

AGENDA

Audit and Corporate Governance Committee

Date: **Friday 20 November 2009**

Time: **10.00 am**

Place: **The Council Chamber, Brockington, 35 Hafod Road,
Hereford**

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

For any further information please contact:

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Agenda for the Meeting of the Audit and Corporate Governance Committee

Membership

Chairman	Councillor ACR Chappell
Vice-Chairman	Councillor RH Smith
	Councillor MJ Fishley
	Councillor JHR Goodwin
	Councillor PJ McCaull
	Councillor R Mills
	Councillor AM Toon

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AGENDA

	Pages
<p>1. APOLOGIES FOR ABSENCE</p> <p style="padding-left: 20px;">To receive any apologies for absence.</p>	
<p>2. NAMED SUBSTITUTES(IF ANY)</p> <p style="padding-left: 20px;">To receive details of Members nominated to attend the meeting in place of a Member of the Committee.</p>	
<p>3. DECLARATIONS OF INTEREST</p> <p style="padding-left: 20px;">To receive any declarations of interest by Members in respect of items on the Agenda.</p> <p style="padding-left: 20px;">GUIDANCE ON DECLARING PERSONAL AND PREJUDICIAL INTERESTS AT MEETINGS</p> <p style="padding-left: 20px;">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 style="padding-left: 20px;">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 style="padding-left: 20px;">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>	
<p>4. MINUTES</p> <p style="padding-left: 20px;">To approve and sign the Minutes of the meeting held on 28 September 2009.</p>	1 - 10
<p>5. INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)</p> <p style="padding-left: 20px;">To report to the Committee on the progress for implementing International Financial Reporting Standards.</p>	11 - 18
<p>6. INTERIM AUDIT SERVICES ASSURANCE REPORT 2009/10 NO.1</p> <p style="padding-left: 20px;">To receive the Interim Assurance Report which updates Members on the work status and brings to their attention any key internal control issues.</p>	19 - 44

7. DATA QUALITY - 6 MONTH PROGRESS REPORT	45 - 54
To receive a report and to note the progress against the 2009 – 2010 data quality action plan.	
8. CREDITOR PAYMENT AUTHORISATION	55 - 58
To receive report on the process for ensuring Creditor Payment Authorisations are managed in accordance with the Council's Constitution.	

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HEREFORDSHIRE COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Audit and Corporate Governance Committee held at The Assembly Hall, Town Hall, Hereford on Monday 28 September 2009 at 3.00 pm

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

Councillors: JHR Goodwin, PJ McCaull and AM Toon

In attendance: Councillors PJ Edwards and WLS Bowen

The Chairman welcomed the new Head of Financial Services, Anne Phillips, to the meeting. Also, on behalf of the Committee, he thanked Heather Foster for her work over the years and in the interim as Acting Head of Financial Services.

13. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors MJ Fishley and R Mills.

14. NAMED SUBSTITUTES(IF ANY)

There were no named substitutes declared.

15. DECLARATIONS OF INTEREST

There were no declarations of interest made.

16. MINUTES (Pages 1 - 2)

The Vice-Chairman drew Members' attention to the Review of Procurement Briefing Note attached to the Minutes which was, in his view, not the Briefing Note which had been circulated at the meeting on 19 June 2009. He produced a copy of the Briefing Note which he had received at that meeting and suggested that his copy should replace the copy attached to the Minutes.

The Vice-Chairman also referred to the penultimate paragraph on page 2 of the Minutes relating to paragraph 32 of the Commission's report and informed the Committee that an answer had not yet been received from the Legal Practice Manager. He requested that the Legal Practice Manager expedite the matter.

RESOLVED: That the Minutes of the meeting held on the 19 June 2009 be approved as a correct record and signed by the Chairman subject to the following amendments:

- (i) the Review of Procurement Briefing Note attached to these Minutes replaces the Briefing Note attached to the 19 June 2009 Minutes;
- (ii) the second line in the penultimate paragraph on page 2 be deleted and replaced with the words 'particular that the submission to Members for approval of the selected option was' ;

- (iii) **the word ‘ analysis ‘ be deleted from the second line in the first paragraph on page 3 and replaced with the words ‘analyses and‘ ;**
- (iv) **the word ‘ analysis ‘ be deleted from the second line in Resolution (iii) on page 4 and replaced with the words ‘analyses and‘ ; and**
- (v) **the words in Resolution (iii) be added after the word ‘and’ in Resolution (ii) on page 6 and the semicolon in the second line in Resolution (ii) be deleted.**

17. ANNUAL GOVERNANCE LETTER

The Director of Resources presented a report which introduced the external auditor’s Annual Governance Report for 2009. The external auditor’s report set out

- (a) their opinion on the financial statements for 2008/09 approved by the Committee on 17 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.

Mrs L Cave and Mr T Tobin, representing the Audit Commission, attended the meeting to present the Annual Governance Report 2009.

Mrs Cave apologised for the lateness of the report. She informed the Committee that it was the Commission’s final report on her audit work for 2008/09. She drew Member’s attention to key messages which were all positive and were set out on pages 4 and 5 of the report. With regard to the Financial Statements, Mrs Cave thanked the Director of Resources and his staff for their work on these matters. She stated that there were some issues but nothing of a fundamental nature had been identified and all had been satisfactorily resolved. Mrs Cave brought to Committee’s attention the significant reduction in the level of triviality for 2008/09 audit work that affected the report. The previous year had a much higher level and so the issues raised would not necessarily have been reported under the former regulations governing their work on final accounts. The issues that she had felt strongly about had been changed by management. She emphasised that the next steps were to formally consider the issues raised in the report and to agree the issues in the Financial Statement. In referring to page 7 and the errors in the Financial Statement, she was of the view that the writing off of debtors of around £500,000 was an issue which should be looked at more closely next year. In paragraph 8 another significant issue related to the non material insurance provision of £1.79 million. In the balance sheet £1 million of the total was in respect of insurance claims but £730,000 did not comply with the definition of a provision under accounting standards (FRS12). There were three other non material errors set out in Appendix 2 which had not been amended by management.

Mrs Cave made reference to the weaknesses in internal control most notably with regard to the authorisation of creditor payments and stressed that it was important that these are addressed.

With regard to teachers’ pension liabilities, paragraph 13 refers, although these had been excluded from Council accounts, the Council should be accruing for additional

benefits such as added years as a liability. She stated that it was not likely to be material but should be included in the accounts next year.

Mrs Cave stressed the need for the Council to consider bringing forward the implementation of a new capital accounting system particularly with the International Financial Reporting Standards (IFRS) being operative next year.

With regard to Value for Money, she informed the Committee that she would be issuing an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources. She referred to the draft letter of representation, Appendix 3 to the report, and suggested that a paragraph should be added stating that unadjusted errors remained so because management believe that the errors individually and collectively are immaterial. She stated that the Action Plan set out in Appendix 4 had been agreed by the Director of Resources and that it was gratifying that a consensus had been reached.

The Chairman made reference to the fact that Herefordshire Council's pensions were controlled by Worcestershire County Council but that although this Council's officers attended the meetings where pension matters were considered, the County Council precluded Member representation from this Council. Mr Tobin informed Members that this was a national issue and that there were moves to address this problem. The Vice-Chairman referred to page 8 of the report and noted the remedial action being taken and to concerns raised regarding the weaknesses in authorisation controls. He was not convinced that the weaknesses had been sorted out and suggested a report to the next meeting on the issue.

The Director of Resources informed the Committee that he could not agree that there was a serious systemic problem with regard to the creditors authorisation controls (CAC). A clear email on this issue had been sent indicating payments would not be processed if an authorised signatory had not signed the document. The training issues with regard to the creditor authorisation controls formed part of financial training. He also referred to IFRS and Herefordshire Connects, and informed the Committee that a date for the replacement of the CEDAR accountancy system had not yet been agreed. The Director agreed to bring forward a report on creditor authorisation.

The Chief Internal Auditor informed Members that as part of the audit review, the creditors system was part of the review and that the processes with regard to the CAC's were being monitored.

The Vice-Chairman stated that he was not content that departments should be relying on Internal Audit to deal with issues on CAC matters and that departments should addressing such problems beforehand. He further referred to the draft letter on page 17 and that he had been pressing for training in fraud and management. He made particular reference to the Police Authority training in this area and commended it.

The Chief Internal Auditor informed Members that although he had made Members Services aware of Police Authority training for Members in fraud and management, he would liaise with the Vice-Chairman and ensure that arrangements are made on this issue.

A Member expressed concern that there did not seem to be an overall picture on the current position on Council loans. The Director of Resources informed the Committee that there was a Treasury Management Strategy report at the year end which gave details of such matters. He would however provide the Committee with a briefing note as at the end of September.

