

A G E N D A

Audit and Corporate Governance Committee

Date: **Friday, 4th April, 2008**

Time: **10.00 a.m.**

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

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

For any further information please contact:

*Paul Rogers, Democratic Services Officer. Tel
01432 383408*

E-mail progers@herefordshire.gov.uk

**County of Herefordshire
District Council**

AGENDA

for the Meeting of the Audit and Corporate Governance Committee

**To: Councillor ACR Chappell (Chairman)
Councillor B Hunt (Vice-Chairman)**

Councillors MJ Fishley, JHR Goodwin, R Mills, RH Smith and AM Toon

In Attendance: Councillor H Bramer, Cabinet Member (Resources), and T Tobin, Audit Commission.

	Pages
<p>1. APOLOGIES FOR ABSENCE</p> <p>2. NAMED SUBSTITUTES(IF ANY)</p> <p>3. DECLARATIONS OF INTEREST</p> <p>To receive any declarations of interest by Members in respect of items on the Agenda.</p> <p>GUIDANCE ON DECLARING PERSONAL AND PREJUDICIAL INTERESTS AT MEETINGS</p> <p>The Council’s Members’ Code of Conduct requires Councillors to declare against an Agenda item(s) the nature of an interest and whether the interest is personal or prejudicial. Councillors have to decide first whether or not they have a personal interest in the matter under discussion. They will then have to decide whether that personal interest is also prejudicial.</p> <p>A personal interest is an interest that affects the Councillor more than most other people in the area. People in the area include those who live, work or have property in the area of the Council. Councillors will also have a personal interest if their partner, relative or a close friend, or an organisation that they or the member works for, is affected more than other people in the area. If they do have a personal interest, they must declare it but can stay and take part and vote in the meeting.</p> <p>Whether an interest is prejudicial is a matter of judgement for each Councillor. What Councillors have to do is ask themselves whether a member of the public – if he or she knew all the facts – would think that the Councillor’s interest was so important that their decision would be affected by it. If a Councillor has a prejudicial interest then they must declare what that interest is and leave the meeting room.</p>	<p>1 - 8</p>
<p>4. MINUTES</p> <p>To approve and sign the Minutes of the meeting held on 29th February 2008.</p>	<p>9 - 40</p>
<p>5. DATA QUALITY REPORT</p>	<p></p>

- To approve the response to the data quality report from the Audit Commission.
- 6. AUDIT STRATEGY 2008/09** 41 - 54
- To present the 2008/09 Audit Strategy for approval by the Audit and Corporate Governance Committee.
- 7. AUDIT COMMISSION REPORTS** 55 - 56
- To present to members of the Audit and Corporate Governance Committee a suggested framework to manage the process of receipt and action follow-up on all Audit Commission reports received by the Council.
- 8. AUDIT PLAN 2008/09** 57 - 64
- To report to the Audit and Corporate Governance Committee on the process used to develop the Annual Plan for 2008/09.
- 9. UPDATED INTERIM ASSURANCE REPORT 2007/08 NO.6** 65 - 76
- To provide the Audit and Corporate Governance Committee with an updated interim Assurance Report for 2007/08 that:
- a) Provides an update on progress with the significant internal control issues identified in the Assurance Report for 2006/07.
 - b) Identifies the significant internal control issues identified to date in 2007/08.

EXCLUSION OF PUBLIC AND PRESS

In the opinion of the Proper Officer, the next items will not be, or are likely not to be, open to the public and press at the time they are considered.

RECOMMENDATION:

That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Schedule 12(A) of the Act as indicated below.

10. OFFICER ICT EXPENSES

To consider an oral report.

This information relates to an individual and is likely to reveal the identity of an individual.

11. ICT CONTRACTOR EXPENSES

To consider an oral report.

This information relates to an individual, is likely to reveal the identity of an individual and to the financial or business affairs of an individual (including the authority holding that information).

The Public's Rights to Information and Attendance at Meetings

YOU HAVE A RIGHT TO:-

- Attend all Council, Cabinet, Committee and Sub-Committee meetings unless the business to be transacted would disclose 'confidential' or 'exempt' information.
- Inspect agenda and public reports at least five clear days before the date of the meeting.
- Inspect minutes of the Council and all Committees and Sub-Committees and written statements of decisions taken by the Cabinet or individual Cabinet Members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public Register stating the names, addresses and wards of all Councillors with details of the membership of the Cabinet, of all Committees and Sub-Committees.
- Have a reasonable number of copies of agenda and reports (relating to items to be considered in public) made available to the public attending meetings of the Council, Cabinet, Committees and Sub-Committees.
- Have access to a list specifying those powers on which the Council have delegated decision making to their officers identifying the officers concerned by title.
- Copy any of the documents mentioned above to which you have a right of access, subject to a reasonable charge (20p per sheet subject to a maximum of £5.00 per agenda plus a nominal fee of £1.50, for postage).
- Access to this summary of your rights as members of the public to attend meetings of the Council, Cabinet, Committees and Sub-Committees and to inspect and copy documents.

Please Note:

Agenda and individual reports can be made available in large print, Braille or on tape. Please contact the officer named below in advance of the meeting who will be pleased to deal with your request.

The Council Chamber where the meeting will be held is accessible for visitors in wheelchairs, for whom toilets are also available.

A public telephone is available in the reception area.

Public Transport links

Public transport access can be gained to Brockington via bus route 104 shown in dark grey on the map opposite. The service runs every half hour from the hopper bus station at Tesco's in Bewell St (next to the roundabout at the junction of Blueschool Street/Victoria St/Edgar St) and the nearest bus stop to Brockington is in Old Eign Hill near to its junction with Hafod Road. The return journey can be made from the same bus stop.

If you have any questions about this Agenda, how the Council works or would like more information or wish to exercise your rights to access the information described above, you may do so either by telephoning Mr Paul Rogers on 01432 260167 or by visiting in person during office hours (8.45 a.m. - 5.00 p.m. Monday - Thursday and 8.45 a.m. - 4.45 p.m. Friday) at the Council Offices, Brockington, 35 Hafod Road, Hereford.

COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

FIRE AND EMERGENCY EVACUATION PROCEDURE

In the event of a fire or emergency the alarm bell will ring continuously.

You should vacate the building in an orderly manner through the nearest available fire exit.

You should then proceed to Assembly Point J which is located at the southern entrance to the car park. A check will be undertaken to ensure that those recorded as present have vacated the building following which further instructions will be given.

Please do not allow any items of clothing, etc. to obstruct any of the exits.

Do not delay your vacation of the building by stopping or returning to collect coats or other personal belongings.

COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

MINUTES of the meeting of Audit and Corporate Governance Committee held at Brockington, 35 Hafod Road, Hereford. HR1 1SH on Friday, 29 February 2008 at 2.30 p.m.

Present: Councillor ACR Chappell (Chairman)
Councillor B Hunt (Vice Chairman)

Councillors: MJ Fishley, JHR Goodwin, R Mills, RH Smith and AM Toon

In attendance: Councillors PJ Edwards, TM James and JG Jarvis

66. COUNCILLOR B. HUNT

The Chairman welcomed Councillor B. Hunt, the newly appointed Vice-Chair, to the meeting.

67. APOLOGIES FOR ABSENCE

There were no apologies for absence received.

68. NAMED SUBSTITUTES(IF ANY)

None.

69. DECLARATIONS OF INTEREST

There were no declarations of interest made.

70. MINUTES

RESOLVED: that the minutes of the meeting held on 25th January 2008, be approved as a correct record and signed by the Chairman.

71. USE OF RESOURCES REPORT 2008

[Note: The Committee agreed to consider this Agenda Item (5), and Agenda Item 6 (Annual Audit and Inspection Letter 2008) together, in view of the strong link between subject matters.]

The Chairman welcomed Ms Liz Cave and Mr Terry Tobin, both External Auditors from the Audit Commission, to the meeting. They presented the Audit Commission's report on the Council's use of resources during 2006/07. The report was a routine assessment of how the Council had managed and used its resources over a twelve-month period, and it had focussed on the importance of strategic financial management, sound governance, and effective financial reporting arrangements. In addition to assessment, the report had also provided a comprehensive list of improvement opportunities, detailing who would be responsible for each improvement, and by when.

Mr Tobin drew the Committee's attention to the following in particular:

- The Audit Commission had assessed the Council's use of resources in terms of financial reporting, financial management, financial standing, internal control and value for money.
- He said that the drop in overall rating from Level Three to Level Two was largely due to the findings of the Crookall report, which had impacted on the assessment of internal control and value for money. The other three areas of assessment had retained their ratings from the previous year, and he said that good progress had been made.
- Overall, the audit process had been quicker and easier, and he had noted a marked improvement in the availability of information. The Council had produced a good summary of its accounts, and now had a robust medium term financial plan with strong links to other areas. Debt collection had also improved, and there was a much clearer picture of the Council's resources.
- He noted that the influence of the Council's internal audit section, and of the Audit and Corporate Governance Committee, was increasing, and he described this as positive. Areas requiring improvement were: the review of revenue and capital, option appraisal (costs and benefits) in ICT and Herefordshire Connects, procurement, and assessment of value for money. He added that the Council's action plan in respect of the use of resources was full and thorough, and would greatly assist in making improvements.

During the ensuing discussion, the following principal points were made:

- Councillor Toon highlighted what she felt were insufficient controls over disposals and acquisitions of Council property. She said that there was a need for improvements in fixed asset management, particularly in relation to schools which was a major area because of the sheer number of buildings involved. The Audit Services Manager said that he would review the asset register in respect of the issues mentioned.
- Councillor Toon felt that there might still be some areas where Prince2 methodology was not being applied to procurement projects as a measure to improve internal control, as suggested in the Use of Resources report. She acknowledged that this requirement would form part of the Constitution, and stressed that all projects should be carefully monitored to ensure compliance, and to ensure that disciplinary action was taken in relation to any breaches.
- In response to a question, the Director of Resources advised that the opportunities for improvement appended to the report were ultimately the Chief Executive's responsibility, and she suggested that one way of monitoring progress with them would be to track them via quarterly audit reports.

RESOLVED: that it be recommended to Cabinet that:

- (i) **Subject to the Committee's observations above, the report of the Audit Commission in respect of the Use of Resources be noted, and the opportunities for improvement identified therein, and the Corporate Management Board's progress report and action plan be approved; and**

- (ii) **The Council's asset register and policies relating to it be reviewed, particularly in respect of the acquisition and disposal of school property, and the Audit Services Manager will report his findings to a future meeting of the Audit and Corporate Governance Committee.**

72. ANNUAL AUDIT AND INSPECTION LETTER 2008

[Note: The Committee agreed to consider this Agenda Item (6), and Agenda Item 5 (Use of Resources Report 2008) together, in view of the strong link between subject matters.]

Ms Liz Cave and Mr Terry Tobin presented the Audit Commission's Annual Audit and Inspection Letter which had examined the Council's overall current performance and had allocated an overall Star Rating of 2, indicating that it was "improving adequately". This assessment had taken the form of a report, and had focussed on the Council's culture, finances, value for money, grant claims, and various initiatives such as the proposed joint working with the Primary Care Trust, and the Herefordshire Connects Programme. In addition, the report had also examined the independent investigation of financial and contractual arrangements in the Council's Information and Communications Technology (ICT) Department, conducted by Mr Ian Crookall, and what actions the Council was taking to address the issues in the report (hereafter referred to as "the Crookall Report").

Ms Cave and Mr Tobin highlighted the following points in particular:

- **The Council's Overall Performance:** Significant factors contributing to the Council's drop in overall Star Rating from Three to Two included the issues addressed in the Crookall Report, and a housing score of One. Ms Cave explained that the housing score was anomalous, because in reality there had been a significant reduction in the number of families in temporary accommodation for long periods, but the impact of this had been to worsen some of the performance indicators in the short term, which had had a detrimental effect on the Star Rating. She added that the Council was improving overall, although not as quickly as some local authorities in a similar position. There were still some concerns in respect of improvements in children's and adults' services, which were being addressed. There had been significant improvements in the Council's performance indicators, well above average compared to other authorities, and some excellent and detailed plans were now being produced. Although Ms Cave acknowledged the improvements, she warned against producing numerous individual performance plans, because she said that this would make issues too complicated. Overall, the Council needed to be clearer on where its strengths and weaknesses lay.
- **The Crookall Report:** The Audit Commission was satisfied that Mr Crookall's report and the preceding external investigation had been thorough, independent and open. Because of this, and because it was clear that the Council had taken the report seriously, there was no requirement for the Audit Commission to conduct a separate investigation. Ms Cave said that the emphasis must now be on implementing the Crookall Report's recommendations as promptly as possible, and on the Council's forward direction. She would therefore assess progress from the present day onwards. She would look in particular at the Council's procurement strategy.

