

# Audit and Corporate Governance Committee

Date: **Friday, 29th February, 2008**

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Time: **2.30 p.m.**

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

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

*For any further information please contact:*

*Heather Donaldson, Democratic Services  
Officer. Tel 01432 381829*

**E-mail [hdonaldson@herefordshire.gov.uk](mailto:hdonaldson@herefordshire.gov.uk)**

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**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

### 1. APOLOGIES FOR ABSENCE

### 2. NAMED SUBSTITUTES(IF ANY)

To receive any details of Members nominated to attend the meeting in place of a Member of the Committee.

### 3. DECLARATIONS OF INTEREST

To receive any declarations of interest by Members in respect of items on the Agenda.

#### GUIDANCE ON DECLARING PERSONAL AND PREJUDICIAL INTERESTS AT MEETINGS

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.

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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.

### 4. MINUTES

To approve and sign the Minutes of the meeting held on 25<sup>th</sup> January 2008.

### 5. USE OF RESOURCES REPORT 2008

To receive the Audit Commission's Use of Resources report 2008 to the

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	Committee (Appendix 1 to this report). The external auditor will present the report to the Committee.	
	To receive a progress report and action plan in respect of the improvement opportunities identified in the Use of Resources report 2008 from the Corporate Management Board (Appendix 2 to this report).	
<b>6.</b>	<b>ANNUAL AUDIT AND INSPECTION LETTER 2008</b>	47 - 82
	To receive the Audit Commission's Annual Audit and Inspection Letter 2008 (Appendix 1 to this report). The external auditor will present the report to the Committee.	
	To receive a response from the Chief Executive on each of the action points in paragraph 9 of the Annual Audit and Inspection letter (Appendix 2 to this report).	
<b>7.</b>	<b>FINANCIAL AND CONTRACTUAL PROCEDURAL RULES</b>	
	To review the Council's Financial and Contractual Procedural Rules ( <i>to follow</i> ).	
<b>8.</b>	<b>ANNUAL GOVERNANCE STATEMENT 2007/08 UPDATED REPORT</b>	83 - 106
	To present to the Audit and Corporate Governance Committee the updated assurance framework for comment before it is presented to Cabinet for comment and approval.	
<b>9.</b>	<b>UPDATED INTERIM ASSURANCE REPORT 2007/08 NO.5</b>	107 - 116
	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.	
<b>10.</b>	<b>TRAINING FOR MEMBERS</b>	117 - 118
	To present to the Audit and Corporate Governance Committee suggested training topics for consideration and approval.	

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# **COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL**

**BROCKINGTON, 35 HAFOD ROAD, HEREFORD.**

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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

**MINUTES of the meeting of Audit and Corporate Governance Committee held at Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Friday, 25th January, 2008 at 10.00 a.m.**

**Present:** Councillor GFM Dawe (Vice Chairman in the Chair)

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

**In attendance:** Councillors PJ Edwards

**61. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor ACR Chappell.

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

There were no named substitutes made.

**63. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

**64. MINUTES**

**RESOLVED:** That subject to the addition of 'Councillor GFM Dawe (Vice-Chairman)' to those Members present, the Minutes of the meeting held on 21st December 2007 be approved as a correct record and signed by the Chairman.

**65. ANNUAL GOVERNANCE STATEMENT**

The Committee considered a report submitted by Mr T Ford, Chief Internal Auditor, on the requirement for the Council to have an Annual Governance Statement, evidenced by an assurance framework.

Mr Ford presented the report. He referred to the 'Reasons' in the report and paragraph three in particular and informed Members that the published guidance booklet on delivering good governance in local government in line with the latest regulations had been ordered and would be circulated to Audit and Corporate Governance Committee Members, Cabinet Members and Scrutiny Committee Chairmen.

Councillor MJ Fishley made reference to a Jarvis document referred to in Appendix three of the report and requested further details. Mr Ford informed the Committee that the document was confidential and, therefore, could not be circulated. The Chairman stated that a future report on Amey, previously known as Jarvis, would be useful information. The Committee was advised that the Strategic Monitoring Committee held the remit for reviewing the performance of a contract/contractor.

Councillor RH Smith referred to 'Reasons' after the Recommendation in the report and, in particular, queried the meaning of the reference to Levels 2, 3 and 4.

## AUDIT AND CORPORATE GOVERNANCE COMMITTEE FRIDAY, 25TH JANUARY, 2008

Mr Ford stated that the meaning of the Levels referred to would be set out in the next report to the Committee. They related to the standard achieved against each criteria within the Use of Resources judgement. 1 being below acceptable requirements and 4 being consistently above the required standard.

Mrs S Rees, the Director of Resources, informed the Committee that the Code of Corporate Governance would set out the new requirements for the Annual Governance Statement and would also set out a timetable giving dates when the requirements would be in place.

Councillor RH Smith suggested numerous amendments to the appendices attached to the report that was derived from a document produced by SOLACE/CIPFA. He also suggested that Recommendation (a) in the report should refer to the 'Annual Governance Statement' as 'Draft' and that Recommendation (b) should refer to the 'Framework' as 'Draft'. He was also of the view the scrutiny process should be an intrinsic part of the Code and recorded appropriately within the framework.

Councillor GFM Dawe, Vice-Chairman, referred to Principles 1 and 4 in Appendix 1 and requested an assurance that the community would be consulted regarding Principle 1 and that effective scrutiny is achieved with regard to Principle 4.

Councillor PJ Edwards stated that scrutiny in Hereford was moving forward and that a report would be produced by the Head of Legal and Democratic Services setting out the way forward for scrutiny in regard to the Code. There would also be a budget available to Scrutiny Committees to help resource their work.

Chris Bull, Chief Executive, stated that there was a need to review the support for scrutiny committees within the Council. With regard to community engagement, that this was a complex area but that scrutiny could investigate it.

Councillor RH Smith suggested that the detail of each Principle within the Appendices attached to the report should be set out in a numbered format for ease of reference.

Councillor GFM Dawe, Vice-Chairman, took the view that budgets for scrutiny committees would be a positive move forward. He referred to a meeting of the Environment Scrutiny Committee which had met to consider Rotherwas and had the Committee been supported with a budget, it would have enabled more effective scrutiny and received a better attendance. He was of the view that the meeting was appallingly run as a consequence.

Mrs S Rees, Director of Resources, reminded the Committee that the report before it requested comments on the framework of the existing Code of Governance and that the Code of Governance went a long way to assessing the guidance from SOLACE and CIPFA. A report would be presented to the Committee in March 2008 setting out the Code of Governance with amendments and containing Members suggestions.

### **RESOLVED: That**

- (i) the Audit and Corporate Governance Committee together with the Standards Committee be made responsible for approving the draft Annual Governance Statement;**
- (ii) Subject to the following amendments and to any further comments from the Standards Committee, the draft framework**

as set out in Appendix 1 to 3 be approved for submission to Cabinet:

- (a) the addition of the words 'Publish an annual programme of due dates' after the ninth bullet point in column two of Principle 1;
- (b) the addition of the words 'Scrutiny process' after the eleventh and twelfth bullet points in column two of Principle 1;
- (c) the addition of the word 'Constitution' after the second bullet point in column two of Principle 2;
- (d) the addition of the words 'and report to Cabinet' after the word 'system' in the eighth bullet point in column two of Principle 2;
- (e) the addition of the words 'Scrutiny process' after the seventeenth bullet point, against both codes in column one, after the nineteenth bullet point in column two and after the twenty third bullet point in column two of Principle 2;
- (f) the addition of the words 'Scrutiny process' in column two opposite the first bullet point in column one and after the ninth and tenth bullet points in column two of Principle 3;
- (g) the addition of the words 'Report writing protocols' after the ninth bullet point in the second column of Principle 4;
- (h) the addition of the words 'Monitoring officer provisions' after the third bullet point and in the blank space in column two of Principle 4;
- (i) the addition of the words 'Officers code of conduct' after the fourth bullet in the second column of principle 4;
- (j) The addition of the words 'Good quality written reports' at the end of the sentence at the sixth bullet point in the first column of principle 4;
- (k) The addition of the words 'Public information protocols' after the tenth bullet point in the second column of principle 5;
- (l) the addition of the words 'with proper management and supervision by top management' after the word 'authority' in the second bullet point in column one of Principle 5;
- (m) the addition of the words 'And improve publicity regarding the right of the public to attend committee meetings' after the word 'authority' after the sixth bullet point in column one of Principle 5;
- (n) the addition of the words 'Evidence of feedback and action' after the word 'plan' in the first bullet point in column two of

**Principle 5;**

- (o) the addition of the words ‘ staff review and development interviews’ after the fourth bullet point in column two of Principle 5;**
  - (p) the addition of the words ‘Survey Members’ after the fifth bullet point in column two of Principle 5;**
  - (q) the addition of the words ‘Scrutiny process’ after the seventh bullet point in column two of Principle 5;**
  - (r) the addition of the words ‘Annual Survey’ after the fifth bullet point in column two of Principle 6;**
  - (s) the addition of the words ‘Compliance and liaison’ opposite the fifth bullet point in column one of Principle 6;**
  - (t) the addition of the words ‘Parish Council Protocol’ after the seventh bullet point in column two of Principle 6;**
  - (u) the addition of the words ‘Scrutiny process’ after the ninth bullet point in column two of Principle 6;**
  - (s) the review of the effectiveness of the Internal Audit box should in Appendix 2 should have links both ways to the Audit and Corporate Governance Committee and the Corporate Management Board boxes. In addition, the Audit and Corporate Governance box should have links with the Internal and external Audit box and Corporate Management Board box.**
- 
- (iii) the new framework be subject to an annual review by Cabinet, the Audit and Corporate Governance Committee and the Standards Committee;and**
  - (iv) the Code of Corporate Governance be reviewed by the Director of Resources and the Monitoring Officer in the light of the new requirements for the Annual Governance Statement by March 2008.**

The meeting ended at 10.48 a.m.  
<LAYOUT\_SECTION>

**CHAIRMAN**

**USE OF RESOURCES REPORT 2008****Report By: DIRECTOR OF RESOURCES****Wards Affected**

None.

**Purpose**

1. To receive the Audit Commission's Use of Resources report 2008 (Appendix 1 to this report). The external auditor will present the report to Committee.
2. To receive a progress report and action plan in respect of the improvement opportunities identified in the Use of Resources report 2008 from the Corporate Management Board (Appendix 2 to this report).

**Financial Implications**

3. None directly arising from this report.

**RECOMMENDATION****THAT:**

- (a) **the Audit & Corporate Governance Committee discusses the content of the Use of Resources report for 2008 with the Audit Commission; and**
- (b) **the Audit & Corporate Governance Committee considers the Corporate Management Board's progress report and action plan and any comments it wishes to make to Cabinet thereon.**

**Reasons**

4. The Council needs to respond appropriately and promptly to the Use of Resources report 2008 in preparation for the next assessment.
5. The Council's overall score for Use of Resources has fallen to 2 (adequate performance in 2006/07) from a 3 (performing well in 2005/06).
6. The score for internal control has fallen to 1 (inadequate performance in 2006/07) from a 2 (adequate performance in 2005/06).
7. The score for value for money has fallen to 2 (adequate performance in 2006/07) from a 3 (performing well in 2005/06).

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Further information on the subject of this report is available from  
Mrs Sonia Rees, Director of Resources on tel: (01432) 383519

## Considerations

8. The Use of Resources assessment is a significant element of the Comprehensive Performance Assessment (CPA) framework, the Audit Commission's annual assessment of the services provided by councils for local people. The Use of Resources assessment encompasses financial reporting, financial management and financial standing, together with internal control and value for money.
9. The Director of Resources is accountable for many of the criteria within the Use of Resources assessment. Many other officers also have direct accountabilities as can be seen in Appendix 2. Together these officers ensure that the framework for effective financial governance is in place so that use of resources is optimised in providing services to local people.
10. Being able to evidence that effective financial governance arrangements are in place to support the optimal use of resources is not, however, the end of the story. The Council has to be able to demonstrate that all parts of the organisation work consistently within the agreed framework with the utmost regard for probity and propriety. This makes the Use of Resources an issue for every officer and councillor.
11. The Corporate Management Board has therefore been consulted at length in preparing the commentary on and agreeing the actions in response to the improvement opportunities identified by the Audit Commission. The detail is available for the Committee to comment on and challenge at Appendix 2.
12. The key priorities for the Council in restoring its overall Use of Resources score are:

### Internal Control

- a. Developing a consolidated business continuity plan.
- b. Reaffirming the standards expected with regard to accepting and declaring gifts and hospitality.
- c. Providing assurance that the financial governance issues identified within ICT have been addressed.

### Value for Money

- d. Continued improvement in performance indicators across the board.
- e. Adopting a systematic approach to evidencing that service provision represents value for money and to benchmarking the cost of services.

### Financial management, reporting and standing

- f. Continued improvement in response to the improvement opportunities identified and progress already made.

## **Risk Management**

13. Failure to improve across the board in relation to the assessment criteria within Use of Resources will have a reputational impact for the Council as the CPA is replaced by the Comprehensive Area Assessment (CAA). The new assessment framework will start in Spring 2009 and will be much more focused on the community's perceptions of how well the Council is performing.

### **Background Papers**

None identified.





# **Use of Resources**

**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; and
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## Introduction

- 1 The Use of Resources (UoR) assessment evaluates how well councils manage and use their resources. The assessment is carried out each year and focuses on the importance of strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.
- 2 This is the third assessment we have undertaken at Herefordshire Council. Our assessment is based on the key lines of enquiry for 2007. These include new requirements for councils as part of the Commission's approach to phasing in those elements that need more lead in time and to supporting improvement by gradually raising the standard of the assessment. The period assessed for 2007 has also been aligned with the financial year 2006/07. Councils may, however, provide evidence that becomes available after the end of the financial year, to demonstrate their arrangements are working effectively and are embedded.
- 3 The overall use of resources assessment is made up of five themes. Judgements have been made for each theme using the Audit Commission's scale. This scale is used across its inspection and performance assessment frameworks.

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**Table 1      Standard scale used for assessments and inspections**

1	Below minimum requirements – inadequate performance
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

- 4 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils 2007, which can be found on the Commission's web site. We have also taken account of our findings and conclusions from previous years' assessments and updated these for any changes and improvements to the Council's arrangements.
- 5 This summary sets out our key findings in relation to each theme and key areas for improvement.

## Use of resources judgements

**Table 2 Summary of scores at theme and KLOE level**

<b>Key lines of enquiry (KLOEs)</b>	<b>Score 2007</b>	<b>Score 2006</b>
<b>Financial reporting</b>		
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	3	3
1.2 The Council promotes external accountability.	3	3
<b>Financial management</b>		
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	3	3
2.2 The Council manages performance against budgets.	3	3
2.3 The Council manages its asset base.	2	3
<b>Financial standing</b>		
3.1 The Council manages its spending within the available resources.	2	2
<b>Internal control</b>		
4.1 The Council manages its significant business risks.	2	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	1	2
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	1	2
<b>Value for money</b>		
5.1 The Council currently achieves good value for money.	2	3
5.2 The Council manages and improves value for money.	2	3

## Theme summaries

- 6 The key findings and conclusions for each of the five themes are summarised in the following tables.

