

MINUTES of the meeting of Audit and Corporate Governance Committee held at: Committee Room 1, Shirehall, Hereford on Friday, 19th October, 2007 at 10.00 a.m.

Present: Councillor ACR Chappell (Chairman)
Councillor GFM Dawe (Vice Chairman)

Councillors: PGH Cutter, MJ Fishley, JHR Goodwin, RH Smith and AM Toon

In attendance: Councillors H Bramer, PJ Edwards, TM James and AT Oliver.

22. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor R Mills.

23. NAMED SUBSTITUTES(IF ANY)

Councillor P Cutter substituted for Councillor R Mills.

24. DECLARATIONS OF INTEREST

There were no declarations of interest.

25. MINUTES

A Member referred to Minute No.2 of the Minutes of the meeting held on 21st September 2007 and was of the view that the Terms of Reference issued to the Independent Investigator did not include investigation into two contracts regarding the Community Network Upgrade and the Back Office project contract and would be unhappy if the contracts were not included. The Member also was of the view that the Minute should indicate that the Terms of Reference were to have been circulated to Members of the Committee for approval as well as the Chairman.

The Chairman took the view that the Minute indicated accurately and clearly that the Chairman of the Audit and Corporate Governance Committee only would be circulated with the Terms of Reference prior to the final document being agreed with the Investigator and the Leader.

A Member was of the view that the Terms of Reference should be a public document and should be information which could be accessed by the public.

The Head of Legal and Democratic Services informed Members that he did not have the authority to discuss the Terms of Reference with the Committee at this time.

RESOLVED: That the Minutes of the meeting held on 21st September 2007 be approved as a correct record and signed by the Chairman subject to the word 'finance' being amended to read 'financial' in part (iv) of the recommendation to Minute No. 21.

26. PROGRESS REPORT NO.1 - DIRECTOR OF RESOURCES REPORT

The Committee considered a report by the Director of Resources which provided the Committee with an update on progress with implementing the action plan agreed by Cabinet in response to the Director of Resources' special report on financial governance issues in ICT and Customer Services.

Members noted that the words 'is being implemented' should be added after the word 'services' in the second line of the 'Reasons' paragraph on the first page of the report, and that the words 'so that' should be inserted after the word 'urgency' in paragraph 3 on the first page of the report.

The Director of Resources informed Members that the Interim Head of Human Resources had now been briefed on which actions had been logged to her (paragraph 3 of the report refers). She referred to the table in paragraph 16 and stated that work emanating from the review of the Constitution was considerable and was being led by her Directorate Management Team..

A Member referred to paragraph 4 of the report and asked if the policy referred to would be agreed by the Cabinet and the Audit and Corporate Governance Committee. The Director of Resources stated that the policy referred to would usually be agreed by officers, but that it would be referred to Cabinet and this Committee for information.

A Member expressed concern that paragraphs 23 to 25 of the report contained bland jargon and that the issues referred to should have more detail attached so that Members are clearly aware of the current situation on each issue.

With regard to the dates referred to in the right hand column on Appendix 1, the Director of Resources indicated that a further report would be submitted to the next Committee meeting updating completion dates for the various actions.

In relation to a Member's inquiry regarding which issues the Interim Head of Human Resources is working on, the Director of Resources informed the Committee that the more straight forward issues were currently being actioned by the Human resources team but that certain elements were extremely complex and therefore would need input by the Interim Head of Human Resources.

A Member suggested that all overseas trips should be authorised in advance and are cash limited and that the appropriate Cabinet Member is informed.

A Member also referred to recommendation (iii) of Minute No. 21 of the Meeting of the Committee held on the 21st September 2007, and stated that there was no reference to this in the Appendix 2 of the report. They requested that a full report be submitted to the next meeting of the Committee on this recommendation and that the Director of Corporate and Customer Services should attend to present it.

A Member also made reference to recommendation (iii) of Minute No. 21 of the Minutes referred to in the above paragraph, and took the view that the contract referred to should be part of the Terms of Reference for the Independent Investigator.