- **The Development of the Herefordshire Public Service Trust:** Ms Cave reported that, during August and September 2007, the Audit Commission had assessed joint working between the Council and the Primary Care Trust, in the lead-up to the creation of a Public Service Trust (PST), and had recently produced a report. The Chief Executive said that he had written a response, and members requested that they receive a both the report and the response, for information in time for the Committee's next meeting.

During the ensuing discussion, the following key points were made:

- Councillor RH Smith emphasised the importance of ensuring that the quality of the Council's written documentation was of the highest standard, so that it was timely, clear, correct, and with the appropriate amount of detail. He added that the Resources Directorate had made recent improvements in this, and in particular, that the quality of financial information was improving. Councillor ACR Chappell said that more information was needed on reports, so that the public had greater access. Councillor Toon cited an example of a recent Cabinet report about a property matter, which she felt contained insufficient information for members to be able to make an informed decision. The Director of Resources reported that she was aware of the particular issue, which she felt had been an exception to the normal standard, and she said that she had taken steps to secure improvements in quality.
- Councillor Chappell asked for the Internal Audit and Inspection Letter to be corrected at Paragraph 91 (Page 73 of the agenda), so that the word "Two" in the penultimate sentence read: "One". Ms Cave said that future copies of the document would be corrected.
- In response to a question from Councillor AM Toon, Mr Tobin said that some of the "softer" elements of the action plan (as opposed to those items which could be monitored through devising systems and indicators) would be implemented through training (for example, training in ethical governance). He said that he would monitor other aspects - such as the Council's culture - through online surveys, and through the annual corporate assessment.
- Councillor Toon felt that the Council needed to improve its strategy for following up resolutions made at its various meetings, so that every decision was implemented without delay. She suggested that a single monitoring system should be applied to the Council's entire decision-making process, to ensure consistency. The Chief Executive said that following up resolutions was an intrinsic part of creating a culture of compliance within the Council, and that there needed to be clear consequences for non-compliance. He said that the Council must be known for doing everything that it had agreed to do. Councillor Smith added that the Council must also listen and respond to individual requests from Councillors. Members acknowledged that the process would take time, and would be achieved through management development and training.
- Councillor Chappell reported that, as a step towards integration with the Primary Care Trust (PCT), he had invited the Chair of the PCT's Audit Committee to future meetings of this Committee, and conversely, he would attend the PCT's Audit Committee.
- Councillor Toon was of the opinion that the strategic development of the Public Service Trust (PST) was achievable by focusing first on the joint delivery of services, and then working backwards to decide how to achieve it,

by reviewing the structure, manpower and governance of both organisations. She felt that it was important for staff to understand in the early stages of development what their accountabilities were, and for the public to be kept informed. The Head of Legal and Democratic Services reported that the development of the PST would be furthered in part by the formation of "strategic partnerships". He informed members that, if the Council were the lead authority in any of these partnerships, it would be legally accountable and would be responsible for dealing with any complaints.

- The Director of Resources said that the Director of Corporate and Customer Services was preparing the Council's business continuity plan, and it would be completed by 31st March 2008. It would be part of all of the Council's service plans and relevant management areas for the period 2008-2011. In response to a question, the Chief Executive confirmed that he would assess whether the business continuity plan required any decisions at member level, or purely at management level. He agreed that the Committee would view it regardless, and Councillor Smith felt that it would be a useful tool to help make recommendations to Council on the level of expertise required for procurement and contractual management.
- The Cabinet Member for Environment and Strategic Housing, Councillor JG Jarvis, was present at the meeting, and apprised the Committee of progress made with the Council's Waste Management Private Finance Initiative contract. Councillor Jarvis said that the Council was close to concluding negotiations to vary the contract, and that a revised waste collection policy would be published in the near future. There were several options to consider in relation to waste disposal, and the views of all Councillors would be sought on this. Ms Cave said that the Audit Commission was aware of the complexity of the issues involved, and of the measures in place to keep costs to a minimum.
- The Director of Resources said that she would report to Cabinet on 27th March 2008, on how all the necessary improvement measures highlighted by the Crockall report and the Audit Commission would be implemented and driven. The Committee considered that it was vital to keep track of the numerous actions arising from the reports, and of those suggested by the Audit and Corporate Governance Committee, and agreed unanimously that an effective "bring-forward" system would be devised and considered at the Committee's meeting to be held on 20th June 2008.

Ms Cave and Mr Tobin thanked the Committee for its comments, and said that the Audit Commission would require a progress report from the Council in six months' time, in respect of its Annual Audit and Inspection Letter.

RESOLVED: that it be recommended to Cabinet that:

- (i) **subject to the points made above, the Audit Commission's Annual Audit and Inspection Letter for 2008 be noted, and the action plan and the Chief Executive's response be approved;**
- (ii) **the Audit Commission's report in respect of the developing Public Service Trust, and the Chief Executive's response, be forwarded to the Committee for information in time for its next meeting;**

(iii) the Council's business continuity plan be considered at the next Committee meeting following its completion; and

(iv) a "bring forward" system for actions required by the Audit Commission and the Audit and Corporate Governance Committee, be considered at the Committee's meeting to be held on 20th June 2008.

73. FINANCIAL AND CONTRACTUAL PROCEDURAL RULES

The Head of Legal and Democratic Services presented a joint report from himself and the Director of Resources, on proposed revisions to Appendices 3, 4 and 5 to the Council's Constitution. The Appendices related to the Council's procedure rules for its budget and policy framework, finances, and contracts. The review had been extensive, and had incorporated the best elements of the constitutions from the four upper tier local authorities which had achieved the very best use of resources assessments in 2007.

The review of the Constitution was a direct response to the discovery of irregularities in financial governance in the Information and Communications Technology Department, and to subsequent reports by the Director of Resources on the issues involved, and an independent review by the former Chief Executive of Buckinghamshire County Council, Mr Ian Crookall.

The revised elements of the Constitution clearly depicted where responsibilities lay, and what the distinctions were between members and officers' roles. In addition to this Committee, the revisions had been considered by the Standards Committee, the Constitutional Review Working Group, Cabinet, and the Strategic Monitoring Committee. Over the course of the review, it had become apparent that a complete review of the remainder of the Constitution, and of the Scheme of Delegation to Officers, was necessary to ensure that they reflected the changes to Appendices 3, 4 and 5, and it was anticipated that this would be completed in time for the Council meeting in May 2008.

The Head of Legal and Democratic Services reported that training on the application of the revised procedures would be arranged for officers.

Councillors RH Smith and ACR Chappell expressed concern that the revisions had been considered by numerous other committees and working groups, and they felt that this had made the procedure overly-complicated and difficult to track. He suggested that the procedure for making changes to the Constitution should be reviewed and simplified. The Head of Legal and Democratic Services said that this would be revisited as part of the review of the Constitution as a whole.

Members also expressed concern over:

- The need for further clarity of the respective responsibilities of Directors and Cabinet Members, which would be defined in the proposed review of the Scheme of Delegation.
- The wider issue of the change to the deadline for deposit of formal questions to Council by Councillors. It was felt that this might not allow Members enough time to submit questions, particularly where reports were being submitted late and sent out "to follow". The Committee was assured that the issue of late reports was being addressed.

- Councillor AM Toon reminded the Committee that she had requested a review of Appendix 7 of the Constitution, via Council. The Chief Executive said that he would look into this and deal with it separately.

In conclusion, Members did not wish to hold up approval of the revised appendices at this stage, and therefore approved the recommendations on the understanding that the points made above would be dealt with as part of the recommended review of the Constitution.

RESOLVED: that it be recommended to Council that

- (i) **the revised Appendices 3, 4 and 5 of the Constitution (Budget and Policy Framework Procedure Rules, Financial Procedure Rules and Contract Procedure Rules) be approved, subject to the comments made above;**
- (ii) **the Head of Legal and Democratic Services conducts a complete revision of the Constitution and the Scheme of Delegation to Officers for Council's approval in May 2008; and**
- (iii) **the amendment to Paragraph 4.25.1 of the Constitution be endorsed.**

74. ANNUAL GOVERNANCE STATEMENT 2007/08 UPDATED REPORT

The Chief Internal Auditor presented his report in respect of the Annual Governance Statement 2007/08, which had been updated for approval at Cabinet.

Members highlighted some errors in the report which required amendment, and the Chief Internal Auditor said that he would ensure the statement was corrected.

RESOLVED: that it be recommended to Cabinet that the draft framework for the Annual Governance Statement 2007/08 be approved, subject to the following amendments:

- **Paragraph 7, Page 84 of the agenda, the date should be changed to 25th instead of 26th on all future versions of the report;**
- **Appendix 1, Point 3.2 should be revised to read: "Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the Community, are defined and communicated through codes of conduct and protocols; and**
- **Appendix 1, Point 4.3.1 should include the additional wording: "Officers' Code of Conduct".**

75. UPDATED INTERIM ASSURANCE REPORT 2007/08 NO.5

The Chief Internal Auditor informed the Committee of progress made with updating the Interim Assurance Report for 2007/08. He drew particular attention to the progress made with significant internal control issues identified in the previous report, and to any issues that had arisen to date.

Members noted Paragraph 6(c) on Page 109 of the agenda, which summarised the work that the Audit Section had undertaken with members of staff following the unsatisfactory audit opinion in 2006/07 on financial management and procurement systems in ICT. The current audit opinion was satisfactory. The Audit Commission was fully aware of the present position, and was pleased with progress made.

The Chief Internal Auditor highlighted staffing shortages within his department, which coupled with the exceptional additional work generated by the irregularities in the ICT department, had made undertaking the usual audit programme timetable extremely difficult. The Audit Commission had allowed some changes to the timetable as a result, and he envisaged that, as issues were resolved, he would be able to produce a more rigorous programme for the forthcoming year.

In response to a question from Councillor Toon, the Chief Internal Auditor said that not all ICT systems, for example, those in schools, were included within the corporate ICT framework, and that work was being done to resolve these issues.

Members referred to the Special Investigation Audit into the ICT Department, on Page 114 of the agenda, and asked that the results of the investigation be reported to the Committee at its next meeting.

RESOLVED: that the report be noted, and a report on the Audit Department's Special Investigation into the Information and Communications Technology Department be considered at the Committee's meeting on 4th April, 2008, with the public and press being excluded from the meeting under Schedule 12A of the Local Government Act 1972, as appropriate.

76. TRAINING FOR MEMBERS

The Chief Internal Auditor presented his report on proposed training for Members, which would provide them with the necessary skills to review the Council's financial governance arrangements. Suggested topics included Prince2, Risk Management, and Financial Awareness.

Members agreed that external trainers would be enlisted to deliver training on Prince2.

In addition, Members asked for training on Central Government Funding Streams, both in terms of practical application, and the terminology used.

RESOLVED: that the proposed members training programme be approved, and the Director of Resources be authorised to liaise with Members' Services on delivery of the programme, subject to the following:

- **The training in respect of Prince2 be delivered by external trainers; and**
- **An additional training session be arranged in respect of Central Government Funding Streams.**

The meeting ended at 4.51 p.m.

CHAIRMAN

DATA QUALITY REPORT

Report By: Director of Corporate and Customer Services

Wards Affected

County-wide

Purpose

To approve the response to the data quality report from the Audit Commission

Financial Implications

There are no financial implications

RECOMMENDATION

THAT:- The response at Appendix 3 be approved

Reasons

The high quality of the data the Council receives, creates, uses and reports to others is too often taken for granted. It is a matter of public and regulatory concern nationally that procedures exist to demonstrate and improve data quality. The Audit Commission assesses each Authority annually and, like all regulators, increasingly emphasise appropriate systems and processes rather than individual indicators or returns. The Council's audit during 2007/08 highlighted the lack of a formal policy and other weaknesses that the action plan at **Appendix 4** addresses. The response to the Audit Commissions' recommendations is at **Appendix 3**. The Commission's full report is at **Appendix 2**

Considerations

1. Nationally, all the regulatory bodies, including the Audit Commission, are paying an increased amount of attention to data quality. It will be a fundamental part of the CAA from 2009, with a major influence on the Use of Resources assessments of the Council, the PCT and other partners. CAA will not be a 'lighter touch' unless external regulators share a considerable confidence in locally generated and assured data. If, collectively, they view data quality as a risk it could lead to further, more detailed inspections in future.
2. As part of the preparations for CAA, a set of voluntary data quality standards has been issued by the Commission in conjunction with other national audit bodies, CIPFA and with the full support of the national audit office. They are, in fact, virtually identical to the key lines of enquiry already used by the Commission for their audits.

