

AGENDA

Audit and Governance Committee

Date: **Friday 9 May 2014**

Time: **10.00 am**

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

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

For any further information please contact:

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Agenda for the Meeting of the Audit and Governance Committee

Membership

Chairman

Councillor J Stone

Vice-Chairman

Councillor NP Nenadich

Councillor CNH Attwood

Councillor EMK Chave

Councillor PGH Cutter

Councillor MAF Hubbard

Councillor TM James

Councillor Brig P Jones CBE

Councillor PJ McCaull

Councillor DB Wilcox

AGENDA

	Pages
1. APOLOGIES FOR ABSENCE To receive apologies for absence.	
2. NAMED SUBSTITUTES (IF ANY) To receive details any details of Members nominated to attend the meeting in place of a Member of the Committee.	
3. DECLARATIONS OF INTEREST To receive any declarations of interest by Members in respect of items on the agenda.	
4. MINUTES To approve and sign the Minutes of the meeting held on 18 March 2014.	7 - 14
5. PROGRESS REPORT ON 2013/14 INTERNAL AUDIT PLAN 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.	15 - 26
6. BUDGET MONITORING REPORT - JANUARY 2014 To update the Committee on the financial position to end of January 2014 as reported to Cabinet on 13 March 2014, including the arrangements for future budget monitoring.	27 - 34
7. COUNCIL CONSTITUTION To note the technical amendments being made to the council's constitution under authority delegated to the Monitoring Officer, and to consider arrangements for further review of the constitution.	35 - 38

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HEREFORDSHIRE COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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HEREFORDSHIRE COUNCIL

MINUTES of the meeting of Audit and Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Tuesday 18 March 2014 at 10.00 am

Present: Councillor J Stone (Chairman)
Councillor NP Nenadich (Vice Chairman)

Councillors: CNH Attwood, EMK Chave, PGH Cutter, MAF Hubbard, TM James and PJ McCaull

In attendance: Mr P Jones (Grant Thornton), Mr T Tobin (Grant Thornton), and Mr M Khangura (Internal Audit Manager)

Officers: B Norman (Solicitor to the Council), P Robinson (Chief Financial Officer) and T Brown (Governance Services).

26. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Brig P Jones and DB Wilcox.

27. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes.

28. DECLARATIONS OF INTEREST

There were no declarations of interest.

29. MINUTES

In relation to Minute number 23 it was asked whether the report on the waste contract variation by KPMG in December 2013 would be submitted to the Committee for consideration. The Solicitor to the Council commented that the report had been considered by Cabinet and the General Overview and Scrutiny Committee and had therefore been given appropriate discussion in public. He acknowledged that the report could also have been submitted to the Audit and Governance Committee. Members of the Committee considered that this would have been of benefit.

The Committee discussed when it would be timely for it to receive a further report on the waste disposal contract. The Solicitor to the Council updated the Committee on the negotiations which were now expected to be concluded by the end of April 2014. Members requested that a report be submitted to its meeting on 9 May.

In relation to Minute number 24 a Member commented that it had been highlighted at the Committee's meeting in November that in their report titled "Review of the Council's Arrangements for Securing Financial Resilience", included in a separate supplement Grant Thornton had incorrectly stated at page 30 of the supplement that the County's population had an average income above the national and regional average. It was asked if the external auditors had corrected this statement and they confirmed that they had done so.

Minute number 24 recorded that bringing adult social care in-house would make considerable savings. It was asked why, if this was the case, the council was continuing to contract out numerous services.

RESOLVED:

- That (a) the Minutes of the meetings held on 25 September 2013 and 26 November 2013 be confirmed as a correct record and signed by the Chairman; and**
- (b) a report on the waste disposal contract be submitted to the Committee on 9 May 2014.**

(The Chairman agreed that agenda items 6& 7 (minute numbers 31 and 32 refer) would be considered first followed by agenda item 5 (minute number 30 refers) and the urgent item (minute no 35 refers).)

30. INTERNAL AUDIT PROGRESS REPORT

The Committee considered the progress on internal audit work and key internal control issues arising from work recently completed.

The Internal Audit Manager presented the report. He highlighted paragraphs 8-10 of the report providing an update on the response being made by the Council to "Limited Assurance" reports that had been issued over the Council's Data Protection, Income Collection (Industrial Lets) and Public Health (Food Hygiene) functions. He noted that further work was required on the first two areas. In relation to the food hygiene function he observed that the Council had decided not to comply with the Food Law Code of practice. It was important that the Council kept this decision under regular review.

In discussion the following principal points were made:

- Clarification was sought on the data protection breach and whether the fact that one had occurred increased the risk of a heavier penalty if there were another occurrence. A Member commented that he understood that the Information Commissioner had been satisfied with the action taken by the Council and that there had been no fine on this occasion. The Chief Financial Officer confirmed that the Council had received a warning.
- Regarding Income Collection it was asked how the outstanding actions would be resolved. The Internal Audit Manager reiterated that recommendations had been made and progress in implementing these would be subject to a further report.
- Guidance was sought on the level of risk to the Council as a result of its failure to comply with the Food Law Code. The Internal Audit Manager commented that a risk assessment process had been agreed by the Council.
- Disappointment was expressed that Internal Audit's opinion of the Procurement function was that it was "adequate". The Internal Audit Manager confirmed that there was room for improvement. However, an action plan had been agreed and procurement specialists had been employed. Controls were in place. There was a contracts register and how contracts had been administered and the process by which they were approved was documented.