The Head of Legal and Democratic Services informed the Committee that although the issues regarding the Terms of Reference were complex, he would approach the

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Leader of the Council and inform him of the above mentioned view in relation to the contract referred to and if a version of the Terms of Reference could be brought into the public domain.

With reference to paragraph 13 of Appendix 2, a Member requested that as well as exceptions in respect of the identification and planning for transfer of resources to be considered by the ISS Board being reported to the Herefordshire Connects Programme Board for decision, could these be the subject of report to this Committee.

RESOLVED: That

- (i) the Director of Resources to submit a report to the next meeting updating the expected completion dates for each action;**
- (ii) the amended policy in respect of travel and subsistence be reported to this Committee for information;**
- (iii) the Director of Corporate and Customer Services submits a report to the next meeting of this Committee giving details of the current position regarding the re-assessment of the Community Network Up Grade contract she has initiated; and**
- (iv) as well as exceptions in respect of the identification and planning for transfer of resources to be considered by the ISS Board being reported to the Herefordshire Connects Programme Board for decision, these be the subject of report to this Committee.**

RECOMMENDED: That all overseas trips are authorised in advance and are cash limited and that the appropriate Cabinet Member is informed.

27. ANNUAL GOVERNANCE REPORT 2007 - DRAFT ACTION PLAN

The Committee considered a report which gave details of the draft action plan in response to the recommendations made by the Audit Commission in their Annual Governance Report 2007 for comment prior to Cabinet approval.

The Director of Resources emphasised that Appendix 1 set out each of the six recommendations contained in the Audit Commission's Report, which officers would be actioning them and the timescale of the work.

In referring to a Member's question, the Audit Services Manager informed the Committee that when an officer receives an offer of a gift or hospitality from a member of the public or contractor there is a formal register which logs the nature of the gift or hospitality and is available for inspection by Members only.

A Member made reference to the Council's Asset Management Plan and to the fact that there was reference to the utilisation of Prince 2 Project procedures but this approach was not always followed.

The Director of Resources informed the Committee that there is an Asset Management Plan in place and that there were also capital strategy and capital programme monitoring systems in place. A new scheme of Delegation and Financial Procedural Rules were being submitted to Council in November which would leave officers in no doubt of their responsibilities with respect to carrying out a full options appraisal for all new spending proposals.

RESOLVED: That the report be noted.

28. UPDATE NUMBER TWO ON IMPLEMENTATION OF RECOMMENDATIONS ARISING FROM SPECIAL INVESTIGATIONS

The Committee considered a report which provided a further update on progress with implementing the recommendations approved by the Corporate Management Board to improve the internal control environment as a result of the 'lessons learned' from special investigations carried out by Audit Services in 2005/06.

A Member was of the view that every effort should be made by the Heads of Service to comply with the follow up action referred to in part (c) of the recommendations referred to in Appendix 1 of the report. The Member also suggested that a clear signal from this Committee should be sent to all staff reminding them that this Committee expects the highest professional standards in their work should be achieved at all times.

The Chairman indicated that he would send a letter to all staff in the context referred to in the final sentence of the above paragraph.

In reply to a Members question, the Audit Services Manager informed the Committee that the officers who had not completed recommendation (c) were the Head of Planning and also the Head of Transport and Highways.

The Audit Services Manager stated that the actions should have been completed by 31st March 2007.

Members requested that the Director of Environment submit a report to the next meeting and attend the meeting to present it and explain the current position.

Members discussed the need for the attendance of the the Audit Services Manager to provide further support and guidance at Senior Management Team (SMT) meetings and suggested that this was paramount and that the recommendation in part (g) of Appendix 1 to the report should be amended to include this officer.

The Head of Legal and Democratic Services stated that SMT does not meet regularly currently. There were work streams to which various Members of SMT have been tasked with and report to Corporate Management Board.