3. It is important to recognise that the emphasis of the national regulatory regime has fundamentally changed. The new approach is more systemic. Regulators will examine the existence and use of policies, procedures and practices as well as the responsibilities of individuals. Their approach mirrors that being taken to the wider risk and the use of resources assessments proposed for the CAA. Individual performance indicators will still be examined but this will be primarily to confirm that the overall governance arrangements of organisations like the Council, the PCT and their partners are in place and working effectively.
4. The results of last years data quality audit are now known and, although the Audit Commission do not formally 'score' these, it is clear that the Council is at level 2 out of a possible 4 as anticipated. However, under the rules based approach that governs this kind of work, it is very clear that the Council's overall level 2 is an aggregation of scores ranging from 1 to 3 across the entire audit. Any score of 1 is 'below the required standard'.
5. A draft data quality policy has been produced, considered by the Information Policy Group and the Joint Management Board. This is attached at **Appendix 1**. It is a short, focussed document that conforms to the voluntary standards referred to earlier. The policy is underpinned by a more detailed action plan that includes the standardisation or creation of supporting practices, procedures and processes. This action plan is based on the key lines of enquiry used in last years audit and the feedback that followed.
6. The performance improvement network [PIN] prepared the detailed action plan - Appendix 4. There is a formidable amount of work to do and the next audit will commence shortly. It is important to note that the action plan only covers those areas where the Council is judged to be weakest and, as a number of actions will take time to produce results, improvement in the Council's overall level will not be immediate. These key points are summarised in paragraph 7
7. The action plan includes the need for:
 - ❖ a data quality policy to be embedded in the Council and shared with partners
 - ❖ staff with specific data quality responsibilities to be identified, trained and for their job descriptions etc to be appropriate
 - ❖ contracts and other formal arrangements to cover data quality
 - ❖ data sharing protocols to be in place
 - ❖ a rolling programme of data quality audits
 - ❖ formal responsibility for data quality to be assigned to IPG and a specified Director.
8. Since the action plan was first drafted, the Council has received the final recommendations from last summers audit. These are included in Appendix 1. Cross-references have been added to Appendix 2 to reflect these.

9. Progress against the elements in the action plan will be monitored regularly. Discussions are planned with HR, Legal Services, Internal Audit and Procurement on how the new arrangements can be developed and implemented most effectively. There may be opportunities to share best practice with the PCT as part of the continued improvement of the Councils approach to data quality. There are already a number of joint projects that are of direct relevance. The policy itself will be reviewed on a regular basis and amended, if necessary, as the detailed work dictates.
10. Finally; while the driving force for good quality data is currently performance management, both the policy and action plan clearly apply much more widely to data used for planning, commissioning and the operational management of services.

Risk Management

The risks of not adopting pursuing the type of actions in Appendix 2 vigorously are increased inspection and intervention and a decline in the Authority's reputation amongst the public and partners.

BACKGROUND PAPERS

Improving information to support decision-making: standards for better quality data.
Audit Commission. March 2007

APPENDIX 1

Herefordshire Council Data Quality Policy

Purpose

- 1.1 This policy sets out the Council's intentions as regards assuring data quality, so as to secure reliable and timely information and intelligence to account for its performance and to drive continuous improvements in services and outcomes for citizens and customers.
- 1.2 This is one of the underpinning elements of the Council's Performance Improvement Framework.
- 1.3 This policy is given effect through the Council's *Data Quality Action Plan* and associated procedures and protocols.

Introduction

- 2.1 The Council, its Cabinet and Corporate Management Board recognise the importance of ensuring data quality of the highest standard to maintain effective corporate governance and raise performance.
- 2.2 Across the Council, data are collected, analysed and used to monitor service delivery and outcomes, report performance, and aid decision-making, including the allocation of resources.
- 2.3 Good quality data are essential for sound planning, commissioning, routine service and performance management. Data must therefore be accurate, valid, reliable, timely, relevant and complete as well as well presented. Above all data must be fit for purpose and the Council recognises the need to balance the importance of the information requirement and the cost of collecting the supporting data.
- 2.4 The Council has a statutory duty to publish information about its performance and to assure that the data are accurate. The Council is judged on the adequacy of its arrangements to do this. This requires that robust arrangements are in place across the organisation for the collection, recording, collation, analysis and reporting of performance data.

Responsibility and accountability

- 3.1 Overall responsibility and accountability for data quality rests, on behalf of the Council and Cabinet, with the Leader; and, on behalf of the Corporate Management Board, the Chief Executive.
- 3.2 Strategic responsibility and accountability is vested in the lead member for Corporate and Customer Services and Human Resources, and the Director of Corporate and Customer Services.
- 3.3 Operational responsibility and accountability is vested corporately in the Head of Policy and Performance and, for their respective services, the heads of services. They are supported in the discharge of these duties by the individual designated performance improvement managers. Each

Further information on the subject of this report is available from Tony Geeson, Head of Policy and Performance, on 01432 261855, tgeeson@herefordshire.gov.uk

performance improvement manager has a personal responsibility, in respect of which they account to the Head of Policy and Performance, for ensuring in their respective areas that data quality protocols, procedures and systems are in place and operating efficiently and effectively.

- 3.4 All managers and staff have a personal responsibility and accountability for the accuracy and sound presentation of data, and for observing associated protocols, procedures and systems that apply to their designated areas of work.
- 3.5 As such every member of staff has a responsibility for ensuring that the highest possible standards relating to data quality are adhered to.

Principles governing data quality

- 4.1 Data quality is an integral part of all Council business and performance management
- 4.2 Data used to inform plans and decision-making, including resource allocation, must be right first time and fit for purpose
- 4.3 Data quality is the responsibility of all who contribute to it, directly or indirectly, whether they are producers of data or users of it

Key requirements for assuring data quality

- 5.1 All staff must be aware of the importance of data quality and take responsibility for securing it.
- 5.2 Up-to-date arrangements and control procedures must be documented and in operation for the ownership, security, collection, recording, collation, analysis and reporting of data
- 5.3 Staff must be equipped with the knowledge, understanding, skills and tools necessary to maximise the quality of data and their effective use
- 5.4 Clear performance management arrangements must be in place across the organisation to ensure that data are used appropriately to inform decision-making, including resource allocation
- 5.5 Data quality must be assured through routine reporting of errors and performance reviews
- 5.6 All out-turn data and collection processes must be subject to periodic audit and review
- 5.7 Business continuity and security arrangements must be in place for all data and information systems
- 5.8 In furtherance of the Council's commitment to working with partners to deliver the Herefordshire Sustainable Community Strategy, protocols agreed with partners and any relevant third parties must be in place to ensure that fit-for purpose data can be shared in compliance with legal and confidentiality standards

Further information on the subject of this report is available from Tony Geeson, Head of Policy and Performance, on 01432 261855, tgeeson@herefordshire.gov.uk

- 5.9 A documented validation process must be in operation for all data provided by partners or third parties

Securing a data quality culture

- 6.1 The Council is determined to embed a culture of data quality across the organisation. Elected members, managers and staff alike must act at all times with an awareness of the importance of data quality and of accuracy and integrity in the use of data.
- 6.2 It is therefore imperative that all receive the training or development appropriate for their particular roles, responsibilities and accountabilities; and that this is reviewed and refreshed over time to meet changing requirements, needs and circumstances.
- 6.3 As a basis for this training and development the Council will develop a set of data quality standards and guidelines to establish a common understanding of what good quality data entails.

Monitoring and review

- 7.1 Progress in giving effect to this policy, through the associated operational arrangements and the Data Quality Action Plan, will be monitored continuously. The Head of Policy and Performance will report on it quarterly to the lead Cabinet member and Corporate Management Board, and six-monthly to Cabinet and the Audit and Governance Committee.
- 7.2 The Chief Internal Auditor will present an annual data quality audit report to the lead Cabinet member and director. This will also be reported to the Audit and Governance Committee and the Corporate Management Board. It will form the basis for continuous improvements in data quality.
- 7.3 This policy and its associated operational arrangements and Action Plan will therefore be reviewed and reported alongside the annual data quality audit report.

DRAFT FOR APPROVAL MARCH 2008

APPENDIX 2

DATA QUALITY REPORT – Audit 2006 / 07

DATA QUALITY REPORT –RECOMMENDATIONS

APPENDIX 3

Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
R1 Data Quality must be included within the Corporate risk management arrangements.	2	David Powell / Andrew Rewell	Y	To be included in corporate risk document	April 2008
R2 Data Quality needs to be embedded into the Culture of the Council at Strategic levels.	2	Joint Management Team	Y	See the attached action plan – Appendix 4	From February 2008
R3 Ensure Data Quality links between key documents such as the Corporate Plan and Medium Term Financial Strategy are clear.	2	Tony Geeson / David Powell	Y	The MTFMS refresh will include comments where data has a clear link between these areas. The draft Corporate Plan already covers this point.	October 2008
R4 The Council should put in place a Data Quality Policy which can be accessed and used by staff at all levels.	3	Tony Geeson / Robert Blower	Y	Attached. See also Appendix 4	From February 2008
R5 Internal Audit should carry out a review of a greater amount of performance indicators in 2007/08.	3	Tony Ford	Y	Resources will be put in the 2008 / 09 Audit Plan	June 2008
R6 The systems in place for the collection of data will need to be reviewed to ensure that they are fit for purpose.	3	Heads of service / improvement managers	Y	See Appendix 4	From February 2008

Further information on the subject of this report is available from Tony Geeson, Head of Policy and Performance, on 01432 261855, tgeeson@herefordshire.gov.uk

R7	Formal protocols with Council partners need to be developed to ensure accuracy of data.	2	Heads of service / improvement managers	Y	See Appendix 4	From February 2008
R8	Training of all staff involved in compiling performance indicators should take place at the earliest opportunity.	2	Tony Geeson / improvement managers	Y	See Appendix 4	From January 2008
R9	Guidance for staff should be readily accessible for all involved in the compilation process.	2	Heads of service / improvement managers	Y	See Appendix 4	From February 2008
R10	Roles and responsibilities of all staff included within the DQ process need to be clearly defined.	2	Tony Geeson / Heads of service	Y	See Appendix 4	From January 2008
R11	The Audit trail needs to be improved upon. PI's made available for audit should have an audit trail which has been reviewed by management prior to Internal Audit review.	2	Heads of service / improvement managers	Y	See Appendix 4	From February 2008
R12	The IPR, as the key performance management document should be widely used across directorates rather than directorates using their own reports.	2	Tony Geeson / Heads of service	N	The IPFR draws on more detailed, operational reporting in directorates and provides a strategic picture. This could be publicised even more widely than at present but the IPFR is not currently suitable for many directorate purposes	

DATA QUALITY ACTION PLAN – 2008

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

KLOE Ref	Action	Detail	Who leads / with	Date	Links to
2.1	2.1.1 Data quality [DQ] policy agreed, signed off, available on intranet so it can be accessed and used by staff at all levels [R4]	1 Draft policy agreed by IPG [R2]	TG	End of February 2008	PST data quality documentation
		2 Draft policy agreed by CMB/ Joint Management Board? [R2]			
		3 Draft policy agreed by Cabinet if required			
		4 Enter risk relating to poor quality data on corporate risk register and monitor [R4]			
2.1	2.1.2 DMT's to determine where corporate DQ policy needs extra directorate and / or service specific additions and communicate to relevant managers [R9 and R10]	5 Draft policy considered by DMT's with suggestions for where additions would be appropriate	PIM's / audit advice & ICT Connects	February 2008	2.1.5 Connects listing of systems
		6 Communicate policy to all managers	DMT's	End of February 2008	
		7 Leadership forum item, N&V item	TG	February 2008	
2.1	2.1.3 Communicate policy to all external data sharing partners and partnerships and get them to sign up to the policy or provide	8 Create a library of all data sharing protocols	PG / TG	End of February 2008	3.4.1 PCT project

KLOE Ref	Action	Detail	Who leads / with	Date	Links to
	higher standards [R7]	9 Identify all data sharing partners x directorate and create a register [R2]	PIM's / PG, AS, HP team, audit advice & ICT		on shared data . Connects
		10 Establish common partners and how to approach them			
		11 Dispatch policy with explanatory letter from Director and include an appropriate data sharing protocol / confirmation of existing one	PIM'S / PG	End of February	
		12 Replies returned by		March 14th	
		13 Identify and meet with partners who are unable to sign etc.	PIM'S / PG	End of March	
2.1	2.1.4 Establish and consolidate what corporate procedures, guidelines and operational practices exist that relate / refer to DQ [R2]		TG / PG / AS	End of February 2008	
2.1	2.1.5 Improvement managers to consolidate any existing and extra directorate and service specific procedures, guidelines and operational practices into one set of data quality guidelines and standards. [R9&R10]		PIM's	End of March 2008	2.1.2
2.1	2.1.6 The corporate plan, directorate and service plans as well as the performance	14 Corporate plan and PIF	SM	As above	KLOE 1.1

Further information on the subject of this report is available from Tony Geeson, Head of Policy and Performance, on 01432 261855, tgeeson@herefordshire.gov.uk

