

AGENDA

Audit and Governance Committee

Date: **Friday 12 November 2010**

Time: **2.00 pm**

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

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

For any further information please contact:

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Agenda for the Meeting of the Audit and Governance Committee

Membership

Chairman	Councillor ACR Chappell
Vice-Chairman	Councillor RH Smith
	Councillor MJ Fishley
	Councillor JHR Goodwin
	Councillor AW Johnson
	Councillor PJ McCaull
	Councillor AM Toon

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AGENDA

	Pages
1. APOLOGIES FOR ABSENCE To receive apologies for absence.	
2. NAMED SUBSTITUTES (IF ANY) To receive details any details of Members nominated to attend the meeting in place of a Member of the Committee.	
3. DECLARATIONS OF INTEREST To receive any declarations of interest by Members in respect of items on the Agenda.	
4. MINUTES To approve and sign the Minutes of the meeting held on 17 September 2010.	1 - 6
5. CORPORATE RISK REGISTER To inform the Committee on Corporate Risks.	7 - 12
6. RISK RECOMMENDATIONS IMPLEMENTATION - ACTION PLAN To note progress on implementing risk recommendations following a report from the interim risk consultant.	13 - 32
7. INTERNATIONAL FINANCIAL REPORTING STANDARDS To report on the progress for implementing International Financial Reporting Standards (IFRS).	33 - 44
8. INTERIM ASSURANCE REPORT To update Members on the work status and bring to their attention any key internal control issues.	45 - 56
9. RE-PROVISION OF INTERNAL AUDIT SERVICES To seek the Committee's view on the re-provision of internal audit services.	57 - 60

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COUNTY OF HEREFORDSHIRE DISTRICT 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 17 September 2010 at 10.00 am

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

Councillors: JHR Goodwin and PJ McCaull

In attendance: Councillors PJ Edwards

13. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors: MJ Fishley, AW Johnson and AM Toon.

14. NAMED SUBSTITUTES (IF ANY)

Councillor G Lucas substituted for Councillor MJ Fishley.
Councillor AT Oliver substituted for Councillor AM Toon.

15. DECLARATIONS OF INTEREST

6. STATEMENT ON MAJOR PROJECTS.
Councillor ACR Chappell, Personal, declared an interest in Agenda Item 6 with regard to the Hereford Academy.

16. MINUTES

RESOLVED: That the Minutes of the meeting held on 12 March 2010 be approved as a correct record and signed by the Chairman.

17. INTERIM AUDIT SERVICES ASSURANCE REPORT 2009/10

The Chief Internal Auditor informed the Committee of the key issues in the Annual Governance Statement at Appendix 1 to the report advising that considerable action was taking place and that it was expected that by the next meeting of the Committee the issues would be cleared.

Regarding Appendix 2 item 40 – this item has been considered for some time and it was agreed to put this as part of the inventory audit by Audit Services. The Chief Internal Auditor to agree the scope of the audit with the client and a report to be brought back to the next meeting.

The Chairman informed the Committee that after examining Appendix 2 to the report at the briefing meeting he had requested that officers, when dealing with the follow up to resolutions and recommendations, to no longer refer to any of the previous officers that had been dealing with the item as it was no longer relevant.

In discussion the Committee made the following points on the Audit Services Assurance report:

- Items 41 and 47 of Appendix 2 be closed and removed from the schedule.
- Item 42 Appendix 2 – had a completion date of 30 June, however, now into September and still not completed. Director of Resources to speak with the Monitoring Officer on this matter.
- Item 67, 92, 96, 111 and 118 of Appendix 3 – to be closed.
- Items 89 and 90 Appendix 3 – to receive updates at the next meeting.
- Item 108 Appendix 3 – Members enquired as to when the letter would be circulated giving details of the recommendations. The Director apologised to the Committee for the delay and would ensure that it was brought to the next meeting.

Points made by the Chief Internal Auditor:

- Advised the Committee regarding Item 113 of Appendix 3 that comments had been received from the JMT, but in addition Members needed to consider the proposed revisions to the financial procedure rules, which would be presented to Cabinet and Council. A report would be presented to the Committee following Council approval of the revisions.
- In referring to page 6 of the report – Fundamental Systems – this would form part of the next report to the Committee.
- Advised the Committee that there was an unsatisfactory audit report on car park income and the Chairman had received a copy of the report. The anomalies were due to new officers in post and inadequate procedure notes in place. A thorough check was carried out for fraud with none detected. The Head of Service has worked with staff to provide comprehensive procedure notes which are now in place.
- Regarding Governance and anti fraud the National Fraud Initiative 2010 is in progress, members will be kept informed of progress.
- Establishments the committee was advised that reports were in draft with the clients and there would be a follow up at the next meeting.
- Funding – page 7 paragraph 11 of the report. Six recommendations were partly completed and five not completed, following the audit visit assurance has been provided by the head of service that all recommendations have been actioned.

RESOLVED: That the report be noted.

18. STATEMENT ON MAJOR PROJECTS

The Director of Resources presented the report and stated that due to the number of projects undertaken, it was important to ensure the Committee was up to date on the scale of money being spent by the authority.

The Director made the following points:

- Spending was significant at £77.7m, but a considerable amount was funded through government capital grants.
- It was expected that the comprehensive spending review would see the grant funding decrease.
- The financial definition of a key project was sums of £500k or above and included in the capital programme.
- Page 22 paragraphs 9 and 10 of the report outline the links between capital finance regulations and the revenue programme.
- Pages 24 and 25 of the report provide the list of schemes that show where funds are being spent, with a number of projects below the £500k totalling £9.7m.

- Concern had been raised on slippage and issues in the past where projects had rolled into the following year. The report aims to provide visibility on the programme and where the authority is moving towards.

Committee Members made the following points:

- Playbuilder scheme – It was questioned whether a decision had been made to ring fence funding for the scheme. It was noted the scheme was part of the area based grants authorities receive and which government had cut this year. There would be a review of all funding affected by area based grants and the authority was very aware of the issues as match funding had been raised by local communities. The Director advised he would be meeting with the Director of Children’s Services and the Cabinet Member to discuss the issues.
- Primary Grant – amalgamation of Leominster junior and infant schools. The Director advised the funding would be held for the schools.
- Concern was raised as to the possibility of the Hereford Academy going over budget. The Director advised that everything would be done to contain spending and confirmed the Academy was on budget at present.
- Concern was raised on how projects would be funded and the use of Privately Funded Initiatives (PFI). The Director stated the Council only had two PFI projects and was not anticipating any more in the future, although it could not be ruled out.
- The Committee noted the possibility of considerable cuts in road maintenance and an update is to be provided for the next meeting.
- Members were reminded of the forthcoming seminar on the Comprehensive Spending Review.

RESOLVED: That the report be noted.

19. CREDITOR PAYMENT AUTHORISATIONS

The Director of Resources presented the report and referred Members to paragraph 3 of the report and the reasons identified for returned vouchers. Members were reminded of the Council’s aim to pay on time, particularly for small and medium sized businesses and currently the majority were paid within 15 days with 50% of suppliers within 10 days.

The Committee noted the appendix and the increase in the number of returned payment vouchers. This increase was tracked to a new member of staff and the recognition of a training need, which had now been addressed. An issue was raised on payments not paid within the agreed period, particularly larger projects. The Director advised this was dealt with by officers through their delegated budget. He advised that with larger companies paid on a monthly basis there were mechanisms in place to deal with any payment disputes and that the report largely referred to smaller companies, which the Council was keen to ensure were paid on time.

RESOLVED: That the report be noted.

20. REVIEW OF INTERNAL AUDIT

The Director reminded the Committee that the internal audit section needed to be fit for purpose and that the review was important as it was thorough and provided assurance of the work carried out by the audit section. Of the 107 CIPFA standards audit met 100 completely and 7 partly. The challenge now was to provide more added value, as departments currently look to audit to provide assurance that they are working correctly.

Audit Services were now looking to provide joint working with the PCT as the PCT team had been reduced in size, however, a wider review might be required in the future.

Members were reassured that the Chief Internal Auditor was in regular contact with the Chairman regarding any audit issues. Members went on to discuss the qualifications and training of staff and were advised that there was a rolling programme of professional training for staff. The Director advised that AKA Ltd had been brought in by the Deputy Chief Executive's office to provide training and had gone through a selection process before being appointed.

RESOLVED: That the improvement plan be approved.

21. DATA QUALITY UPDATE

The Director of Resources presented the report on behalf of the Head of Policy and Performance and advised that it was the final data quality report, which was part of the Use of Resources assessment that had now ceased. Members were referred to paragraph 5 of the report and that 7 tasks were still 'amber' with two still requiring a response from data sharing partners for completion. It was noted that considerable chasing for responses had been carried out, but it was unlikely that any response would now be received. A report would still be made to JMT regularly and the Director was a member of JMT.

RESOLVED: That the final position against the data quality action plan be noted.

22. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Technical Accounting Manager presented the report outlining the progress with International Financial Reporting Standards (IFRS), and for which accounts would need to be compliant with from 2010/11 onwards. The Committee noted that the Technical Accounting Manager attended regular regional IFRS meetings and that leases and fixed assets were two controversial and difficult areas for the group, with some leases treated similarly to Private Finance Initiatives (PFI). It was recognised that the Council's Amey and Focsa contracts were two big contracts to be reviewed. Members commended the style of the report.

RESOLVED: That the report be noted.

23. WORK PROGRAMME

The Director advised the Committee that there were a number of routine areas listed in the report. However, risk management was an area of importance and the Committee would continue to be kept informed on progress. He added that there was a new software system in place called Agresso, which was a system jointly used by the PCT, HHT and the Council and that a report on the implementation and progress would be made to the next meeting.

