Commission made two recommendations in their Annual Governance Report for 2007/08 that the Committee considered on 25 September 2008.
7. The first recommendation related to the system used during the 2007/08 financial year for paying nursing homes. The Audit & Corporate Governance Committee was advised on 25 September 2008 that the issues identified by the Audit Commission in respect of this system had already been addressed and resolved.
8. The second recommendation related to the pooled budget arrangements between the council and PCT for certain health and social care services. The Committee has a report elsewhere on this agenda expanding on the management response and proposed action plan to address the issues raised by the Audit Commission. The Audit Commission has invited the council and PCT to take part in a national study of joint financing arrangements. This invitation will be accepted by the Director of Integrated Commissioning.

Audit & Corporate Governance Resolutions & Recommendations

9. The first interim assurance report for 2008/09 presented to the Committee on 25 September 2008 listed the 65 separate resolutions and recommendations made by the Committee from May 2007 to June 2008 and provided a comment against each where available from the relevant officer. The Chair and Vice Chair met with the Director of Resources and the Chief Internal Auditor to identify those items that the Committee no longer needed to monitor because the matter had been satisfactorily dealt with and those that were open and ongoing or had not been satisfactorily dealt with by the relevant officer.
10. As a result of that meeting, 46 items were closed, 10 items were identified as open and ongoing and 9 items needed further explanation from the relevant officer. Progress with these 19 items since that meeting is set out in Appendix 1 to this report. Ten of the items have been closed leaving nine open and ongoing items that need further monitoring.
11. Appendix 2 to this report identifies the resolutions and recommendations made by the Committee at its last two meetings (3 July 2008 and 25 September 2008), the progress made by the relevant officer and the current status – i.e. closed or open and ongoing. A total of 13 new resolutions and recommendations were made at these two meetings, 10 of which have been closed. The 3 open and ongoing items will be added to Appendix 1 in the next audit assurance report so that the Committee can continue to track progress effectively.

Progress with the Internal Audit Plan 2008/09

12. The annual Internal Audit Plan for 2008/09 was approved by the Audit & Corporate Governance Committee on 4 April 2008. The current status of work is set out in Appendix 3.
13. Following the restructure of the Audit Services team, appointments have now been made to all vacant posts. The Audit Services team will be at full complement by December 2008. Agency staff are being used to ensure that any vacancies do not impact adversely on the delivery of the annual Internal Audit Plan for 2008/09.

Fundamental systems

14. The Council's target is that all fundamental systems achieve at least a satisfactory audit opinion. Work in this area is just starting and the Audit and Corporate Governance Committee will be kept informed of progress.

ICT Protocols and Controls

15. Work on reviewing the council's ISO27001 arrangements is in progress and the Committee will be kept informed on progress.
16. The governance arrangements for the Integrated Social Care System (ISCS) – the Corelogic Framework application - have been reviewed with no significant issues to report. Appropriate user training, system testing and data cleansing has been completed and the system went live on 10 November 2008.

Performance Management

17. The audit review of ten performance indicators has been completed and it is pleasing to report that there has been an improvement in the approach taken by service managers. Six were given a **good** audit opinion and four a **satisfactory** audit opinion.

Establishment Audits

18. Work to assess the financial management arrangements within primary schools in line with the Department for Children, Schools and Families (DCSF) standard is in progress. At the present time twelve primary schools have met the standard. The Audit Services team continues to work with schools to ensure that they meet their target of achieving the DCSF standard.

Audit Opinions

19. Paragraph 4.18 of the council's Financial Procedure Rules requires the Chief Internal Auditor to provide the Leader, the Chair of the Audit & Corporate Governance Committee and the relevant Cabinet Member(s) with a copy of audit reviews reports with an unsound, unsatisfactory or marginal audit opinion.
20. At the present time there are no audits with an unsound, unsatisfactory or marginal audit opinion.

21. In addition, paragraph 4.19 of the council's Financial Procedure Rules requires the Chief Internal Auditor to provide the Leader, the Chair of the Audit & Corporate Governance Committee and the relevant Cabinet Member(s) with written confirmation of audit review reports with a satisfactory or good audit opinion.
22. Appendix 3 shows the current status of work carried out by the Audit Services team, with final audits showing an audit opinion. In line with the council's Financial Procedure Rules, relevant members have been informed regarding the audit opinions.

