

MINUTES of the meeting of Audit and Corporate Governance Committee held at Council Chamber, Brockington, 35 Hafod Road, Hereford HR1 1SH on Friday, 20 June 2008 at 2.00 p.m.

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

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

In attendance: Councillors

88. APOLOGIES FOR ABSENCE

There were no apologies for absence..

89. DECLARATIONS OF INTEREST

Councillor RH Smith declared a personal interest in items 8 and 9 on the Agenda, Minute Nos. 96 and 97 refer, being a member of the Boards for both Hereford Housing Limited and the Courtyard Trust.

Councillor AM Toon declared a personal interest in items 8 and 9 on the Agenda, Minute Nos. 96 and 97 refer, being a member of Herefordshire Housing Limited.

Councillor JHR Goodwin declared a personal interest in items 8 and 9 on the agenda, Minute Nos. 96 and 97 refers, being a member of Courtyard Trust.

90. NAMED SUBSTITUTES(IF ANY)

There were no named substitutes made.

91. MINUTES

RESOLVED: That the Minutes of the meeting held on the 4th April 2008 be approved as a correct record and signed by the Chairman.

92. PRESENTATION BY SECTOR

The Committee received a presentation by Mark Swallow representing Sector, the company employed by the Council to provide expert advice on treasury management. A copy of the presentation is attached to the Minutes as an Appendix. The Strategic Monitoring Committee had asked the Audit and Corporate Governance Committee to review the Council's investment strategy within the over-arching treasury management strategy.

Councillor AM Toon referred to the investments made by the Council and requested details.

Sonia Rees, Director of Resources, informed Members that such details are normally reported in the annual treasury management outturn report to Members. An update

is also provided for Members to consider when the draft treasury management strategy for each year is approved.

RESOLVED: that Mark Swallow be thanked for his informative presentation in respect of the Council's Treasury Management Strategy.

93. AUDIT SERVICES ASSURANCE REPORT 2007/08

Consideration was given to a report which provided the Committee with the Chief Internal Auditor's final audit assurance report for 2007/08.

Tony Ford, the Chief Internal Auditor, referred to paragraph 4.1 of the report which sets out the action taken in four key issues identified in the Audit Services Assurance report for 2006/07 considered by the Committee on 29 June 2007. He stated that in respect of paragraph 4.1(a), reports had been submitted to Cabinet and Scrutiny Committee and that a report would be submitted to Audit and Corporate Governance Committee on this issue in September this year. All relevant actions had been completed with regard to the issues referred to in paragraph 4.1(b), (i), (ii) and (iii). Follow up work in respect of the critical recommendations resulting from the use of contractors in ICT audit review, paragraph 7.36 of the report refers, and in respect of paragraph 7.38, Customer Relationship Management (CRM) review, had been completed. Concerns had been expressed regarding the salaries system in Children's Services and the pedestrian Crossings BVPI (points 16 and 19 respectively in Annex 2 to the report). Appropriate action had been taken on these concerns.

Mr T Tobin, Audit Commission, stated that he was pleased with the follow up recommendations in the report.

Dr. P Ashurst, Chair of Audit Assurance Committee at the Herefordshire Primary Care Trust (PCT), had been invited to the Committee as an observer. He referred to the National Fraud Initiative in the National Health Service (NHS) and informed Members that the PCT was rated on the continuous counter fraud activity. The PCT would be discussing with the Council the possible Council use of their counter fraud initiatives.

Councillor AM Toon made reference to the scrutiny review of ICT and asked why the ICT function within another directorate had not yet been transferred to the corporate ICT team.

The Chairman requested that Councillor Toon's question be raised with the Chief Executive.

Councillor RH Smith made reference to the current contract negotiations in relation to the Managed Learning Platform/Virtual Learning Environment project and requested details.

Alan McLaughlin, Assistant Chief Executive Legal and Democratic, stated that he would be unable to comment on the negotiations in public session.

EXCLUSION OF PRESS AND PUBLIC

In the opinion of the proper officer, the following information will not be, or is likely not to be, open to the public and press at the time it is considered.

RESOLVED: that the public be excluded from the meeting for the following business on the grounds that they involve the likely disclosure of exempt

information as defined in schedule 12(A) of the Act, as indicated below.

The committee considered the Exempt oral report (page 1).

RESOLVED: that the Committee reverts to public session.

Councillor RH Smith referred to paragraph 7.36 of the report and requested that the Committee should have assurance that the corrective measures have been acted upon.

Sonia Rees, Director of Resources, informed the meeting of the following assurance statement from the Interim Deputy Chief Executive.