### Financial reporting

**Table 3**

<b>Theme score 3</b>	
<b>Key findings and conclusions</b>	
<p>The Council produced good annual accounts which were supported by a comprehensive set of working papers. There have been improvements this year in the working papers that support the figures in the financial statements, for example in the detail supplied to support the Income and Expenditure Statement. There is still scope for further improvement in some areas. Absent staff should have their work covered by another member of staff, who is capable of providing full and robust responses to audit queries raised. Working papers should ideally be 'stand alone' without the need for too many additional questions from the auditor. Some working papers purely identified an individual to see.</p> <p>The Council should ensure that accounts have been reviewed by their own staff for reasonableness prior to presentation to the auditor. There were three non-trifling errors found in the 2006/07 accounts.</p> <p>The Council produced a good summary annual report and this has been improved upon in the last year.</p>	
<b>Improvement opportunities</b>	
<p>KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.</p>	<p>Continue to improve working papers to avoid unnecessary questions from the auditor.</p> <p>At least two members of staff should have a working knowledge of each entry within the accounts due to possible illnesses or leave.</p> <p>The Council should review all figures within the accounts for reasonableness prior to presentation to external audit.</p>
<p>KLOE 1.2 The Council promotes external accountability.</p>	<p>The Council should consider completing an annual report.</p>

## Financial management

**Table 4**

<b>Theme score 3</b>
<b>Key findings and conclusions</b>
<p>The Council has a good Medium Term Financial Management Strategy (MTFMS) in place which is linked to key strategic objectives and is updated regularly. Budget management and monitoring of both capital and revenue budgets have improved still further in the year. Prudential indicators are used to assess the affordability of capital spend, however there are areas where improvement is required. The budget reported to members does not include a positive assurance statement and capital and revenue budget assignment (responsibility) is not up to date.</p> <p>The Corporate Plan and MTFMS are integrated with the strategic goals included in the Corporate Plan being used within the MTFMS to take work forward. The Corporate Plan projects forward three years and takes account of stakeholder consultation, capital and revenue plans and risk assessment. There is still no inclusion of sensitivity analysis and links between key documents such as the MTFMS and the Human Resource Plan are unclear.</p> <p>The Integrated Performance Report (IPR) has continued to embed into the culture of the Council and the financial information supplied is up to date and shows the Council's financial position. Non financial information is also offered within the IPR; however the quality of some of the data supplied is questionable eg homelessness.</p> <p>The Council has an up to date Corporate Capital Strategy and the asset register is also up to date. The asset register is maintained by the finance department and updates to it are provided by the Property Section. All information that is included within final accounts, no matter where it is received from, should be challenged. Indications are that some information received regarding fixed assets is not. For example the disposal of a school which should have remained on the books of the Council should have been challenged.</p> <p>The Council, in general, do make investment decisions based on a thorough and robust appraisal, however as reported previously there was not a full options appraisal on the Herefordshire Connects Project. The Council will need to consider all investment decisions to ensure that they comply with their own procurement processes.</p>

<b>Theme score 3</b>	
<b>Improvement opportunities</b>	
<p>KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.</p>	<p>The Council's Medium Term Financial Management Strategy needs to have clear links to other key strategy documents for example the Human Resource Plan.</p> <p>An assurance statement from the Director of Resources regarding estimates used for the purpose of budget calculations should be made in the annual budget book.</p> <p>The assignation list for Revenue and Capital budgets needs updating.</p> <p>The Corporate Business plan needs to include sensitivity analysis (same improvement requirement noted last year).</p>
<p>KLOE 2.2 The Council manages performance against budgets.</p>	<p>Reported Performance Indicators within the IPR should be correctly stated.</p> <p>All budgets have to be carefully monitored to ensure that overspends and under spends are managed. (ICT)</p> <p>Financial information produced should be accurate and meet the needs of members and senior officers. (ICT)</p> <p>Training needs to be continued with all relevant staff and members receiving the financial training needed in order for them to carry out their job.</p>
<p>KLOE 2.3 The Council manages its asset base.</p>	<p>Procedures should be put in place to ensure all figures included within the financial systems of the Council are checked for reasonableness.</p> <p>More robust financial appraisals are required.</p>



## Financial standing

**Table 5**

<b>Theme score 2</b>	
<b>Key findings and conclusions</b>	
<p>The Council has a good track record of achieving financial balance. Over the last four years the Council has under spent on budget and this has led to an increase in the value of revenue reserves over a number of years. The Medium Term Financial Management Strategy (MTFMS) has improved the management of reserves with the revenue reserves being more clearly aligned to specific service areas.</p> <p>For the first time in a number of years revenue reserves have reduced, albeit by a minimal amount. Revenue reserves now stand at £27.8m, which is a slight reduction on previous reported revenue reserves of £28.4m. Capital reserves are £22.4m. Revenue reserves remain high; however the MTFMS should help in ensuring that reserves are used for their intended purpose. The Council need to continue to address the level of reserves.</p> <p>Debt monitoring is improving; however there are a number of old debts (over five years old).</p>	
<b>Improvement opportunities</b>	
<p>KLOE 3.1 The Council manages its spending within the available resources.</p>	<p>The MTFMS needs to continue to embed into the culture of the Council.</p> <p>The Budget Book should contain a positive assurance statement from the Director of Resources.</p> <p>The management of debt monitoring needs to continue to improve.</p> <p>Links between the IPR and MTFMS need to be improved upon.</p>

## Internal control

**Table 6**

<b>Theme score 1</b>
<b>Key findings and conclusions</b>
<p>The Council has not progressed as quickly as they would have liked in relation to internal control issues. Although there have been improvements, the serious nature of the issues noted within the ICT section have overshadowed these.</p> <p>Risk management has improved. The Council has a risk management strategy which has been approved by Members. The register is maintained and ownership for each risk within the register is assigned. The Member responsible for risk does not have specific terms of reference and some of the links between service areas in the departmental risk register and the Corporate risk register are unclear.</p> <p>Internal Control arrangements had been progressing relatively well, the Audit Committee has shown real signs of improvement, there is positive interaction with the Chief Internal Auditor and challenge is good. We carried out a review of Internal Audit during 2006/07 and found that Internal Audit conformed to the CIPFA code of practice.</p> <p>There have, however, been serious flaws within the application of your internal control arrangements that have been uncovered within ICT by Internal Audit during 2007. Policies and procedures within your procurement processes were not complied with. Expense claims made to some staff have not been adequately scrutinised or authorised which has led to abuse of your expense system. The action taken by the Council subsequently to address the probity issues identified is positive.</p> <p>There is no consolidated Business Continuity Plan. Reconciliations of significant feeder system have not occurred throughout the year.</p> <p>In 2005/06 we reported that there were weaknesses within the gifts and hospitality arrangements within the Council. Further work has indicated that the issues found previously have improved but other weaknesses have emerged such as the receipt and gifting of hospitality within ICT which was not declared. The Council has improved your whistle-blowing arrangements by communicating with those parties being contracted by the Council.</p>

<b>Theme score 1</b>	
<b>Improvement opportunities</b>	
<p>KLOE 4.1 The Council manages its significant business risks.</p>	<p>Further embed risk into the culture of the Council.</p> <p>Specific Terms of reference for the Member Champion in relation to risk should be drawn up.</p> <p>Develop Departmental risk registers which clearly align with the Corporate risk register.</p>
<p>KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.</p>	<p>Ensure policies and procedures are complied with Council wide.</p> <p>Ensure all expenses expenditure is correctly authorised taking into account the Council constitution.</p> <p>Produce an action plan which will address the concerns raised in the Crookhall report.</p> <p>Introduction of a consolidated Business Continuity Plan.</p> <p>Ensure regular reconciliations are carried out of all major feeder systems.</p>
<p>KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>	<p>Ensure that all Members and officers are aware of the need to complete the gifts and hospitality register where required.</p> <p>Put in place processes which ensure the register is regularly reviewed to ensure compliance with the Council's own constitution.</p> <p>PRINCE methodology should be used for all procurement projects which should be incorporated within Council constitution.</p>

## Value for money

**Table 7**

<b>Theme score 2</b>	
<b>Key findings and conclusions</b>	
<p>The Council is generally a low cost authority with a mix of performance levels. In Education, attainment is good, costs are low and in both social care areas (children's and adults) costs are low and performance is broadly average, In Environment, Planning and Transport areas value for money is reasonable. There is a mixed picture of value for money in benefits and local taxation. Costs in benefits are low but performance, although improving, is below average, There is good performance in Council Tax collection which, combined with low costs, is providing good value for money.</p> <p>The Council has information on its own and comparable data, however this information is not combined with cost data to either measure value for money internally or with other authorities. There is no requirement on managers to report on value for money within the Council's performance monitoring framework. The Council is delivering on its efficiency plan and in the last nine months the Council has started to make savings as a result of improved central procurement practices. Reductions in sickness absence have also benefited the value for money profile.</p>	
<b>Improvement opportunities</b>	
<p>KLOE 5.1 The Council currently achieves good value for money.</p>	<p>Improve the cost versus performance ratio in a number of key service areas including performance in Environment, Planning and Transport.</p> <p>Further embed of improvement needed in Children's and Adults Social Care where investment has been made.</p>
<p>KLOE 5.2 The Council manages and improves value for money.</p>	<p>Revise the corporate performance management framework to include a systematic review of value for money.</p> <p>Implement a consistent corporate approach to benchmarking costs.</p> <p>Gather cost and performance profiles of services for various user groups across all services.</p> <p>Targets should be set and applied to improve efficiency and value for money.</p>

## Conclusion

- 7 The Council's performance demonstrates adequate level of performance, Level 2 scored.

## Use of resources 2008

- 8 The Commission has published its key lines of enquiry for 2008 on its website. There is an annotated version of the key lines of enquiry available which show all the changes from 2007. This should assist you in pin pointing the changes. We will be reporting our scores and findings from our 2008 assessment to you at a similar time next year.
- 9 The Commission consulted on the changes to the key lines of enquiry for 2008 during April to June 2007. The Commission's response to the consultation can be found on its website. The key lines of enquiry for 2008 reflect some of the changing priorities for councils as they respond to the major challenges facing them and the higher expectations of them. Making further improvements in efficiency will be critical for councils in responding to: the changing demographic profile of communities, increasing public expectations of public services and expected constraints on funding from Government.
- 10 The key lines of enquiry give more emphasis, mainly at level 4, to areas such as: sustainability, working in partnership and using IT to secure service and value for money improvements; strategic asset management and joint procurement. These areas signal the changes which will be given more emphasis in the use of resources assessment under Comprehensive Area Assessment, the new performance framework for local services.



**USE OF RESOURCES 2007**  
**OPPORTUNITIES FOR IMPROVEMENT IDENTIFIED BY THE EXTERNAL AUDITOR**

<b>THEME 1 - FINANCIAL REPORTING</b>			
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>
<p>1.1 Continue to improve working papers to avoid unnecessary questions from the auditor.</p>	<p>The external auditor's Use of Resources assessment 2007 noted that:</p> <ul style="list-style-type: none"> <li>• The Council produced good annual accounts for 2006/07 that were supported by a comprehensive set of working papers.</li> <li>• There were improvements in the working papers supporting the 2006/07 annual accounts.</li> <li>• There was scope for further improvement.</li> </ul> <p>The Financial Services team was under-resourced during the annual accounts process for 2006/07 and performed well given the level of agency staff and vacancies being managed at that time whilst a new structure was being implemented. The new staffing arrangements are in place and the task for the 2007/008 annual accounts process is to ensure consistency in good practice in all working papers.</p>	<p>Review working papers for the 2006/07 annual accounts with the external auditor and agree areas for improvement. The external auditor has attended a Corporate Finance Group to outline expectations.</p> <p>Ensure formal briefing on working paper preparation is incorporated into the annual accounts timetable for 2007/08 and that written guidance is issued to the annual accounts team. Working papers should 'stand alone' and not require further analysis from the external auditor. Emphasis will be placed on areas for improvement agreed with the external auditor.</p> <p>Ensure time is allocated within the annual accounts timetable for 2007/08 for the Head of Financial Services or his nominated representative to review all working papers prior to the draft accounts being submitted to the external auditor.</p>	<p>Head of Financial Services.</p> <p>February 2008.</p>

<b>THEME 1 - FINANCIAL REPORTING</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
<p>1.2 At least two members of staff should have a working knowledge of each entry within the accounts due to possible illnesses or leave.</p>	<p>The comments in 1.1 relating to staff vacancies within the Financial Services team at the time last year's annual accounts were being audited are also pertinent to this opportunity for improvement.</p>	<p>Ensure that the guidance on working papers issued to annual accounts team:</p> <ul style="list-style-type: none"> <li>• Identifies the lead officer responsible for each working paper.</li> <li>• Identifies a nominated representative for each working paper lead officer.</li> <li>• Requires the working paper lead officers to brief their nominated representative so that both are able to deal promptly with external auditor questions.</li> </ul>	<p>Head of Financial Services.</p>	<p>February 2008.</p>
<p>1.3 The Council should review all figures within the accounts for reasonableness prior to presentation to external audit.</p>	<p>The external auditor's Use of Resources assessment 2007 noted that there were three non-trifling errors in the annual accounts for 2006/07.</p> <p>It is accepted that more thorough review of working papers and greater analysis of changes compared to the previous year would help identify errors prior to submission of the draft accounts.</p>	<p>Ensure that guidance on working papers issued to the annual accounts team includes the requirement to explain significant year-on-year variations.</p> <p>Ensure that the Head of Financial Services / nominated representative review of all working papers checks that significant variances have been fully explained.</p>	<p>Head of Financial Services.</p>	<p>February 2008.</p>



<b>THEME 1 - FINANCIAL REPORTING</b>			
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>
1.4 The Council should consider completing an annual report.	<p>The external auditor's Use of Resources assessment 2007 noted that the Council produced a good summary report that had been improved upon in the last year.</p> <p>The new format proposed for the next Corporate Plan will provide a good basis for producing an annual report.</p> <p>The communications team should lead on the production of the annual accounts with content provided by the Policy &amp; Performance and Financial Services teams.</p>	Produce an annual report covering the 2007/08 year in conjunction with the Head of Policy & Performance and the Head of Financial Services.	Head of Communications.
			August 2008.

<b>THEME 2 - FINANCIAL MANAGEMENT</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
<p>2.1 The Council's Medium Term Financial Management Strategy needs to have clear links to other key strategy documents for example the Human Resources Plan.</p>	<p>The external auditor's Use of Resources assessment 2007 noted that the Council has a good medium term financial strategy that is linked to the key strategic objectives outlined in the Corporate Plan for the same period.</p>	<p>Ensure that the medium term financial strategy for 2008 – 2011 describes how the links to other key strategies will be created and developed as they evolve. The other corporate resourcing strategies also need</p> <p>The Interim Head of HR provided commentary that has been included in the financial strategy 2008 – 2011. This needs further development in consultation with the Interim Head of HR.</p>	<p>Head of Financial Services.</p>	<p>March 2008.</p>
<p>2.2 An assurance statement from the Director of Resources regarding estimates used for the purpose of budget calculations should be made in the annual budget book.</p>	<p>Nothing further to add.</p>	<p>Ensure that the budget book for 2008/09 includes a positive assurance statement from the Director of Resources regarding estimates used for the purpose of budget calculations.</p>	<p>Director of Resources.</p>	<p>March 2008.</p>

<b>THEME 2 - FINANCIAL MANAGEMENT</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
2.3 The assignment list for revenue and capital budgets needs updating.	Directors are responsible for identifying budget holders and notifying changes to the Director of Resources / Head of Financial Services as and when they occur.	<p>Ensure that the list of budget holders is up to date by writing to all members of the Corporate Management Board asking them to confirm delegations to budget holders.</p> <p>Include a requirement to confirm that changes in budget holder arrangements have been notified promptly in the quarterly assurance statement all Key Managers must certify.</p>	<p>Head of Financial Services.</p> <p>Chief Internal Auditor.</p>	<p>March 2008.</p> <p>June 2008 and quarterly thereafter.</p>

<b>THEME 2 - FINANCIAL MANAGEMENT</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
<p>2.4 The Corporate Business plan needs to include sensitivity analysis (same improvement requirement noted last year).</p>	<p>We have confirmed with the external auditor that this reference relates to the Council's Medium Term Financial Management Strategy 2007 – 2010.</p> <p>The financial strategy 2007 – 2010 contained a brief reference to the impact a change in planning assumptions within the financial resource model would have on the Council's financial capacity to deliver its spending plans.</p>	<p>Provide a more thorough assessment of the impact of changes in the key assumptions underpinning the financial resource model within the financial strategy for 2008 – 2011, linking this to the policy on general reserves.</p>	<p>Head of Financial Services.</p>	<p>March 2008.</p>
<p>2.5 Reported Performance Indicators within the IPR should be correctly stated.</p>	<p>The external auditor has been asked to provide specific examples of misstatement.</p>	<p>All Directors are responsible for ensuring that performance management information is accurate.</p>	<p>Directors.</p>	<p>Ongoing.</p>

