

# AGENDA

## Audit and Governance Committee

Date: **Friday 9 March 2012**

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Time: **10.00 am**

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

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

For any further information please contact:

**Pete Martens, Committee Manager**

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If you would like help to understand this document, or would like it in another format, please call Pete Martens, Committee Manager on 01432 260248 or e-mail [pmartens@herefordshire.gov.uk](mailto:pmartens@herefordshire.gov.uk) in advance of the meeting.

# Agenda for the Meeting of the Audit and Governance Committee

## Membership

**Chairman**  
**Vice-Chairman**

**Councillor J Stone**  
**Councillor JW Millar**

**Councillor CNH Attwood**  
**Councillor EMK Chave**  
**Councillor PGH Cutter**  
**Councillor KS Guthrie**  
**Councillor AJ Hempton-Smith**  
**Councillor TM James**  
**Councillor Brig P Jones CBE**  
**Councillor PJ McCaull**

## GUIDANCE ON DECLARING PERSONAL AND PREJUDICIAL INTERESTS AT MEETINGS

### What is a personal interest?

You have a personal interest in a matter if that matter affects the well-being or financial position of you, your relatives or people with whom you have a close personal association more than it would affect the majority of other people in the ward(s) to which the matter relates.

A personal interest can affect you, your relatives or people with whom you have a close personal association positively or negatively. If you or they would stand to lose by the decision, you should also declare it.

You also have a personal interest in a matter if it relates to any interests, which you must register.

### What do I need to do if I have a personal interest?

You must declare it when you get to the item on the agenda headed "Declarations of Interest" or as soon as it becomes apparent to you. You may still speak and vote unless it is a prejudicial interest.

If a matter affects a body to which you have been appointed by the authority, or a body exercising functions of a public nature, you only need declare the interest if you are going to speak on the matter.

### What is a prejudicial interest?

You have a prejudicial interest in a matter if;

- a) a member of the public, who knows the relevant facts, would reasonably think your personal interest is so significant that it is likely to prejudice your judgment of the public interest; and
- b) the matter affects your financial interests or relates to a licensing or regulatory matter; and
- c) the interest does not fall within one of the exempt categories at paragraph 10(2)(c) of the Code of Conduct.

### What do I need to do if I have a prejudicial interest?

If you have a prejudicial interest you must withdraw from the meeting. However, under paragraph 12(2) of the Code of Conduct, if members of the public are allowed to make representations, give evidence or answer questions about that matter, you may also make representations as if you were a member of the public. However, you must withdraw from the meeting once you have made your representations and before any debate starts.

**AGENDA**

	<b>Pages</b>
<b>1. APOLOGIES FOR ABSENCE</b> To receive apologies for absence.	
<b>2. NAMED SUBSTITUTES (IF ANY)</b> To receive details any details of Members nominated to attend the meeting in place of a Member of the Committee.	
<b>3. DECLARATIONS OF INTEREST</b> To receive any declarations of interest by Members in respect of items on the Agenda.	
<b>4. MINUTES</b> To approve and sign the Minutes of the meeting held on 27th January 2012.	1 - 4
<b>5. AMENDMENTS TO THE CONSTITUTION- BUDGET AND POLICY FRAMEWORK RULES</b> To consider a proposed amendment to the Budget and Policy Framework Rules.	5 - 8
<b>6. AMENDMENTS TO THE CONSTITUTION- COUNCIL PROCEDURE RULES- MEMBER QUESTIONS</b> To consider a number of proposed amendments to the Constitution relating to the Council Procedure Rules on Member Questions.	9 - 12
<b>7. INTERNAL AUDIT PROGRESS 2011/12</b> To update Members on the progress of internal audit work and consider any key internal control issues arising from work recently completed.	13 - 24
<b>8. DATE OF NEXT MEETING</b> 11th May 2012	