Some concern was expressed that the Council's procurement process was too bureaucratic and prevented smaller companies, such as those predominantly based in the County, from tendering for work from the Council. It was asked if, in assessing value for money, weight was given to the extent to which money paid to local firms for goods and services would be recycled within the local economy. It was noted that the Overview and Scrutiny Committee had previously looked at this issue and that the Chairman of the General Overview and Scrutiny Committee would review what had

been done, and check the provisions in the contract recently let to Balfour Beatty about using local businesses as sub-contractors.

- The Chairman noted that it was Mr Khangura's last meeting and thanked him on behalf of the Committee for his work and wished him well for the future.

RESOLVED: That the report and the Committee's comments upon it be noted.

31. GRANT THORNTON AUDIT PLAN

The Committee considered the external auditors audit plan for the financial year ended 31 March 2014.

Mr P Jones presented the report. He highlighted the following sections:

- (page 31 of the agenda papers) Developments relevant to your business and the audit
- (page 34-35) Other Risks identified including operating expenses, employee remuneration, welfare expenditure and property plant and equipment.
- (page 36) the value for money conclusion
- (page 37-38) – the results of interim audit work.

In discussion the following principal points were made:

- Page 31 of the report referred to transfer of assets to academies as a development that would need to be subject to financial reporting. It was observed that the Council would be likely to engage in many asset transfers, not just to academies.
- Concern was expressed about the implications of national plans to integrate health and social care with the implementation of the Better Care Fund. The Auditor commented that as part of the value for money work the Council's progress in planning for the Better Care Fund would be monitored. This would also take into account the approach of the Council's principal partners.

RESOLVED: That the report and the Committee's concerns about the implementation of the Better Care Fund be noted.

32. GRANT THORNTON AUDIT AND GOVERNANCE COMMITTEE UPDATE

The Committee considered a progress report from the external auditors on how they were discharging their responsibilities and on relevant emerging national issues and developments.

Mr P Jones presented the report. He highlighted the following sections:

- (page 50 of the agenda papers) - progress at 27 February 2014
- (page 51) – Audit Commission research – Tough Times 2013
- (page 52) – Local Audit and Accountability Act – noting the provision for local authorities to choose their own external auditors from 2016/17 or potentially from 2019/20 if all the current contracts were extended.
- (page 53) – the Better Care Fund
- (page 54) – the challenging final local government finance settlement 2014/15 with a further cut in spending power for local authorities.

- (page 55) – “2016 tipping point? Challenging the current”, the third report by Grant Thornton in an annual series assessing whether local authorities had the arrangements in place to ensure their sustainable financial future.
- (page 56) – alternative delivery models in local government – are you making the most of them?
- (page 57) the first impressions of the impact of welfare reform
- (page 61) Business Rate appeal provisions – noting that a successful appeal in one part of the country could have implications for others.
- (page 59) Private Finance Initiative (PFI) accounting – whilst not a significant issue, work was being carried out to ensure that the Council was accounting properly for the costs of its few PFI schemes. Mr Tobin commented that discussions had taken place with accounting officers and a training day had been arranged.

In discussion the following principal points were made:

- The “2016 tipping point” report was discussed. The Chief Financial Officer noted that the report considered the concept of tipping point scenarios such as decision paralysis where authorities failed to make the decisions necessary to manage financial and other challenges. Another scenario was where balancing the budget might mean that statutory duties could not be met, noting for example the potential pressure on adult social care expenditure, or matters that arose outside the Council’s control. His view of the council’s financial position was that some tough decisions had been made. There was a three year financial plan in place. This plan would deliver services for 2014/15 and provide for some replenishment of the Council’s reserves. By 2016/17 there was, however, the possibility that if something major were to occur issues over the Authority’s resilience could arise.
- The Solicitor to the Council commented that the current legal position was that a lack of resources was no defence against a failure to meet a council’s statutory duties. However, the Courts were becoming more understanding of the difficult financial position facing local authorities in determining judicial reviews of service reductions.
- In response to a question about the Council’s own “tipping point” the External Auditor commented that unitary authorities as a whole were underfunded compared with metropolitan authorities and the stresses they faced as a result of a reduction in Government grants were therefore more severe. The Chief Financial Officer had informed the Committee that the next two years could be funded. However, the longer term would be very challenging for local authorities and it was likely that consideration would need to be given to structural changes including mergers and, potentially, the relationship between health and local authority structures.
- The Chief Financial Officer confirmed that the Council did have a register of assets and the auditors assessed its accuracy because the assets appeared on the Council’s balance sheet. It was noted that there was the possibility of a number of community asset transfers and that these had the potential to give rise to accounting errors. The external auditors’ stated that their previously expressed concerns about the asset register had reduced.

RESOLVED:

That (a) the report be noted; and

- (b) **a report on the implications of the “2016 tipping point report” by Grant Thornton be made to the Committee.**

33. REVIEW OF THE STANDARDS PROCESS

The Committee considered alternative options for the operation of the Council's Standards process.