<b>THEME 2 - FINANCIAL MANAGEMENT</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
<p>2.6 All budgets have to be carefully monitored to ensure that overspends and under spends are managed (ICT).</p>	<p>The external auditor's Use of Resources assessment 2007 noted that the Integrated Performance Report (IPR) has continued to embed into the culture of the council and that the financial information is up to date.</p> <p>The external auditor has linked this opportunity for improvement to ICT given the circumstances leading up to the Crookall Review last year but it is relevant to all areas of activity.</p> <p>ICT and Financial Services have worked together closely since summer 2007. The ICT finance team has transferred to Financial Services. There is now a much better understanding of the financial position for ICT services as reported to Cabinet in the bimonthly Integrated Performance Reports for 2007/08. The draft financial strategy for 2008 – 2011 is awaiting approval. ICT infrastructure investment and operational costs have been flagged as a potential risk.</p>	<p>Ensure that routine capital and revenue budget monitoring procedures continue to be rigorous in identifying and reporting potential issues in ICT and all other areas of Council activity.</p> <p>All Directors to continue to monitor their budgets in line with the Financial Procedure Rules.</p> <p>The Head of Financial Services and Acting Head of ICT Services continue to meet on a fortnightly basis.</p>	<p>Head of Financial Services.</p> <p>Directors.</p> <p>Acting Head of ICT Services.</p>	<p>Ongoing.</p> <p>Ongoing.</p> <p>Ongoing.</p>

<b>THEME 2 - FINANCIAL MANAGEMENT</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
2.7 Financial information produced should be accurate and meet the needs of members and senior officers (ICT).	<p>The external auditor has linked this opportunity for improvement to ICT given the circumstances leading up to the Crookall Review in November 2007 but it is relevant to all areas of activity.</p> <p>All finance teams have now transferred to Financial Services to ensure robust professional support to all staff providing financial management advice to the Council.</p> <p>All Directors have been reminded of their responsibility to seek advice and guidance from the Director of Resources / Head of Financial Services on all reports requiring a formal decision.</p> <p>The Director of Corporate &amp; Customer Services has reported progress on specific concerns within ICT to the Audit &amp; Corporate Governance Committee.</p>	<p>Ensure that strong professional leadership is provided to the Council's financial management staff.</p> <p>Ensure that all members of the financial services team have the appropriate professional qualifications, skills and training to fulfil their responsibilities (Staff Review &amp; Development).</p> <p>Ensure all Directors consult with the Director of Resources or Head of Financial Services as required on formal decisions.</p>	<p>Director of Resources / Head of Financial Services.</p> <p>Head of Financial Services.</p> <p>Chief Executive.</p>	<p>Ongoing.</p> <p>Ongoing.</p> <p>Ongoing.</p>

<b>THEME 2 - FINANCIAL MANAGEMENT</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
<p>2.8 Training needs to be continued with all relevant staff and members receiving the financial training needed in order for them to carry out their job.</p>	<p>There is an ongoing programme of financial training for staff that includes procurement, risk and audit related issues. From Spring 2008 this will be in three parts with attendees receiving a certificate for financial management. This training is being adapted for councillors.</p>	<p>Establish a rolling programme of financial awareness sessions for councillors based on the training provided to staff.</p> <p>Ensure training is provided to the Audit &amp; Corporate Governance Committee on how to interpret and ask questions on the annual accounts.</p>	<p>Head of Financial Services.</p> <p>Head of Financial Services.</p>	<p>March 2008.</p> <p>May 2008.</p>
<p>2.9 Procedures should be put in place to ensure all figures included within the financial systems of the Council are checked for reasonableness.</p>	<p>This comment relates to an issue identified in the Annual Governance Report for 2007. Information supplied by the Asset Management &amp; Property Services team was not thoroughly reviewed by the Financial Services team.</p>	<p>The agreed action in response to recommendation 2 in the Annual Governance Report for 2007 refers:</p> <p><i>'The Head of Financial Services and Head of Asset Management &amp; Property Services will jointly review the asset register held for accounting purposes to ensure that the values attached to additions, disposals and revaluations are reasonable. This will be established as a new task on the final accounts work programme for 2007/08.'</i></p>	<p>Head of Financial Services and Head of Asset Management &amp; Property Services.</p>	<p>May 2008 and annual thereafter.</p>

<b>THEME 2 - FINANCIAL MANAGEMENT</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
<p>2.10 More robust financial appraisals are required.</p>	<p>The external auditor recognises that the Council generally does make investment decisions on the basis of a thorough appraisal and has linked this comment specifically to the Herefordshire Connects programme. It is, however, relevant to all areas of activity.</p> <p>The new Financial Procedure Rules and Contract Procedure Rules clearly set out the requirement for a full options appraisal on all projects likely to cost more than £140,000 in total that includes a full financial appraisal of each option.</p>	<p>All Directors must ensure that the section on alternative options in the formal report template is completed in full and in consultation with the Director of Resources / Head of Financial Services and the Head of Legal &amp; Democratic Services.</p>	<p>Directors.</p>	<p>Ongoing.</p>



<b>THEME 3 - FINANCIAL STANDING</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
<p>3.1 The MTFS needs to continue to embed into the culture of the Council.</p>	<p>Opportunity for improvement numbered 2.1 refers.</p> <p>The Council approved a medium term financial strategy for the first time in March 2007. This is now being refreshed to cover the next 3-year financial period from April 2008 to March 2011.</p>	<p>Ensure that the refreshed medium term financial strategy is formally approved by Council in March 2008 when the budget and Council Tax for 2008/09 is set.</p> <p>Ensure that the medium term financial strategy is reviewed as part of the Integrated Performance Report process in 2008/09 in order to provide timely advice to Cabinet on any significant changes in the key financial assumptions. The Integrated Performance Report will include a section identifying issues for consideration as the financial strategy is next formally reviewed.</p> <p>See 2.2.</p>	<p>Director of Resources.</p> <p>Head of Financial Services.</p>	<p>March 2008 &amp; ongoing.</p> <p>First budget monitoring report for 2008 and each one thereafter.</p>
<p>3.2 The Budget Book should contain a positive assurance statement from the Director of Resources.</p>	<p>Opportunity for improvement numbered 2.2 refers.</p>	<p>See 2.2.</p>	<p>See 2.2.</p>	<p>See 2.2.</p>

<b>THEME 3 - FINANCIAL STANDING</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
3.3 The management of debt monitoring needs to continue to improve.	<p>Performance in Council Tax and Non-Domestic Rates improved considerably in 2006/07 and is being maintained in the current financial year.</p> <p>Performance in recovering overpaid housing benefit is improving in the current financial year.</p> <p>Better quality aged debt analyses are now being produced. Old irrecoverable debts are being written off and new debts are being managed more proactively as the likelihood of recovery decreases with age.</p> <p>Opportunity for improvement 3.1 refers.</p>	Ensure debt management strategies and monitoring arrangements are developed as part of planned services improvements in Benefit & Exchequer Services in 2008/09.	Head of Benefit & Exchequer Services.	March 2008/09.
3.4 Links between the IPR and MTFS need to be improved upon.		See 3.1.	See 3.1.	See 3.1.

<b>THEME 4 - INTERNAL CONTROL</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
4.1 Further embed risk into the culture of the Council.	<p>The external auditor's Use of Resources assessment 2007 noted that risk management had improved but that there was scope for further development.</p> <p>Thirteen training sessions for staff have been held in the last month, with a further five planned. The feedback from these training sessions has been very positive. The training session will be adapted for inclusion in the member development programme.</p>	All Directors to provide assurance with evidence as part of their routine performance management arrangements that risk management is embedded within their Directorates.	Directors.	Ongoing.
4.2 Specific terms of reference for the Member Champion in relation to risk management should be drawn up.	Nothing further to add; risk management falls within the remit of the Cabinet Member (Resources).	Ensure that specific terms of reference for the Member Champion for Risk Management (Cabinet Member (Resources)) are drawn up.	Risk & Insurance Manager.	March 2008
4.3 Develop Departmental risk registers which clearly align with the corporate risk register.	Directors are required to review their directorate risk registers on a monthly basis to ensure that information flows in both directions. The corporate risk register is reported to Cabinet on a bimonthly basis as part of the Integrated Performance Report.	All Directors to ensure that their Directorate risk register is regularly reviewed and informs / is informed by the corporate risk register.	Risk & Insurance Manager.	Ongoing from April 2008

<b>THEME 4 - INTERNAL CONTROL</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
<p>4.4 Ensure policies and procedures are complied with Council wide.</p>	<p>This comment relates to the 'serious flaws within the application of internal control arrangements that have been uncovered within ICT by Internal Audit during 2007.'</p> <p>The Director of Corporate &amp; Customer Services has taken action to address this issue and has been reporting progress to the Audit &amp; Corporate Governance Committee.</p> <p>The audit services team continue to review the robustness of and level of compliance with agreed policies and procedures in line with the risk-based audit plan. The Chief Internal Auditor provides the Audit &amp; Corporate Governance Committee with regular updates on issues of concern identified during planned and ad-hoc audit reviews.</p>	<p>Ensure implementation of the outstanding recommendations in the Director of Resources' special report and the Crookall Review. These are being drawn together in a single integrated action plan. The Crookall review acknowledged the likelihood this could take up to a year.</p>	<p>Chief Executive.</p>	<p>December 2008.</p>

<b>THEME 4 - INTERNAL CONTROL</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
4.5 Ensure all expenses expenditure is correctly authorised taking into account the Council Constitution.	Opportunity for improvement 4.4 refers.	See 4.4.	Chief Executive.	December 2008
4.6 Produce an action which will address the concerns raised in the Crookall report.	Opportunity for improvement 4.4 refers.	See 4.4.	Chief Executive.	December 2008.
4.7 Introduction of a consolidated Business Continuity Plan.	This is a 'must have' criterion for the 2008 Use of Resources assessment and a plan needs to be in place by 31 <sup>st</sup> March 2008..  Herefordshire's service level business continuity planning is well advanced compared to other councils in the Local Resilience Forum.  Work is in progress to develop a consolidated business continuity plan by 31 <sup>st</sup> March 2008 ready for testing in 2008/09.	Director of Corporate & Customer Services to ensure a consolidated business continuity plan is in place for 31 <sup>st</sup> March 2008 for testing in 2008/09.	Director of Corporate & Customer Services.	March 2008.

<b>THEME 4 - INTERNAL CONTROL</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
4.8 Ensure regular reconciliations are carried out of all major feeder systems.	All major feeder systems to the Council's corporate financial ledger should be reconciled at a frequency to be agreed with the Chief Internal Auditor. Normal expectation is that this is a monthly activity.	Directors to consult with the Chief Internal Auditor to agree the frequency of reconciliations for all major feeder systems in their Directorate. Directors are to ensure this is reflected in procedural instructions to employees.	Directors	March 2008.
4.9 Ensure that all Members and officers are aware of the need to complete the gifts and hospitality register where required.	Officers and councillors submit on a regular basis the appropriate forms on Gifts and Hospitality. For officers, these forms are countersigned by the Directors concerned. For councillors, these forms are overseen by the Monitoring Officer.	Include a requirement to confirm that reconciliations for all major feeder systems are up to date in the quarterly assurance statement all Key Managers must certify.	Chief Internal Auditor.	June 2008 and quarterly thereafter.
4.10 Put in place processes which ensure the register is regularly reviewed to ensure compliance with the Council's own constitution.	The register is reviewed by both internal audit and external audit.	Officers and members are aware of the need to register such gifts and hospitality. The Monitoring Officer receives regular notifications of hospitality. If action is required the Monitoring Officer informs councillors and officers.	Head of Legal & Democratic Services.	Ongoing.

<b>THEME 4 - INTERNAL CONTROL</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
<p>4.11 PRINCE methodology should be used for all procurement projects which should be incorporated within Council constitution.</p>	<p>The Council has redrafted its Contract Procedure Rules (subject to approval by Council on 7<sup>th</sup> March 2008). The new procedure rules are much more explicit on how the procurement process should be managed and which officers are accountable for each part of the process. A full financial appraisal of all options for procurement exercises valued at more than £140,000 in total shall be required. Full PRINCE methodology will be deployed in support of strategic procurement exercises.</p>	<p>Adapt financial management training to ensure full coverage of the new Contract Procedure Rules</p>	<p>Head of Financial Services / Strategic Procurement Manager.</p>	<p>Training courses to run from April 2008.</p>

<b>THEME 5 - VALUE FOR MONEY</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
<p>5.1 Improve the cost versus performance ratio in a number of key service areas including performance in Environment, Planning and Transport.</p>	<p>Value for money is a key theme of the 2008-2011 Environment Plan. Work has already begun on identifying top performing comparable services in other authorities and on bench marking both costs and performance. Each service, as part of the plan, is producing an action plan to deliver both improvements in cost and performance and to be comparable with best in class at the end of the period.</p>	<p>Director of Environment to continue to monitor progress with service improvement plans very closely, reporting progress through the bi-monthly Integrated Performance Reports</p>	<p>Director of Environment.</p>	<p>Ongoing.</p>



<b>THEME 5 - VALUE FOR MONEY</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
<p>5.2 Further embed of improvement needed in Children's and Adults Social Care where investment has been made.</p>	<p>The Children &amp; Young People's Services Directorate, working closely with its partners, has made significant improvement. The recent Annual Performance Assessment (APA) outlined significant progress in early years and extended schools, 14 - 19 and in education standards, particularly at Key Stages 2 - 4. Progress has been made in addressing the issues in social care which were identified in the 2005 Joint Area Review (JAR) against Government Office for the West Midlands (GOWM) targets. This is an area that is closely monitored as recruitment and retention remains a high profile issue. The APA process for 2007 identified areas for improvement which we are now working to address. The improved APA in 2007 led to the end of formal intervention by the Minister.</p>	<p>Director of Children &amp; Young People's Services to continue to monitor progress with service improvement plans very closely, reporting progress through the bi-monthly Integrated Performance Reports.</p>	<p>Director of Children &amp; Young People's Services.</p>	<p>Ongoing.</p>

<b>THEME 5 - VALUE FOR MONEY</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
Continued 5.2 above - further embed of improvement needed in Children's and Adults Social Care where investment has been made.	<p>The Adult Social Care Service continues to focus on improving outcomes for service users and carers. The Council continues to prioritise investment in modernising and improving the service, in particular, to help more people to live independently at home. The Herefordshire Connects Programme has prioritised the implementation of a new Social Care Records System during 2008. Progress has been made in addressing the issues identified in the 2007 learning disabilities inspection and following the 2007 APA progress, a single action plan has been developed to drive further improvement in Adult Social Care.</p>	<p>Director of Adult &amp; Community Services to continue to monitor progress with service improvement plans very closely, reporting progress through the bi-monthly Integrated Performance Reports.</p>	<p>Director of Adult &amp; Community Services.</p>	<p>Ongoing.</p>

<b>THEME 5 - VALUE FOR MONEY</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
5.3 Revise the corporate performance framework to include a systematic review of value for money.	The new Performance Improvement Framework for 2008/09 will ensure that each service plan authors carry out a systematic review of Value for Money for their areas of responsibility.	The new Performance Improvement Cycle requires service managers to set out a plan for reviewing Value for Money.	Service Managers.	Ongoing in 2008/09.
5.4 Implement a consistent corporate approach to benchmarking costs.	Benchmarking data is to be included in the Integrated Performance Reports for 2008/09.	The revised Performance Improvement Cycle requires service managers to include benchmarking information in their service plans along with planned actions for the improvement opportunities they present. Guidance is provided to service managers.	Service Managers.	Service planning in 2008/09.

<b>THEME 5 - VALUE FOR MONEY</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
5.5 Gather cost and performance profiles of services for various user groups across all services.	<p>This will be possible for adult social care services as a result of the needs analysis work that has been undertaken for various user groups.</p> <p>The statutory joint needs assessment with health that is being scopes will provide the basic data for the Comprehensive Area Assessment (CAA).</p> <p>Consideration needs to be given to how cost and performance profiles are developed for user groups not covered by this statutory requirement.</p>	Prepare proposals on how to address this opportunity for improvement for all services.	Head of Policy & Performance.	June 2008.

<b>THEME 5 - VALUE FOR MONEY</b>				
<b>Opportunity for improvement</b>	<b>Commentary</b>	<b>Management Action</b>	<b>Who</b>	<b>When</b>
<p>5.6 Target should be set and applied to improve efficiency and value for money.</p>	<p>The draft medium term financial strategy for 2008 – 2011 incorporates efficiency targets for all Directorates as they are reflected in their cash allocations for the next 3-year period. All Directors are required to manage within the cash allocation for their Directorate. All Directors have confirmed that they can make efficiency savings (and not service cuts) sufficient to balance their budget in 2008/09.</p> <p>The budget for 2008/09 includes efficiency savings of over £2m. These have been allocated to Directorates as budget reductions.</p>	<p>The identified efficiency savings forming part of the 2008/09 budget are being monitored separately by the Benefits Review Group chaired by the Head of Financial Services. Any significant variances will be reported as part of the Integrated Performance Report process.</p>	<p>Head of Financial Services.</p>	<p>Ongoing.</p>

**NOTE:** The text in the 'opportunity for improvement' column is taken from the external auditor's Use of Resources report for 2006/07.