RESOLVED: That

- (i) **the Audit & Corporate Governance Committee agrees the proposed action plan as set out in Appendix 4 of the Annual Governance report, in response to the recommendations contained in the Annual Governance Report for 2009;**
- (ii) **the Audit & Corporate Governance Committee approves the Draft Letter of Representation, Appendix 1 of the Annual Governance Report 2009 refers, for signature by the Chair of the Committee and the Director of Resources subject to the addition of a paragraph stating that errors which have not been adjusted because management believe that the errors individually and collectively are immaterial; and**
- (iii) **the Director of Resources to present a report to the Committee on creditor payment authorisation.**

18. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Acting Head of Financial Services presented a report on the project plan for implementing International Financial reporting Standards (IFRS). She emphasised that the Council had adopted the Chartered Institute of Public Finance and Accountancy recommended format for developing the project plan.

In answer to the Vice-Chairman's questions, the Acting Head of Financial Services informed the Committee that with regard to paragraph 5 in appendix A, identifying systems and procedural changes were being carried out manually. Regarding paragraph 8 in Appendix A, these matters were up to date.

A Member referred to the fact that there had been two reviews of Strategy but that despite these reviews, the Member was confused regarding the Herefordshire Connects position. The Director of Resources informed the Member that with regard to the Herefordshire Connects and ICT position, there was funding and cost information available. He would send the Member a copy of a letter which had been sent to another Member recently which contained that information. He further informed Members that an integrated ICT system had been investigated and that Management had settled on the Aggresso system. However, shared Partnership services were also being investigated in this area and that it was only proper to reflect the way forward for the future whilst trying to get the benefits out of the Herefordshire Connects Programme.

The Acting Head of Financial Services informed the Committee that the Aggresso shared services issue was separate to IFRS.

The Vice Chairman indicated that it was his understanding that the Council did not know of the net resource requirements arising out of the IFRS implementation.

The Acting Head of Financial Services stated that employee benefits were the only financial impact with the introduction of the IFRS which would need to be taken into account in budgeting.

RESOLVED: That the Committee note the report.

19. AMEY SERVICE DELIVERY PARTNERSHIP COST CONTROL

The Highways Network Manager presented a report on the provisions in place for the control of costs in relation to the Service Delivery Partnership with Amey. He made reference to the key points summary on page 17 and drew the Committee's attention to the key considerations with Amey which set out in detail the following:

- (i) Existing Contracts with Amey
- (ii) How the payment mechanism in the existing contract services contract can be used to control costs and the support delivery of desired outcomes.
- (iii) How the payment mechanism in the existing consultancy services contract can be used to control costs and the support the delivery of desired outcomes.
- (iv) Existing Payment Processes
- (v) Improvements Secured through Service Delivery Review Negotiations
- (vi) Payment Process for Managing Agent Services
- (vii) Rationale for the Selection of Payment Mechanisms
- (viii) Future Financial Reporting Requirements
- (ix) Value for Money Review as part of the Annual Service Plan
- (x) Effective Strategic Client Team

The Chairman referred to instance where a member of the public might feel that a job could have been carried out for less money and asked how the more expensive job could be defended. The Highways Network Manager informed Members that there will be occasions when jobs for projects could be carried out for less money. However, the overall cost of a service would need to be evaluated and it would be necessary to ensure that corporate standards are met and the risk element has been properly managed by the Council and partner. It would also come down to overall value for money.

The Director of Environment and Culture informed the Committee that where the Council passes the responsibility for road conditions to the partner, the partner would receive a lump sum of money and if jobs were not done properly, the partner would have to go back and do the job again at no extra cost to the Council.

A Member asked if the parish maintenance plan still existed and how would the partner get feedback from the parishes.

The Highways Network Manager stated that the Parish maintenance plan was still in operation and that arrangements were in place so that parishes would receive routine maintenance visits. In terms of feed back from parishes, all parishes had received an Amey contact list and the parishes would complete a monthly return which would be sent direct to Amey. He would circulate the Committee with a copy of the list.

A Member asked that the position of Property Services be clarified. Also, how did the partner select contractors since there was not a section in the report explaining this issue and how were costs arrived at for work carried out by subcontractors. The Member also asked if Internal Audit was satisfied that Amey were doing sufficient work

themselves and where contractors did not satisfy the Council's criteria, would they go direct to Amey to do the work.

The Director of Environment and Culture informed the Committee that Property Services had been excluded from the review by the previous Director of Resources.

The Chief Internal Auditor informed Members that there was some work to be carried out around Amey on the Audit Plan. There was a line where Audit Services would carry out a review around Amey and this would pick up the concerns of Members.

The Highways Network Manager stated that the main contract with Amey stipulated how subcontracted work is priced therefore, the same transparency would be seen with the subcontractors. Because of the fact that in many instances the pricing was derived on a schedule of rates, the price for works was set by contract and Amey take on the risk and must supply financial information as if they were carrying out the work. Also, Amey must display to the Council the direct cost of employing the subcontractor which indicates the price by unit cost.

The Director of Resources informed Members that as a consequence of Property Services being excluded from the review, he had carried out a management review and he had carried out a repositioning of Property Services in that any review should be done by Council staff. However, with shared services and value for money being issues, the repositioning of Property Services would not be carried out until those issues were reviewed.

The Vice-Chairman referred to the Amey in-house value for money report which would go to the Strategic Partnership Board. He requested an explanation of the provision and process for periodic bench marking of consultancy and works delivery cost against generally prevailing external rates. The Director of Environment and Culture indicated that he would provide the information following the meeting.

The Vice-Chairman also referred to potholes and the supervision of such work and asked if there was a quality control system in place. The Highways Network Manager stated that Amey had to do this through performance indicators. He did not see the role of his team as supervisory in that work. His team had the ability to carry out any audit inspection on Amey's results. If areas such as potholes did show problems there would be a review and appropriate investigations.

The Chairman requested assurance that the Council was getting value for money.

The Director of Environment and Culture informed the Committee that it was important to note that to supervise everything was expensive. What was in place regarding the receipt of endless complaints would ensure that Amey would not get an extended contract. The Council also had the ability to look at any issue but the Council did not have the resources to constantly supervise all areas where issues may arise.

The Vice-Chairman requested that the officers must make it plain to all Members and Parish/Town Councils Members that the Council cannot look at all the issues and, therefore, that the public must be the eyes and ears of the Council.

With regard to a Member's question relating to the Council's 20% capital share holding in Amey, the Director of Environment and Culture informed Members that the original brief was to dispose of the 20% stake but at the moment it was clear that it was to the Council's advantage to hold onto the 20%.

A Member stated that at a Scrutiny Committee meeting that morning, it had been stated that there was a wealth of Architects in Herefordshire who were not being used on contracts in the county.

The Director of Environment and Culture informed Members that specialised Architects were employed to carry out specialist work.

A Member asked about the updating of the Amey work schedule and was the schedule flexible to take on board work from Section 106 agreements. The Highways Network Manager stated that whilst the work programme was drawn up at the beginning of the year, the programme was subject to change which would allow Section 106 matters to be taken into the programme as soon as possible.

In answer to a Member's question, The Highways Network Manager informed Members that the arrangements with Amey are very focussed in that when a job is specified it would be on quality as well as quantity and, therefore, outcome. He gave an example with regard to highway matters that specifications would build in like for like repairs.

The Vice-Chairman referred to paragraph 34 of the report and the opportunity to review invoices and requested that Internal Audit ensure the adequacy and competency of the invoice arrangements. The Chief Internal Auditor gave an assurance that would happen.

RESOLVED: That the report be noted.

20. MAJOR PROJECTS STATEMENT

The Director of Resources presented a position statement on major projects being undertaken by the authority. He drew Member's attention to the report definition in paragraph 4 of the report. He also made reference to the increase in the programme forecast for 2009/10 which was due to slippage in the previous year and the reasons for the slippage. He informed the Committee that a significant proportion of the programme was central government funded.

RESOLVED: That the report be noted.

21. INTERNAL AUDIT JOINT WORKING PROTOCOL

The Chief Internal Auditor presented a report which was circulated at the meeting and is attached to the Minutes, on the Audit Protocol for joint working with CW Audit Services, (Primary Care Trust (PCT) Auditors). He informed Members that the report sets out the working arrangements with the PCT. He informed the Committee that if the PCT auditors worked for the Council they would follow the Council's rules, and vice versa if the Council's auditors worked for the PCT.

RESOLVED: That the report be noted.

22. DATA QUALITY UPDATE

The Head of Policy and Performance presented an update to the Committee on the progress now being made against key elements of the rolled forward data quality action plan. He informed the Committee that the report was outside the six monthly cycle for such reports because the Committee had requested an early report. He drew Members'

attention to the improved progress on the two issues set out in paragraph 3 of the report that were highlighted at the last meeting. Both tasks had now been completed and the officers would now be able to carry on with data quality training.

