

# AGENDA

## Audit and Governance Committee

Date: **Friday 12 March 2010**

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Time: **10.00 am**

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Place: **The Council Chamber, 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:

**Paul Rogers**

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# Agenda for the Meeting of the Audit and Governance Committee

## Membership

<b>Chairman</b>	<b>Councillor ACR Chappell</b>
<b>Vice-Chairman</b>	<b>Councillor RH Smith</b>
	<b>Councillor MJ Fishley</b>
	<b>Councillor JHR Goodwin</b>
	<b>Councillor PJ McCaull</b>
	<b>Councillor R Mills</b>
	<b>Councillor AM Toon</b>

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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.

A personal interest is an interest that affects the Councillor more than most other people in the area. People in the area include those who live, work or have property in the area of the Council. Councillors will also have a personal interest if their partner, relative or a close friend, or an organisation that they or the member works for, is affected more than other people in the area. If they do have a personal interest, they must declare it but can stay and take part and vote in the meeting.

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. A Councillor who has declared a prejudicial interest at a meeting may nevertheless be able to address that meeting, but only in circumstances where an ordinary member of the public would be also allowed to speak. In such circumstances, the Councillor concerned will have the same opportunity to address the meeting and on the same terms. However, a Councillor exercising their ability to speak in these circumstances must leave the meeting immediately after they have spoken.

## AGENDA

	Pages
<b>1. APOLOGIES FOR ABSENCE</b>	
To receive apologies for absence.	
<b>2. NAMED SUBSTITUTES (IF ANY)</b>	
To receive details any details of Members nominated to attend the meeting in place of a Member of the Committee.	
<b>3. DECLARATIONS OF INTEREST</b>	
To receive any declarations of interest by Members in respect of items on the Agenda.	
<b>4. MINUTES</b>	5 - 10
To approve and sign the Minutes of the meeting held on 29 January 2010.	
<b>5. AUDIT STRATEGY AND AUDIT CHARTER 2010</b>	11 - 24
To present the 2010/11 Audit Strategy and Audit Charter for consideration and approval by the Audit and Governance Committee.	
<b>6. UPDATE ON PROCUREMENT PROCEDURES WITHIN ASSET MANAGEMENT AND PROPERTY SERVICES</b>	25 - 28
To update Audit and Governance Committee on procurement procedures within Asset Management and Property Services.	
<b>7. INTERIM AUDIT SERVICES ASSURANCE REPORT 2009/10 NO.3</b>	29 - 52
The purpose of the Interim Assurance Report is to update members on the work status and bring to their attention any key internal control issues.	
<b>8. PROCESSING OF TRAVEL AND SUBSISTENCE CLAIMS</b>	53 - 56
To inform the Committee of actions in place to ensure that travel and subsistence claims are processed correctly.	
<b>9. ANTI- FRAUD AND ANTI- CORRUPTION POLICY 2010</b>	57 - 66
To present to the Audit and Governance Committee the updated Anti-fraud and Anti-corruption Policy for consideration and approval.	
<b>10. CREDITOR PAYMENT AUTHORISATION</b>	67 - 70
To report on progress in ensuring that the Council requirements for Creditor Payment Authorisations are being carried out in accordance with the Council's Constitution.	



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- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. (A list of the background papers to a report is given at the end of each report). A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
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# **HEREFORDSHIRE COUNCIL**

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

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HEREFORDSHIRE COUNCIL

**MINUTES of the meeting of Audit and Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Friday 29 January 2010 at 10.00 am**

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

Councillors: MJ Fishley, JHR Goodwin, PJ McCaull, R Mills and AM Toon

**In attendance:** Councillors WLS Bowen and PJ Edwards

**31. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

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

There were no named substitutes declared.

**33. DECLARATIONS OF INTEREST**

Councillor RH Smith declared a personal interest in item No. 5 on the Agenda, Minute No.35 refers, being a representative of the Council on the Herefordshire and Worcestershire Joint Members Waste Resource Management Forum.

**34. MINUTES**

**RESOLVED:** That subject to the following amendments, the Minutes of the meeting held on 20 November 2009 be approved as a correct record and signed by the Chairman:

- (i) the words 'closed and deleted' be replaced by the word 'completed' in line two of the second bullet point of the preamble to Minute No.28;
- (ii) the word 'Buttermarket' be replaced by the words 'rationale for Hereford street market' in line two of paragraph 5 of the preamble to Minute No. 29.

**35. ANNUAL AUDIT AND INSPECTION LETTER 2009**

The Director of Resources presented a report regarding the Audit Commission's Annual Audit and Inspection Letter for 2009.

The Chairman welcomed Mr T Tobin, representing the Audit Commission, who had attended to present the Audit Commission's Letter.

Mr Tobin informed the Committee that the Letter was a summary of the findings from his 2008/09 audit. He advised that overall the message in the letter was positive and summed up a lot of good work with arrangements being put in place by the Council. He emphasised that it was too soon to see outcomes from the arrangements as these would take time to embed. He drew Member's attention to three key areas, Planning, Use of Resources and Waste.

With regard to Planning, Mr Tobin advised that the audit had been carried out as a consequence of letters of concern the Commission had received from the public about the decision making arrangements. The Commission had brought in a planning expert to carry out the work. He was pleased to inform the Committee that since the report had been completed, he had been impressed with the speed and response of the Council to carry out the actions contained within the report. He would review the outcome of the actions after a period of time.

In referring to Use of Resources, Mr Tobin informed Members that the current use of resources could not be compared to the previous year and that the assessment this year was broader and more demanding. He drew the Committee's attention to the scored judgement in Managing finances, Governing Business and Managing Resources and advised that positives were shown in each area with Managing Finances achieving the best score with the time element being shorter to show results. He informed Members that next year's audit on the Use of Resources would be focusing on what had changed and the impact made by those changes. Workforce development would also be covered.

Mr Tobin referred to the strong drive through the Herefordshire partnership with Worcestershire County Council around the contract for waste management and he was pleased at the amount of work being carried out by the partnership to reduce the amount of waste.

In answer to a Member's points in respect of Planning, Mr Tobin informed the Committee that he was aware of the strong feelings around this issue and the local role Members play in the community. He emphasised however, that the local role and voting should be split and that there was a need for the voting to reach the right decision to be made on planning matters.

**RESOLVED: That**

- (i) the Audit Commission's Annual Audit and Inspection Letter for 2009 be noted; and**
- (ii) an update report on the progress of the Audit Commission's recommendations shown on page 22 on the Agenda be submitted to the next meeting of the Committee.**

**36. USE OF RESOURCES 2009**

The Director of Resources presented a report on the Use of Resources 2009 which made reference to the Audit Commission's Draft report, attached as an Appendix to the report, with a view to identifying improvement opportunities and next steps.

Mr Tobin representing the Audit Commission, referred to Recommendation 5 of the Commission's report and informed Members that it was a recurrent issue that clearer information could be given to Members to assist decision making.

Responding to a comment regarding the implications of the new audit framework for the Use of Resources, Mr Tobin informed Members that the new audit review was already much wider and broader. He referred to the words 'reviewing effectiveness' in some of the Commission's recommendations and emphasised that those words did not infer that the areas were bad. There was however a statutory requirement to look at outcomes in those areas.

The Director of Resources drew attention to the fact that Treasury Management had always been a key issue, but had not always had a high risk profile. However, with the recent problems surrounding Banks, Treasury Management had become high profile. He informed the Committee that steps had now been taken to show the Council's stance in the light of the risks involved. He gave an example of the good review on Treasury Management which had been carried out in the Resources Directorate which had given a fresh perspective on the area at the time of the increased risk.

With regard to an issue raised, the Head of Asset Management and Property Services (HAMPS) informed the Committee that a Joint Community Asset Transfer Policy had been approved by the National Health Service Board and the Council's Cabinet.

**RESOLVED: That an update report be provided at the next meeting.**

### **37. INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Technical Accounting Manager presented a report on the progress for implementing International Financial Reporting Standards (IFRS). She emphasised that the dates by which actions were required to be completed were referred to in the Detailed Action Plan appended to the report. Those dates were based on an earlier assessment and it was likely that more realistic dates would be available by the end of April.

Responding to a comment raised regarding the ICT system relating to the integrated property management and asset register system, the HAMPS informed Members that the system procured was an upgrade of the existing system.

The Vice-Chairman requested that the Committee express its appreciation both of the clarity and comprehensiveness of the report by the Technical Accounting Manager and the energy and efficiency which underlined it. He requested that future updates to the Action Plan should indicate which actions, if any, were behind schedule.

Mr T Tobin, representing the Audit Commission, commended the way in which the Council had approached and dealt with the implementation of the IFRS. He emphasised that the IFRS implementation was the top risk facing the Council's accounting process, so it was important.

**RESOLVED: That the report be noted.**

### **38. TENDERING OF THE CONTRACT TO BUILD THE NEW HEREFORD LIVESTOCK MARKET**

The Director of Resources presented a report which informed the Audit and Governance Committee of the process used during the procurement of the contract to construct the New Livestock Market. He drew Member's attention to the SCAPE framework which was set out in the Appendix attached to the report and that one of the advantages of using the framework was around controlling costs. He advised that in using the framework there was cost certainty, process savings and value for money and these were not available if engaging in the more traditional procurement.

The Committee noted that

- the principal contractor can sub-contract through the same procurement process which provides clarity and transparency.
- the restrictive covenant issue in relation to the new site was being investigated.
- the project board was run with Prince Methodology.