**ANNUAL AUDIT AND INSPECTION LETTER 2008****Report By: DIRECTOR OF RESOURCES****Wards Affected**

None.

**Purpose**

1. To receive the Audit Commission's Annual Audit & Inspection Letter 2008 (Appendix 1 to this report). The external auditor will present the report to Committee.
2. To receive a response from the Chief Executive on each of the action points in paragraph 9 of the Annual Audit & Inspection Letter (Appendix 2 to this report).

**Financial Implications**

3. None directly arising from this report.

**RECOMMENDATIONS****THAT:**

- (a) **the Audit & Corporate Governance Committee discusses the content of the Annual Audit & Inspection Letter for 2008 with the Audit Commission; and**
- (b) **the Audit & Corporate Governance Committee considers the Chief Executive's response to the action points and any comments it wishes to make to Cabinet thereon.**

**Reasons**

4. The Council needs to respond appropriately and promptly to the action points identified by the Audit Commission in order to demonstrate improvements that will be reflected in their subsequent reports on audit, inspection and performance assessment.

## Considerations

5. The Annual Audit & Inspection Letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on their audit, inspection and performance assessment work over the last year. Many of the comments will therefore be familiar as this report summarises the key points of, for example, the Annual Governance Letter for 2007 (received by the Audit & Corporate Governance Committee in September 2007) and the Use of Resources report 2008 (received by the Audit & Corporate Governance Committee at this meeting).
6. The Audit Commission will present their Annual Audit & Inspection Letter for 2008 to the Committee. The Committee will have the opportunity to ask questions.
7. The Audit Commission has identified eight issues that it feels need action. These are set out in paragraph 9 of the Letter as follows:
  - a. Re-focus and clarify the purpose, outcomes and actions of Herefordshire Connects. This should include formally considering in a short paper what other options are still open to the Council including the costs, benefits and risks of each option. It should also set out how the programme fits with the new joint working arrangements with the PCT.
  - b. Set out a clear vision of what are the scope, timing and benefits of the new joint working arrangements with the PCT.
  - c. Ensure that the necessary changes to the waste management contract are resolved promptly.
  - d. Implement successfully the recommendations from the Section 151 and Crookall reports and in so doing further develop the ethical governance and anti-fraud culture within the Council.
  - e. Revise the corporate performance management framework to include a systematic review of value for money (VFM) which will measure and manage improvement in value for money in a consistent way across the Council. This will involve benchmarking costs and performance in a consistent way and setting targets for efficiency and VFM.
  - f. Monitor the development of corporate approaches to procurement.
  - g. Ensure that actions recommended by our recent culture inspection report are delivered.
  - h. Clarify the arrangement for improvement planning and increase the impact of the reporting.
8. Cabinet will consider their formal response to these issues at the next convenient meeting. The Chief Executive has drafted a response for Cabinet to consider (Appendix 2 to this report.). The Committee is invited to comment on the draft response.



## **Risk Management**

9. The Chief Executive's response to the issues identified by the Audit Commission in their Annual Audit and Inspection Letter 2008 will underpin an improvement in the Council's audit, inspection and performance assessments over the next 12 months. The responses described in Appendix 2 will be incorporated into the appropriate Directorate and service plans for 2008/09.

## **Background Papers**

None Identified.



# Annual Audit and Inspection Letter

**Herefordshire Council**

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**

This report provides an overall summary of the Audit Commission's assessment of the Council, drawing on audit, inspection and performance assessment work and is prepared by your Relationship Manager.

In this report, the Commission summarises findings and conclusions from the statutory audit, which have previously been reported to you by your appointed auditor. Appointed auditors act separately from the Commission and, in meeting their statutory responsibilities, are required to exercise their professional judgement independently of the Commission (and the audited body). The findings and conclusions therefore remain those of the appointed auditor and should be considered within the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

Reports prepared by appointed auditors are:

- prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission; and
- addressed to members or officers and prepared for the sole use of the audited body; no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

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## Key messages

### Performance Issues

- 1 Our direction of travel assessment found that Herefordshire Council is improving adequately. Performance has improved in most priority areas. Children's services remain adequate overall with some improvement in exam results and arrangements for looked after children. Progress in adult social care has been steady with more vulnerable people helped to live at home. Tax collection and benefits administration have improved, along with the speed of planning applications, street cleanliness and recycling levels. However, it costs more to collect waste and there has been limited progress on the Council's business transformation programme.
- 2 The Council continues to contribute to improvements in road safety, regeneration initiatives and better health for children and vulnerable adults through working in partnerships. Value for money is reasonable but is not measured consistently. Progress is being made on most improvement plans but the overall picture is not being reported clearly. Further improvements are expected to result from the new managers of adult social care and a joint head of Human Resources with the PCT. Some significant weaknesses in the governance of ICT have been recognised by the Council and plans agreed to address them.
- 3 The Council, alongside the local Primary Care Trust (PCT) have demonstrated good community leadership by recently appointing a joint Chief Executive. This offers significant opportunities to improve joint working, obtain efficiencies and break down artificial barriers in the delivery of local services to the public. The new Chief Executive is currently revising plans relating to the scope and timetable for future joint working relationships. We are pleased that these plans are now intended to clarify the intended benefits to service users of such an approach and how this will be achieved.

### Other accounts and governance issues

- 4 The Section 151 (Director of Resources) Officer's report in September described serious flaws in ICT procurement and in governance arrangements such as expense claim reimbursement and the registering of gifts and hospitality. We are satisfied that the subsequent external investigation carried out by the former Chief Executive of Buckinghamshire County Council, Ian Crookall, was thorough, transparent and independent and the Council has started to respond to the recommendations in both these reports.
- 5 Accounts production was good and timely. We were able to issue an unqualified audit opinion by the deadline of 30 September 2007.

- 6 Changes to the waste management PFI agreement, which is being negotiated in partnership with Worcestershire County Council, are slow and still not agreed. There continues to be a risk of contract termination.
- 7 The overall financial position of the Council was sound at the 31 March 2007, with the accounts showing a £2.5m under spend and £27.8m of overall balances. The Council has a good track record of keeping expenditure within budget. The Council's pension fund deficit reduced significantly to £88m, but as with most other councils, is still a cause for concern.
- 8 The ambitious business transformation programme Herefordshire Connects continues to be developed. Our work earlier in the year has highlighted strengths in terms of project and risk management arrangements. It also emphasised the need for more clarity in how the project will deal with new joint working arrangements with the PCT and highlighted the short timescale for the successful implementation of the business-critical social care system. The project has subsequently been put on hold for some time and the social care system element has now been called in for scrutiny. This could impact on the Council's ability to deliver improvements.

## Action needed by the Council

- 9 Members need to take the following actions.
  - Re-focus and clarify the purpose, outcomes and actions of Herefordshire Connects. This should include formally considering in a short paper what other options are still open to the Council including the costs, benefits and risks of each option. It should also set out how the programme fits with the new joint working arrangements with the PCT.
  - Set out a clear vision of what are the scope, timing and benefits of the new joint working arrangements with the PCT.
  - Implement successfully the recommendations from the Section 151 and Crookall reports and in so doing further develop the ethical governance and anti-fraud culture within the Council.
  - Monitor the development of corporate approaches to procurement.
  - Ensure that the necessary changes to the waste management contract are resolved promptly.
  - Revise the corporate performance management framework to include a systematic review of value for money (VFM) which will measure and manage improvement in value for money in a consistent way across the Council. This will involve benchmarking costs and performance in a consistent way and setting targets for efficiency and VFM.
  - Ensure that actions recommended by our recent culture inspection report are delivered.
  - Clarify the arrangements for improvement planning and increase the impact of the reporting.

## Purpose, responsibilities and scope

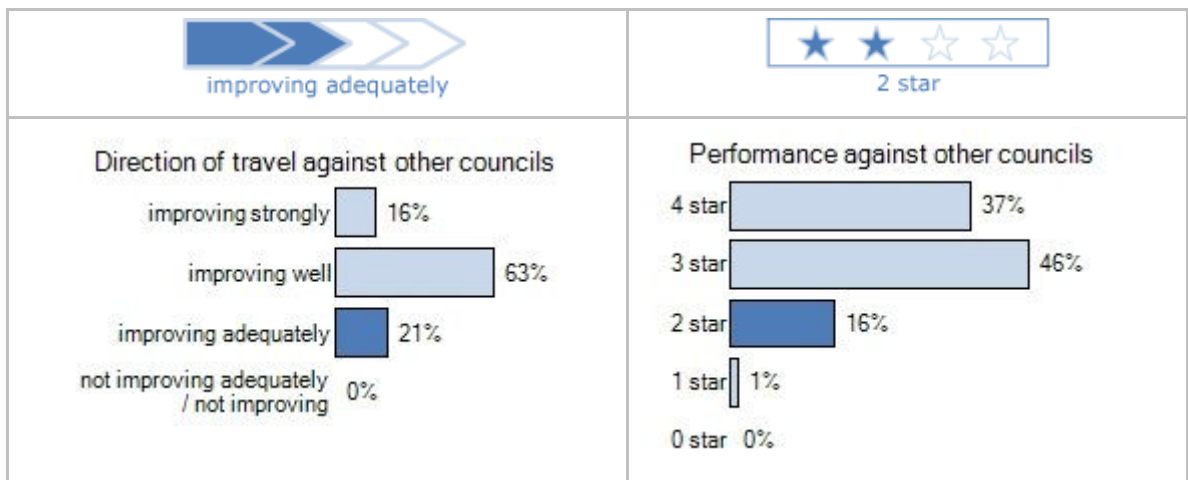
- 10 This report provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2006/07 and from any inspections undertaken since the last Annual Audit and Inspection Letter.
- 11 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.
- 12 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk). [In addition the Council is planning to publish it on its website].
- 13 As your appointed auditor I am responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, I review and report on:
  - the Council's accounts;
  - whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and
  - whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.
- 14 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.
- 15 We have listed the reports issued to the Council relating to 2006/07 audit and inspection work at the end of this letter.



## How is Herefordshire Council performing?

- 16 The Audit Commission’s overall judgement is that Herefordshire Council is improving adequately and we have classified Herefordshire Council as two-star in its current level of performance under the Comprehensive Performance Assessment. These assessments have been completed in all single tier and county councils with the following results.

**Figure 1**



*Councils with a CPA star rating under review or with a direction of travel judgement that is subject to review are excluded from this analysis*

Source: Audit Commission

- 17 The detailed assessment for Herefordshire Council is as follows.

### Our overall assessment - the CPA scorecard

**Table 1 CPA scorecard**

Element	Assessment
Direction of Travel judgement	Improving adequately
Overall	2 star
Corporate assessment/capacity to improve	2 out of 4
Previous corporate assessment/capacity to improve, as included in overall CPA judgement in 2007	3 out of 4
Current performance	
Children and young people*	2 out of 4
Social care (adults)*	2 out of 4
Use of resources*	2 out of 4
Housing	1 out of 4
Environment	3 out of 4
Culture	3 out of 4
Benefits	3 out of 4

*(Note: \* these aspects have a greater influence on the overall CPA score)  
(1 = lowest, 4 = highest)*

## The improvement since last year - our Direction of Travel report

### What evidence is there of the Council improving outcomes?

- 18 Overall improvement of outcomes across the Council for the year 2006/07, when measured by a basket of performance indicators, has been strong, with 73 per cent of indicators improving – well above average when compared to other authorities. There has also been an increase, from 18 per cent to 26 per cent, in the number of performance indicators in the best quartile, bringing the Council closer to the national average.

- 19** Performance has improved in most of the Council's priority areas. In children's services, the annual performance rating by OFSTED remained at 'adequate' although there was an increase in the attainment score. This was due to some good exam results in most areas in 2006, except Key Stage (KS)2 where three of the four results worsened. Unratified data for 2007 indicates that KS2 results have improved along with most KS3, but GCSE scores have dipped. The Council has made progress in further strengthening safeguarding arrangements and outcomes for looked after children have improved with better placement stability and a higher number of children achieving GCSEs.
- 20** The health of young people is improving with the Council leading on programmes to tackle obesity, substance misuse and sexual health. In addition, good progress has been made on the provision of a comprehensive Child and Adolescent Mental Health Service. Some good initiatives in homelessness have resulted in a reduction in the number of families with children who were in both B&B and in hostels for long periods. However, the impact of this has been to worsen some of the performance indicators measuring length of stay in temporary accommodation resulting in a drop in the star rating for housing from two to one (leading, more significantly, to a drop in the Council's overall star rating from three to two).
- 21** Improvements in the provision of services to vulnerable and older adults have been steady but sustained in 2007. The annual assessment score from CSCI remained the same but there was recognition of improvements in helping more people live at home rather than in residential centres and in signposting and information schemes across the client groups. In addition the Council has increased the speed at which new assessments are carried out and the speed of delivering equipment into people's homes. The Council has also done some good work on analysing the future needs of vulnerable and older adults in the County and is improving its systems and processes to deal with service demand.
- 22** Progress in the Council's priority of securing efficiencies and streamlining processes has been generally good. Rates of collection for Council Tax and non-domestic rates have improved, along with the speed of processing benefits claims which was recognised by the increased score from the BFI this year. One of the big targets for the Council this year, delivering the Herefordshire Connects programme, has been put on hold to enable priorities and affordability to be reassessed. However, progress has been made in procuring a system for adult social care, where a preferred supplier has been identified.
- 23** Improvements have been made in the Council's priorities covering communities and the environment. The speed of planning applications has increased along with improvements in environmental health, trading standards, recycling and street cleanliness. The Council is succeeding in reducing the amount of waste collected from households, but the cost of this has increased.

- 24 The Council has been working well in partnership to improve wider community outcomes. It has set up robust arrangements with partners to deliver the LAA targets and the LSP received a green rating from Government Office for the 2006/07 year. The Council's own data suggests that most of the 89 targets in the LAA are on track for 2007/08, with 15 assessed as likely to fall short. Key partnership outcomes include a reduction in the long-term rate of people killed or seriously injured on the roads, helped by the Council working in partnership with the police in the road safety group. The community safety and drugs partnership has been successful in implementing most of the recommendations in its action plan and there has been an increase in the number of joint projects with the PCT, particularly in the area of adult social care. Finally, the Council is making steady progress in its two key community regeneration projects. In the Rotherwas project the link road is being constructed and a number of industrial units are being planned. However concerns about the Unitary Development Plan have led to it being subject to a judicial review. No application for planning permission has been made. Selection of a preferred partner for the retail quarter of the Edgar Street Grid project is currently underway.
- 25 The Council has continued to improve access to its services, both by telephone and in person. The key event in the past year has been the opening of the Garrick Centre in Hereford which is a multi-agency information point where residents can access both a range of Council services, including viewing planning applications, and a number of voluntary sector agencies including the Citizens Advice Bureau. The Council's telephone information service has continued to receive an increasing number of calls, as have the contact centres located in the market towns. The Council has improved its approach to equality and has now achieved level two of the Local Government Equality Standard. It has improved its overall approach to promoting race equality and dealing with racial incidents. There is a good awareness at the Council of the increasing number of eastern European people arriving in the County seeking work although the approach to assessing the impact of this is at an early stage and the Council has employed a specialist to assist in doing this. In contrast to the steady improvements in most service areas, satisfaction with most parts of the Council is not improving with the overall satisfaction rating worsening, putting the Council in the worst quartile. The Council has been slow in responding to these findings, but work is in hand to better understand the reasons for poor user satisfaction.
- 26 The Council's overall performance on providing and managing value for money has been adequate. Most of the Council's services are relatively low cost and there has been good progress at taking further costs out and improving performance. However, not enough is yet being done to measure and manage improvement in value for money in a consistent way across the Council. Progress is being made in the area of procurement, with some savings being made in the way the Council engages temporary staff and in its telephone and postage operations. The Council has had good success in the past year in meeting its Gershon efficiency targets and reductions in sickness absence are also helping to improve value for money.

