

AGENDA

Audit and Governance Committee

Date: **Monday 12 November 2012**

Time: **2.00 pm**

Place: **Assembly Hall, Shire Hall, Hereford**

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
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

AGENDA

		Pages
1.	<p>APOLOGIES FOR ABSENCE</p> <p>To receive apologies for absence.</p>	
2.	<p>NAMED SUBSTITUTES (IF ANY)</p> <p>To receive details any details of Members nominated to attend the meeting in place of a Member of the Committee.</p>	
3.	<p>DECLARATIONS OF INTEREST</p> <p>To receive any declarations of interest by Members in respect of items on the agenda.</p>	
4.	<p>MINUTES</p> <p>To approve and sign the minutes of the meeting held on 21 September 2012.</p>	1 - 10
5.	<p>ANNUAL ACCOUNTS ACTION PLAN</p> <p>To note the Audit Commission's Annual Audit Letter for 2011/12 and approve the action plan for closure of the 2012/13 accounts.</p> <p>Wards: County-wide</p>	11 - 26
6.	<p>WORK PROGRAMME 2012/13</p> <p>To consider the proposed forward work programme, which will enable the Audit and Governance Committee to discharge its responsibilities.</p> <p>Wards: County-wide</p>	27 - 36
7.	<p>INTERNAL AUDIT PROGRESS REPORT</p> <p>To receive an update on the progress made with internal audit work, and to consider any key internal control issues arising from work recently completed.</p> <p>Wards: County-wide</p>	37 - 46
8.	<p>HEALTH AND SAFETY</p> <p>To consider how Health and Safety is currently managed within Herefordshire Council, what recent improvements have been made to the delivery of Health and Safety in response to the KPMG audit, what further improvements are required, and how these might be achieved.</p> <p>Wards: None affected</p>	47 - 54
9.	<p>THE MONITORING OFFICER'S ANNUAL REPORT</p> <p>To inform the Committee about the matters within the responsibility of the Monitoring Officer, and the Council's performance for 2011-2012 with regard to the complaints under the standards framework.</p> <p>Wards: County-wide</p>	55 - 60

10. REPORT OF THE STANDARDS PANEL: BREACH OF THE MEMBERS' CODE OF CONDUCT BY COUNCILLOR MAF HUBBARD

To consider the report of the Independent Chairman of the Standards Panel in respect of a breach of Herefordshire Council's Members' Code of Conduct, by Councillor MAF Hubbard.

Wards: County-wide

[Note: this report will be sent "to follow", because the Standards Panel met on 2 November 2012, and there was insufficient time to produce the report before this agenda went to print.]

11. DATE AND TIME OF NEXT MEETING

Wednesday 5 December 2012 at 10.00 a.m. in the Council Chamber at Brockington, 35 Hafod Road, Hereford, HR1 1SH.

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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

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HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Audit and Governance Committee held at Committee Room 1, Shire Hall, Hereford on Friday 21 September 2012 at 2.00 pm

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

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

In attendance: Councillor A Seldon, in his capacity as Chairman of the Overview and Scrutiny Committee

10. APOLOGIES FOR ABSENCE

There were no apologies for absence received.

11. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes.

12. DECLARATIONS OF INTEREST

Councillor EMK Chave commented that she would need to declare a non-pecuniary interest in respect of all matters on the agenda pertaining to teachers' pensions, if any such matter arose during the Committee's discussions on the Annual Accounts. The subject did not arise during the course of the meeting, and Councillor Chave was therefore able to remain in the meeting and participate for its duration.

13. MINUTES

RESOLVED: that the minutes of the meeting held on 6 July 2012 be approved and signed as correct record by the Chairman.

Minute 7 (Work Programme 2012/12): The Chief Officer (Finance and Commercial Services) confirmed that the deferred report on the Work Programme 2012/13 would be considered by the Audit and Governance Committee at its next meeting.

14. STATEMENT OF ACCOUNTS 2011/12

[Note: The Committee agreed to change the order of business and consider Agenda Item 6 (Annual Governance Report 2011/12) before this agenda item, in order to assist the efficient transaction of business. The remainder of the agenda was considered in the published order.]

The Head of Corporate Finance presented her report, which sought the Audit and Governance Committee's approval of the 2011/12 Statement of Accounts. The report followed the same format as presented to a recent Members' seminar on the Statement of Accounts, which had been well-attended. She explained that the Statement was a technical document which all local authorities had to set out in a particular manner, in accordance with statutory accounting requirements. As such, she appreciated that its structure sometimes made it difficult to follow threads relating to particular items. She said that Members

experiencing such difficulties would be welcome ask her for assistance at any time. She outlined the key elements of the Council's financial position in the report, and during the ensuing discussion, the following additional points were made:

- **Reserves:** Members expressed concern about the reduction in reserves over the year. The Chief Officer (Finance and Corporate Services) said that this was being monitored carefully, and that he would report again to the Committee at the half-year stage, for information (Page 26 of the agenda refers).
- **Members' Allowances:** In response to a question from Councillor EMK Chave, the Assistant Director (Law, Governance and Resilience) said that he would provide her with more detail on the increase in Members' allowances, after the meeting.
- **Pay Policy Statement:** In response to a question from Councillor PJ McCaull on Officers' remuneration (Page 83 of the agenda refers), the Assistant Director (Law, Governance and Resilience) explained that the Localism Act 2011 required each local authority to produce a publically available pay policy statement listing each post with a salary of £50,000 and over. This was a separate document to the Statement of Accounts, and he agreed to forward the statement to Councillor McCaull after the meeting.
- **Partner Organisations:** The Committee felt that there was merit in receiving the management accounts of the Council's partner organisations in order to gain a greater overall picture.

RESOLVED: that

(a) the Audit and Governance Committee approves the 2011/12 Statement of Accounts;

(b) Audit and Governance Committee notes the Reserves position at the forthcoming half-year stage.

15. ANNUAL GOVERNANCE REPORT 2011/12

The Committee considered the District Auditor's statutory annual governance report for 2011/12, which set out the opinion on the Council's financial statements for 2011/12, arrangements for securing value for money, and recommendations for further improvements in the Council's governance arrangements arising from their audit work.

The District Auditor drew the following key issues from the report:

- **Changes during the financial year:** Two major agreed changes had taken place to the Council's accounting system during the course of the financial year which were considered to be areas of recognised risk, namely: (1) the Council was now working with a new integrated ledger system (Agresso); and (2) Hoople had prepared the annual accounts for the first time. The District Auditor explained that this had led to a longer audit process than usual, and closedown had been challenging, with a few deadlines missed due to the timescale for completion. Overall however, she was of the view that these risks had been managed well.
- **Financial Statements:** She talked the Committee through the statutory headings in the Financial Statements section of her report. Corrective errors identified in this section had related largely to valuations, and the overall impact of these had been a reduction in the deficit on the interest and expenditure statement. As a result of work undertaken to address the issues, there were no significant uncorrected errors in the accounts, and she was satisfied with the result.
- **Whole of Government Accounts:** She had reviewed the Whole of Government Accounts return, and acknowledged that in general, there had been an increase

in the work required to complete these. As a result, this area was still being progressed, and she anticipated that she would not be able to issue a certification of the accounts at present. This would be done in the very near future, however, and she emphasised that there would be no consequence for the Council in this respect.

Members raised the following points in discussion:

- With reference to Hoople's admittance to the Local Government pension scheme, the Chief Officer (Finance and Commercial Services) said that this would be factored into the statutory review of the pensions fund, which took place every three years. It would also be considered in 2013 as a separate issue, as part of the Council's regular financial planning. He added that the Council's Service Level Agreements were also being reviewed, and formal meetings were taking place with Hoople regularly to ensure continued confidence and transparency in the process.
- In response to a question from Councillor CNH Attwood, the Chief Officer (Finance and Commercial Services) said that he would furnish him with a financial breakdown of costings relating to Hoople.
- The Committee sought assurances that the criteria for the Waste Management Contract would be met, and noted that the responsibility for monitoring it lay with Overview and Scrutiny. The Committee observed that it was within its remit to ensure that the capital aspect of the Waste Management Contract was well-run, and members therefore asked for the Overview and Scrutiny Committee to consider this as a regular part of its work programme.

RESOLVED: that

- (a) the Audit & Governance Committee note the content of the Annual Governance Report (AGR) for 2011/12;**
- (b) the Audit & Governance Committee approves the Draft Letter of Representation for signature by the Chair of the Committee and the Chief Officer;**
- (c) the Audit & Governance Committee request that an action plan be brought forward to the next committee; and**
- (d) it be recommended to the Overview and Scrutiny Committee, that the consideration of value for money of the proposed Waste Management PFI contract, be included in its regular work programme.**

16. ANNUAL GOVERNANCE STATEMENT

The Committee considered the Head of Audit Services' report on the Annual Governance Statement for 2011/12. The report described the Council's governance and control arrangements in accordance with a prescribed national framework, and drew on a range of available information including a mixture of internal and external audit reports. The Head of Audit highlighted the main areas for improvement that had been identified, and the actions being taken to address them.

Members raised the following points in discussion:

- **Health and Safety:** The Committee emphasised the need to encourage more Members to attend Health and Safety Seminars, and to ensure full circulation of the Council's Health and Safety Policy, as part of the improvement and assurance strategy. The Assistant Director Law Governance and Resilience added that measures were also being put in place to combine the Health and Safety Plans of Hoople and NHS Herefordshire so that the overall policy was

more robust, and to ensure that all key officers were trained to Institution of Occupational Health Standards. Members requested further information on the Health and Safety principles being applied within the Council and the Assistant Director (Law, Governance and Resilience) agreed to bring a more detailed report to the next Audit and Governance committee.

RESOLVED: that

- (a) The Audit and Governance Committee notes the Annual Governance Statement 2011;**
- (b) The Audit and Governance Committee approves the Annual Governance Statement 2011/12 for inclusion in the Statement of Accounts for 2011/12; and**
- (c) The Assistant Director (Law, Governance and Resilience) be instructed to report to the next Audit and Governance Committee on the principles by which Health and Safety is being administered within the Council.**

17. ANNUAL ASSURANCE REPORT 2011/12

The Head of Audit Services presented his report which summarised the internal audit work undertaken in 2011/12, and provided an overall internal audit opinion based on this work. He referred to the 28 audits that had taken place during the year, and highlighted those areas where substantial assurance had been received, and where progress had been made on improving controls in key areas. In addition, he explained the tables of information on pages 172 and 173 of the agenda, and provided gradings of the recommendations made by Audit. He said that all of the recommendations made by Audit had been carried out, and none were currently outstanding.

