

MINUTES of the meeting of Audit and Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Friday 27 January 2012 at 10.00 am

Present: Councillor J Stone (Chairman)
Councillor JW Millar (Vice Chairman)

Councillors: CNH Attwood, EMK Chave, PGH Cutter, KS Guthrie, AJ Hempton-Smith, TM James, Brig P Jones CBE and PJ McCaull

In attendance: Councillors A Seldon

87. APOLOGIES FOR ABSENCE

Apologies for absence were received from Dr Phillip Ashurst, Non-Executive Director NHS Herefordshire.

88. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes present at the meeting.

89. DECLARATIONS OF INTEREST

There were no declarations of interest made at the meeting.

90. MINUTES

RESOLVED: That the minutes of the meeting held on 10th November, 2011 be approved as a correct record and signed by the Chairman, subject to the inclusion of the word 'and' between the words 'procedures' and 'arrangements' in the second sentence of the third paragraph in Minute 84 (Annual audit Letter)

91. MATTERS ARISING -

The Chairman welcomed Members to the first meeting of the Committee in its expanded role to deal with changes to the Constitution. In particular, he welcomed the new Members who had been appointed to the Committee for that purpose.

Arising on minute 85 (**Internal Audit Progress 2011/12 (Amey Contract)**) the Chairman welcomed the Assistant Director Placed Based Commissioning to the meeting who provided an update on the work being undertaken by officers in respect of the contract with Amey. He advised that this contained a break point in 2013 and had provided the opportunity for negotiations to take place

The Chief Officer Finance and Commercial said that the Council's Audit Section was looking at the Amey contract from the value for money aspect and the rationale behind the possible contract expansion. The Audit Manager said that advice was being given to the Head of Highways & Community Services about the approach which should be taken. He would submit a report to a future meeting of the Committee on the matter.

Members asked a number of questions about the issues which were arising and expressed their views about their dealings with Amey and made the following points:

- the role of the Committee was to look at process involved in the contract whereas that of Overview and Scrutiny was to look at how the contract was performing – the processes and performance were two separate issues;
- the need to ensure that there were adequate controls in place regarding the contract with Amey;
- the need to ensure that there was sufficient in-house expertise to examine the processes;
- there was merit in holding a similar event for Members to that held last year about procurement, to include the expanded role of the Committee;
- the public was noting the issues involved about the contract with Amey and preferred a process of competitive tendering;
- whether there would be a new contract in 2013 or a renegotiated one;
- members views should be taken note of because of their extensive local knowledge regarding the work undertaken and the service provided by Amey in their Wards; and
- problems which had been encountered by some members when taking up matters with Amey when a response had not been received – it was felt that communications from Amey staff to Members and parish councils needed to be improved.

The Chairman commented that there was a very mixed picture from Members & parish councils with some encountering delays & poor communications whilst others had received a very good response The Assistant Director Placed Based Commissioning noted the comments made by Members. He said that the Council still had an eighty-strong in-house property services department. It was likely that the department would be transferred over the coming year to a partner organisation. Although there was a small client side dealing with highways comprising of seven to eight staff, the necessary controls were in place and they had very strong leadership from the Head of Highways & Community Services.

If Members were aware of issues or concerns they had or which were raised by the public, they should draw them to the attention of the Assistant Director Placed Based Commissioning who could then take them up with Amey. He reassured Members that officers were acutely aware of the implications of the various aspects of the Amey contract and that sound advice was being given to them by the Audit Manager and his staff.

92. THE CONSTITUTION - NEW GOVERNANCE ARRANGEMENTS

The Committee Manager (Planning and Regulatory) presented the report of the Assistant Director Law Governance and Resilience about the arrangements that needed to be put in place to recommend any future changes that were necessary to the Council's Constitution. He said that the new Constitution was introduced in 2009 and that updates may be required to it from time to time in the light of such matters as new legislation or changes to operational practice. The matter had previously been dealt with by the Constitution Review Working Group but that towards the end of last year the Council had decided to give this task to the Committee. Membership of the Committee had been increased from seven to ten seats to give it more capacity to take on this role.

It was noted that the Standards Committee was investigating the arrangements which could be introduced to deal with complaints about Councillors when the current standards regime came to an end as required under the Localism Act 2011. One of the proposals was that a Standards Panel could hear complaints about Members and refer the findings to the Audit and Governance Committee for a decision. The proposals would be the subject of a report to Council in due course.

The Committee considered the new arrangements and decided to deal with any proposed changes to the Constitution itself for the time being, rather than looking into the creation of a Sub-Committee or Working Group.

Councillor Attwood suggested that consideration should be given to the Chair of the Committee being 'independent' rather than from the majority party and it was noted that such matters could be dealt with by the Group Leaders at the time of Annual Council in May.

It was noted that a report would be submitted to the next meeting about the amendments which had so far been identified to the Constitution.

RESOLVED THAT:

- (a) the new membership of the Committee and its new responsibilities be noted; and**
- (b) provision be made in the work programme of the Committee to deal with proposed changes to the Constitution.**

93. INTERNAL AUDIT PROGRESS 2011/12

The Audit Manager provided the Committee with an update about the audits which were being undertaken. Good progress had been made with some twelve audits having been finalised and no adverse issues having come to light. Eighteen other audits were under way including General Ledger, IT, Creditors and a review of the balances bought forward on the Agresso system. The aim was to have these completed by the end of March. Audit Services were providing support, guidance and information in a number of areas to Officer. When an audit was completed, an opinion was given from the following categories:

- (a) no assurance (a poor result);
- (b) limited assurance;
- (c) adequate assurance – (a good result)
- (d) substantial assurance – (a very well-run system)

The Audit Manager was pleased to report that most of the audits carried out had fallen into category c or category d. Audits were being carried out of the high-profile areas such as Members expenses and the services undertaken by Hoople on behalf of the Council. Continuous guidance was being provided by the audit section for Members & Officers.

Members considered the report and noted the contents. It was suggested that a completion date should be included for the finalisation of each audit in future reports. In answer to a question about Hoople, it was noted that the company had appointed their own Audit Committee and auditors. Any relevant issues identified by the Audit Manager would go to Hoople's Audit Committee.

The Committee asked for future reports to show which areas remained under the Council and which were covered by Hoople. It was noted that there were four Internal Audit staff, one whom was on secondment to Hoople. KPMG could be called upon to

provide additional resources where necessary. Members considered that it was important to manage and monitor the arrangements with the Council's provider organisations. Further training for Members would be welcome and the Chief Officer Finance and Commercial was looking into an event for Members about the financial services which had been taken over by Hoople.

**RESOLVED THAT
the report be received and noted.**

94. DATE OF NEXT MEETING

9th March 2012.

The meeting ended at 11.15 am

CHAIRMAN