## How much progress is being made to implement improvement plans to sustain future improvement?

- 27 The Council's approach to improvement planning has been steadily improving during the past year. The previous high-level improvement plan has given way to a number of service specific improvement plans, which are monitored by various boards and groups. The Council addressed this transition well with a robust risk analysis of the new plans to ensure that progress would be made. The result of this is a series of plans covering adult social care, cultural services, lifelong learning, the CYP forward delivery plan, a high-level environment improvement plan and a plan to improve performance management. These plans are monitored individually but there is no overall summary of progress to enable the Council to see what has been achieved. In addition, the Council has a set of broad plans with the PCT for joint service provision over the coming years, which has already started with the appointment of a number of joint posts including the new Chief Executive. Awareness of, and monitoring arrangements for this new suite of plans is, however, not fully developed, but the most recent information indicates that progress is being made in most areas. Improvements in performance management include the appointment of the performance improvement managers and changes to the corporate performance report which provide a sharper assessment of progress against priorities. In addition, most of the targets in the adult social care and cultural services improvement programmes are being met by the agreed dates.
- 28 The Council is making reasonable progress across a number of areas in developing its capacity to further improve. The annual assessments in children's and adults assessed capacity as adequate and uncertain, respectively, but much has been done in the past six months to improve this situation. New managers have been appointed in adult social care, including an interim head of service and a change manager. In children's the Council appointed a new director in April 2007 and most of the social work vacancies are being filled. The Council has produced a Pay and Workforce Development Strategy which adequately addresses some of the key issues and is being improved by the interim head of HR. Staff morale at the Council is improving, with results from the latest employee opinion survey showing increased scores in nearly all areas. Finally, the Council is progressing its corporate approach to staff accommodation. A review has taken place of current accommodation needs and there has also been work carried out on identifying possible sites for back-office functions. Cabinet has been briefed on this but is waiting for the new Chief Executive to become established before making a decision.

- 29 Some significant governance weaknesses were identified by the Council in 2007 following an investigation into certain ICT procurement exercises. The Council's own investigation highlighted specific failings in its procurement processes and an external review, carried out at the Council's request, identified a series of wider weaknesses in cultural and organisational issues at the Council. These weaknesses included a culture that was too consensual and lacking in challenge. In addition, although the Council has a number of processes in place, the review concluded that there was insufficient sanction for non-compliance with these processes. The Council responded well to the initial discovery of the procurement problems and has accepted the wider weaknesses and put in place an action plan to address them. Given this situation, it is unlikely that the issues highlighted in the report will prevent improvement levels being sustained. The other significant issue around governance for the Council has been the need to improve the quality of overview and scrutiny. Steady improvement is being made in this area, with a new set of scrutiny chairs being appointed following the May 2007 elections. Work programmes have been developed and training and information provision has been improved. This has resulted in a better level of challenge and scrutiny around performance issues and a broader approach to the agenda of overview and scrutiny, exemplified by a number of external bodies, including RSLs and the ambulance trust, being called to give evidence to the committees.

## Culture inspection

- 30 Herefordshire Council provides 'fair' cultural services that have 'promising' prospects for improvement.
- 31 The Council offers a broad range of cultural services including libraries, sports, tourism and arts development/activities, creative industries, leisure facilities, parks and open spaces, conservation, archives, heritage and museums and tourist information centres. It also supports delivery of the Courtyard Centre for the Arts in Hereford. It spends approximately £7.3m annually on these services which equates to £40.82 per head of population.
- 32 The Council recognises the potential of cultural services in contributing towards many of its priorities but has not transformed this into clear high level outcome targets. It is developing good intelligence about the cultural needs of the community and ongoing consultation is strong. This is influencing the way cultural services are delivered.
- 33 The Council delivers and enables some positive initiatives to promote access in cultural services but the Council does not always know whether they are effective. Services are good at providing and enabling a range of opportunities aimed at improving quality of life, particularly for children and young people and communities delivering cultural projects. Because local indicators and measures have not been fully developed, it is not always clear how effective cultural services are in enabling access. For example, the Council does not know how successful its concessionary pricing schemes are within cultural services.



- 34 Integration of diversity into cultural services is developing. The Council achieved level two of the Equality Standard in 2006/07. It has undertaken a programme of equality impact assessments within cultural services which has led to some service improvements. However, the Council does not have a robust overall needs assessment of minority groups in the County to inform its approach.
- 35 Quality of cultural services is variable. Quality assurance and service specific standards are not in place in all areas and the standard of cultural buildings is mixed. This is reflected by national indicators which show varied perceptions and reported usage from residents. Value for money is not fully integrated into the delivery of cultural services.
- 36 During the last four years a number of cultural services facilities have significantly improved. Improvements include a new and innovative shared facility at Bromyard which integrates a library, leisure facility, tourist information centre and general access point. However, satisfaction and reported usage for cultural services is not improving significantly when compared to other authorities and the Council cannot demonstrate consistent improvements to value for money across its cultural services.
- 37 The Council has significant future plans to improve cultural services. These include a commitment to implementing its strategy towards developing shared services incorporating new library facilities at Hereford and Ledbury. Other planned improvements include a new country park visitors' centre; a £2.4m heritage lottery award to develop the Wye Valley as an area of outstanding natural beauty; and investment in local sports and play facilities.
- 38 Cultural services benefit from an experienced, motivated and well trained work force and have a good track record of delivering improvements through partnership working. Commitment and leadership are also positive.
- 39 Some weaknesses exist in performance management within cultural services. Improvement plans are fragmented and not prioritised and outcome measurements and targets not fully developed. This extends to the two trusts delivering the operational management of leisure facilities and the Courtyard arts venue.
- 40 The Council has started to respond to the recommendations from this inspection. There has been recent progress in key projects that will improve access to and quality services for residents and visitors of the County such as the Museum Resource and Learning Centre which was completed in November 2007. The Council has established a set of outcome measures to be included in the Household Survey in response to the report. These outcomes, along with the new indicators from the performance framework and value for money indicators, will be incorporated into commissioning agreements for Halo Leisure and the Courtyard. These will be three year, rolling agreements to give the organisations that deliver the leisure and arts programmes longer term stability.

- 41 The Economic and Community Services Division, in which Cultural Services sits, has produced a Medium Term Financial and Asset Management Plan to address the management of resources. This also takes a long view (to 2017) on the use of assets. This was designed to address the fragmentation of improvement plans. Value for money is assessed in the service plan for the division and value for money indicators include tracking cost for users and residents. Specific service standards are being presented to the Cabinet Member for introduction in March 2008 in libraries, heritage centres and tourist information centres.

## Performance information

- 42 We reviewed your overall management arrangements to develop the quality of data and tested a limited number of performance indicators. There were five themes for us to consider as part of our work on Data Quality; Governance and Leadership, Policies, Systems and Processes, People and Skills and Data Use.
- 43 The Council continues to develop and improve its management arrangements for ensuring the quality of data. The Integrated Performance Reporting methodology has improved the focus of performance indicators within the Council, as the collection and reporting of performance information across the Council has led to more attention being paid to all indicators. Overall the Council has maintained an 'adequate' assessment.
- 44 There are, however, areas for further improvement. In particular there should be a formal strategy for data quality put in place which should be agreed to by Members. Specific data quality policies should be put in place to support the current ad hoc guidance and regular formalised training for relevant staff would support the Data Quality process. Of the four indicators we looked at, two were significantly misstated. To help with further improvement, we have recently produced a more detailed report containing detailed recommendations which the Council needs to address. We are planning to review more indicators next year.



## The audit of the accounts and value for money

- 45 As your appointed auditor, I have reported separately to the Audit and Governance committee on the issues arising from our 2006/07 audit and have issued:
- my audit report, providing an unqualified opinion on your accounts and a qualified conclusion on your vfm arrangements; and
  - my report on the Best Value Performance Plan confirming that the Plan has been audited.

### Use of Resources

- 46 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.
- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).
  - Financial management (including how the financial management is integrated with strategy to support council priorities).
  - Financial standing (including the strength of the Council's financial position).
  - Internal control (including how effectively the Council maintains proper stewardship and control of its finances).
  - Value for money (including an assessment of how well the Council balances the costs and quality of its services).
- 47 For the purposes of the CPA we have assessed the Council's arrangements for use of resources in these five areas as follows.

**Table 2**

Element	Assessment
Financial reporting	3 out of 4
Financial management	3 out of 4
Financial standing	2 out of 4
Internal control	1 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	2 out of 4

(Note: 1 = lowest, 4 = highest)

- 48 The key issues arising from the audit, as reflected in the above judgements where appropriate, are as follows.

## Financial reporting - audit of 2006/07 accounts

- 49 We assessed the Council's production of accounts as good. The accounts were produced by 30 June and were well supported with working papers. The Council also produced a good summary annual review of the accounts for the public. To achieve further improvement the accounts presented for audit should have no non-trivial errors and analytical review needs to be further developed. We have provided further detail to your officers to help this improvement.
- 50 We are required by professional standards to report to those charged with governance (in this case the Audit and Corporate Governance Committee) certain matters before we give an opinion on the financial statements. We reported three matters.
- 51 There was still some difficulty in reconciling end of year balances with the PCT and there have been delays in the PCT settling invoices with the Council. The Section 75 agreement has still not been updated for the learning disabilities pooled budget agreement. This has not been updated since 2002.
- 52 We found three significant errors in the statement of accounts which the Council subsequently corrected for. The first related to a primary school incorrectly taken out of the balance sheet, the second revenue expenditure incorrectly classified as capital and third incorrect apportionment of overheads to services.
- 53 We also discussed matters arising from Internal Audit work in the ICT section and the subsequent Ian Crookall report which are referred to in the section on systems of internal control.
- 54 The Council has completed an action plan to address all the recommendations in our report.

## Financial management

- 55 Our overall conclusion on financial management is that there are good arrangements in place but these now need to be fully embedded.
- 56 The Council has made good progress over the last year in improving the quality and reliability of financial management arrangements although there were issues in ICT which are being addressed. Particularly significant is the robust Medium Term Financial Plan which is focussed on the achievement of the Council's objectives and is updated regularly. The Council needs to continue this improvement and fully embed the new financial management arrangements. Training needs to be continued for Members and Officers. The budget reported to Members does not include a positive assurance statement and responsibility for capital and revenue budgets is not up to date.

- 57 The Integrated Performance Report (IPR) has continued to embed into the culture of the Council and the financial information supplied shows the Council's financial position. However the quality of some of the non-financial data supplied is questionable eg homelessness.
- 58 We also considered how the Council manages its asset base. The Council demonstrates some good practice in this area. The Council, in general, makes investment decisions based on a thorough and robust appraisal, however as reported previously there was not a full options appraisal on IT projects such as the IT Connects Project. The Council will need to consider all investment decisions to ensure that they comply with its own procurement processes.
- 59 The Council has taken action to improve the capacity of the Asset Management and Property Services team including recruiting a permanent head of this service. This is important given the level of input required in key areas such as the reconsideration of the Council's Accommodation strategy.

## Financial standing

- 60 We concluded that the Council's financial standing meets the minimum requirements for the Use of Resources assessment.
- 61 Achieving financial balance is an important element of financial standing and historically the Council has been successful at this. Good financial standing is also about effectively managing activities and their associated budgets to avoid significant under-spending and the non-achievement of objectives. It is also about setting aside prudent but not excessive levels of reserves in relation to risks. For the first time in a number of years the Council has not made a significant contribution to reserves. In 2006/07 revenue reserves reduced by approximately £700k. Capital reserves have increased by just over £2m to £22.4m. There is now a clear strategy in relation to the use of revenue reserves which forms a part of the medium term financial plan. Much of the revenue reserves previously held are now earmarked against specific risks.
- 62 The Council's financial position reported in the 2006/07 accounts shows revenue balances (earmarked and general) of £27.8m and a net under spend of £2.5m against budget. There were overspends in two areas, Adult and Community services overspent by £1,023k and the Corporate and Customer Services overspent by £1,415k. These overspends were mitigated by under spending in children's and young people's services (£139k), Environment (£274k), Resources (£589k) and Central Services (£374k). The most recent forecast from the Council is highlighting an overspend of £700k for 2007/08.
- 63 Schools balances remain high at £8.1m, a reduction from £8.7m at the end of 2005/06 and although this is a small drop from the previous year, it is recognised that this level of balances is high. The Council continues to suggest that it is seeking to reduce this.

- 64 The Council's pension liability (the amount liabilities exceeded assets) at the 31 March 2007 was £88.8m. This represents a significant reduction from £100m in 2005/06. The Council is not currently in a position to meet its future pension liabilities for its workforce.
- 65 Debt monitoring has continued to improve but there is still scope for further progress.

## Systems of internal financial control

- 66 The Council's systems of internal control fail to meet the minimum requirements for the Use of Resources assessment.
- 67 The Council has not progressed as quickly as they would have liked in relation to internal control issues. Although there have been improvements, the serious nature of the issues noted within the ICT section have overshadowed these leading to a reduction in the overall assessment.
- 68 Risk management has improved. The Council has a risk management strategy which has been approved by Members. The register is maintained and ownership for each risk within the register is assigned. The Member responsible for risk does not have specific terms of reference and some of the links between service areas in regards to the Departmental Risk Register and the Corporate Risk Register are unclear.
- 69 Internal Control arrangements had been progressing relatively well. The Audit and Corporate Governance Committee has shown real signs of improvement, there is positive interaction with the Chief Internal Auditor and challenge is good. We carried out a review of Internal Audit during 2006/07 and found that Internal Audit conformed with the CIPFA code of practice. We found that we could place reliance upon their work. There were only three issues to address:
- ensuring all agency staff employed have a signed declaration of interest.
  - updating the quality assurance framework: and
  - ensuring that process for reporting the number of audit recommendations agreed to be followed up by management in the audit services assurance report is accurate.
- 70 There have, however, been serious flaws within the application of your internal control arrangements within ICT that have been uncovered by Internal Audit during 2007 which we will refer to later.
- 71 In 2005/06 we reported that there were weaknesses within the gifts and hospitality arrangements within the Council. Further work has indicated that the issues found previously have improved but other weaknesses have emerged such as the receipt and giving of hospitality within ICT which was not declared. The Council has improved whistle-blowing arrangements by communicating with those parties being contracted with but it is also important to ensure an open culture where Officers, Members and contractors feel that their concerns will be dealt with without fear of recrimination.

- 72 We plan to assist the Council in developing these arrangements shortly by delivering training to Officers and Members.
- 73 There is no consolidated Business Continuity Plan. Reconciliations of significant feeder system have not occurred throughout the year but were satisfactorily reconciled at year end.

## **Value for money**

- 74 We considered both the Council's achievement of value for money and the arrangements to manage and improve value for money. Overall we concluded that both adequate achievement and adequate arrangements are demonstrated.
- 75 The Council is generally a low cost authority with a mix of performance levels. In Education, attainment is good, costs are low and in both social care areas (children's and adults) costs are low and performance is broadly average, In Environment, Planning and Transport areas value for money is reasonable. There is a mixed picture of value for money in benefits and local taxation. Costs in benefits are low but performance, although improving, is below average, There is good performance in Council Tax collection which, combined with low costs, is providing good value for money.
- 76 The Council has information on its own and comparable data, however this information is not combined with cost data to either measure value for money internally or with other authorities. There is no requirement on managers to report on value for money within the Council's performance monitoring framework. The Council is delivering on its efficiency plan and in the last nine months the Council has started to make savings as a result of improved central procurement practices. Reductions in sickness absence have also benefited the value for money profile.