With regard to paragraph 7.36, the Interim Deputy Chief Executive confirms that action plans arising from the Section 151 report, Crookall review and audit reviews had been significantly addressed, including the following actions:

- (i) The Deputy Chief Executive Directorate, previously the Corporate and Customer Services Directorate, has fully supported the review and implementation of the Council's Procurement Policy.
- (ii) The Directorate operates auditable compliance with the Procurement Policy, in particular in respect of ICT procurements.
- (iii) Evidence with compliance with procurement Policy is provided by the positive Society of Information Technology Managers (SOCITM) report into the network upgrade.
- (iv) A report is due to be presented to Joint Management Team (JMT) proposing the project management and procurement processes for reviewing and making recommendations for the future management of the community network when the current contract with Siemens ends.
- (v) The Deputy Chief Executive, in liaison with the Chief Executive, has commissioned an option appraisal of the Herefordshire Connects programme as recommended by the Audit Commission in their 2007 Letter to the Council, as reported to Cabinet. This includes reviews of existing business cases to ensure they are fit for future purpose.
- (vi) The Directorate has developed project management guidance, tools and advice services for use by project managers developing and implementing business cases across the Council. Consideration is being given to training needs and to enabling JMT to prioritise and deploy corporate project management expertise to the most strategically important and complex programmes to improve services for customers and manage project risks.

Councillor AM Toon referred to a request that she had made to the Chief Executive regarding details of the numbers of external contractors being employed by the Council other than the ICT service.

The Chairman requested that the Chief Executive circulates Committee members with the details.

Councillor WLS Bowen referred to the Internal Control Audit Opinion Matrix in paragraph 9.3 of the report and asked what would be the difficulty to achieve a 'Good' rating

Tony Ford, Chief Internal Auditor, stated that the score would need to be 85% or above to achieve a 'good' rating.

Councillor RH Smith referred to paragraph 7.34 of the report and requested details of the 26 recommendations where action had not been agreed upon.

Tony Ford, Chief Internal Auditor, informed the Committee that a report would be submitted to the Committee with details of these recommendations and actions.

Councillor RH Smith made reference to the Results of the Recommendation Follow Up in paragraph 7.43 and, in particular, the 15% of recommendations which had not been implemented in 2007/08. Although this was a reduction from the previous years 25%, he took the view that this performance was not good enough as the number of recommendations made had significantly increased and there must be an improvement.

Councillor RH Smith commented on customer satisfaction ratings for the Audit Services team.

Sonia Rees, Director of Resources, stated that satisfaction rates are monitored. She commented that whilst the team took a robust approach to its activities, it aimed to do so with the appropriate level of customer care.

Councillor AM Toon referred to paragraph 7.29 of the report and requested clarification on whether the unsatisfactory opinion was in relation to the Drugs Forum or the Council's Drugs Partnership.

Tony Ford, Chief Internal Auditor, stated that there was a report on the Drugs Forum and a separate report on the Council's Drugs Partnership and that there were unsatisfactory opinions on both reports.

RESOLVED: that

- (i) the Chief Executive circulate details of the number of external contractors employed by Council services other than the ICT Service and also reasons for the delay in the Merging of ICT services with another Directorate;and**
- (ii) the Committee notes the Audit Assurance report for 2007/08 attached as Appendix 1 to the report.**

94. ANNUAL GOVERNANCE STATEMENT 2007/08

Consideration was given to a report which was seeking the Committee's approval of the draft Annual Governance Statement for 2007/08.

Sonia Rees, Director of Resources, stated that the report was open and honest and sets out the good progress that had been made. There was however a need to focus on improving issues detailed in Section 5 of the draft statement. The draft statement had been widely consulted upon internally.

Councillor RH Smith made reference to paragraph 25 of the report and asked if all the Directors and Heads of Service had given written assurance.

Tony Ford, the Chief Internal Auditor, informed Members that one Director had not fully complied.

Alan McLaughlin, Assistant Chief Executive Legal and Democratic, informed the Committee that the Director concerned was no longer employed by the Council.

Sonia Rees stated that the period concerned was up to 31st March 2008 and that it would not be fair to expect the Interim Deputy Chief Executive who had taken over from the Director who had left the Council to give the assurances required for the period when not employed by the Council.

Councillor AM Toon referred to page 41 and in particular, the directorate which had ignored the policy regarding the management of projects.

Sonia Rees referred to the statement of the Deputy Chief Executive in Minute No. 93 above, with regard to project management and work with the Joint Management Team and how the Council would train and support managers in project management skills.

Councillor RH Smith referred to page 31, paragraph 16 regarding data quality and asked if data quality was being assessed.

