

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

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

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

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

**Councillor RH Smith (Vice-Chairman) in the Chair**

**107. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor MJ Fishley.

**108. DECLARATIONS OF INTEREST**

There were no declarations of interest declared.

**109. NAMED SUBSTITUTES(IF ANY)**

There were no substitutes declared.

**110. MINUTES**

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

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

**111. ANNUAL GOVERNANCE LETTER FOR 2008**

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

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

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

Annual Governance Report for 2008.

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

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

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

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

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

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

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

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

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

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

**RESOLVED: that**

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

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

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

**Councillor ACR Chappell (Chairman) in the Chair**

**112. REVIEW OF THE CODE OF CORPORATE GOVERNANCE**

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

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

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

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

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

**113. LEARNING DISABILITY INSPECTION ACTION PLAN - PROGRESS REPORT**

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

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

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

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

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

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

#### **114. ANALYSIS OF INTERNAL AUDIT RECOMMENDATIONS IN 2007/08**

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

<b>Level</b>	<b>Recommendations Accepted</b>	
	<b>No.</b>	<b>%</b>
<b>1</b>	<b>306</b>	<b>99.7</b>
<b>2</b>	<b>333</b>	<b>98.2</b>

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

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

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

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

**RESOLVED: that**

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

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

**115. FIRST INTERIM AUDIT ASSURANCE REPORT 2008/09**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

review.

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

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

**RESOLVED: that**

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