**RESOLVED: That the report be noted.**

### **39. REVIEW OF PROCEDURES AND PROCUREMENT WITHIN PROPERTY SERVICES**

The Director of Resources presented a report on the review of procedures and procurement within Property Services. He drew Members attention to the two audits which had been carried out by Internal Audit relating to elements of the Council's contract letting procedures and the tendering procedures which were more particularly referred to in paragraph 6 of the report. One of the audits had been commissioned by the Director of Resources to review compliance with the AMEY agreement. This report had a satisfactory assessment. He was pleased to report that the Head of Asset Management and Property Services had taken significant steps to address issues that had arisen in the contract letting audit. The issues in the report reflected differing interpretations of the constitution.

The Vice-Chairman took the view that the grading of the audit review as Marginal in respect of the review of contract letting was inappropriate and that it should have been of lesser grading. The Vice-Chairman was of the view that some important questions remained unanswered including whether the management response had taken into account the implications.

The Chief Internal Auditor informed the Committee that there was a formal procedure using a matrix to assess the audit opinion which ensured consistency. The matrix took into account the complexity of the audit and the number and type of recommendations. The matrix indicated that the opinion was marginal. The Chief Internal Auditor's view was that this was at the lower end of the marginal range. The Head of Asset Management and Property Services confirmed that the revised procedures regarding the process of tenders would be re-audited.

The Director of Resources advised that the issues which had been highlighted had a significant impact on Property Services. The review of the contractors list was an important improvement measure and the list was now up to date. He emphasised that the revision of rules and procedures in Property Services was about resolving issues and that misuse of public funds had not been an issue.

**RESOLVED: That a report be submitted to the next meeting regarding an action plan showing how the issues referred to in the report will be rectified and indicating if any contracts were re-let subsequent to tender procedures being revised.**

### **40. AUDIT AND GOVERNANCE CODE**

The Chief Internal Auditor presented a report which detailed the Audit and Governance Code (AGC) which had been approved by Council on 13 November 2009.

The Vice-Chairman expressed his regret that the AGC had not been referred to the Committee prior to the Code becoming part of the Council's constitution.

In responding to an issue, the Chief Internal Auditor advised the Committee that the Council's AGC was in line with the Chartered Institute of Public Finance and Accountancy guidance but that the National Health Service had certain differences which were applicable to itself.

**RESOLVED: That the report be noted.**

#### **41. RISK MANAGEMENT**

The Corporate Risk Manager presented a report on the current Risk Management process. He drew the Committee's attention to the revised Joint Risk Policy that had been in place since November 2009 and further advised that risk management training was available to the National Health Service non executive Directors. He made reference to the Use of Resources report outcomes relating to wider risk management and the need to have clear and robust processes in place for managing risks. He indicated that wider risk management had been a success in the project boards where he had participated. He further advised that project boards had a system in place whereby projects can be analysed with regard to risk. He informed Members that the Corporate Risk Register had recently been reviewed and that Directors had been advised to include those areas which present a corporate risk. He informed Members that compared to two years ago risk management had progressed well but that there was still a long way to go.

In responding to issues raised, the Committee was informed that

- the Corporate Risk Register system was reviewed quarterly by Directors and that the use of the Register as an aid to management was sporadic across the authority.
- there was an audit plan in place with regard to Risk Management Review and the audit team looked at the process of Risk Management and whether it is followed.

With regard to an issue raised in respect of actions to be put in place to meet the tasks highlighted by the Audit Commission, the Corporate Risk Manager advised that training of officers and Members to show the benefits of risk management was important. He informed the Committee however that he was the only officer dealing with the tasks and that resource was a problem.

The Chief Internal Auditor referred to the Audit and Governance Code and reminded Members that the risk environment was taken up in 2009 and was included in the Annual Governance Statement. He advised that evidence was reported to the Committee as and when it is found.

The Director of Resources informed the Committee that there was good risk management in place in some areas but that improvements could be made in others. He reminded Members that the current implementation of the project for the International Financial Reporting Standards where good risk management was evident.

**RESOLVED: That a report be submitted to the next meeting informing the Committee of evidence where the Corporate Risk Register processes are not**

**being followed, detailing the risks in all areas of the Council and how they are mitigated and reviewed.**

**42. INTERIM AUDIT SERVICES ASSURANCE REPORT 2009/10 NO.2**

The Chief Internal Auditor presented a report which updated the Committee on the work status and which brought to Member's attention any key internal control issues. He drew Member's attention to page 161 point 5.5 which related to improving and embedding risk management and informed Members that the Governance Statement would not be signed off until he had carried out his report.

In response to an issue raised regarding 'bundling', item no.41 on page 163 on the agenda refers, the Director of Resources advised that this was being looked at in the constitution.

The Vice-Chairman recorded his frustration that the recommendation with regard to item no.41 had been raised in November 2007 and took the view that the recommendation attached to that item should be implemented without delay. The Director of Resources informed the Committee that he would take the advice of the Monitoring officer on the matter.

**RESOLVED: That**

- (i) a report be submitted to the next meeting detailing the actions in place to ensure that travel and subsistence claims are processed correctly; and**
- (ii) item Nos. 61, 78, 106 and 107 in Appendices 2 and 3 attached to the report be closed.**

The meeting ended at 12.15 pm

**CHAIRMAN**

<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>12 MARCH 2010</b>
<b>TITLE OF REPORT:</b>	<b>AUDIT STRATEGY AND AUDIT CHARTER 2010</b>
<b>CHIEF INTERNAL AUDITOR</b>	<b>TONY FORD</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

To present the 2010/11 Audit Strategy and Audit Charter for consideration and approval by the Audit and Governance Committee.

### **Key Decision**

This is not a Key Decision.

### **Recommendation**

**THAT the Audit and Governance Committee approve the 2010/11 Audit Strategy and Audit Charter, subject to any comments that the Committee wishes to make.**

### **Key Points Summary**

- The Audit and Governance Code requires the Committee to review and approve the Internal Audit Strategy and Internal Audit Charter once a year.
- The Audit Strategy and Audit Charter for 2009/10 was reviewed and adopted in March 2009.

### **Alternative Options**

- 1 There are no alternative options as this is a requirement of the Audit and Governance Code agreed by Council on 13 November 2009.

### **Reasons for Recommendations**

- 2 The Audit and Governance Code requires the Audit and Governance Committee to review and approve the Audit Strategy and the Audit Charter once a year.

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

## **Introduction and Background**

- 3 Adoption of an Audit Strategy and Audit Charter represents best practice as required by the CIPFA Code of Practice for Internal Audit in Local Government (2006) and is an integral part of the Council's internal control arrangements.

## **Key Considerations**

- 4 The Audit Strategy is a high level statement showing how Audit Services will be delivered and developed in accordance with the Audit Charter (Appendix 2 refers).
5. The Audit and Governance Code requires the Committee to review and approve the Internal Audit Strategy and Internal Audit Charter once a year.
- 5 The Audit Strategy and Audit Charter for 2009/10 was reviewed and adopted in March 2009.
6. The 2010/11 Audit Strategy (Appendix 1 refers) covers
  - Audit Services objectives and outcomes;
  - Resilience of the Audit Opinion;
  - Identification of significant issues and risks;
  - Provision of service;
  - Resources and skills; and
  - Internal Control Audit Opinion Matrix
5. The Audit Charter sets out the purpose, authority and responsibility of internal Audit.

## **Community Impact**

6. None Identified

## **Financial Implications**

- 7 There will be no additional cost to the Audit Services budget.

## **Legal Implications**

8. None identified.

## **Risk Management**

9. The Chief Internal Auditor has a responsibility to produce the Audit Strategy and the Audit Charter. If the Audit Strategy and Audit Charter is not reviewed and adopted there is the risk of non compliance with the Audit and Governance Code and the CIPFA Code of Practice for Internal Audit in Local Government (2006).



## **Consultees**

- 9 The Joint Management Team were consulted on contents of the Audit Strategy and the Audit Charter and their comments added.

## **Appendices**

Appendix 1 - Audit Strategy 2010/11

Appendix 2 – Audit Charter 2010/11

## **Background Papers**

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



## AUDIT SERVICE STRATEGY 2010/11

### Introduction

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

### Objectives and Outcomes

2. The terms of reference for Audit Service are very comprehensive and are set out in the Audit Charter.
3. Audit Service outcomes are linked to the Council's objectives, as evidenced within the Audit Services' Service Plan for 2010. The Plan also highlights the service performance indicators which will be monitored as part of the Council's Performance Management Framework.

### Resilience of the Audit Opinion

4. The audit opinion on the Council's systems of internal control will be based on a review of the following:
  - (a) Financial standards, which will cover the Council's fundamental systems.
  - (b) Non-fundamental systems.
  - (c) Corporate governance arrangements to include anti-fraud activity.
  - (d) Other key systems.
  - (e) ICT protocols and controls (Council-wide).
  - (f) Establishment visits.
  - (g) Verification and probity audits.
  - (h) Corporate issues as they arise.
  - (i) Level of recommendations agreed for action by management.
  - (j) Results of recommendations follow-up.
  - (k) Performance management.
5. An audit opinion will be given to each audit review, which will inform the Chief Internal Auditor's overall opinion on the Council's system of internal control (paragraph 17 refers).
6. Regular Interim Assurance reports will be presented to the Audit and Governance Committee, with the Annual Assurance report presented in the June following the financial year to which it relates.