A Member suggested that a Member of this Committee could attend one of the SMT meetings to get an insight as to the nature of the meetings.

RESOLVED: That

- (i) the Head of Planning Services and the Head of Highways and Transportation Services submit a report to the next meeting of this Committee giving their reasons for their inability to carry out certain follow up action set out in the special investigations recommendations follow up action, part (c) in Appendix 1 to the report refers, and the aforementioned Heads of Services be instructed to attend the meeting to present the report;**
- (ii) the SMT be instructed to include the attendance of the Audit Services Manager at future meetings of SMT and SMT be requested to meet more regularly; and**

- (iii) **the update position be noted.;**

29. UPDATE NUMBER TWO ON THE INTERIM ASSURANCE REPORT 2007/08

The Committee considered a report which provided Members with an updated Interim Assurance report for 2007/08 which provided an update on progress with the significant internal control issues identified in the Assurance report for 2006/07 and identified the significant internal control issues identified to date in 2007/08.

In referring to ICT and Customer Services, the Audit Services Manager informed the Committee that the acting ICT and Customer Services Manager was Mr G Cole.

The Chairman expressed the view that it was always convenient that officers referred to should be specifically named and requested that with regard to Committee reports, that this should be the standard practice across the Council.

The Audit Services Manager referred to paragraph 9 of the report and that the words 'changes should be made' were to be replaced with the words 'fundamental improvements are required'. He also informed the Committee that in the final report to the Committee, the actions taken by officers in the relation to recommendations on the remaining significant control issues would be reported.

The Audit Services Manager reported that work on Best Value Performance Indicators (BVPIs) was almost complete and that the Audit Commission had requested to see certain of these reports. The Audit Commission had indicated its approval of the timetable for the completion of the BVPIs as part of the Integrated Performance reports. Members were also informed that Cabinet was notified by report on a bi-monthly basis of high risk BVPIs as part of the Integrated Performance reports. The Audit Services Manager would be reporting in future to this Committee as part of the Updated Interim Assurance reports.

A Member referred to paragraph 11 of the report and requested that the Committee should be made aware of the timetable for completion of the recommendations.

RESOLVED: That

- (i) **the Director of Corporate and Customer Services to submit a report to the Committee setting out the timescales of commencement with new protocols with regard to the Four Critical 1 Recommendations set out in paragraph 11 of the report; and**
- (ii) **the report be noted.**

30. SECTION 106 PLANNING OBLIGATIONS

The Committee considered a report which provided the Committee with a summary of audit findings on the Council's arrangements for Section 106 obligations.

Members expressed concern about the procedures adopted by the Council to ensure that developers contributions are proactively sought by officers when they become due. Members made reference to the resource implications if developer contributions were received late and the need for a protocol to determine how the funds are utilised.

A Member took the view that the Council should make sure that the detail contained

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within Section 106 Agreements should be in the public domain and that the achievement of transparency was paramount.

RESOLVED:

- (a) **That Planning Committee be requested to inform the Audit and Corporate Governance Committee of the following with regard to Section 106 Agreements :**
- (i) **the rules that apply in Section 106 Agreements which when completed by a Developer prompt the payment of monies to the Council;**
 - (ii) **the monitoring procedures adopted by the Planning Service to ensure that Developers complete the requirements of Section 106 Agreements;**
 - (iii) **the protocols for determining how Section 106 contributions are utilised;**
- (b) **That Planning Committee be requested to consider adopting a procedure whereby all Section 106 Agreements are available for public inspection to ensure that these matters are transparent.**

31. CAR LOANS

The Committee considered a report which provided the Members with a summary of audit findings on the Council's arrangements for employee car loans.

Members were also informed that currently, 26 officers were in receipt of car loans with approximately 80 officers using the car leasing arrangements.

The Committee also noted that the Council's car loan scheme was self financing.

RESOLVED: That the report be noted.

The meeting ended at 11.35 a.m.
<LAYOUT_SECTION>

CHAIRMAN