## Herefordshire Connects Programme

- 77 The Herefordshire Connects project, a fundamental part of the Herefordshire Transformation Programme, is key to the delivery of the Council's medium term financial strategy. We carried out a short risk assessment in October 2006 which identified a number of issues and made associated recommendations. These included:
- further consideration of the proposed technical solution to ensure that it met organisation needs;
  - reviewing the requirements of the Public Service Trust (PST) to ensure they were sufficiently clear and robust to inform the contract; and
  - outlining the other options which were still open to the Council when presenting the preferred bid to members for consideration, with the risks, costs and benefits of each option set out.
- 78 This was followed up by a more in depth review, reporting in July 2007, including progress with the earlier recommendations, arrangements for risk management, project management and performance management and the robustness of the assumptions made around the savings that could be achieved.
- 79 Overall we felt that progress had been made with implementing the recommendations from our initial risk assessment. However, given that the development of the PST was at an early stage, it was not possible to define the requirements at this point. We also found that although the Cabinet paper identified three alternative options - total outsourcing, shared services provision and doing nothing, there was not sufficient information on costs and benefits to enable members to make an informed judgement.
- 80 We found that the Council had put in place effective arrangements for the management of the current phase of the project and that the governance and performance management arrangements for subsequent phases, which were being finalised, would be key to the realisation of the expected benefits. We highlighted some areas where arrangements could be strengthened and made some related recommendations. Of particular concern was the proposed timetable for the implementation of the social care element. Given the uncertainty surrounding the technical solution and the need to re-design business processes, it was felt that the June 2008 deadline provided a significant risk of non delivery of the anticipated benefits in this business critical area.
- 81 We were not able to examine the costs of the Herefordshire Connects programme as the Council was still assessing some aspects such as the technology, accommodation and severance. However, the Council was developing a rigorous benefits realisation process and the Council's initial cost benefit assumptions had been robustly challenged.

- 82** Recommendations covering the implementation of the social care element, risk logs and performance management arrangements were made and good progress has subsequently been made with implementing them. A technical solution has been agreed for the social care element and plans are being finalised for implementation in 2008.
- 83** However, with the exception of the Social Care element, the project is now on hold while issues of affordability and priority are resolved. This could impact on the Council's ability to deliver improvements in services and business processes.

## **Joint working with the Primary Care Trust (Public Service Trust)**

- 84** Herefordshire Council and Herefordshire Primary Care Trust (PCT) have been working towards an enhanced form of partnership working, aimed at using their joint resources to more effectively commission public services. This enhanced form of partnership working has been referred to as a Public Service Trust (PST). Because of the significant risks potentially associated with the move towards a Public Service Trust, we have undertaken a high-level, diagnostic audit, designed to identify the key issues and risks associated with the proposals.
- 85** This report issued in October sets out a range of issues which need to be resolved, particularly the precise scope of the joint arrangement. There were risks around the appointment of the joint Chief Executive and whether the joint arrangement will deliver improved services and better value for money as intended. However, in order to move forward with the PST as an innovative solution to providing services in Herefordshire, we accepted that some risks are inevitable and that new joint leadership is necessary to drive the change. Both the Council and the PCT are aware of the risks and are seeking to mitigate them. Our detailed report sets out the issues to be resolved including a number of legal issues which the Council and PCT need to resolve promptly.



- 86 The Council and the PCT have demonstrated good community leadership in starting this important and innovative dialogue about moving towards joint arrangements. There is a clear shared vision of improving service provision and making more effective use of public resources. Clarity is starting to emerge about what this means for specific services and for governance arrangements, but more clarity is needed here. Strategic capacity is under pressure in both organisations, particularly with the demanding agenda of change associated with the joint working arrangements, but also from other major programmes such as the introduction of a Children's Trust and the improvements required to existing integrated services. The appointment of a joint Chief Executive for both organisations will help to strengthen strategic leadership and support the move towards greater partnership working. We are continuing to discuss a number of issues relating to statutory roles, accountabilities and conflicts of interest. Now that the focus has changed from organisational structure to delivering joint services through Herefordshire Public Services, these issues may be less significant than when we reported in October. There has been some limited engagement of other strategic stakeholders in Herefordshire regarding the moves towards a PST.
- 87 A 'roadmap' setting out the milestones for moving towards PST arrangements was agreed by both organisations. The original timetable for establishing the PST was, we are pleased to note, extended but was still a very demanding one. It was, though, always envisaged that the new Chief Executive was likely to set out a new vision and timescales for joint working. A considerable amount of work still needs to be done to clarify and develop the interim arrangements, and then to plan for and prepare the detailed partnership agreement. This will place significant demands on capacity in both organisations. Good risk reporting arrangements are in place, but the PST Steering Group had not devoted adequate time to assessing and managing PST-related risks. This is now in hand. Project management arrangements are sound and are working well. Comprehensive public consultation on the PST proposals were carried out during summer 2007, however the Council and PCT will need to assure themselves that relevant statutory requirements on public consultation are met.
- 88 Some initial work has been carried out on the detailed implications for financial and performance management and governance, but the detailed work to underpin the joint working arrangements has yet to be undertaken. It is not clear at this stage to what extent governance arrangements will be streamlined, at least in the medium term. Some savings projections associated with the joint working arrangement have been drawn up, but these are limited in scope and are only indicative at this stage. The PCT and Council have yet to quantify how the joint working arrangement will deliver better value for money.
- 89 Some initial work has been undertaken to identify the implications of joint working arrangements for information systems in both organisations, but the detailed work has yet to be undertaken. It is not clear at this stage how the Council and PCT will address the information management implications, including the interface with national IT systems in the NHS.



- 90** A range of work has been undertaken to identify and explore the human resource and shared-service implications of the move towards a joint working, but further detailed work will be required as the programme progresses. Arrangements for staff communications are in place and both organisations are in the process of evaluating the effectiveness of these communications.

## **Crookall Report**

- 91** Following an anonymous tip-off, internal investigations have been carried out which resulted in a report by the Council's Section 151 Officer. The report itemises serious weaknesses in the procurement and implementation of a network upgrade from Siemens and an ICT back-office system from SAP in early 2005. Concerns ranged from poor value for money, project management and lack of proper approval. The report also highlighted serious abuse of expenses by the Head of IT and some of her line reports. This included regular entertainment of contractors followed by overnight stays in Hereford. Two overseas visits of questionable value have also been uncovered. As a result of these issues we have given an adverse VFM opinion on the Council's arrangements for securing value for money (the VFM opinion).
- 92** Following this report the Council invited the LGA to identify an independent and experienced person to carry out the investigation. This was necessary because the Chief Executive and Director of Corporate Services were married. The former Chief Executive of Buckinghamshire County Council, Ian Crookall carried out this investigation. This investigation was both thorough and wholly independent. The Council has been commendably open and transparent in their reporting of the investigation. The Council has also taken the report very seriously and is starting to respond robustly.
- 93** The serious findings in the ICT section exposed weaknesses in the application and monitoring of corporate procedures. However there is no evidence either to suggest that the abuse was more widespread and indeed our work and that of Internal Audit suggests it is not. There is also no evidence to suggest fraud or corruption.
- 94** Due to the thoroughness, independence and openness of the external investigation which has already taken place, we have concluded that there is no merit in a further investigation.
- 95** The Audit & Corporate Governance Committee has received regular progress reports on implementing the recommendations in the Section 151 Officer report. All the outstanding recommendations from that report plus those from the Crookall report are now being integrated into one action plan. It is important that the Council now continues to focus on improving its processes and procedures. We will continue to monitor the Council's response.

## Waste Management PFI

- 96 The Council has been seeking for several years with its partner Worcestershire County Council to vary its PFI contract for waste management which will allow both parties to meet national targets for recycling and reductions in landfill tonnages and specifically reduce the amount of biological municipal waste (BMW) which ends up in landfill sites.
- 97 The Government has set councils exacting targets for recycling which are above those agreeing for the current contract. Targets for reducing landfill have also been set. The driver for these targets is landfill tax, which is set to increase year on year providing an incentive for councils to divert waste from landfill. The consequence of not reducing landfill tonnages will be increased costs and increasing pressure on medium term financial strategy.
- 98 Councils have also been set targets for the amount of BMW which can be landfilled, these targets first impact in 2010 when BMW going to landfill needs to fall to 75 per cent of that produced in 1995. Subsequent targets are increasingly hard to meet, as by 2013 the amount permitted to be landfilled falls to 50 per cent of the 1995 amount and in 2020 to 35 per cent.
- 99 Councils have permits for BMW landfill which are aligned with these targets, failure to meet such targets will result in a cost, estimated to be in the region of £150 per tonne of additional BMW waste going to landfill.
- 100 Until the discussions with the contractor are finally concluded, there remains a risk that the contract could terminate. Contract termination could have a significant impact on the financial standing of the councils, because termination clauses in the original contract will require the councils to repay the contractors shareholder equity in exchange for bringing waste management assets and facilities back in-house. In such a situation the councils are also likely to have to enter into a new contract in order to achieve the objectives of the Waste Management Strategy. Re-procurement costs are likely to be significant and the councils would be unlikely to secure the level of government PFI funding that was made available for the existing contract.
- 101 Given the potentially long process to achieve a contract variation, the Council needs to be aware of the very significant financial implications of delay and balance this against obtaining the best long term solution for waste management.

## Grant claims

- 102 In accordance with Strategic Regulation, the Audit Commission has continued with a more risk-based approach to the certification of grant claims. We have reduced our audit of these claims but our ability to reduce further also depends on the adequacy of the Council's control environment.

- 103** The Council's arrangements for managing and quality assuring grant claims submitted for audit has changed partly as a result of a new protocol and setting up a grant claims co-ordinator. To help improve arrangements further the Council needs to use this new post to be proactive in chasing departments where claims and working papers are outstanding so that the claims audits can commence on time. A number of claims were late in 2007.
- 104** We have recently produced a memorandum following the audit of the largest of these claims, housing and council tax benefits. This is designed to improve the efficiency in auditing this large claim in the future. The audit of this claim improved this year due to significant improvement in co-operation from benefits staff and can further benefit from improved working papers to support the claim.

## Looking ahead

- 105** The public service inspectorates are currently developing a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.
- 106** CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate annual area risk assessment and reporting performance on the new national indicator set, together with a joint inspectorate annual direction of travel assessment and an annual use of resources assessment. The auditors' use of resources judgements will therefore continue, but their scope will be widened to cover issues such as commissioning and the sustainable use of resources.
- 107** The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new Local Area Agreements.

## Closing remarks

- 108 This letter has been discussed and agreed with Chief Executive. A copy of the letter will be presented at the Audit and Governance Committee on 29 February 2008. Copies need to be provided to all Council members.
- 109 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

**Table 3 Reports issued**

Report	Date of issue
Audit and inspection plan	March 2006
Culture Inspection Report	May 2007
Herefordshire Connects	May 2007
Annual Governance Report	September 2007
Opinion on financial statements	September 2007
Value for money conclusion	September 2007
Final accounts memorandum	October 2007
Public Service Trust	November 2007
Annual audit and inspection letter	February 2008

- 110 The Council has taken a positive and constructive approach to audit and inspection work, and I wish to thank the Council's staff for their support and cooperation during the audit.

### Availability of this letter

- 111 This letter will be published on the Audit Commission's website at [www.audit-commission.gov.uk](http://www.audit-commission.gov.uk), and also on the Council's website.

**Elizabeth Cave**  
**District Auditor and Relationship Manager**

February 2008



## APPENDIX 2

<b>ACTION</b>	<b>RESPONSE</b>
<p>a. Re-focus and clarify the purpose, outcomes and actions of Herefordshire Connects. This should include formally considering in a short paper what other options are still open to the Council including the costs, benefits and risks of each option. It should also set out how the programme fits with the new joint working arrangements with the PCT.</p>	<p>The senior management teams from the Council and the PCT now meet on a regular basis. An away day is being arranged on 3rd March 2008 to consider, amongst other things, the future direction for Herefordshire Connects and how the report outlined by the Audit Commission will be produced. This will present an opportunity to outline the benefits of the programme to date.</p>
<p>b. Set out a clear vision of what are the scope, timing and benefits of the new joint working arrangements with the PCT.</p>	<p>The Herefordshire Public Services Steering Group continues to meet and is in the process of reviewing its remit and how the joint arrangements will be managed for the future.</p>
<p>c. Ensure that the necessary changes to the waste management contract are resolved promptly.</p>	<p>The joint PFI on waste disposal has been in standstill for many years following the failure to secure planning consent for an energy from waste facility in Kidderminster. Since that time technologies available have become far more advanced. As a consequence there are now credible proposals to build a waste processing plant at Hartlebury (with all necessary planning consents secured) and a strong political desire to see an energy from waste plant built in Herefordshire. The contractor, Mercia Waste, is bringing forward proposals on technology options and potential sites for formal consideration by Herefordshire and Worcestershire in the next few months. Consideration of these options will need to be in the context of the joint waste disposal strategy which is currently under review.</p>

<p>d. Implement successfully the recommendations from the Section 151 and Crookall reports and in so doing further develop the ethical governance and anti-fraud culture within the Council.</p>	<p>See management response to Use of Resources report 2008 – improvement opportunities 4.4, 4.5 and 4.6 refer.</p>
<p>e. Revise the corporate performance management framework to include a systematic review of value for money (VFM) which will measure and manage improvement in value for money in a consistent way across the Council. This will involve benchmarking costs and performance in a consistent way and setting targets for efficiency and VFM.</p>	<p>See management response to Use of Resources report 2008 – improvement opportunities 5.3 and 5.4 refer.</p>
<p>f. Monitor the development of corporate approaches to procurement.</p>	<p>Much progress has been made in developing the strategic procurement function with the result that significant contributions to the corporate financial position are being made and incorporated into the financial strategy. This has been achieved with a very limited resource base (one officer). In response to the Section 151 Officer and Crookall recommendations on strengthening the Council's strategic procurement function, the Head of Financial Services is currently working with procurement specialists at the West Midlands Centre for Excellence to bring forward proposals on an appropriate staffing arrangement. This will potentially involve a transfer of staff in procurement related roles to the strategic team within the Resources Directorate. A review of the Council's procurement strategy is also underway and is included as an action in the Financial Services service plan for 2008 – 2011. The Contract Procedure Rules have been revised and are awaiting Council approval on 7th March 2008.</p>



<p>g. Ensure that actions recommended by our recent culture inspection report are delivered.</p>	<p>Progress in key projects is as follows:</p> <ol style="list-style-type: none"> <li>a. The Museum Resource and Learning Centre was completed in November 2007.</li> <li>b. Discussions continue on adapting The Masters House, Ledbury as a multi-use centre for cultural and other services.</li> <li>c. Five new multi use game areas complete by April 2008 for Hereford City.</li> <li>d. A pilot cultural passport scheme was launched in January 2008 to increase use of libraries and heritage centres, funded by the LAA single pot funding.</li> <li>e. A set of outcome measures to be included in the Household Survey in response to recommendations in the CPA Cultural Services Assessment has been developed.</li> <li>f. The Economic and Community Services Division, in which Cultural Services sits, has produced a Medium Term Financial and Asset Management Plan that addresses the management of resources, that also takes a long view (to 2017) on the use of assets.</li> <li>g. Many of the performance data for cultural services is annual so not all figures on year on year progress are available but many show an improvement.</li> </ol>
<p>h. Clarify the arrangement for improvement planning and increase the impact of the reporting.</p>	<p>See management response to Use of Resources report 2008 – improvement opportunity 5.3 refers.</p>



**ANNUAL GOVERNANCE STATEMENT 2007/08  
UPDATED REPORT****Report By: CHIEF INTERNAL AUDITOR****Wards Affected**

None.

**Purpose**

1. To present to the Audit and Corporate Governance Committee the updated assurance framework for comment before it is presented to Cabinet for comment and approval.

**Financial Implications**

2. None directly arising from this report.

**RECOMMENDATION**

**THAT: subject to any comments from the Audit and Corporate Governance Committee and the Standards Committee the draft framework as set out in Appendix 1 to 3 is approved for submission to Cabinet.**

**Reasons**

3. Previously, Regulation 4 of the Accounts and Audit Regulations 2003 required the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control and publish a Statement on Internal Control each year with its annual statement of accounts .
4. The Department for Communities and Local Government Circular 03/2006 and the Use of Resources 2008 assessment require a change in approach with the Council replacing the Statement on Internal Control with an Annual Governance Statement (AGS).
5. The Society of Local Authority Chief Executives and Senior Managers (SOLACE) and the Chartered Institute of Public Finance and Accountancy (CIPFA) have jointly published guidance on delivering good governance in local government in line with the latest regulations.
6. The key lines of enquiry for Use of Resources 2008 assessments highlight the need for the Council to have arrangements in place to maintain a sound system of internal control. The criteria are as follows:

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

- a) An appropriate member group has responsibility for review and approval of the governance statement, and considers it separately from the accounts statement (Level 2 – only at minimum requirement, adequate performance).
- b) The Council has conducted an annual review of the effectiveness of its governance framework, including the system of internal control, and reported on this in the governance statement (Level 2 – only at minimum requirement, adequate performance).
- c) The sources to support the governance statement have been identified and are reviewed by senior officers and members (Level 2 – only at minimum requirement, adequate performance).
- d) There are action plans in place to address any significant governance issues reported in the governance statement (Level 2 – only at minimum requirement, adequate performance).
- e) The Council has put in place an assurance framework that maps the Council's strategic objectives to risks, controls and assurances (Level 3 – consistently above minimum requirements, performing well).
- f) The assurance framework provides members with information to support the governance statement (Level 3 – consistently above minimum requirements, performing well).
- g) The assurance framework is fully embedded in the Council's business process (Level 4 – well above the minimum requirement, performing strongly).
- h) The Council can demonstrate corporate involvement in/ownership of the process for preparing the governance statement (Level 4 – well above the minimum requirement, performing strongly).