The Vice-Chairman asked why a list of staff requiring data quality training had not been included with the report. The Head of Policy and Performance informed the Committee that the list was large and therefore he did not feel that such a list should be included. At the request of the Vice-Chairman, he informed the Committee that the target was 120 staff to be trained this year. So far 90 staff had received training. At that rate it would take over 4 to 5 years to train the approximate 600 staff across the organisation who were a priority. There was, however, an issue with data sharing partners in that out of 25 who had been approached regarding data quality policies only 14 had responded. The non respondents would be chased for a response and this would be included in the six monthly report to the Committee.

The Chairman was of the view that the responses were not good enough and asked that the officers write on his behalf to request an immediate response.

The Chairman of the Strategic Monitoring Committee offered his support to the Chairman's letter.

RESOLVED: That

- (i) the progress being made on the areas of the data quality action plan where the Committee had particular concerns be noted; and**
- (ii) the Head of Policy and Performance write a letter on the Chairman's behalf to the data sharing partners to request an immediate response in respect of data quality training.**

The meeting ended at 3.55 pm

CHAIRMAN

**Audit and Corporate Governance Committee
Review of Procurement Briefing Note**

1. The report notes issues around skills development that is being progressively addressed. Specific procurement training commenced in early 2009 and is an intensive course for 20 officers across the structure, with the aim of creating a core of expertise within directorates.
2. The central procurement function now has funding for three officers, following the 2009/10 budget setting process.
3. The central project management team is being used for major projects, but we do need to develop the links between procurement activity and project management.
4. E-purchasing will form part of the new finance system. It would not be cost effective to introduce this into the current system because it is about to be replaced.
5. The Review of Procurement Report prepared by the Audit Commission includes a number of statements in relation to the Service Delivery Review of the Council's Strategic Partnership with Amey. The report recognises that the review was a "snapshot" in time part way through the project and officers have agreed the action plan contained in the report to ensure the Service Delivery Review is completed successfully. However, a number of the statements in the report are not accepted and prejudice the outcome of negotiations that had not yet started. This briefing note responds to some of these key points within the report.
6. Comments made in paragraphs 13 and 30 and elsewhere suggest that the management of the Service Delivery Review project was unclear and that resources were not identified for the project. This is not the case. The management of the renegotiation project and the review has been clear from the start. The Director of Environment and Culture is the project executive with overall responsibility and has chaired a project board with clear roles and responsibilities. The project has been led by the Assistant Director Environment and Culture (responsible for Highways) and sound project management and resource has been provided from the Council's Corporate Programmes team, in accordance with good practice highlighted elsewhere within the report. Resources of £200,000 were allocated to support the renegotiations and this has enabled the use of external procurement and financial analysis expertise. Reference is also made to issues being unresolved or incomplete at the time of the audit. This is entirely understandable given the stage at which the project had reached when the audit was carried out prior to commencing negotiations with Amey.
7. Paragraph 32 refers to the reports to Members concerning the review. Environment Scrutiny Committee and Strategic Monitoring Committee considered detailed and comprehensive reports prior to a full report being presented to Cabinet in September 2008. This report contained all necessary information to enable a decision to be taken to authorise negotiations to commence. A subsequent report following initial negotiations was considered by Cabinet in January this year to seek approval to complete detailed negotiations.
8. The report makes reference in a number of paragraphs to perceived deficiencies in the current contractual arrangements and future approach (particularly paragraphs 35 to 39). Given that the audit was undertaken prior to the commencement of negotiations, these comments appear premature in commenting upon the future arrangements but do highlight areas that the renegotiations have been seeking to address and improve.
9. Paragraphs 40 and 41 refer to the management of risk. A risk register for the project has been used throughout the project and regularly reviewed by the project board to ensure risk is being effectively managed. Mitigation measures have been implemented where necessary including the utilisation of external procurement and financial analysis expertise to support the

renegotiations. The future management of risk is clearly important and this was included in the action plan for concluding the renegotiations.

10. Reference is made to timescales having slipped in relation to the review. Whilst it is accepted that optimistic timetables have been set, the Director has always recognised the importance of ensuring the best outcome for Herefordshire. As with all commercial negotiations, where allowing additional time can achieve a better result this has been considered by the project board and appropriate decisions taken. The proposed new arrangements with Amey could be in place for a further 14 years and as such it is crucial that the right foundations are put in place for a successful long-term relationship that will deliver quality and value for money for Herefordshire.

MEETING:	AUDIT AND CORPORATE GOVERNANCE COMMITTEE
DATE:	20 NOVEMBER 2009
TITLE OF REPORT:	INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
TECHNICAL ACCOUNTING MANAGER	HEATHER FOSTER

Wards Affected

None affected.

Purpose

To report to the Audit and Corporate Governance Committee on the progress for implementing International Financial Reporting Standards (IFRS).

Key Decision

This is not a Key Decision.

Recommendation

THAT the Audit and Corporate Governance Committee note the report.

Key Points Summary

- The council will be required to produce IFRS compliant accounts from 2010/11, with restated comparative data for 2009/10.
- The council's project plan has been developed using CIPFA's recommended format.
- Initial work on accrued employee benefits indicates a cost to the council of around £880,000 unless the government legislates to mitigate the impact.

Alternative Options

1. There are no Alternative Options as all councils are required to produce IFRS compliant accounts from 2010/11.

Further information on the subject of this report is available from Heather Foster, Technical Accounting Manager on 01432 260284

Reasons for Recommendations

2. Not applicable.

Introduction and Background

3. It was agreed at the Audit and Corporate Governance Committee meeting on the 23 January that the progress report and action be presented at future meetings. At Appendix A is the project plan that contains progress to date

Key Considerations

4. In March 2009 the Chartered Institute of Public Finance and Accountancy (CIPFA) published a Local Authority Accounting Panel (LAAP) Bulletin providing an outline project plan for councils to use as a starting point for their own project plans. The plan for Herefordshire Council is attached as Appendix A, including key steps, milestone dates and progress achieved to date.
5. The key development since the report to the Audit and Corporate Governance Committee on 28th September is that the exercise to calculate the potential impact of the accrual of employee benefits has been completed.
6. The draft code for IFRS includes the future treatment of benefits payable to staff and requires the cost to be accounted for in the period in which the benefit is earned by the employee. The main impact is likely to be in relation to holiday pay, which authorities will need to accrue for.
7. A sample of employee leave and flexi-time due at 31st March 2009 was taken covering 16% on non-schools employees. The average percentage of employee costs to be accrued was 1.6% of pay costs, which when applied across all employees amounts to around £880,000. This figure has been included in the council's medium term financial strategy.
8. In addition there is a requirement in the draft code to undertake a similar exercise for schools based staff even though they can only take leave during school holidays. Using the methodology provided by the draft Code this would equate to 7.3% of pay, around £5.9m. As schools are funded by Dedicated Schools Grant (DSG) it has been assumed that if this were to impact it would be funded by DSG. Clearly this would have a massive impact nationally.
9. CIPFA has had discussions with the Department for Communities and Local Government to ensure that any impact on council tax is minimised. It is not clear whether a decision will be made in time for setting the 2010/11 budget.

Community Impact

10. Not applicable.

Financial Implications

10. There may be financial implications as set out in the report.

Legal Implications

11. None.

Risk Management

12. If IFRS is not interpreted correctly in the council's accounts and implemented in accordance with the required timetable it would impact on the Auditor's opinion on the accounts and the Use of Resources score. The management of this identified risk has commenced as evidenced by attendance of staff on relevant training courses.
13. The successful delivery of unqualified accounts will require greater involvement from non-financial services staff than has previously been the case. IFRS will form part of the council's financial training programme implemented as part of the Crookhall action plan.
14. Sound project management will be a crucial part of the process to keep the project on track and to identify potential problems at an early stage. This may require additional resources and the Director of Resources will ensure this important project has the appropriate level of resource to meet requirements.