Management Acceptance of Internal Audit Recommendations 2007/08

23. The Audit & Corporate Governance Committee received a report at its last meeting that analysed the internal audit recommendations made in 2007/08. The Committee noted that all but 7 of the 648 recommendations made by the Audit Services team in the year had been accepted. The Vice Chair of the Committee took the view that 4 of the 7 recommendations not accepted should stand. The Committee asked the Chair and Vice Chair of the Committee to meet with the Director of Resources and the Chief Internal Auditor and report on their findings with respect to those 4 recommendations.
24. The first of the 4 recommendations examined by the Chair and Vice Chair of the Committee with the Director of Resources and Chief Internal Auditor related to an audit review of the asset register created for final accounts purposes. A query arose about the arrangements for maintaining inventories of plant and equipment that are regarded as de minimus for asset accounting purposes. It was agreed that a separate audit review of directorate management arrangements for complying with the council's Financial Procedure Rules for maintaining inventories will be carried out. This approach closes this particular item.
25. The remaining 3 recommendations were all level 2 recommendations (medium risk) and related to an audit review of contract letting and monitoring arrangements before the council's Contract Procedure Rules were revised. The audit review identified that a tender invitation panel did not consist of the minimum recommended number of officers (three) in one of the contract letting exercises examined. The Audit Services team found difficulty in obtaining the documentary evidence the relevant officer said was available in respect of another contract letting exercise. In addition, the documentation available for this contract letting exercise did not contain a statement indicating management acceptance or rejection of specialist advice.
26. The Chief Internal Auditor has discussed these points with the relevant officers since the meeting held with the Chair and Vice Chair of the Committee and the Director of Resources. The officers' attention has been drawn to the need to comply with all internal audit recommendations or agree an alternative way of managing the identified risk with the Chief Internal Auditor and that the Audit & Corporate Governance Committee is monitoring the situation closely. The Chief Internal Auditor has also reminded the officers concerned of the need to comply in full with the council's new Contract Procedure Rules and Financial Procedure

Rules, not just those elements relating to tender invitation panels, providing documentation requested by the Chief Internal Auditor to support planned audit review activity and maintaining appropriate records. The relevant officers have taken these matters on board. In addition, the Chief Internal Auditor is liaising with the Communications Team to ensure an appropriate message is sent to all employees through established employee communication channels (e.g. First Press or Team Talk) about the importance of complying with the council's agreed policies and procedures.

Management Acceptance of Internal Audit Recommendations 2008/09

27. The following table summaries the number of recommendations made by Audit Services to date in 2008/09 and those accepted by management.

Management Acceptance of Internal Audit Recommendations 2008/09						
Audit Area	Level 1		Level 2		Total	
	Made	Accepted	Made	Accepted	Made	Accepted
Governance and anti fraud	1	1	0	0	1	1
Other key systems	2	2	11	11	13	13
ICT protocols and Controls	0	0	2	2	2	2
Establishment audits	10	10	63	61	73	71
Performance management	0	0	8	8	8	8
TOTAL	13	13	84	82	97	95

28. Management has accepted 98% of recommendations which compares favourably with the target of 95%.
29. The two unaccepted recommendations relate to an establishment audit of a primary school. These were level 2 recommendations (medium risk) and the Chief Internal Auditor has agreed an alternative way of managing the risk identified with the client.
30. Under current reporting protocols the Chief Internal Auditor has to bring to the attention of the Audit & Corporate Governance Committee 'Critical 1' recommendations. These are recommendations where non-compliance will be a high risk to the council and where action is required urgently or within an agreed timescale. At the present time the Chief Internal Auditor does not have any 'Critical 1' recommendations to report to the Committee.

Recommendation Follow-Up Work

31. The Audit Services team continues to monitor implementation of internal audit recommendations made in 2007/08. Only two audit reviews from 2007/08 relating to ICT have recommendations that have not yet been fully implemented. A total of 40 separate action points were agreed with the client in respect of these two audits. Sixteen actions remain open and ongoing. The Chief Internal Auditor is very pleased with overall progress and is confident that this will be maintained. The Committee will continue to receive regular updates on progress with the remaining 16 actions.