The Solicitor to the Council presented the report. He commented that there were a number of possible ways forward and he was not suggesting that there was a perfect answer.

The principal feature of his proposal was that the Standards Panel should be retained but in future should consider only written submissions. The Localism Act had changed the nature of the standards regime, providing for a limited range of less severe sanctions to be determined locally and removing the national Standards Board. In these circumstances it seemed appropriate to seek to make the standards process less intensive and achieve a more proportionate use of resources.

In discussion, Members, some of whom had been subject to a standards process, considered that, although the standards regime had changed and the sanctions available were less severe, the reputational risk to those who were the subject of a complaint was significant. They acknowledged the need to avoid an onerous, resource intensive process that inevitably entailed delay, but considered that the subject of a complaint should have a right to be heard by the Standards Panel, to be exercised at the individual's discretion.

Members did not consider that the complainant should have the right to be heard by the Standards Panel. They considered that this would, in effect, continue the current unsatisfactory, bureaucratic process. Once the complaint had been made it was for the Council to investigate in the way it saw fit.

It was requested that a report be made to the Committee periodically on how the subjects of complaints responded to any sanctions imposed by the Committee.

RESOLVED:

- That (a) subject to consultation with the appointed independent persons and Herefordshire Association of Local Councils (HALC), a revised complaints process be recommended to Council which includes:**
- **retention of the standards panel; and**
 - **that the standards panel in future considers only written evidence unless the subject of the complaint requests to exercise their right to be heard by the Panel;**
- (b) delegated authority be given to the Solicitor to the Council, in consultation with the Chairman of the Audit & Governance Committee to agree the final draft complaints process, following consultation, for recommendation to Council; and**
- (c) the outcome of how subjects of complaints responded to any sanctions imposed by the Committee be reported periodically to the Committee.**

34. STATUS OF ROSS-ON-WYE COMMUNITY GOVERNANCE REVIEW GROUP

The Committee received a report clarifying the status of the group conducting the Ross-on-Wye Community Governance Review as that of a working group.

The Solicitor to the Council presented the report. He observed that a working group was better suited to the task than the Sub-Committee which had originally been proposed and which was not in line with the provisions in the Constitution.

It was noted that, further to the Committee's meetings in September 2012 and September 2013, where membership of the Sub-Committee had been discussed, the Councillors who had been involved in meetings of the group to date, as set out at paragraph 3.5 of the report, would complete the review.

Councillor PGH Cutter, as Chairman of the Working Group, gave a short progress report on the review.

Members thanked the officers supporting the review: Bill Norman, Solicitor to the Council, and Hazel Lavelle, Democratic Services Officer, for their work.

RESOLVED: That it be noted that the group set up to conduct the Ross-on-Wye Community Governance Review is a working group reporting to the Audit & Governance Committee.

35. URGENT ITEM - INFORMING THE AUDIT RISK ASSESSMENT FOR HEREFORDSHIRE COUNCIL

(In accordance with Section 100B (4) (b) of the Local Government Act 1972, as amended, the Chairman agreed to consider this item as a matter of urgency to allow it to be considered in accordance with the timescale requested by the external auditor.)

The Committee considered the external auditors' report on the risk assessment for the Council.

Mr T Tobin presented the report. He explained that as part of the risk assessment procedures the auditors were required to obtain an understanding of management processes and the Committee's oversight of: fraud, laws and regulation and the going concern assumption in the financial statements. The report included a series of questions on each of these areas and the response from the Council's management. The Committee was asked to consider whether these responses were consistent with its understanding and whether there were any further comments it wished to make.

In discussion the following principal points were made:

- It was asked how the Committee could assess the risk of fraud by one of the Council's partners if that partner claimed commercial confidentiality. The external auditor commented that disclosure was required and did not view this as a hindrance.
- The robustness and consistency of decision making and how this could be assessed was discussed. The external auditor commented that Members and Directors had to seek that assurance and individual pieces of audit work would supply evidence.
- The external auditor noted that the Comprehensive Performance Assessment Process had been abolished and there was no similar evidence based method of rating authorities. In considering how Herefordshire was performing regard could

however be had to the annual audit letter. Herefordshire's last Annual Audit Letter had contained more issues of concern than most other councils. The external auditors had tried to make clear to the Committee in that letter where there were areas for improvement.

RESOLVED: That the management response to the risk assessment and the report be noted.

The meeting ended at 11.50 am

CHAIRMAN



MEETING:	AUDIT & GOVERNANCE COMMITTEE
MEETING DATE:	9 MAY 2014
TITLE OF REPORT:	PROGRESS REPORT ON 2013/14 INTERNAL AUDIT PLAN
REPORT BY:	INTERNAL AUDIT – SOUTH WEST AUDIT PARTNERSHIP

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide

Purpose

To update Members on the progress of internal audit work and to bring to their attention any key internal control issues arising from work recently completed. □

Recommendation

THAT: subject to any comments the Committee wishes to make the report be noted.

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 Public Sector Internal Audit Standards (PSIAS).

Key Considerations

- 3 At its meeting on 10 April 2014 Cabinet took the decision to select the South West Audit Partnership (SWAP) to provide the Council's Internal Audit Service.

