

PROGRESS REPORT NO.2 – DIRECTOR OF RESOURCES’ SPECIAL REPORT

Report By: DIRECTOR OF RESOURCES

Wards Affected

None.

Purpose

To provide the Audit & Corporate Governance Committee with a second update on progress with implementing the action plan agreed by Cabinet in response to the Director of Resources’ special report on financial governance issues in ICT & Customer Services.

Financial Implications

There are no financial implications arising as a direct result of this report. Enhancements to the corporate governance framework and greater compliance with it will ensure that the Council optimises its use of resources.

RECOMMENDATION

THAT the progress made to date is noted.

Reasons

To provide the Audit & Corporate Governance Committee with assurance that the action plan in response to the special report on financial governance issues in ICT & Customer Services is being implemented.

Considerations

1. This is a second update on progress with the recommendations and action plans agreed by Cabinet on 20th September 2007 in response to the Director of Resources’ special report on financial governance issues in ICT & Customer Services.

Travel & Subsistence Claims

2. The action plan agreed by Cabinet for improving the systems of internal control across the Council in respect of officer travel and subsistence claims is attached (Appendix 1) for ease of reference. The action plan has been updated to include a commentary on the progress against each task.
3. Three of the eleven agreed actions are complete. A fourth action is partially complete. The Head of HR has provided an update on progress and revised target dates for the outstanding items.

Further information on the subject of this report is available from
Mrs Sonia Rees, Director of Resources on tel: (01432) 383519

Governance Framework

4. The action plan agreed by Cabinet in response to the Director of Resources' special report is attached at Appendix 2 for ease of reference (Appendix 2). The action plan has been updated to include a commentary on the progress against each task and revised target dates where appropriate.
5. The Director of Resources' main focus of attention since Cabinet agreed the action plan in response to her special report has been on reviewing the technical elements of the Constitution.
6. The timetable for this task was very challenging so the Head of Legal & Democratic Services secured the Constitution Review Working Group's agreement to allowing 'technical' amendments to financial governance framework for officers to be presented to Council on 2nd November 2007 providing that the Head of Paid Service, Chief Finance Officer and Monitoring Officer were in agreement with the proposed changes.
7. The Resources Directorate Management Team reviewed the Scheme of Delegation to Officers, the Budget and Policy Framework Rules, the Financial Procedure Rules and the Contract Procedure Rules. Four councils were selected as benchmarks as follows:
 - a) Shropshire County Council.
 - b) Kent County Council.
 - c) East Riding of Yorkshire Council.
 - d) St Helens Council.
8. The constitution documents for these four councils were chosen as benchmarks on the basis that the councils had the very best Use of Resources judgements for 2006.
9. There was a surprising degree of variation in the style and approach observed in the four constitution documents that were reviewed. Key observations for each technical element of the Constitution that was reviewed are as follows:
 - a) **Scheme of Delegation to Officers** – other councils' constitutions were more explicit about the roles and responsibilities of their Statutory Officers and members of the most senior management team of officers within the council.
 - b) **Budget and Policy Framework Rules** – other councils' constitutions were easier to follow.
 - c) **Financial Procedure Rules** – Herefordshire's financial standing orders and regulations were reviewed in July 2006 and compared favourably with the other councils' constitutions.
 - d) **Contract Procedure Rules** – other councils' constitutions were more explicit about the roles and responsibilities of the Statutory Officers on contracting procedures and the roles and responsibilities of officers involved in making purchases or procurement decisions.
10. The Statutory Officers, members of Corporate Management Board and key members of Cabinet were consulted on the revised documents and their comments were included in the draft documents presented to Council on 2nd November 2007 for consideration. The Audit Commission and the independent reviewer were provided with copies of the proposed revisions as the documents were sent for despatch with the Council papers.

11. The desire to demonstrate a firm commitment to delivering the action plan agreed in response to the Director of Resources' special report on schedule meant that Council would be receiving the revised documents before the independent review had been received. Whilst recommending that Council adopted the revised documents as an interim measure, it was acknowledged that further revisions of the documents were likely, and that this would also provide the opportunity for any further improvements in clarity, style etc.
12. On 2nd November 2007, Council accepted the principle of improving controls and resolved to:
 - a) Formally refer the recommendation to adopt the revised Scheme of Delegation, Budget and Policy Framework Rules, Financial Procedure Rules and Contract Procedure Rules to the Constitution Review Working Group, the Audit & Corporate Governance Committee and the Standards Committee.
 - b) Carry out a further review of the revised documents to take into account any recommendations arising from the independent review.
 - c) Hold a seminar for all Members prior to the proposals being returned to Council for adoption.
13. A further report elsewhere on this agenda presents the revised Scheme of Delegation, Budget and Policy Framework Rules, Financial Procedure Rules and Contract Procedure Rules as drafted for Council on 2nd November 2007 for the Audit & Corporate Governance Committee to determine how it wishes to take the Council's resolution on this matter forward.
14. Further detail on progress made against the action plan is provided in Appendix 2 to this report. The Director of Corporate & Customer Services will be reporting separately on progress with the urgent review of the Siemens contract and actions numbered 3, 4, 5 and 11.

Risk Management

The action plan is designed to enhance the Council's existing corporate governance framework in the light of the issues identified in the Director of Resources' special report (September 2007). The Corporate Management Board, Cabinet and Audit & Corporate Governance Committee are closely monitoring implementation of the action plan. Support from these bodies for the successful implementation of the action plan is essential if the Council is to demonstrate to the Audit Commission its commitment to resolving the serious issues that have been identified.

Background Papers

The Director of Resources' special report on the financial governance issues in ICT & Customer Services considered by Cabinet on 20th September 2007 and Audit & Corporate Governance Committee on 21st September 2007 refers.