Areas of concern

32. There are no areas of concern.

Risk Management

33. There is a risk that the level of work required to give an opinion on the council's systems of Internal Control is not achieved. The Director of Resources and the Chief Internal Auditor keep delivery of the annual Internal Audit Plan under continual review in order to mitigate this risk.

BACKGROUND PAPERS

- Code of Practice for Internal Audit 2006

APPENDIX 1

**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	STATUS
OPEN AND ONGOING ITEMS							
3	21 (i)	21/09/07	Special Report from the Director of Resources	Implementation of the recovery plan as detailed and attached to the Special Report is prioritised in line with the time table indicated within it	Sonia Rees	Progress has been regularly reported to the Audit & Corporate Governance Committee. Progress is now being reported to the Strategic Monitoring Committee and Cabinet as part of the Integrated Corporate Performance Reporting arrangements. The next update will be reported to Cabinet on 20 November 2008.	Remains open and ongoing until Cabinet has agreed that the recovery plan has been fully implemented.
29	43	30/11/07	Revised Audit Plan 2007/08	A report be submitted to this Committee giving details on how the ISO 27001 in ICT will affect the Council.	Geoff Cole (Zack Pandor)	These issues have been incorporated into the ICT review being carried out by the Strategic Monitoring Committee. The Strategic Monitoring Committee is scheduled to receive this report in November 2008. The Chief Internal Auditor has also addressed this issue within his second interim assurance report.	Remains open and ongoing until the Chief Internal Auditor has completed his review of the council's ISO27001 arrangements and reported findings in line with agreed reporting protocols.

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**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	STATUS
39	49 (ii)	30/11/07	Update of Action in the Special Report – Governance Improvement Plan.	All future reports to this Committee to give details of risks, the service they relate to and the name of the officer who manages the risk.	Alan McLaughlin	The report template is being reviewed with the intention to introduce it in November.	Remains open and ongoing until the review of report templates has been completed.
41	51 (i)	30/11/07	Updated Interim Assurance report 2007/08	A form of wording to be incorporated in the Financial Standing Orders to ensure that contract sums cannot be divided to be reduced below £50,000.	Sonia Rees	This was omitted for the review completed in March, 2008, but will be added to Financial Procedure Rules and Contract Procedure Rules of the next annual review.	Remains open and ongoing until the next annual review of the Financial Procedure Rules and Contract Procedure Rules has been completed.
47	56(i)	21/12/07	Update on Community Network Upgrade and Critical recommendations In Use of Contractors In ICT Services.	All Councillors be given half day awareness training on Prince 2 Project Management and also on the analysis of business cases.	Andrew Williams	The Corporate Programmes Manager is liaising with the Assistant Chief Executive (Legal and Democratic) to schedule Prince 2 training for members within the priorities and budget for member training.	Remains open and ongoing until the training has been delivered. Item 61refers.
53	65 (iii)	25/1/08	Annual Governance Statement	The new framework be subject to an annual review by Cabinet, the Audit and Corporate Governance Committee and the Standards Committee.	Tony Ford	Refreshed framework to be presented to the Audit and Corporate Governance in November 2008.	Closed subject to the Committee's approval of a report on the revised framework dated 21 November 2008.

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**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	STATUS
54	65 (iv)	25/1/08	Annual Governance Statement	The Code of Corporate Governance be reviewed by the Director of Resources and the Monitoring Officer in the light of the new requirements for the Annual Governance Statement by March 2008.	Alan McLaughlin	The re-drafted Code of Governance was presented to council for approval on 31 October 2008.	Closed following council's approval of a Code of Governance on 31 October 2008.
58	72 (iv)	29/2/08	Annual Audit and Inspection Letter 2008	A 'bring forward' system for actions required by the Audit Commission and the Audit and Corporate Governance Committee, be considered at the Committee's meeting to be held on 20 th June 2008.	Paul Rogers	An action sheet for officers was prepared on the basis of the draft minutes of Committee's last meeting on 25 September 2008. The Chief Internal Auditor's routine audit assurance reports now contain a section on progress with the resolutions and recommendations made by the Audit & Corporate Governance Committee.	Closed following the introduction of the action sheets and new audit assurance reporting arrangements.
61	76	29/2/08	Training for Members	Training in respect of Prince2 be delivered by external trainers.	Andrew Williams	The Corporate Programmes Manager is liaising with the Assistant Chief Executive - Legal and Democratic to schedule Prince 2 training for members within the priorities and budget for member training.	Remains open and ongoing until the training has been delivered. Item 47 refers.

