

MINUTES of the meeting of Audit and Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Friday 12 November 2010 at 2.00 pm

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

Councillors: JHR Goodwin, AW Johnson, PJ McCaull and AM Toon

26. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor MJ Fishley, Committee Member, and Councillor PJ Edwards, Chairman Overview and Scrutiny.

27. NAMED SUBSTITUTES (IF ANY)

Councillor G Lucas substituted for Councillor MJ Fishley.

28. DECLARATIONS OF INTEREST

5. CORPORATE RISK REGISTER.

Councillor RH Smith, Personal, Item 5 Corporate Risk Register - Winter Services, personal interest, car damage.

29. MINUTES

RESOLVED: That the Minutes of the meeting held on 17 September 2010 be approved as a correct record and signed by the Chairman subject to the amendment at item 17 third bullet point, amend 118 to 114.

30. CORPORATE RISK REGISTER

The Risk Consultant Gilbert George presented the report and stated the following points:

- The aim was to have risk management embedded within both the Council and NHS Herefordshire.
- Procedures were in place to develop a risk register whereby each directorate had one.
- Procedures were in place for items from directorate risk registers to be escalated to the corporate risk register.
- Each directorate had a nominated lead risk officer to review directorate risks on a monthly basis.

In discussion the following points were made:

- Members were concerned at the low number of risks entered onto the register and believed there were a greater number of risks to be considered.
- The Risk Consultant stated that it had been emphasised to officers the need to identify risks and agreed that further work needed to be done to ensure all

directorates were identifying issues and where necessary risks were also identified at corporate level.

- Further work is needed with lead officers to ensure practices are in place to identify any risks and to change the culture towards risk management to ensure it is at the heart of the decision making process.
- The Risk Consultant was working with the HR management team to develop training on risk management and 1-2-1 work had been completed with lead officers.
- The Committee was advised that risk management was inherent within the Amey management and a substantial risk register was maintained.
- Amey management realised the need to abide by corporate rulings on risk management and any risks identified by Amey management were owned by the relevant managers and did not solely sit with the directors.
- Members felt that lack of awareness to risk management was a risk in itself.
- Referring to the Corporate Risk Register, Appendix A to the report, Members felt the register needed to be broken down into elements rather than have issues grouped together.
- Members' believed the register to be work in progress rather than a final document and felt the document was inconsistent and not comprehensive enough.
- From register CR49 – believe this to be a corporate issue not just an issue for Children and Young People's directorate. Similarly CR54 – corporate issue rather than just Sustainable Communities directorate.
- Potential disbandment of the Partner and Communities Together (PACT) public meetings was a potential risk but Members noted this was not on the register. Similarly for the Local Development Framework and waste management.
- Members' believed that directorates were not providing enough information to ensure a comprehensive register was maintained and that risk management had not been embedded within the organisation. The Risk Consultant advised that risks had been identified but had not necessarily been allocated to the appropriate register. It was intended to have 1-2-1 meetings with directors to raise awareness.
- Members felt that in addition to officers providing the information on risks the state of Herefordshire report would also provide additional information.
- Assurance was given that winter service issues were on both the Sustainable Communities directorate and Amey management risk registers. However, as processes and procedures were in place the risk was considered low and not to be a corporate risk.
- Members raised issues regarding the format of the register and felt that clarity was needed on the initials used and further explanation on the table was required.

RESOLVED: That the report be noted, noting also some inconsistencies in the report and that a further report be presented to the next meeting.

31. RISK RECOMMENDATIONS IMPLEMENTATION - ACTION PLAN

The Risk Consultant informed the Committee that he had been meeting with officers and separately with the Cabinet Member to assess the current position on the risk recommendations. He added that the report before Committee had been presented to the PCT Board where implementation of the recommendations had already started.

The following points were made:

- Agenda page 25 item 18, Cabinet assurance framework – look to extend the risk register with controls and assurance on controls, work was still needed on the development of the framework.
- Agenda page 25 item 19, Council risk registers – Committee noted that a review was undertaken but the September deadline for compliance had not been met. Second review undertaken found the majority of registers complied. A further review is scheduled for January 2011.
- The Committee felt there was little point in setting targets which were then not met. Some assurance needed as to why targets were not met and target dates were not reset for convenience.
- Although policies and procedures were in place the report was incomplete and there was concern that risk management was far from being embedded in directorates.
- Concerned that programmes of work were not at the heart of the authority to ensure the work required to reach a target date was achieved.
- The Committee was assured that officers were now taking risk management seriously and seen as a higher priority, especially with the coming changes proposed for the Council.
- Members requested that when target dates were changed due to slippage, that the change of date was tracked.
- A joint meeting of the PCT Audit and Assurance Committee and the Council's Audit and Governance Committee was requested to discuss risk management.
- Members were not satisfied with the programme and requested that items 1, 4, 14, 19 and 21 needed to come before the Committee at the next meeting.
- The Committee thanked the Risk Consultant Gilbert George for the work he had carried out.