It was noted that the Audit Letter was to be brought forward on the work programme to January following on from Cabinet.

RESOLVED: That the current work programme be approved with the amendment that from January 2011 the Audit Letter be brought to the January meeting of the Committee.

24. ADDITIONAL ITEM UNDER SPECIAL URGENCY - ANNUAL GOVERNANCE REPORT 2009/10

The District Auditor, Mrs Liz Cave, presented her report to the Committee and referred Members to the key messages on page 4. Mrs Cave advised that the Council had received an unqualified approval of the accounts. She added that the audit was nearly

complete and did not anticipate any changes to it. There had been excellent co-operation from staff and stated that it had been a very technically difficult year and believed that next year would not be as difficult.

Mrs Cave referred to the challenge of the complex changes to the way PFI and similar schemes would need to be accounted for and that management had agreed to make a number of adjustments to the statement of accounts, which would mainly improve the notes to the accounts. She added that a number of errors had been identified that were not material in aggregate but individually were above the trivial threshold. It was noted that officers did not propose to make any amendments and they would be reported as unadjusted misstatements, which were at Appendix 2 of the report. Members were also advised that there were three issues relating to the public which remained and had not been signed off and one issue that she and her team were continuing to investigate.

Mrs Cave referred the Committee to two of the Council's contracts, one with Shaw Homes and the second the Waste PFI contract. The authority was working with Worcestershire Council on the Waste PFI contract as this was an asset that had not initially been picked up and now needed to be valued. However, it was not expected to be above £500k but would need to be included next year.

In discussing the Annual Governance Report Members questioned the timing of the report and were advised that it had to be completed at the end of the audit. The Committee approved the Annual Governance Report.

RESOLVED

THAT:

- (a) the content of the Annual Governance Report for 2009/10 was discussed with the external auditor;**
- (b) the action plan in the Annual Governance Report in response to the recommendations contained in the report for 2009/10 be approved; and**
- (c) the draft Letter of Representation (Appendix 3 of the Annual Governance Report 2009) be approved for signature by the Chairman of the Audit and Governance Committee and the Director of Resources (Council).**

NOTE ON ABOLITION OF AUDIT COMMISSION

The District Auditor informed the Committee that it had been a great surprise to staff when the Government had made the announcement that the Commission would be abolished. She advised that a new regime had not been decided upon by Government and that the Commission would carry on providing an audit for 2010/11 and 2011/12. However, there would be a change in the areas relating to value for money and financial resilience; and therefore, there would be some rebate in the fees. By 2012/13 Council's would be able to appoint their own auditor and it was expected that private companies would be expected to place a tender, a framework would be put in place for this. It was noted there was still a lot of issues around the detail of the government plans. Mrs Cave explained that overheads were currently being cut and that the organisation as it currently is would be a much leaner organisation in the near future.

The Chairman stated on behalf of the Committee and Director of Resources that the authority was more than satisfied with the work Mrs Cave and her team had carried out and thanked her for the work they had done.

25. MONITORING OFFICER REPORT

The Democratic Services Manager presented the Monitoring Officer's report in the absence of the Assistant Chief Executive Legal and Democratic. The Committee was advised of the activities that had taken place through the year and the Council's performance for 2009/10 with regards to complaints to the Ombudsman and the standards framework.

The main focus had been regarding the constitutional review programme, the support of good governance and high standards of conduct and probity, supporting the Shared Services programme with regard to governance and developing the organisational model and heads of terms, dealing with all issues relating to the standards framework and dealing with any Ombudsman complaints.

The Committee noted that there had been no formal statutory report to Council regarding any actual or intended unlawful activities since June 2009. There had been one complaint which resulted in a local settlement during 2009. There were two complaints during 2010 which resulted in local settlements and a formal report of maladministration causing a finding of injustice to one complainant, which was reported to Council.

RESOLVED: That the report be noted and any comments to be fed back to the Monitoring Officer.

The meeting ended at Time Not Specified

CHAIRMAN

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	12 NOVEMBER 2010
TITLE OF REPORT:	CORPORATE RISK REGISTER
PORTFOLIO AREA:	RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To inform the Committee on Corporate Risks.

Key Decision

This is not a Key Decision.

Recommendation(s)

THAT the corporate risks be noted and a further report to be received in March 2011.

Key Points Summary

- Corporate risks recently updated by Directors; in particular risks associated with the Comprehensive Spending Review.

Alternative Options

- 1 None.

Reasons for Recommendations

- 2 Report for Audit and Governance Committee to note.

Introduction and Background

- 3 The Corporate Risk Register is one of the elements that underpin the Cabinet's Assurance Framework and provides the basis for the annual governance statement, which the Chief Executive is required to sign-off annually.

Further information on the subject of this report is available from
David Powell, Director of Resources on (01432) 393518)

Key Considerations

4. High level risks.

Community Impact

6 None.

Financial Implications

7 As per paper

Legal Implications

8 As per paper

Risk Management

9 As per paper

Consultees

10 Directors

Appendices

A - Corporate Risk Register

Background Papers

None identified.



Herefordshire Council
Corporate Risk Register - October 2010



Corporate/Directorate/Service/Project: _____

Chief Executive/Director/HOS/Project Owner: _____

Risk Details						Existing Controls	Current Risk Rating				
Risk Reference Number	Corporate Objectives	Risk Description	Likelihood (Probability)	Potential Consequence (Severity)	Risk Score	Controls in Place	Likelihood (Probability)	Consequence (Severity)	Residual Risk Score	Risk Owner	Cost of Mitigation
CR49	The best possible life for every child, safeguarding vulnerable children and improving educational attainment	Inadequate procedures in place to ensure safeguarding of children which could lead to closer scrutiny and in extreme cases a 'Baby P' case in Herefordshire. (Related NI 65 % of children becoming subject of a Child Protection Plan for a second or subsequent time)	5	5	25	External review within CYPD undertaken in 2008, reported in January 2009. Clear, robust action plan now in place monitored through the Herefordshire Safeguarding Children Board. Revised governance arrangements for the HSCB and quality assurance framework in place, including regular quality audits of cases. Multi agency procedures in place and published on HSCB website. and are regularly reviewed including compliance with Working Together 2010. Programme of case audits in place through HSCB and CYPD. New safeguarding Handbook devised and issued to all Safeguarding staff June 2010. Unannounced inspection of contact and referral service for cyp June 2010 resulted in priority action. Subsequent announced inspection of safeguarding and LAC in September 2010 resulted in adequate rating for safeguarding in Herefordshire. Improvement plan in place to ensure practice, management and QA at referral point.	2	5	10	DS	

Risk Details						Existing Controls	Current Risk Rating				
Risk Reference Number	Corporate Objectives	Risk Description	Likelihood (Probability)	Potential Consequence (Severity)	Risk Score	Controls in Place	Likelihood (Probability)	Consequence (Severity)	Residual Risk Score	Risk Owner	Cost of Mitigation
CR50	The best possible life for every child, safeguarding vulnerable children and improving educational attainment	Reduction in central funding unless we address surplus places, resulting in lack of resources and subsequent decline in quality of lessons delivered	4	5	20	Cabinet set out an approach to the development of educational provision in November 2009, following on from the Herefordshire Schools Task Group. Within their clusters, some schools have proposed future models of collaboration. These will be discussed at Children's Scrutiny Committee before being used to develop a strategic plan for educational provision, which should develop through a localities approach and will be a major work stream for CYPD post May 2011 elections. However, from a financial perspective a significant number of schools are predicted to face financial challenges in the next two years.	3	5	15	DS	
10	CR51	Reshaped adult health and social care, so that more older and other vulnerable people maintain control of their lives	4	5	20	Robust Cost recovery plan being established to ensure that efficiencies are generated, key interdependencies with Health and Social Programme are recognized this programme has a key role in delivering improvements, which includes the Putting People First Programme.	4	5	20	IW	
	CR52	Reshaped adult health and social care, so that more older and other vulnerable people maintain control of their lives	3	5	15	Implementation of the joint health and social care commissioning plans; ensure self-directed care and personalised services are offered to the majority of service users; increase range and availability of support to carers; integrate health and social care across front line services; develop and implement Older People's Strategy.	2	5	10	IW	
	CR 53	Organisational improvement and greater efficiency	5	5	25	The shared services project, management delayering and the Rising to the Challenge programme will produce savings to help close the funding gap. It is also estimated that procurement savings will also make a significant contribution.	3	3	9	DP	
	CR54	Economic Development & Enterprise	4	4	16	The ESG board has risk management arrangements in place in order to address each aspect of risk. Advantage West Midlands and Herefordshire Councils senior officer group are also in place to ensure progress.	4	3	12	GH	

Risk Details					Existing Controls		Current Risk Rating				
Risk Reference Number	Corporate Objectives	Risk Description	Likelihood (Probability)	Potential Consequence (Severity)	Risk Score	Controls in Place	Likelihood (Probability)	Consequence (Severity)	Residual Risk Score	Risk Owner	Cost of Mitigation
CR55	Organisational improvement and greater efficiency	Lack of ongoing organisation-wide attention to data issues means a failure to maintain and improve quality resulting in errors, waste of resources, poor audit reports, potential reputational damage and an adverse Use of Resources score under CAA.	5	4	20	Regular ICPR reports to JMT & Cabinet. Implementing the data quality action plan, completing the internal audit work plan, delivering information management training and the existence of the Performance Improvement Network (PIN)	4	3	12	DT	
CR56	Organisational improvement and greater efficiency	Failure to establish ELMS payment portal by 28th December 2009. With no ability to provide this facility (in accordance with EU Services Directive), the authority will be open to potential litigation. Should the facility not be available by the deadline, the only mitigation will be evidence of Best Endeavors.				ELMS project to implement the EU Directive requirements. Project team established, PID and project approach have been agreed. Business analysis work is being prepared. Procurement of managed service has begun.					