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**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	63	Minute No	93 (i)	Meeting Date	20/06/08	SUBJECT	Audit Services Assurance Report 2007/08	RESOLUTION/RECOMMENDATION	The Chief Executive circulate details of the number of external contractors employed by Council services other than the ICT Service and also reasons for the delay in the merging of ICT services with another Directorate.	RESPONSIBLE OFFICER	David Powell	CURRENT POSITION	The Head of Financial Services has prepared a report for the Strategic Monitoring Committee and the Audit & Corporate Governance Committee on the value for money derived from the use of consultants during 2007/08.	STATUS	Closed following the production of the report for Strategic Monitoring Committee on 17 November 2008 and the Audit & Corporate Governance Committee on 21 November 2008.
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**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	STATUS
POSITION REPORTED TO AUDIT & CORPORATE GOVERNANCE COMMITTEE ON 25 SEPTEMBER 2008 UNSATISFACTORY							
9	26 (ii)	19/1007	Progress Report No. 1 – Director of Resources Report	The amended policy in respect of travel and subsistence be reported to this Committee for information.	Gi Cheesman (Anne Couffts)	The amended policy will be circulated to members of the Audit & Corporate Governance Committee for information at their meeting on 21 November 2008.	Closed as the requested information has been provided.
12	26	19/1007	Progress Report No. 1 – Director of Resources Report	The Audit & Corporate Governance Committee recommended that all overseas trips are authorised in advance and are cash limited and that the appropriate Cabinet Member is informed.	Gi Cheesman (Anne Couffts)	The new policy states that 'Overnight stays must be agreed with the employee's line manager in advance of travel. Payment would not normally exceed the cost of 3 star or equivalent accommodation. Overseas trips must be authorised by the director in advance of travel, including confirmation of the allocated budget for expenses. The director will also be required to sign the subsequent claim form. The appropriate cabinet member will be informed of all planned overseas trips. Claims for overnight stays within Herefordshire must be accompanied by a signed memorandum from the manager explaining the reason for approval.'	Closed as the requested information has been provided.

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**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	STATUS
16	26 (a)	19/10/07	Section 106 Planning Obligations	<p>The Planning Committee be requested to inform Audit and Corporate Governance Committee of the following with regard to Section 106 Agreements:</p> <p>(i) The rules that apply in Section 106 Agreements which when completed by a Developer prompt the payment of monies to the Council.</p> <p>(ii) The monitoring procedures adopted by the Planning Service to ensure that Developers complete the requirements of Section 106 Agreements.</p> <p>(iii) The protocols for determining how Section 106 contributions are utilised.</p>	Andrew Ashcroft	The service manager has prepared a report for the Audit & Corporate Governance Committee for consideration on 21 November 2008.	Closed as the report has been produced as requested.
17	26 (b)	19/10/07	Update Number Two on implementation of Recommendations arising from Special Investigations.	That the Planning Committee be requested to consider adopting a procedure whereby all Section 106 Agreements are available for public inspection to ensure that these matters are transparent.	Andrew Ashcroft	The service manager has prepared a report for the Audit & Corporate Governance Committee for consideration on 21 November 2008.	Closed as the report has been produced as requested.