RESOLVED

THAT:

- a) **the report be noted;**
- b) **a further report be made to the next meeting providing assurance that dynamic risk management is embedded through out the Council; and**
- c) **a joint meeting be set up of the Council's Audit and Governance Committee and the PCT Board's Audit and Assurance Committee.**

32. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Technical Accounting Manager presented the report on International Financial Reporting Standards (IFRS). The issues discussed were:

- The Agresso system was being implemented as an integrated back office system.
- Work was being carried out with the property services team for automatic uplifts of information to Resources.
- The Committee was advised that assets with big components that might depreciate differently to the main asset should be separated out, but would only be done if it would make a significant difference to depreciation of the accounts. This was not a real cost for the Council. The Council's draft policy has been passed to the external auditors .

- The Committee discussed embedded leases and the significance of this under the new financial reporting standards, with particular reference to the Waste collection and the Amey contracts. Tests had been done on the Amey contract and the initial review showed it did not contain a lease.
- The Audit Commission has been consulted on the programme and it is hoped to restate balance sheets by the end of December.
- Currently on target for IFRS. Officers still meet with the Hereford and Worcester support group to share good practice.
- The only issue of concern was embedded leases.
- The Committee requested that the director provide a brief report on the Agresso system and its progress to the next meeting of the Committee.
- The director reassured Members that the Audit Commission was confident in the way everything was progressing

RESOLVED: That the report be noted.

33. INTERIM ASSURANCE REPORT

The Chief Auditor presented the report and drew Members' attention to the following points:

- Appendix 1 page 49 – Subject to the Committees approval items: 5.2, 5.4, 5.5 and 5.6 had been closed down and risk management would remain open until targets had been reached.
- Appendix 2 page 51 item 40 – work on this had not been carried out as the Chief Internal Auditor had had to work on the tender documents.
- Similarly item 42 elections – Chief Auditor not yet been able to meet with the Interim Assistant Chief Executive. The director assured the Committee that he would speak with the Assistant Chief Executive and that information would be available for the next meeting. Members noted this was an issue of concern for the town and parish councils and the Chairman requested a report for the next meeting as HALC – Herefordshire Association of Local Councils, had been asking questions on the issue. The director advised he would write to the parishes shortly and elections would be added to the risk register.
- Item 89, still to be sorted.
- Item 90, completed by Resources and follow up carried out.
- Item 91, not due until January 2011.
- Item 105, to remain open subject to committee approval and until backlog resolved.
- Item 115, will not be closed down until the Committee. is happy with progress
- Appendix 3 Education Transport. given a marginal audit opinion as there was a need to improve risk, income process and receipt of application form procedures. Recommendations have been made and will be followed up. Car Park income was reported on at last meeting. The service manager has confirmed that all recommendations have been actioned; however this has not been tested by Audit.
- Earl Mortimer school is listed as unsatisfactory, however this is not a fundamental or key system.
- Members' claims, satisfactory.
- Page 52 – the Committees work plan to reflect changes to the work plan in time for next audit.
- Pages 53/54 the Committee requested that items 105 and 108 be closed.

The Committee expressed their thanks to the Chief Internal Auditor.

RESOLVED

THAT:

- a) **the report be noted; and**
- b) **that a report be made to the next meeting regarding the cost of elections to town and parish councils.**

34. RE-PROVISION OF INTERNAL AUDIT SERVICES

The Director of Resources presented the report and advised that changes were taking place both at a national and local government level. The points raised were:

- Shared Services has been agreed by Herefordshire Council, the PCT Board and Herefordshire Hospital Trust.
- Changes to take place in internal audit service and discussions taking place with partner organisations. The last report on a formal review stated audit services were mostly compliant but the number of audit days would be reduced.
- The Council has been well served by the internal audit team but now looking to downsize the services provided. The service had previously adjusted to be more risk based, now needs to move further forward and to review the skills base of the current team.
- Chief Internal Auditor to lead on tendering document for all three organisations. Framework has already been identified and is to be tested.
- The Audit team has been briefed on proposals and some staff will move over to the new service under TUPE regulations under shared services.
- Members questioned why market testing had not been carried out against the current internal audit provision as well as the outside market. The Committee called for the in-house audit team to be included as competitors in straight value for money terms.
- The Director of Resources confirmed that the organisation which would evolve from the Audit Commission would have no inside track.
- The director advised that he would re-examine bench marking comparators but had spoken with other authorities that had similar audit functions to Herefordshire. He added that any decision to out source audit services was not taken lightly, but there was an issue around the current number of audit days undertaken, the cost and the value for money provided.
- Members were assured that as part of the tendering process the terms of reference of the Committee would be included.

RESOLVED: That the report be noted.

The meeting ended at 3.50 pm

CHAIRMAN