Signed: _____

Date:

11

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	12 NOVEMBER 2010
TITLE OF REPORT:	RISK RECOMMENDATIONS IMPLEMENTATION – PROGRESS REPORT
PORTFOLIO AREA:	RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To note progress on implementing risk recommendations following a report from the interim risk consultant.

Key Decision

This is not a Key Decision.

Recommendation(s)

THAT progress on embedding risk management be noted and a further progress report to be received in March 2011.

Key Points Summary

- Embedding risk management.
- Development of Council Assurance Framework.
- Further work required to align the PCT and Council risk management operations via Performance Plus.

Alternative Options

1 None.

Reasons for Recommendations

2 To improve risk management effectiveness.

Further information on the subject of this report is available from
David Powell, Director of Resources on (01432) 393518)

Introduction and Background

- 3 The Council is obliged to have (and be able to demonstrate) that risk and risk management lies at the heart of its decision making processes.
- 4 The Deputy Chief Executive commissioned a risk consultant to undertake a review of the Council and NESH (PCT) existing risk management methodology and links between risk management, governance, assurance and reporting and make recommendations for improved effectiveness.

Key Considerations

5. Risk embeddedness.
6. Lack of formal process for risk identification in some Directorates.
7. Raising awareness of risk management at all levels.

Community Impact

- 6 None.

Financial Implications

- 7 None identified in respect of process as nominations to posts made within existing resources. Potential financial costs incurred if external trainers used.

Legal Implications

- 8 Describes risk and assurance arrangements

Risk Management

- 9 Describes risk and assurance arrangements

Consultees

- 10 Councillor Bramer, Deputy Chief Executive, Directors, Senior Managers, Corporate Risk Manager and Directorate Risk leads.

Appendices

- A - Risk Management Recommendations Implementation Template
- B - Council and PCT Hierarchy of Risk Registers
- C - Gilbert George Risk Consultant - (Terms of Reference)

Background Papers

None identified.

Risk Management Review (summary paper)

PREFACE

The Deputy Chief Executive commissioned me to undertake a review of the Council and NESH (PCT) existing risk management methodology and links between risk management, governance, assurance and reporting (*phase 1 – Terms of Reference Appendix C*) and the wider Council and PCT governance integration including risk management (*phase 2 - Terms of Reference Appendix C*).

Following PCT Board and Councillor Bramer approval on the behalf of the Cabinet of my risk recommendations I have pleasure in submitting my progress report on implementing recommendations (*see appendix A*).

Gilbert George
Risk Consultant

Content

- 1 Executive summary
- 2 Risk management responsibilities
- 3 Risk register(s)

Appendices

- A - Risk Management Recommendations Implementation Template
- B - Council and PCT Hierarchy of Risk Registers
- C - Gilbert George Risk Consultant - (Terms of Reference)

1 Executive Summary

The Council is obliged to have (and be able to demonstrate) that risk and risk management lies at the heart of its decision making processes. Continued embedding of risk management across the whole of the organisation is therefore a critical issue.

Effective risk management is accomplished by maintaining up-to-date, clear and accessible risk registers that are used to help manage risks and to construct an overall assurance framework.

The key feature of the overall approach is to ensure that risk management and reporting is embedded throughout the Council, and that we can demonstrate that ownership takes place at both the corporate level (Cabinet Assurance Framework) and the Corporate Risk Register)) and at a 'local' level (Directorates, Projects, Teams and Individuals) who all own and address risks in their areas of responsibility.

Whilst the Council has in place policies, processes, procedures, directorate risk registers and a corporate risk register, and on paper 'ticks all the boxes' with regards to risk management, my findings relate in the main to concerns of risk embeddedness. There is also a question mark about the capacity of making risk management a dynamic tool to assist the Council in its decision making processes and to be fully able to provide assurance to the Cabinet.

1.1 Findings

Broad issues and concerns:

- Given the Council's transformation agenda and the economic uncertainty going forward, the risk to the organization of such changes and measures taken need to be regularly reported on
- Scrutiny and challenge of risk registers insufficient
- Requirement to have more in depth monitoring and reviewing action plans to mitigate risks and holding risk owners to account
- Council's capacity to implement effective risk management
- Risk management training and organisational risk development to be ignited
- Robustness of scrutiny process for Herefordshire Public Services Partnership risks and ownership
- Need to implement best practice of linking performance and risk management reporting to provide the Cabinet with a holistic overview
- Best practice requires an annual review of corporate governance structure to ensure Cabinet effectiveness and enable the Cabinet to meet its statutory obligations of effective oversight

1.2 Council and PCT Risk Management Alignment

Risk Management integration between the Council and PCT began in 2008 when the Herefordshire Public Services Risk Management and Assurance Policy was approved by both organisations and subsequently updated in 2009. Much good work has been done in implementing the Risk Management Strategy and Guidance by both the Council and PCT but much work remains to embed risk management as a dynamic management tool in both organisations.

1.3 Conclusion

My sense, from having met a number of staff, and reviewed numerous documents is that there is real desire to elevate risk management. Many felt that identifying and evaluating risks in addition to formally reviewing action plans in a more structured way would enhance their ability to achieve their personal and organisational objectives.

My recommendations outline ways of addressing the above and report highlights progress made to date (appendix A -*Council specific recommendations are highlighted bold/italics*).

Gilbert George
Risk Consultant

I have had a number of meetings with external risk Consultant (Gilbert George) and discussed issues and concerns raised in this summary report and fully endorse all recommendations made.

Dean Taylor
Deputy Chief Executive

2 Risk Management Responsibility

Risk is inherent in everything the Council does – determining service priorities, managing projects and programmes. Effective risk management is therefore an essential enabler to allow the Council to meet its strategic and corporate objectives.

The Cabinet is responsible for ensuring that the Council consistently follows the principles of good governance applicable to local authorities through its Assurance Framework and other processes. This includes the development of systems and processes for corporate governance, performance monitoring, financial internal control and risk management.

Cabinet is responsible for:

- approving the risk management strategy and policy
- ensuring that risk information is available to them to support their decision making processes
- participating in the identification and evaluation of risks appropriate to the decisions they are asked to make

The Cabinet should not be involved in actual day-to-day *risk management*. The Chief Executive and Directors should instead, through their risk *oversight* role, satisfy themselves that the risk management processes underpin the Cabinet approved risk strategy and are functioning as directed, and that necessary steps are taken to foster a culture of risk awareness throughout the Council.

The Chief Executive has overall responsibility for the development and implementation of an effective Risk Management system within the Council and for meeting all statutory guidance by the Audit Commission in respect of Governance.

Directors are accountable for the effective management of risks within their respective Directorates and projects under their control, including assurance that appropriate Controls are in place, action plans are owned and progress monitored. They must gain assurances from all managers within their Directorates that they understand the Council's Risk Management Strategy and Guidance and are effectively managing risks for which they are the assigned owners.

3 Risk Register(s):

Cabinet Assurance Framework (CAF)

The Cabinet Assurance Framework will provide a method of gathering information to allow a systematic assessment of risks aligned to the Council's corporate objectives; it is an extension of the Corporate Risk Register. It maps out the key controls, and outlines gaps in controls and assurance; it also provides a structure for the evidence to support the Annual Governance Statement. The Chief Executive is required to sign off this document annually as part of the statutory accounts.

The Cabinet Assurance Framework will be populated by:

- Strategic Objectives risks
- Significant Corporate Risks distilled from corporate risk registers (risks rated 20- 25) or other risks as advised by a Director.
- Risks identified at Cabinet/Subcommittees having being assessed by the nominated Corporate Governance Manager and appropriate Director
- Other risks identified outside formal meetings and assessed by Corporate Risk Manager and Risk Identifier.

CAF review and frequency:

By	Frequency:
Cabinet	Bi monthly
Audit and Governance	Every meeting
JMT	Monthly

Corporate Risk Register

The Corporate Risk Register is one of the elements that underpin the Cabinet's Assurance Framework and provides the basis for the annual governance statement, which the Chief Executive is required to sign-off annually on behalf of the Cabinet.

The Corporate Risk Register will be populated by:

- Directorate risks that are rated 15 and above with the approval of the Director (risk owner).

Corporate Risk Register review and frequency:

By	Frequency:
Cabinet	Quarterly
Audit and Governance	Every other meeting
JMT	Exception reporting

Directorate(s) risk registers

Directorates are responsible for owning, raising, discussing, assessing, scoring, modifying and updating all risks in their area of business. Risks identified at project, teams and by individuals will be assessed by Directorate risk champions/leads and risk owner to determine escalation to Directorate Risk Register.