### **Identification of Significant Issues and Risks**

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

### **Provision of the Services**

10. The service is currently provided by an in-house team.
11. Computer audit training and development will continue to be a key training area for all audit staff and with other training will ensure that Audit Service staff provide a comprehensive audit service to the Council.
12. Joint working arrangements with the Herefordshire Primary Care Trust will continue to be developed and progress reported to the Audit and Governance Committee.
13. The service now has a full complement of staff, with a wide range of skills and audit experience.
14. The Audit Commission carries out limited assurance work, relying mainly on the work of the Audit Service.

### **Resources and Skills**

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

## 17. Internal Control Audit Opinion Matrix

		Overall Opinion	Maximum % Weighting
(a)	Financial standards, which will cover the Council's fundamental systems.		25
(b)	Non-fundamental systems.		5
(c)	Corporate governance arrangements to include anti-fraud activity.		15
(d)	Other key systems.		15
(e)	ICT protocols and controls ( Council –wide)		12
(f)	Establishment visits.		2
(g)	Verification and probity audits.		2
(h)	Other corporate issues as they arise to include external inspections.		3
(i)	Level of recommendations agreed for action by management.		1
(j)	Results of recommendations follow up.		10
(k)	Performance Management.		10
			100

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

March 2010



**AUDIT SERVICES CHARTER  
2010/11****Introduction**

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

**Statutory Background**

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

**The Nature of Audit Services**

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

**Audit and Corporate Governance Committee**

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

**AUDIT SERVICES CHARTER  
2010/11**

- 4.7 Provide the Chairman of the Committee with a copy of audit review reports with an unsound, unsatisfactory or marginal audit opinion.
- 4.8 Provide the Chairman of the Committee with written confirmation of audit review reports with a satisfactory or good audit opinion.

**Internal Controls**

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

**The Role of Audit Services**

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

**Values of Audit Services**

- 7. The Council expects the Audit Services Team to carry out their function in accordance with the following operational values:
  - 7.1 Demonstrating integrity in all aspects of their work.
  - 7.2 Impartiality in discharging all responsibilities, and not allow bias, prejudice or undue influence to limit or override objectivity.
  - 7.3 Applying knowledge, skills and experience to their work, seeking additional advice and support where necessary to ensure work is carried out competently.



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- 7.4 Safeguarding all information received and ensuring no unauthorised disclosure of information unless there is a legal or professional requirement to do so.
- 7.5 Being client focused at all times.
- 7.6 Offering constructive comments and practical solutions.
- 7.7 Being proactive in approach.
- 7.8 Adopting a professional attitude to all tasks.
- 7.9 Being responsive to requests for advice.

**Aim of Audit Services**

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

**Functions of Audit Services**

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

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- 9.8 Review service delivery arrangements and projects to ascertain whether the activities are being carried out as planned and the results are consistent with the Council's established policies.
- 9.9 Maintain a programme of review and assessment of the Council's risk management processes in order to provide assurance on their integrity.
- 9.10 Carry out any ad hoc appraisals, inspections, investigations, examinations or reviews requested by senior management or the political executive.
- 9.11 Act as the liaison with the Council's external auditors and coordinate audit effort with the Audit Commission in order to avoid duplication of effort and increase audit coverage.
- 9.12 Develop a shared audit protocol with colleagues in partner organisations in order to avoid duplication of effort and maximise internal audit coverage.
- 9.13 Maintain technical competence through continuing education and active participation in professional activities.
- 9.14 Adhere to the code of ethics, standards and guidelines of the relevant professional institutes and the Auditing Practices Board.
- 9.15 Utilize the resources designated for use by the Audit Services Team to maximise the efficiency and effectiveness of the internal audit function.
- 9.16 Serve on internal working groups as appointed by senior management.

**Independence of Audit Services**

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

**Authority of Audit Services**

- 12. This Charter and the Council's Standing Orders and Financial Regulations confirm the authority conferred on the Audit Services Team by the Council.
- 13. The Chief Internal Auditor and the Audit Services Team have the authority to:
  - 13.1 Decide on the nature, scope and timing of audits.
  - 13.2 Have access at reasonable times to premises or land used by the Council.

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- 13.3 Have access at reasonable times to any employee or employee.
  - 13.4 Have access to all assets, records, documents, correspondence and control systems relating to any matter or business of the Council.
  - 13.5 Have any information and explanation considered necessary concerning any matter under examination.
14. The Council's officers are required to assist the Audit Services Team in the performance of their audit duties and to respond promptly to any requests for information, explanation, discussion, entry to premises or access to documents.

**Scope of Audit Services**

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

**Audit Protocol**

- 17. The Audit Services Team is required to observe the following protocol in carrying out their internal function:
  - 17.1 Provide advance notice to the manager of each service area to be audited.
  - 17.2 Conduct a preparatory meeting with the nominated manager of the service being audited to discuss the nature of the audit, the length of engagement and the coordination of the review around operational constraints. The detail of the audit programme will be reviewed at that meeting with the nominated manager in order to ensure proper and thorough audit coverage.
  - 17.3 Conduct interim meetings with the nominated service manager as appropriate to discuss progress with the review and findings as they arise.
  - 17.4 Preparation of a written draft internal audit report following the conclusion of the audit.
  - 17.5 Conduct a final meeting with the nominated service manager to discuss the draft report and confirm the accuracy of the audit findings and the appropriateness of the audit recommendations.
  - 17.6 Agreed amendments to the draft report will be reflected in the final report along with the nominated service manager's response to the

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recommendations. Final copies of the report will be distributed as appropriate.

- 17.7 The Head of Service is responsible for making sure that the action plan included in the audit report is implemented.

**The Audit Plan**

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

**Audit Reporting**

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

**Audit Standards**

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

**Deterring and Detecting Fraud**

22. Managing the risk of Fraud and Corruption and the deterrence of fraud is a responsibility of management. The Audit Services Team is responsible for examining and evaluating the adequacy and effectiveness of actions taken by management to fulfil this obligation.
24. The remit of the internal audit function is much wider than prevention of fraud as set out in this Charter. Service managers must also be clear that auditing procedures alone, no matter how professionally they are carried out, cannot guarantee that fraud will be detected.
25. The Director of Resources will decide in consultation with the Chief Internal Auditor the scope of any internal enquiries or investigations, subject to consultation with the relevant member of the Joint Management Team as appropriate.

**March 2010**

<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>12<sup>TH</sup> MARCH 2010</b>
<b>TITLE OF REPORT:</b>	<b>UPDATE ON PROCUREMENT PROCEDURES WITHIN ASSET MANAGEMENT AND PROPERTY SERVICES</b>
<b>HEAD OF ASSET MANAGEMENT AND PROPERTY SERVICES</b>	<b>MALCOLM MACASKILL</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

To update Audit and Governance Committee on procurement procedures within Asset Management and Property Services.

### **Key Decision**

This is not a Key Decision.

### **Recommendation**

**THAT Audit and Governance Committee notes the report and progress made.**

### **Key Points Summary**

- 1 Since the Internal Audit report in July 2009, Asset Management and Property Services has reviewed its procedures and made appropriate changes.
- 2 The report on the Partnership Agreement with Amey was assessed as “satisfactory” by Internal Audit.
- 3 Asset Management and Property Services works closely with Legal Services and Corporate Procurement on contract letting.
- 4 No contracts have had to be re-let as a result of revised tender procedures.

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Further information on the subject of this report is available from  
Malcolm MacAskill, Head of Asset Management and Property Services (01432) 260227

## **Alternative Options**

5 There are no alternative options.

## **Reasons for Recommendations**

6 This is an information update report.

## **Introduction and Background**

7 Audit and Governance Committee on 29<sup>th</sup> January resolved “That a report be submitted to the next meeting regarding an action plan showing how the issues referred to in the report will be rectified and to indicate if any contracts were re-let subsequent to tender procedures being revised”.

## **Key Considerations**

8 The Internal Audit report on Contract Letting identified that Asset Management and Property Services procedures followed appropriate industry standards. However, there were some elements of the procedures which did not fully comply with the Council’s Standing Orders Contract Procedures Rules current at that time.

9 The Internal Audit report identified where improvements could be made.

10 This report notes the steps introduced or reinforced since July 2009 to address the actions recommended in the Audit Report:

- (i) Tender documentation had been addressed to the Head of Asset Management and Property Services. Documentation is now addressed to the Assistant Chief Executive – Legal and Democratic. This process was implemented in November 2009.
- (ii) A tender receipt register was to be set up. Since all tenders are now addressed to the Assistant Chief Executive, Legal and Democratic, responsibility for this register lies with that service. This process was implemented in November 2009.
- (iii) Tender envelopes are to be retained. Tender envelopes are now retained and held with the contract file. This process was implemented in November 2009.
- (iv) Tenders were opened by three Asset Management and Property Services officers. Tenders are now opened by an officer from Legal and Democratic Services in the presence of a representative of the Corporate Procurement Manager and a representative from Asset Management and Property Services.
- (v) The audited contract did not have all relevant pages initialled by the officers. All Asset Management and Property Services staff involved in tender opening/evaluation have been reminded of this requirement. Documentation is signed on the front page and initialled on appropriate additional pages. Staff were reminded of the appropriate signing requirements in November 2009.
- (vi) If a School Board or Governors do not accept the tender recommended by the tender process and Asset Management and Property Services, the Assistant Chief Executive, Legal and Democratic will be notified. Since the Audit Report there have been no instances of officer recommendations being ignored and as such there has been no requirement to contact Legal and Democratic Services.