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- Inspect agenda and public reports at least three clear days before the date of the meeting.
- Inspect minutes of the Council and all Committees and Sub-Committees and written statements of decisions taken by the Cabinet or individual Cabinet Members for up to six years following a meeting.
- Inspect background papers used in the preparation of public reports for a period of up to four years from the date of the meeting. A list of the background papers to a report is given at the end of each report. A background paper is a document on which the officer has relied in writing the report and which otherwise is not available to the public.
- Access to a public register stating the names, addresses and wards of all Councillors with details of the membership of Cabinet and all Committees and Sub-Committees.
- Have a reasonable number of copies of agenda and reports (relating to items to be considered in public) made available to the public attending meetings of the Council, Cabinet, Committees and Sub-Committees.
- Have access to a list specifying those powers on which the Council have delegated decision making to their officers identifying the officers concerned by title.
- Copy any of the documents mentioned above to which you have a right of access, subject to a reasonable charge.
- Access to this summary of your rights as members of the public to attend meetings of the Council, Cabinet, Committees and Sub-Committees and to inspect and copy documents.

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- The nearest bus-stop to Brockington is located in Old Eign Hill near to its junction with Hafod Road. The return journey can be made from the same bus stop.

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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 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**

9<sup>th</sup> March 2012.

The meeting ended at 11.15 am

**CHAIRMAN**

<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>9 MARCH 2012</b>
<b>TITLE OF REPORT:</b>	<b>AMENDMENTS TO THE CONSTITUTION- BUDGET AND POLICY FRAMEWORK RULES</b>
<b>REPORT BY:</b>	<b>ASSISTANT DIRECTOR LAW GOVERNANCE AND RESILIENCE</b>

### **Wards Affected**

County-wide

### **Purpose**

To consider a proposed amendment to the Budget and Policy Framework Rules.

### **Recommendation**

**THAT:** the Committee considers whether to recommend to Council that the Budget and Policy Framework Rules be amended to provide flexibility along the lines set out at paragraph 7 of the report.

### **Key Points Summary**

- The report proposes changes to amend the Budget and Policy Framework Rules to provide greater flexibility.

### **Alternative Options**

- 1 The Committee could maintain the current provisions, make changes as proposed or suggest an alternative to the mechanism proposed.

### **Reasons for Recommendations**

- 2 To provide the Council with greater flexibility and avoid holding additional Council meetings for which there is no need.

### **Introduction and Background**

- 3 On 18 November 2011 the Council gave authority to the Audit and Governance Committee to review the Constitution and make recommendations to the Council to amend it. This report invites the Committee to consider an amendment to the Budget and Policy Framework Rules.

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Further information on the subject of this report is available from  
Chris Chapman Assistant Director Law Governance and Resilience on (01432) 260200

## Key Considerations

4. The Budget and Policy Framework Rules (4.3.2.8 - 11) provide in relation to consideration of Cabinet recommendations on Budget and Policy Framework items by Council that:

*“If the Council accepts the recommendation of Cabinet without amendment, the Council may make a decision which has immediate effect. Otherwise, it may only make an in principle decision.*

*If the Council rejects or amends the Cabinet recommendation or substitutes its proposals in place of the Cabinet’s recommendations, the Cabinet will not implement the proposed plan, strategy or budget until a further report to Council has been considered.*

*In the event that the Council rejects or amends the Cabinet recommendation or substitutes its proposals, immediately prior to the close of the meeting the Chairman of the Council will adjourn the meeting until a date (not less than 10 working days thereafter) to be agreed by the Leader. The Leader may agree that the matter be deferred to the next meeting of Council. At the reconvened or next meeting the Council will consider the matter again.*

*At least 5 working days before the date on which the adjourned or next meeting is to be reconvened, the Chief Executive will provide a further report to Council in which he will set out the Leader’s response to the in principle decision of Council on its recommendations. That report must address all relevant issues and in particular, must include advice on the financial and legal implications. If the proposed plan, strategy or budget has legal implications for or impact on the Council’s Medium Term Financial Management Strategy that exceed £500,000 then the report must contain advice from the s.151 officer on the implications or impact of any proposed amendments or substitute proposals.”*

- 5 As drafted this means that even if the Leader and the Cabinet are in agreement with the changes Council proposes another Council meeting must be convened. This seems an unnecessary waste of resources if the Executive accepts the Council’s proposals. It is recognised that the Executive might not be able then and there to agree to accept Council’s proposals without further research but that it may be able to do so once it has completed that research.