Further information on the subject of this report is available from
Jacqui Gooding – Audit Manager (SWAP) on Tel 07872500675

- 4 Up until 31 March 2014 the service was provided by KPMG. The attached report (Appendix 1) is a summary of the activity of KPMG for the year 2013/14; prior to SWAP taking over interim management until a formal Partnership agreement is finalised.
- 5 The coverage of 15 completed audits for an organisation the size of Hereford is quite limited in scope, however, as can be seen from the attached, only four of these received a 'Limited' Assurance level. Apart from these areas, it would appear that KPMG have provided an overall 'Adequate' opinion for the work they have undertaken.
- 6 We are happy to support that assurance on the assumption that matters raised in the Internal Audit Reports have action plans that are being addressed by management.
- 7 SWAP have met with the existing audit staff and the Chief Financial Officer and agreed priority audits that should be completed as part of the 2013/14 programme. From these meetings we have not found or been made aware of anything that would result in us changing the opinion offered by KPMG.
- 8 SWAP management have scheduled a number of meetings with the Council's management team to look forward to the 2014/15 Annual Plan, to align that with other Partner plans within SWAP so that maximum benefit in terms of efficiency and sharing of best practice is achieved.
- 9 An annual plan for 2014/15 has already been submitted by KPMG but we anticipate that this will change significantly over the next couple of months; all such changes will be reported back to the Audit and Governance Committee with the rationale explained. We also anticipate that there will be more audits planned for delivery in the revised plan.
- 10 SWAP have already taken the initiative in sharing existing work programmes with current Hoople Auditors for them to start work on some of these audits, ahead of the Partnership being formalised. Audits being completed from the 2013/14 Plan are as follows:
 - Core Support Systems – Financial - Accounts Payable
 - Core Support Systems – Financial – Payroll
 - IT Systems – Access Controls – Payroll and Accounts Payable
 - Anti-Fraud Systems – Anti Fraud and Corruption Survey
- 11 New audits being started as part of the 2014/15 plan, initiated and managed by SWAP, are as follows:
 - Fraud and Governance – Expenses Fraud
 - Fraud and Governance – Members Expenses
 - Operational – Risk Management

Community Impact

- 12 The report does not impact on this area.

Equality and Human Rights

13 The report does not impact on this area.

Financial Implications

14 There are no financial implications.

Legal Implications

15 There are no Legal implications.

Risk Management

16 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. This is mitigated by the regular active management and monitoring of progress against the agreed internal audit plan.

Consultees

17 The Section 151 Officer was consulted in the drafting of this report.

Appendices

Appendix 1 – KPMG Summary Report 2013/14

Background Papers

- None identified.



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Herefordshire Council

**Summary report
2013/14**

April 2014

Contents

The contacts in Internal Audit in connection with this report are:

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Appendix 1 – Audit Grades and Opinions	

This Report is CONFIDENTIAL and its circulation and use are RESTRICTED.

This report has been prepared for Herefordshire Council ("The Council") by KPMG LLP ("KPMG") on the basis set out in KPMG's Engagement Letter addressed to the Council dated 30 March 2012 and should be read in conjunction with the Engagement Letter.

This report is for the benefit of the Council only and has been released on the basis that it is confidential and is subject to agreed disclosure restrictions and will not be updated.

KPMG's work was designed to meet the Council's agreed requirements and particular features of the engagement were determined by the Council's needs at that time. This Report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against KPMG other than the Council for any purpose or in any context. Any party other than the Council that obtains access to the Report or a copy and chooses to rely on this Report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG does not assume any responsibility and will not accept any liability to any party other than the Council.

1. Summary

KPMG has provided the Internal Audit Service to Herefordshire Council to 31 March 2014. This report provides a summary of the work completed.

Introduction

KPMG has provided an Internal Audit service to Herefordshire Council (“the Council”) to 31 March 2014. Our work was undertaken in accordance with the 2013/14 Annual Internal Audit Plan, approved by the Audit and Governance Committee.

In February 2014, the Council decided to engage another supplier to provide the Internal Audit Service to the Council from 1 April 2014. It was agreed that KPMG would provide a short report setting out our findings to date and any significant issues arising (Section 2).

Input into Annual Internal Audit Opinion

We recognise that the Council’s new Internal Audit providers will give an Annual Internal Audit Opinion based on the work which they will complete.

As part of our work to date we have not identified any issues that would prevent us from providing an overall adequate opinion, except for the areas listed as “Limited” on Page 4.

Role of Management and Internal Audit

Under the Accounts & Audit Regulations 2011, the Council has a duty to ensure that its financial management is adequate and effective, that there is a sound system of internal control and robust risk management arrangements are in place.

The primary responsibility for maintaining effective risk, control and governance arrangements rests with management. It is management’s responsibility to establish and maintain the systems of internal control so that activities are conducted in an efficient and well-ordered manner. This management responsibility is devolved under Section 151 of the Local Government Act 1972 to the Council’s Chief Financial Officer.

Internal Audit is the independent appraisal function established by management to review the Internal Control System as a service to the Council. It objectively examines, evaluates and reports on the adequacy of internal control as a contribution to the proper, economic, efficient and effective use of resources.