The Committee acknowledged, in respect of Page 176 of the agenda, that a private meeting with the Head of Internal Audit and the Committee had not yet taken place, and members asked for this to be arranged in the near future.

RESOLVED: that

- (a) the Annual Assurance Report 2011/12 be noted; and**
- (b) a private meeting between the Audit and Governance Committee and the Head of internal Audit be arranged as soon as possible.**

18. THE ANNUAL COUNCIL MEETING

The Committee considered a report about amending the business to be discussed at the Annual Council meeting. The current arrangements provided for Annual Council to consider a mix of ceremonial and regular business. Concern had been expressed that this approach did not afford sufficient importance and weight to the civic and ceremonial role of the meeting, and that consideration of regular business was also being adversely affected. Furthermore, on past occasions, formal guests had waited a long time for the regular business to conclude, and the Committee felt that there was merit in separating the business and civic functions to eliminate this problem. The regular business of the Council would instead be considered at a programmed meeting to take place near the time of Annual Council.

The Committee noted that Council would approve this move formally in May 2013, and that the Audit and Governance Committee's permission was required in advance of that so that the necessary changes could be made to the Constitution.

RESOLVED: that it be recommended to Council that

- (a) the business to be discussed at the Annual Council meeting be amended as shown in appendix 1 of the report; and**
- (b) the Monitoring Officer be authorised to make any consequential amendments to the Constitution.**

19. REVIEW OF OVERVIEW AND SCRUTINY STRUCTURE

The Committee considered proposed changes to the Overview and Scrutiny structure, as a result of a planned 12-monthly review of the current Overview and Scrutiny model, and as a result of further review work conducted by Mr John Lamb. The emerging principal proposal was that two Overview and Scrutiny Committees be established, each with a Chairman and Vice-Chairman, namely: a Health and Social Care Overview and Scrutiny Committee, and a General Overview and Scrutiny Committee. The report also outlined a number of other measures to give effect to the principal proposal, and proposed that the Head of Governance be designated as the Council's Scrutiny Officer.

In addition to the report, further written comments on the review were tabled at the meeting. These had been received from the Leader of the Council and the Group Leaders, and from the Overview and Scrutiny Committee. A further document was also considered, listing the potential advantages and disadvantages of a multiple Overview and Scrutiny Committee model, and a single Overview and Scrutiny Committee model.

Councillor Seldon, the Chair of the Overview and Scrutiny Committee was present at the meeting, and reported that the Overview and Scrutiny Committee had suggested a change to recommendation (e) of the report before the Audit and Governance Committee, so that there was a gradual roll-out of the new dual-committee structure, starting on Monday 15 October 2012, and being completed by 1 January 2013. This would enable a more effective transition to take place. Members agreed to the proposed change.

RESOLVED: that it be recommended to Council that

- (a) the recommendations of the report on the Overview and Scrutiny (O&S) Function as set out at pages 3-4 of appendix 1 to this report be adopted;**
- (b) the authority to exercise the Authority's statutory health scrutiny functions be delegated to the Health and Social Care Overview and Scrutiny Committee;**
- (c) the Terms of Reference of the General Overview and Scrutiny Committee and the Health and Social Care Overview and Scrutiny Committee be as set out at paragraph 23 of the report ;**
- (d) each Overview and Scrutiny Committee consists of 13 Councillors and seats on each Committee be allocated by**

political proportionality as set out at paragraph 13 of the report appointments to those seats to be confirmed by Group Leaders;

- (e) the change to two Overview and Scrutiny Committees should begin to take effect from Monday 15 October 2012 with the final roll out of the two Committees from 1 January 2013;**
- (f) Council approves the appointments to the offices of Chairman and Vice-Chairman of the General Overview and Scrutiny Committees and the Health and Social Care Scrutiny Committee;**
- (g) statutory co-optees serve on the General Overview and Scrutiny Committee;**
- (h) the operating principles set out at paragraph 18 of the report form the basis of the new scrutiny model;**
- (i) the rules of proportionality are not applied to Task and Finish Groups appointed by either of the two Overview and Scrutiny Committees;**
- (j) the Head of Governance be designated as the Authority's statutory Scrutiny Officer; and**
- (k) the Monitoring Officer be authorised to make any consequential amendments to the Constitution.**

20. GRANT OF DISPENSATIONS UNDER THE LOCALISM ACT 2011

The Assistant Director (Law, Governance and Resilience) presented his report which proposed delegating the power to grant dispensations in respect of Members' participation in decision-making, where a member had a disclosable pecuniary interest. The Council's procedure rules would also require amending so that a Member with such an interest would be excluded from the meeting.

The power to grant dispensations had formerly been within the remit of the Standards Committee, but was now governed by the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012, as a direct result of the Localism Act 2011. The Regulations stipulated that members must register their disclosable pecuniary interests with the Monitoring Officer, and must disclose them at every meeting where their interests occurred. Members were not permitted to participate or vote on items of business where they had a disclosable pecuniary interest. A dispensation to enable a Member to participate in such an item of business would be required under the following circumstances:

- If so many members have DPIS that it would impede the transaction of the business, were a dispensation not to be granted;
- If, without the dispensation the strengths of political groups on the body would be so upset as to alter the likely outcome of any vote on the matter;

- If, without the dispensation, every member of Cabinet would be prohibited from participating;
- If the grant of the dispensation would be in the interests of the inhabitants of the authority's area;
- If it is otherwise appropriate to grant the dispensation.

Members agreed that, where the grounds for a dispensation were purely factual, the dispensation would be delegated to the Monitoring Officer. Where the grounds for a dispensation required political judgement, the dispensation would be granted to the Audit and Governance Committee.

RESOLVED: that it be recommended to Council that

(a) the power to grant dispensations under Section 33 (2)(b)(d) and (e) Localism Act 2011 or any subsequent amendment be delegated to Audit and Governance Committee; and

(b) the power to grant dispensations under Section 33 (2)(a) and (c) Localism Act 2011 or any subsequent amendment be delegated to the Monitoring Officer with a right of appeal to Audit and Governance Committee; and

(c) Council Procedure Rules be amended by the addition of:

“4.1.25 Exclusion of Members with Disclosable Pecuniary Interests

Where a member is prevented by virtue of a disclosable pecuniary interest from participating in a meeting, that member shall immediately vacate the room or chamber where the meeting is taking place (including any public area) unless a dispensation has been granted”

and the insertion of the words “clause 4.1.25” in clauses 4.1.2.1 and 4.1.22.1”

21. DATES OF FUTURE MEETINGS

The dates of future meetings were noted. Members asked that the meeting time for the Audit and Governance Committee on 12th November 2012 be changed from 10.00 am to 2.00 pm, to help members to accommodate other commitments on that day.

22. COMMUNITY GOVERNANCE REVIEW

[Note: This additional item was put to the Audit and Governance Committee under Paragraph 4.2.6.1 (b) of the Council's Constitution, expressly that: “The Chairman of the meeting considers that for reasons of special circumstances, the item should be considered at the Meeting as a matter of urgency.”]

The Committee considered a report about the setting-up of a sub-committee for the purpose of conducting community governance reviews (CGRs), appointing a Chairman that sub-committee, and instructing the sub-committee to conduct a review and make recommendations to the Audit and Governance Committee as to the future community governance of the Ross Town Council and Ross Rural Parish Council areas.

Council had previously decided that a community governance review of the areas of Ross Town Council and Ross Rural Parish Council, would take place in the autumn of 2013, and had empowered the Audit and Governance Committee to undertake all community governance reviews and to make recommendations to Council on the matter.

Members agreed to proceed with the CGR for Ross Town and Ross Rural Parish Councils, and appointed the members that had been nominated by Group Leaders to the sub-committee. It was further agreed that Councillor Hempton-Smith would chair the sub-committee, and that members would appoint their own Vice-Chairman at their first meeting. It was noted that, once an initial meeting date has been agreed for the sub-committee, the Assistant Director Law, Governance and Resilience would bring forward a report by way of training.

RESOLVED: that

- (a) a Community Governance Review Sub-Committee be formed with a membership of five (three members of the Conservative Group, one member of It's OUR County and one member of the Herefordshire Independents);**
- (b) the nominations of Councillors AM Atkinson, CNH Attwood, PGH Cutter, AJ Hempton-Smith and JA Hyde, be approved;**
- (c) Councilor AJ Hempton-Smith be appointed Chairman of the sub-committee, and a Vice-Chairman be appointed from the sub-committee membership at its first meeting; and**
- (d) the Sub-Committee be instructed to conduct a review and make recommendations to this Committee as to the future community governance of the Ross Town Council and Ross Rural Parish Council areas.**

23. EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED: that under section 100(A)(4) of the Local Government Act 1972, the public be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Schedule 12(A) of the Act, as indicated below and it was considered that the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

- 1 Information relating to any individual.**
- 2 Information which is likely to reveal the identity of an individual.**

24. TRANSITIONAL ARRANGEMENTS FOR STANDARDS CASES

The Assistant Director Law Governance and Resilience presented his report which outlined all of the Standards complaints against Councillors that were unresolved as at 1st July 2012 when the old Standards regime was abolished under the Localism Act 2011. The complaints required conclusion under the Council's new complaints system, and the Committee gave its instruction, both on the complaints which required further action, and on the complaints for which a right of review no longer existed in Law.

In addition, the Assistant Director Law Governance and Resilience sought delegated authority from the Committee to appoint Parish/Town Council representatives and Local Authority representatives to assist the Standards Panel in progressing complaints through the new system, as necessary.

RESOLVED: that

- (a) any case from the Standards Committee not concluded as at 1st July 2012 be referred to the Standards Panel for consideration under the Council's approved system for determining complaints against members; and**
- (b) complainants requesting a review of any decision of the Standards Committee be advised that no right to request a review now exists; and**
- (c) the Monitoring Officer, in consultation with HALC and the Chairman of the committee, be authorised to appoint parish representatives to sit on the Standards Panel; and**
- (d) the Monitoring Officer be authorised to complete the makeup of the Standards Panel with members of this authority from time to time**

The meeting ended at 4.35 pm

CHAIRMAN

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	12 NOVEMBER 2012
TITLE OF REPORT:	ANNUAL AUDIT LETTER AND ACTION PLAN 2011/12
PORTFOLIO AREA:	CORPORATE STRATEGY

CLASSIFICATION: Open

Wards Affected

County-wide.

Purpose

To note the Audit Commission's Annual Audit Letter for 2011/12 and approve the action plan for closure of the 2012/13 accounts.

Key Decision

This is not a Key Decision.