Directorate(s) Risk Register review and frequency:

By	Frequency:
Director	Monthly

Risk Management Recommendations Implementation Template

Recommendations (status):
Implemented
Work in progress
No action yet

Number	Recommendations	Action Plan	By Whom	Target Date	Status
1	PCT Audit and Assurance Committee ensure a better balance of time of the Audit and Assurance Committee between Audit/Internal Controls and Governance, Risk Management and Assurance and that the work programme(s) allows sufficient time for review and discussion of Governance, Risk Management and Assurance matters.	PCT – Chairman of the Audit and Assurance Committee in liaison with Director of Resources to agree agenda and ensure adequate time for full discussion on Governance matters.	Chairman of Audit and Assurance Committee and Director of Resources	Nov-10	Assessment to be undertaken by committee members March 2011
2	PCT current subcommittees – The Terms of Reference (ToR) of all PCT sub-committees be amended to include responsibility for reviewing and challenging significant risks (15 and above), controls and action plans extracted from directorate risk registers where sub-committee has direct oversight: Audit and Assurance Committee; Performance & Quality Committee; Health and Social Care Programme; Board; Clinical Reference Group (PEC); Charitable Funds Committee; Remuneration Committee and Provider Board	PCT – (1) Board Secretary to liaise with Chairman(s) of subcommittees and advisory groups and inform them of Board approval of recommendation. (2) Sub-committees and advisory groups Terms of Reference to be amended by Board Secretary in line with recommendation. (3) Directorate risk champion(s) to be responsible for making available risk registers populated by high level risks only 15> for scrutiny and review by subcommittees.	Board Secretary	Dec-10	(1) Sub-committee Chairs informed (2) Sub-committees and advisory groups Terms of Reference being amended (3) Availability of risk registers at subcommittees to be monitored during December and January
3	PCT Pro-forma risk template - Embed practice of Board Assurance Pro-Forma templates being used at all sub-committees and advisory groups for capturing new risks and issuing to the Board Secretary for escalation.	PCT - Board Secretary to ensure all Chairs of subcommittees understand process and monitor adherence.	Board Secretary	Sep-10	Updated Pro-Forma template issued by Board Secretary

Number	Recommendations	Action Plan	By Whom	Target Date	Status
4	PCT & Council - A Corporate Risk Management Group (CRMG) to be established to review risks across Herefordshire Public Service Partnership, reporting to the Herefordshire Public Services Steering Group and JMT.	Council & PCT - The Performance Improvement Network (PIN) group to be responsible for identifying and reviewing risks across Herefordshire Public Service Partnership, liaising with the nominated Corporate Governance Manager and reporting to the Herefordshire Public Services Steering Group and JMT using the Partnership Assurance Framework (PAF) – PCT Commissioning arm Board Assurance Framework template to be adopted for PAF Herefordshire Public Services Steering Group and JMT responsible for scrutiny of Partnership Assurance Framework and identifying new risks (using Pro Forma template see recommendation 3) and informing the PIN group thus facilitating a top down / bottom up approach to risk identification.	Deputy Chief Executive	Nov-10	Partnership Assurance Framework being presented to JMT 9 Nov and HPS 23 Nov, consideration for reporting to the PCT Board and Cabinet will be discussed at the HPS meeting.
5	PCT & Council - All Directors to be responsible for ensuring that the directorate risk register is a standing item at all Directorate Team Meetings and that all risks are assigned owners discussions must cover: -identification of new risks -review of current risks including controls -action plans and risk ratings all risk discussions must be minuted	Directorate risk champions to ensure Risk Register review is a standing item at Directorate team meetings.	Directors	Sep-10	Directorate Risk Registers are now standing items at all Directorate meetings
6	PCT & Council (6a) Directorate risk champion/lead(s) - each directorate and project team must have a nominated risk register champion who will have the role of championing risk awareness and overseeing the directorate/project risk register, with the full support of the relevant Director. Each director must effectively communicate risk management arrangements to all staff in their directorate. (6b) Electronic one page risk leaflet to be distributed to raise risk awareness within NHS (PCT) and Council. (6c) Risk champion/lead(s) to be gatekeeper of directorate risk registers - (if recommendation 9 approved support will be provided by the nominated Corporate Governance Manager.	PCT (a) Inform all Directorate Risk Champions and project leads of recommendations approved by the Board. (b) Design electronic page risk awareness. (c) Directorate Risk Champions to be informed of Board approved recommendations.	Risk Consultant	Sep-10	a) All directorate risk leads informed of risk recommendations b) Risk awareness electronic brochure to be circulated to all staff 15 Nov 2010 c) Risk leads informed of gate keeping responsibilities

Number	Recommendations	Action Plan	By Whom	Target Date	Status
7	PCT & Council -Training Board /Cabinet Members – to undertake bi-annual refresher training in both risk and performance management. Induction programme must include risk management for new Board Members.	Risk management training programme to be designed.	Nominated Corporate Governance Manager, Democratic Services Manager, PCT Board Secretary and HR Learning Training and Development Team -	Dec 2011 / Jan 2012	The Modern Councilor e-induction package is used for new Elected Members. The Democratic Services Manager will address any specific learning needs in this area for Cabinet Members. The Board Secretary will review the levels of training received to date, with NEDs and agree on a programme.
8	PCT & Council - Training Staff – a comprehensive, mandatory training on an annual refresher basis for all Directors and Senior Managers in the principles and processes relating to risk and performance management including project and partnerships risks, understanding risk tolerance. In addition these disciplines need to be incorporated within the induction training programme.	Risk management training programme to be designed. Full Implementation dependant on Council's Cabinet approval	HR Learning Training and Development	Apr-11	From 2011 a standards-based induction for Provider Services/ICO managers will include risk assessment and management as well as performance management. This induction can be extended to new Council/PCT managers (pending review). E-learning will be explored for on-going and refresher training
9	PCT & Council Corporate Governance Manager to be nominated supporting both PCT and Council in wide ranging governance matters covering (within existing resources): Corporate governance Clinical governance, Risk management, Financial governance, Information governance, Staff governance; and Inter organizational (Partnership).	Implementation dependant on reorganisation structure Agree options with relevant Services, taking account of other governance functions across HPS.	Deputy Chief Executive	Sep-10	Risk Interim arrangements in place - further work being undertaken by Deputy Chief Executive
10	PCT Board Assurance Framework (BAF) – 'the Board Secretary' will continue to be responsible for maintaining and reporting the BAF to the PCT Board, Audit and Assurance and JMT, pending organizational management review	Continuation of existing arrangements.	Board Secretary	Sep-10	Board Secretary informed 16 Sep 2010

Number	Recommendations	Action Plan	By Whom	Target Date	Status
11	PCT & Council - At the end of each financial year each director will be required to complete an internal risk management assessment for review by the Audit and Assurance Committee (PCT) and Audit and Governance (Council), this will provide evidence for the Statement of Internal this will provide evidence for the Statement of Internal Control for both organizations and form part of the performance appraisal process for each director.	PCT- Directors to be informed of the process.	Chief Executive / Board Secretary	Apr-11	Annie Brookes briefed and will lead on the implementation liaising with Chief Executive and Deputy Chief Executive
12	PCT The Corporate Risk Register to be kept up to date by Executive Directors and the register to be reviewed by: Board (quarterly) Audit and Assurance Committee (every meeting) Joint Management Team (exception reporting)	Directors to fully understand risk escalation process and review Corporate Risk Registers frequently. Summary reporting format to be designed	Board Secretary In the interim/ Nominated Corporate Governance Manager	Sep-10	Corporate risk register now established in compliance with risk escalation criteria - review March 2011
13	PCT - Board members to have access to the BAF at any time and a process to be established for raising any new risks outside of any formal Board meeting via the Board Secretary.	Updated BAF to be issued to Board members after each Board meeting and procedure established to enable Board members to update BAF outside formal meetings. Seek views on any missing risks at informal Board in September.	Board Secretary	Sep-10	Implemented
14	PCT & Council - All formal projects (<i>those with objectives, milestones, outputs, outcomes, time and resources constraints</i>) to have, as a standing item on their agendas - the review of their project risk register.	PCT - Director who sponsors project to communicate recommendation and monitor adherence.	Appropriate Director	Sep-10	Risk leads informed - review compliance Feb 2011
15	PCT & Council - Audit trail of changes to risk registers to be maintained by directorate risk champion and key issues reported to the Directorate Management Team as necessary.	Risk champions/leads to collaborate and design simple process of maintaining changes to risk registers.	Directorate Risk Champions/ Leads	Sep-10	Change log designed and issued to risk leads
16	PCT & Council should accelerate the development of Performance Plus for corporate performance and risk reporting and also develop an integrated Performance and Risk Management Framework.	PCT - Review of project milestone	Deputy Chief Executive	Sep-10	JMT have already identified risk, acceleration depends on there being sufficient trained staff and a clear understanding of what is required. Training underway for staff.