## Considerations

7. The Audit and Corporate Governance Committee considered a suggested framework on 26th January 2008 and made a number of changes that have been included in the draft now presented for further consideration.
8. The Audit and Corporate Governance Committee has also recommended that the Director of Resources and the Monitoring Officer review the Council's current Code of Corporate Governance in the light of the new requirements for the Annual Governance Statement by April 2008.
9. Once the draft framework is adopted by the Council it will form the basis of evidencing the Council's Annual Governance Statement.

## Risk Management

10. The Council has a legal obligation to produce an Annual Governance Statement; this is also a requirement of the Use of Resources assessment. The risk is that the Council does not comply. Approval of Appendices 1 to 3

will aid compliance. In addition, the Council has nominated a Member of the Council's Corporate Management Board to oversee compliance.

**Background Papers**

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



## Delivering Good Governance In Local Government

### **PRINCIPLE 1 – Focusing on the purpose of the authority, on outcomes for the community and creating and implementing a vision for the local area**

<b>The code should reflect the requirement for local authorities to:</b>	<b>Source documents/good practice/other means that may be used to demonstrate compliance:</b>
1.1 Develop and promote the authority's purpose and vision	1.1.1 Local area or performance agreements 1.1.2 Community strategy 1.1.3 Corporate and service planning
1.2 Review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements	1.2.1 Code of Governance
1.3 Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties	1.3.1 Partnership protocol 1.3.2 Code of Governance
1.4 Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance	1.4.1 Annual financial statements 1.4.2 Annual business plan 1.4.3 Annual report 1.4.4 A timetable for completing the above
1.5 Decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	1.5.1 This information is reflected in the authority's: a) Corporate plan b) Annual operating plan c) Medium Term Financial Strategy d) Integrated Performance Reports e) Customer Surveys f) Equality Impact Assessments
1.6 Put in place effective arrangements to identify and deal with failure in service delivery	1.6.1 Complaints procedure 1.6.2 Scrutiny process
1.7 Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.	1.7.1 The results are reflected in authority's performance plans and in reviewing the work of the authority. 1.7.2 Scrutiny process

## Delivering Good Governance In Local Government

### **PRINCIPLE 2 – Members and officers working together to achieve a common purpose with clearly defined functions and roles**

<b>The local code should reflect the requirement for local authorities to:</b>	<b>Source documents/good practice/other means that may be used to demonstrate compliance:</b>
2.1 Set out a clear statement of the respective roles and responsibilities of the executive and of the executive members individually and the authority's approach towards putting this into practice	2.1.1 Constitution 2.1.2 Record of decisions and supporting materials
2.2 Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers	2.2.1 Constitution
2.3 Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required	2.3.1 Constitution
2.4 Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management	2.4.1 Conditions of employment 2.4.2 Scheme of delegation 2.4.3 Statutory provisions 2.4.4 Job descriptions/specification 2.4.5 Performance management system and report to Cabinet.
2.5 Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained	2.5.1 New chief executive and leader pairing consider how best to establish and maintain effective communication
2.6 Make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control	2.6.1 Section 151 responsibilities 2.6.2 Statutory provision 2.6.3 Statutory reports 2.6.4 Budget documentation 2.6.5 Job description/specification
2.7 Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with	2.7.1 Monitoring officer provisions 2.7.2 Statutory provision 2.7.3 Job description/specification 2.7.4 Scrutiny process



## Delivering Good Governance In Local Government

The local code should reflect the requirement for local authorities to:	Source documents/good practice/other means that may be used to demonstrate compliance:
2.8 Develop protocols to ensure effective communication between members and officers in their respective roles	2.8.1 Member/officer protocol
2.9 Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)	2.9.1 Pay and conditions policies and practices 2.9.2 Scrutiny process
2.10 Ensure that effective mechanisms exist to monitor service delivery	2.10.1 Scrutiny process
2.11 Ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	2.11.1 Community Strategy 2.11.2 Corporate plans 2.11.3 Budgets 2.11.4 Performance plan/regime 2.11.5 Scrutiny process
2.12 a) When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority  b) Ensure that there is clarity about the legal status of the partnership  c) Ensure that representatives of the partner organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions	2.12.1 For each partnership there must be a partnership agreement that: a) Sets out each partner's role within the partnership. b) Clearly states the principles and objectives of the partnership. c) Defines the role of partnership board members. d) Sets out the line management responsibilities for staff who support the partnership. e) Includes a statement of funding sources for joint projects and clear accountability for proper financial administration. f) Includes a protocol for dispute resolution within the partnership.  NB: from special report <i>Local Partnerships and Citizen Redress</i> , Local Government Ombudsman (2007)

## Delivering Good Governance In Local Government

### **PRINCIPLE 3- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour**

<b>The local code should reflect the requirement for local authorities to:</b>	<b>Source documents/good practice/other means that may be used to demonstrate compliance:</b>
3.1 Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	3.1.1 Scrutiny process 3.1.2 Organisational values
3.2 Ensure that standards or 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	3.2.1 Members'/officers' code of conduct 3.2.2 Performance appraisal 3.2.3 Complaints procedures 3.2.4 Anti-fraud and anti-corruption policy 3.2.5 Member/officer protocols 3.2.6 Whistleblowing policies
3.3 Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	3.3.1 Codes of conduct 3.3.2 Financial Procedure Rules 3.3.3 Contract Procedure Rules
3.4 Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners	3.4.1 Codes of conduct 3.4.2 Scrutiny process
3.5 Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	3.5.1 Codes of conduct 3.5.2 Scrutiny process
3.6 Develop and maintain an effective standards committee	3.6.1 Terms of reference 3.6.2 Regular reporting to the council
3.7 Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority	3.7.1 Decision-making practices 3.7.2 Values Statement
3.8 In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively	3.8.1 Protocols for partnership working

## Delivering Good Governance In Local Government

### **PRINCIPLE 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk**

<b>The local code should reflect the requirement for local authorities to:</b>	<b>Source documents/good practice/other means that may be used to demonstrate compliance:</b>
4.1 Develop and maintain an effective scrutiny function that encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible	4.1.1 Scrutiny is supported by robust evidence and data analysis
4.2 Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	4.2.1 Decision-making protocols 4.2.2 Record of decisions and supporting materials
4.3 Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	4.3.1 Members' code of conduct
4.4 Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee	4.4.1 Terms of reference Membership 4.4.2 Training for committee chairs/members
4.5 Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints	4.5.1 Complaints procedure
4.6 Ensure that those making decisions whether for the authority or a partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications	4.6.1 Members' induction scheme 4.6.2 Training for committee chairs 4.6.3 Report writing protocols
4.7 Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately	4.7.1 Record of decision making and supporting materials
4.8 Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs	4.8.1 Risk management protocol 4.8.2 Financial Procedure Rules

## Delivering Good Governance In Local Government

<b>The local code should reflect the requirement for local authorities to:</b>	<b>Source documents/good practice/other means that may be used to demonstrate compliance:</b>
4.9 Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access	4.9.1 Whistle-blowing policy
4.10 Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities	4.10.1 Constitution 4.10.2 Monitoring officer provisions 4.10.3 Statutory provision
4.11 Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law	4.11.1 Monitoring officer provisions
4.12 Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes	4.12.1 Monitoring officer provisions 4.12.2 Job description/specification 4.12.3 Statutory provision

## Delivering Good Governance In Local Government

### **PRINCIPLE 5- Developing the capacity and capability of members and officers to be effective**

<b>The local code should reflect the requirement for local authorities to:</b>	<b>Source documents/good practice/other means that may be used to demonstrate compliance:</b>
5.1 Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	5.1.1 Training and development plan. 5.1.2 Evidence of feedback and action 5.1.3 Induction programme 5.1.4 Update courses/information
5.2 Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority, with proper management and supervision by top management	5.2.1 Job description/personal specifications 5.2.2 Membership/access to top management team 5.2.3 Staff review and development interviews
5.3 Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	5.3.1 Training development plan for officers 5.3.2 Members Development Working Group
5.4 Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	5.4.1 Training and development plan reflecting the skills a modern councillor needs including: a) The ability to scrutinise and challenge. b) The ability to recognise when outside advice is required. c) Advice on how to act as an ambassador for the community. d) Leadership and influencing skills.
5.5 Ensure that effective arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs	5.5.1 Performance management system 5.5.2 Scrutiny process 5.5.3 Members Development Working Group.
5.6 Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority, and improve publicity regarding the right of the public to attend committee meetings	5.6.1 Strategic partnership framework 5.6.2 Terms of reference for stakeholder groups. 5.6.3 Area fora roles and responsibilities 5.6.4 Residents' panel structure 5.6.5 Public information protocols
5.7 Ensure that career structures are in place for members and officers to encourage participation and development	5.7.1 Succession planning

## Delivering Good Governance In Local Government

### **PRINCIPLE 6- Engaging with local people and other stakeholders to ensure robust public accountability**

<b>The local code should reflect the requirement for local authorities to:</b>	<b>Source documents/good practice/other means that may be used to demonstrate compliance:</b>
6.1 Make clear to themselves, all staff and the community to whom they are accountable and for what	6.1.1 Community strategy
6.2 Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required	6.2.1 Strategy Partnerships
6.3 Produce an annual report on the activity of the scrutiny function	6.3.1 Annual scrutiny report
6.4 Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively	6.4.1 Community strategy 6.4.2 Processes for dealing with competing demands within the community 6.4.3 Annual survey
6.5 Hold meetings in public unless there are good reasons for confidentiality	6.5.1 Compliance with legislation
6.6 Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands	6.6.1 Communications Strategy 6.6.2 Involvement and partnership Strategy 6.6.3 Parish Council protocol
6.7 Establish a clear policy of the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result	6.7.1 Partnership framework 6.7.2 Communication strategy 6.7.3 Scrutiny process
6.8 On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period	6.8.1 Annual report 6.8.2 Annual financial statements 6.6.3 Corporate plan 6.6.4 Annual operating plan

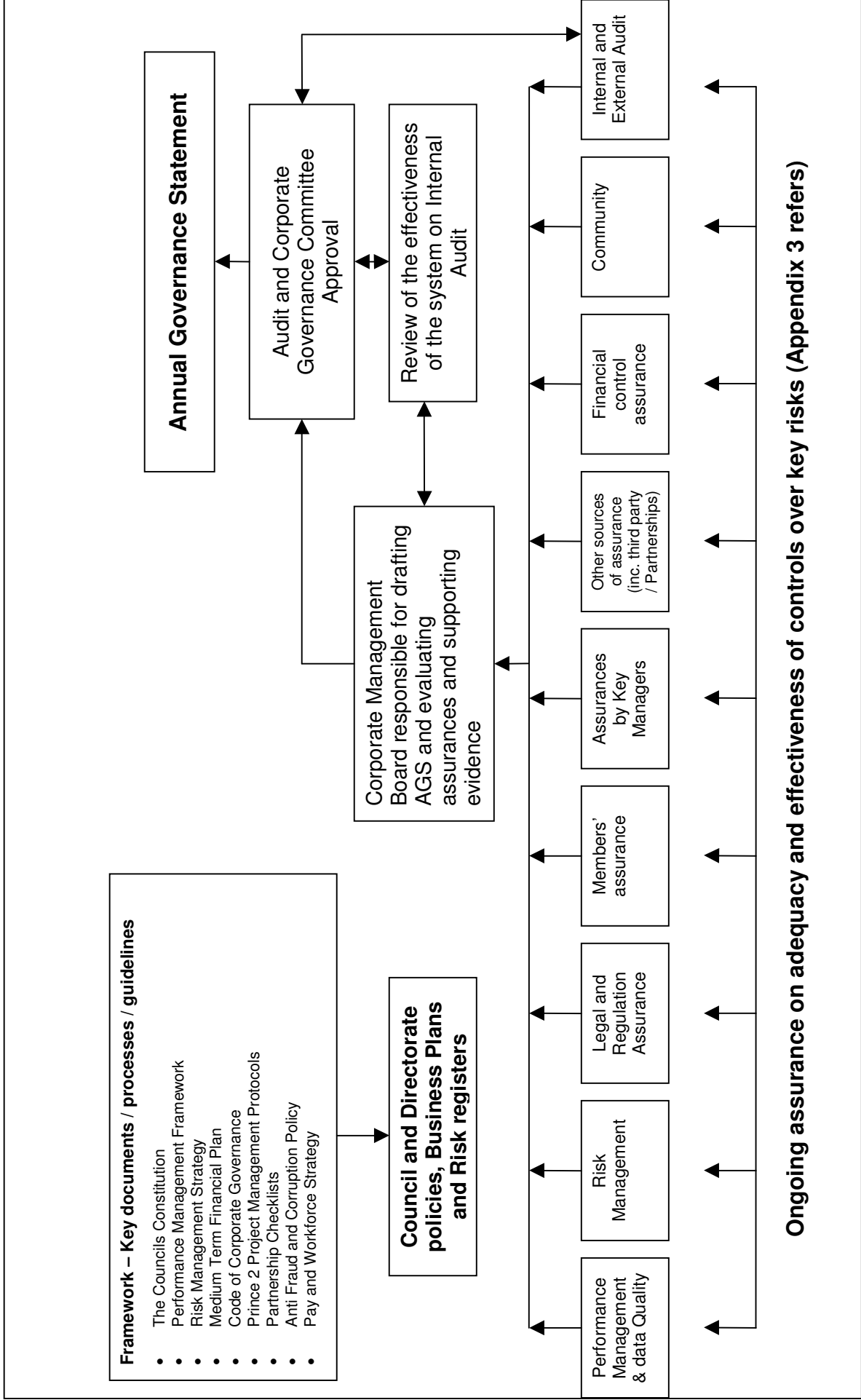
## Delivering Good Governance In Local Government

<b>The local code should reflect the requirement for local authorities to:</b>	<b>Source documents/good practice/other means that may be used to demonstrate compliance:</b>
6.9 Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so	6.9.1 Constitution
6.10 Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	6.10.1 Constitution





ANNUAL GOVERNANCE STATEMENT FRAMEWORK 2007/08





**Delivering Good Governance in Local Government  
2007/08 Sources of Evidence and Monitoring**

<b>AREA</b>	<b>Document/Report</b>	<b>Responsible Officer</b>	<b>Committee</b>
<b>Performance Management and Data Quality</b>	Corporate Plan and Annual Operating Plan	Tony Geeson	Cabinet and Strategic Monitoring
	Directorate Service Plans	Gi Cheesman Michael Hainge Geoff Hughes Jane Jones Sharon Menghini Sonia Rees	Relevant Scrutiny Committees (as per Alan McLaughlin)
	Service Area Plans	Directorate Management Team Members	Relevant Scrutiny Committees (as per Alan McLaughlin)
	Integrated Performance and Finance Reports	Tony Geeson/David Powell	Strategic Monitoring Committee and Cabinet
	Performance Framework Review by Audit Services	Tony Ford	Audit and Corporate Governance Committee
	Review of High Risk Performance Indicators by Audit Services	Tony Ford	Audit and Corporate Governance Committee
	JAR Improvement Plan	Sharon Menghini	Cabinet
	Annual review of Children and Young People Plan and Annual Performance Assessment submission	Sharon Menghini	Children's Services Scrutiny Committee and Cabinet
	Annual self assessment survey for Adult Social Care	Geoff Hughes	Cabinet
	Commission for Social Care Inspection Report on Services for People with Learning Disabilities and the Council's Action plan	Steve Martin	Adult Social Care and Strategic Housing Scrutiny Committee and Cabinet
	Security Review - Modernisation of day Opportunities For Older People	Eleanor Brazil	Adult Social Care and Strategic Housing Scrutiny Committee