Recommendations

THAT: The Audit and Governance Committee:

- (a) **notes the Audit Commission's Annual Audit & Inspection Letter for 2011/12; and**
- (b) **approves the action plan for the 2012/13 accounts.**

Key Points Summary

1. The Audit Commission issued an unqualified opinion on the council's financial statements.
2. The Audit Commission concluded that the council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.
3. The Audit Commission has identified four key issues for the council in 2012/13
 - Financial position
 - Adult Social Care
 - Waste disposal; and
 - Health and Social Care Act

For further information on this report please contact David Powell: Chief Officer: Finance & Commercial on 01432 383519

Alternative Options

4. There are no alternative options.

Reasons for Recommendations

5. To ensure Audit and Governance Committee are aware of the Audit Commission's assessment of the 2011/12 financial statements and key issues for 2012/13.

Introduction and Background

6. The Annual Audit Letter provides an overall summary of the Audit Commission's 2011/12 audit of the council. It draws on the Commission's audit, inspection and performance assessment work over the last year. Many of the comments will therefore be familiar as this report summarises the key points of previous Audit Commission reports.

Key Considerations

Financial Statements

7. The audit comprises two elements; the audit of financial statements and the auditor's assessment of arrangements to achieve value for money in the use of resources. In both cases the council received an unqualified opinion.
8. The audit of the financial statements was completed with good co-operation provided by officers throughout the audit, particularly as 2011/12 was clearly a difficult financial reporting year. In 2011/12 the Council transferred responsibility for preparing financial statements to its joint venture company partner, Hoople. This meant that many of the officers involved in preparing the financial statements were new to the roles they were asked to perform.
9. During 2011/12 the council also brought in a new integrated ledger system with the final phase, capital accounting, being implemented during the closedown period.
10. The Audit Commission reported their findings from this audit to the Audit and Governance Committee in September 2012 and gave an unqualified opinion on the annual accounts in the same month. During the audit, management agreed to make a number of adjustments to the statement of accounts, mainly to improve the notes to the accounts.
11. An action plan has been drawn up to improve the closedown process for the 2012/13 accounts.

Financial Position

12. The Audit Commission acknowledges that the council has a well developed medium term financial strategy and is all too aware that the current and future challenges, such as an ageing local population and significant reductions in central government funding. These factors will continue to increase the pressure on its budget. The council currently has adequate reserves and balances, but they are reducing.
13. The council achieved savings of over £8 million in 2011/12. The savings were made in three ways; through efficiencies, reforming some services and service cuts but the emphasis has been on avoiding cuts. Most of the savings and income generation

measures taken have an ongoing effect. However, there was slippage in the delivery of some planned procurement savings which have required adjustment to the 2012/13 budget. The council is now planning to build on the work of a recent Local Government Association pilot project to develop a unified and more robust framework for monitoring the performance of service delivery contracts. This is important as much of the council's service delivery is now through external providers.

14. The letter states that the council's governance arrangements for delivering the savings are on the whole robust and clear. Responsibility for delivering the savings is clearly defined and there are corporate arrangements for developing and critically evaluating savings plans which should help the council make the further savings required.

Adult Social Care

15. The Audit Commission comments that support for Older People has enjoyed a period of stability in leadership in the last two years. This has helped this key area draw up plans to change the way the service is provided.
16. The council asked its internal auditors to review the financial management arrangements in Adult Social Care in 2012. This review painted a picture of an adult social care finance function which was performing its basic traditional responsibilities adequately but was not sufficiently involved in key decisions. The Council has recently taken action to strengthen financial management and has appointed a more senior finance officer to the team. The 2012 Strategic Delivery Plan for transforming Adult Social Care attempted to make a clear link between objectives and the activities, finance and savings to deliver them.
17. The Audit Commission's view is that the council should reconsider the amount provided for Adult Social Care budget.

Waste Disposal

18. Arrangements under the Waste Disposal contract were reviewed and it was noted that the council is taking the necessary and appropriate advice and is planning to undertake the required work to ensure the eventual decisions are taken in accordance with the law and provide value for money. In February Cabinet approved a set of criteria, including financial parameters, which must be met before a variation is approved. Herefordshire Council is also commissioning a separate review of whether a revision to the contract is the right approach for itself as well as the partnership.

Health and Social Care Act

19. The council will have a very important role through its new responsibilities for public health. The council's transition plan has been rated 'green' by the Department of Health and all key project milestones have been agreed to date.

Next Steps

20. The Annual Audit letter made eight recommendations which are attached as Appendix A.

Financial Implications

21. None arising as a direct result of this report

Risk Management

22. The response to the issues identified by the Audit Commission in their Annual Audit Letter 2011/12 will underpin an improvement in the Council's audit, inspection and performance assessments over the next 12 months.

Appendices

- Action plan template
- Annual Audit & Inspection Letter 2011/12

ACTION PLAN

Recommendation 1

Ensure that sufficient time is left at the end of the closedown of the accounts for a detailed check of the statement of accounts.

Responsibility Heather Foster – Head of Corporate Finance

Timescale Timetable to be agreed January 2013 for accounts closure process for 2012/13 accounts.

Comments This is agreed. The council will work with its supplier of financial support (Hoople) to ensure the accounts are delivered in a timely manner and within the agreed timetable.

Recommendation 2

Provide adequate working papers and explanations to support the figures in the statement of accounts at the start of the audit via one Council finance officer.

Responsibility Hoople in consultation with Heather Foster – Head of Corporate Finance

Timescale To be completed by end of January 2013.

Comments This is partially agreed. The council will discuss requirements with our new external auditors (Grant Thornton) to understand their working practices so that this recommendation is delivered. There will also be a review of Hoople's performance to ensure supporting information is adequate for accounts closure. And identify lead officers from both organisations to coordinate the key working papers (note not all).

Recommendation 3

Ensure that there is an agreement confirming the basis of HOOPLE's admission to the Local Government Pension Scheme

Responsibility David Powell – Chief Officer: Finance & Commercial

Timescale By end of November 2012

Comments The agreement is based on a series of decisions taken as part of the overall establishment of Hoople Ltd. A separate admission agreement confirming the basis of Hoople's admission to the scheme was completed in 2011, but further words to clarify responsibilities will be written.

Recommendation 4

Improve controls on the input of journals

Responsibility Hoople in consultation with Heather Foster – Head of Corporate Finance

Timescale Audit by end of November 2012

Comments This is not fully accepted. The current system is based around the controls for electronic entry of journal movements on the financial system. This provides adequate controls and will be subject to audit in 2012/13. The electronic system does not have journal "vouchers" and to introduce paper records would duplicate existing activity.

Recommendation 5

Ensure there are adequate controls over the interface of feeder systems with the general ledger

Responsibility Hoople

Timescale December 2012

Comments This is accepted and the current issues will be resolved as systems are replaced and functions migrate to new software.

ISIS / Abacus issues were picked up in the General Ledger audit: note if the figures do not balance the interface cannot be uploaded.

Recommendation 6

Consider areas where routine assurances are required from HOOPLE

Responsibility David Powell – Chief Officer: Finance & Commercial

Timescale Implemented

Comments This has been implemented through new contract monitoring processes. The Chief Financial Officer receives monthly performance data about key financial controls such as bank reconciliations.

Recommendation 7

Provide revised guidance to staff on the capitalisation of road repairs and enhance checking arrangements to ensure that this is complied with.

Responsibility David Powell – Chief Officer: Finance & Commercial

Timescale By end of November 2012

Comments Accepted. The council's internal auditor is reviewing and advising on the current approach to capitalisation. The audit will provide the Chief Financial officer with an independent assessment.

Recommendation 8

Tighten closedown controls over capital expenditure

Responsibility Heather Foster – Head of Corporate Finance

Timescale Early January 2013

Comments Accepted. The council will work with Hoople to ensure retention sums and year end works are appropriately treated. This will require full integration of the key dates and actin into the closedown timetable.

26 October 2012

Members
Herefordshire Council
Hafod Road
Hereford
HR11SH

Direct line 0844 798 7552
Email l-cave@audit-
commission.gov.uk

Dear Member

— **Herefordshire Council Annual Audit Letter 2011/12**

I am pleased to submit my Annual Audit Letter which summarises my 2011/12 audit of Herefordshire Council.

The results of my audit

Following the Audit and Governance Committee, on 27 September 2012:

- I issued an unqualified opinion on the Council's 2011/12 financial statements;
- I concluded that the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

I also completed the Whole of Government Accounts audit on 4 October 2012 and issued my certificate that the Audit is complete on the same day.

The Council's financial statements

On 20 September 2012 I presented my Annual Governance Report (AGR) to the Audit and Governance Committee outlining the findings of my audit of the 2011/12 financial statements. In this letter I summarise the main issues.

I am grateful for the good co-operation provided by officers throughout the audit, particularly as 2011-12 was clearly a difficult financial reporting year. In 2011-12 the Council transferred responsibility for preparing financial statements to its joint venture company partner, Hoople. This meant that many of the officers involved in preparing the financial statements were new to the roles they were asked to perform.

During 2011-12 the Council also brought in a new integrated ledger system with the final phase, capital accounting, being implemented during the closedown period. This degree of change is rarely seen in a single year and adversely affected the approach I usually see at this Council.

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As a consequence of the ledger implementation and change of roles, the Council did not leave sufficient time for a full quality review of the draft accounts. The first draft accounts contained numerous errors, with the main problem area being capital assets where there was incorrect disclosure of movements and inaccurate and incomplete application of valuation changes. None of the adjustments necessary had any impact on the amounts to be met from taxpayers or the contribution to earmarked reserves or the general fund balance.

Supporting working papers were issued piecemeal throughout the audit and provided an inadequate and overly-complex trail for the analysis of income and expenditure in the Comprehensive Income and Expenditure Statement and for debtor and creditor balances. A full set of working papers supporting the figures in the accounts should be made available to client officers before the accounts are authorised for issue. This will not only make the audit much more efficient but also help client officers assure themselves of the integrity of the statement of accounts.

Before I issued my assurance statement on the Whole of Government Accounts submission, the Council corrected a number of errors above £1 million and provided some supplementary data

I have since provided officers with a memorandum with recommendations to help the closedown and audit next year.

Key Issues for the Council in 2012/13

I have identified four key issues, from the audit perspective, that I believe the Council will continue to need to focus upon in the coming year:

- Financial position
- Adult Social Care
- Waste disposal; and
- Health and Social Care Act

Financial position

The Council has a well developed medium term financial strategy and is all too aware that the current and future challenges, such as an ageing local population and significant reductions in central government funding, will continue to increase the pressure on its budget. The Council currently has adequate reserves and balances, but these have fallen by about a third in three years as shown in Table 1 and are likely to continue to be under pressure.