- (vii) Unsuccessful tender letters are held as an electronic mail merge. However, the Audit Report recommended that hard copies be held in the contract file. A hard copy of the mail merge is now held in the contract file. This was implemented in November 2009.
- (viii) All contracts are to be signed by the Assistant Chief Executive, Legal and Democratic. The Council's delegated signing authorities do permit Orders for Works. A meeting with the Assistant Chief Executive, Legal and Democratic and Asset Management and Property Services Management Team will be held, with a date to be set in March 2010, to discuss the appropriate governance arrangements. Meeting before April 2010.
- (ix) Asset Management and Property Services has reviewed and updated its approved list of contractors and approved list of consultants. This ensures that the information held for each company is up to date and complies with OJEU regulations and the Council's Standing Orders. Asset Management and Property Services have also worked with Corporate Procurement preparing updated contract documentation to include Data Quality, Environmental Sustainability, Equality and Diversity and CRB checks. This work has been acknowledged as good practice to be followed by other services. Furthermore, other Services have been made aware of the progress made by Asset Management and Property Services in this area and approaches have been made to Asset Management and Property Services for advice. This was implemented in November 2009.
- (x) Internal Audit will undertake a further unannounced audit of Asset Management and Property Services contract procedures to assess improvements.
- (xi) Since the revision of procedures following from the Audit Report of July 2009, there have been no instances of contracts having to be re-let as a result of the changes.
- (xii) The second Internal Audit report related to assertions by the Council's strategic partner Amey that Asset Management and Property Services had tendered work to external contractors which were within the scope of the contract and should have been awarded to Amey. The review has been completed and the review was given a satisfactory Audit opinion.

## **Financial Implications**

11 None as a result of this report.

## **Legal Implications**

12 None as a result of this report.

## **Risk Management**

13 Internal Audit will carry out a further unannounced review to assess compliance.

## **Consultees**

14 Internal Audit.

## Appendices

15 None.



<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>12 MARCH 2010</b>
<b>TITLE OF REPORT:</b>	<b>INTERIM AUDIT SERVICES ASSURANCE REPORT 2009/10 NO.3</b>
<b>CHIEF INTERNAL AUDITOR</b>	<b>TONY FORD</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

The purpose of the Interim Assurance Report is to update members on the work status and bring to their attention any key internal control issues.

### **Key Decision**

This is not a Key Decision.

### **Recommendation**

**THAT subject to any comments the Committee wish to make the report be noted report**

### **Key Points Summary**

- Ten key issues were identified in the Council's 2009 Annual Governance Statement (Appendix 1 refers).
- There are currently 18 Committee Resolutions that are open (Appendix 2 and 3 refers);
- Three audit reviews were given a marginal audit opinion, one an unsatisfactory audit opinion and one an unsound audit opinion;
- National Fraud Initiative (NFI) working is almost complete, it has been be very time consuming; project.
- There are improvements in the progress made by schools in relation to the Financial Management Standard.
- Progress on GEM audits will be kept under review.

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

- The overall rating of internal audit from the CIPFA Audit Customer Satisfaction Survey was good.

## **Alternative Options**

- 1 This report is for information therefore alternative options are not applicable.

## **Reasons for Recommendations**

- 2 To ensure compliance with good practice as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

## **Introduction and Background**

- 3 To ensure that the Committee is informed of progress on the Audit Plan and any key internal control issues identified.

## **Key Considerations**

### **Key Issues Identified in 2008/09**

- 4 The Audit and Corporate Governance Committee considered the Annual Assurance report for the year ending 31<sup>st</sup> March 2009 on 19<sup>th</sup> June 2009 in addition the Committee reviewed and adopted the Annual Governance Statement. The key issues identified for improvement are set out in Appendix 1 along with the comments of the lead officer regarding the current position.

### **Audit and Corporate Governance Committee Resolutions**

- 5 Regarding resolutions made by the Committee from May 2007 to June 2008 (Appendix 2 refers) there were four open and ongoing following the last meeting held on 29 January 2010<sup>th</sup> Replies received from relevant officers have been included in the updated version of the appendix.
- 6 With reference to resolutions made by the Committee from July 2008 to date (Appendix 3 refers) there were 14 open and ongoing following the last meeting held on 29 January 2010. Replies received from relevant officers have been included in the updated version of the appendix.

### **Fundamental Systems**

- 7 The Council's target is that all fundamental systems achieve at least a satisfactory audit opinion. Two fundamental systems have been finalised one was given a good audit opinion and the other a satisfactory opinion. The satisfactory opinion relates to the Creditor system, which was given a marginal opinion last year. Work in this area is in progress and the Audit and Corporate Governance Committee will be kept informed of progress.

### **Non Fundamental Systems**

- 8 There are eight reviews at various stages of progress, with four being finalised. Of the four finalised the report on Trade and Domestic Waste was given a Marginal Audit opinion. Although the current Waste Operations Officer has started and continues to improve procedures there was the need for improvements regarding stock control, monitoring of charges and income control. In line with the Council's Financial Procedure Rules the Leader, Chair of the Audit and Corporate Governance Committee and Cabinet Member – Environment and Strategic Housing have been sent a copy of the report.

## **Governance and Anti-fraud**

- 9 Work on the current National Fraud Initiative (NFI) is almost complete, however the Audit Commission requirements and the increase in the number of service areas matched/reports it has proved to be very time consuming exercise.
- 10 Following the completion of the travel and subsistence report, a marginal audit opinion was given due to data quality, and the need to complete the form correctly, and for authorising officers ensuring that forms are correct and complete. The committee requested further information on the actions currently being taken to ensure that travel and subsistence claims are correctly processed. This report has been submitted as a separate agenda item.
- 11 A review of procurement and contract procedures has been completed in Property Services and a marginal opinion given; this was due to the need for procedures within the service area to be updated to ensure compliance with the Council's Standing Orders. The newly appointed Contracts and Commissioning Officer is carrying out a review of the practices and procedures. In line with the Council's Financial Procedure Rules the Leader, Chair of the Audit and Corporate Governance Committee and Cabinet Member – Resources have been sent a copy of the report. At the request of the Committee the Head of Asset Management and Property has submitted as a separate agenda item the actions taken by the service on areas for improvement previously identified.

## **Other Key Systems**

- 12 As part of the work on the Council's Annual Governance Statement key officer Statements of Assurance for the period to June 2009 and September 2009 and December 2009 have been requested.
- 13 Both reports relating to members expenses were given a satisfactory audit opinion.
- 14 The revised Antifraud and Corruption Policy is in draft and out for consultation in line with Council policy, it is intended that it will be presented to the next Audit and Governance Committee meeting.
- 15 Under a separate agenda item the Chief Internal Auditor has presented a report highlighting the committees new terms of reference as set out in the Audit and Corporate Governance Code.
- 16 There is a requirement for the revised Anti-fraud and Anti- corruption Policy to be reviewed and approved by the Audit and Governance Committee. The required report forms a separate agenda item.

## **ICT Protocols and Controls (Council-Wide)**

- 17 Work on reviewing the Council's ISO27001 arrangements is ongoing; of the three areas completed there was one review with two minor non compliances. The Committee will be informed of the outcome of work in progress.

## **Establishments**

- 18 Work to assess the financial management arrangements within primary schools in line with the Department for Children, Schools and Families (DCSF) Standard is in progress. Currently 18 have met the standard, three have a conditional pass and three have not met the standard.

## **Verification and Probity**

- 19 Good Environmental Management (GEM) audits are in progress, with a minor non conformance being issued for the completed system audit.
- 20 The GEM audit plan is supported by trained auditors across the Council, information requested from the GEM team shows that there are 58 audits due for completion, however only thirteen have been completed, four postponed or cancelled, with 41 still to be completed by the end of March 2010.
- 21 Although most auditors on the programme have indicated that they will be able to complete their allocated audits by the March 2010 deadline it likely that only 52 audits (90%) will be completed. Due to the possible impact on the Council's Annual Governance Statement the committee will be kept informed of progress.

**Recommendation Follow up**

- 22 The Waste Management Contract follow up report is with the client; in addition all fundamental systems reviewed will have previous recommendation followed up. The out come will be report as part of future assurance reports.

**Performance Management**

- 23 At the request of the Audit Commission two indicators relating to 2008/09 are being reviewed one has been given a satisfactory audit opinion, With the Carers Receiving Needs Assessments indicator being given an unsatisfactory opinion. The risk assessment for 2009/10 has been completed and indicators identified will form part of future audit work.
- 24 It is pleasing to inform the Committee that the final LPSA 2 claim has been signed off by the Chief Internal Auditor with some £836k coming to the Partnership.

**Critical Recommendations**

- 25 Three Critical recommendations were made in relation to the Llangrove Primary School Report, theses recommendations form part of the action plan signed of by the Head-teacher. The follow up visit is in progress.
- 26 Two Critical recommendations were made in relation to the performance indicator report NI 135.
- 27 Follow up work is due and members will be informed on progress.

**Joint Working**

- 28 The IT Audit and The Good Environmental Management PCT Gap Analysis have been completed.