Internal Audit also acts as an aid to management and produces reports as a result of each of the reviews undertaken. It works in partnership with management to find solutions to any issues identified and seeks its agreement to any recommendations for improvement.

2. Coverage

We graded four areas as “Substantial”, six areas as “Adequate” and four areas as “Limited”.

Work completed and Key Findings

We made 61 recommendations to improve the control environment. The tables on page 4 show the overall assurance grades we have given for the reports issued in the period and the priority and risk levels of the recommendations that were made.

Four areas have been graded as ‘substantial assurance’, these were Council Tax/NNDR, Benefits, Access Controls (IDOX and Academy) and Troubled Families. Six areas were graded as “adequate assurance”, these were, Treasury Management, Procurement, General Ledger, ISO 27001, IT Strategy including Benefits Realisation and Local Welfare Provision. Four areas were graded as “limited assurance”, these were Data Protection (Follow Up), Income Collection (Follow Up), Places and Communities - Public Health – Food Licensing (Follow Up) and the Gypsy and Traveller function.

We previously reviewed the Council’s Data Protection function in 2013 and we graded the area as providing “Limited Assurance”. As part of our current review we noted that while the Council has made good progress in improving data protection controls and processes since our initial review, further work was required to ensure that a fully effective control framework is in place that prevents breaches of the Data Protection Act 1998 (“the Act”).

In 2013 we reviewed the process and controls which the Council has in place to ensure income due for the rent of its Industrial Buildings was fully collected in a timely manner. We reported that significant work was required in this area to ensure rents were being collected satisfactorily. As part of our current review of this area we noted that while some progress has been made in the income collection process, robust controls have still not been implemented which ensure that all rental income due to the Council is being billed and collected.

We reviewed the Council’s Public Health (Food Hygiene) function in 2013 and issued a “Limited Assurance” opinion. We graded the function as providing “Limited Assurance” on conclusion of our current follow up review. We noted that one significant area of non-compliance still exists; this is in respect of the Council’s ability to complete a full programme of food hygiene inspections each year in line with the Food Law Code of Practice. This risk was recognised in the report that was presented to the Regulatory Committee in June 2013 on the proposed food hygiene inspection programme for the current financial year. Given its significance, it is important that the Council keeps this decision under regular review.

We reviewed the Council’s Gypsy & Travellers Service and identified that the Council does not have a comprehensive overall control framework in place to manage this area. The Service needs to strengthen and formalise controls which ensure that there is a record on the Council’s ledger of all pitch rents and water charges falling due from tenants. This is so that formal recovery procedures can be instigated where tenants fall into arrears and that, if necessary, any income that is unrecoverable can be written off in accordance with the Council’s Financial Procedure Rules. However, we acknowledge that following a recent change in management of this service, this situation is already being addressed. The outcome of our audit should assist management further with this improvement process.

The tables on the following page provide a summary of the reviews completed and the recommendations raised during 2013/14.

2. Coverage

We graded four areas as “Substantial”, six areas as “Adequate” and as four areas as “Limited”.

#	Assignment	Grade
1	Treasury Management	Adequate
2	Income Collection (Follow Up)	Limited
3	Council Tax/NNDR	Substantial
4	Benefits	Substantial
5	ISO 27001	Adequate
6	Procurement	Adequate
7	Access Controls, IDOX and Academy	Substantial
8	Data Protection (Follow Up)	Limited
9	Places and Communities - Public Health – Food Licensing (Follow Up)	Limited
10	General Ledger *	Adequate
11	Gypsy and Traveller Service	Limited
12	IT Strategy inc Benefits realisation *	Adequate
13	Local Sustainable Transport Fund *	Not graded
14	Troubled Families	Substantial
15	Local Welfare Provision	Adequate

Assignment / Priority of recommendations	T	1	2	3
Treasury Management	4	-	2	2
Income Collection (Follow Up)	1	1	-	-
Council Tax/NNDR	2	-	-	2
Benefits	-	-	-	-
ISO 27001	5	-	-	5
Procurement	6	-	4	2
Access Controls, IDOX and Academy	3	-	-	3
Data Protection (Follow Up)	3	-	1	2
Places and Communities - Public Health – Food Licensing (Follow Up)	N/A	N/A	N/A	N/A
General Ledger	2	-	2	-
Gypsy and Traveller Service	22	2	16	4
IT Strategy inc Benefits realisation	2	-	2	-
Local Sustainable Transport Fund (Not graded)	1	-	-	1
Troubled Families	4	-	-	4
Local Welfare Provision	6	-	2	4
Total	61	3	29	29

* These reports were draft as at 31 March 2014 and we are awaiting management responses. KPMG will finalise these reports once responses are received.

Appendix 1 - Audit Grades and Opinions

We rate overall reports and individual recommendations based on a set grading system.




Report Grading

The table below summarises the definitions we apply to the report grading system we use.

Grade	Explanation
Substantial	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).
Adequate	One or more priority two recommendations (i.e. 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).
Limited	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 significant exposure to reputation or other strategic risks).
No	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).

