

MINUTES of the meeting of Audit and Corporate Governance Committee held at Council Chamber, Brockington, 35 Hafod Road, Hereford HR1 1SH on Friday, 23 January 2009 at 10.00 a.m.

Present: Councillor ACR Chappell (Chairman)
Councillor RH Smith (Vice Chairman)

Councillors: MJ Fishley, JHR Goodwin, PJ McCaull, R Mills and AM Toon

In attendance: Councillor PJ Edwards

127. APOLOGIES FOR ABSENCE

There were no apologies for absence.

128. NAMED SUBSTITUTES(IF ANY)

There were no substitutions made.

129. DECLARATIONS OF INTEREST

Councillor RH Smith declared a personal interest in item 5 on the Agenda, Minute No.129 refers, being a member of the West Mercia Police Authority.

130. MINUTES

RESOLVED: That the Minutes of the meeting held on the 21 November 2008 be approved as a correct record and signed by the Chairman.

131. AUDIT AND CORPORATE GOVERNANCE COMMITTEE PROGRESS REPORT

The Committee received an Audit Commission report covering its areas of work with the Council. Terry Tobin, representing the Audit Commission, presented the report, and informed the Committee that the report was the first of its kind and would welcome the Committee's views on its usefulness. He informed members that the report was a short summary of the current position following the 2007/08 Audit and highlighted items of work for 2008/09 audit year. He reported that overall, work had progressed well to its current expected position. He made particular reference to the Statement of Accounts which had received an unqualified audit opinion. Views on Data Quality had been shared with the appropriate officer and matters were moving forward with positive outcomes of the action taken. With regard to grant claims there were no major issues. On procurement, there had been a lot of good progress made. With regard to the current risk area of procurement, he referred to the Amey contract. The Audit Commission had been involved whilst the contract was being negotiated to enable their views to be considered before the contract was signed off. There would then be a report issued at the end of the contract. The Safer Roads Partnership (SRP) had asked the Audit Commission to audit the SRP rather than the Commission imposing an audit. He informed the Committee that despite a lot of commitment to working together to improve road safety in the area, the partnership

was slow to move to its new role in wider education and that it was not using the benefits of bodies in the wider partnership such as the Health Service and Fire Service. He applauded the use of best practice from other SRPs. It was however relatively early days in for the SRP in its new wider role and he would submit a full report to the Committee on the SRP in due course.

Councillor AM Toon referred to the Direction of Travel and asked if the draft words were available. Terry Tobin reported they were not yet ready but would be shortly.

In answer to a Member's question regarding the procurement report, Terry Tobin informed Members it was likely that the report would be completed in April/May. Councillor RH Smith was of the view that the Committee should be involved in the Council wide procurement processes and the Amey review. He questioned whether the SRP should be the business of the Committee. The Acting Director of Resources was of the view that the Committee should be aware of areas and issues such as those relating to the SRP on an information basis. The Assistant Chief Executive Legal and Democratic informed the Committee that the Committee had an update of partnerships in general but that it was more appropriate that Strategic Monitoring Committee dealt with reports on partnerships with governance issues coming back to this Committee.

Councillor Smith referred to his appointment as a member of the West Mercia Police Authority and drew Members' attention to the government Green Paper on policing. He informed the Committee that the Green Paper was proposing to take away performance indicators for the police but was proposing a new principle whereby local Councils would have a greater responsibility for crime and disorder. He asked how aware the Commission was regarding the Council's efforts in dealing with these issues.

The Assistant Chief Executive Legal and Democratic informed the Committee that the terms of the partnership were for all partners to assist and cooperate and assist the Council in the scrutiny and audit process. There was a need for the Council to be clear on its expectations in those areas. Also that the Council should be challenging all partners in what they have agreed to do and whether their performance is being achieved at agreed levels as determined by the Council.

Councillor Smith was of the view that the Council was not delivering on the new crime and disorder proposals and requested the Assistant Chief Executive Legal and Democratic, in his role as Monitoring Officer, to inform the Strategic Monitoring Committee of the Council's proposed new duty of greater responsibility for crime and disorder in line with the policing Green Paper.

Councillor Toon stated that the issue was where the control and oversight of partnerships lay and that this should be with the authority and scrutiny. She was of the view that there was also the need to be aware of value for money in partnerships and raised the issue of pooled budgets in this respect.

The Chief Internal Auditor reported that pooled budgets and partnerships reviews were in the Audit Plan for 2009/10 which would be presented to the Committee for approval.

RESOLVED: That

- (i) the Committee welcome and endorses the Audit Commission's progress report covering areas of work with the Council;and**
- (ii) the Assistant Chief Executive Legal and Democratic to bring to**

the attention of the Strategic Monitoring Committee of the Council's proposed new duty of greater responsibility for crime and disorder in line with the Policing Green Paper.