**CIPFA Customer Survey**

- 29 The CIPFA Customer Survey has been received and the overall rating is good, the survey covered 35 headings, which can be summarised as follows:

	Excellent	Good	Adequate	Less than Adequate	Total

Number of headings	1	26	7	1	35
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30 The less than adequate issue relates to the lack of value for money review, which will be addressed in the Audit Plan for 2010/11.

## Community Impact

23. N/a

## Financial Implications

24. There are no financial Implications.

## Legal Implications

25. There are no Legal Implications.

## Risk Management

26. There is a risk that the level of work required to give an opinion on the Council's systems of Internal Control is not achieved. The Director of Resources and the Chief Internal Auditor keep delivery of the annual Internal Audit Plan under continual review in order to mitigate this risk.

## Consultees

27. Relevant officers have been requested to up date action taken on key issues identified in 2008/09 and past Audit and Corporate Governance Committee resolutions. Their replies have been included in the relevant appendices.

## Appendices

**Appendix 1 - Annual Governance Statement 2008/09 Key Issues Identified.**

**Appendix 2 – Audit and Corporate Governance Committee Resolutions May 2007 to June 2008.**

**Appendix 3 - Audit and Corporate Governance Committee Resolutions July 2008 to January 2010.**

**Appendix 4 – Status Audit Plan 2009/10**

## Background Papers

- None identified.



**ANNUAL GOVERNANCE STATEMENT (AGS) 2008/9  
STATUS OF SIGNIFICANT GOVERNANCE ISSUES**

<b>AGS-Reference</b>	<b>Significant Governance Issue</b>	<b>Current Action/Comments</b>
5.2	Review the Code of Governance in line with the approved governance framework. (Assistant Chief Executive – Legal and Democratic)	It is proposed that the Code of Corporate Governance be reviewed as part of the next Phase of work on the Council's Constitution
5.3	Complete actions on the areas for improvement identified by the Audit Commission in their Use of Resources Report. (Director of Resources).	Programme completed and informing preparation for action plan to be based on current use of resources assessment.
5.4	Urgent corrective action is taken by Directors to ensure that there is an improvement in performance in relation to performance indicator outturn. (Deputy Chief Executive).	Performance is considered (and challenged) at least monthly at Directorate Management Teams, and areas of under performance and remedial action are considered. With regards to data quality there is the policy and action plan that are being followed, and any issues identified will be also considered by relevant management teams. Change Champions are also contributing to performance and data quality.
5.5	Improve the embedding of risk management across the Council (Assistant Chief Executive- Legal and Democratic)	The revised Risk Management Policy and Guidance document has been approved by Cabinet. Relevant officers will be given training on the new requirements. A report from the Corporate Risk Manager is a separate agenda item.
5.6	Urgent action is taken to ensure that the outstanding data quality actions are completed by the revised dates and that Cabinet receive monthly updates on progress. (Assistant Chief Executive – HR and OD)	The Audit and Corporate Governance Committee received a Data Quality Update report at its meeting on 20 November 2009. Efforts continue to complete all the outstanding actions in the Data Quality Action Plan .
5.7	Action is taken on the recommendations made by Audit Services regarding the Creditors and Payment to independent systems providers (Director of Resources).	There are approved action plans, which have been monitored by the Head of Revenues and Benefits. The current year's reviews have been completed and both systems have received improved Audit opinions.
5.8	Ensure that the areas identified as areas for	All of the recommendations in the Audit Commission's Report have

**ANNUAL GOVERNANCE STATEMENT (AGS) 2008/9  
STATUS OF SIGNIFICANT GOVERNANCE ISSUES**

<b>AGS-Reference</b>	<b>Significant Governance Issue</b>	<b>Current Action/Comments</b>
	improvement in the Audit Commission's report on Planning Services are actioned. (Director of Regeneration).	been accepted and an action plan has been developed which has been approved by Cabinet in order to address all of the issues raised. In particular detailed work has been undertaken in respect of the proposed new Committee Structure in accordance with the Audit Commissions findings. An initial report has been considered at Full Council and the new structures will be dealt with as part of the Council's new Constitution which was considered at the meeting of Council in November. Progress of the implementation of the Action Plan is monitored by the Environment Scrutiny Committee.
5.9	Ensure that the areas identified for improvement in the Audit Commissions report 'Review of Procurement' are actioned. (Deputy Chief Executive, Director of Resources, Director of Environment and Culture	This is underway and the Audit Commission under took a follow up audit. This is being reviewed but noted progress.
5.10	The Herefordshire Children's Safeguarding Board continue to monitor the agreed action plan. (Director of Children Services)	There is a new independent Chair of the Board. The Action Plan is monitored by the Board and progress is being made.
5.11	Continue to promote the Council's antifraud and whistle-blowing policies, keeping them under review. (Assistant Chief Executive - Legal and Democratic, Director of Resources	Poster 'Employees Role in Maintaining High Standards of Conduct' on notice boards at Council Offices. Level 2 Financial Training includes an introduction to the antifraud policy and the whistle-blowing policy. Employees Role in maintaining High Standards of Conduct highlighted on payslips. The revised Anti-fraud and Anti-corruption Policy requires agreement by the Audit and Governance Committee, The report is a separate agenda item.



**Audit & Corporate Governance Committee  
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
40	49 (iii)	30/11/07	Update of Action in the Special Report – Governance Improvement Plan.	The Strategic Monitoring Committee be requested to review the control of asset management process and procedure and actions which are taken against officers who do not adhere to these rules.	Zack Pandor (Geoff Cole)	Following Consultation with the Chairman and Deputy Chairman the review will form part of the Inventory Audit planned by Audit Service	30/04/2010	
41	51 (i)	30/11/07	Updated Interim Assurance report 2007/08	A form of wording to be incorporated in the Financial Standing Orders to ensure that contract sums cannot be divided to be reduced below £50,000.	David Powell (Sonia Rees)	The Contract Procedure Rules at paragraphs 6.2.3 to 6.2.8 contain provisions that provide for the calculation of financial limits for contracts (in the context of the EU procurement regulations). The non aggregation principle reflected in those provisions is a fundamental principle of EU procurement law and the Council must follow the EU	31/05/2010	

**Audit & Corporate Governance Committee  
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
						<p>principles in all its contracting activities. Therefore, the provisions of paragraph 6.2.4 apply and are applied to the limits in paragraph 5.1.7 of the Contract Procedure Rules to prevent the splitting of contracts into smaller low value ones in order to avoid the application of that principle. It is accepted that it would be clearer if the principle was also reflected and a similar provision to that in paragraph 6.2.4 included in paragraph 5.1. However, it is not essential.</p> <p>By way of reassurance, the Legal team provide advice on</p>		

**Audit & Corporate Governance Committee  
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
						<p>contracting and apply this principle when giving such advice.</p> <p>The Contract and Financial Procedure Rules in the new Constitution (to take effect on 1 January 2010) have not been reviewed as part of the recent constitutional review. Council agreed on 13 November 2009 that these rules should be reviewed as part of the next phase of work on the Council's constitution. That review is currently being planned and the Audit and Governance Committee will be involved in that work</p>		
42	51 (ii)	30/11/07	Update of Action in the	An action plan be formulated regarding monies payable by Parish	Charlie Adan	There is a review of elections services	30/06/10	

**Audit & Corporate Governance Committee  
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
			Special Report – Governance Improvement Plan.	Councils when elections take place.	(Alan McLaughlin)	underway that is intended to identify and remedy some recent problems in that service area. These are matters for the Returning and Registration officer but I can confirm that the arrangements for parish elections e.g. local count arrangements, the charges levied for parish elections and the arrangements for recovery of election costs from parishes and elsewhere are all being reviewed and will be updated as necessary.		
47	56(i)	21/12/07	Update on Community Network Upgrade and Critical recommendations In Use	All Councillors be given half day awareness training on Prince 2 Project Management and also on the analysis of business cases.	Annie Faulder (Andrew Williams)	The Corporate Programmes Manager is liaising with members Services to schedule Prince 2 training for members	30/04/2010	

**Audit & Corporate Governance Committee  
Resolutions and Recommendations May 2007 – June 2008 Requiring Further Monitoring**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
			of Contractors In ICT Services.			(Item 61 refers)		



Audit & Corporate Governance Committee  
Follow Up on Resolutions & Recommendations made between 3<sup>rd</sup> July 2008 and 29<sup>th</sup> January 2010

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
<b>OPEN AND ONGOING ITEMS</b>								
67	105	03/07/08	Review of Code of Corporate Governance	The Audit & Corporate Governance Committee receives a report formally reviewing the Code of Corporate Governance at the meeting scheduled to be held on 20 March 2009.	Charlie Adan  (Alan McLaughlin)	The Code of Corporate Governance was considered and used as a guiding document in the recent constitutional review process and it was raised as a matter for further review by the Chair of the Standards Committee in his comments to Council on 13 November 2009. It is proposed that the Code of Corporate Governance be reviewed as part of the next Phase of work on the Council's Constitution	31/05/2010	
89	5	19/06/09	Review of Procurement	The introduction of procurement and contract performance reporting systems , recommendation R2 paragraph 14 of the Audit	David Powell	The development of comprehensive systems for the reporting and	September 2010	

Audit & Corporate Governance Committee  
Follow Up on Resolutions & Recommendations made between 3<sup>rd</sup> July 2008 and 29<sup>th</sup> January 2010