KLOE Ref	Action	Detail	Who leads / with	Date	Links to
	service plans as well as the performance improvement framework all outline the Council's commitment to data quality [R2 and R3]	15 Consider need for standard text	PIN meeting / AS	February	1.1
		16 Insert required paragraph into Directorate and Service plans and explain as required	PIM's	March	
2.1	2.1.7 Identify all staff with responsibilities for DQ [as a first step to amending JD's and person specs] [R10]	17 Get support of HR and advice on process and practicalities	TG / RBP / AS	January	4.1.1
		18 Produce and QA staff list x directorates	HRO / PIM / AS	End of February	
2.1	2.1.8 Include DQ requirements in all contracts, SLA's and similar documents where this is relevant and not currently explicit set up monitoring systems starting with the highest risks [R7]	19 Consult contracts register; identify relevant entries, renegotiation dates / variation potential and risk levels	PG / ICT / HL&DS / DH	By March 31 st	See also 3.4.2 and 2.1.3
		20 Take legal advice on current standard for contracts [explicit / implicit] and correct approach to making changes	TG		
		21 Contact all high risk organisations & those renewing during FY2008/09	Relevant HoS / service or contract manager	March 31 st	
		22 Create specimen text for DQ requirements	HL&DS / DH	By March 31 st	
		23 Insert appropriate DQ text where it is currently not explicit	HL&DS / DH	From March 31 st	

Further information on the subject of this report is available from Tony Geeson, Head of Policy and Performance, on 01432 261855, tgeeson@herefordshire.gov.uk

KLOE Ref	Action	Detail	Who leads / with	Date	Links to
		24 Consider appropriate monitoring systems	PIM's / service manager	April	
		25 Consult and advise contractors	HoS / PIM's	May	
		26 Implement monitoring systems	Service manager	From June	
2.2	2.2.1 Existing corporate and directorate policies, procedures and guidelines [and amendments in future] to be promulgated in a variety of ways such as 121's, SRD's, service planning, emails, news and views, notice boards, performance clinics, team meetings, cbt and wider training etc [R9]	27 Notify all e-mail users, cascade via key managers	HoC	April	6, 7, 16, 18
		28 Devise and include appropriate requirements in SRDs for staff identified in action 18 and get signatures for receipt of documentation [R10]	Relevant HoS	March onwards	4.1.1
		29 Set up CBT links / tests for all documents sent to action 18 staff	PG	By April	PCT work on training – skills audit & dissemination
		30 Poster campaign and N&V cascade	Hoc	April onwards	
		31 Include in performance clinics, team meetings and training – PIM's to identify and log opportunities	Hos / PIM's		
		32 Include in SRD training and all in a days work [R8]	TG / HH	January onwards	
		33 Tour of DMT's	TG / PIM's	April onwards	
2.2	2.2.2 PIMS to identify if / where additional data champions are required within the directorate and recommend to DMT's for approval;		PIM's	End of February	KLOE 4.1, 2.1.2, 2.1.7

Further information on the subject of this report is available from Tony Geeson, Head of Policy and Performance, on 01432 261855, tgeeson@herefordshire.gov.uk

KLOE Ref	Action	Detail	Who leads / with	Date	Links to
2.2	2.2.3 PIM's to log examples of actions that improved DQ as they occur centrally and publicise these locally through N&V. Authority wide publicity periodically	34 Set up central log and monitor at each PIN meeting	PIM's / SM	From January 2008	KLOE 4.1
3.4	3.4.1 PIM's and Partnership support team to co-ordinate the identification and listing of all instances of internal and external data sharing [e.g. PCT, police and voluntary bodies to support the LAA, JAR etc.] ref KLOE 3.4.1 [R7]	Only requires Actions 9 – 13 described earlier			2.1.3
3.4	3.4.2 Agree a form of words in relation to DQ for SLA's, contracts and information sharing protocols based on the DQ policy [particularly important in respect of the LAA and national indicator set]	Action 22			See also 2.1.8
4.1	4.1.1 All Directors, Heads of service, their direct reports and improvement managers have DQ added to their job descriptions beginning in April 2008. [R2 AND R10]	39 Agree words for job descriptions and person specifications Actions 17, 18 and 28			
	4.1.2 One CMB member to be given lead responsibility for DQ [R2]	Action 39			

KLOE Ref	Action	Detail	Who leads / with	Date	Links to
4.2	4.2.1 Herefordshire Connects [HC] to ensure that the impacts on data quality staff skills and capacity are identified and training delivered as part of the roll out of new systems	35 Discuss with HC programme manager [HCPM] and incorporate into implementation programmes	PG / JOG	February 2008	Connects PCT work – skills audit & training proposals
	4.2.2 Impacts of NIS on data quality staff skills and capacity are identified and training delivered as appropriate		PIN / PIM's	From February 2008	
	4.2.3 Wherever new / amended systems are introduced the data quality aspects should be identified and appropriate / revised training should be given to staff [R8]	40 Amend business case process for IPG to cover data quality requirements	DMT /PIM, PG, HCPM / service manager	From February 2008	
	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 systems – HC audit starting place supplemented by paper systems which are out of the Connects scope	PG / PIM's	From April 2008	
4.2	4.2.5 DQ training is given as part of the corporate drive to improve performance [R8]	37 Develop appropriate material and decide on delivery methods for senior managers, managers, specialist staff and staff generally. Include in induction and mandatory for staff identified in 18	PIN / TG, R'search & ICT	End of July 2008	2.1.7

KLOE Ref	Action	Detail	Who leads / with	Date	Links to
4.2	4.2.6 Establish and deliver training programme on a service, directorate and corporate basis evaluating regularly via PIMS.	See 4.2.5 above	TG / HR / PIM's	From August	
4.2	4.2.7 Ensure DQ weaknesses identified by external or internal reviews are addressed by training or appropriate de-briefing sessions		HoS / internal audit / PIM's		
N/a	5.1 Identify key areas for a rolling programme of data quality audits [advice from internal audit] and include in Directorate / service risk registers. [R1 and R5]	38 Secure support of Director of Resources	TG / PIMS / internal audit	By March 31st	
	5.2 Train appropriate staff [with internal audit] to undertake audits		PIM's / internal audit / ICT	April onwards	
	5.3 Undertaken audits internally resourced by PIMs and their teams – where available and possible [R5, R6 and R11]		PIM's / P&P	From June 1st	
N/a	5.4 Ensure that all the 198+15 indicators in the NIS are supported by metadata pro-formas and appropriate systems including trained staff in the Council and Partners [R11]		PIM's / P&P / HP team	By April 30th	

Further information on the subject of this report is available from Tony Geeson, Head of Policy and Performance, on 01432 261855, tgeeson@herefordshire.gov.uk

KLOE Ref	Action	Detail	Who leads / with	Date	Links to
N/a	5.5 Ensure that the Council's local indicators re supported by metadata proformas and appropriate systems including trained staff [R11]		PIM's / P&P	By April 30 th	
N/a	5.6 Establish governance arrangements with IPG and CMB [R2]		TG	31 st March 2008	

25

- | | | | |
|-------|--|------|--|
| AS | Anthony Sawyer | ICT | Information and computer technology department |
| CBT | Computer based training | IPG | Information policy group |
| CMB | Corporate management board | JAR | Joint area review |
| DH | Dean Hogan | KLOE | Key lines of enquiry |
| DMT | Directorate Management Team | LAA | Local area agreement |
| DQ | Data Quality | NIS | National indicator set |
| FY | Financial year | N&V | News and Views |
| HC | Herefordshire Connects | PG | Paul Griffiths |
| HCPM | Herefordshire connects project manager | PIF | Performance information framework |
| HH | Hilary Hall | PIM | Performance improvement manager |
| HL&DS | Head of legal and democratic services | QA | Quality assurance |
| HOC | Head of communications | RBP | Richard Beavan-Pearson |
| HOS | Head of service | SLA | Service level agreement |
| HP | Herefordshire partnership | SM | Steve Martin |
| HR | Human resources | TG | Tony Geeson |
| HRO | Human resource officer | | |

Further information on the subject of this report is available from Tony Geeson, Head of Policy and Performance, on 01432 261855, tgeeson@herefordshire.gov.uk

Data Quality Report

Herefordshire Council

Audit 2006/07

External audit is an essential element in the process of accountability for public money and makes an important contribution to the stewardship of public resources and the corporate governance of public services.

Audit in the public sector is underpinned by three fundamental principles.

- Auditors are appointed independently from the bodies being audited.
- The scope of auditors' work is extended to cover not only the audit of financial statements but also value for money and the conduct of public business.
- Auditors may report aspects of their work widely to the public and other key stakeholders.

The duties and powers of auditors appointed by the Audit Commission are set out in the Audit Commission Act 1998, the Local Government Act 1999 and the Commission's statutory Code of Audit Practice. Under the Code of Audit Practice, appointed auditors are also required to comply with the current professional standards issued by the independent Auditing Practices Board.

Appointed auditors act quite separately from the Commission and in meeting their statutory responsibilities are required to exercise their professional judgement independently of both the Commission and the audited body.

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.

Copies of this report

If you require further copies of this report, or a copy in large print, in Braille, on tape, or in a language other than English, please call 0844 798 7070.

© Audit Commission 2008

For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

Contents

Background	4
Scope and objectives	5
Conclusions	6
Management arrangements (stage 1)	7
Analytical review (stage 2)	10
Data quality spot checks (stage 3)	11
Appendix 1 – Action plan	12

Background

- 1 Public bodies are accountable for the public money they spend: they must manage competing claims on resources to meet the needs of the communities they serve, and plan for the future. The financial and performance information they use to account for their activities, both internally and externally, to their users, partners, commissioners, government departments and regulators, must be appropriate for these purposes, providing the level of accuracy, reliability and consistency required.
- 2 Considerable weight is attached to published performance indicators as the basis for reducing the burden of regulation and awarding freedoms and flexibilities. This has made reliable performance information, and the quality of the underlying data, significantly more important. Regulators and government departments need to be assured that reported information reflects actual performance. This will provide confidence that they are focusing on the key areas for improvement.
- 3 Auditors' work on data quality and performance information supports the Commission's reliance on performance indicators in its service assessments for comprehensive performance assessment (CPA). This delivers the commitment to reduce significantly the level of service inspection required.
- 4 Introducing the comprehensive area assessment (CAA) framework from 2009 will make reliable performance information more important. The CAA will place greater emphasis on assessments that are proportional to risk. Councils will also be required to use information to reshape services, and to account to the public for performance.
- 5 The responsibility for securing the quality of the data underpinning performance information can only rest with the bodies that collect and use the data. Producing data which is fit for purpose should not be an end in itself, but an integral part of a body's operational, performance management, and governance arrangements. Organisations that put data quality at the heart of their performance management systems are most likely to be actively managing data in their day-to-day business, and turning that data into reliable information.
- 6 This is the second year in which we have undertaken work on data quality in local government. Our work is complemented by the Audit Commission's paper, *'Improving information to support decision making: standards for better quality data.'* This paper sets out standards, for adoption on a voluntary basis, to support improvement in data quality.
- 7 The expected impact of our work on data quality is that it will drive improvement in the quality of local government performance information, leading to greater confidence in the supporting data on which performance assessments are based.

Scope and objectives

- 8 The Audit Commission has developed a three-stage approach to the review of data quality.

Table 1

Stage 1	<p>Management arrangements</p> <p>A review to determine whether proper corporate management arrangements for data quality are in place, and whether these are being applied in practice. The findings contribute to the auditor's conclusion under the Code of Audit Practice on the council's arrangements to secure value for money (the VFM conclusion).</p>
Stage 2	<p>Analytical review</p> <p>An analytical review of 2006/07 BVPI data and selection of a sample for testing based on risk assessment.</p>
Stage 3	<p>Data quality spot checks</p> <p>In-depth review of a sample of 2006/07 PIs, all of which come from a list of specified BVPIs used in CPA, to determine whether arrangements to secure data quality are delivering accurate, timely and accessible information in practice.</p>

- 9 All three stages of the review have been carried out at this Council.
- 10 For stage 3, we selected 4 performance indicators to review from the list of specified indicators. These indicators were:
- BVPI 82a Recycling Performance;
 - BVPI 82b Composting Performance;
 - BVPI 183b Temporary Accommodation: Hostels; and
 - BVPI 214 Homelessness Prevention.
- 11 No further in depth review was carried out on the Council BVPIs.

Conclusions

Stage 1 – Management arrangements

- 12 The Council's overall management arrangements for ensuring data quality are demonstrating adequate performance. The Management arrangements review revolved around five specific themes:
- Governance and Leadership;
 - Policies;
 - Systems and Processes;
 - People and Skills; and
 - Data Use and Reporting.
- 13 The weakest theme was Policies where there was not yet a data quality policy in place. Arrangements for Governance and Leadership, Systems and Processes, People and Skills and Data Use and Reporting had improved on previous year findings but were still subject to some improvement before the Council could be considered to be performing well.

Stage 2 – Analytical review

- 14 Our analytical review work at stage 2 identified that some of the PI values reviewed fell within expected ranges, some could not be substantiated by evidence and were therefore selected for review in detail at stage 3.