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**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	STATUS
21	36 (iv)	16/11/07	Report of The Independent Review	The Strategic Monitoring Committee be requested to revisit the review that has been carried out in respect of ICT.	Geoff Cole (Zack Pandor)	The Strategic Monitoring Committee will be considering a report on this subject on 17 November 2008.	Closed as the Strategic Monitoring Committee has revisited the ICT review as requested by the Audit & Corporate Governance Committee.
40	49 (iii)	30/11/07	Update of Action in the Special Report – Governance Improvement Plan.	The Strategic Monitoring Committee be requested to review the control of asset management process and procedure and actions which are taken against officers who do not adhere to these rules.	Geoff Cole (Zack Pandor)	Information still outstanding. The Chief Internal Auditor will take this issue up with the new Interim Deputy Chief Executive who will be taking up appointment at the end of the month.	Move to open and ongoing until the new Interim Deputy Chief Executive has had the opportunity to investigate and report back to the Audit & Corporate Governance Committee.

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**Audit & Corporate Governance Committee
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	STATUS
42	51 (ii)	30/11/07	Update of Action in the Special Report – Governance Improvement Plan.	An action plan be formulated regarding monies payable by Parish Councils when elections take place.	Alan McLaughlin	The Assistant Chief Executive (Legal & Democratic) confirms that there are no outstanding election contributions from parish councils and that he is currently reviewing arrangements for the future with HALC. The Strategic Monitoring Committee will be considering a review of electoral services at their meeting on 17 November 2008.	Move to open and ongoing until confirmation has been provided that a new arrangement for recovering elections expenses from the parish councils is in place.
43	51 (iii)	30/11/07	Update of Action in the Special Report – Governance Improvement Plan.	Human Resources to investigate and report to this Committee on formulating a policy to restrict the use of Council funds for the entertainment of members and officers.	Gi Cheesman/ Alan McLaughlin	The Employee Code of Conduct has been reviewed and approved by Council. Joint Management Team approved new guidance on travel and subsistence on 15 September 2008.	Closed as the relevant policy and procedure documents have been reviewed.
44	51 (iv)	30/11/07	Update of Action in the Special Report – Governance Improvement Plan.	The Head of the Economic and Community Service be instructed to review the Terms of Reference of the Drugs Forum Partnership in relation to its involvement in alcohol issues and report back to this Committee accordingly.	Natalia Silver	The Terms of Reference have been reviewed since November 2007 and a copy is available from the Herefordshire Community Safety & Drugs Partnership Manager.	Move to open and ongoing until the members of the Audit & Corporate Governance Committee have been provided with the information requested.

APPENDIX 2

**Audit & Corporate Governance Committee
Follow Up on Resolutions & Recommendations made on 3 July 2008 and 25 September 2008**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	STATUS
OPEN AND ONGOING ITEMS							
66	105	03/07/08	Review of Code of Corporate Governance	The Chairman of the Audit & Corporate Governance Committee (or nominee) attend the Standards Committee on 4 July 2008.	Cllr Chappell	Cllr Smith attended the Standards Committee meeting on 4 July 2008 as the Chair's nominated representative.	Closed.
67	105	03/07/08	Review of Code of Corporate Governance	The Audit & Corporate Governance Committee receives a report formally reviewing the Code of Corporate Governance at the meeting scheduled to be held on 20 March 2009.	Alan McLaughlin	Review not due until March 2009.	Open and ongoing.
68	111 (b)	25/09/08	Annual Governance Letter 2008	The Audit & Corporate Governance Committee approves the Letter of Representation for signature by the Chair of the Committee and the Director of Resources, attached at appendix 1 of the Audit Commission's Annual Governance Report 2008.	Cllr Chappell Sonia Rees	Letter of Representation signed following the conclusion of the Committee's meeting on 25 September 2008.	Closed.
69	111 (c)	25/09/08	Annual Governance Letter 2008	The Director of Resources be invited to submit a report summarising the extent and values of current pooling of budgets and current thinking/planning towards further pooling.	Sonia Rees	A report has been prepared for the Committee to consider on 21 November 2008.	Closed.