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
				Commission's report		monitoring of procurement will be a high priority task of the new joint Head of Procurement expected to be in post this Spring.		
90	5	19/06/09	Review of Procurement	The Audit and Corporate Governance Committee work plan be amended to make specific provision for procurement investigation and reports.	David Powell	The Committees revised terms of reference which came in to effect on 1 <sup>st</sup> January 2010 states that <i>'The Committee shall receive assurance from the Chief Internal Auditor that officers are complying with the Council's procurement policy and processes in all respects'</i> . The Director of Resources and Chief Internal Auditor will consult with the Chairman and Deputy Chairman of the Audit and Governance Committee to agree the Committees requirement and	12 <sup>th</sup> March 2010	



Audit & Corporate Governance Committee  
Follow Up on Resolutions & Recommendations made between 3<sup>rd</sup> July 2008 and 29<sup>th</sup> January 2010

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
						include the agreed programme in the 2010-11 Audit Plan, which will be submitted to the Audit and Governance Committee for approval on 12 <sup>th</sup> March 2010		
91	5	19/06/09	Review of Procurement	The Audit and Corporate Governance Committee work plan to include the oversight and completion of training needs and analysis of in-house procurement expertise throughout the Council Directorates.	David Powell	The effectiveness and capacity of joint procurement will be another important issue for the new joint Head of procurement. A progress report on competence and capacity will be submitted to the committee by end of September 2010.	September 2010	
92	5	19/06/09	Review of Procurement	A report be submitted to the Committee on the process the Council follows for risk management and the way risk management is used and updated as a positive aid to management.	Andrew Rewell	The revised Risk Management Policy and Guidance document was presented to Cabinet on 26 <sup>th</sup> November 2009. Although a report was presented to the Committee in January, members requested a	29 <sup>th</sup> January 2010	

Audit & Corporate Governance Committee  
Follow Up on Resolutions & Recommendations made between 3<sup>rd</sup> July 2008 and 29<sup>th</sup> January 2010

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
						further report, which forms a separate agenda item for this meeting.		
95	7	19/06/09	Data Quality – Annual report	The extent that Directorates local procedures on data quality have been produced.	Tony Geeson	Addressed in the report to the Committee on 28th September 2009	28/09/09	
96	12	19/06/09	Audit Services Assurance Report	Anti - Fraud Training to be added to the Training for members schedule	Tony Ford	Agreed programme received from PriceWaterhouseCoopers The training date is 23 <sup>rd</sup> April 2010 and all Committee members have been informed.	31/03/10	
104	28	20/11/09	Interim Audit Services Assurance Report 2009/10 No. 1	Start and completion dates be stated against all items in Appendices 2 and 3 of the report submitted to future meetings.	Tony Ford	Completion dates now entered for all resolutions so that members can monitor progress.	29/01/2010	
105	28	20/11/09	Interim Audit Services Assurance Report 2009/10 No. 1	The Committee requires all action on the remaining 13 items in Appendices 2 and 3 to the report to be completed to the Committee's satisfaction by the time of the next meeting or the respective Directors and executives attend the meeting in person to explain why each issue remains open and when it will be completed.	Members of the Audit and Governance Committee	Linked to 104 above, Action on this resolution is subject to the Committee review of the action taken by officers	29/01/2010	
108	35	29/01/10	Annual Audit	An update report on the progress of	David Powell	<b>Status required</b>		

Audit & Corporate Governance Committee  
Follow Up on Resolutions & Recommendations made between 3<sup>rd</sup> July 2008 and 29<sup>th</sup> January 2010

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
			and Inspection Letter	the Audit Commission's recommendations shown on page 22 on the agenda be submitted to the next meeting of the Committee				
109	36	29/01/10	Use of Resources	An update and progress report be submitted to the next meeting.	David Powell	The report is an agenda item for this Committee.	12/03/2010	
110	39	29/01/10	Review of Procedures and Procurement within Property Services	That a report be submitted to the next meeting regarding an action plan showing how the issues referred to in the report will be rectified and to indicate if any, contracts were re-let subsequent to tender procedures being revised.	Malcolm MacAskill	The report is an agenda item for this Committee.	12/03/2010	
111	41	29/01/10	Risk Management	That a report be submitted to the next meeting informing the committee of evidence where the Corporate Risk Register process are not being followed, detailing the risks in all areas of the Council and how they are mitigated.	Andrew Rewell	The report is an agenda item for this Committee.	12/03/2010	
112	42	29/01/10	Interim Audit Services Assurance report 2009/10 No.2	A report be submitted to the meeting detailing the actions in place to ensure that travel and subsistence claims are processed correctly.	Tony Ford	The report is an agenda item for this Committee.	12/03/2010	



**HEREFORDSHIRE COUNCIL  
AUDIT PLAN 2009-10**

<b>AUDIT AREA</b>	<b>Status</b>	<b>Audit Opinion</b>
<b>a. FUNDAMENTALS</b>		
Bank Reconciliation	Final	Good
Creditors	Final	Satisfactory
Payroll (Corporate and Education)	Draft with Client	<u>Satisfactory</u>
Debtors	Work In Progress	
Council Tax and NDR	Work In Progress	
Supporting People	Work In Progress	
Education LMS and Finance	Draft with Client	Satisfactory
<b>b. NON-FUNDAMENTALS</b>		
<b>Deputy Chief Executive</b>		
Out of Hours Payments - Corporate	Final	Satisfactory
<b>Resources Directorate</b>		
Industrial Estate Income	Draft with Client	Satisfactory
<b>Children Services Directorate</b>		
The Hereford Academy - Transfer of Assets	Final	Satisfactory
Pupil Numbers	Draft with Client	Satisfactory
<b>Environment and Culture Directorate</b>		
Waste Contract Management-PFI	Final	Satisfactory
Trade and Domestic Waste	Final	Marginal
<b>Integrated Commissioning Directorate</b>		
Integrated Commissioning Budgetary Control/Monitoring	Draft with Manager	
<b>Regeneration Directorate</b>		
Homeless Persons Loans	Draft with Client	
<b>c. GOVERNANCE AND ANTI-FRAUD</b>		
Travel and Subsistence	Final	Marginal
National Fraud Initiative Creditor Matches	Draft with Manager	
National Fraud Initiative – Payroll/V.A.T/Other	Draft with Manager	
Annual Governance Statement	On going	
Procurement and Contract Procedures – Resources	Final	Marginal
Staff Loans	Draft with Client	
Staff Register of Gifts	Draft with Client	
Amey/Property Services In Scope Works	Final	Satisfactory
Community Network Procurement	Final	Good
Anti-fraud Policy	Final	N/a
<b>d. OTHER KEY SYSTEMS</b>		
Section 75 Agreements	Draft with Client	
Audit & Corporate Governance Committee	Ongoing	
Member Allowances/Register of Interests and Gifts( 2008/09)	Final	Satisfactory
Members Expenses (April to July 2009)	Final	Satisfactory
Members Expenses (August 2009 to November 2009)	Draft with Client	
ISIS Payments	Draft with Client	
CRB Checks	Work in progress	
<b>e. ICT PROTOCOLS AND CONTROLS (COUNCIL-WIDE)</b>		
ISO 27001 Technical Compliance	Draft with Client	
ISO 27001 Physical Security	Final	Full - Compliance
ISO 27001 3 <sup>rd</sup> Party Management	Final	Full - Compliance

**HEREFORDSHIRE COUNCIL  
AUDIT PLAN 2009-10**

<b>AUDIT AREA</b>	<b>Status</b>	<b>Audit Opinion</b>
ISO 27001 Business Continuity	Final	Minor Non Compliance
Frameworkki System	Draft with Client	
Access Controls (CTac, HB,NDR Payroll)	Work in progress	
Access Controls ( Cedar, E pops)	Work in progress	
<b>f. ESTABLISHMENT VISITS</b>		
Llangrove Primary School	Final	Unsound
Minster College	Work in progress	
<b>Schools Establishment Audits (DCSF Standard)</b>		
Weobley Primary School	Final	FMSiS Not Met
Pembridge C.E Primary School	Final	FMSiS Conditional
Wigmore High/Primary School	Final	FMSiS Met
Lady Hawkins High School DCSF Toolkit	Final	FMSiS Met
Leominster Junior School	Final	FMSiS Met
Bodenham St. Michaels C.E Primary School	Draft with client	
Burley gate C.E. Primary School	Final	FMSiS Met
Eardisley C.E. Primary School	Final	FMSiS Met
Goodrich C.E. Primary School	Final	FMSiS Met
St. James' C.E Primary School	Final	FMSiS Not Met
Wellington Primary School	Final	FMSiS Met
Canon Pyon C.E. Primary School	Final	FMSiS Not Met
Kimbolton St. James Primary School	Final	FMSiS Met
Ewyas Harold Primary School	Final	FMSiS Met
Garway Primary School	Final	FMSiS Met
Brookfield Special School	Final	FMSiS Conditional
Kingsland C.E Primary School	Final	FMSiS Met
Kingstone & Thruxton Primary School	Draft with Client	
Luston Primary School	Final	FMSiS Met
Gorsley Goffs Endowed Primary School	Final	FMSiS Met
St. Martin's Primary School	Draft with Manager	
Leintwardine Endowed Primary School	Final	FMSiS Met
Ashperton Primary School	Final	FMSiS Met
Marden Primary School	Final	FMSiS Met
Orieton Primary School	Final	FMSiS Conditional
Riverside Primary School	Final	FMSiS Met
Eastnor Parochial Primary School	Draft with Manager	
Leominster Ivington C.E. Primary	Draft with client	
Kington Primary	Final	FMSiS Met
<b>g. VERIFICATION AND PROBITY</b>		
Good Environmental Management(GEM)	Final	Minor Non Compliance
Corporate Impacts - Procurements	Draft with client	
Good Environment Management PCT Gap Analysis	Draft with client	
<b>h. RECOMMENDATION FOLLOW UP</b>		
Waste Management Contract	Draft with client	
<b>i. PERFORMANCE MANAGEMENT</b>		
National Indicator 181 Housing Benefit/Council Tax Right Time Indicator	Final	Satisfactory
National Indicator 135 Carers Receiving Needs	Final	Unsatisfactory

**HEREFORDSHIRE COUNCIL  
AUDIT PLAN 2009-10**

<b>AUDIT AREA</b>	<b>Status</b>	<b>Audit Opinion</b>
Assessments		
LPSA Grant Claim	Draft	

### Quantification and Classification of Internal Control Levels

#### System and Establishment Audits

<b>Opinion</b>	<b>Definition</b>
<b>Good</b>	A few minor recommendations (if any). No material risk identified.
<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 higher weighting for budgetary control. It is expected that larger systems and establishments will receive higher numbers of recommendations and allowance is made for this.