Consultees

15. None.

Appendices

16. Appendix A – IFRS Project Plan.

Background Papers

- CIPFA LAAP Bulletin 80 March 2009 – Implementation of IFRS – Outline Project Plan

Appendix A

IFRS Project Plan

	Step	Dependency	Dates	Progress to date	Areas for Discussion with External Audit
1	Carry out high level impact assessment using information on CIPFA website (and other resources where available) PFI Leases Tangible Assets Employee Benefits (e.g. Holiday Pay) Presentation		March 2009	Impact assessment was carried out with Hereford and Worcester Financial Managers Group on 6 th March. Sub groups were set up to review key changes.	
2	Identify changes to accounting policies	In parallel with step 1	March 2009	Key Changes identified at meeting on 6 th March.	
3	Identify key staff (finance, legal, property, HR, other) Assess whether resources adequate Allocate responsibilities Develop detailed project plan	Based on impact analysis in step 1	June 2009	<ul style="list-style-type: none"> • Key staff have been identified and responsibilities allocated • Internal accountancy staff to implement – impact on training courses spend 	Ongoing – discussions between authority and auditors to inform auditors over project plan, approaches being taken, raise any issues/difficulties etc.
4	Key staff trained on IFRS transition		Ongoing from September 2008	<ul style="list-style-type: none"> • Key finance staff attended CIPFA/PWC training. • Further CIPFA training booked for November and December. 	
5	Identify systems and procedural changes (including Chart of Accounts changes) required		July 2009	Little impact identified for the financial system. However procedural changes required for asset accounting, leases and employee benefits.	
6	Identify information (e.g. leases and holiday pay) required to restate 1 April 2009 balance sheet and 2009/10 accounts		March – September 2009	Changes identified; <ul style="list-style-type: none"> • Leases • Classification of assets • Holiday pay. • PFI changes (from 2009/10) 	
7	Develop skeleton Statement of Accounts under IFRS (including Notes and Policies)	Accounting policies in step 2	June 2009 – November 2009	Using draft IFRS Code to determine required format.	

Appendix A

IFRS Project Plan

8	Obtain information required to restate 1 April 2009 balance sheet	Identified during step 6	March- November 2009	<ul style="list-style-type: none"> • Equipment leases have been reviewed. • Land leases are being reviewed • PFI calculation with external audit for review. • Contracts being reviewed to identify embedded leases. • Holiday and flexi details being collected • Initial meeting held with external audit to discuss approach 	
9	Identify likely impact on budgets (if any)		March – November 2009	Impact arising from holiday pay calculated and included in budget plan.	
10	Implement systems and procedural changes	Identified in step 5	July 2009- Feb 2010	Template developed for collecting employee leave and flexi time.	
11	Training for all relevant staff and members		Ongoing from December 2008.	CIPFA in house training for finance and property held in December. Members seminar held on 3 rd July 2009. Staff booked on future courses.	
12	Restate 1 April 2009 balance sheet (including reconciliations between UK GAAP and IFRS).	Obtained in steps 7 & 8	November – December 2009		Auditors will wish to consider the implications for reviewing balance sheet and/or processes and arrangements
13	Compile 2010/11 and later budgets on IFRS basis, building on restatement of balance sheet, taking into account changes to the final version of the Code and any regulations proposed by government to mitigate the impact on General Fund	Impact from step 9	November 2009 – January 2010	Employee benefits included in the finance resource model for 2010/11.	No direct input, but previous discussions and results of any audit work in step 12 may inform budget decisions where auditors involved at early date
14	Testing of systems and procedural changes	Follows on from step 10	July 2009 – March 2010	Testing of employee template is in progress.	Auditors will wish to consider the implications for relevant work on systems
15	Restate 2009/10 accounts in parallel with main 2009/10 accounts process (including reconciliations between UK GAAP and IFRS)	See steps 6,7,8, 12	April 2010 – December 2010		Auditors will wish to consider the implications for their work
16	Produce 2010/11 accounts on IFRS basis		April 2011 – June 2011		Normal audit procedures – accounts signed by 30 September 2011

MEETING:	AUDIT AND CORPORATE GOVERNANCE COMMITTEE
DATE:	20 NOVEMBER 2009
TITLE OF REPORT:	INTERIM AUDIT SERVICES ASSURANCE REPORT 2009/10 NO.1
CHIEF INTERNAL AUDITOR	TONY FORD

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

The purpose of the Interim Assurance Report is to update members on the work status and bring to their attention any key internal control issues.

Key Decision

This is not a Key Decision.

Recommendation

THAT subject to any comments the Committee wish to make the report be noted report

Key Points Summary

- Ten key issues were identified in the Council's Annual Governance Statement (Appendix 1 refers).
- There are currently 28 Committee Resolutions that are open (Appendix 2 and 3 refers);
- Two audit reviews were given a marginal audit opinion, one an unsatisfactory audit opinion and one an unsound audit opinion;
- National Fraud Initiative (NFI) working is in progress and proving to be very time consuming; and
- There are improvements in the progress made by schools in relation to the Financial Management Standard.
- Progress on Good Environmental Management (GEM) audits need to be kept under review.

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

- The overall rating of internal audit from the CIPFA Audit Customer Satisfaction Survey was good.

Alternative Options

- 1 This report is for information therefore alternative options are not applicable.

Reasons for Recommendations

- 2 To ensure compliance with good practice as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

Introduction and Background

- 3 To ensure that the Committee is informed of progress on the Audit Plan and any key internal control issues identified.

Key Considerations

Key Issues Identified in 2008/09

- 4 The Audit and Corporate Governance Committee considered the Annual Assurance report for the year ending 31st March 2009 on 19th June 2009 in addition the Committee reviewed and adopted the Annual Governance Statement. The key issues identified for improvement are set out in Appendix 1 along with the comments of the lead officer regarding the current position.

Audit and Corporate Governance Committee Resolutions

- 5 Regarding resolutions made by the Committee from May 2007 to June 2008 (Appendix 2 refers) there were eight open and ongoing following the last meeting held on 28th September 2009. Replies received from relevant officers have been included in the updated version of the appendix.
- 6 With reference to resolutions made by the Committee from July 2008 to date (Appendix 3 refers) there were 20 open and ongoing following the last meeting held on 28th September 2009. Replies received from relevant officers have been included in the updated version of the appendix.

Fundamental Systems

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

Non Fundamental Systems

- 8 There are five reviews at various stages of progress, with three being finalised. Of the three finalised the report on Trade and Domestic Waste was given a Marginal Audit opinion. Although the current Waste Operations Officer has started and continues to improve procedures there was the need for improvements regarding stock control, monitoring of charges and income control. In line with the Council's Financial Procedure Rules the Leader, Chair of the Audit and Corporate Governance Committee and Cabinet Member – Environment and Strategic Housing will be sent a copy of the report.

Governance and Anti-fraud

- 9 Work is progressing on the National Fraud Initiative (NFI). However, the Audit Commission requirements and the increase in the number of service areas matched/reports has proved to be very time consuming.
- 10 A review of procurement and contract procedures has been completed in Property Services and a marginal opinion given; this was due to the need for procedures within the service area to be updated to ensure compliance with the Council's Standing Orders. The newly appointed Contracts and Commissioning Officer is carrying out a review of the practices and procedures. In line with the Council's Financial Procedure Rules the Leader, Chair of the Audit and Corporate Governance Committee and Cabinet Member – Resources will be sent a copy of the report.

Other Key Systems

- 11 As part of the work on the Council's Annual Governance Statement key officer Statements of Assurance for the period to June 2009 and September 2009 have been requested. The Committee will be updated at the next meeting on the level of returns received for the quarters ending September 2009.
- 12 Both reports relating to members expenses were given a satisfactory audit opinion

ICT Protocols and Controls (Council-Wide)

- 13 Work on reviewing the Council's ISO27001 arrangements is ongoing; of the three areas completed there was one review with two minor non compliances.

Establishments

- 14 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. Currently five have met the standard, one requires their Statement of Internal Control to be signed and 12 have a conditional pass.

Verification and Probity

- 15 Good Environmental Management (GEM) audits are in progress, with a minor non conformance being issued for the completed system audit.
- 16 The GEM audit plan is supported by trained auditors across the Council, information requested from the GEM team shows that there are 56 audits due for completion, however only 11 have been completed, with three deemed work in progress, there will be 42 that will need to be completed by the end of March 2010. If progress is not made in this area it is likely that a major non-compliance will be issued by the external assessors, this will have an adverse impact on the Annual Governance Statement for 2009/10.
- 17 The Sustainability unit is in the process of contacting GEM auditors with a view to improving the situation.

Recommendation Follow up

- 18 The Waste Management Contract follow up work is in progress; in addition all fundamental systems reviewed will have previous recommendations followed up.

Performance Management

- 19 At the request of the Audit Commission two indicators relating to 2008/09 are being reviewed

one has been given a satisfactory audit opinion, With the Carers Receiving Needs Assessments indicator being given an unsatisfactory opinion. The risk assessment for 2009/10 has been completed and indicators identified will form part of future audit work.

Joint Working

- 20 The Good Environmental Management PCT Gap Analysis is in progress, in addition to the IT audit.

CIPFA Customer Survey

- 21 The CIPFA Customer Survey has been received and the overall rating is good, the survey covered 35 headings, which can be summarised as follows:

	Excellent	Good	Adequate	Less than Adequate	Total
Number of headings	1	26	7	1	35

- 22 The less than adequate issue relates to the lack of value for money review, which will be addressed in the Audit Plan for 2010/11.

Community Impact

23. Not applicable

Financial Implications

24. There are no financial Implications.

Legal Implications

25. There are no Legal Implications.

Risk Management

26. 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.