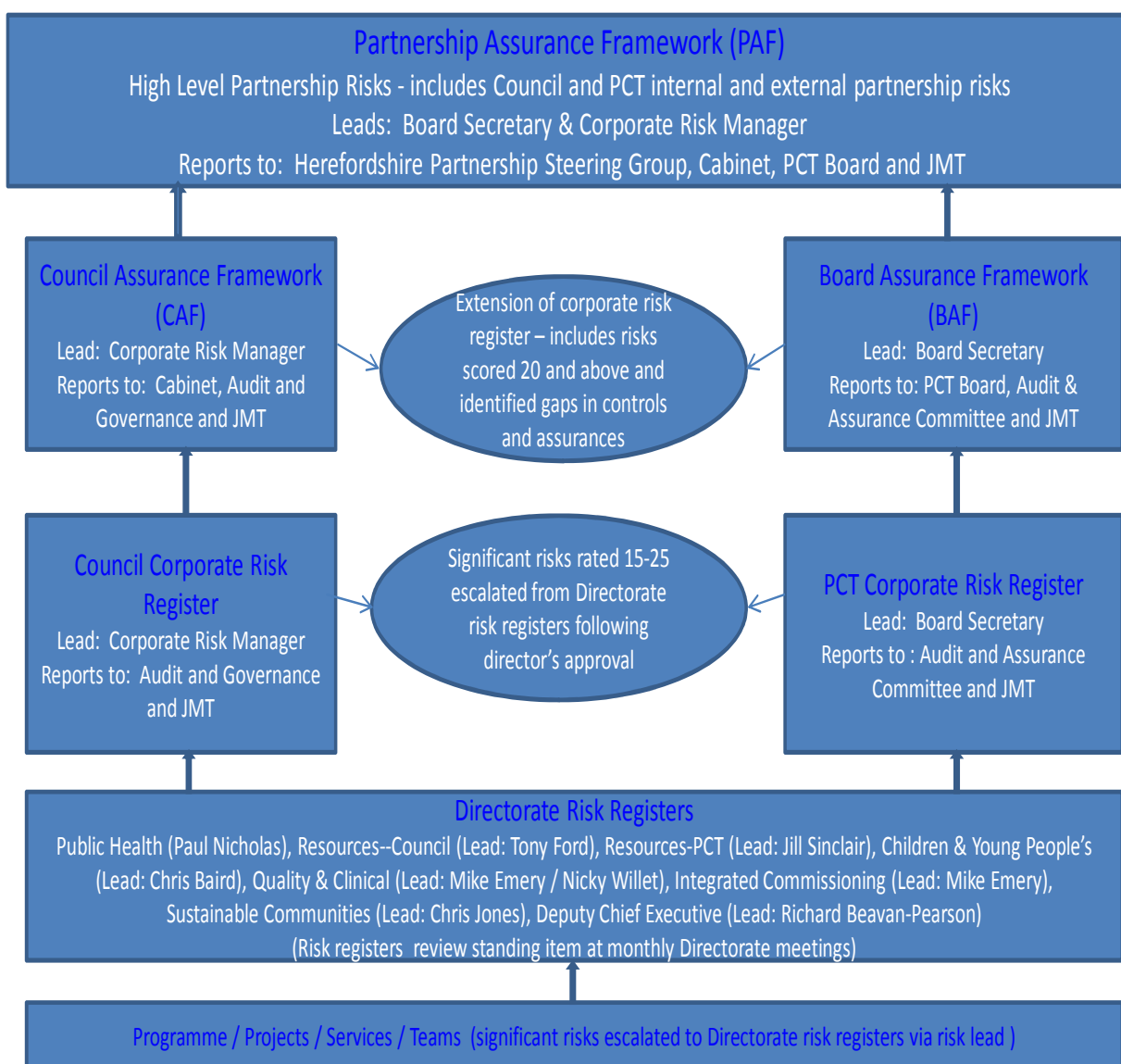
Number	Recommendations	Action Plan	By Whom	Target Date	Status
17	<p>PCT – An annual Board workshop should be held to review strategic objectives, World Class Commissioning desired outcomes and associated risks and agree top strategic objectives and associated risks (<i>in view of the pace of change in the external environment workshop may be required to be held half yearly</i>).</p> <p>Council – An annual Cabinet workshop should be held to review strategic objectives and associated risks in light of changing external environment and agree top strategic objectives and associated risks (<i>in view of the pace of change in the external environment workshop may be required to be held half yearly</i>).</p>	PCT- Agreement to be reached between Chair / Chief Executive / Deputy Chief Executive and workshop to be designed.	Chair / Chief Executive / Deputy Chief Executive / Board Secretary	Sep/Oct 2010	Cabinet and Board members meet on 28 October to discuss the implications of the Comprehensive Speeding Review - Deputy Chief Executive has produced a paper on strategic planning and transition arrangements.
18	Council - To enable further integration and to provide a consistent basis for reporting strategic risks across Herefordshire Public Services and to the Council Audit and Governance Committee, the Cabinet Assurance Framework (CAF) must be implemented by October 2010.	Council Assurance Framework to be developed	Corporate Risk Manager	Sep-10	Work underway -to be taken forward by Andrew Rewell
19	Council – All teams currently not complying in full with the Herefordshire Public Services and Partnership Risk Management and Assurance Guidance particularly risk register formats to be instructed to do so and all actions to be completed by 30 September 2010, compliance review to be undertaken by the Council Corporate Risk Manager or nominated individual.	Review of all Council risk registers to be undertaken for compliance with risk guidance	Corporate Risk Manager	Sep-10	Review undertaken: the majority of registers comply with approved format and work is underway for full compliance by all directorates. - review Jan 2011
20	Council – Adopts the PCT Assurance Proforma Template for use at its Overview and Scrutiny committees for identifying risks.	Chairs of Overview and Scrutiny Committees to be briefed liaising with executive staff member servicing committee	Corporate Risk Manager	Sep-10	Discussion to be held with Councillor Bramer on developing a light touch approach of identifying risks at Overview and Scrutiny Committees meetings - Lead Andrew Rewell

Number	Recommendations	Action Plan	By Whom	Target Date	Status
21	<p>PCT - Risk Management must be an integral element of all new business areas / programme / projects, new business areas must apply a six step process:</p> <ol style="list-style-type: none"> 1 Nominate a risk lead for the business area, assessing individuals' expertise, experience, capabilities and skills in risk management 2 Gather quality information on risks identified 3 Assess potential impact of risk using PCT risk scoring methodology 4 Interpreting risk and causation 5 Consider risk opportunities 6 On large projects where there are a number of actions to mitigate against a risk a cost benefit analysis be undertaken to inform the decision making process on the most appropriate action plan to be implemented (detailed guidance to be drafted and issued to all project and programme managers setting out criteria including definition of large projects). 	<p>PCT – Council's Corporate Programmes team Risk Management guidance for projects and programmes be adopted. On large projects (to be defined by nominated Corporate Governance Manager) where there are a number of actions to mitigate against a risk that a cost benefit analysis be undertaken to inform the decision making process on the most appropriate action plan to be implemented (Council's Corporate Programmes team to be engaged for support).</p>	Nominated Corporate Governance Manager	Nov-10	All nominated directorate risk leads to monitor compliance and report to their Director March 2011
22	<p>Herefordshire Partnership Steering Group – To ensure risks identified at the Partnership level are communicated down to all appropriate levels within PCT and Council and owners assigned via JMT using Pro-forma risk template and Vice Versa.</p>	<p>Herefordshire Partnership Services adopts PCT Assurance Pro-Forma templates and procedure established for communicating risks.</p>	Nominated Corporate Governance Manager	Nov-10	Pro-forma template to be adopted from 23 Nov 2010

Number	Recommendations	Action Plan	By Whom	Target Date	Status
23	<p>(a) Council – Risk opportunities on the works and services delivered through the Amey partnership are furthered explored, this requires the council's client team to continue with the gathering of quality data on works performance and cost by widening the sources of data that enable the proper scrutiny and challenge to Amey's costings.</p> <p>(b) Council – The opportunity to extend the scope of the Managing Agent Contract (MAC) contract arrangements with Amey should be explored to capture the potential for further savings, improvements in performance and are enhancements in value for money through extending the better control of cost and effective risk management to a wider range of services.</p> <p>(c) Council – The opportunity to extend the best practice demonstrated in the contract management practices that are in place to manage the Amey partnership to other key partnerships should also be explored, thereby ensuring that risk is properly understood and managed in all key partnerships and the potential for financial savings and improved performance in other areas of service are truly realised.</p>	<p>Council –</p> <p>(a) Amey's council's client team to continue with the gathering of quality data on works performance and cost.</p> <p>(b) Undertake scoping work where Managing Agent Contract (MAC) contract may be extended for both Council and PCT.</p> <p>(c) Explore best practice adoption in other partnership arrangements across Council and PCT.</p> <p><i>Implementation dependant on Council's Cabinet approving Recommendations</i></p>	Highway Network Manager - Clive Hall	Nov-10	Benchmarking is underway and wider market place costings are being developed along with the direct cost information coming from Amey, in some areas there is still work to do to confirm who to compare with and how that might best be done.

updated 04 Nov 2010

COUNCIL & PCT RISK REGISTER HIERARCHY



Terms of Reference

RISK MANAGEMENT ASSIGNMENT

GILBERT GEORGE

PHASE 1 DELIVERABLES

- 1 Review of the existing risk management methodology for the PCT (including examples of how this has been used to improve performance or outcomes) and recommendations on how this can be improved based upon best practice and to meet external expectations (eg: DoH, SHA, Audit etc), including (not exhaustive)
 - Embedding RM as part of day to day management processes
 - Awareness of employees of RM
 - Effectiveness of risk assessment and mitigation
 - Process for escalation of risks
 - Level of reporting and assurance of the PCT Board/Committees on RM
- 2 Assessment of how RM currently links to other areas of assurance and governance and recommendations for strengthening these links: both organisationally and through reporting and monitoring arrangements

PHASE 2 DELIVERABLES

- 3 Identify the key risks that should be addressed at PCT Board and Director level and the risk treatment that should be applied
- 4 Recommendations for extending the principles of RM to cross cutting areas such as sustainability, carbon agenda, equalities etc
- 5 Recommendations for how the RM methodologies for the Council and the PCT can be aligned to meet the overall aim of integration
- 6 Assessment of how project and programme risks are managed and recommendations for strengthening current arrangements
- 7 Recommendations for embedding our overall arrangements for the future, taking into account any additional risks posed by the HPS integration
- 8 Recommendations to strengthen risk management arrangements for key partnerships such as AMEY
- 9 Recommendation for a vehicle to deliver risk management support across the Council and NHSH

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	12 NOVEMBER 2010
TITLE OF REPORT:	INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
PORTFOLIO AREA:	RESOURCES

CLASSIFICATION: Open

Wards Affected

None.

Purpose

To report on the progress for implementing International Financial Reporting Standards (IFRS).

Key Decision

This is not a Key Decision.

Recommendation

THAT the report be noted.