#### **Compliance Audits**

<b>Opinion</b>	<b>Definition</b>
<b>Full-Compliance</b>	Areas reviewed met requirements
<b>Minor Non-Compliance</b>	Areas reviewed failed to meet requirements in some non-critical areas or opportunities for improvement were identified.
<b>Major Non-Compliance</b>	Areas reviewed failed to meet requirements in some critical areas

Many audits are tests of whether a standard or part of a standard has been met. Examples are GEM audits and ISO27001. Majority of compliance audits will find minor compliance.

#### **DCSF FMSiS Standard - Toolkit Assessments**

**HEREFORDSHIRE COUNCIL  
AUDIT PLAN 2009-10**

Opinion	Definition
<b>FMSiS Met</b>	The Standard has been met
<b>FMSiS Awaiting SIC</b>	The Standard will be met when the Statement of Internal Control has been signed by the Head Teacher and Chair of Governors.
<b>FMSiS Conditional</b>	The Standard is expected to be met in the short term
<b>FMSiS Not Met</b>	The Standard is not expected to be met in the short term

Schools are expected to reach a standard of financial management (FMSiS - Financial Management in Schools). The assessment reaches a conclusion of meeting the standard or not. In addition, the DCFS allow a conditional pass that means a small number of issues need addressing before a pass is issued. This is the normal status before a full pass is confirmed.

“Awaiting SIC” - Some schools wait until the assessment is finished before signing the SIC. This is sensible and any schools in this status will be given a pass shortly.



<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>12 MARCH 2010</b>
<b>TITLE OF REPORT:</b>	<b>PROCESSING OF TRAVEL AND SUBSISTENCE CLAIMS.</b>
<b>CHIEF INTERNAL AUDITOR</b>	<b>TONY FORD</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

To inform the Committee of actions in place to ensure that travel and subsistence claims are processed correctly.

### **Key Decision**

This is not a Key Decision.

### **Recommendation**

**THAT the Audit and Governance Committee note the report.**

### **Key Points Summary**

- There are approximately 1100 claims per month.
- Sample checks are carried out by Payroll and where errors are found forms are returned.
- Human Resources will be reminding managers of their responsibilities.

### **Alternative Options**

- 1 There are no alternative options as this is a report in reply to a committee resolution.

### **Reasons for Recommendations**

- 2 This report was done at the request of the Audit and 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

## **Introduction and Background**

- 3 The Interim Audit Services Assurance Report 209/10 No.2 informed the Committee that a marginal opinion was given following the Travel and Subsistence review. The Audit and Governance Committee requested a report detailing actions in place to ensure travel and subsistence claims are processed correctly.

## **Key Considerations**

- 4 Human Resources will be reminding managers of their responsibilities regarding travel expense claims.
5. Up to date authorised signatory lists are held by Payroll and updates are received weekly. In addition Payroll carry out checks on a sample of claims and where forms are not signed by an authorised signatory they are sent back.
6. Claims with insufficient subsistence receipts, car parking receipts and no V.A.T receipts are returned.
7. Large mileage claims (over 1000 miles) or where the figures are illegible are checked by payroll.
8. A sample of entries on to the payroll system, are now checked by another member of the payroll team and signed off.
9. The travel and subsistence guidance document is being reviewed and is due to be completed by April 2010.

## **Community Impact**

6. None Identified

## **Financial Implications**

- 7 None.

## **Legal Implications**

8. None identified.

## **Risk Management**

9. There is a risk that claims that are not accurate, or not properly authorised are paid, to help mitigate this the Payroll staff carry out checks on a sample basis, and Human Resources are in the process of informing managers of their responsibilities, in addition the guidance is under review.

## **Consultees**

- 9 There were no consultees.

## **Appendices**

None

## **Background Papers**

- The Interim Assurance Report presented to the Audit and Governance Committee on 29 January 2010



<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>12 MARCH 2010</b>
<b>TITLE OF REPORT:</b>	<b>ANTI- FRAUD AND ANTI- CORRUPTION POLICY 2010</b>
<b>CHIEF INTERNAL AUDITOR</b>	<b>TONY FORD</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

To present to the Audit and Governance Committee the updated Anti-fraud and Anti-corruption Policy for consideration and approval.

### **Key Decision**

This is not a Key Decision.

### **Recommendation**

**THAT the Audit and Governance Committee approve the updated Anti-fraud and Anti-corruption Policy, subject to any comments that the Committee wishes to make.**

### **Key Points Summary**

- The Anti-fraud and Anti-corruption Policy, summarises the culture of the Council with regard to its opposition to fraud and corruption.
- The policy also highlights the Council's prevention and detection arrangements.

### **Alternative Options**

- 1 There are no alternative options as this is a requirement of the Audit and Governance Code agreed by Council on 13 November 2009.

### **Reasons for Recommendations**

- 2 The Audit and Governance Code requires this Committee to approve the Council's counter fraud and corruption policies and review them on a biennial basis.

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

## **Introduction and Background**

- 3 Counter fraud and corruption arrangements is an integral part of the Use of Resources requirements, effective arrangements include publishing a counter fraud policy.

## **Key Considerations**

- 4 The Use of Resources Key Line of Enquiry (KLOE) 2.4 focus is on whether the Council has a clear strategy and effective arrangements, including allocation of appropriate resources, to manage the risk of fraud and corruption.
5. The Council does not tolerate fraud and corruption of any form or degree in the administration of its responsibilities whether from inside or out side the Council.
- 6 The Council expects that individuals and organisations e.g. suppliers, contractors, service providers) that it comes into contact with, shall act towards the Council with integrity and with out thought or actions involving fraud or corruption.
7. Financial Procedure Rules identify the key controls regarding the prevention of financial irregularities as:
  - The culture and tone of the Council is one of honesty and opposition to fraud and corruption;
  - All Members and staff act with integrity, and lead by example;
  - All individuals and organisations associated in any way with the Council shall act with integrity;
  - Managers with employee management responsibilities are required to deal swiftly and firmly with those who defraud the Council or seek to do so or who are corrupt.
8. The next review of this policy will be in March 2012.

## **Community Impact**

6. None Identified

## **Financial Implications**

- 7 There will be no additional cost to the Audit Services budget.

## **Legal Implications**

8. None identified.

## **Risk Management**

9. The Committee is responsible for reviewing and approving the Council's counter fraud and corruption policies, if this is not done there is the risk of non compliance with the Council's Constitution. The Council has procedures in place to ensure that future the review date will not be missed.

## **Consultees**

- 9 The Director of Resources, the Monitoring Officer, Unison, the Head of ICT, the Head of Communications, and the Head of Corporate Risk-PCT were sent copies of the draft as part of the consultation process, any comments received were incorporated into the policy. In addition Unison has requested that staff receive guidance on what constitutes fraud.