Table 1 Herefordshire Council useable reserves

Revenue reserves and balances at 31 March	£m
2009	29.3
2010	24.6
2011	23.9
2012	19.6

In 2011/12 the Adult Social Care budget overspent by £5.5 million but this was largely balanced by underspending in other areas meaning there was a small Council overspend of £0.5 million.

The Council achieved savings of over £8 million of savings in 2011/12. The savings were made in three ways; through efficiencies, reforming some services and service cuts but the emphasis has been on avoiding cuts. Most of the savings and income generation measures taken have an ongoing effect. However, there was slippage in the delivery of some planned procurement savings which have required adjustment to the 2012-13 budget. My work over recent years and recent internal reviews point to the management of out-sourced provision as a development area for the Council. I am encouraged to see that the Council is now planning to build on the work of a recent LGA pilot project to develop a unified and more robust framework for monitoring the performance of service delivery contracts. This is important as much of the Council's service delivery is now through external providers.

The Council's governance arrangements for delivering the savings are on the whole robust and clear. Responsibility for delivering the savings is clearly defined and there are corporate arrangements for developing and critically evaluating savings plans which should help the Council make the further savings required. However review of the 2012/13 projects considered at risk (which I discuss later in this letter) indicate that there may be scope to improve how this process works in practice.

The Council's 2012-13 base budget requires Directorates to make £9.6m of savings and for centrally held budgets to save £1.2m. However, slippage in the delivery of 2011-12 budgeted savings in Adult Social Care and procurement added a further £7.1m to the savings required making a total of £17.9m of savings to be delivered in 2012-13.

Information up to the end of August 2012 indicates that actions have already been taken that will deliver £6.2m of these savings and of the balance of £4.1m is rated as “red risk.” The most recent report to Cabinet forecast an overspend of £2.3 million based on the position at the end of July 2012. More significant savings are required for 2013/14 and this year could be challenging due to funding changes and additional service pressures.

Given the scale of the financial challenge, it is important to regularly review the method and frequency of financial reporting to Members. In last year’s audit letter I recommended some areas where your sound processes could be further enhanced to deal with the more demanding financial environment you are now in. This included increasing the frequency and timeliness of reporting to Members. The Council is currently reviewing financial reporting arrangements and intends to report to Members progress against savings targets as well as providing stronger links between financial reporting and performance. Members now need to consider whether the frequency, timing and content of financial reports is sufficient for this more challenging financial environment. I also believe that there is scope to provide Members with clearer information about the amounts being planned to be taken out or added to general and specific reserves each year.

Adult Social Care Services

In my previous Audit Letters I drew attention to the continuing overspending in Adult Social Care. As mentioned earlier, in 2011/12 this service overspent by £5.5 million including an element of roll over from previous years. Table 2 shows how the overspending has risen over recent years.

Table 2 Overspending on Adult Social Care

	£m
2008-09	0.75
2009-10	2.73
2010-11	4.35
2011-12	5.54

Meanwhile demand for these services is predicted to sharply rise in future years due to demographic trends both nationally and locally. In my experience the way to address this overspending involves three elements;

- continuing to challenge and reform the way services are provided
- ensuring financial management is fit for purpose: and
- ensuring that the budget is challenging but realistic.

The Service has enjoyed a period of stability in leadership in the last 18 months. This has helped in allowing the service to draw up plans to change the way the service is provided. My review of the savings plans for 2011/12 and 2012/13 has indicated that a greater proportion of planned savings are recurring in nature than previously. However, the delivery of planned savings slipped by £5.6m in 2011/12 and the slippage has been added to the 2012-13 required savings increasing the total needed to about £8m in 2012-13. Monitoring information up to the end of August 2012 indicates that actions have already been taken that will deliver £1.5m of these savings and of the balance about £5m is reported as at risk.

In the initial phase of a root and branch review of Older People, the Council has reviewed current plans for the transformation of the service and carried out some valuable benchmarking of service activity and costs. The review identified that the Council has a significantly lower client contribution to the costs of residential and nursing care and has higher unit costs for residential care, direct payments and domiciliary care than average. The Council fully appreciates it needs to concentrate now on changing the pattern of demand including further development of preventative approaches e.g. adaptive technologies. This may mean continuing to move from "buildings based" provision to community based provision.

The Council asked its internal auditors to review the financial management arrangements in Adult Social Care in 2012. This review painted a picture of an adult social care finance function which was performing its basic traditional responsibilities adequately but was not sufficiently involved in key decisions. The Council has recently taken action to bolster financial management and has appointed a more senior finance officer to the team. The 2012 Strategic Delivery Plan for transforming Adult Social Care attempted to make a clear link between objectives and the activities, finance and savings to deliver them. I consider that this is going in the right direction by further embedding financial management into service decision making. In last year's audit letter I re-emphasised the need to ensure that there is commitment accounting so that there is a full picture of care packages already agreed by the Funding panel. I understand that commitment accounting in Adult Social Care is now being implemented.

The continuing overspending in this Service indicates in my view that the current budget is unrealistic. It is understandable that the Council would not want to increase service budgets without evidence of necessary reform. However an unrealistic target can reduce the incentive for officers to keep within budget. The Council should reconsider the Adult Social Care budget and this may mean some more difficult decisions need to be taken in other areas. The Council is currently analysing information from a survey by the Association of Directors of Adult Social Care Services on levels of funding to meet budget pressures to re-assess the local approach. Members need to monitor this area closely and be prepared to make some difficult decisions.

Waste disposal

As I reported in last year's Annual Audit Letter, the Worcestershire and Herefordshire Waste Private Finance Initiative contract with Mercia Waste Management Ltd (Mercia Waste) was set up in December 1998. It was predominantly based around a waste to energy facility for which planning permission was subsequently refused. In the last fourteen years alternative technologies and ways forward have been explored. The contract includes an option to terminate on a 'no fault basis' as at March 2002 in the event that planning permission is not granted. This clause was suspended whilst the Councils and contractor tried to find an alternative solution and therefore the contract has continued to operate as originally intended.

In July 2012 permission was finally granted to Mercia Waste for a waste to energy plant in Hartlebury, Worcestershire. There are now complex issues for the Councils to consider in relation to:

- achieving overall value for money from the contract and potential variations to the contract, or any alternative waste disposal provision;
- considering, within this context, the impact of PFI credits and changes to the government policies on landfill (LATS penalties);
- taking into account, and balancing, the views and interests of taxpayers; and
- ensuring any variation is within the legal powers of the Councils.

From my ongoing work I am satisfied that the Councils are taking the necessary and appropriate advice and are planning to undertake the required work to ensure the eventual decisions are taken in accordance with the law and provide value for money. In February Cabinet approved a set of criteria, including financial parameters, which must be met before a variation is approved. Herefordshire Council is also commissioning a separate review of whether a revision to the contract is the right approach for itself as well as the partnership.

Health and Social Care Act

The Health and Social Care Act 2012 conferred new responsibilities on the Council which included:

- A duty to improve the health of the population
- A duty to provide population healthcare advice to support NHS commissioning
- A duty to ensure that the population is protected against communicable diseases and other threats to health.

The Council will have a very important role through its new responsibilities for public health as well as its existing responsibilities for social care, the economy and the environment.

The Council's transition plan was developed using good project management (Prince 2) methods. A progress statement to the July Cabinet reported good progress. This plan has been rated "green" by the Department of Health and all key project milestones had been achieved to date.

Closing remarks

I have discussed and agreed this letter with the Chief Officer Finance and Commercial Services. While this has been a challenging year for the Council I wish to thank the finance staff for their very positive and constructive approach they have taken to my audit. I also wish to thank senior management and the Audit and Governance Committee for their support and co-operation during the audit.

Yours sincerely

Elizabeth Cave
District Auditor

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	12 NOVEMBER 2012
TITLE OF REPORT:	WORK PROGRAMME 2012/13
REPORT BY:	CHIEF OFFICER (FINANCE AND COMMERCIAL SERVICES)

CLASSIFICATION: Open

Wards Affected

County-wide

Purpose

The purpose of this report is to provide Members with a forward work programme to enable them to discharge their responsibilities as the Audit and Governance Committee.

Key Decision

This is not a Key Decision.

Recommendation

THAT: The Audit and Governance Committee:

- (a) approves the work programme as a basis for future agenda items, subject to any comments the Committee wishes to make.**

Key Points Summary

- The Terms of Reference of the Audit and Governance Committee are set out in Appendix 1 (section 5.12.5).
- The work programme (Appendix 2) has been drafted with reference to the requirements set out in Section 5.12.5. The work programme may be modified by the Chairman following consultation with the Vice Chairman and the Chief Officer - Financial and Commercial Services.
- The work programme captures only the regular and annual responsibilities of the Audit & Governance Committee. Further items will be included in relevant meeting agendas as required.

Alternative Options

- 1 None as the Committee must fulfil its requirements as set out in the terms of reference, although it may request others items of information in addition to that set out in the work programme.

Reasons for Recommendations

- 2 To ensure the Committee can meet its terms of reference.

Introduction and Background

- 3 Section 12, paragraph 5.12.5 of the Audit and Governance Code sets out the terms of reference of the Audit and Governance Committee. In order to discharge these responsibilities effectively the Committee needs to plan its forward programme.

Key Considerations

- 4 The Committee's terms of reference have been developed in line with the latest best practice. The items set out in the work programme are the minimum information requirements the Committee needs to fulfil its obligations.
- 5 The Committee may request other information/reports as appropriate but will need to ensure that it does not extend beyond its remit.
- 6 The work programme may be modified by the Chairman following consultation with the Vice Chairman and the Chief Officer - Financial and Commercial Services.
- 7 Should any urgent, prominent or high profile issues arise, the Chairman may consider that issue.
- 8 Should Members become aware of any issues they consider may be added to the work programme, they should contact the Chairman or Democratic Services to log the issue so that it can be taken into account when planning future agendas or when planning the work programme.

Financial Implications

- 9 There are no financial Implications.

Legal Implications

- 10 There are no legal Implications.

Risk Management

- 11 There is a risk that the Committee will not fulfil its obligations under its terms of reference. The work programme mitigates this risk.

Appendices

Appendix 1- Audit and Governance Committee terms of reference

Appendix 2 - Work programme 2012/13

Section 12 - Audit and Governance Code

5.12.1 Composition

- 5.12.1.1 The Committee will consist of seven non-executive councillors and may include an independent person who is not a councillor. This person, if appointed, must be appointed chairman of the Committee in accordance with Council Procedure Rule 4.1.5.2 (Part 4 section 1).