Recommendation Grading

Following each review, we raise performance improvement observations. The priority of these can be defined as follows:

Priority	Explanation
	Priority One - A significant weakness in the system or process which is putting the organisation 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 organisation's strategic risks will occur. Any recommendations in this category would require immediate attention.
	Priority Two - A potentially significant or medium level weakness in the system or process which could put the organisation at risk of not achieving its strategic aims and objectives. In particular, having the potential for adverse impact on the organisation's reputation or for raising the likelihood of the organisation's strategic risks occurring.
	Priority Three - Recommendations which could improve the efficiency and/or effectiveness of the system or process but which are not vital to achieving the organisation's strategic aims and objectives. These are generally issues of good practice that we consider would achieve better outcomes.



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MEETING:	AUDIT AND GOVERNANCE COMMITTEE
MEETING DATE:	9 MAY 2014
TITLE OF REPORT:	BUDGET MONITORING REPORT – JANUARY 2014
REPORT BY:	CHIEF FINANCIAL OFFICER

1. Classification

Open

2. Key Decision

This is not an executive decision

3. Wards Affected

County-wide

4. Purpose

To update the Committee on the financial position to end of January 2014 as reported to Cabinet on 13 March 2014, including the arrangements for future budget monitoring.

5. Recommendations

THAT: the Audit and Governance Committee note the report and the forecast position.

6. Alternative Options

6.1 There are no alternative options.

7. Reasons for Recommendations

7.1 To inform the Audit and Governance Committee about the projected out-turn position for 2013/14. The report covers the position reported to Cabinet on 13 March 2014. The forecast outturn for the year, based on spend to the end of January, is a break-even position. The overall position in directorates has remained broadly the same but the forecast position has improved due to two areas:

- The successful bid for a capitalisation direction on one-off expenditure on transformation. The bid has been referred to in previous monitoring reports and the council learnt of its success in January. This has meant that £1m of one-off costs, previously included in the

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Peter Robinson, Chief Financial Officer, on Tel (01432) 383319

forecast have now been capitalised.

- The integration of the public health service within the council has led to successful joint working with resultant efficiencies in the public health, adults and childrens wellbeing services. A number of these initiatives, planned for 2014/15, have been accelerated by the Director of Public Health into 2013/14, generating efficiencies of an additional £1m not previously forecast for the current year.

8. Key Considerations

- 8.1 This report sets out the forecast out-turn position based on information as at the end of January 2014;

Service	Budget Exp.	Budget (Income)	Net Budget	January Forecast Outturn	Projected (Over)/ under spend
	£'000	£'000	£'000	£'000	£'000
Adults Wellbeing	70,170	(15,169)	55,001	58,001	(3,000)
Children's Wellbeing	43,181	(14,673)	28,508	27,813	695
Economy, Communities and Corporate	111,853	(67,439)	44,414	44,309	105
Chief Executive and Organisational Development	8,033	(707)	7,326	7,268	58
Public Health	7,941	(7,753)	188	188	0
Total Directorates	241,178	(105,741)	135,437	137,579	(2,142)
Treasury Management	15,239	(259)	14,980	14,730	250
Change management*	1,311		1,311	311	1,000
Government grants		(3,534)	(3,534)	(4,634)	1,100
Contingency	773		773	773	0
Other central budgets	280	(951)	(671)	(436)	(235)
Transfer to general balances	2,000		2,000	2,000	0
Total Budget	260,781	(110,485)	150,296	150,323	(27)

* Change management budget after allocations to directorates

- 8.2 Further details of the directorate figures are shown in Appendix A
- 8.3 As previously reported, the 13/14 budget includes an additional £2m to increase reserve levels, which has now been set aside for unbudgeted costs, including pending court cases.

Future Budget Monitoring Arrangements

- 8.4 It is proposed that after the January budget monitoring report, there are no further formal

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reports for 2013/14 until the out-turn position is reported in July 2014.

2014/15 Budget

8.5 The proposed cycle of reporting to Cabinet for the financial year 2014/15 is set out below;

Reporting period	Cabinet meeting
May 2014	July 2014
August 2014	October 2014
October 2014	December 2014
December 2014	February 2015
March 2015 – Final Position	July 2015

8.6 Budgets will continue to be monitored on a monthly basis and in addition to the formal reporting out-lined above it is proposed to produce monthly summaries for cabinet members, subsequently circulated to group leaders and General Overview and Scrutiny Committee. This has the advantage of slicker, more timely reporting as well as reducing the amount of officer time involved in producing reports.

Exception Reporting

8.7 If a significant issue or variance against the budget plan arises then a report will be presented to Cabinet on that specific item.

9. Community Impact

9.1 The budget monitoring report helps the council demonstrate how its resources are being directed to meet corporate priorities.

10. Equality and Human Rights

The recommendations do not have any equality implications

11. Financial Implications

11.1 These are contained within the report.

12. Legal Implications

12.1 The Local Government Finance Act 1988 makes it a legal requirement that the council's expenditure (and proposed expenditure) in each financial year must not exceed the

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resources (including sums borrowed) available to the authority. If this principle is likely to be breached, the Chief Financial Officer is under a statutory duty to make a formal report to Members.

13. Risk Management

13.1 Monthly reporting gives the Chief Finance Officer assurance on the robustness of budget control and monitoring, highlighting key risks and identifying any mitigation to reduce the impact of pressures on the council's overall position.