Stage 3 – Data quality spot checks

- 15 Our review and spot checks of PIs found that BVPI 82a (Recycling Performance) and 82b (Composting Performance) were fairly stated, although information with regards to both indicators is received from Worcestershire Council. The Council will need to ensure that the figures that they report have been reviewed in the first instance by themselves. BVPI 183b (Temporary Accommodation: Hostels) and BVPI 214 (Homelessness Prevention) were incorrectly stated. The analysis carried out at Stage 2 identified that there was a significant variance in year on year reporting for BVPI 183b and 214 and this was investigated.
- 16 After consultation with the Council, there was acceptance that these BVPIs were incorrectly calculated. The Council have made the amendment and resubmitted the BVPIs.
- 17 An action plan has been agreed with the Council (see Appendix 1) to address the issues arising from this review.

Management arrangements (stage 1)

- 18 Overall, the council's corporate arrangements for data quality are demonstrating adequate performance.

Governance and leadership

- 19 Data Quality is included within the Integrated Performance Report (IPR) which is reported to Cabinet bi-monthly. This document considers significant performance indicators and colour codes them by risk which is an improvement on previous years. There is also a much clearer focus on DQ requirements at directorate level. However linkages between key documents such as the Corporate Plan and Medium Term Financial Strategy need to be clearer, there is little evidence of a strategic approach to data quality within key council documents such as the Corporate Plan.

Recommendations

- R1 Data Quality must be included within the Corporate risk management arrangements.*
- R2 Data Quality needs to be embedded into the culture of the Council at Strategic levels.*
- R3 Ensure Data Quality links between key documents such as the Corporate and Medium Term Financial Strategy are clear.*

Policies

- 20 The Council has not defined its expectations or requirements in relation to data quality. At the time of the review the Council did not have a data quality policy document in place. Data Quality processes have worked by word of mouth or from the utilisation of ad-hoc documents informing staff of their responsibilities. This is a fundamental requirement for the Council to be assessed as adequate.

Recommendation

- R4 The Council should put in place a Data Quality Policy which can be accessed and used by staff at all levels.*

Systems and processes

- 21 There are systems in place for the collection and reporting of data, some of the systems being used rely on manual intervention and this needs to be carefully controlled otherwise errors can occur, the work carried out at stage 2 and 3 of the process have identified errors in the collection of data and subsequent reporting. Work at Stage 3 showed that of the 4 performance indicators reviewed, 2 were incorrectly reported, Temporary Accommodation (Hostels) and Homelessness prevention.
- 22 Whilst the DQ process works reasonably for some indicators, this is not consistent which suggests that the reported information within the IPR could be inaccurate. Internal Audit carry out reviews of some performance indicators and provide reports which are acted upon. There are no formal protocols in place with those partners of the Council who supply data quality information.

Recommendations

R5 Internal Audit should review a greater number of performance indicators in 2007/08.

R6 The systems for the collection of data will need to be reviewed to ensure that they are fit for purpose.

R7 Formal protocols with Council partners need to be developed to ensure accuracy of data.

People and skills

- 23 There is some training of staff for data quality, such as adult and children's services, however training has not occurred for other staff involved in data quality. There should be clearer guidance issued to all staff involved in the process and roles and responsibilities for all should be documented.

Recommendations

R8 Training of all staff involved in compiling performance indicators should take place at the earliest opportunity.

R9 Guidance for staff should be readily accessible for all involved in the compilation process.

R10 Roles and responsibilities for all staff included within the DQ process needs to be clearly defined.

Data use and reporting

- 24 Best Value performance indicator returns are supported by an audit trail, however there are weaknesses within the compilation process which will need review. BVPI information is made available bi-monthly to Cabinet. The BVPI information produced for Cabinet is not widely used within directorates with Heads of Service preferring to utilise their own management information.

Recommendations

R11 The Audit trail needs to be improved upon. PIs made available for audit should have an audit trail which has been reviewed by management prior to Internal Audit review.

R12 The IPR, as the key performance management document should be widely used across directorates rather than directorates using their own reports.

Analytical review (stage 2)

- 25 An analytical review of the following BVPIs was carried out. The findings, subject to the validation of a sample of PIs in stage 3 spot checks, are shown below.

Table 2

2006/07 Performance indicator	Assessment	Comment
BVPI 82a - Recycling Performance	Fairly stated	None
BVPI 82b - Composting Performance	Fairly stated	None
BVPI 183b - Average length of stay in Temporary accommodation	Further review	Decrease on year for year PI from 29 to 20 weeks. Large variance.
BVPI 214 - Homelessness Prevention	Further review	Increase from 2.88 per cent to 4.05 per cent. Subject to further review.
BVPI 165 - % of pedestrian crossings with facilities for the disabled	Reasonable	Not selected for further review, although year on year change was significant. There was a lower than expected increase in facilities and a review had been carried out by Internal Audit.
BVPI 199 - Cleanliness of public spaces.	Fairly stated	None

Data quality spot checks (stage 3)

- 26 A number of PIs were reviewed using a series of detailed spot checks and audit tests. Our findings are shown below.

Table 3

Performance indicator	Assessment	Comment
Housing BVPI 183b Temporary Accommodation: Hostels	Unfairly stated	Changes made to Pi, stated as 20 weeks, after intervention changed to 26.5 weeks.
Housing BVPI 214 Homelessness Prevention	Unfairly stated	Changes made to Pi, stated as 4.05 per cent after intervention changed to 5.4 per cent
Environment BVPI 82b Composting Performance	Fairly stated	None
Environment BVPI 82a Recycling Performance	Fairly stated	None

Appendix 1 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 Data Quality must be included within the Corporate risk management arrangements.	2	Herefordshire County Council			
7	R2 Data Quality needs to be embedded into the Culture of the Council at Strategic levels.	2	Herefordshire County Council			
7	R3 Ensure Data Quality links between key documents such as the Corporate and Medium Term Financial Strategy are clear.	2	Herefordshire County Council			
7	R4 The Council should put in place a Data Quality Policy which can be accessed and used by staff at all levels.	3	Herefordshire County Council			
8	R5 Internal Audit should carry out a review of a greater amount of performance indicators in 2007/08.	3	Herefordshire County Council			
8	R6 The systems in place for the collection of data will need to be reviewed to ensure that they are fit for purpose.	3	Herefordshire County Council			
8	R7 Formal protocols with Council partners need to be developed to ensure accuracy of data.	2	Herefordshire County Council			
8	R8 Training of all staff involved in compiling performance indicators should take place at the earliest opportunity.	2	Herefordshire County Council			

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
8	R9 Guidance for staff should be readily accessible for all involved in the compilation process.	2	Herefordshire County Council			
8	R10 Roles and responsibilities of all staff included within the DQ process needs to be clearly defined.	2	Herefordshire County Council			
9	R11 The Audit trail needs to be improved upon. Pl's made available for audit should have an audit trail which has been reviewed by management prior to Internal Audit review.	2	Herefordshire County Council			
9	R12 The IPR, as the key performance management document should be widely used across directorates rather than directorates using their own reports	2	Herefordshire County Council			

AUDIT STRATEGY 2008/09**Report By: Chief Internal Auditor****Wards Affected**

County-wide.

Purpose

1. To present the 2008/09 Audit Strategy for approval by the Audit and Corporate Governance Committee.

Financial Implications

2. None identified.

RECOMMENDATION

THAT: Subject to any comments from the Audit and Corporate Governance Committee, the Audit Strategy for 2008/09 be approved.

Reasons

3. Adoption of an Audit Strategy represents best practice as required by the CIPFA Code of Practice for Internal Audit in Local Government (2006) and is an integral part of the Council's internal control arrangements under the key lines of enquiry for Use of Resources 2008 assessments.

Considerations

4. The Audit Strategy is a high level statement of how Audit Services will be delivered and developed in accordance with the previously agreed terms of reference.
5. It is normal practice for the Audit Strategy to be reviewed annually by the Audit and Corporate Governance Committee.
6. The Strategy for 2007/08 was reviewed and adopted in April 2007.
7. The 2008/09 Audit Strategy (Appendix 1 refers) covers:
 - (a) Audit Services objectives and outcomes.

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

- (b) Resilience of the Audit Opinion.
- (c) Identification of significant issues and risks.
- (d) Provision of the service.
- (e) Resources and skills.
- (f) Internal Control Audit Opinion Matrix.

Risk Management

- 8. If the Audit Strategy is not reviewed and adopted there is the risk of non-compliance with the CIPFA Code of Practice for Internal Audit in Local Government (2006). There would be an adverse impact on the Council's Use of Resources score.

Appendices

- 9. Appendix 1 – 2008/09 Audit Strategy.
Appendix 2 – Audit Charter.

Background Papers

The Code of Practice for Internal Audit in Local Government in the United Kingdom (2006).

**AUDIT SERVICE STRATEGY
2008/09**

Introduction

1. The Code of Practice for Internal Audit in Local Government (2006) requires the Chief Internal Auditor to produce an Audit Strategy, which is a high level statement of how the internal audit service will be delivered and developed in accordance with its terms of reference and how it links to the organisational objectives and priorities.

Objectives and Outcomes

2. The terms of reference for Audit Service are very comprehensive and are set out in the Audit Charter previously approved by the Audit Committee on 22nd September, 2006. The Audit Charter has been updated and is attached at Appendix 2.
3. Audit Service outcomes are linked to the Council's objectives, as evidenced within the Audit Services' Service Plan for 2008-2011. The Plan also highlights the service performance indicators which will be monitored as part of the Council's Performance Management Framework.

Resilience of the Audit Opinion

4. The audit opinion on the Council's systems of internal control will be based on a review of the following:
 - (a) Financial standards, which will cover the Council's fundamental systems.
 - (b) Non-fundamental systems.
 - (c) Corporate governance arrangements to include anti-fraud activity.
 - (d) Other key systems.
 - (e) ICT protocols and controls (Council-wide).
 - (f) Establishment visits.
 - (g) Verification and probity audits.
 - (h) Corporate issues as they arise.
 - (i) Level of recommendations agreed for action by management.
 - (j) Results of recommendations follow-up.
 - (k) Performance management.
5. An audit opinion will be given to each audit review, which will inform the Chief Internal Auditor's overall opinion on the Council's system of internal control (paragraph 18 refers).
6. Regular Interim Assurance reports will be presented to the Audit and Corporate Governance Committee, with the Annual Assurance report presented in the June following the financial year to which it relates.

Identification of Significant Issues and Risks

7. The Chief Internal Auditor will use the Council's risk management framework to identify key audit risks. This will be supplemented by a review of Cabinet agenda, the Corporate Plan and corporate and directorate risk registers.
8. The Chief Internal Auditor will carry out an annual assessment of the need to review all key financial systems.
9. The Chief Internal Auditor will review all high-risk financial systems each year and medium risk financial systems on a cyclical basis.

Provision of the Services

10. The service is provided by an in-house team and supplemented by an external computer auditor. This mix works well bearing in mind the ever-changing world of ICT and the specific skills required for computer audit work.
11. ICT audit training and development will continue to be a key training area for all audit staff and with other training will ensure that Audit Service staff provide a comprehensive audit service to the Council.
12. Joint working arrangements with the Herefordshire Primary Care Trust will continue to be developed and progress reported to the Audit and Corporate Governance Committee.
13. The service has been under pressure, bearing in mind the ever-increasing need for computer auditing technical advice; this is evidenced by the introduction and implementation of Herefordshire Connects and the comments in the Crookall report. Additional resources will be added in this area.
14. The Audit Commission carries out limited assurance work, relying mainly on the work of the Audit Service.

Resources and Skills

15. Following the completion of the risk based audit plan, any differences between the plan and resources available will be identified and reported to members as appropriate. The Audit and Corporate Governance Committee will also be informed of audits removed from the plan to align the risk based plan to audit resources available.
16. Each audit assignment will be given a complexity rating and the auditor chosen to complete the assignment will have the required skills as set out in the CIPFA Good Practice Guide to Skills and Competencies. In addition, full managerial support will be given during all audit assignments.

17. Internal Control Audit Opinion Matrix

		Overall Opinion	Maximum % Weighting
(a)	Financial standards, which will cover the Council's fundamental systems.		25
(b)	Non-fundamental systems.		10
(c)	Corporate governance arrangements to include anti-fraud activity.		12
(d)	Other key systems.		12
(e)	ICT protocols and controls (Council –wide)		12
(f)	Establishment visits.		3
(g)	Verification and probity audits.		4
(h)	Other corporate issues as they arise to include external inspections.		5
(i)	Level of recommendations agreed for action by management.		2
(j)	Results of recommendations follow up.		5
(k)	Performance Management.		10
			100

Key		
	Good	85 to 100
	Satisfactory	65 to 84
	Marginal	51 to 64
	Unsatisfactory	31 to 50
	Unsound	1 to 30

AUDIT SERVICES CHARTER

Introduction

1. The purpose of this Charter is to establish the authority and responsibility conferred by the Council on the Audit Services Team with respect to carrying out internal audit functions.