5.12.2 Purpose

- 5.12.2.1 The Council appoints the Audit and Governance Committee to ensure the effective and fully compliant governance of the Council and in particular to ensure that all aspects of the financial affairs of the Council are properly and efficiently conducted. The main purpose of this Committee is therefore to review and approve the Council's annual governance statement and annual statements of account. In so doing, the Committee shall scrutinise the effectiveness of, and management compliance with, the systems identified in the annual governance statement framework and monitor the progress made by management in implementing improvements to elements of that framework identified by external or internal audit review.

5.12.3 Key Terms

- 5.12.3.1 The **annual governance statement framework** identifies the individual systems and sources of evidence used to support the preparation of the **annual governance statement**.
- 5.12.3.2 The key systems identified in the framework include risk management, procurement, the whistle blowing policy, the control environment and associated counter fraud and corruption arrangements, and the complaints process.
- 5.12.3.3 The key sources of evidence identified in the framework include the annual governance letter, external audit reports and the Chief Internal Auditor's audit assurance reports.
- 5.12.3.4 The **annual governance statement** is prepared in advance of the annual statements of account; it provides a commentary from management on compliance with the Council's code of governance and identifies areas for further improvement.

5.12.4 Scope of the Audit & Governance Committee

- 5.12.4.1 The functions, powers and duties of the Audit and Governance Committee are set out in its Terms of Reference at 5.12.5. The Committee is able to call senior officers and appropriate members to account on issues within the Committee's remit as defined by its Terms of Reference.
- 5.12.4.2 The Committee is not responsible for reviewing specialist external inspection reports on service performance (for example, the annual OFSTED inspection) unless issues have been identified that directly

relate to matters within the Committee's remit (for example, risk management of service related issues).

5.12.4.3 The Committee will not receive detailed information on investigations relating to individuals. The general governance principles and control issues may be discussed, in confidential session if applicable, at an appropriate time, to protect the identity of individuals and so as not to prejudice any potential action by the Council.

5.12.5 Terms of Reference

5.12.5.1 The Committee's terms of reference shall be maintained in line with the Chartered Institute of Public Finance & Accountancy's (CIPFA's) latest best practice guidance for Audit Committees. The key statements made by CIPFA are highlighted in bold in the Committee's Terms of Reference.

5.12.5.2 **To consider the effectiveness of the Council's risk management arrangements, the control environment and associated counter fraud and corruption arrangements** by:

- a Reviewing and approving the annual governance statement framework once a year.
- b Approving the Council's counter fraud and corruption policies and reviewing them on a biennial basis.
- c Reviewing and approving the Council's whistle blowing policy on a biennial basis.
- d Being part of the consultation process when the Council's complaints policy is being reviewed.
- e Monitoring the effective operation and development of the systems identified in the annual governance statement framework, calling for special reports where necessary and bringing to notice any inconsistency, short comings, gaps or duplications in these systems.

5.12.5.3 **Seek assurance that action is taken on risk related issues identified by auditors and inspectors** by:

- a Monitoring acceptance by management of audit recommendations and progress in implementing agreed action plans.
- b Reviewing audit recommendations not accepted by management and making an appropriate recommendation to Cabinet if it is considered that the course of action proposed by management presents a risk in terms of the effectiveness of or compliance with the Council's control environment.
- c Monitoring progress upon the further improvements identified in the annual governance statement.
- d Monitoring progress in respect of resolutions and recommendations made by the Committee.

5.12.5.4 **Satisfy themselves that the Council's assurance statements, including the annual governance statement, properly reflect the risk environment and any actions required to improve it by:**

- a Reviewing and approving the annual governance statement framework annually.
- b Receiving and commenting upon the Chief Internal Auditor's annual report on the Council's risk environment.

5.12.5.5 **Approve internal audit's strategy and plan and oversee performance by:**

- a Reviewing and approving the internal audit strategy, internal audit charter and annual internal audit plan once a year, commenting on the adequacy of internal audit resources to ensure key systems are examined in line with the assessed level of risk. Exceptionally, the Committee may identify specific lines of enquiry for internal audit work in line with paragraph 5.12.5.12 (f).
- b Reviewing performance against the internal audit plan through the interim and final audit assurance reports prepared by the Chief Internal Auditor for each of the Committee's meetings.
- c Noting the external auditor's opinion on the quality and effectiveness of the internal audit function.
- d Commenting on the scope for further improvement in internal audit performance and / or cost effectiveness where it is appropriate to do so.

5.12.5.6 **Review summary internal audit reports and the main issues arising, and seek assurance action is taken where necessary by:**

- a Noting the Chief Internal Auditor's summary of key findings for audit reviews that have resulted in an unsound or unsatisfactory audit opinion being issued which will be included in his / her interim audit assurance reports and commenting on the management response to those issues as appropriate.
- b The Chief Internal Auditor providing the Chairman of the Audit and Governance Committee with a copy of audit review reports with an unsound, unsatisfactory or marginal audit opinion.
- c The Chief Internal Auditor providing the Chairman of the Audit and Governance Committee with written confirmation of audit review reports with a satisfactory or good audit opinion.

5.12.5.7 **Receive the annual report of the Head of Internal Audit by:**

- a Reviewing the Chief Internal Auditor's annual report to support the Annual Governance Statement.
- b Reviewing the interim and final audit assurance reports prepared for the Committee by the Chief Internal Auditor.
- c Receiving assurance on the opinion given on the overall adequacy and effectiveness of the Council's control environment.

- 5.12.5.8 **Consider the reports of external audit and inspection agencies and take appropriate action where relevant to the committee remit by:**
- a Reviewing and commenting on external audit and inspection reports.
 - b Reviewing and commenting on the management response to external audit and inspection recommendations.
 - c Monitoring progress in implementing the management response to external audit and inspection recommendations.
- 5.12.5.9 **Ensure there are effective relationships between external and internal audit, inspection agencies and other relevant bodies by:**
- a Reviewing and agreeing the external auditor's annual audit plan, including the annual audit fee.
 - b Receiving regular update reports on progress from the external auditor.
 - c Meeting privately with the external auditor once a year, if required.
 - d Monitoring the effectiveness of relationships between the external and internal auditors to ensure that the combined value of the two audit processes is maximised.
- 5.12.5.10 **Ensure the organisation actively promotes the value of the audit process by:**
- a Providing effective and objective scrutiny of the Council's governance arrangements, that are relevant to the committee's remit.
 - b Reviewing and commenting on any issue referred to it by the Chief Executive, a Director, or Cabinet Member or by any Herefordshire Council body.
 - c Reviewing and making recommendations on any proposed amendments to the Council's code of corporate governance, financial procedure rules, contract and procurement procedure rules, scheme of delegation, budget policy, procedure rules or governance arrangements.
- 5.12.5.11 **Review the financial statements, external auditor's opinion and reports to members, and oversee management action in response to the issues raised by external audit by:**
- a Receiving biannual forecasts of revenue and capital outturn, satisfying itself that appropriate and timely measures are in place to ensure compliance with paragraph 4.7.10 of the Council's Financial Procedure Rules (Part 4 section 7).
 - b Reviewing and approving the annual statement of accounts, commenting where appropriate on any issues that need to be brought to the attention of the Council.
 - c Reviewing and approving the annual letter of representation.

- d Receiving the external auditor's annual governance letter and commenting on the management response to any recommendations made.

5.12.5.12 **Other matters** not covered by CIPFA's latest best practice guidance for audit committees:

- a The Committee's meetings shall follow the principles of scrutiny i.e. no party whip shall be applied and a constructive, evidence based approach will be used.
- b The Committee shall ensure that its members receive adequate training on the areas covered by the Terms of Reference.
- c The Committee's members will ensure that any sensitive or confidential information obtained as a result of membership of the Committee is treated as such.
- d The Committee shall receive assurance from the Chief Internal Auditor that officers are complying with the Council's procurement policy and processes in all respects.
- e The Committee shall comment on the scope, depth and value for money of external audit.
- f In consultation with the Section 151 Officer, the Committee shall call for reviews/reports where the committee has identified significant gaps in the Council's internal control and governance processes, and develop the scope of these reviews with the Chief Internal Auditor.
- g The Committee shall review its effectiveness and Terms of Reference on an annual basis.
- h The Committee shall monitor progress in developing joint internal audit arrangements on matters of mutual or shared interest with NHS Herefordshire (the Primary Care Trust).
- i The Committee will contribute to the Council's programme of improvement in the standards of accuracy, clarity, comprehensiveness and conciseness in the Council's financial and associated documentation

APPENDIX 2 - Audit and Governance Committee work programme 2012/13

11 May 2012	6 July 2012
<p>Internal Audit</p> <ul style="list-style-type: none"> • Internal Audit Progress Report [5.12.5.5 b] [5.12.5.6 a, b, c] 	<p>Internal Audit</p> <ul style="list-style-type: none"> • Internal Audit Strategy and Annual Internal Plan 2012/13 [5.12.5.5 a] [5.12.5.12 h] <p>External Audit</p> <ul style="list-style-type: none"> • Annual Audit Fee Letter and Audit Work 2011/12 [Ref 5.12.5.9 a] [5.12.5.12 e] <p>Other</p> <ul style="list-style-type: none"> • Draft Annual Governance Statement 2011/12 [Ref 5.12.5.2 a, e] [5.12.5.3 c] [5.12.5.4 a]
21 September 2012	9 October 2012
<p>Internal Audit</p> <ul style="list-style-type: none"> • Internal Audit Annual Assurance Report 2011/12 [5.12.5.4 b] [5.12.5.5 d] [5.12.5.7 a, b, c] <p>External Audit</p> <ul style="list-style-type: none"> • Annual Governance Report– 2011/12 [5.12.5.5 c] [5.12.5.8 a, b, c] [5.12.5.11 d] • Reviewing and approving the annual letter of representation [5.12.5.11 c] <p>Other</p> <ul style="list-style-type: none"> • Financial Statements Approval – 2011/12 [5.12.5.11 b] • Annual Governance Statement 2011/12 [Ref 5.12.5.2 a, e] [5.12.5.3 c] [5.12.5.4 a] 	<p>Meeting cancelled</p>
12 November 2012	5 December 2012
<p>Internal Audit</p> <ul style="list-style-type: none"> • Internal Audit Progress Report [5.12.5.5 b] [5.12.5.6 a, b, c] <p>External Audit</p> <ul style="list-style-type: none"> • Annual audit letter – 2011/12 <p>Other</p> <ul style="list-style-type: none"> • Monitoring Officer’s Annual Report 	<p>Internal Audit</p> <ul style="list-style-type: none"> • <p>External Audit</p> <ul style="list-style-type: none"> • <p>Other</p> <ul style="list-style-type: none"> •