Sonia Rees informed the Committee that data quality assessment would be included in a follow up report and would be submitted to the Committee later this year.

RESOLVED: that the Audit and Corporate Governance Committee notes and approves the Annual Governance Statement attached at Appendix 1 to the report.

At this point, the meeting adjourned for five Minutes.

95. ANNUAL STATEMENT OF ACCOUNTS

Consideration was given to a report on the Statement of Accounts for 2007/08.

Sonia Rees, Director of Resources, introduced the report and informed the Committee of the excellent work carried out by staff to finalise a complex and complicated Statement of Accounts.

The Chairman expressed his thanks to staff for all the work in completing the Statement of Accounts.

David Powell, Head of Financial Services, presented the report. He circulated an amended page no.77 which is attached to the Agenda.

Councillor R Mills referred to the loss on pension fund assets and liabilities in 2007/08, paragraph 16 of the report refers. He was concerned about the commitments the Council may have in pensions over the next five years with employers having to make increased contributions and the need for control on these issues.

Sonia Rees stated that increased employers' superannuation contributions had been factored into the budgets for 2008/09 and in future years.

Councillor RH Smith asked when a follow-up report in respect of the Community Network Upgrade exercise would be available.

Sonia Rees informed the Committee that a report would be considered by the Joint Management Team in the near future following which a report for Members could be

prepared.

Councillor Smith also referred to paragraph 10.5 on page 84 and requested the reasoning for the increase in expenditure over the previous year.

Heather Foster, Technical Accountancy Manager, stated that one of the areas of additional expenditure was the publicity with regard to 'Green Tourism Flavours of Herefordshire'.

David Powell would write to Committee Members giving a full list of publicity expenditure for 2007/08.

The Chairman, Councillor ACR Chappell, referred to partnership schemes between the Council and the PCT and asked for more detail.

Dr Ashcroft, Chair of the PCT Audit Assurance Committee, informed the Committee that further information was not yet available. Work was currently underway to ensure that the PCT and Council accounts compare and eventually such information would be available.

Councillor AM Toon expressed disappointment with the under spend on corporate training, paragraph (e) on page 62 refers.

Sonia Rees stated that management were developing organisational development plans including training and support for officers.

RESOLVED: that

- (i) **the outcome of the independent review of the Community Network Upgrade project be reported to the Committee.**
- (ii) **the Statement of Accounts for 2007/08 be approved.**

96. AUDIT AND INSPECTION PLAN - AUDIT 2008/09

The Committee received the Audit Commission's audit plan for 2008/09.

Mr T Tobin, Audit Commission, presented the plan. He focused on the key risks identified in the plan in respect of the Council and these were set out in the table on page 125.

Councillor AM Toon welcomed the work identified in respect of procurement, but was concerned that no mention was in the plan with regard to the relationship between Children's Services and the Comprehensive Performance Assessment.

Mr Tobin assured the Committee that as part of the assessment, account would be taken of Children's Services.

RESOLVED: that the audit plan for 2008/09 be noted.

97. JOINT WORKING WITH INTERNAL AUDIT - AUDIT 2008/09

The Committee received the Audit Commission's protocol for joint working with the Audit Services team on the 2008/09 audit.

RESOLVED: that the proposed joint working protocol between external and

internal audit services be noted.

98. SCHEME OF DELEGATION

The Committee noted that the report regarding the Scheme of Delegation had been withdrawn and would be considered at a meeting of the Committee to be held on 3rd July 2008.

RESOLVED: that the Scheme of Delegation report be considered at a meeting of this Committee to be held on 3rd July 2008.

99. REVIEW OF THE CODE OF CORPORATE GOVERNANCE

The Committee noted that the report regarding the Review of Code of Corporate Governance had been withdrawn and would be considered at a meeting of the Committee to be held on 3rd July 2008.

RESOLVED: that the Review of Code of Corporate Governance report be considered at a meeting of this Committee to be held on 3rd July 2008.

100. JOINT INTERNAL AUDIT PLAN 2008/09

The Committee considered a report seeking the Committee's comments on and approval of a draft internal audit plan for the Council and Primary Care Trust (PCT).

Tony Ford, Chief Internal Auditor, expressed thanks to the PCT auditors for their work with regard to the formulation of the plan.

Councillor RH Smith made reference to the Business Continuity Planning arrangements for the Council and that an appropriate report be submitted to this Committee as soon as possible

Tony Ford assured Members that a report with regard to the Council's Business Continuity arrangements would be submitted to this Committee.

RESOLVED: that the joint internal audit plan for the Council and the PCT for 2008/09 be approved.

The meeting ended at 5.07 p.m.

CHAIRMAN