132. USE OF RESOURCES

The Committee received a Use of Resources report from the Audit Commission. Terry Tobin presented the report and informed the Committee that the overall conclusion was that the Council was performing well. He referred in particular to the Financial Reporting theme because the Council was performing strongly in this area and had attained the score of 4 which was the highest available score. He commended the officers of the Council's Technical Accountancy team for the achievement. In Financial Management, the Council was performing well and was consistently performing above minimum requirements with a score of 3. Financial Standing had improved to the next level of performance scoring 3. Internal Control had generally increased its level of performance although scoring 2. Issues from the Crookhall report had been taken forward and were being progressed positively and there was a stronger process in place to monitor gifts and hospitality. Risk Management was improving and the link to the Primary Care Trust (PCT) would help in this area. Value for money had remained at the previous year's level score of 2. However the 'mix' of cost and performance was stronger in this area. The Council was currently in the process of making improvements to its arrangements to define and secure value for money and to manage costs but that these improvements were not yet being achieved consistently.

Councillor RH Smith asked if the Council would be including the revenue implications of all major projects in the Corporate Plan, Page 25 recommendation 3 refers. Also, would a report be submitted to the Committee on the various issues contained in the second paragraph on page 29, relating to value for money. The Acting Director of Resources informed the Committee that although he did not consider it appropriate to put in place an action plan on the issues referred to, the necessary work was in progress in relation to those issues and that a draft initial assessment would be submitted to the Audit Commission. He would be bringing a report to the Committee on the status of the new approach in respect of value for money processes.

Councillor Smith expressed concern that the requisite measures and optimum processes were in place regarding value for money. The Acting Director of Resources stated that there was evidence of continuing improvement and that processes were also being improved.

Councillor AM Toon questioned whether value for money was embedded in all its areas particularly where a department was no longer involved in commissioning had undergone structural changes and staffing numbers had not been reduced. She was of the view that improvements would need to be in place to achieve that embedded status.

The Acting Director of Resources informed the Committee that in his view, work on value for money issues were part of the daily job of all Council staff. He added that the process would improve through the closer working relationship with the PCT.

Councillor Smith referred to page 27 and the three specified actions in risk referred to and that these should be included within the Cabinet Member for Resources terms of reference for risk management. He also referred to the key findings and conclusions relating to Internal Control and asked would all the actions referred to be carried out. The Acting Director of Resources stated that all the actions were being worked on. With regard to the risk management elements, the proposed action on

these issues would be submitted to the Constitutional Review Working Group for consideration.

Councillor Smith requested that his eagerness for the risk management issues to be put in place be recorded.

Councillor Toon suggested that an action plan be brought back to the Committee to update Members on the issues and recommendations raised on page 27 together with the actions taken by the officers.

RESOLVED: That

- (i) the Audit Commission's Use of Resource report be noted; and**
- (ii) the Acting Director of Resources submit a report to the next meeting of the Committee which details the recommendations contained in the Audit Commission's report together with the progress to date and the future actions to be taken on the recommendations.**

133. REVIEW OF SCHEME OF DELEGATION

The Committee considered a report regarding amendments to the Scheme of Delegation following a review by the Assistant Chief Executive Legal and Democratic. He informed Members that the amendments were effectively a tidying up exercise. He emphasised that there was a substantial review of the Council's Constitution currently in process.

The Chairman suggested that the wording of paragraph 12.4.2 of the scheme be amended to read as follows:

'Cabinet Member decisions are those that do not fall within the definition of an Administrative or Management Decision'

RESOLVED: That the following proposed amendments to the Scheme of Delegation be approved for submission to Council:

- (i) the proposed amendment to paragraph 12.4.12(b) as set out in paragraph 5 of the report; and**
- (ii) the following wording for paragraph 12.4.2:**

'Cabinet Member decisions are those that do not fall within the definition of an Administrative or Management Decision'.

134. DRAFT REVISED TERMS OF REFERENCE

The Chief Internal Auditor presented a report regarding draft Revised Terms of Reference for the Audit and Corporate Governance Committee. He drew member's attention to the current terms of reference in Appendix 1 to the report and to the revised terms of reference set out in Appendix 2 which encompassed the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance and good practice.

Councillor AM Toon expressed concern that the proposed scope referred to at page

41 of the report did not include responsibility for reviewing external audit or inspection reports and referred to the Crookall report as an example.

Councillor RH Smith referred to paragraph 7 of Appendix 2 and was of the view that the Committee would wish to read and where appropriate act upon reports of external audit and inspection agencies.

Terry Tobin, representing the Audit Commission, informed the Committee that a lot of Audit Committees struggled with the performance area issue. He took the view that there was no defined answer to the problem. He further stated that CIPFA can advise on good practice but the Council have to be comfortable with its approach. From his point of view, it was not necessary that all amended reports needed to be dealt with by the Audit and Corporate Governance Committee if its being dealt with by another Committee.