- 6 The Guidance accompanying the Local Government Act 2000 and the document “Modular constitutions for English Local Authorities” contains conflict resolution provisions to manage such a situation.

- 7 An example from the Constitution of East Cheshire Council taking account of the scenario in paragraph 5 reads as follows:

*“If it accepts the recommendation of the Cabinet without amendment, the Council may make a decision, which has immediate effect. Otherwise, it may only make an in-principle decision. In either case, the decision will be made on the basis of a simple majority of votes cast at the meeting.*

*The decision will be published and, if an in-principle decision has been made, a written copy shall be given to the Leader as soon as possible for the Cabinet to consider.*

*An in-principle decision will automatically become effective 5 working days from the day following the date of written notification to the Leader of the Council’s decision, unless the Leader informs the Chief Executive in writing within those 5 days that the Cabinet objects to the decision becoming effective and provides reasons why in writing.*

*Where notification of objection is received under (the paragraph) above, a meeting of Council will be called to be held within 28 days of the objection being received by the Chief Executive, to reconsider the decision that is the subject of the objection. In reconsidering the decision the Council must take into account the objection of the Cabinet and reasons for it and any revised proposals submitted by the Cabinet and the Cabinet's reasons for those revised proposals. The Council may either:  
approve the Cabinet's recommendation by a simple majority of votes cast at the meeting;  
or approve a different decision which does not accord with the recommendation of the Cabinet by a simple majority.*

*The decision shall then be published and implemented immediately."*

- 8 It is proposed that the Constitution be amended to provide flexibility along the lines set out in paragraph 7 above.

### **Community Impact**

- 9 There is no significant impact.

### **Equality and Human Rights**

- 10 It is considered that there are no implications in relation to public sector equality duty.

### **Financial Implications**

- 11 The proposal would have potential financial benefits by helping to avoid the need for unnecessary Council meetings.

### **Legal Implications**

- 12 The Council is required to maintain a Constitution and keep it under review.

### **Risk Management**

- 13 There is a risk of unnecessary Council meetings being called if the proposed, or similar, mechanism is not adopted.

### **Consultees**

- 14 Herefordshire Public Services Leadership Team

### **Appendices**

None

### **Background Papers**

- None identified.





<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>9 MARCH 2012</b>
<b>TITLE OF REPORT:</b>	<b>AMENDMENTS TO THE CONSTITUTION- COUNCIL PROCEDURE RULES- MEMBER QUESTIONS</b>
<b>REPORT BY:</b>	<b>ASSISTANT DIRECTOR LAW GOVERNANCE AND RESILIENCE</b>

### **Wards Affected**

County-wide

### **Purpose**

To consider a number of proposed amendments to the Constitution relating to the Council Procedure Rules on Member Questions.

### **Recommendation(s)**

**THAT:**

- (a) **Council be recommended that the Constitution provides that Member questions at Council should be answered in the order in which they are received;**
- (b) **the Committee considers whether to recommend to Council that there should be a limit placed on the number of questions any one Councillor may ask; and**
- (c) **Council be recommended that the Constitution provides that there is a time limit of 1 minute for a supplementary Member question.**

### **Key Points Summary**

- The report proposes changes to bring the approach to Member questions in line with the approach to those in place for questions from Members of the Public.

### **Alternative Options**

- 1 The Committee could maintain the current provisions, make changes as proposed or suggest a range of other approaches.

### **Reasons for Recommendations**

- 2 To clarify the arrangements for dealing with Member questions at Council meetings.

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Further information on the subject of this report is available from  
Chris Chapman Assistant Director Law Governance and Resilience on (01432) 260200

## Introduction and Background

- 3 On 18 November the Council gave authority to the Audit and Governance Committee to review the Constitution and make recommendations to the Council to amend it. There are a number of proposed amendments that the Committee is invited to consider.