Key Points Summary

- The council will be required to produce IFRS compliant accounts from 2010/11, with restated comparative data for 2009/10.
- A detailed project plan has been prepared and is attached as Appendix A.
- A meeting has been held with the Audit Commission to review progress and agree arrangements for auditing the restated prior year accounts and identify key areas of risk.

Alternative Options

1. There are no Alternative Options as all councils are required to produce IFRS compliant accounts from 2010/11.

Reasons for Recommendations

2. Not applicable.

Further information on the subject of this report is available from
Heather Foster, Technical Accounting Manager on 01432 260284

Introduction and Background

3. It was agreed at the Audit and Corporate Governance Committee meeting on the 23 January 2009 that a progress report and actions be presented at future meetings.

Key Considerations

4. Since the report to the Audit and Corporate Governance Committee on 17 September 2010, the detailed project plan has been updated and is attached as Appendix A.
5. The main areas of progress since the last report have been;
 - Training and initial work on building the Agresso fixed asset module has commenced.
 - A draft component accounting policy (for fixed assets) has been developed, which has been submitted to the Audit Commission for review.
 - The council's contract with Amey has been reviewed against the IFRS criteria for embedded leases.
 - Holiday accruals have been calculated for 2008/09 and 2009/10 for non-schools based staff. HR is working with Financial Services to provide information to enable the calculation for schools-based staff to be undertaken.
 - Government grants in the 31 March 2009 and 31 March 2010 balance sheets are being reviewed.
6. The council's fixed asset register is currently a stand alone spreadsheet-based system, which will not effectively cope with the requirements of IFRS on an on-going basis. Work has begun on building the Agresso fixed asset module, which will link directly with the Agresso integrated back-up system to be implemented from 1 April 2011. Financial Services and Property Services are working together to ensure consistent referencing and systems' integration.
7. Major contracts have to be reviewed to determine whether they include 'embedded finance leases', where the council effectively purchases an asset as part of a wider contract. Two major contracts have been identified so far as potentially falling in this category, the Amey contract and the Fosca waste collection contract. An analysis of the Amey contract against the keys tests has been completed which indicates that this contract does not include embedded leases. This has been forwarded to the Audit Commission for review.
8. A meeting has been held with the Audit Commission to review progress and agree arrangements for auditing the restated prior year accounts and identify key areas of risk. As elements of the programme are completed they will be submitted for audit so that the restated accounts will be audited before the financial year end. A target date for the restated balance sheets and revenue account has been agreed as December 2010, which means that significant issues will be resolved before the 2010/11 audit of accounts. The key area of risk identified is the review of contracts to determine whether any include 'embedded finance leases'.

Community Impact

9. Not applicable.

Financial Implications

17. There may be financial implications as set out in the report.

Legal Implications

18. None.

Risk Management

19. If IFRS is not interpreted correctly in the council's accounts and implemented in accordance with the required timetable it would impact on the Auditor's opinion on the accounts. The management of this identified risk has commenced as evidenced by attendance of staff on relevant training courses.
20. The successful delivery of unqualified accounts will require greater involvement from non-financial services staff than has previously been the case.
21. Sound project management will be a crucial part of the process to keep the project on track and to identify potential problems at an early stage. £40,000 has been earmarked in the 2010/11 budget to purchase additional support if required.

Consultees

22. None.

Appendices

23. Appendix A – IFRS Detailed Project Plan.

Background Papers

24. None identified.

Herefordshire Council IFRS Implementation – Detailed Action Plan

Finance project team – Heather Foster, Josie Smith, Julia Hathaway, Sarah Curtis, Martin Savage

Property Lead – Alison Hext **Legal lead** – Linden Dunham

General	Action Required	By	Progress to date	Lead role
			•	
Transition Balance Sheet / accounts 37	<ul style="list-style-type: none"> • Obtain information required to restate 1 April 2009 balance sheet • Need to prepare transition balance sheet by restating opening 1.4.09 balances for IFRS. 	Dec 10 Dec 10	<ul style="list-style-type: none"> • Equipment leases have been reviewed. Land leases are being reviewed. Contracts being reviewed to identify embedded leases. Holiday and flexi calculation completed Meetings held with external audit to discuss approach • Key areas identified and being progressed. 	Finance project team Heather Foster/Julia Hathaway
IFRS Statement of Accounts	<ul style="list-style-type: none"> • Complete comparative shadow accounts and notes for 2009/10 under IFRS • Full statement of accounts required 30th June 2011 (for year ended 2010/11) 	Dec 2010 June 2011	<ul style="list-style-type: none"> • Work progressing on key areas 	Finance project team
Produce reconciliation statement where implementation of IFRS has a significant impact. Need to reconcile taxpayers equity between 31/3/09 accounts produced under UKGAAP and IFRS accounts produced at 1/04/09 under IFRS	<ul style="list-style-type: none"> • Financial statements need to be amended to the new format (statement of financial position, statement of income, cash-flow statement, statement of changes in equity etc). • 3rd column on balance sheet to be added for prior year adjustments • Need to produce a reconciliation between UK GAAP and IFRS 	Dec 2010	<ul style="list-style-type: none"> • Templates have been set up for the new format IFRS accounts and the restated prior year Statements 	Heather Foster

Key Areas in detail	Action Required	By	Progress to date	Lead role
Leases (IAS 17)				
Leases need to be split between the land and building elements and re-assessed as operational or finance.	<ul style="list-style-type: none"> • Obtain list of all leases (land and buildings, equipment etc), incl. schools • List all properties and lease end dates / annual lease payments • Identify those leases where buildings lease is equal 25 years or more and review leases against IAS 17 criteria • For leased buildings under 25 years, identify significant leases and review against IAS 17 criteria • Review all equipment leases where lease payment significant or lease term is majority of asset life • Review leases held by schools • Split assets of leased properties between value of land and value of buildings • Determine whether leases are operational or finance • List and Review all contracts for embedded leases under IFRIC4 and ensure there is a timetable for collection of data from third parties if necessary (identify who these third parties may be and the data required) • Produce schedule / WP on classifications • Produce schedule / WP of accounting adjustments required for transition balance sheet 	Mar 10 June 10 June 10 June 10 Aug 2010 Sept 10 Sept 10 Dec 10 Dec 10 Dec 10	<ul style="list-style-type: none"> • Property list collated and reviewed. Most are operational, a few potential finance leases • Non-property and car leases reviewed. Small number of non-material finance leases identified • Large number of property leases below £10k deminimus • Major contracts list and periodic payments being reviewed. • Schools have sent details of lease agreements, which are being reviewed. • Legal have provided potential list of embedded leases. • Amey contract and Waste collection contracts identified for IFRIC 4 review. 	Josie Smith/Lindsey Galbraith Alison Hext

Financial Instruments: (IAS 23 & 39)				
<p>(Financial instruments were adopted in UK GAAP for local Government for the 2007/08 closedown.) This necessitated an examination of all financial contracts the Local Authority was a party to. Further work will be needed to extend the information further.</p>	<ul style="list-style-type: none"> Update IFRS financial statements templates for any new notes / disclosure requirements Produce 2010/11 Financial instrument accounts and notes 	<p>Nov-09</p> <p>June 2011</p>	<p>Template completed</p>	<p>Heather Foster</p> <p>Sarah Curtis</p>

Employee Benefits: (IAS 19)				
<p>This IFRS specifically requires Authorities to accrue for untaken holiday entitlement and flexi-leave at year end.</p>	<ul style="list-style-type: none"> Design form for collecting holiday and flexi information – non-schools Agree approach with external audit Collect data for 31/3/09 from sample of staff to restate the balance sheet 1/4/09 Calculate 2008/09 closing accrual for non-schools staff Estimate 2008/09 accruals for school based staff using CIPFA methodology Collect data for 31/3/10 from sample of staff. Calculate and post 2009/10 closing accrual for non-schools staff Estimate and post 2009/10 accruals for school based staff using CIPFA methodology 	<p>July-09</p> <p>Aug-09</p> <p>Oct 09</p> <p>Oct 09</p> <p>Apr 10</p> <p>Dec 10</p> <p>Dec 10</p>	<p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Completed</p> <p>Calculation completed</p> <p>Awaiting information from HR.</p>	<p>Julia Hathaway/Linda Bradford</p>

Property, Plant & Equipment				
<p>This may result in a difference in the valuation basis used for Fixed Assets. Under IFRS “fair value” is usually determined from market based evidence so where a market exists for assets that have previously been valued at existing use value, differences are likely to be encountered.</p> <p>Fixed assets are classified differently under IFRS.</p> <p>Component parts of assets have to be valued and depreciated separately.</p>	<ul style="list-style-type: none"> • Property – Review the basis of valuation for Fair Value. Revalue any asset where the basis of valuation changes under IFRS. • Review all residual values at 31/3/2010. This applies to 09/10 accounts and not the transition balance sheet. • Determine the criteria for identifying component parts to PPE • Identify components of 2010 capital programme • Review DRC calculations – (needs to be ‘modern equivalent’) • Review assets held as investment properties and reclassify if they don’t meet the IFRS criteria • Investment properties reclassified as PPE will need to be valued under fair value – market value • Assets held for sale must be classified as such and measured at lower of carrying amount and fair value, must be presented separately on balance sheet <ul style="list-style-type: none"> - 2009/10 restated - 2010/11 • Determine revaluation policy • Review asset lives (50 year rule does not apply under IFRS) • Restate 2009/10 transactions where required 	<p>Nov 10</p> <p>Nov 10</p> <p>Aug 10</p> <p>Oct 10</p> <p>Sept 10</p> <p>Dec 10</p> <p>Dec 10</p> <p>Dec 10 Mar 11</p> <p>Aug 2010</p> <p>Dec 10</p> <p>Dec 10</p>	<p>Component policy drafted</p> <p>Elements of spend is being recorded</p> <p>Modern equivalent to be incorporated into annual 20% valuations</p> <p>5 year rolling programme to continue</p>	<p>Alison Hext</p> <p>Alison Hext</p> <p>Sarah curtis/ Alison Hext</p> <p>Lindsey Galbraith</p> <p>Alison Hext</p> <p>Sarah Curtis/ Alison Hext</p> <p>Alison Hext</p> <p>Alison Hext</p> <p>Alison Hext</p> <p>S Curtis</p>