APPENDIX 2

**Audit & Corporate Governance Committee
Follow Up on Resolutions & Recommendations made on 3 July 2008 and 25 September 2008**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	STATUS
70	112	25/09/08	Review of the Code of Corporate Governance	Subject to any supplemental or commentary instructions to the Code of Corporate Governance by the officers being submitted to this committee for ratification and subsequent approval by Council, the redrafted Code of Corporate Governance be agreed for consideration by the Standards Committee for onward adoption by Council on 31 October 2008.	Alan McLaughlin	The Code of Governance was adopted by Council on 31 October 2008.	Closed.
71	113 (b)	25/09/08	Learning Disability Inspection Action Plan- Progress Report	The interim Director of Adult Social Care submits a report to the next meeting clarifying the points raised by Councillor Toon in (i) to (iii) above. [Reference to '(i) to (iii) above' in Minute 113 (b) relates to points in the preamble to the Minute.]	Eleanor Brazil	Clarification of these points is to be incorporated into the report being produced in response to item 69 above.	Closed.
72	114 (b)	25/09/08	Analysis of Internal Audit Recommendations 2007/08	The Chairman and Vice-Chairman of the Committee meet with the Director of Resources and the Chief Internal Auditor to review the four recommendations referred to by Councillor RH Smith and that a further report be submitted to the Committee giving details of the outcome of the review.	Cllr Chappell Cllr Smith Sonia Rees Tony Ford	A meeting took place on 17 October 2008. The Chief Internal Auditor has reported a satisfactory outcome in respect of these four items in his second interim audit assurance report for 2008/09 presented to the Audit & Corporate Governance Committee on 21 November 2008.	Closed.

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Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	STATUS
73	115 (a)	25/09/08	First Interim Assurance Report	The Committee should send out a clear message to all Directorates that failure of management not to adhere to the Council's procurement rules and procedures will not be tolerated.	Tony Ford	As outlined in the Chief Internal Auditor's second interim audit assurance report, the Chief Internal Auditor is liaising with the Head of Communications to agree an article for First Press reminding all employees of the importance of complying with the council's approved policies and procedures.	Open and on going.
74	115 (b)	25/09/08	First Interim Assurance Report	The officers be authorised to close those Committee Resolutions which require no further action immediately.	Sonia Rees Tony Ford	This procedure has been adopted for tracking progress with Audit & Corporate Governance Committee resolutions and recommendations made since 3 July 2008.	Closed.
75	115 (c)	25/09/08	First Interim Assurance Report	The Chair and Vice Chair of the Committee, the Director of Resources and the Chief Internal Auditor be instructed to meet and be authorised to close, or close with minor amendments, the remainder of the Committee Resolutions referred to in Appendix 1 to the report and in future, the Resolutions which are not closed be considered by the Chair, Vice Chair, Director of Resources and Chief Internal Auditor for closure or closure with minor amendments.	Cllr Chappell Cllr Smith Sonia Rees Tony Ford	A meeting took place on 17 October 2008. The current status of Audit & Corporate Governance Committee resolutions is reported under a separate agenda item.	Closed.

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Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	STATUS
76	115 (d)	25/09/08	First Interim Assurance Report	A report be submitted to the next meeting to consider the audit recommendations not accepted by management and that given the issues of culture and slimmed down schedule of recommendations to be considered, the Chief Executive or the Deputy Chief Executive (Interim) be invited to the next meeting to discuss culture issues.	Chris Bull Sonia Rees Tony ford	The Chief Internal Auditor's second interim audit assurance report for 2008/09 describes how the four internal audit recommendations made in 2008/09 not accepted by management have been dealt with.	Closed.
77	115 (e)	25/09/08	First Interim Assurance Report	A report be submitted to the next meeting setting out how the Section 106 procedure works with specific examples of Section 106 agreements to be included in the report and that the Head of Planning Services and the Section 106 Monitoring officer be instructed to attend the meeting for the item.	Andrew Ashcroft	A report is on the agenda for the Audit & Corporate Governance Committee meeting for 21 November 2008.	Closed.
78	115 (f)	25/09/08	First Interim Assurance Report	A report be submitted to the next meeting regarding the current position with regard to the handover of assets to Wyebridge Academy.	Tony Ford	The Chief Internal Auditor has started to gather the relevant information and will update members verbally on progress.	Open and ongoing.