Statutory Background

2. The need to maintain an internal audit function is implied by Section 151 of the Local Government Act 1972 under which local authorities are required to make proper arrangements for the administration of their financial affairs and to delegate responsibility for those arrangements to one of their officers. The Accounts and Audit Regulations 2003 amended by the Accounts and Audit (Amendment)(England) Regulations 2006 are explicit about the requirement to maintain an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

The Nature of Audit Services

3. The Audit Services Team is an assurance function that provides an independent and objective opinion to the Council on risk management, control and governance by evaluating their effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a proper economic, efficient and effective use of resources.

Audit and Corporate Governance Committee

4. To facilitate the work of the Audit and Corporate Governance Committee the Chief Internal Auditor will:
 - 4.1 Attend its meetings and contribute to setting the agenda.
 - 4.2 Ensure that it considers its own remit and effectiveness.
 - 4.3 Ensure that it receives, and understands, documents that describe how internal audit will fulfil its objectives (e.g. the audit strategy, annual work programmes, progress reports).
 - 4.4 Report the outcomes of internal audit work in sufficient detail to allow the Committee to understand what assurance it can take from that work and/or what unresolved risks to issues it needs to address.
 - 4.5 Establish if anything arising from the work of the Committee requires consideration of changes to internal audit's programme, and vice versa.
 - 4.6 Present an Annual Assurance report including an overall opinion on the control environment, the extent to which the audit plan has been achieved, and a summary of any unresolved issues.

AUDIT SERVICES CHARTER**Internal Controls**

5. This is the whole system of controls, both financial and otherwise, established by the Council in order to provide reasonable assurance that:
 - 5.1 Business risks are identified, assessed and managed effectively.
 - 5.2 Operations are effective and efficient.
 - 5.3 There are sound systems of internal financial control.
 - 5.4 There is compliance with laws and regulations.
 - 5.5 Assets are safeguarded from unauthorised use.
 - 5.6 Proper accounting records are maintained and the financial information used for business purposes or for publication is reliable.

The Role of Audit Services

6. The role of the Audit Services Team is to understand the key risks to which the Council is exposed and to contribute to the improvement of the internal control environment - it is not a substitute for it. The Audit Services Team is therefore not directly responsible for the ensuring that adequate and effective internal controls are established to manage the key risks – that responsibility lies with senior management.

Values of Audit Services

7. The Council expects the Audit Services Team to carry out their function in accordance with the following operational values:
 - 7.1 Demonstrating integrity in all aspects of their work.
 - 7.2 Impartiality in discharging all responsibilities, and not allow bias, prejudice or undue influence to limit or override objectivity.
 - 7.3 Applying knowledge, skills and experience to their work, seeking additional advice and support where necessary to ensure work is carried out competently.
 - 7.4 Safeguarding all information received and ensuring no unauthorised disclosure of information unless there is a legal or professional requirement to do so.
 - 7.5 Being client focused at all times.
 - 7.6 Offering constructive comments and practical solutions.

AUDIT SERVICES CHARTER

- 7.7 Being proactive in approach.
- 7.8 Adopting a professional attitude to all tasks.
- 7.9 Being responsive to requests for advice.

Aim of Audit Services

- 8. The Audit Services Team aims to add value by contributing towards the improvement of the Council's activities by promoting effective control at reasonable cost in relation to the identified risks.

Functions of Audit Services

- 9. The functions of the Audit Services Team are to:
 - 9.1 Assist the Council in the accomplishment of its objectives by bringing a systematic and disciplined approach to the evaluation and improvement of risk management, corporate governance and internal control processes.
 - 9.2 Assist the Council in the effective discharge of its functions by providing independent analysis, appraisal, advice and recommendations on the activities subject to internal audit review.
 - 9.3 Review, appraise and report on the adequacy and effectiveness of the systems of financial and internal control.
 - 9.4 Review, appraise and report on the relevance, integrity and reliability of financial and other management information.
 - 9.5 Review, appraise and report on the level of compliance with the policies, plans, procedures, statutory requirements and regulations that could have a significant impact on the Council's activities.
 - 9.6 Review, appraise and report on the arrangements for protecting assets from loss resulting from theft, fraud, fire or misuse and, as appropriate, verifying their existence.
 - 9.7 Review and appraise the economy, efficiency and effectiveness with which resources are deployed and recommend improvements in procedures and systems that will reduce wastage, extravagance and fraud.
 - 9.8 Review service delivery arrangements and projects to ascertain whether the activities are being carried out as planned and the results are consistent with the Council's established policies.
 - 9.9 Maintain a programme of review and assessment of the Council's risk management processes in order to provide assurance on their integrity.

AUDIT SERVICES CHARTER

- 9.10 Carry out any ad hoc appraisals, inspections, investigations, examinations or reviews requested by senior management or the political executive.
- 9.11 Act as the liaison with the Council's external auditors and coordinate audit effort with the Audit Commission in order to avoid duplication of effort and increase audit coverage.
- 9.12 Develop a shared audit protocol with colleagues in partner organisations in order to avoid duplication of effort and maximise internal audit coverage.
- 9.13 Maintain technical competence through continuing education and active participation in professional activities.
- 9.14 Adhere to the code of ethics, standards and guidelines of the relevant professional institutes and the Auditing Practices Board.
- 9.15 Utilize the resources designated for use by the Audit Services Team to maximise the efficiency and effectiveness of the internal audit function.
- 9.16 Serve on internal working groups as appointed by senior management.

Independence of Audit Services

- 10. The Chief Internal Auditor reports direct to the Director of Resources. The Director of Resources is the Council's Responsible Financial Officer under the terms of Section 151 of the Local Government Act 1972.
- 11. The Chief Internal Auditor is responsible for the day to day management of the Audit Services Team. The Chief Internal Auditor has the freedom to report to any level of management (officers and Members as appropriate) on audit findings without censure.

Authority of Audit Services

- 12. This Charter and the Council's Standing Orders and Financial Regulations confirm the authority conferred on the Audit Services Team by the Council.
- 13. The Chief Internal Auditor and the Audit Services Team have the authority to:
 - 13.1 Decide on the nature, scope and timing of audits.
 - 13.2 Access all records, documents and correspondence relating to any financial and other transactions of the Council.
 - 13.3 Enter any of the Council's premises.

AUDIT SERVICES CHARTER

- 13.4 Request that any employee produce and surrender cash, stores or any other Council property under the employees control.
 - 13.5 Have discussion with the Council's line managers and other employees.
 - 13.6 Request any officer to provide the information and explanations needed to be able to form an opinion on the adequacy of and compliance with the internal control system.
14. The Council's officers are required to assist the Audit Services Team in the performance of their audit duties and to respond promptly to any requests for information, explanation, discussion, entry to premises or access to documents.

Scope of Audit Services

- 15. The risk of financial loss is not the sole concern of the Audit Services Team. The scope of audit activity encompasses the whole range of internal controls employed by the Council – both financial and non-financial.
- 16. The scope of the audit function is therefore sufficiently comprehensive to meet the Council's needs. It extends to cover all areas of the Council and its controlled entities and may involve working with colleagues in partner organisations.

Audit Protocol

- 17. The Audit Services Team is required to observe the following protocol in carrying out their internal function:
 - 17.1 Provide advance notice to the manager of each service area to be audited. An annual audit plan will be established after securing input from the Directors and Heads of Service and approval of the plan by the Corporate Management Board and the Audit and Corporate Governance Committee.
 - 17.2 Conduct a preparatory meeting with the nominated manager of the service being audited to discuss the nature of the audit, the length of engagement and the coordination of the review around operational constraints. The detail of the audit programme will be reviewed at that meeting with the nominated manager in order to ensure proper and thorough audit coverage.
 - 17.3 Conduct interim meetings with the nominated service manager as appropriate to discuss progress with the review and findings as they arise.
 - 17.4 Preparation of a written draft internal audit report following the conclusion of the audit.
 - 17.5 Conduct a final meeting with the nominated service manager to discuss the draft report and confirm the accuracy of the audit findings and the appropriateness of the audit recommendations.

AUDIT SERVICES CHARTER

- 17.6 Agreed amendments to the draft report will be reflected in the final report along with the nominated service manager's response to the recommendations. Final copies of the report will be distributed as appropriate.
- 17.7 The Head of Service is responsible for making sure that the action plan included in the audit report is implemented.

The Audit Plan

18. A annual plan providing for the review of significant Council activities will be prepared for approval by the Corporate Management Board and the Audit and Corporate Governance Committee at the start of each financial year. The plan will be based on an assessment of the risk pertaining to the achievement of the Council's objectives.
19. The plan will form the basis of the annual operational plan for the Audit Services Team. An annual report on progress against that plan is required for the Corporate Management Board and the Audit and Corporate Governance Committee before the end of June following the end of the relevant financial year.

Audit Reporting

20. The Audit Services Team are required to submit timely reports on all significant issues arising from the internal audit plan to the service manager, the Responsible Financial Officer and senior management as appropriate.

Audit Standards

21. The Council requires the Audit Services Team to follow the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

Deterring and Detecting Fraud

22. Managing the risk of Fraud and Corruption and the deterrence of fraud is a responsibility of management. The Audit Services Team is responsible for examining and evaluating the adequacy and effectiveness of actions taken by management to fulfil this obligation.
23. The Audit Services Team shall be trained to recognise the potential indicators of fraudulent activity. If sufficient control weaknesses are detected, the Audit Services Team will carry out additional tests in order to confirm or otherwise an acceptable level of propriety and probity.
24. The Audit Services Team will not and can not, however, be as skilled in the detection of fraud as individuals whose sole purpose is to detect and investigate fraud – the remit of the internal audit function is much wider than prevention of fraud as set out in this Charter. Service managers must also be clear that auditing procedures alone, no matter how professionally they are carried out, cannot guarantee that fraud will be detected.

AUDIT SERVICES CHARTER

25. The Audit Services Team will assist in the investigation of fraud in order to:
 - 25.1 Determine if controls need to be implemented or strengthened.
 - 25.2 Design audit tests to help disclose the existence of similar frauds in the future.
 - 25.3 Meet the internal auditor's responsibility to be able to recognise fraud.
26. A written report will be issued at the conclusion of each investigation. It will include all findings, conclusions, recommendations and corrective action to be taken.

March 2008

AUDIT COMMISSION REPORTS

Report By: Chief Internal Auditor

Wards Affected

County-wide.

Purpose

1. To present to members of the Audit and Corporate Governance Committee a suggested framework to manage the process of receipt and action follow-up on all Audit Commission reports received by the Council.

Financial Implications

2. None.

RECOMMENDATION

THAT: Subject to any comments from the Audit and Corporate Governance Committee the framework for the control of Audit Commission reports be submitted to Cabinet for approval.

Reasons

3. The Audit and Corporate Governance Committee considered a suggested framework for the Annual Governance Statement on 25th January, 2008 and 29th February, 2008. Part of the process involves actions that arise from the Council's Annual Audit and Inspection Letter and other Audit Commission reports.
4. Previously in April 2006 the Audit Committee adopted a framework for monitoring progress with action plans arising from Audit Commission reports. However, this was not fully embedded. It is now necessary to re-establish an agreed approach for the future benefit of the Council.

Considerations

5. At the start of each financial year the Audit Commission will inform Cabinet and the Audit and Corporate Governance Committee of the reviews it intends to undertake as part of their audit arrangements.
6. The relevant Head of Service will be appointed the Council's lead officer and the Audit Commission staff carrying out the review will liaise direct with this officer.
7. Copies of the draft report will be sent to the Head of Service for each review and the Chief Internal Auditor.

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

8. The Head of Service will then have three weeks to comment on the draft, this will include meeting with the Audit Commission, their Director and, if required, the Chief Internal Auditor to discuss the report.
9. Once finalised the Audit Commission will send copies of reports to the Chief Executive, the client Director, the Director of Resources, the relevant Head of Service and the Chief Internal Auditor.
10. The final report will identify priority 3 recommendations, these being high risk areas needing prompt action.
11. All action plans will be signed off by the relevant Director and returned to the Audit Commission within two weeks of receipt of the final report.
12. Copies of all signed action plans must be sent to the Chief Internal Auditor.
13. The relevant Director will ensure that the report is presented to Cabinet, the Audit and Corporate Governance Committee and the relevant Scrutiny Committee.
14. The Chief Internal Auditor will inform the Audit and Corporate Governance Committee and Cabinet of the progress being made on all recommendations.
15. Once this process has been approved the Chief Internal Auditor will inform all Corporate Management Board members and Heads of Service accordingly.

Risk Management

16. If the Council does not have a robust process for managing Audit Commission reports there is the possibility that required actions are not acted upon, which could impact adversely on the Council's Annual Governance Statement.

Background Papers

Report titled Audit Commission Reports presented to the Audit Committee on 7th April, 2006.

AUDIT PLAN 2008/09

Report By: Chief Internal Auditor

Wards Affected

County Wide

Purpose

1. To report to the Audit and Corporate Governance Committee on the process used to develop the Annual Plan for 2008/09.

Financial Implications

2. None identified.

RECOMMENDATION

THAT Subject to any comments from the Audit and Corporate Governance Committee, the Audit Plan for 2008/09 is adopted.