Consultees

27. Relevant officers have been requested to up date action taken on key issues identified in 2008/09 and past Audit and Corporate Governance Committee resolutions. Their replies have been included in the relevant appendices.

Appendices

Appendix 1 - Annual Governance Statement 2008/09 Key Issues Identified.

Appendix 2 – Audit and Corporate Governance Committee Resolutions May 2007 to June 2008.

Appendix 3 - Audit and Corporate Governance Committee Resolutions July 2008 to June 2009.

Appendix 4 – Status Audit Plan 2009/10

Background Papers

- None identified.

**ANNUAL GOVERNANCE STATEMENT (AGS) 2008/9
STATUS OF SIGNIFICANT GOVERNANCE ISSUES**

AGS-Reference	Significant Governance Issue	Current Action/Comments
5.2	Review the Code of Governance in line with the approved governance framework. (Assistant Chief Executive – Legal and Democratic)	
5.3	Complete actions on the areas for improvement identified by the Audit Commission in their Use of Resources Report. (Director of Resources).	Programme completed and informing preparation for action plan to be based on impending use of resources assessment.
5.4	Urgent corrective action is taken by Directors to ensure that there is an improvement in performance in relation to performance indicator outturn. (Deputy Chief Executive).	Performance is considered (and challenged) at least monthly at Directorate Management Teams, and areas of under performance and remedial action are considered. With regards to data quality there is the policy and action plan that are being followed, and any issues identified will be also considered by relevant management teams. Change Champions are also contributing to performance and data quality.
5.5	Improve the embedding of risk management across the Council (Assistant Chief Executive- Legal and Democratic)	The revised Risk Management Policy and Guidance document is to be presented to Cabinet on 26 th November 2009. Relevant officers will be given training on the new requirements.
5.6	Urgent action is taken to ensure that the outstanding data quality actions are completed by the revised dates and that Cabinet receive monthly updates on progress. (Assistant Chief Executive – HR and OD)	The Audit and Corporate Governance Committee received a Data Quality Update report at its meeting on 28 th September 2009. Efforts continue to complete all the outstanding action actions in the Data Quality Action Plan and the six month progress report to Cabinet, forms part of this Committees Agenda.
5.7	Action is taken on the recommendations made by Audit Services regarding the Creditors and Payment to independent systems providers (Director of Resources).	There are approved action plans, which have been monitored by the Head of Revenues and Benefits. The current year's annual audits are in progress, once completed the Committee will be informed of the outcome.
5.8	Ensure that the areas identified as areas for	All of the recommendations in the Audit Commission's Report have

**ANNUAL GOVERNANCE STATEMENT (AGS) 2008/9
STATUS OF SIGNIFICANT GOVERNANCE ISSUES**

AGS-Reference	Significant Governance Issue	Current Action/Comments
	improvement in the Audit Commission's report on Planning Services are actioned. (Director of Regeneration).	been accepted and an action plan has been developed which has been approved by Cabinet in order to address all of the issues raised. In particular detailed work has been undertaken in respect of the proposed new Committee Structure in accordance with the Audit Commissions findings. An initial report has been considered at Full Council and the new structures will be dealt with as part of the Council's new Constitution which will be considered at the meeting of Council in November. Progress of the implementation of the Action Plan will be monitored by the Environment Scrutiny Committee.
5.9	Ensure that the areas identified for improvement in the Audit Commissions report 'Review of Procurement' are actioned. (Deputy Chief Executive, Director of Resources, Director of Environment and Culture	This is underway and the Audit Commission will undertake a follow up audit by end of November.
5.10	The Herefordshire Children's Safeguarding Board continue to monitor the agreed action plan. (Director of Children Services)	There is a new independent Chair of the Board. The Action Plan is monitored by the Board and progress is being made.
5.11	Continue to promote the Council's antifraud and whistle-blowing policies, keeping them under review. (Assistant Chief Executive - Legal and Democratic, Director of Resources	<p>A poster "Employees Role in Maintaining High Standards of Conduct" on notice boards at Council Offices.</p> <p>Level 2 Financial Training includes an introduction to the antifraud policy and the whistle-blowing policy.</p> <p>Employees Role in maintaining High Standards of Conduct highlighted on payslips.</p>

APPENDIX 2

**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	PLANNED COMPLETION DATE	STATUS
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	David Powell (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 last update was reported to Cabinet in February 2009.	Effectively completed but will be reported on to SMC and Cabinet if required.	Will be reported on by exception
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.	Zack Pandor (Geoff Cole)	These issues have been incorporated into the ICT review being carried out by the Strategic Monitoring Committee. The Strategic Monitoring Committee received		

APPENDIX 2

**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	PLANNED COMPLETION DATE	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.	Charlie Adan (Alan McLaughlin)	this report in November 2008. The Chief Internal Auditor has also addressed this issue within his Third Interim Assurance Report.	31/05/09	Closed
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.	Zack Pandor (Geoff Cole)	The Review of the report template has been completed. In addition an email was sent to key managers informing them of the new requirements. Information still outstanding.		
41	51 (i)	30/11/07	Updated Interim	A form of wording to be incorporated in the Financial	David Powell (Sonia Rees)	This was omitted for the review	01/01/10	

APPENDIX 2

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	PLANNED COMPLETION DATE	STATUS
42	51 (ii)	30/11/07	Assurance report 2007/08	Standing Orders to ensure that contract sums cannot be divided to be reduced below £50,000.		completed in March, 2008, but will be added to Financial Procedure Rules and Contract Procedure Rules of the next annual review. <i>The Assistant Chief Executive has been requested to add words to the revised Standing Orders for Contracts.</i> Forms part of the current constitutional review		
			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.	Charlie Adan (Alan McLaughlin)	The then Assistant Chief Executive (Legal & Democratic) confirmed that there are no outstanding election contributions from parish councils and that he was reviewing arrangements for the future with HALC. <i>The Strategic Monitoring</i>	30/06/10	

APPENDIX 2

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Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
44	51 (iv)	30/11/07	Update of Action in the Special	The Head of the Economic and Community Service be instructed to review the Terms of Reference of	<i>Paul Nicholas</i> (Natalia Silver)	<i>Committee has received a report on the action plan for Electoral Services at its meeting on the 17th November 2008. Meeting with HALC to be arranged for 12th January 2009 to discuss elections and fees. Further meetings to be arranged to monitor progress. All Parish Councils have now paid for the 2007 elections. From the meetings held with HALC it has been agreed that a simpler schedule and formula is required, this is being developed by the Returning Officer. The Terms of Reference have been reviewed since</i>	<i>April 2009</i>	Closed

APPENDIX 2

**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	PLANNED COMPLETION DATE	STATUS
47	56(i)	21/12/07	Report – Governance Improvement Plan.	the Drugs Forum Partnership in relation to its involvement in alcohol issues and report back to this Committee accordingly.	Annie Faulder (Andrew Williams)	November 2007 and a copy is available from the Herefordshire Community Safety & Drugs Partnership Manager. <i>Copies sent to Member Services</i> 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. Proposal to be presented to the Member Development Policy Group at its next meeting. (Item 61 refers)	30/09/09	
61	76	29/2/08	Training for Members	Training in respect of Prince2 be delivered by external trainers.	Annie Faulder (Andrew)	The Corporate Programmes	30/09/09	

APPENDIX 2

**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	PLANNED COMPLETION DATE	STATUS
					Williams)	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. Proposal to be presented to the Member Development Policy Group at its next meeting.		

APPENDIX 3

**Audit & Corporate Governance Committee
Follow Up on Resolutions & Recommendations made between 3rd July 2008 and 28th September 2009**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
OPEN AND ONGOING ITEMS								
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.	Charlie Adan (Alan McLaughlin)			
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 report has been completed and a satisfactory Audit Opinion given and forms part of the Interim Assurance Report. Copies of the report will be presented to the Chairman and Vice Chairman of the Committee.	20 th November 2009	
79	121	21/11/08	Data Quality – Six month update	A revised Data Quality Action Plan with updated expectations be circulated to the Committee.	Tony Geeson	Completed	Circulated in December 2008	Closed
80	123	21/11/08	Planning Obligations Agreement	The Planning Monitoring officer attends the May 2009 meeting of the Committee.	Andrew Ashcroft	The revised Section 106 monitoring arrangements are now largely finalised	Planning Monitoring officer attended meeting.	Closed