Delivering Good Governance in Local Government  
2007/08 Sources of Evidence and Monitoring

AREA	Document/Report	Responsible Officer	Committee	
<b>Performance Management and Data Quality Cont.</b>	Cultural Services Comprehensive Performance Assessment Report	Natalia Silver	Community Services Scrutiny Committee and Cabinet	
	Children and Young People's Directorate Plan	Sharon Menghini	Children's Services Scrutiny Committee	
	Performance Monitoring Reports	All Directors	Scrutiny Committees	
	Progress on Improvement in Children and Young People's Services	Sharon Menghini	Cabinet	
	Children and Young People's Plan Annual Review 2007 and Annual Performance assessment	Sharon Menghini	Cabinet	
<b>Risk Management</b>	Monthly reviews of the Corporate Risk Register	Chris Bull	N/a	
	Monthly Reviews of Directorate Risk Registers	Gi Cheesman Michael Hainge Geoff Hughes Jane Jones Sharon Menghini Sonia Rees	N/a	
	Monthly review of service level risk registers by Service Management Teams	Directorate Management Team Members	N/a	
	Annual Review of the Council's Risk Management Process by Audit Services	Tony Ford	Cabinet and Audit and Corporate Governance Committee	
	Integrated Performance and Finance Reports	Tony Geeson/David Powell	Strategic Monitoring Committee and Cabinet	
	Monthly reviews of service level risk registers by Senior Management Team Members	All Heads of Service	N/a	

**Delivering Good Governance in Local Government  
2007/08 Sources of Evidence and Monitoring**

<b>AREA</b>	<b>Document/Report</b>	<b>Responsible Officer</b>	<b>Committee</b>
<b>Legal and Regulation Assurance</b>	Biannual Monitoring Officer Report	Alan McLaughlin	Audit and Corporate Governance Committee
<b>Members Assurance</b>	Annual Scrutiny Report	Tim Brown	Cabinet
	Annual Declaration of Interests	All Members	Audit and Corporate Governance Committee.
	Annual Review of Member expenses	Tony Ford	Audit and Corporate Governance Committee.
	Strategic Monitoring Reports	Tim Brown	Cabinet
<b>Assurances by Directors and Heads of Service</b>	Annual Declaration of Interests	Chief Executive, Directors and Heads of Service	Exception reports to the Audit and Corporate Governance Committee
	Quarterly Assurance Statements	All Directors and Heads of Service	Exception reports to the Audit and Corporate Governance Committee
	Quarterly Returns reporting any frauds	All Directors and Heads of Service	Exception reports to the Audit and Corporate Governance Committee
<b>Assurances by Other Key Managers</b>	Quarterly Assurance Statements	Key Managers	Exception reports to the Audit and Corporate Governance Committee
<b>Other Sources of Assurance</b>	Partnership Checklist completed for Key Partnerships	Relevant Heads of Service	Exception reports to the Audit and Corporate Governance Committee
	Corporate ICT Strategy	Relevant Head of Service	Cabinet
	Procurement Strategy	Dean Hogan	Strategic Monitoring Committee
	Herefordshire Jarvis	Michael Hainge	Cabinet
	Amey Wye Valley Report	Michael Hainge	Cabinet
	Scrutiny Review of ICT Services - Executive Action Plan Progress Report	Relevant Head of Service	Strategic Monitoring Committee and Cabinet
	Special Report from the Director of Resources	Sonia Rees	Cabinet and Audit and Corporate Governance Committee

**Delivering Good Governance in Local Government  
2007/08 Sources of Evidence and Monitoring**

<b>AREA</b>	<b>Document/Report</b>	<b>Responsible Officer</b>	<b>Committee</b>
<b>Other Sources of Assurance Cont.</b>	Herefordshire Connects Progress	Jane Jones	Strategic Monitoring Committee and Cabinet
	External Inspections	As appropriate	Cabinet
<b>Financial Control Assurances</b>	Financial Control of Capital Schemes in Property Services	Sonia Rees	Strategic Monitoring Committee
	Funding arrangements for Riverside Primary School and Sutton St. Nicholas Primary School	Sonia Rees	Cabinet
	Treasury Management Activities	David Powell	Cabinet
	Annual Efficiency Statement	David Powell	Strategic Monitoring Committee and Cabinet
	Capital Programme	Sonia Rees	Cabinet
	Statement of Accounts	Sonia Rees	Audit and Corporate Governance Committee
	Council's Budget	Sonia Rees	Cabinet
	Medium Term Financial Plan	Sonia Rees	Cabinet
	The Financial Position arising from July 2007 Floods	David Powell	Cabinet
	Integrated Performance and Finance Report	Tony Geeson/David Powell	Strategic Monitoring Committee and Cabinet
	Comprehensive Spending Review and pre budget 2007	Sonia Rees	Cabinet
	Budget Monitoring Reports	David Powell	Scrutiny Committees
	Capital Investment in Schools in Herefordshire: A Way Forward	George Salmon	Cabinet
	<b>Community</b>	Community Forum Reports	Hazel Lavelle
Annual Report on the Strategic Service Delivery Partnership		Michael Hainge	Environment Scrutiny Committee and Cabinet
Herefordshire Community Strategy Plan		Jennifer Watkins	Strategic Monitoring Committee

**Delivering Good Governance in Local Government  
2007/08 Sources of Evidence and Monitoring**

<b>AREA</b>	<b>Document/Report</b>	<b>Responsible Officer</b>	<b>Committee</b>
<b>Community Cont.</b>	Ombudsman Letter and Complaints and Compliments Monitoring 2006/07	Jane Jones	Strategic Monitoring Committee and Cabinet
	Review of Behaviour and Discipline Management in Herefordshire Schools	Sharon Menghini	Children's Services Scrutiny Committee
	Principles on Future Provision of School Places	George Salmon	Children's Services Scrutiny Committee
	The Council's Policy for Management of the Smallholdings Estate	Sonia Rees	Strategic Monitoring Committee
	Herefordshire Satisfaction Survey	Tony Geeson	Community Services Scrutiny Committee and Cabinet
	Household Waste Recycling in Herefordshire	Richard Wood	Environment Scrutiny Committee
	Travellers Policy	Andy Tector	Environment Scrutiny Committee
	Public Service Trust For Herefordshire	Russell Hamilton	Health Scrutiny Committee and Cabinet
	Reconfiguration of Mental Health Services	Sara Siloko	Health Scrutiny Committee
	Memorandum of Understanding between the Council and the Health Protection Agency	Philip Wilson	Health Scrutiny Committee
	Annual Report of the Director of Health 2007	Dr. Frances Howie	Health Scrutiny Committee
	Changes in the Management of Mental Health Services	Sara Siloko	Health Scrutiny Committee
	Brilley CE Primary School	George Salmon	Cabinet
	Homelessness Update	Derek Allen	Cabinet
	Fairer Charging	Andrew Tanner	Cabinet
	Review of School Provision	George Salmon	Cabinet

**Delivering Good Governance in Local Government  
2007/08 Sources of Evidence and Monitoring**

<b>AREA</b>	<b>Document/Report</b>	<b>Responsible Officer</b>	<b>Committee</b>
<b>Community Cont.</b>	Youth Justice Plan	Neil Pringle and Sharon Menghini	Cabinet
	Local development Framework	Kevin Singleton	Cabinet
	Core Strategy Issues Consultation		
	Concessionary Travel Scheme for older People and those with a Disability	Jim Davies	Cabinet
	Policy Statement for the Use of the rivers Wye and Lugg	Bill Bloxsome	Cabinet
	Review of Herefordshire City Partnership	Natalia Silver	Community Services Scrutiny Committee
	The 18 – 35 Review	Natalia Silver	Community Services Scrutiny Committee
	Comprehensive Equality policy and Equality Schemes	Carol Trachonitis	Cabinet
	Hereford Children Centre	Stephanie Canham	Cabinet
	Local Area Agreement priority setting	Chris Bucknell	Cabinet
	Modernisation of Registration Service	Fiona Nicholls	Cabinet
	Herefordshire Housing post transfer improvement programme	Richard Gabb	Cabinet
	Affordable Housing development programme 2007/08	Richard Gabb	Cabinet
	<b>Internal and External Audit</b>	Audit Plan	Tony Ford
Interim Assurance Reports		Tony Ford	Audit and Corporate Governance Committee
Annual Assurance Report		Tony Ford	Audit and Corporate Governance Committee
Draft Annual Governance Statement		Sonia Rees	Audit and Corporate Governance Committee



Delivering Good Governance in Local Government  
2007/08 Sources of Evidence and Monitoring

AREA	Document/Report	Responsible Officer	Committee
Internal and External Audit Cont.	Annual Governance Letter	Audit Commission	Cabinet and Audit and Corporate Governance Committee
	Annual Audit and Inspection Report	Audit Commission	Cabinet and Audit and Corporate Governance Committee
	Use of Resources Assessment	Audit Commission	Cabinet and Audit and Corporate Governance Committee
	Direction of Travel Assessment	Audit Commission	Cabinet



**UPDATED INTERIM ASSURANCE REPORT 2007/08 NO.5****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 that have arising to date in 2007/08.

**Financial Implications**

None.

**Recommendation****THAT subject to any comments by the Committee, the report is noted.****Reasons**

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

**Considerations****Associated Reports**

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

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

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.
30th November 2007	Updated Interim Assurance Report for 2007/08 No.3.
21st December 2007	Updated Interim Assurance Report for 2007/08 No.4.

### Key Issues Identified in 2006/07

5. 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.
6. 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 the Learning Disabilities Service as not serving people well.
 

*The Director of Adult and 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. Progress is being reported to Cabinet in the bi-monthly Integrated Performance Reports to Cabinet. Whilst expenditure this year is now expected to be in line with the budget save for the CNU project, work is continuing to ensure ICT budgets are sustainable in 2008/09 and beyond. 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**

7. 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**

8. 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 six fundamental reviews have been finalised, five have been given a **satisfactory** audit opinion and one a **good** opinion.
9. 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 kept the Audit Commission and the Director of Resources up to date, with further weekly updates planned.

#### **Non-Fundamental Systems**

10. 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

11. 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

12. Five reports have been produced in relation to twelve performance indicators. Four of these reports have been finalised with one 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 Services 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

13. 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, 13 out of 14 reports have been finalised. Three schools met the required standard. Seven are on target to meet it. Follow-up work is planned and ongoing to ensure these seven schools meet their targets for improvement. It is unlikely that four schools will meet the standard in the short term. A draft report is with the remaining secondary schools for comment and action planning. The lessons

learned from carrying out the reviews in secondary schools will be used to improve the approach in primary schools.

### **Verification and Probity**

14. 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.
15. 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.
16. An audit was undertaken at the request of the Acting Head of ICT Services who had some concerns regarding the previous management of the imprest account. A **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 Acting Head of ICT Services.

### **Contracts**

17. 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.
18. 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 another contract. The comments made are being investigated and will be reported following established protocols.
19. The Director of Children'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.

### **Special Investigations**

20. The findings of the Special Investigation on Officer Expenses and Contractors' Expenses formed part of the Director of Resources' Special Report to the Audit and Corporate Governance Committee on 21st September 2007.

### **Recommendations made**

21. 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.
22. The Director of Corporate and Customer Services 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**

23. A special report by the Director of Resources was presented to the Committee on 21st September 2007. Progress has been reported to the Audit and Corporate Governance Committee on three occasions. The outstanding issues are being integrated into a single action plan.

#### **Risk Management**

24. 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 that highlighted the need for additional resources. At the present time efforts are being made to recruit temporary staff. 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

<b>Audit</b>	<b>Status</b>	<b>Audit Opinion</b>
<b>Fundamental Systems</b>		
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	WIP	
Schools Transport	Draft with Client	
NDR	WIP	
Cash and Deposit	WIP	
Children's Services – Early Years	WIP	
<b>Non Fundamental Systems</b>		
Management of Property	WIP	
Lifelong Learning	Final	Good
Agency Payments – Adult Services	Final	Satisfactory
Anti Money Laundering	Final	Satisfactory
<b>Governance</b>		
Delegations Arrangements – Directors' Responsibilities	Draft with Audit Manager	
<b>Performance Management</b>		
Housing (BVPI 183a, 183b, 214 and HSSA Return)	Final	Marginal
Household Waste Management (BVPI 82a and 82b)	Final	Satisfactory
Pedestrian Crossings (BVPI 165)	Final	Marginal
Street Cleanliness (BVPI 199)	Final	Marginal
Libraries – Cost per visit and Library Survey	Draft with Client	
<b>Establishment Audits</b>		
Kingstone High School (DCSF Standard)	Final	On target to be met in the short term
John Kyrle High School (DCSF Standard)	Final	Standard met
Aylestone High (DCSF Standard)	Final	On target to be met in the short term
Wyebriidge Sports College (DCSF Standard)	Final	On target to be met in the short term
Weobley High (DCSF Standard)	Final	On target to be met in the short term
Lady Hawkins High (DCSF Standard)	Final	Unlikely to be met in the short term
Wigmore High (DCSF Standard)	Final	Unlikely to be met in the short term
Queen Elizabeth High (DCSF Standard)	Final Draft	Unlikely to be met in the short term
St. Marys High (DCSF Standard)	Final	Standard met
Whitecross High (DCSF Standard)	Final	On target to be met in the short term

## STATUS OF AUDITS STARTED DURING THE YEAR 2007/08

<b>Audit</b>	<b>Status</b>	<b>Audit Opinion</b>
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
<b>Verification and Probity</b>		
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
<b>Contracts</b>		
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)	WIP	
Managed Learning Platform/Virtual Learning Environment	WIP	
<b>Special Investigation</b>		
Officer ICT Expenses	Final	N/a
ICT Contractors Expenses	Final	N/a
<b>Recommendation Follow up</b>		
Control of ID Cards	Draft with Client	
ICT FMS 2006/07	Final	N/a
Car Loans	Final	N/a
Market Fees and Charges	Final	N/a
<b>Risk Management</b>		
Risk Management Framework	Final	Satisfactory
<b>ICT – Council-wide</b>		
ISO 27001 – Physical Security	WIP	
ISO 27001 – Team Compliance	WIP	
TALIS System	Draft with Audit Manager	

## STATUS OF AUDITS STARTED DURING THE YEAR 2007/08

<b>Audit</b>	<b>Status</b>	<b>Audit Opinion</b>
Community Access Point System (CAPS)	Draft with Audit Manager	
MVM & Planning 20/20	WIP	
CLIX System	Draft with Audit Manager	

## Quantification and Classification of Internal Control Levels

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



## TRAINING FOR MEMBERS

Report By: CHIEF INTERNAL AUDITOR

### Wards Affected

None.

### Purpose

1. To present to the Audit and Corporate Governance Committee suggested training topics for consideration and approval.

### Financial Implications

2. There will be a cost associated with training delivered by external tutors; such costs will be taken from the Member Services training budget.

### RECOMMENDATION

**THAT: Subject to any comments from the Audit and Corporate Governance Committee, the agreed training programme be approved and the Director of Resources be authorised to liaise with Member Services on delivery of the programme.**

### Reasons

3. The suggested training programme aims to provide members of this Committee with the skills necessary to ensure the effective review of the Council's financial governance arrangements. The proposed training sessions will be made available to all members.

### Considerations

4. The Audit Commission's Use of Resources report 2008 highlights the continuing need for members to have financial training.
5. The Audit and Corporate Governance Committee is requested to consider the following topics when reviewing members training needs:
  - a) Prince2 (delivered by the Director of Corporate and Customer Services).
  - b) Risk Management (delivered by the Head of Financial Services).
  - c) Reviewing the annual statements of account (delivered by an external facilitator).
  - d) Corporate Governance (delivered by the Audit Commission).

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

- e) Financial Awareness (delivered by the Head of Financial Services).

## **Risk Management**

- 6. The purpose of the Audit and Corporate Governance Committee is to provide independent assurance on the internal control environment, provide independent scrutiny of the Council's financial performance and oversee the financial reporting process. The risk is that the members are not given the required training to carry out their responsibilities. The adoption of a training programme will ensure members get the required training.

### **Background Papers**

Key lines of enquiry for Use of resources 2008 assessments.