14. Consultees

14.1 None

15. Appendices

15.1 Appendix A – Directorates Budget Monitoring

16. Background Papers

16.1 None identified.

Appendix A

Adults Wellbeing

Service	Annual Budget			January Forecast Outturn	January Projected (over)/under spend	October Projected (over)/under spend	Change to forecast (Adv)/Fav	Main reasons for change since October
	Budget Expend	Budget (Income)	Net Budget					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Adult Operations	4,071	(516)	3,555	3,646	(91)	(535)	444	Community equipment store income £274k moved form Other services to Operations, due to the end of the S75 contract with Wye Valley Trust and back as 'in house' provision, also vacancy savings
Mental Health	9,106	(1,932)	7,174	7,364	(190)	(138)	(52)	increased number of new packages for residential and nursing care
Learning Disabilities	17,227	(1,318)	15,909	15,582	327	161	166	Extra backdated client contributions based on recalculation of housing benefit and reduction in packages
Older People	19,206	(5,365)	13,841	14,792	(951)	(1,040)	89	Actual winter pressures contingency budget was greater than the actual costs as at the end of January.
Physical Disabilities	7,969	(753)	7,216	7,584	(368)	(298)	(70)	Increased Residential and Nursing packages
Adult Commissioning	1,020	0	1,020	1,208	(188)	(266)	78	Fee payable to KPMG(£20k) based on savings identified, and increased costs for agency staffing
Other Services	8,017	(4,660)	3,357	4,507	(1,150)	(1,171)	21	
Adult Social care excluding outstanding decisions	66,616	(14,544)	52,072	54,683	(2,611)	(3,287)	676	
Planned savings schemes outside directorate	(876)	0	(876)		(876)	(876)	0	
Total for adult social care	65,740	(14,544)	51,196	54,683	(3,487)	(4,163)	676	
Homelessness	2,916	(210)	2,706	2,389	317	125	192	SHYPP contract funded by use of Public Health Grant
Housing Needs and Development	280	(8)	272	228	24	4	20	
Home point	282	(282)	0	0	20	20	0	
Housing and independent living management	225	0	225	209	16	14	2	
Healthy Housing	727	(125)	602	492	110	115	(5)	
Housing and Independent living	4,430	(625)	3,805	3,318	487	278	209	
Adults well-being Directorate	70,170	(15,169)	55,001	58,001	(3,000)	(3,885)	885	

Children's Wellbeing

Service	Annual budget			January Forecast Outturn £000's	January Projected (Over)/underspend £000's	October Under / (Over) Spend £000's	Change to forecast (Adv) / Fav £000's	Main reasons for change since October
	Budget Expend	Budget (Income)	Net Budget					
	£000's	£000's	£000's					
Directorate Costs	2,561	(318)	2,243	2,145	98	60	38	
Directorate Costs	2,561	(318)	2,243	2,145	98	60	38	
Service Management	127	0	127	120	7	(18)	25	Reduction in interim staff costs
Children's Safeguarding *	13,571	(283)	13,288	14,378	(1,090)	(1,067)	(23)	Public Health Grant contribution of £68k to intensive family support service, Reduction in allowances, court costs and vacancies offset by increases in agency fostering (3), secure remand (1) and extension of placement £91k
Early Help	2,922	(395)	2,527	1,851	676	234	442	Collaborative use of Public Health Grant of £362k in children centres, Increase in vacancies within locality and children centres £80k
Safeguarding and Early Help	16,620	(678)	15,942	16,349	(407)	(851)	444	
Service Management	512	(5)	507	451	56	56	0	
Additional Needs	6,356	(4,004)	2,352	2,256	96	30	66	Change due to vacancies within Additional Needs
Education Improvement	1,140	(746)	394	192	202	162	40	Vacancy savings and delay in school improvement plan
Youth Services	312	(168)	144	69	75	85	(10)	
Children's commissioning	1,811		1,811	1,642	169	41	128	Investment of Public Health funding of £70k in addition to reduction in short breaks commitment of £47k and staff costs of £11k
Development and Sufficiency	13,869	(8,754)	5,115	5,492	(377)	(303)	(74)	Home to school transport; Invoices, additional routes and snow days
Education and Commissioning	24,000	(13,677)	10,323	10,102	221	71	150	
Education Support Grant				(783)	783	900	(117)	Review of grant in line with Academies (adjusted for projected year-end top-slice)
Children's Wellbeing Directorate	43,181	(14,673)	28,508	27,813	695	180	515	

Economy, Communities and Corporate

Service	Annual Budget			January Forecast Outturn £'000	January Projected (over)/under spend £'000	October Projected (over)/under spend £'000	Change to forecast (Adv)/Fav £'000	Main reasons for change since October
	Budget Expend £'000	Budget (Income) £'000	Net Budget £'000					
Economic, Environment and Cultural services	12,592	(8,596)	3,996	3,785	211	92	119	Increase in Planning and Car park income in December
Placed Based Commissioning	32,436	(4,531)	27,905	27,678	227	227	0	risks
Law Governance & Resilience	3,798	(890)	2,908	3,390	(482)	(504)	22	
Chief Finance Officer & Corporate Management	52,014	(48,056)	3,958	3,723	235	247	(12)	
Property Services	6,162	(4,525)	1,637	1,791	(154)	(148)	(6)	
Community & Customer Services	4,578	(805)	3,773	3,734	39	55	(16)	
Director & Management	273	(36)	237	208	29	36	(7)	
Economy, Communities and Corporate	111,853	(67,439)	44,414	44,309	105	5	100	