<ul style="list-style-type: none"> • Meeting privately with the Internal Auditors • Meeting privately with the External Auditors [5.12.5.9 c, d] • Receiving biannual forecasts of revenue and capital outturn [5.12.5.11 a] 	
<p>18 January 2013</p> <p>Internal Audit</p> <ul style="list-style-type: none"> • Internal Audit Progress Report [5.12.5.5 b] [5.12.5.6 a, b, c] • Procurement Report [5.12.5.12 d] <p>External Audit</p> <ul style="list-style-type: none"> • <p>Other</p> <ul style="list-style-type: none"> • 	<p>19 February 2013</p> <p>Internal Audit</p> <ul style="list-style-type: none"> • <p>External Audit</p> <ul style="list-style-type: none"> • <p>Other</p> <ul style="list-style-type: none"> •
<p>15 March 2013</p> <p>Internal Audit</p> <ul style="list-style-type: none"> • Internal Audit Progress Report [5.12.5.5 b] [5.12.5.6 a, b, c] <p>External Audit</p> <ul style="list-style-type: none"> • <p>Other</p> <ul style="list-style-type: none"> • Counter Fraud and Corruption policies – Biennial Review and Approval [5.12.5.2 b] • Whistle blowing policy – Biennial Review and Approval [5.12.5.2 c] • Review of Complaints Policy (if applicable) [5.12.5.2 d] • Receiving biannual forecasts of revenue and capital outturn [5.12.5.11 a] • Review of the effectiveness of the Audit and Governance Committee and the Terms of Reference [5.12.5.12 g] 	<p>16 April 2013</p> <p>Internal Audit</p> <ul style="list-style-type: none"> • <p>External Audit</p> <ul style="list-style-type: none"> • <p>Other</p> <ul style="list-style-type: none"> •

Notes

1. Each proposed work item has been referenced back to the Audit and Governance Code to demonstrate how the work programme helps the Committee discharge its responsibilities.

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	12 NOVEMBER 2012
TITLE OF REPORT:	INTERNAL AUDIT PROGRESS 2012/13
REPORT BY:	HEAD OF AUDIT SERVICES

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: The Audit and Governance Committee:

(a) notes the report, subject to any comments the Committee wishes to make.

Key Points Summary

- Audit Services has completed a number of audits including, Public Health – Food Licensing and reviews of Income Collection Procedures over three separate Council functions. Of these completed audits we have finalised our ICT 27001 review of the Council's Modern Records Unit. No significant issues were identified as part of this audit. In all of the other areas reports have been issued to management and we are in the process of finalising them.
- There are a number of audits being completed. These include reviews of Procurement, Payroll, Council Tax and NNDR and Data Protection.
- Audit Services are continuing to provide support, guidance and information in a number of areas to Council Officer's in respect of specific reviews. We have provided further information on these areas at points 13 and 14.

Alternative Options

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

Reasons for Recommendations

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

Introduction and Background

3. The purpose of this report is 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 6 July 2012. We have set out the number and type of audit reviews to be completed in Appendix 1.
5. Internal Audit Services is progressing with the Internal Audit Plan. To date, four audit reviews have been completed in draft and one report has been finalised. There are currently seven reviews being completed by Audit Services. The remainder of the reviews in the audit plan are being scoped and agreed with members of the Council's Leadership Team, the Council's Chief Finance Officer and Directors as appropriate.
6. Audit Services is confident that sufficient audit work will be completed by the year end so that the Head of Internal Audit can form an opinion on the Council's system of internal control.

Audit Reviews completed

7. Four audit reviews and reports have been completed in draft: Public Health – Food Licensing and reports covering income collection procedures in three areas (Car Parking, Bereavement Services and Commercial Buildings). These audit reports are currently being reviewed by management and are due to be finalised shortly. Once this process is complete we will report the findings to the next Audit and Governance Committee.
8. We have finalised our review of the Modern Records Unit (MRU) and its compliance with ISO 27001. This area was graded as providing "Adequate Assurance". We found a number of strengths within this area including the Council having good operational processes and controls in place, with experienced and appropriately skilled staff managing its archived records. We also noted that access to any records was well controlled. There were some areas for improvement including further developing service level agreements which the Council has with third parties and updating the MRU Business Plan and Risk Management Plan to reflect current practices within the function.

Audit and Other reviews in progress

9. There are currently a number of reviews being completed by Audit Services. Work on these is progressing well. These include:
 - Payroll;
 - Data Protection;
 - Procurement;
 - Council Tax;
 - NNDR;
 - Legal Services; and

- Anti-Fraud and Corruption – Hot Topics Audit.

10. These reviews will be completed and draft reports issued in due course. We will report any significant issues arising from these reviews to future meetings of the Audit and Governance Committee.

Forthcoming Audit Reviews

11. In the Internal Audit Plan we provisionally set out a number of key focus areas, but agreed with HPSLT that further discussions would be held with Directors to determine the exact status of audit input. As part of this process meetings are being arranged with the Director of Places and Communities, Assistant Director People, Policy and Partnerships, the Business Change Manager and the Resilience Team Manager.

12. Audit Services has also met with the Audit Commission and is in the process of developing a joint understanding of the work on the key financial systems which will be required to be undertaken by Internal Audit to support the work of the Council's external auditors.

Other Audit Input

13. Audit Services has been requested by the Chief Officer, Finance and Commercial to review the process by which the Council capitalises highways expenditure. This will review how the Council accounts for this expenditure and ensures compliance with the CIPFA Code of Practice on Local Authority Accounting.

14. Audit Services has also been continuing to liaise with the Police in the preparation of a case file concerning the alleged fraud that occurred.

Community Impact

15. This report does not impact on this area.

Equality and Human Rights

16. This report does not impact on this area.

Financial Implications

17. There are no financial Implications.

Legal Implications

18. There are no Legal Implications.

Risk Management

19. 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

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

Appendices

Appendix 1 – Status of Audit Plan 2012/13

Appendix 2 – Audit Opinions – Definition of Assurance Grading

Appendix 3 – Rating of Recommendations

Background Papers

21. None

Appendix 1 – Status of Audit Plan 2012/13 – November 2012

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

Audit Review	Status	Audit Opinion	Recommendations		
			P1	P2	P3
Core Support Systems					
Payroll	Currently in progress	-	-	-	-
Creditors	Planned for November 2012	-	-	-	-
Treasury Management	Planned for November 2012	-	-	-	-
Income Collection – Car Parking, Bereavement Services and Commercial Buildings	Draft reports issued	-	-	-	-
Debtors	Planned for December 2012	-	-	-	-
Budgetary Control	Planned for February 2013	-	-	-	-
NNDR	In progress	-	-	-	-
General Ledger	Planned for January 2013	-	-	-	-
Council Tax	Currently in progress	-	-	-	-
Housing Benefit	Planned for February 2013	-	-	-	-
Asset Register	Planned for November 2012	-	-	-	-
Procurement	Currently in progress	-	-	-	-
Rising to the Challenge – Project Review	Planned for January 2013	-	-	-	-
Health and Safety – Follow Up	Planned for November 2012	-	-	-	-
Sustainability – Follow Up	Planned for December 2012	-	-	-	-
Business Continuity – Follow Up	Planned for December 2012	-	-	-	-

Audit Review	Status	Audit Opinion	Recommendations		
			P1	P2	P3
Legal Services	Currently in progress	-	-		
IT Systems					
ISO 27001 Modern Records Unit	Completed	Adequate	-	4	2
Access Controls review - Agresso, Academy, ISIS and Abacus	Planned for February 2013	-	-		
Data Protection	Currently in progress	-	-		
IT Strategy	Planned for February 2013	-	-		
Anti-Fraud Systems					
Anti-Fraud and Corruption Arrangements	Planned for March 2013	-	-		
Anti-Fraud and Corruption – Procedures Audit	Planned for February 2013	-	-		
Anti-Fraud and Corruption – Hot Topics and Risk Areas	Currently in progress	-	-		
Audit Commission - Anti-Fraud Survey	Planned for March 2013	-	-		
Governance Systems					
Performance Management – Follow Up	Planned for January 2013	-	-		

Audit Review	Status	Audit Opinion	Recommendations		
			P1	P2	P3
Operational Systems - Directorates					
Hoople – Client Side Management	Planned for February 2013	-	-		
Hoople – Governance (Follow Up)	Planned for December 2012	-	-		
Adult and Social Care – Financial Management and Follow Up	Planned for January 2013	-	-		
Adult and Social Care – Procurement (Follow Up)	Planned for January 2013	-	-		
Places and Communities - Public Health – Food Licensing	Draft report issued	-	-		
Places and Communities - AMEY	Planned for January 2013	-	-		
Schools					
Financial Management	Planned for November 2012	-	-		

Appendix 2 – Audit Opinions – Definition of Assurance Grading

Conclusion	Definition
No assurance	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).
Limited assurance	One or more priority one recommendations, or 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).
Adequate assurance	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).
Substantial assurance	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
Red <i>(Priority 1)</i>	A significant weakness in the system or process which is putting the Council at serious risk of not achieving its strategic aims and objectives. In particular: significant adverse impact on reputation ; 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 immediate attention .	Issues that result in non-compliance with Health and Safety Legislation, i.e. No Health and Safety Policy in place.
Amber <i>(Priority 2)</i>	A potentially significant or medium level weakness in the system or process which could 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, if not addressed .	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.
Green <i>(Priority 3)</i>	Recommendations which could improve the efficiency and/or effectiveness of the system or process but which are not vital to achieving the Council's strategic aims and objectives. These are generally issues of good practice 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.

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	12 NOVEMBER 2012
TITLE OF REPORT:	HEALTH & SAFETY
REPORT BY:	ASSISTANT DIRECTOR (LAW, GOVERNANCE AND RESILIENCE)

CLASSIFICATION: Open

Wards Affected

None

Purpose

This report identifies how Health and Safety (H&S) is currently managed within Herefordshire Council (the Council); what recent improvements have been made to the delivery of H&S in response to the KPMG audit; and what further improvements are required; and, how these might be achieved.

Recommendations

THAT: The Audit and Governance Committee:

- a) **Notes the contents of the report and the actions undertaken in response to the KPMG audit of the H&S Management System in January 2012;**
- b) **Notes the improvements made by the Health and Safety Team and Resilience Group since their formation in April and July 2011 respectively; and**
- c) **Supports and communicates the work in progress in order to raise the Corporate Assurance Grading with respect to health and safety performance in readiness for the follow up Audit by KMPG.**

Key Points Summary

- There are clear legislative requirements for the Council to effectively manage H&S, and protect the H&S of its employees and others who might be affected by its undertaking.
- Improvement in the management of H&S was recognised in the formation of the Resilience Team in April and the recruitment of staff.
- The Resilience Group, established in July 2011 provides an integrated approach to risk management and corporate governance. Chaired by the Deputy Chief Executive, it steers improvements in all areas of risk including H&S risk.
- An established schools H&S group (committee) meets each term to discuss and steer improvements in H&S arrangements within the School network.
- A comprehensive audit programme was set up in late 2011 to address H&S in schools, with the H&S team undertaking audits and inspections in almost 100% of Herefordshire schools.