Reasons

3. Preparation of the Audit Plan represents best practice as required by the CIPFA Code of Practice for Internal Audit In Local Government and is an integral part of the Council's Internal Controls procedures under the Use of Resources assessment for 2008.

Considerations

4. The Accounts and Audit Regulations 2003 (as amended) established that a relevant body must maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practice in relation to internal control. The guidance accompanying the legislation states that, for principal local authorities, proper internal control practice for internal audit are those contained within the CIPFA code.
5. Herefordshire Council also has an obligation to include an Annual Governance Statement in its Statement of Accounts. Cabinet has been requested to agree an assurance framework at its meeting on 27th March 2008. The work of Audit Services is one of the assurance elements.
6. In addition, the work of Audit Services forms a significant part in the Council meeting its obligations under the Accounts and Audit Regulations and the Use of Resources assessment. Limiting the Council's vulnerability to fraud and corruption and adhering to financial controls are key lines of enquiry in this assessment. The first call on audit resources will always be from the corporate governance and control perspective although the skills inherent

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

within the team can positively contribute to other corporate initiatives where possible.

7. The Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) states that “The Head of Internal Audit should prepare a risk-based audit plan designed to implement the audit strategy. In preparing the plan, the Head of Internal Audit should take account of the adequacy and outcomes of the organisation’s risk management, performance management and other assurance processes”.
8. The approach to preparing the Annual Audit Plan is fundamentally based upon the Council’s Risk Strategy and covers risk assessments in the following areas:
 - (a) Financial standards, which will cover the Council’s fundamental systems.
 - (b) Non-fundamental systems.
 - (c) Corporate governance arrangements to include anti-fraud activity.
 - (d) Other key systems.
 - (e) ICT protocols and controls (Council-wide).
 - (f) Establishment visits.
 - (g) Verification and probity audits.
 - (h) Results of recommendations follow-up.
 - (i) Performance Management.
9. Each area is assessed for potential risks and classified as a high, medium, or low risk. In addition, within each risk area, consideration is also given to residual risk for specific functions or establishments based upon past Audit opinion and current knowledge including a review of Risk Registers at Corporate and Directorate level.
10. A key part of the risk methodology is that fundamental systems are always high no matter what their previous audit opinion is, as these are critical systems whose failure could cause major disruption or loss of financial control to the Council. These systems are identified by an analysis of the Council’s last published accounts and further identification of the information systems impacted upon. In addition, bank account schools are always high because of their level of independence from the Council’s control systems.
11. The Code also states that “ the plan should be fixed for a period of no longer than one year. The plan should outline the assignments to be carried out, their respective priorities and the estimated resources needed. The plan should differentiate between assurance and other work”.

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

12. All the work in the Audit Plan (Appendix 1 refers) is assurance work except for 20 days consultancy in relation to ISO 270001 in ICT. In addition, all the work within the current plan forms the basis for the Chief Internal Auditor to give an opinion on the Council's systems of internal control and is therefore deemed a priority. Priority will however be given to fundamental system work due to the impact on the assurance work of the Audit Commission.
13. Links to the Council's Standing Orders and Financial Regulations, and scheme of delegation are evidenced by audit work as set out below:
 - (a) Establishment audits cover inventories, budget monitoring and control, procurement and contracts, purchasing and stock control, income, Insurance, voluntary funds and imprest accounts.
 - (b) Reviews at Directorate level cover compliance with Standing Orders for the Regulation of Contracts.
 - (c) A review of the Gifts and Hospitality Register; and receipt of written assurances from key managers including the Chief Executive and Directors.
 - (d) Fundamental reviews such as those covering Debtors, Asset Register, Treasury Management, Creditors, and Payroll also contribute.
 - (e) Reviews of delegation arrangements at Directorate level.
14. Following the risk assessment, the base plan identified 2,004 days of resources compared to available resources of 2,000 days, a difference of some 4 days. The gap between needed and resources available is due to the higher contingency than normal. Benchmarking has shown that Unitary Authorities have a contingency level ranging from nil to 30 percent of total days available with an average of 6.2 percent. It is considered that 10 percent contingency is a reasonable figure.
15. With regards to Fundamental Systems, the Audit Commission requirements for 2008/09 are currently being ascertained and will be reported to members when known. The Chief Internal Auditor will liaise with Directors and Heads of Service to ensure that the requirements of the Audit Commission are met in full.
16. The plan also reflects continuing Audit Services involvement in supporting key corporate priorities such as the Performance Management Framework, Project Management, Risk Management, Local Area Agreements (LAA), Herefordshire Connects and the Public Service Trust.
17. Any revisions to the plan for 2008/09 will be reported to members by 30th November 2008 and the report will reflect any changes in resources and new audit work identified.
18. Due to time constraints there has been limited consultation with Corporate Management Board Members, however their views, will be sought and

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

subject to resources, will taken into account in determining the areas that require future audit attention.

Joint working with the Primary Care Trust

- 19. The Chief Executive’s recently published paper on a joint management structure states that opportunities to integrate some elements of internal audit services across the Council and PCT will be followed up.
- 20. It has been agreed that joint working will be trialled in the following areas:

	Area	Location in Plan
i	Section 75 Agreements	Other key systems
ii	Programme Boards	Other Key Systems- Herefordshire Public Services
iii	Risk Management	Other Key Systems- Herefordshire Public Services
iv	Debtor Management	Other Key Systems- Herefordshire Public Services
v	Creditor Management	Other Key Systems- Herefordshire Public Services
vi	ICT Applications	Other Key Systems- Herefordshire Public Services

- 21. The approach has been agreed with the Primary Care Trust. Members are reminded that this is a new venture being undertaken by both organisations and there needs to be some embedding of approach and joint working arrangements.

Risk Management

- 22. There is the risk that the Audit Plan is not completed. The key control measure will be monthly progress reports to the Director of Resources and progress on the Audit plan will form part of the Interim Assurance Reports to the Audit and Corporate Governance Committee. If required temporary resources will be brought in to cover any vacancies if they arise.

BACKGROUND PAPERS

The Code of Practice for Internal Audit in Local Government in the United Kingdom (2006)

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

**HEREFORDSHIRE COUNCIL
AUDIT PLAN 2008/09**

AUDIT AREA	DAYS
a. FUNDAMENTALS	
Asset Register	25
Treasury Management	25
Cash and Deposit	30
ICT FMS	30
Education FMS	30
Bank Reconciliation	30
Debtors	25
Creditors	30
FMS	30
Payroll Non Education	35
Payroll Education	35
NDR	35
Council Tax	35
Housing Benefit	40
Education Transport	25
Early Years	25
Supporting People	25
Amey Contract	30
Total Fundamentals	540
b. NON-FUNDAMENTALS	
Regeneration Directorate	
Section 106 Agreements	10
Resources Directorate	
Anti Money Laundering	5
Value added Tax	10
Industrial Estates Income	10
Children Services Directorate	
Revenue/Capital Grants	15
Sure Start	20
Instrumental Music	10
Decision Management Process	20
Environment and Culture Directorate	
Waste Contract Management	12
Income from Trade Waste/Domestic Waste	15
Penalty Charge Notice/Car Park Income	20
Integrated Commissioning Directorate	
Payments to Independent Providers	20

**HEREFORDSHIRE COUNCIL
AUDIT PLAN 2008/09**

AUDIT AREA	DAYS
Total Non-Fundamental Systems	167
c. GOVERNANCE AND ANTI FRAUD	
Anti Fraud	
Travel and Subsistence	15
Staff Register of Gifts	5
Regeneration Developments	15
National Fraud Imitative	15
Governance	
Environment and Culture Directorate	10
Resources Directorate	10
Deputy Chief Executive Directorate	10
Total Governance and Anti Fraud	80
d. OTHER KEY SYSTEMS	
Risk Management	20
Local Area Agreement	30
Use of Resources-Internal Control	20
Section 75 Agreements	30
Audit & Corporate Governance Committee	60
GEM Systems	10
Recruitment and Selection	20
Staff Review and Development	20
Project Management	25
Managing Attendance	25
Annual Governance Statement	25
Herefordshire Public Services	30
Member Register of Interests and Gifts	15
Total Other Key Systems	330
e. ICT PROTOCOLS AND CONTROLS (COUNCIL-WIDE)	
Herefordshire Connects	50
Corelogic/CLIX	10
Cedar Feeder Systems	5
ISO 27001 Consultancy	20
ISO 27001 Technical Compliance	25
ISO 27001 Physical Security	25
ISO 27001 3 rd Party Management	25
Security Arrangements- Remote Sites	20
IPG Group Quality Assurance	10
Cedar -Access Controls	3
Payroll System Access Controls	5
Council Tax/Housing Benefit/Non Domestic Rates	5

**HEREFORDSHIRE COUNCIL
AUDIT PLAN 2008/09**

AUDIT AREA	DAYS
Total ICT Protocols and Controls Council-Wide	203
f. ESTABLISHMENT VISITS	
Secondary Schools Toolkit Follow up	20
Primary Schools Toolkit (25)	250
Total Establishments Visits	270
g. VERIFICATION AND PROBITY	
Diversity Standard	10
Contract Letting	
Children Services	15
Environment and Cultural Directorate	15
Resources Directorate	15
Deputy Chief Executive Directorate	15
Total Verification and Probity	70
h. RECOMMENDATION FOLLOW UP	
ICT Use of Contractors, Audit Report,	10
Customer Relations Management System	5
Managed Learning, Platform/Virtual Learning Environment	5
Drugs Forum – Partnership Management	3
Drug Forum Management	3
ICT Petty Cash	2
Housing Performance Indicators	2
Household Waste Management Performance Indicator	3
Pedestrian Crossing Performance Indicator	3
Street Cleanliness Performance Indicator	3
Total Recommendation Follow Up	39
i. PERFORMANCE MANAGEMENT	
Performance Management	25
Performance Indicators (to be identified)	80
Total Performance Management	105
Total Contingency	196
TOTAL PLANNED DAYS	2000

UPDATED INTERIM ASSURANCE REPORT 2007/08 NO. 6

Report By: Chief Internal Auditor

Wards affected

County-wide.

Purpose

1. To provide the Audit and Corporate Governance Committee with a updated interim Assurance Report for 2007/08 that:
 - a) Provides an update on progress with the significant internal control issues identified in the Assurance Report for 2006/07.
 - b) Identifies the significant internal control issues identified to date in 2007/08.

Financial Implications

2. None.

Recommendation

THAT: Subject to any comments by the Committee, the report is noted.

Reasons

3. To comply with good practice as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.
4. To provide the Audit and Corporate Governance Committee with an update on the significant internal control issues.

Considerations

Associated Reports

5. The table below highlights the associated reports previously considered by the Audit and Corporate Governance Committee.

Date	Report
13th April, 2007	Audit Plan for 2007/08.
29th June, 2007	Statement on Internal Control 2006/07. Annual Assurance Report 2006/07.

21st September, 2007	Interim Assurance Report for 2007/08. Revised Statement on Internal Control 2006/07.
19th October, 2007	Updated Interim Assurance Report for 2007/08 No.2.
16th November, 2007	Revised Audit Plan for 2007/08.
30 th November 2007	Updated Interim Assurance Report for 2007/08 No.3.
21 st December 2007	Updated Interim Assurance Report for 2007/08 No.4.
29 th February 2008	Updated Interim Assurance Report for 2007/08 No.5.

Key Issues Identified in 2006/07

6. The Audit and Corporate Governance Committee considered the Annual Assurance report for the year ending 31st March, 2007 on 29th June, 2007. The Audit and Corporate Governance Committee also reviewed and adopted a Statement on Internal Control for 2006/07 at that meeting, and considered a revised Statement on Internal Control for 2006/07 at the meeting on 21st September, 2007.
7. The significant internal control issues identified in the revised Statement on Internal Control for 2006/07 are set out below, along with comments on progress in *italics*:
 - a) The Commission for Social Care Inspection (CSCI) has judged to the Learning Disabilities Service as not serving people well.

The Director of Adult & Community Services advises that CSCI has approved an action plan agreed by Cabinet in consultation with scrutiny. Robust project management arrangements are in place with progress regularly reviewed by the Director of Adult and Community Services via his management team. Formal progress reports to Cabinet and scrutiny are also planned. The Annual Review Meeting with CSCI has taken place. The Council has retained its one star status.

- b) Three fundamental systems were given a **marginal** audit opinion in 2006/07 (a number of areas have been identified for improvement). These were:
 - i) Education Transport;
 - ii) Housing Benefit Payments; and
 - iii) Salaries in Children's Services.

As in previous years, work in relation to the 2007/08 audit of fundamental systems will include follow up work on recommendations made in previous years. Fundamental systems audit work is in progress (Appendix 1 refers). The Audit and Corporate Governance Committee will be informed of any significant internal control issues in updated assurance reports from the Chief Internal Auditor.