Chief Executive and Organisational Development

Service	Annual Budget			January Forecast Outturn £'000	January Projected (over)/under spend £'000	October Projected (over)/under spend £'000	Change to forecast (Adv)/Fav £'000	Main reasons for change since October
	Budget Expend £'000	Budget (Income) £'000	Net Budget £'000					
ICT	5,402	(495)	4,907	4,907	0	0	0	
Human Resources	1,412	(132)	1,280	1,280	0	0	0	
Communications and Web	622	(80)	542	542	0	0	0	
Management & Support	217		217	217	0	0	0	
Organisational Development Team	7,653	(707)	6,946	6,946	0	0	0	
Chief Executive	380	0	380	322	58	58	0	
Chief Executive & Organisational Develop	8,033	(707)	7,326	7,268	58	58	0	

Public Health

Service	Annual Budget			January Forecast Outturn £000's	January Projected (over)/under spend £000's	October Projected (over)/under spend £000's	Change to forecast (Adv)/Fav £000's	Main reasons for change since October
	Budget Expend £000's	Budget (Income) £000's	Net Budget £000's					
Public Health Grant	0	(7,753)	(7,753)	(7,753)	0	0	0	
Pay Budget	1,918	0	1,918	1,918	0	184	(184)	Collaborative use of grant within Children's and Adults
Commissioning Budget	5,522	0	5,522	5,522	0	5	(5)	Collaborative use of grant within Children's and Adults
Contingency Budget	350	0	350	350	0	73	(73)	Collaborative use of grant within Children's and Adults
Public Health Grant	7,790	(7,753)	37	37	0	262	(262)	
Research Team	151		151	151	0	0	0	
Public Health LA	151	0	151	151	0	0	0	
Public Health Directorate	7,941	(7,753)	188	188	0	262	(262)	



MEETING:	AUDIT & GOVERNANCE COMMITTEE
MEETING DATE:	9 MAY 2014
TITLE OF REPORT:	COUNCIL CONSTITUTION
REPORT BY:	SOLICITOR TO THE COUNCIL

Classification

Open

Key Decision

This is not an executive decision.

Wards Affected

County-wide

Purpose

To note the technical amendments being made to the council's constitution under authority delegated to the Monitoring Officer, and to consider arrangements for further review of the constitution.

Recommendations

THAT:

- (a) the technical amendments being made to the constitution summarised at Appendix A be noted; and**
- (b) consideration be given to the establishment of a cross party working group to undertake a further review of the constitution.**

Alternative Options

- 1 There are no alternative options to the amendments being made as they arise either as a result of changes in law, of changes agreed by Council, or are technical changes necessary to maintain the integrity of the constitution.
- 2 Audit & Governance Committee may elect to undertake a further review of the constitution at meetings of the committee or by establishing a working group reporting to the committee.

Reasons for Recommendations

- 3 To comply with legislative and Council requirements.

Key Considerations

- 4 As required by legislation, Council has adopted a constitution which sets out how we operate and how we make decisions. Audit & Governance Committee has been delegated the function of reviewing the constitution and making recommendations to Council; the Monitoring Officer has delegated authority to amend the constitution to reflect what the Council has agreed, changes to the law and technical amendments.
- 5 A summary of the technical changes being made by the Monitoring Officer to bring the constitution up to date is provided at Appendix A. A summary of the changes being made will also be circulated to all council members for information.
- 6 A further review of the constitution is timely given that, from the May 2015 elections the size of the Council will change from 58 members to 54. It would therefore be appropriate to review the composition and functions of ordinary committees of the Council. A number of other procedural matters have been identified for review including some elements of the Council Procedure Rules and the Budget & Policy Framework Rules.
- 7 When undertaking more fundamental reviews of the constitution it has previously been the practice of the authority to establish a cross party working group including group leaders or their representatives; Audit & Governance now has responsibility for undertaking reviews of the constitution and are invited to consider whether they wish to establish a similar working group to inform the development of their recommendations to Council.

Community Impact

- 8 There are no direct impacts arising from the recommendations.

Equality and Human Rights

- 9 There are no direct impacts arising from the recommendations.

Financial Implications

- 10 There are no direct impacts arising from the recommendations.

Legal Implications

- 11 The constitution complies with the requirements of the Local Government Act 2000 (as amended), regulations and guidance. Changes being made to the constitution are in accordance with authority delegated within the council's Functions Scheme.

Risk Management

- 12 If the council's constitution is not accurate, up to date and understood then there is the risk that governance arrangements are not clear and robust. By making the necessary technical amendments and undertaking a review of the constitution mitigate this risk which is recorded on the relevant directorate risk register (ref LGRVR26)

Consultees

13 None

Appendices

Appendix A – Summary of technical amendments being made to the constitution. (To Follow)

Background Papers

- None identified.