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Follow Up on Resolutions & Recommendations made between 3rd July 2008 and 28th September 2009**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
82	131	23/01/09	Audit and Corporate Governance Committee Progress report	The Assistant Chief Executive Legal and Democratic to bring to the attention of the Strategic Monitoring Committee the Council's proposed new duty of greater responsibility for crime and disorder in line with the Policing Green Paper.	Charlie Adan (Alan McLaughlin)	following the implementation of the Civica project A report will be presented to the Strategic Monitoring Committee.	15/07/09	
83	132	23/01/09	Use of Resources	The Acting Director of Resources submit a report to the next meeting of the Committee which details the recommendations contained in the Audit Commission's report together with the progress to date and the future actions to be taken on the recommendations. Note: Reference value for money processes report.	David Powell	Report presented to the Audit and Corporate Governance Committee on 20 th March 2009.	Completed	Closed
84	142	20/03/09	Use of Resources	A report indicating the position statement on major projects to be included as a standard item on the agenda	David Powell	Major Projects Statement Presented to The Committee on 28 th September 2009.	Completed	Closed
85	143	20/03/09	International Financial reporting	A standing report be made on the current position with regard to the implementation of IFRS	Anne Phillips (Heather Foster)	Report to Audit and Corporate Governance Committee on 28 th	Ongoing and Audit and Corporate Governance	

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Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
			Standards.			September 2009.	Committee will continue to receive regular reports.	
86	145	20/03/09	Updated Draft Terms of Reference	Council be recommended to approve the quorum of the committee being amended to four Members, three of which must be Members of the Council should the committee appoint an independent Member.	Charlie Adan (Alan McLaughlin)			
87	145	20/03/09	Updated Draft Terms of Reference	The Audit Commission's Action Plan response with regard procurement be submitted to the next meeting	David Powell	Report to Audit and Corporate Governance Committee on 26 th May 2009.	Completed	Closed
88	145	20/03/09	Updated Draft Terms of Reference	The Environment Directorate be invited to report to the Committee on how the Amey contract with the Council will work and that the Chairman of the appropriate Scrutiny Committee be invited to attend the meeting.	Michael Hainge	Report presented to the Audit and Corporate Governance Committee on 28 th September 2009	30/09/09	
89	5	19/06/09	Review of Procurement	The introduction of procurement and contract performance reporting systems , recommendation R2 paragraph 14 of the Audit Commission's report	David Powell	Progress made around AMEY contract. The Audit Commission follow up audit in November 2009 will assess the position.	Ongoing	
90	5	19/06/09	Review of Procurement	The Audit and Corporate Governance Committee work plan be amended to make specific	David Powell	The Committees revised terms of reference states that	The Council received the new constitution on 13 November	

APPENDIX 3

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Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
91	5	19/06/09	Review of Procurement	The Audit and Corporate Governance Committee work plan to include the oversight and completion of training needs and analysis of in-house procurement expertise throughout the Council Directorates. provision for procurement investigation and reports.	David Powell	<i>'The Committee shall receive assurance from the Chief Internal Auditor that officers are complying with the Council's procurement policy and processes in all respects.'</i> The Audit Commission's follow up audit in November 2009 will assess progress.	2009. 31 December 2009	
92	5	19/06/09	Review of Procurement	A report be submitted to the Committee on the process the Council follows for risk management and the way risk management is used and updated as a positive aid to management.	Andrew Rewell	The revised Risk Management Policy and Guidance document is to be presented to Cabinet on 26 th November 2009. The required report will then be submitted to the Committee at its January meeting.	31 st January 2010	
93	5	19/06/09	Review of Procurement	A report be submitted to the Committee on the provisions currently in place for the control of costs for the future Amey contract.	Michael Hainge	Report presented to the Audit and Corporate Governance Committee on 28 th	Completed	Closed

APPENDIX 3

**Audit & Corporate Governance Committee
Follow Up on Resolutions & Recommendations made between 3rd July 2008 and 28th September 2009**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
94	7	19/06/09	Data Quality – Annual report.	A list be submitted to the commit of staff in Directorates still requiring training on data quality controls	Tony Geeson	Addressed in the report to the Committee on 28th September 2009	28/09/09	Closed
95	7	19/06/09	Data Quality – Annual report	The extent that Directorates local procedures on data quality have been produced.	Tony Geeson	Addressed in the report to the Committee on 28th September 2009	28/09/09	Closed
96	12	19/06/09	Audit Services Assurance Report	Anti - Fraud Training to be added to the Training for members schedule	Tony Ford	Contact has been made with Price Waterhouse Coopers, the committee will be updated at the meeting		
97	12	19/06/09	Audit Services Assurance Report	A communication be sent to all officers reminding them of the need to ensure the accuracy of information being given on the current position on resolutions and recommendations made by the Committee on various subjects'	Tony Ford	Relevant Officers informed by email on 28 th August 2009	31/08/09	Closed
98	4	28/09.09	Minutes	The vice-chairman referred to minute no. 5 – review of procurement, in particular, paragraph no. 10, see below. 'Councillor Smith referred to paragraph 32 of the commission's report and, in particular, the submission for approval to members for the selected option was unsatisfactory and asked if the	Charlie Adan			

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**Audit & Corporate Governance Committee
Follow Up on Resolutions & Recommendations made between 3rd July 2008 and 28th September 2009**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
99	5	28/09/09	Annual Governance Letter	<p>chief executive had addressed the issue. The legal practice manager stated that he did not have that answer and that he would give a written answer to members following the meeting. The vice- chairman asked that the legal practice manager expedite the matter.</p> <p>The Director of Resources to present a report to the committee on the Cedar /IFRS accountancy system issue relating to Herefordshire connects.</p> <p>NB: the Director of Resources to provide members with council loans position as at the end of September 2009.</p>	David Powell	The council is assessing the impact of Shared Services on the selection of a new system. Letter sent on 6 th October 2009		Closed
100	16	28/09/09	International Financial Reporting Standard	Information requested on Herefordshire Connects costs	David Powell	Costs being compiled letter to be sent out by mid-November.		
101	7	28/09/09	Amey Service Delivery Partnership Costing Control	The vice-chairman referred to the value for money report and that the review would go to the strategic partnership board. He requested an explanation of the provision and process for periodic bench marking of consultancy and works delivery	Michael Hainge	The Highways Network Manager has submitted his reply to the Democratic Services Officer for circulation		

APPENDIX 3

**Audit & Corporate Governance Committee
Follow Up on Resolutions & Recommendations made between 3rd July 2008 and 28th September 2009**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
102	10	28/09/09	Data Quality	cost against generally prevailing external rates. The Director of Environment and Culture indicated that he would provide the information following the meeting.'	Tony Geeson	Report presented to the Audit and Corporate Governance Committee on 28 th September 2009.	28/09/09	Closed
103	10	28/09/09	Data Quality	The progress being made on the areas of the data quality action plan where the committee had particular concerns be noted; and The Head of Policy and Performance write a letter on the chairman's behalf to the data sharing partners to request an immediate response in respect of data quality training.	Tony Geeson	Letter send as the Committee resolved. To date three replies have been received	5/10/09	

**HEREFORDSHIRE COUNCIL
AUDIT PLAN 2009-10**

AUDIT AREA	Status	Audit Opinion
a. FUNDAMENTALS		
Bank Reconciliation	Work In Progress	
Creditors	Work In Progress	
Payroll (Corporate and Education)	Work In Progress	
b. NON-FUNDAMENTALS		
Deputy Chief Executive		
Out of Hours Payments - Corporate	Draft with Manager	
Resources Directorate		
Industrial Estate Income	Work in progress	
Children Services Directorate		
The Hereford Academy - Transfer of Assets	Final	Satisfactory
Environment and Culture Directorate		
Waste Contract Management-PFI	Final	Satisfactory
Trade and Domestic Waste	Final	Marginal
c. GOVERNANCE AND ANTI-FRAUD		
Travel and Subsistence	Draft with Client	
National Fraud Initiative Creditor Matches	Work in progress	
National Fraud Initiative – Payroll/V.A.T/Other	Work in progress	
Annual Governance Statement	On going	
Procurement and Contract Procedures – Resources	Final	Marginal
Staff Loans	Draft with Manager	
d. OTHER KEY SYSTEMS		
Section 75 Agreements	Draft With Client	
Audit & Corporate Governance Committee	Ongoing	
Member Allowances/Register of Interests and Gifts(2008/09)	Final	Satisfactory
Members Expenses (April to July 2009)	Final	Satisfactory
ISIS Payments	Work in progress	
e. ICT PROTOCOLS AND CONTROLS (COUNCIL-WIDE)		
ISO 27001 Technical Compliance	Work in progress	
ISO 27001 Physical Security	Final	Full - Compliance
ISO 27001 3 rd Party Management	Final	Full - Compliance
ISO 27001 Business Continuity	Final	Minor Non Compliance
Frameworkki System	Work in progress	
f. ESTABLISHMENT VISITS		
Llangrove Primary School	Final	Unsound
Schools Establishment Audits (DCSF Standard)		
Weobley Primary School	Draft with client	
Pembridge C.E Primary School	Draft with client	FMSiS Conditional
Wigmore High/Primary School	Draft with Manager	
Lady Hawkins High School DCSF Toolkit	Final	FMSiS Met
Leominster Junior School	Final	FMSiS Awaiting SIC
Bodenham St. Michaels C.E Primary School	Draft with Manager	
Burley gate C.E. Primary School	Draft with client	FMSiS Conditional
Eardisley C.E. Primary School	Final	FMSiS Met