## Key Considerations

4. Upon examination an anomaly has come to light in that some of the provisions in the Constitution relating to Public Questions differ from the Provisions relating to Member Questions and the reasons for these differences are not clear, or at least need to be tested and considered.
5. The provisions for public questions include the following
- a rule governing the order in which questions are dealt with (4.1.14.5)
  - a rule governing the number of questions an individual Member of the public may ask(4.1.14.6)
  - a rule relating to supplementary questions containing a time limit of 1 minute for a supplementary question (4.1.14.10)
- 6 In contrast the rules for Member Questions:
- Do not contain a rule governing the order in which questions are dealt with
  - Do not contain a rule governing the number of questions an individual Member may ask
  - Do not have time limit on supplementary questions. There is instead the general provision at 4.1.15.8 relating to the time allowed for questions as a whole which contains the provision: *“The Chairman will decide the time allocated to each question.”*
- 7 The Monitoring Officer comments:
- There seems no reason why there is not a rule governing the order in which questions are dealt with, consistent with the provisions for public questions (4.1.14.5). There is no provision for the Chairman of Council or anyone else to otherwise determine in what order Member Questions are asked. A provision that Member questions should be answered in the order in which they are received would provide clarity. The current practice is that they are listed in the order received, except that questions from any one Councillor are grouped together.
  - A member of the public may submit only one question at any meeting of the Council (4.1.14.6). There is currently no limit on Member questions. If it is agreed that questions are to be answered in the order that they are received, and there is one hour set aside for public and member questions, (subject to the Chairman having the power to extend the time, if that is considered appropriate), it raises the question as to whether there should be a limit placed on the number of questions any one Councillor may ask. This is a matter of opinion and Members are asked to consider this point. The practice of neighbouring authorities is set out below:
    - **Gloucestershire County Council:** No limit on the number of Member questions –but a time limit of 30 minutes.
    - **Shropshire Council** Provides for 30 minutes for up to 6 Member questions in total to be

dealt with, but the Chairman has the discretion to extend this.

- **Worcestershire County Council** - Member Questions limited to 30 minutes and Members are limited to 2 questions each.
- It would provide discipline to the Council's proceedings to provide a time limit on supplementary Member questions. The Chairman would have the discretion to extend this limit. It is suggested that a limit of one minute as for public questions would not be restrictive.

## **Community Impact**

8 There is no significant impact, unless it is considered that a restriction on the number of questions an individual Councillor may submit would prevent Members from fulfilling their representative role.

## **Equality and Human Rights**

9 It is considered that there are no implications in relation to public sector equality duty.

## **Financial Implications**

10 The proposals have no financial implications.

## **Legal Implications**

11 The Council is required to maintain a Constitution and keep it under review.

## **Risk Management**

12 No risks have been identified.

## **Consultees**

13 Herefordshire Public Services Leadership Team

## **Appendices**

None

## **Background Papers**

- None identified.



<b>MEETING:</b>	<b>AUDIT AND GOVERNANCE COMMITTEE</b>
<b>DATE:</b>	<b>9 MARCH 2012</b>
<b>TITLE OF REPORT:</b>	<b>INTERNAL AUDIT PROGRESS 2011/12</b>
	<b>INTERNAL AUDIT - FINANCE AND COMMERCIAL SERVICES</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

The purpose of this Internal Audit Report is to update members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed.

### **Recommendation**

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

### **Key Points Summary**

- Audit Services has finalised thirteen reviews. Three reviews are in draft. No significant issues were raised in any of these audits.
- There are 17 audits being completed. These include General Ledger, IT, Creditors and a review of the balances brought forward on the Agresso system.
- An internal payment fraud has been reported to Internal Audit. This fraud and related matters are currently being investigated by Internal Audit.
- Audit Services are continuing to provide support, guidance and information in a number of areas to Council Officers in respect of specific reviews. We have provided further information on these in Appendix 1.

### **Alternative Options**

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

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Further information on the subject of this report is available from  
Saverio DellaRocca –Head of Audit Services on (01432) 260425

## Reasons for Recommendations

- 2 To ensure compliance with good practice as set out in the Chartered Institute of Public Finance Accountants (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom.

## Introduction and Background

- 3 To ensure that the Committee is informed of the status of internal audit work and any key internal control issues identified from work completed in the last quarter.