- A KPMG audit was undertaken in early 2012 to identify key areas of non-compliance with the Council's H&S management system.
- KPMG acknowledged that the Council had recognised and planned further improvements beyond the significant progress already achieved in 2011.
- The Council's H&S Policy has been reviewed and updated to strengthen the organisation for the effective management of H&S, with clear responsibilities and lines of accountability, and H&S arrangements to underpin the main policy are currently under review.
- A comprehensive H&S training plan has been drawn up and training is being delivered to meet corporate and service needs.
- Some improvements have been initiated in relation to H&S property non-compliance issues which were highlighted as priority 1 in the KPMG audit.
- The H&S audit programme has been expanded to include all council services, with higher risk services targeted as a priority.
- Some improvements have been made in relation to H&S performance measurements and the utilisation of the Council's Performance + toolkit.
- Existing levels of commitment and resource from senior management must be maintained to ensure the focused delivery of the Resilience Group's action plan, which takes into account findings of the KPMG audit and the schools and service audits.

Alternative Options

1. The Council's current arrangements for monitoring and reviewing H&S matters through the Resilience Group differ from many organisations where a separate H&S committee provides specific focus on H&S issues. This provides an integrated approach to risk management, and fits in with the ethos of corporate governance as advocated by the HSE and Institute of Directors guidance 'Leading Health and Safety at Work'. It will be monitored to ensure the Group has adequate time to fully discuss H&S matters.

Reasons for Recommendations

2. The Audit and Governance Committee should be aware of the improvements made already and to maintain an overview of actions required to raise the corporate assurance level in relation to health and safety management within the Council, and thus protecting the organisation from possible criminal sanctions.

Introduction and Background

3. As an employer, Herefordshire Council has a legal responsibility under the Health and Safety at Work Act (HSWA) 1974 to protect the health and safety of its staff, service users, customers and general members of the public, who may be affected by its undertaking.
4. It was recognised that H&S arrangements within the Council had not been maintained in recent years. This was highlighted to senior management by the Corporate Statutory Services Manager (formerly the Resilience Manager) and the Health and Safety Executive (HSE) as part of a proactive, informal visit in July 2011. The HSE had stressed the importance of robust H&S governance within the organisation, and the need for strong health and safety leadership and the promotion of a positive health and safety culture.
5. The Resilience Group was established in July 2011 to "provide a confident, proportionate and robust" approach to managing corporate risks. The Group is chaired by the Deputy Chief

Executive and addresses risk management issues generally, which includes H&S risks and issues around business continuity. Group membership includes nominated “risk leads” from within senior management teams across the Council and meets quarterly.

6. As a follow-up, the Herefordshire Public Services Leadership Team (HPSLT) were informed through a Corporate Risk Update in November 2011 that they were not meeting the H&S leadership indicators outlined by the HSE. The matter was referred to the Resilience Group to determine what action should be taken. One such action was to request an internal audit by KPMG to assess the adequacy and effectiveness of H&S governance. The audit undertaken in early 2012 concluded that the Council’s H&S management system provided Limited Assurance, with a number of ‘Priority 1’ improvements recommended.
7. The Council’s H&S governance structure is supported by a corporate H&S function which was restructured during 2011/12 and is currently provided by 3 professionally qualified Health and Safety Practitioners (one full time H&S Advisor and 2 H&S Officers) within the Resilience Team, of the Law, Governance & Resilience Department of the Corporate Services Directorate. The team is managed by the Corporate Statutory Services Manager.

Key Considerations

8. The Resilience Group is aware of the issues the Council faces and has developed an action plan which takes into account the findings of the KPMG audit (final report dated July 2012). The key work streams for improvement over the next year are premises management issues (asbestos, legionella and fire), the development of robust policies and procedures, risk management, H&S training, and H&S monitoring through the completion of audits and inspections. This action plan is subject to on-going review by the Resilience Group to ensure that key actions are being delivered in accordance with stated timescales. A summary of these actions is detailed below.
 - a. **Leadership:** The Leadership Team Performance meetings now include an update from the Resilience Group and H&S key performance indicators are being developed and included on Performance + which will allow visibility by senior management of H&S performance across the organisation. H&S audits are being conducted and findings reported to individual Service Directors and the Resilience Group.
 - b. **Policy:** The Council has reviewed and updated its H&S Policy, which details the Council’s commitment with respect to effectively managing H&S. This document is the central pillar for the organisation to achieve compliance with the relevant legislative requirements, such as the Health and Safety at Work Act. The document went through 2 rounds of consultation via the Resilience Group (membership of which includes trade union representatives) and with the Senior Management Team. The policy was approved in July 2012 and communicated to all Services. It is signed by the Leader and Chief Executive.
 - c. **Supporting Arrangements:** The general H&S policy is supported by a range of topic specific arrangements, and coupled with the recommendations from the KPMG audit, the following arrangements are considered to be a priority for review and implementation:
 - Risk assessments, to include new and expectant mothers and young persons*,
 - Accident/Incident reporting and recording*,
 - Lone working and personal safety*,
 - Asbestos,
 - Legionella,
 - Fire Safety,
 - Stress.

NB: Development work on the above has been concluded and those arrangements noted with * have been consulted upon and are currently being communicated to Services and will shortly be available on the Council's intranet. Implementation of these will be supported by the provision of training for Managers to enable them to effectively discharge their responsibilities as outlined, and deliver on the requirements.

Additionally, other arrangements are currently being reviewed and/or developed to further meet organisational needs to include; control of contractors, control of chemicals, driving at work, manual handling and homeworking.

- d. **Training:** A corporate training matrix has been developed and particular H&S training needs included. The matrix outlines training which would be deemed statutory in order to comply with relevant H&S legislative requirements and therefore mandatory to attend. This training includes, but is not limited to, general H&S awareness and induction, risk assessment, manual handling, handling of chemicals.
- i. Additionally to support implementation of policy and to ensure that Managers are able to deliver what is required, accredited H&S training is being provided via the Institute of Occupational Safety and Health (IOSH) Managing Safely course. The training is provided in-house and delivered by the H&S team. The first course was completed in May 2012 with the majority of the Resilience Group (risk leads) successfully achieving the required standard. The second course (September/October 2012) included a number a key service managers and they are currently awaiting confirmation of results.
 - ii. Further IOSH training is planned (monthly from January 2013 onwards) and a non-accredited shorter 'Managing H&S Effectively' course is also available in-house to support Managers.
 - iii. The H&S team is working closely with services to identify specific-to-type training and scheduling courses to meet local needs. For example, safety for school caretakers.
 - iv. With the exception of fire awareness and first aid, which was already being provided by the organisation, there has been a considerable increase in H&S training provision by the H&S team, and to date over 200 hours of training has been provided covering a variety of H&S issues with over 250 council and school staff having received training. The training has been met with very favourable feedback from delegates.
- e. **Property Compliance:** Asset Management and Property Services are now able to provide a list of Council-owned properties and 'duty holder' responsibilities in relation to premises management aspects including asbestos, legionella and fire. This work required specialist advice in relation to the complexities of various leasehold arrangements and the impact of devolved funding within the schools services, and that of newly formed academies.
- i. Work is on-going in relation to improved management arrangements across the property portfolio for the 3 key areas and ensuring these are effectively applied across corporate and school buildings, to include the provision of training.
 - ii. Fire awareness training is mandatory for all and gap analysis is currently underway to identify shortfall in coverage. Property services provide training to premises managers to enable effective management of legionella, and the H&S team provides asbestos awareness training to nominated personnel.

- f. **Auditing:** The H&S team had already developed and delivered a comprehensive audit programme in schools, with almost 100% of Herefordshire schools audited in the period November 2011 - July 2012. Improvement reports were provided to Governors and School Management Teams and findings shared with the Schools H&S Committee, and the Director of People's Services.
- i. As a direct result of the audits, the H&S team provided a number of bespoke training sessions to improve understanding and awareness of H&S within schools/academies.
 - ii. The audit programme has been expanded to include all 'corporate' services, and to date audits have been concluded in several of the higher risk areas, such as parks and countryside, environmental health and trading standards, and bereavement services. The audit programme is providing a more comprehensive baseline in relation to H&S compliance standards and findings are being shared with relevant SMTs, and issues of corporate significance are brought to the attention of the Resilience Group.
 - iii. The audit process has received favourable feedback from schools and service managers, with the aim of providing assurance to all that the appropriate safeguards are being taken in relation to the health, safety and wellbeing of staff and pupils.
- g. **Performance monitoring:** The Resilience Group receives limited H&S performance information, such as accident statistics. This is being improved to ensure the Group considers both proactive and reactive H&S information.
- i. H&S key performance indicators are being developed and included on Performance + and 'risk leads' will report on progress routinely at meetings. These Key Performance Indicators will be included on team/department and service performance monitoring frameworks and will include such aspects as: number of inspections undertaken, the results of H&S inspections/audits, and key current H&S risks and how these are being mitigated.
 - ii. The Resilience Group will be able to steer improvements in identified areas. For example, the previous quarter's accident statistics indicated that, of the 18 accidents reported, 11 related to violence and aggression. In order to reinforce 'zero tolerance' towards violence and aggression and, given the findings of the Employer Opinion Survey (EOS), the Resilience Group is forming a working group to develop a 'code of conduct' to change and influence the organisation's culture.
- h. **H&S monitoring of partners:** In view of the commissioning nature of the Council, there is a need to have robust contract monitoring arrangements in place to ensure that our partners/providers are compliant in relation to H&S. The KPMG audit found there was lack of clarity on these issues in the areas audited. However, it should be noted that some services already have existing contract monitoring arrangements and that these include H&S KPIs, for example waste management contract, leisure service contract, and the overall Amey contract. It is recognised that further work needs to be undertaken as to the extent of this potential issue with the evolving nature of outsourced services, and an increased appetite for partnership working.
- i. **Lone Working:** The KPMG audit specifically identified areas where there were inadequate arrangements in place to address risk associated with lone working. Recently revised arrangements are being communicated to services for them to implement appropriate safe systems of work and the H&S team are working closely with service managers to identify key issues. A corporate review is being planned to ensure an overall approach to the risks

which affect most if not all service provisions with the aim of providing protection that is proportionate and meets local needs in a cost effective manner.