**HEREFORDSHIRE COUNCIL
AUDIT PLAN 2009-10**

AUDIT AREA	Status	Audit Opinion
Goodrich C.E. Primary School	Draft with Client	FMSiS Conditional
St. James' C.E Primary School	Draft with Client	
Wellington Primary School	Draft with Client	
Canon Pyon C.E. Primary School	Draft with Manager	
Kimbolton St. James Primary School	Draft with Manager	FMSiS Conditional
Ewyas Harold Primary School	Final	FMSiS Met
Garway Primary School	Final	FMSiS Met
Brookfield Special School	Final	FMSiS Conditional
Kingsland C.E Primary School	Final	FMSiS Conditional
Kingstone & Thrupton Primary School	Draft with Manager	
Luston Primary School	Draft with client	FMSiS Conditional
Gorsley Goffs Endowed Primary School	Draft with client	FMSiS Conditional
St. Martin's Primary School	Draft with Manager	
Leintwardine Endowed Primary School	Final	FMSiS Met
Ashperton Primary School	Draft with client	FMSiS Conditional
Marden Primary School	Draft with client	FMSiS Conditional
Goodrich	Draft with client	FMSiS Conditional
Orieton Primary School	Final	FMSiS Conditional
g. VERIFICATION AND PROBITY		
Good Environmental Management(GEM)	Final	Minor Non Compliance
Corporate Impacts - Procurements	Work In progress	
h. RECOMMENDATION FOLLOW UP		
Waste Management Contract	Work In progress	
i. PERFORMANCE MANAGEMENT		
National Indicator 181 Housing Benefit/Council Tax Right Time Indicator	Final	Satisfactory
National Indicator 135 Carers Receiving Needs Assessments	Final	Unsatisfactory
LPSA Target no.5	Final Draft	

Quantification and Classification of Internal Control Levels

System and Establishment Audits

Opinion	Definition
Good	A few minor recommendations (if any). No material risk identified.
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 higher weighting for budgetary control. It is expected that larger systems and establishments will receive higher numbers of recommendations and allowance is made for this.

Compliance Audits

Opinion	Definition
Full-Compliance	Areas reviewed met requirements
Minor Non-Compliance	Areas reviewed failed to meet requirements in some non-critical areas or opportunities for improvement were identified.
Major Non-Compliance	Areas reviewed failed to meet requirements in some critical areas

Many audits are tests of whether a standard or part of a standard has been met. Examples are GEM audits and ISO27001. Majority of compliance audits will find minor compliance.

DCSF FMSiS Standard - Toolkit Assessments

**HEREFORDSHIRE COUNCIL
AUDIT PLAN 2009-10**

Opinion	Definition
FMSiS Met	The Standard has been met
FMSiS Awaiting SIC	The Standard will be met when the Statement of Internal Control has been signed by the Head Teacher and Chair of Governors.
FMSiS Conditional	The Standard is expected to be met in the short term
FMSiS Not Met	The Standard is not expected to be met in the short term

Schools are expected to reach a standard of financial management (FMSiS - Financial Management in Schools). The assessment reaches a conclusion of meeting the standard or not. In addition, the DCFS allow a conditional pass that means a small number of issues need addressing before a pass is issued. This is the normal status before a full pass is confirmed.

“Awaiting SIC” - Some schools wait until the assessment is finished before signing the SIC. This is sensible and any schools in this status will be given a pass shortly.

MEETING:	AUDIT AND CORPORATE GOVERNANCE COMMITTEE
DATE:	20 NOVEMBER 2009
TITLE OF REPORT:	DATA QUALITY – 6 MONTH PROGRESS REPORT
INTERIM DEPUTY CHIEF EXECUTIVE	ANNIE FAULDER

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To NOTE progress against the 2009 – 2010 data quality action plan.

Key Decision

This is not a Key Decision.

Recommendation

THAT the Committee:
NOTE the progress now being made against the data quality action plan

Key Points Summary

- This is the six month progress report on the data quality action plan as required by the Council's policy which has now been noted by Cabinet.
- The rate of progress is improving and since the last report, four significant tasks have been completed which are central to completing the overall plan.
- These tasks include identifying staff requiring training, local policies and procedures and data quality champions
- The current position is that eight tasks from the 2008 – 2009 action plan remain red rated (not yet started) and seven amber (underway) while all the tasks added for 2010 are on track for completion.

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

Alternative Options

- 1 Cabinet could have approved a different data quality action plan to be implemented at a different pace. A more challenging plan and / or a shorter timescale would require additional resources which have not been forthcoming to date. This option was not recommended given the relatively low level of risk and the competing pressures on officer time.
- 2 A lower level of activity would be potentially damaging to the Council's status with its regulators. For these reasons, this option was not recommended either. The adequacy of existing plan and rate of progress was not challenged by the Audit Commission during the recent Use of Resources assessment and, given the expectation of continuing improvement; it would be unwise to reduce the effort in this area.

Reasons for Recommendations

- 3 Progress is being made against the backlog of tasks from 2008-2009 action plan and the 2009 – 2010 tasks are going as planned.

Introduction and Background

- 4 The Council has been explicitly pursuing improvements to data quality for the last 18 months through its data quality policy and the associated action plan. The policy requires progress reports every six months to Cabinet and to this Committee. Data quality is now part of the annual Use of Resources assessments which, along with Managing Performance, makes up the Council's two part organisational assessment under CAA. Under the Use of Resources element the Council is required to demonstrate that it produces relevant and reliable data and information to support decision making and manage performance.
- 5 When Cabinet considered this report last month it noted progress against all the tasks including those remaining from last year. All the current tasks are detailed in Appendix 1.
- 6 Amongst other activity, during the past six months, four major tasks have been completed. These are:
 - identifying staff who require training through the appraisal process
 - identifying policies and procedures that support the corporate policy
 - identifying local data quality champions and
 - identifying contracts with a high data content.

Each of these tasks held the key to further work and their completion should allow more rapid progress to be made against the entire plan over the next six months.

Key Considerations

- 7 The current position is that all the 2009-10 tasks remain on track for completion on schedule with the information management training progressing particularly well. Over one hundred and fifty staff have now been trained, ahead of target. Of the 15 tasks remaining from 2008-09, 8 are still to start and 7 are underway.
- 8 Of the 8 tasks judged red (still to start);
 - three relate to contracts work now being picked up by the contract monitoring officers in each individual directorate.
 - a further four relate to communicating the, now identified, policies and procedures to staff

- in a variety of ways. As indicated above, these should now progress more quickly.
 - The remaining 'red' task is the lack of a meeting with those data sharing partners who feel unable to sign up to the Council's policy or confirm that they work to similar, or even higher, standards.
- 9 In relation to the last bullet point; at the Committees last meeting, some 13 organisations had still not replied to the Council's repeated enquiries. In line with the Committees wishes, a further reminder letter was sent on behalf of the Chairman and supported by the Chairman of the Strategic Monitoring Committee. This has produced a number of further replies, but 6 organisations have still not responded at all. None of those who have replied so far have objected to the Councils drive to improve data quality, so a meeting may not be required ultimately. However, it is impossible to regard this task as fully completed without the remaining replies.
- 10 Of the amber tasks; one relates to the partners issue, two to contracts work already underway, one to communicating policies and procedures and the remaining three (e.g. logging examples of actions that have improved data quality) will, arguably never be completed. They are ongoing managerial tasks.
- 11 Work to secure improvements in data quality contribute to the corporate plan theme of organisational improvement and greater efficiency and is referred to in the Audit Commission's annual letter. Their recent Use of Resources work did not indicate any particular problems. With the Commission's move to quality assurance, internal audit now undertake the bulk of the detailed examinations of individual performance indicators. While the number of unsatisfactory reports is now very low, data quality weaknesses do occur indicating the need for managers and staff to remain vigilant. The performance champions work, sponsored by the Interim Deputy Chief Executive, is currently assisting in the independent scrutiny of data quality and they, along with the increasing number of trained staff, will drive further improvements.

Community Impact

- 12 The communities of Herefordshire have a legitimate expectation that the data used and created by the Council and its partners are of the necessary quality. It is important that there are systems to demonstrate that the potential for error is low and the risk is reducing. The necessary actions are largely internal without a direct impact on the community but the Council's reputation would suffer if it did not continue to improve the standards to which it and its partners work.

Financial Implications

- 13 There are no financial implications. However, data quality is a key requirement underpinning grant claims and other financial returns to central government.