- c) One fundamental system was given an **unsatisfactory** audit opinion in 2006/07 (unacceptable risks identified, changes should be made). This relates to the financial management and procurement system in ICT.
- i) *Audit Services has completed the follow-up work in relation to this audit. Some of the actions agreed in response to the audit recommendations have been actioned. However, nine recommendations had not been actioned, two of which were ranked as critical. One of the critical recommendations related to the reconciliation of the ICT financial management and procurement system to the corporate financial management system. This was not up to date at financial year-end. The Acting Head of Service took swift action in requesting support from Financial Services and they successfully reconciled the ICT financial management and procurement system to the corporate financial management system as at 31st March, 2007. The other critical recommendation related to the budget management. The Acting Head of ICT has worked closely with Financial Services to establish the expenditure for the year is within budget. The ICT finance team has transferred to the Resources Directorate.*
- ii) *The 2007/08 fundamental review has been completed and it is pleasing to report that a satisfactory audit opinion has been given.*

Progress with the Audit Plan for 2007/08

8. The Audit and Corporate Governance Committee approved the Audit Plan for 2007/08 on 13th April, 2007 and agreed revisions to it on 16th November, 2007. The current status of work is set out in Appendix 1, with highlights set out below.

Fundamental Systems

9. Audit work within this area is in progress. It should be noted that the Council's target is for all fundamental systems to have a satisfactory or good audit opinion. To date seven fundamental reviews have been finalised, six have been given a **satisfactory** audit opinion and one a **good** opinion.
10. The timetable previously agreed with the Audit Commission has slipped as agency staff supplied by Pertemps left at short notice. The Audit Commission has been very supportive and understanding. The Chief Internal Auditor has informed the Audit Commission and the Director of Resources of the current position. It is likely that Housing Benefit and Council Tax reviews will miss the target date by some four weeks. To help mitigate this staff will be offered overtime over a two week period. All available staff within Audit Services will help with the audit testing.

Non-Fundamental Systems

11. Three reviews have been completed in this area and it is pleasing to note that one was given a good audit opinion with the remaining two given **satisfactory** opinions.

Governance

12. The work on delegations concentrates on directors' responsibilities. Comments have been received on the draft report; it is now with Audit Services for finalisation.

Performance management

13. Five reports have been produced in relation to twelve performance indicators. All reports have been finalised with two being given a **satisfactory** audit opinion and three a **marginal** audit opinion. The findings in relation to the three receiving a **marginal** opinion are as follows:

Housing (BVPI 183a, 183b, 214 and Housing Strategy Statistical Appendix Return (HSSA))

- a) The main issue was the lack of supporting data for the figures provided. This was a particular problem for the RSL/Housing Association figures supplied for the HSSA return.
- b) The review highlighted the need for the outturn for BVPI 183a and 214 to be changed. It should be noted that the most of the errors were found to be in quarter 4 when a staff change occurred.
- c) Although not all of the data was supported, Audit Services was encouraged by the new checking and monitoring systems that the new Performance Improvement Manager has now put in place to prevent the same errors being repeated for 2007/08.

Pedestrian Crossings (BVPI 165)

- d) Audit Service were unable to verify the BVPI figure as the errors found in the sample test meant a further retest of most installations would be necessary prior to a recalculation and verification of the BVPI outturn.
- e) There was a need for procedures for carrying out inspections and the use of measuring equipment to be written. The procedure should contain a work plan to allow for supervisory checks of the inspections to be carried out.

Cleanliness Performance (BVPI 199)

- f) Audit Services was able to verify the spreadsheet that formed the basis of the BVPI calculation and published BVPI figures. However there were a number of omissions and errors found within the source data. There needs to be a mechanism for the checking of survey forms and input into the spreadsheet.

Establishment Audits

14. Work to assess financial management arrangements within secondary schools in line with Department for Children, Schools and Families (DCSF) standards is coming to an end. At the present time, all 14 reports have been finalised. Four schools met the required standard. Six are on target to meet it. Follow-up work is planned and ongoing to ensure these six schools meet their targets for

improvement. It is unlikely that four schools will meet the standard in the short term. The lessons learned from carrying out the reviews in secondary schools will be used to improve the approach in primary schools.

Verification and Probity

15. The **unsatisfactory** opinion on the Drugs Forum was given on the basis that there was a need for some form of monitoring, feedback and assurance process to demonstrate that the forums were achieving satisfactory and desirable outcomes. Not all the recommendations made will apply to all the forums as some had better systems than others.
16. An **unsatisfactory** opinion was also given in relation to the review on how the Council manages the Drugs Forum Partnership. It is important to note that the Service Manager who had some concerns in this area requested this review. The key issues identified were the need for improvements in the commissioning system and improved monitoring arrangements. The Service Manager has agreed the action plan and Audit Services will be carrying out further follow up work.
17. The audit was undertaken at the request of the new Head of Service who had some concerns regarding the previous management of the Imprest account. The **marginal** opinion was given as there was a need for improvements in the administration of the Imprest account. Recommendations have been made and positive action has been taken by the new Head of Service.

Contracts

18. The ICT Use of Contractors report was given an **unsound** audit opinion. The areas of concern were highlighted in the Director of Resources' Special Report. The Director of Corporate and Customer Services has reported separately to the Audit and Corporate Governance Committee on progress with implementing the audit recommendations arising from this audit review.
19. Further work is being undertaken on the use of contractors in ICT, following receipt of a statement from a member of staff suggesting potential issues of compliance regarding the Customer Relations Management contract. The comments made have been investigated and the draft report is now with the Chief Executive and client Director, in line with established protocols.
20. The Director of Children and Young People's Services has asked Audit Services and Legal Services to review the management of the Managed Learning Platform/Virtual Learning Environment (MLP/VLE) project. Concerns have been raised that need to be investigated in full on behalf of the Director. The Director will establish the appropriate course of action on the basis of the audit findings. Any issues concerning compliance with the Council's internal controls will be reported in line with established protocols. The draft report is with the Chief Internal Auditor for review before being given to the Director.

Special Investigations

21. The findings of the special investigation on officer expenses and contractors expenses in ICT formed part of the Director of Resources' Special Report to the Audit and Corporate Governance Committee on 21st September, 2007.

22. As requested by the Audit and Corporate Governance Committee on 28th February, 2008, and on the advice of the Head of Legal and Democratic Services, the Chief Internal Auditor will be giving a verbal update on the findings with regards to the reports on officer expenses and contractors expenses in ICT.

Recommendations made

23. Under current reporting protocols, the Chief Internal Auditor has to bring all critical recommendations to the attention of the Audit and Corporate Governance Committee. These are recommendations where non-compliance will be a high risk to the Council and where action is required urgently or within an agreed timescale. The following critical recommendations have been made:
- a) The Director of Corporate and Customer Services should ensure that the Directorate follows the formal tender process as laid down in standing orders for contractors and procurement where the estimated contract is in excess of £50,000. In order to achieve this, a strict appraisal of all business cases must be undertaken.
 - b) The Director of Corporate and Customer Services should ensure that contracts that have an estimated value in excess of the European limit are subject to appropriate protocols. In order to achieve this, a strict appraisal of all business cases must be undertaken.
 - c) The Director of Corporate and Customer Services should ensure there is compliance with the Code of Practice for the Regulation of Contracts.
 - d) The Director of Corporate and Customer Services should implement a protocol to monitor the budget and actuals for major projects in line with Council Regulations and Policies.
24. The Director of Corporate and Customer Services has submitted a report to the Audit and Corporate Governance Committee on 21st December, 2007 outlining the current action being taken with regards to the critical 1 recommendations.

Areas of concern

25. A special report by the Director of Resources was presented to the Committee on 21st September, 2007. The action plan has been adopted by Cabinet and forms part of a consolidated action plan being submitted to Cabinet on 27th March, 2008.

Audit and Corporate Governance Committee Action Follow up

26. With regards to the Committee's request that assurance is given that all follow up actions have been completed, the Chief Internal Auditor is reviewing all minutes since June 2007 and will report at the next meeting in June 2008.

Risk Management

27. There is the risk that the resources needed to carry out the work needed to give an opinion on the Council's internal control system are not available. The Audit and Corporate Governance Committee considered and adopted a revised Audit

Plan on 16th November, 2007, which highlighted the need for additional resources. At the present time efforts are being made to recruit temporary staff, with limited success. The Chief Internal Auditor keeps progress against the Audit Plan under constant review reporting progress on a monthly basis to the Director of Resources.

BACKGROUND PAPERS

Code of Practice for Internal Audit 2006.

STATUS OF AUDITS STARTED DURING THE YEAR 2007/08

Audit	Status	Audit Opinion
Fundamental Systems		
Bank Reconciliation	Final	Good
Housing Benefit	WIP	
Statement on Internal Control 2006/07	Final	Satisfactory
Payroll Non-Education	Final	Satisfactory
Main Accounting System	Final	Satisfactory
Council Tax	WIP	
Creditors	Final	Satisfactory
ICT Financial Management System	Final	Satisfactory
Debtors	Draft with Client	
Supporting People	Final	Satisfactory
Schools Transport	Draft with Client	
NDR	WIP	
Cash and Deposit	Draft	
Children Services -Early Years	Draft with Client	
Treasury Management	WIP	
Asset Register	WIP	
Salaries-Children Services	Draft with Client	
Non Fundamental Systems		
Management of Property	WIP	
Lifelong Learning	Final	Good
Agency Payments – Adult Services	Final	Satisfactory
Anti Money Laundering	Final	Satisfactory
Governance		
Delegations Arrangements – Directors Responsibilities	Draft with Audit Manager	
National Fraud Initiative	Ongoing	
Performance Management		
Housing (BVPI 183a, 183b, 214 and HSSA Return)	Final	Marginal
Household Waste Management (BVPI 82aand 82b)	Final	Satisfactory
Pedestrian Crossings (BVPI 165)	Final	Marginal
Street Cleanliness (BVPI 199)	Final	Marginal
Libraries – Cost per visit and Library Survey	Final	Satisfactory
Performance Management System	WIP	
Establishment Audits		
Kingstone High School (DfES Standard)	Final	On target to be met in the short term
John Kyrle High School (DfES Standard)	Final	Standard met

STATUS OF AUDITS STARTED DURING THE YEAR 2007/08

Audit	Status	Audit Opinion
Aylestone High (DfES Standard)	Final	On target to be met in the short term.
Wyebriidge Sports College (DfES Standard)	Final	On target to be met in the short term.
Weobley High (DfES Standard)	Final	On target to be met in the short term.
Lady Hawkins High (DfES Standard)	Final	Unlikely to be met in the short term.
Wigmore High (DfES Standard)	Final	Unlikely to be met in the short term.
Queen Elizabeth High (DfES Standard)	Final	Unlikely to be met in the short term.
St. Marys High (DfES Standard)	Final	Standard met
Whitecross High (DfES Standard)	Final	Standard met
Fairfield High (DfES Standard)	Final	On target to be met in the short term
Minster College (DfES Standard)	Final	Unlikely to be met in the short term.
Bishop of Hereford Bluecoat (DfES Standard)	Final	Standard met
John Masefield High (DfES Standard)	Final	On target to be met in the short term
Verification and Probity		
Drugs Forum – Partnership Management	Final	Unsatisfactory
Local Area Agreement – Grant	Final	N/a
Drugs Forum Management	Final	Unsatisfactory
ICT Petty Cash	Final	Marginal
Travel and Subsistence Claims	WIP	
Whitecross High – School & Sports Co-ordinator Grant	Final	N/a
Minster College – School & Sports Co-ordinator Grant	Final	N/a
Good Environmental Management (GEM)	WIP	
Contracts		
Contract letting & Monitoring – Learning Disabilities	Final	Satisfactory
Contract – Ross-on-Wye Flood Alleviation Scheme	Final	Satisfactory
ICT – Use of Contractors	Final	Unsound
Jarvis Contract	Draft	
Customer Relations Management System (CRM)	Draft with Chief Executive & Client Director	
Managed Learning Platform/Virtual Learning Environment.	Draft	
Special Investigation		
Officer ICT Expenses	Final	N/a
ICT Contractors Expenses	Final	N/a
Recommendation Follow up		
Control of ID Cards	Draft with Client	

STATUS OF AUDITS STARTED DURING THE YEAR 2007/08

Audit	Status	Audit Opinion
ICT FMS 2006/07	Final	N/a
Car Loans	Final	N/a
Market Fees and Charges	Final	N/a
Community Access Points (CAPS)	Final	N/a
CLIX System	Final	N/a
TALIS System	Final	N/a
Home Point System	Final	N/a
MVM & Planning 20/20	WIP	
Risk Management		
Risk Management Framework	Final	Satisfactory
ICT-Council wide		
ISO 27001- Physical Security	WIP	
ISO 27001- Team Compliance	WIP	
ISO 27001- 3 rd Party Management	WIP	
E-Pop Cedar E -Purchasing	WIP	

Quantification and Classification of Internal Control Levels

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

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