STATUS OF AUDITS STARTED DURING 2008/09

Audit	Status	Audit Opinion
Fundamental Systems		
Payroll	Work in Progress	
Education FMS	Work in Progress	
Council Tax and NDR	Work in Progress	
Non Fundamental Systems		
Payments to Independent Providers	Draft with audit manager	
Governance		
Brockington Ramp	Final	n/a
Scheme of Delegation	Work in Progress	
Other Key Systems		
Members Register of Interests and Gifts	Final	Satisfactory
Cash Office/Post Opening	Final	Satisfactory
ICT Protocols and Controls		
E-Pop Cedar E Purchasing	Final	Good
Access Controls	Final	Satisfactory
Review of Computer Systems, Data, Applications and Skills CYPD and ICT Services	Final draft with client	
ISO 27001 Top level ICT Operation Procedures	Work in Progress	
ISO 27001 Risk Treatment	Work in Progress	
ISO 27001 Team Compliance	Work in Progress	
ISO 27001 Physical Security	Work in Progress	
Smart Phones	Work in Progress	
ISIS system	On going	
Performance Management		
Number of private sector dwellings returned into occupation (BVPI 64)	Final	Good
Speed of processing new claim to Housing Benefit/Council Tax Benefit. (BVPI 78a)	Final	Good
Speed of processing changes of circumstances to Housing Benefit/Council Tax Benefit. (BVPI 78b)	Final	Good
Accuracy of Housing Benefit/Council Tax Benefit (BVPI 79a)	Final	
Housing Waste Management (recycling) (BVPI 82a)	Draft with audit manager	
Housing Waste Management (Composting) (BVPI 82b)	Draft with audit manager	
Pedestrian crossings with facilities for disabled people (BVPI 165)	Final	Satisfactory
Average length of Stay in Bed and Breakfast (BVPI 183a)	Final	Satisfactory
Average length of stay in Hostels (BVPI 183b)	Final	Good
Local street and environmental cleanliness (BVPI 199abc)	Final	Satisfactory
Repeat Homelessness (BVPI 214)	Final	Good
Housing Strategy Statistical Appendix (HSSA) 2008 – Vacant Dwellings	Final	Satisfactory

STATUS OF AUDITS STARTED DURING 2008/09

Audit	Status	Audit Opinion
Schools Establishment Audits (DCSF Standard)		
Trinity Primary School	Draft with audit manager	
Riverside Primary School	Draft with audit manager	
St. Thomas Cantilupe C.E Primary School	Draft with audit manager	
Blackmarston Special School	Final	Standard met
Ledbury Primary School	Final	Standard met
St Mary's C.E Primary School	Final	Standard met
Holmer C E. Primary School	Draft with audit manager	
Marlbrook Primary	Final	Standard met
St. Paul's C.E. Primary School	Final	Standard met
Lugwardine Primary School	Final	Standard met
Weobley Primary School	Audit deferred	
St. Francis Xavier R.C. School	Final	Standard met
Kingstone & Thruxton Primary School	Audit deferred	
Barrs Court Special School	Final draft	Standard met
Hampton Dene Primary	Draft with client	Standard met
Madley Primary School	Final	Action plan in place to meet the standard by end of November 2008
Much Birch C. E. Primary School	Final draft	Standard met
Orleton C. E. Primary School	Work in progress	
Dilwyn Primary School	Final Draft	Standard met
Broadlands Primary School	Work in progress	
The Minster - follow up	Final	Standard met
Verification and Probity		
Local Area Agreement Grant	Final	n/a
Flood Grant Claim	Final	n/a
Recommendation Follow up		
Telephone Usage	Draft with client	
Use of ICT Contractors	Work in progress	
ICT Petty Cash	Work in progress	
ICT FMS	Work in progress	
Housing Performance Indicators	Final	n/a
Household Waste Management Performance Indicator	Draft with audit manager	
Pedestrian Crossing Performance Indicator	Final	n/a
Street Cleanliness Performance Indicator	Final	n/a

STATUS OF AUDITS STARTED DURING 2008/09

Quantification and Classification of Internal Control Levels

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

The Audit Opinion is based on a number of factors including the number of level 1 and, to a lesser extent, level 2 recommendations. Weighting is given to different aspects of the audit e.g. a high weighting for budgetary control. It is expected that larger systems and establishments will receive higher numbers of recommendations and allowance is made for this.