Legal Implications

- 14 There are no legal implications arising directly from this report.

Risk Management

- 15 Insufficient attention to data quality is currently corporate risk CR35. One of the key elements in the mitigation strategy is the completion and roll forward of the current action plan. The Audit Commission's last annual letter concluded that the authority has proper arrangements in place to ensure the accuracy of key performance data. However, this opinion largely relies on the Council being pro-active and continuing to deliver against an action plan.

Consultees

16 Improvement managers in each Directorate and partners where relevant.

Appendices

17 Appendix 1 Data quality action plan

Background Papers

None identified.

APPENDIX 1 DATA QUALITY ACTION PLAN – SEPTEMBER 2009 UPDATE

REFERENCES IN [BRACKETS] RELATE TO AUDIT COMMISSION RECOMMENDATIONS IN THEIR DATA QUALITY AUDIT REPORT FEBRUARY 2008

KLOE Ref	Action	Detailed tasks (Those responsible)	Original Date	Revised Plan Date (proposed new date)	Date completed (RAG rated)	Reasons
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 higher standards [R7 Formal protocols with Council Partners need to be developed to ensure accuracy of data]	12 Replies returned by (Head of Policy and Performance)	June 14th 2008	May 2009 (November 2009)	Underway (Amber)	6 replies are still to be received.
		13 Identify and meet with partners who are unable to sign up etc. (Relevant managers and improvement managers)	End of June 2008	June 2009 (December 2009)	Not yet possible (Red)	Ultimately depends on the results of task 12 above. There has been no adverse reaction to date

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

KLOE Ref	Action	Detailed tasks (Those responsible)	Original Date	Revised Plan Date (proposed new date)	Date completed (RAG rated)	Reasons
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]	21 Contact all high risk organisations & those renewing during the Financial Year (originally 2008/09) (relevant managers)	End of May 2008	July 2009 (December 2009)	Underway (Amber)	Directorate contract monitoring officers are risk assessing the contract registers currently
		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 2008	March 2009	Underway (Amber)	Text agreed with legal services. Ultimately linked to tasks and 24-26 below
		24 Consider appropriate monitoring systems (relevant managers and improvement managers)	May 2008	July 2009 (December 2009)	Not yet started (Red)	Will follow on from the completion of task 21 above
		25 Consult and advise all contractors (as task 24)	May 2008	August 2009 (January 2010)	Not yet started (Red)	
		26 Implement monitoring systems (as task 24)	From June 2008	August 2009 (March 2010)	Not yet started (Red)	

KLOE Ref	Action	Detailed tasks (Those responsible)	Original Date	Revised Plan Date (proposed new date)	Date completed (RAG rated)	Reasons
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 2008	July 2009 (January 2010)	Not yet started (Red)	Now the documents have been identified this can begin
		28 Devise and include appropriate requirements in future appraisals for employees identified as needing training and get signatures for receipt of any documentation (Head of Policy and Performance, relevant managers, DCX - HR)	April 2008 onwards	September 2009 (March 2010)	Not yet started (Red)	Now the employees have been identified work can begin with HR.
		29 Set up CBT links / tests for all documents sent staff identified through appraisals. (Head of Policy and Performance)	End of June 2008	October 2009 (March 2010)	Not yet started (Red)	Will follow task 28
		30 Poster campaign and N&V cascade (as task 29)	June 2008 onwards	July 2009 (January 2010)	Not yet started (Red)	Should be coordinated with task 27
		31 Include in performance clinics, team meetings and training – the improvement managers to identify and log opportunities (relevant managers and improvement managers)	Ongoing	Ongoing	Underway (Amber)	A continuing process
2.2	2.2.3 Improvement managers to log examples of actions that improved DQ	34 Set up central log and monitor at each Improvement	From April	Ongoing	Underway	A continuing

KLOE Ref	Action	Detailed tasks (Those responsible)	Original Date	Revised Plan Date (proposed new date)	Date completed (RAG rated)	Reasons
	as they occur centrally and publicise these locally through N&V. Authority wide publicity periodically	Network meeting (Head of Policy and Performance)	2008 onwards		(Amber)	process
4.2	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	From April 2008 (January 2010)	Underway (Amber)	A continuing process as the scope of Connects becomes clear
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	Ongoing	Underway (Amber)	A continuing process.
	Task 53	Training programme for at least 150 key staff (Head of Policy and Performance / Information management group)	March 2010			
	Task 54	Data quality assessments of at least 24 performance indicators on a risk basis (Improvement managers / internal audit)	December 2009			
	Task 55	Consider a common format for directorate and service data quality procedures (Improvement managers)	October 2009	n/a	October 2009	The procedures are too variable to do this.

KLOE Ref	Action	Detailed tasks (Those responsible)	Original Date	Revised Plan Date (proposed new date)	Date completed (RAG rated)	Reasons
	Task 56	Consider a rolling programme of systems audits potentially involving the mapping of data flows and controls (Internal audit)	December 2009			
	Task 57	Implement PMR application as part of the Connects programme according to corporate priorities with appropriate data quality processes (Head of Policy and Performance)	March 2010			
	Task 58	Review of information sharing protocols (Records manager)	January 2010			
	Task 59	Revise data quality policy (Head of Policy and Performance)	April 2010			

MEETING:	AUDIT & CORPORATE GOVERNANCE COMMITTEE
DATE:	20 NOVEMBER 2009
TITLE OF REPORT:	CREDITOR PAYMENT AUTHORISATION
HEAD OF BENEFIT AND EXCHEQUER SERVICES	MIKE TONEY

Wards Affected

None

Purpose

1. To report on the process for ensuring Creditor Payment Authorisations are managed in accordance with the Council's Constitution.

Recommendation

THAT the Audit and Corporate Governance Committee notes the actions being taken to ensure compliance

Introduction and Background

2. The Financial Procedure Rules, which are included in the Council's Constitution, set out the requirements for authorising payments. The key elements of this are:
 - a. Authorisation limits are set for individual staff within the following thresholds:
 - Directors - all payments exceeding £250,000
 - Heads of Service – payments up to £250,000
 - Managers reporting to Heads of Service – payments up to £100,000
 - Other officers as authorised by the Director of Resources – up to £5,000
 - b. The list of authorised signatories with their individual financial limits is agreed and maintained by Financial Services on behalf of the Director of Resources. Following a review of the Constitution in March 2008, all authorisations have been reviewed and updated.

- c. A significant exercise collecting signatories from across the whole Council (including schools) was undertaken in early 2008 to give a “base” position.
- d. Directors are required to ensure that the list of signatories is reviewed at intervals and any changes to the list are reported promptly.
- e. The Benefit & Exchequer Service has responsibility for processing payment requests, which includes ensuring that payments vouchers are correctly completed and properly authorised.

Key Considerations

- 3. Payments staff are responsible for processing payment requests and where vouchers are not completed correctly they are returned to the originator for correction. The main reasons identified for vouchers being returned are:
 - a) They have not been fully completed, for example cost codes are incorrect or missing.
 - b) The latest version of the payment voucher has not been used.
 - c) The person signing them does not have the necessary level of authorisation.
- 4. The Council has set a target for making payments and this is 20 days from the date the invoice is received. However, there is a requirement that we reduce our average payment time below this level. Central Government has pressed for the adoption of a 10 day timescale to support business cash flow during the recession. Current performance up to the end of October is 79.9% of invoices paid within 20 days of receipt and an average payment time of 15.34 days, with 48.4% of these being paid within 10 days.
- 5. For the 2008/9 financial year, 1,230 vouchers were returned for correction from a total of 112,258 transactions. This represents 1.1% of transactions. In the first six months of the current financial year, a total of 744 payment requests have been returned.
- 6. A reminder of the requirement for vouchers to be properly completed and authorised was sent to Directors and Heads of Service in April 2009.
- 7. The payment voucher document was updated in August with the aim of reducing the number of rejected payment requests and to improve data quality. As part of this process, a guide entitled 'Completion of Invoice Vouchers' has been provided and can be accessed on the intranet.
- 8. All Key Managers were reminded on 18 August of the need to ensure that vouchers are completed correctly and this information was also included on a general communication to all staff.
- 9. Of all the vouchers that were incorrectly completed, none were found to relate to payments which were not due to be made, hence no fraud or irregularity was discovered.
- 10. The key reason for rejecting vouchers included non-authorised signatories and no evidence of independent checks of documentation.

Community Impact

None

Financial Implications

None

Legal Implications

None

Risk Management

11. Failure to complete payment vouchers correctly can affect the speed with which payment is made and will have an impact upon both the creditor and our performance, as well as the level of resources needed for the payment process.

In addition to the regular monitoring, Creditors is a fundamental system and is therefore subject to an annual audit which provides an independent check on risk compliance.

Appendices

12. None

Background Papers

13. Financial Procedure Rules