## **Appendices**

Appendix 1 – Anti- fraud and Anti–corruption Policy

## **Background Papers**

- None







<i>Reference number</i>	
<i>Approved by</i>	<b>Audit and Governance Committee</b>
<i>Date approved</i>	<b>12 March 2010</b>
<i>Version</i>	<b>1.0</b>
<i>Last revised</i>	<b>12 March 2010</b>
<i>Review date</i>	<b>12 March 2012</b>
<i>Category</i>	<b>Corporate Governance</b>
<i>Owner</i>	<b>Chief Internal Auditor</b>
<i>Target audience</i>	<b>All Council staff</b>

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## **Anti-fraud and Anti-corruption Policy**

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**After the Review Date has expired, this document may not be up-to-date. Please contact the document owner to check the status after the Review Date shown above.**

**If you would like help to understand this document, or would like it in another format or language, please contact the document owner.**

**1. Introduction**

- 1.1 One of the basic principles of public sector organisations is the proper use of public funds. It is therefore important that all those who work within the Council or in partnership with the Council are aware of the risk of fraud and the means of enforcing the rules against fraud and corruption. It is in the interest of the Council and staff that these principles are upheld.
- 1.2 Whilst the need for an Anti-Fraud and Corruption Policy is self evident, it is equally important to emphasise the faith the Council places in the integrity and honesty of all its staff.
- 1.3 All Members and staff are expected to be aware of standards of conduct and the procedures designed to reduce the risk of fraud and corruption occurring.
- 1.4 All staff shall be responsible for their own conduct, with managers being additionally responsible for maintaining appropriate internal checks and control procedures within their service area.
- 1.5. Fraud and Corruption risks will be considered as part of the Council's Strategic Risk Management arrangements

**2. Culture**

- 2.1 The Council is determined that the culture and tone of the organisation is one of honesty, openness and opposition to fraud and corruption. The Council will not tolerate fraud or corruption of any form or degree in the administration of its responsibilities whether from inside or outside the council.
- 2.2 There is an expectation that and requirement that all individuals and organisations associated in whatever way with the Council will act with integrity and that members and staff at all levels, will lead by example.
- 2.3 The Councils staff are an important element in its stance on fraud and corruption and are positively encouraged to raise any concerns that they may have on these issues where they are associated with the Council's activity. This they can do in the knowledge that such concerns will be treated in confidence and properly investigated.
- 2.4 Employees should normally raise concerns with their immediate manager or that manager's manager. This depends, however on the seriousness of the issues involved and who is suspected of the malpractice. If staff believe that their management is involved they should approach:
  - i. The Chief Executive – Tel. No. 01432 260044
  - ii. The Deputy Chief Executive – Tel. No. 01432 260037
  - iii. The Director of Resources – Tel. No. 01432 383519
  - iv. The Assistant Chief Executive Legal and Democratic- Tel. No. 01432 260200
- 2.5 The Council also discourages anybody who has reasonably held suspicions from doing nothing, trying to investigate the matter themselves, approaching or accusing the individual themselves. Any of these actions could result in any counter fraud investigation being compromised.

- 2.6 Senior Management are responsible for following up any allegation of fraud or corruption and will do so in line with the Council's Financial Regulations.
- 2.6 Senior Management are expected to deal swiftly and firmly with those who have defrauded the Council or who are corrupt.
- 2.7 There is a need to ensure that any investigation process is not misused and therefore, any abuse such as raising unfounded malicious allegations will be dealt with as a disciplinary matter.

**3. Prevention**

- 3.1 The Council recognises that a key preventive measure in the fight against fraud and corruption is the taking of effective steps at the recruitment stage to establish, as far as possible, the previous record of potential staff, in terms of their propriety and integrity. In this regard temporary and contract staff will be treated in the same manner as permanent staff,
- 3.2 All Council staff are expected to abide by the Council's Code of Conduct which sets out the Council's requirements on personal conduct.
- 3.3 The Council will regularly review and keep its Disciplinary Procedures up to date and in line with good practice.
- 3.4 The Council has Standing Orders for the Regulation of Contracts, Financial Standing Orders and Financial Regulations in place that provide a lead and requirement on staff ,when dealing with the Council's affairs to act in accordance with best practice.
- 3.5 The Director of Resources will ensure that Financial Standing Orders and Financial Regulations are kept up to date and made available to all staff.
- 3.6 The Assistant Chief Executive Legal and Democratic will ensure that the Code of Conduct and Standing Orders for the Regulation of Contracts are up to date and made available to all staff.
- 3.7 The Council has developed and is committed to continuing, with systems and procedures that incorporate efficient and effective internal controls, which include adequate separation of duties wherever possible. It is required that the Deputy Chief Executive, Directors, Assistant Directors and Heads of Service and other key managers will ensure that such controls, including those in a computerised environment are properly maintained. Their existence and appropriateness will be independently reviewed by the Council's internal Audit Service.
- 3.8 The Deputy Chief Executive, Directors, Assistant Directors and Heads of Service and other key managers will complete quarterly Assurance Statements.
- 3.9 The Council will work with the Primary Care Trust and NHS Trust to develop where possible a joint approach to antifraud activity.

**4. Detection**

- 4.1 The Deputy Chief Executive, Directors, Assistant Directors, Heads of Service and other key managers shall ensure that internal control is implemented and maintained and will report any matters where internal control has failed to the Chief Internal Auditor.
- 4.2 Internal Audit shall from time to time, inspect systems to give assurance to the Audit and Governance Committee that internal control is adequate and operating satisfactorily.
- 4.3 Herefordshire Council will take part in National Fraud Initiative operated by the Audit Commission.
- 4.4 The Audit and Governance Committee will review and approve as part of the Annual Audit Plan the Internal Audit programme for fraud prevention and detection work.

**5. Investigations**

- 5.1 Internal Audit will ensure that there is a procedure that can be implemented to ensure that all evidence is correctly obtained, stored and recorded.
- 5.2 Depending on the nature and anticipated extent of the allegations, Internal Audit will normally work closely with management and other agencies to ensure that all allegations and evidence is properly investigated and reported on.
- 5.3 When undertaking fraud investigations, Council investigators will observe the Police and Criminal Evidence Act Codes of Practice.

**6. Discipline and Prosecution**

- 6.1 The Council's Disciplinary Procedures will be used where the outcome of any investigation indicates improper behaviour.
- 6.2 The Director of Resources is responsible for deciding in consultation with the relevant member of Joint Management Team as appropriate, whether any matter under investigation should be referred for police investigation and take recovery action as appropriate on such matters.

**7. Housing Benefit Fraud**

- 7.1 The Audit and Governance Committee will approve annually a:-
  - i. Statement of Intent.
  - ii. Benefit Antifraud Code
  - iii. Benefit Antifraud Strategy
  - iv. Benefit Fraud Prosecution Policy.

**8. The Council's Equal Opportunity Policy**

- 8.1 All investigations, internal procedures and codes of conduct will comply with and take account of Herefordshire Council's Equal Opportunity Policy.

**9. Data Protection**

- 9.1 The Council will share any personal data with the police or any other body in connection with the detection, investigation or prosecution of fraud in line with the Data Protection Act 1998.

**If you would like help to understand this policy or would like it in another format or language please call Tony Ford – Chief Internal Auditor on 01432 260425**





<b>MEETING:</b>	<b>AUDIT &amp; GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>12 MARCH 2010</b>
<b>TITLE OF REPORT:</b>	<b>CREDITOR PAYMENT AUTHORISATION</b>
<b>HEAD OF BENEFIT AND EXCHEQUER SERVICES</b>	<b>MIKE TONEY</b>

### **Wards Affected**

None

### **Purpose**

1. To report on progress in ensuring that the Council requirements for Creditor Payment Authorisations are being carried out in accordance with the Council's Constitution.

### **Recommendation**

**THAT the Audit and Governance Committee notes the information on invoices rejected.**

### **Introduction and Background**

2. This Committee received a report in December detailing the requirements of the Financial Procedure Rules for Officers responsible for authorising creditor payments. This advised Members that:
  - a) The list of authorised signatories with their individual financial limits is agreed and maintained by Financial Services on behalf of the Director of Resources. Following a review of the Constitution in March 2008, all authorisations have been reviewed and updated.
  - b) Directors are required to ensure that the list of signatories is reviewed at intervals and any changes to the list are reported promptly.
  - c) The Benefit & Exchequer Service has responsibility for processing payment requests, which includes ensuring that payment vouchers are correctly completed and properly authorised.
  - d) Following the review of creditor payments in 2009 which aimed to speed up payment times, a number of communications have been sent to officers

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Further information on the subject of this report is available from  
Mike Toney, Head of Benefit & Exchequer Services on (01432) 260399

shown on the authorised signatories list reminding them of the need to ensure that all payment requests are correctly authorised.

3. In December the Committee asked for a quarterly update on the number of payment requests returned to the originating service because they were not properly authorised. The request was for a breakdown showing the numbers for each directorate.

## **Key Considerations**

4. The main reasons identified for vouchers being returned are:
  - a) They have not been fully completed, for example cost codes are incorrect or missing.
  - b) The latest version of the payment voucher has not been used.
  - c) The person signing them does not have the necessary level of authorisation.
5. The Council has a target for making payments and this is 20 days from the date the invoice is received. Current financial year performance up to the end of February is 80.87% of invoices paid within 20 days of receipt and an average payment time of 15.31 days, with 49.34% of these being paid within 10 days.
6. A table showing the number of invoices rejected for the three month period December to February is attached as an appendix to this report. This table shows a reducing number of items returned to the originating departments for correction and reflects the steps taken to ensure authorised signatories are aware of the action required to ensure vouchers are correctly completed and authorised.

## **Community Impact**

None

## **Financial Implications**

None

## **Legal Implications**

None

## **Risk Management**

7. Failure to complete payment vouchers correctly can affect the speed with which payment is made and will have an impact upon the creditor and our performance, as well as the level of resources needed for the payment process.
8. In addition to the regular monitoring, as a fundamental system Creditors is subject to an annual audit which provides an independent check on risk compliance.



## **Appendices**

9. Breakdown of Returned Payment Vouchers by Directorate

## **Background Papers**

8. Financial Procedure Rules

## **APPENDIX**

### **BREAKDOWN OF RETURNED PAYMENT VOUCHERS BY DIRECTORATE**

<b><u>Directorate</u></b>	Dec 09	Jan 10	Feb 10
Clinical Leadership & Quality	3	0	0
CYPD	7	46	6
Deputy C.E.	3	2	3
Environment & Culture	11	6	4
Integrated Commissioning/ Provider Services	16	1	14
Regeneration	10	2	12
Resources	18	1	0
Chief Executive	0	3	0
Total	<hr/> 68	<hr/> 61	<hr/> 39