## Key Considerations

### Summary of progress against the audit plan

- 4 The Internal Audit plan was approved by the Audit and Governance Committee on 23 August 2011. We have set out the number and type of audit reviews to be completed in Appendix 1. The following table provides further information on the status of these reviews:

<b>Total number of Audit Reviews</b>	<b>No of Audits Completed</b>	<b>No of Audits completed in Draft</b>	<b>No of Audits on-going and agreed with management</b>	<b>No of Audits to be scheduled and to be agreed with management</b>
38	13	3	17	2

- 5 Sixteen audit reviews and reports have either been finalised or are in draft. While in each area control processes could be strengthened, no significant issues were raised and all of the areas were graded either as "Adequate" or "Substantial". Where we have made recommendations these have been agreed by management and are being actioned. We have provided further information in Appendix 2 and 3 of our how we grade our audit reports and our audit recommendations.
- 6 There are currently a number of reviews being completed by Audit Services. Work on these is progressing well. Two reviews in the audit plan are being scoped and agreed with members of the Council's Leadership Team or other Directors/Managers as appropriate. Our reviews of HALO and the Adult and Social Care functions have been deferred awaiting the outcome of separate Council led reviews. Additionally, KPMG we will be providing assistance and guidance to the Chief Officer: Finance and Commercial on the Council's PFI project rather than completing a detailed audit of this area.
- 7 Audit Services remains confident that sufficient audit work will be completed by the year end so that the Head of Audit Services can form an opinion on the Council's system of internal control.

## **Summary of key audits**

- 8 We have completed our review of the payroll function. We noted that the Council managed the payroll function transitioning to HOOPLE in a controlled manner. However, there were areas that required improvement in payroll processes. These included implementing additional controls that would highlight unauthorised low value changes to an employee's payroll details, circulating establishment lists to management, the use of exception reports and the Agresso system being updated to ensure that it records and holds details of officers who have made changes to payroll data.
- 9 We have also completed an initial review of the Council's Anti-Fraud and Corruption arrangements. This area was graded as Adequate Assurance. There were a number of areas where the Council needed to develop its Anti-Fraud processes and procedures. These included further developing its Counter Fraud Policy, promoting a culture of anti-fraud within the organisation, clarifying the role of the Housing Benefit Team moving forward and assessing fraud risks as part of its risk management process. Given the importance of this area Internal Audit Services will be running Anti-Fraud and Corruption Workshops which will highlight to officer's their responsibilities in this area and how to identify and report any potential frauds which they become aware of. These workshops will be held in March 2012.

## **Audit and Other Reviews in Progress**

- 10 Audit Services are currently progressing a number of audits. These include:
  - Creditors inc Procurement;
  - General Ledger and FMS – Bank reconciliations;
  - Risk Management;
  - Business Continuity;
  - Health and Safety;
  - Shared Services - Governance;
  - CYPD – Procurement; and
  - Agresso - Transfer of balances.
- 11 These reviews will be completed and draft reports issued in due course. We will report any significant issues arising from these reviews to the next Audit and Governance Committee.

## **Fraud and other matters**

- 12 On Friday 17 February, a possible payment fraud was reported to Internal Audit. The Council has reported this matter to the Police and we are currently undertaking an investigation into the possible fraud itself and related matters.
- 13 Audit Services is also contributing into a number of other reviews for the Council. We have provided further details on this in Appendix 1.

## **Current and Forthcoming Audit Reviews**

- 14 We are currently completing our review of the Council's planning function. This audit will focus on a number of aspects, including reviewing a sample of applications to assess if they have been processed in accordance with the Council policies, ensuring any planning decisions are made with reference to the Council's Local Development Framework/Plan and planning applications are fully discussed at the appropriate Planning Committee and the results of the discussions are adequately documented.

## **Other Audit Input**

- 15 Audit Services is also contributing to a number of other reviews for the Council. We have provided further details on this in Appendix 1.