9. **Recent Accident Investigation:** The Health and Safety Team recently undertook an investigation of an accident at a local specialist school involving the failure of a personal lifting hoist, resulting in injury to carers, but fortunately no injury to the service user being hoisted. The nature of the investigation was complex with a number of different service providers involved from the school, the NHS and a local private care home. A similar accident in a S.Wales authority resulted in a death and prosecution in excess of £100,000.

The investigation identified a number of failings with the hoist design and improvements were recommended. The H&S team liaised with the HSE in the investigation, and whereas, previously, the HSE would have been involved formally in such an investigation, they indicated that they were content with the processes, investigation and recommendations that were applied by the Council. This should be seen as a key achievement given their previous concerns highlighted to the HPSLT in July 2011.

Community Impact

10. Should the Council fail to effectively manage the health and safety risks associated with its various activities, this could impact of the safety and/or health of members of the community. The general public make regular use of Council buildings and can be affected by work activities directly provided by the Council or via its many partners and contractors. For example should the Council fail in its duty to manage the risks of legionella effectively in its public buildings this could lead to potentially fatal exposure to hazardous bacteria to those in the affected area; staff, service user and the public. For example the Barrow in Furness legionella outbreak, which led to 7 deaths was as a result of the Council not managing the risk appropriately, having cancelled the service and maintenance contract to the air conditioning system of the town's arts centre.

Equality and Human Rights

11. Under the Health and Safety at Work Act, the Council must 'ensure so far as is reasonably practicable the health, safety and welfare at work of all employees' by carrying out a risk assessment of the activities carried out. The risk assessment model considers the additional risks to certain groups of workers, new and expectant mothers, young persons and disabled members of staff, and in relation to the latter, the Disability Discrimination Act would apply with a requirement to consider reasonable adjustments.

Financial Implications

12. The cost of implementation of H&S is based on the results of hazard and risk identification and assessment, with risk controls being resourced from within service budgets. Directorates should undertake planning using internal resources, supported by officers from within the Resilience Team.

Legal Implications

13. As an employer, Herefordshire Council has a legal responsibility under the Health and Safety at Work Act (HASWA) 1974 to protect the health and safety of its staff and others, service users, customers and general members of the public, who may be affected by the Council's work. Generally it must:
- Make the workplace safe and eliminate or control risks to health;
 - Ensure plant and machinery are safe and that safe systems of work are set and

- followed;
 - Ensure articles and substances are moved, stored and used safely;
 - Provide adequate welfare facilities;
 - Give workers the information, instruction, training and supervision necessary for their health and safety;
 - Consult workers on health and safety matters.
14. Furthermore, under the Corporate Manslaughter and Corporate Homicide Act 2007, Directors/Senior Managers and those in positions of authority can be personally liable when Health and Safety duties are breached and this leads to a fatality.
15. The Council's Health and Safety Management system is based on The Management of Health and Safety at Work Regulations 1999 and the HSE Guidance; HSG 65 'Successful Health and Safety Management'.

Risk Management

16. In view of the Limited Assurance grading for the Council's H&S management systems, the risk of failing to fulfil relevant legislative requirements is noted in the Corporate Services Risk Register, with reference to RSK.DCX.036.LGR9(RT04), this can lead to non-compliance and breaches of the Health and Safety at Work Act and is likely to increase the likelihood of an Improvement Notice or prosecution. (Combined with previous LGR15(RT09) and LGR19(RT11)).

Consultees

None

Appendices

None

Background Papers

References within the report

MEETING:	AUDIT AND GOVERNANCE COMMITTEE
DATE:	12 NOVEMBER 2012
TITLE OF REPORT:	MONITORING OFFICER'S ANNUAL REPORT 2011/12
REPORT BY:	ASSISTANT DIRECTOR (LAW, GOVERNANCE AND RESILIENCE)

CLASSIFICATION: Open

Wards Affected

County-wide.

Purpose

To inform the Committee about the matters within the responsibility of the Monitoring Officer and the Council's performance for 2011-2012 with regard to the complaints under the standards framework.

Background

This report forms the annual report from the Monitoring Officer to the Audit and Governance Committee.

Recommendation

THAT: The Audit and Governance Committee:

- (a) notes the content of this report and provides comments and feedback to the Monitoring Officer.

Key Points Summary

- The Monitoring Officer's activities in the period from May 2011 – May 2012 are as follows:
 - * The restructure of Law Governance and Resilience has progressed.
 - * Preparations were made for the new standards regime under the Localism Act 2011.
 - * Work continued on improving the Constitution.
 - * The work of the Standards Committee continued.
 - * Hoople completed its first year of trading with the Monitoring Officer acting as observer on the board.

- * The Monitoring Officer has been closely involved in the governance of such major corporate projects as Hereford Retail Quarter, the Joint Waste PFI with Worcs CE, the Joint Broadband Pilot with Gloucs CE, the LDF Core Strategy and the Enterprise Zone.
- * No Monitoring Officer reports under the Local Government and Housing Act 1989 were issued in this period.

Alternative Options

- 1 There are no alternative options. This report is for information only.

Reasons for Recommendations

- 2 The Monitoring Officer is required to report on his activities as set out in this report and the Audit and Governance Committee should note the report and provide comments and feedback

Introduction and Background

- 3 The Committee is aware that the role of the Monitoring Officers is a statutory office whose duties are set out in the Local Government and Housing Act 1989 and the Local Government Act 2000.
4. The main responsibilities of the Monitoring Officer are to ensure that the Council, its elected Councillors and its staff act with probity and that all the Council's activities are in accordance with the law and the Council's Constitution. The Monitoring Officer has responsibility for ensuring that the Council avoids findings of maladministration and that it responds appropriately to the Local Government Ombudsman in that regard. The Monitoring Officer is also responsible for supporting the local Standards Committee and for administering the local standards framework. The Monitoring Officer's responsibilities dovetail with those of the other statutory officers; the Head of Paid Service (Chief Executive) and Section 151 Finance Officer (Director of Resources).

Key Considerations

5. The restructure of Law Governance and Resilience was progressed during 2011/12 as follows:
 - Member Services restructure was completed, although some posts were unfilled at the year end. Appointments have since been made but lack of staff placed a strain on the team and it was to their credit that service levels were maintained at an acceptable level.
 - The decision was made to move Registration Services to a commissioning model with delivery in Customer Services. Plans to reorganise and restructure were delayed while discussions took place with the Government Registration Office.
 - Local Land Charges and Elections were formed into a combined team to provide greater resilience. A review of staffing has subsequently been undertaken.
 - Legal Services remained in consultation over the proposed structure. This process has subsequently concluded and appointments to new posts are being made.
 - Resilience Team expanded activities in Health & Safety, Risk Management, Contingency Planning and Emergency Planning. Trading accounts were developed with schools and other parties and all posts were filled. The team received many compliments for its work.

- The Coroners' Office administration was brought in-house.
6. The Localism Act 2011 was passed abolishing the previous standards regime on 30 June 2012. The Standards Committee produced a new process for resolving complaints about members while continuing its work under the previous system under the Local government Act 2001. The Monitoring Officer supported this work, which is summarised as follows:

Assessment Sub-committee

7. 55 complaints were dealt with during the period, and out of these:
- 26 required no further action;
 - 1 was referred to the Monitoring Officer to conduct training for a councillor;
 - 2 were referred to the Monitoring Officer to issue written guidance to all local authority councillors;
 - 5 were referred to the Monitoring Officer for investigation;
 - 18 were referred to Standards for England for investigation; and
 - 3 were withdrawn.

Review Sub-Committee

8. In cases when the Assessment Sub-Committee decides that no further action is required, complainants are entitled to ask for a review of the complaint, which is looked at by an entirely different panel of members. The Review Sub-Committee dealt with 3 cases during the period, re-examined each case from scratch, but in no instance reversed the decision of the Assessment Sub-Committee.

Consideration Sub-Committee

9. The Consideration Sub-Committee looks at investigation reports, and can either decide to hold a hearing, or in cases where the Investigating Officer has not found a breach of the Code, to accept the report and take no further action. The Sub-Committee dealt with 2 cases during the period, and decided that hearings were required in respect of these.

Hearing Sub-Committee

10. One hearing has been held during the period and a breach of the Code was found and sanctions were imposed on the parish councillor concerned.
11. The Constitutional Working Group concluded its brief and this committee assumed the task of reviewing and updating the Constitution. The Monitoring Officer has brought forward proposals which have then been recommended to Council on amendments to the Budget and the Policy Framework Rules and also on the future role of the committee.
12. The new shared services company (renamed Hoople) completed its first year of trading and the Monitoring Officer attended a number of board meetings in the role of observer. The company established its own audit committee and made a number of key senior staff

appointments. The Member Services team continued to provide clerical and administrative support to the Board.

13. The Monitoring Officer has been involved in the governance of key corporate projects, including Edgar Street Grid (the Hereford Retail Quarter), the Waste PFI with Worcs C, the Broadband pilot with Gloucs C, the development of proposals for the Core Strategy of the Local Development Framework and more recently the Hereford Enterprise Zone.
14. The electoral review of all wards has been undertaken by the Boundary Commission and an agreed Council position on Council size was reached. The Governance Team led this process and produced the submission to the Commission on council size which was accepted and adopted. At the same time, submissions have been made to the Electoral Commission on proposals for new parliamentary boundaries.

Community Impact

15. Compliance with its legal obligations, effective governance and high standards of conduct impact on the council's relationship with and its ability to lead the communities of Herefordshire. In addition, the Monitoring Officer has responsibility (working with Herefordshire Association of Local Councils) for standards in Parish Councils and for the operation of the standards framework and Code of Conduct for parish councillors. Parish Councils are also important to the communities they serve. The activities of the Monitoring Officer have the potential to have a positive impact on communities.

Financial Implications

16. There is limited funding for Monitoring Officer activities. The Legal and Governance teams support the Monitoring Officer in fulfilling his functions and have made a significant contribution to the activities set out in this report and ensuring legal compliance and good governance across the Council (and its wider HPS partnership). It is important that they be adequately resourced.

Legal Implications

17. The proper discharge of the Monitoring Officer functions is critical to ensuring that the Council is acting lawfully. The legal implications of its activities must be fully understood and timely advice sought. The legal implications section of reports be written or approved by lawyers.

Risk Management

18. The Resilience Team Manager reports to the Monitoring officer and is responsible for ensuring effective risk management systems and processes are in place across the Council, that those systems and processes are being complied with and that risk registers and risk management reporting and monitoring is taking place at all levels as required with significant corporate and strategic risks being escalated to senior management and elected members as appropriate.

Consultees

19. Corporate Leadership Team

Appendices and Background Papers

20. None identified.