Investment Property				
IFRS alters the accounting arrangements for changes in valuation of Investment Properties and requires annual valuations	<ul style="list-style-type: none"> Opening balance sheet to be restated for balances held on the Revaluation Reserve for Investment Properties. The adjustment is Cr Reserve Dr Capital Adjustment Account (CAA) Properties transferred in the year to be re-valued on Transfer (existing use value) and restated under IFRS balance sheet. Restate 2009/10 transactions for revaluations, depreciation and acquisitions 	Dec 2010 Dec 2010 Dec 2010		Alison Hext/Sarah Curtis Alison Hext Sarah Curtis

Non Current Assets Held for Sale				
IFRS definition is much tighter than the SORP definition for Surplus Properties.	<ul style="list-style-type: none"> Review all Surplus assets for compliance with the IFRS definitions of Held for Sale and transfer any out which do not meet this definition. Transfer any properties currently within Operational categories, which are due for sale and restate values at lower of carrying cost or fair value less costs to sell. Restate the opening balance sheet for these changes Write back any depreciation charged on assets held for sale in transition balance sheet. 	Dec 10 Dec 10 Dec 10		Alison Hext/Sarah Curtis Sarah Curtis

Impairment of Assets:				
IFRS requires a different approach to charging for impairment costs. Under IFRS only the amount which exceeds any balance on the Revaluation Reserve is charged to I&E. There is a clear distinction between Impairment and Revaluation.	<ul style="list-style-type: none"> Determine whether any changes required for 1/4/09 balance sheet. Review 2009/10 impairments accounting for possible restatement. 	Dec 2010		Sarah Curtis
Infrastructure Assets				
Valuation of infrastructure assets to move to current valuation after 2010/11	<ul style="list-style-type: none"> WGA return for 2009/10 will require gross replacement cost to be identified WGA Return for 2010/11 will require gross replacement cost to be identified for further categories of infrastructure assets 	July 2010 July 2011	<ul style="list-style-type: none"> Completed – only carriageways required. 	Julia Hathaway Julia Hathaway/C live Hall
Cashflow statement				
New format - Simplified headings .Cashflow reconciles cash and cash equivalents rather than liquid resources.	<ul style="list-style-type: none"> Restate 2009/10 cash flow for IFRS format 	Dec-10	<ul style="list-style-type: none"> Template completed 	Heather Foster/Julia Hathaway
Group Accounts				
Accounting for subsidiaries not significantly different to UK GAAP. Definition of associates changed under IAS 28	<ul style="list-style-type: none"> Review group account arrangements under IFRS 3, IAS 28 and IAS 31 Review joint arrangements as to whether they constitute a joint venture 	Dec-10		Julia Hathaway/Legal Services

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MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	12 NOVEMBER 2010
TITLE OF REPORT:	INTERIM AUDIT SERVICES ASSURANCE REPORT 2010/11 NO.2
PORTFOLIO AREA:	RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

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 report be noted.

Key Points Summary

- Seven key issues were identified in the Council's Annual Governance Statement subject to Committee approval four have been closed. (Appendix 1 refers).
- Subject to Committee agreement there are currently nine Committee Resolutions that are open (Appendix 2 refers);
- Of the audits completed two were given an unsatisfactory audit opinion and one a marginal opinion (Appendix 3 refers)

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.

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

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 2009/10

- 4 The Audit and Governance Committee considered the Annual Assurance report for the year ending 31 March 2010 on 29 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. Subject to committee approval four have been closed.

Audit and Corporate Governance Committee Resolutions

- 5 Regarding resolutions made by the Committee to September 2010 (Appendix 2 refers) there are nine open and ongoing following the last meeting held on 17 September 2010 Replies received from relevant officers have been included in the updated version of the appendix.

Fundamental Systems

- 6 The Council's target is that all fundamental systems achieve at least a satisfactory audit opinion. Work in this area has started with a final issued for Education Transport, which was given a marginal audit opinion due to the need for improved risk management, improved income control and procedures, improved management checks and improved guidance to staff. As required under the Audit and Governance Code a copy of the report has been sent to the Chairman of the Audit and Governance Committee

Non Fundamental Systems

- 7 The report on Car Park Income has been finalised and an unsatisfactory audit opinion issued, this was due to the need for improved procedures and controls, managers have taken speedy action in relation to the recommendations made. The service Manager has confirmed that all recommendations have been implemented. A follow up audit visit will be made to ensure that actions are embedded. As required under the Audit and Governance Code a copy of the report has been sent to the Chairman of the Audit and Governance Committee. Other work is at various stages of progress.

Governance and Anti-fraud

- 8 Preliminary work in relation to the National Fraud Initiative (NFI) 2010 is complete, relevant offices have been requested to submit relevant data to the Audit Commission, this is in progress. The Annual Governance Statement for 2009/10 was presented to the Audit and Governance Committee on 29 June and now forms part of the Council's Statement of Accounts.

Other Key Systems

- 9 Member's allowances and expenses were reviewed and given a satisfactory audit opinion.
- 10 CRB consultancy work to provide advice and guidance regarding the robustness of the new CRB system has now been completed.

ICT Protocols and Control (Council –Wide)

- 11 Work within this area includes a joint report on physical security covering both the Council and Primary Care Trust.

Establishments

- 12 Work continues to assess the financial management arrangements for schools in line with the Department for Children, Schools, and Families (DCSF) Standard, currently nine schools, have met the standard however there are some 11 reviews out in draft, and one work in progress.

Verification and Probity

- 13 The review of the Good Environmental Management (GEM) has been completed and some minor non compliances were found.

Recommendation Follow Ups

- 14 Overall follow up work can be summarised as follows

Status	Number	%
No longer relevant	3	4.5
Completed	32	47.8
Mostly Complete	5	7.5
Partly Complete	18	26.9
Not addressed	9	13.3
Total	67	100.0

- 15 As requested by the committee the unannounced follow up visit in relation to the Procurement and Contract Procedures – Resources (Asset Management and Property Services) was carried out in May 2010. The outcome was that of the 16 recommendations six were partly complete and five not addressed
- 16 It should be noted that at the time of the follow up visit Asset Management and Property Services, under the direction of the Head of Service was working to implement the remaining recommendations, it is pleasing to note that I have received confirmation from the Head of Service that all partly and all not completed recommendations have now been implemented. A further audit visit is planned to ensure actions are embedded.

Community Impact

- 17 n/a

Financial Implications

18. There are no financial Implications.

Legal Implications

19. There are no Legal Implications.

Risk Management

20. 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

21. Relevant officers have been requested to update action taken on key issues identified in 209/10 and past Audit and Corporate Governance Committee resolutions. Their replies have been included in the relevant appendices.

Appendices

Appendix 1- Annual Governance Statement 2009/10 Key Issues Identified.

Appendix 2 – Open and Ongoing Resolutions as at 17 September 2010

Appendix 3 – Status Audit Plan 2010/11

Background Papers

- Audit Plan 20010/11 previously approved by the Audit and Governance Committee on 29 June 2010.

**ANNUAL GOVERNANCE STATEMENT (AGS) 2009/10
STATUS OF SIGNIFICANT GOVERNANCE ISSUES**

AGS Reference	Significant Governance Issue	Current Status/Comments	Status
5.2	The review of the Code of Governance to be completed as soon as possible. (Assistant Chief Executive – Legal and Democratic)	The new Code of Corporate Governance forms part of the preamble to the Constitution.	Closed
5.3	The need to continue to embed Risk Management. (Deputy Chief Executive)	A risk awareness brochure is being developed; in addition officers are also developing a Partnership Assurance Framework. An update on the Risk Management Action Plan is a separate agenda item for the Audit and Governance Committee meeting of 12 th November 2010 .Training for Heads of Service has been completed.	Open
5.4	Review and update the Data Quality Policy. (Deputy Chief Executive)	The Data Quality Annual report and revised policy was approved by Cabinet on 22 nd July 2010.	Closed
5.5	The formal assessment of the Councils system of internal audit.(Director of Resources)	The outcome of the review was presented to the Audit and Governance Committee meeting on 17 th September 2010.	Closed
5.6	The Monitoring Officers Statement is completed as soon as possible. (Assistant Chief Executive – Legal and Democratic)	The Monitoring Officers Statement was presented to the Audit and Governance Committee on 17 th September 2010.	Closed
5.7	Ensure that improvements are made to the key system given a	Audit Services follow up action is in progress, the Audit	Open

**ANNUAL GOVERNANCE STATEMENT (AGS) 2009/10
STATUS OF SIGNIFICANT GOVERNANCE ISSUES**

AGS Reference	Significant Governance Issue	Current Status/Comments	Status
	marginal audit opinion.(Director of Resources)	and Governance Committee will be informed of progress.	
5.9	Improve Corporately in relation to the completion of the Good Environmental Management Audit Plan. (Sustainable Communities Director	The required training took place on 19 th to 21 st October. Attendees and their managers have been told that they are expected to undertake one audit before the next ISO 14001 external audit visit on 1 st December and to make 5 days available per year for auditing on an ongoing basis.	Open