## **Audit Planning for 2012/13**

- 16 We are currently in the process of developing the Internal Audit Plan for 2012/13. This process will involve meeting with members of the HPSLT and other Director's and Manager's within the Council to understand the key issues affecting the organisation and how these will impact the Internal Audit Plan for 2012/13. Alongside this process we have initially begun to populate the Plan with key areas which we believe should be subject to Internal Audit Review in the forthcoming year. Some of these areas are detailed below:

- AMEY;
- The impact of the current Welfare Reforms;
- HOOPLE Client Side Management;
- Adult and Social care;
- Budgetary Control;
- Project Management;
- Data Protection;
- Other Income Streams; and
- Environmental Health – Food Licensing.

Any areas that will be subject to audit will be agreed in advance with the management and members of the Audit and Governance Committee.

## **Community Impact**

- 17 This report does not impact on this area.

## **Equality and Human Rights**

- 18 This report does not impact on this area.

## **Financial Implications**

- 19 There are no financial Implications.



## **Legal Implications**

20 There are no Legal Implications.

## **Risk Management**

21 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.

## **Consultees**

22 The views of the HPSLT and the Chief Officer, Finance and Commercial were consulted in the drafting of this report.

## **Appendices**

**Appendix 1 – Status of Audit Plan 2011/12**

**Appendix 2 – Audit Opinions - Definition of Assurance Grading**

**Appendix 3 – Rating of Recommendations**

## **Background Papers**

23 None



## Appendix 1 – Status of Audit Plan 2011/12 – March 2012

Note – The scope and timing of audits is subject to confirmation and the agreement of the Project Sponsor.

No	Audit Review	Status	Audit Opinion
1	Payroll (HOOPLE)	Finalised – February 2012	Adequate
2	Member Allowances	Finalised – October 2011	Substantial
3	Creditors inc Procurement (HOOPLE)	In progress – draft report to be issued shortly	-
4	Treasury Management	Finalised – January 2012	Substantial
5	Debtors and other Income Streams (HOOPLE)	In progress	-
6	General Ledger inc FMS Bank Reconciliations (HOOPLE)	In progress	-
7	NNDR and Council Tax (HOOPLE)	Finalised – October 2011	Adequate
8	Housing Benefit (HOOPLE)	Finalised – October 2011	Substantial
9	Cash and Deposits (HOOPLE)	In progress	-
10	Education Transport	Terms of reference and timing being agreed with officers.	-
11	ISO 27001 (HOOPLE/Council)	Draft report issued	Adequate
12	Application Testing – Agresso inc Trf of balances and ISIS	In progress	-
13	IT Strategy	Terms of reference and timing being agreed with officers.	-
14	Anti-Fraud and Corruption – Review of Council's arrangements and Awareness Training.	Draft report issued The Anti-Fraud and Corruption Awareness Training has been arranged for March 2012.	Adequate
15	AMEY Contract	In progress	-

No	Audit Review	Status	Audit Opinion
16	HALO Leisure Management	This audit has been deferred pending the completion of an internal review. The Council are currently completing a review of its Leisure Services which will also focus on HALO and how it fits into the Council's overall aims and objectives in delivering Leisure Services.	-
17	ABG Grant Review	Finalised – October 2011	Adequate
18	Anti-Fraud and Corruption – Hot Topics – Officer Expenses (HOOPLE/Council)	Finalised – January 2012	Substantial
19	Director Annual Assurance Statements	Draft Report issued	Draft - Adequate
20	Risk Management	In progress	-
21	Health and Safety	In progress – draft report to be issued shortly.	-
22	Business Continuity/ Emergency Planning	In progress – draft report to be issued shortly.	-
23	Performance Management	In progress	-
24	Rising to the Challenge – Project Monitoring	In progress	-
25	Benefits Realisation	Finalised – August 2011	Feedback provided to the Chief Officer – Finance and Commercial. Formal report not issued.
26	Project Management – Performance Plus	Finalised – November 2011	Feedback provided to the Assistant Director, People, Policy and Partnerships. Formal report not issued.

No	Audit Review	Status	Audit Opinion
27	Annual Governance Statement	March 2012	-
28	Shared Services - Governance (on-going) (HOOPLE)	In progress – draft report to be issued shortly.	-
29	Licensing - Taxis	Finalised – January 2012	Adequate
30	Schools	In progress	-
31	CYPD Proc Audit	In progress. We are due to meet with the Director for People Services to discuss and finalise this report shortly.	-
32	Gifts and Hospitality	Finalised – August 2011	Adequate
33	Anti Money Laundering (HOOPLE/Council)	Finalised – January 2012	Adequate
34	Sustainability	In progress	-
35	Planning	In progress	-
36	Follow Up – Agency Payments	Finalised – December 2011	Adequate
37	PFI	Advice and support being provided by KPMG to the Chief Officer – Finance and Commercial.	-
38	Adult and Social Care	A separate review of this area is being undertaken by the Council. KPMG are inputting into the review and we will follow up the recommendations flowing from this as part of our 2012/13 Internal Audit Plan.	-

## Other work

We are also providing assistance and support into matters raised by Council officers. These include:

Area	Comment
Licensing	Information and advice being provided to the Director of People Services.
Carers Support	Information and support being provided to the Chief Officer – Finance and Commercial.
Procurement of Consultants	Information and support provided to the Chief Officer – Finance and Commercial.
Review of Project Implementation	Information and support provided to the Assistant Director, People, Policy and Partnerships.

## Appendix 2 – Audit Opinions – Definition of Assurance Grading

Conclusion	Definition
<b>No assurance</b>	One or more priority one recommendations and fundamental design or operational weaknesses in more than one part of the area under review (i.e. the weakness or weaknesses identified have a fundamental and immediate impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks).
<b>Limited assurance</b>	One or more priority one recommendations, <b>or</b> a high number of medium priority recommendations that taken cumulatively suggest a weak control environment (i.e. the weakness or weaknesses identified have a significant impact preventing achievement of strategic aims and/or objectives; or result in an unacceptable exposure to reputation or other strategic risks).
<b>Adequate assurance</b>	One or more priority two recommendations (i.e. that there are weaknesses requiring improvement but these are not vital to the achievement of strategic aims and objectives - however, if not addressed the weaknesses could increase the likelihood of strategic risks occurring).
<b>Substantial assurance</b>	No or priority three only recommendations (i.e. any weaknesses identified relate only to issues of good practice which could improve the efficiency and effectiveness of the system or process).

### Appendix 3 – Rating of Recommendations

At the last Audit and Governance Committee members requested further clarification on how audit recommendations are graded. We detail below how we assess the importance of recommendations which we make. Within the table we also set out how we can apply these priorities to recommendations we could make in a particular audit. This example is a review of Health and Safety.

Priority	Definition	Health and Safety Example Audit
<b>Red</b> <i>(Priority 1)</i>	A <b>significant</b> weakness in the system or process which is putting the Council at <b>serious risk</b> of not achieving its <b>strategic</b> aims and objectives. In particular: significant adverse impact on <b>reputation</b> ; non-compliance with key statutory requirements; or substantially raising the likelihood that any of the Council's strategic risks will occur. Any recommendations in this category would require <b>immediate attention</b> .	Issues that result in non-compliance with Health and Safety Legislation, i.e. No Health and Safety Policy in place.
<b>Amber</b> <i>(Priority 2)</i>	A <b>potentially significant</b> or <b>medium level</b> weakness in the system or process which <b>could</b> put the Council at risk of not achieving its strategic aims and objectives. In particular, having the potential for adverse impact on the Council's reputation or for raising the likelihood of the Council's strategic risks occurring, <b>if not addressed</b> .	Issues that may result in non-compliance with Health and Safety legislation if not corrected or improved, ie Health and Safety Policy in place, however, incomplete in one or two sections.
<b>Green</b> <i>(Priority 3)</i>	Recommendations which could <b>improve</b> the efficiency and/or effectiveness of the system or process but which are <b>not vital</b> to achieving the Council's strategic aims and objectives. These are generally issues of <b>good practice</b> that we consider would achieve better outcomes.	Issues that are best practice, ie Health and Safety Policy in place, however, could be subject to minor improvement, such as listing new job titles for staff.