Audit & Corporate Governance Committee
Open and Ongoing Resolutions & Recommendations made 17 September 2010

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
OPEN AND ONGOING ITEMS								
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	Following Consultation with the Chairman and Deputy Chairman the review will form part of the Inventory Audit planned by Audit Service. Audit visit currently in progress.	30/04/2010	Open
42	51 (ii)	30/11/07	Update of Action in the Special Report – Governance Improvement Plan.	An action plan be formulated regarding monies payable by Parish Councils when elections take place.	Charlie Adan	There is a review of elections services 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	30/06/10	Open

**Audit & Corporate Governance Committee
Open and Ongoing Resolutions & Recommendations made 17 September 2010**

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
						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.		
89	5	19/06/09	Review of Procurement	The introduction of procurement and contract performance reporting systems , recommendation R2 paragraph 14 of the Audit Commission's report	David Powell	An interim commercial manager is now in place and is examining procurement issues in the council with a view to ensuring they are more efficient. The Director of Resources has met with the appointee to discuss the current position and improvements to the system.	September 2010	Open
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 proposed changes to the council's internal audit will place greater emphasis on audits that provide added value and, as	Ongoing	Open

Audit & Corporate Governance Committee
Open and Ongoing Resolutions & Recommendations made 17 September 2010

Item	Minute No	Meeting Date	SUBJECT	RESOLUTION/RECOMMENDATION	RESPONSIBLE OFFICER	CURRENT POSITION	PLANNED COMPLETION DATE	STATUS
						appropriate, these will include compliance with the council's procurement activity. These issues now form part of current audits.		
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.	Dean Taylor	The interim commercial manager is establishing the extent of posts with procurement activity across the partnership. This will be with a view to creating a corporate approach to procurement and the next audit committee will provide an update on the work completed to date.	January 2011	Open
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			Open
108	35	29/01/10	Annual Audit	An update report on the progress of	David Powell	Letter sent out prior to		Open

Audit & Corporate Governance Committee
Open and Ongoing Resolutions & Recommendations made 17 September 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		the audit committee of 12 th November.		
113	47	12/03/10	Audit Strategy and Audit Charter 2010	The committee approves, subject to any comments from the joint management team and to the director of resources informing members by email of those comments, the 2010/11 audit strategy and audit charter	Tony Ford	Joint Management Team has commented and a revised Strategy will be presented to the January committee.	January 2011	Open
115	5	29/06/10	Risk Management Review	The Committee receives a report in September 2010 outlining risk areas and mitigation to include dates for completion	Dean Taylor	An interim risk manager has been in place for four months and a report is being presented to committee on 12 th November.	November 2010	Open

**HEREFORDSHIRE COUNCIL
AUDIT PLAN 2010-11**

AUDIT AREA	STATUS	AUDIT OPINION
a. FUNDAMENTALS		
Debtors	Work in progress	
Creditors	Work in progress	
Education Transport	Final	Marginal
Cash and Deposit	Draft with Manger	
Treasury Management	Draft with Client	
b. NON -FUNDAMENTALS		
Car park Income	Final	unsatisfactory
Agency Payments	Work in progress	
Homeless Persons Loans	2 nd Draft with Client	
c. GOVERNANCE AND ANTIFRAUD		
Annual Governance Statement 2009/10	Final	Satisfactory
National Fraud Initiative	Work in progress and ongoing	
Procurement and contract procedures-Children Services	Draft with Manger	
d. OTHER KEY SYSTEMS		
Members Allowances and Expenses (December 2009 to March 2010)	Final	Satisfactory
CRB - Consultancy	Final	N/a
e. ICT.PROTOCOLS AND CONTROLS(COUNCIL – WIDE)		
Thorn ISO 27001 Physical Security (Joint)	Final	Minor Non-compliance
HomePoint Security	Final	Satisfactory
f. ESTABLISHMENTS		
Earl Mortimer College (Minster College)	Final	unsatisfactory
John Masefield High School	2 nd draft with Client	
Schools Establishment Audits (DCSF Standard)		
Aylestone High School	Draft with Client	
Ashfield Park Primary School	Final	FMSIS-Met
Bosbury C.E. Primary School	Draft with Client	
Bridstow C. E. Primary School	Draft with Client	
Burghill Primary School	Draft with Client	
Colwall C.E. Primary School	Draft with Client	
Lea C.E. Primary School	Draft with Client	
Llangrove C. E. Primary School	Final	FMSIS-Met
Longtown Primary School	Final	FMSIS-Met
Lord Scudamore Primary School	Draft with Client	
Michaelchurch Escley Primary School	Final	FMSIS-Met
Much Marcle R. C. Primary School	Draft with Client	
Our lady's R. C. Primary School	Draft with Client	
Peterchurch Primary School	Final	FMSIS-Met
Ross-on-Wye St. Joseph's Primary	Draft with Client	
Shobdon Primary School	Final	FMSIS-Met
St. Peters Primary School, Bromyard	Draft with Client	
St. Weonards Primary School	Work In Progress	
Stoke Prior (Leominster) Primary School	Final	FMSIS-Met
Sutton Primary School	Final	FMSIS-Met

**HEREFORDSHIRE COUNCIL
AUDIT PLAN 2010-11**

AUDIT AREA	STATUS	AUDIT OPINION
Whitchurch C. E. Primary School	Final	FMSIS-Met
g. VERIFICATION AND PROBITY		
ISO 14001 GEM Systems	Final	Minor Non-compliance
h. RECOMMENDATION FOLLOW UP		
Trade and Domestic Waste	Final	N/a
Travel and Subsistence	Final	N/a
Procurement and Contract Procedures -Resources	Final	N/a
ISIS Payments	Work In Progress	
ISO 27001 Quarter 1	Final	N/a
ISO 27001 Quarter 2	Draft with client	
ISO 14001 (GEM) Quarter 1	Final	N/a
ISO 14001 (GEM) Quarter 2	Work In Progress	

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	12 NOVEMBER 2010
TITLE OF REPORT:	RE-PROVISION OF INTERNAL AUDIT SERVICES
PORTFOLIO AREA:	RESOURCES

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

To seek the Committee's view on the re-provision of internal audit services.

Key Decision

This is not a Key Decision.

Recommendation(s)

THAT the proposed approach for future internal audit services be noted.

Key Points Summary

- The Council, NHS Herefordshire and Hereford Hospital Trust have agreed an approach to Shared Services.
- The internal audit function will form part of Shared Services.
- It is appropriate that the number of audit days provided is reduced in line with the comments made in the recent review of internal audit.
- A market testing of internal audit services is to be carried out; this is with the view that a new provider will be in place from April 2011.

Alternative Options

- 1 There are none given the reason for pursuing market testing of services.

Reasons for Recommendations

- 2 To ensure the Audit and Governance Committee comment on the proposed approach.

Further information on the subject of this report is available from
David Powell, Director of Resources on (01432) 393518)

Introduction and Background

- 3 Cabinet received a report on 21 October 2010 on Shared Services. In this report it was agreed that the Council enters into formal Shared Services arrangements with its partners, NHS Herefordshire (NHSH) and Hereford Hospitals Trust (HHT), adopting a “multi-source” approach that enables different “fit for purpose” models to be used to deliver shared services for each service or group of services.
- 4 The report confirmed that the Shared Services programme is now moving from a planning phase to the implementation phase.
- 5 A number of key influences on public services underpin the Shared Services work and these include the need to secure greater efficiencies and provide value for money particularly at a time when the Comprehensive Spending review (CSR10), announced on 20 October, has reduced the level of funding available to the public sector.

Key Considerations

6. The changing environment affecting the provision of services is reflected by the implementation of Shared Services. The Council, NHSH and HHT have agreed to share services to deliver better outcomes for Herefordshire through the delivery of efficiencies.
7. The process agreed by the three partners acknowledges that services such as audit may be best suited to a Lead Commissioner/Provider model as one partner could provide and commission services on behalf of all partners.
8. The report of the Review of Internal Audit to Audit and Governance Committee on 17 September informed committee that the Council’s audit function was mostly compliant and that a mixed economy approach to the provision of future joint audit appeared to be the best option.
9. It also challenged the Council to consider altering the balance of audit coverage. The shift would enable more time for “adding value”. This conclusion was supported by the use of benchmarking information that suggested that the number of days for fundamental systems review work was above the unitary average for such work. In addition the level of audit provided to schools was three times the unitary average.
10. A combination of, the agreement to pursue Shared Services, and elements of the review of internal audit, mean that it is appropriate that internal audit services across the Herefordshire Public Services is a joint provision. For the Council this also enables a reassessment of the role that internal audit should play in the future at a time when reduced public sector funding means the current number of audit days needs to reduce.
11. As a result it is appropriate that the provision of internal audit services is market tested. This approach will see a tendering exercise commence with a view to an external supplier providing internal audit services from 1 April 2011.
12. The change means that staff affected will be covered by relevant Transfer of Undertakings (Protection of Employment) regulations (TUPE). Staff will also be covered by the relevant change management policies of the Council.
13. The status of staff affected by TUPE regulations will be communicated to any potential supplier.

Community Impact

14. None.

Financial Implications

15. None.

Legal Implications

16. The requirement for an internal audit function is either explicit or implied in the relevant local government legislation which requires that authorities “make arrangements for the proper administration of their financial affairs”. More specific requirements are detailed in the Accounts and Audit Regulations 2003, in that authorities must “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices”.

Risk Management

17. Any change to the provision of internal audit will need to be managed in such a way that the level of risk is minimized.
18. The selection process covering any potential supplier will need to be robust to ensure the appropriate skills are available.

Consultees

19. Staff, Trade Unions and schools

Appendices

None.

Background Papers

None identified.