Councillor Smith referred to paragraph 10(iii) on page 6 and questioned the proposal that the Committee could only endorse the management response to any recommendations made regarding the external auditor's annual governance letter.

The Assistant Chief Executive Legal and Democratic emphasised that the timescale would be for this Committee to receive the review of the constitution for consideration. It would then go to Strategic Monitoring Committee and Cabinet and ultimately to Council. He emphasised that would be a further opportunity for the Committee consider its revised terms of reference.

Councillor Smith expressed further concerns about exclusions from the proposed terms of reference and was of the view that the following matters should be included:

(i) **Audit**

Committee should ratify/identify issues to be investigated exceptionally agreeing lines of enquiry and scope and depth of audit activity.

Comment on scope, depth and value for money of external audit.

(ii) **Financial Management**

Monitor in year forecasts of revenue and capital outturn, satisfying itself that appropriate and timely measures are in place to avoid or minimise any projected overspend.

(iii) **Governance**

Maintain an overview of all procurement processes.

Encourage improvement in standards of accuracy, clarity, comprehensiveness and brevity in the Council's documentation.

The Acting Director of Resources informed Members that the Committee needed to be careful about straying into Scrutiny and Cabinet areas. The discussion concluded with the agreement that the Audit and Corporate Governance Committee should receive a six monthly report giving the overall year outturn position.

Councillor AM Toon referred to financial reports that had been submitted to Children's Services Scrutiny Committee and that the format of those reports was

questionable. It was her view that those reports were not consistent with those that were submitted to this Committee which were in a format that was understandable.

Councillor Smith referred to his previous role as Vice-Chairman of Community Services Scrutiny Committee and to a report received on the outturn of Children's Services Information Communications Technology (ICT) report. He did not like the format.

The Acting Director of Resources informed the Committee that he had discussed the issue with Councillor Smith and was much more comfortable with the current reporting format relating to ICT finance. On the Children's Services Scrutiny Committee issue raised by Councillor Toon, he informed Members that reports to that Committee were sometimes presented differently. He had, however, discussed the matter with the Children's Services Director to address the inconsistencies in the reporting process.

Terry Tobin, representing the Audit Commission, was of the view that it was most unusual for Audit and Corporate Governance Committees to consider budget monitoring reports but that it was an issue for the Committee to decide upon.

The Chief Internal Auditor made reference to Councillor Smith's suggested inclusion in the terms of reference regarding Governance, part (iii) above, and assured the Committee that the audit plan would be looking into standing orders for contracts and procurement.

RESOLVED: That the Chairman and Vice-Chairman to meet with the Chief Internal Auditor to discuss the proposed terms of reference in line with the suggested amendments in the preamble and that the amended version be submitted to the meeting of this Committee on 20 March.

135. THIRD INTERIM AUDIT ASSURANCE REPORT 2008/09

The Chief Internal Auditor presented a report which provided the Committee with an update on progress in making the planned improvements to the internal control environment. It also reported progress with the Annual Audit Plan for 2008/09. He referred to changes to key issues in paragraphs 5, 7 and 8 of the report. Paragraph 14 relating to Information Communications Technology (ICT) included updates to existing Business Impact Analysis, Business Continuity Plans and Change Control. An Action plan was in place regarding the unsatisfactory audit opinion, paragraph 19 refers. With regard to the Critical 1 recommendation relating to the Payment to Independent Providers Review, work was in progress and the Committee would be updated of the latest position in due course.

Councillor RH Smith referred to paragraph 14 relating to ICT and requested that more details be reported. He also referred to the Medium Term Financial Strategy as referred to in row 3 of the table on page 50, and to the effects that the current state of the financial markets were having on the Strategy. The Acting Director of Resources stated that the 2009/10 budget had been significantly affected and that changes to the budget as a consequence were being finalised.

Councillor Smith referred to paragraph 6.2 at page 51 relating to the proposed action plan to address the issues raised by the Audit Commission, and that the action plan should include the Audit Commission's invite to the Council and Primary Care Trust to take part in a national study of joint financing arrangements. Also, that pooled arrangements needed to include clarification and reconciliation of respective objectives. In referring to item 79 on page 62 regarding data quality, he requested

that when the Committee received further reports on action plans, the plans should include the initial target date for completion and that updates should include revised target dates.

RESOLVED: That the report be noted.

136. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Acting Head of Financial Services presented a report which informed the Committee on the introduction of International Financial Reporting Standards (IFRS) to local authority accounts. She referred to the timetable for implementation of the IFRS and made particular reference to the more significant changes introduced by the IFRS, paragraph 6 of the report refers, and which were set out in more detail up to and including paragraph 29 of the report. Arrangements were in place to meet with Human Resources to highlight the issues with regard to employee benefits such as the manual system for recording leave. Members were informed that the system would be challenging where a manual system was currently being used. Joint officer meetings were taking place with Worcester County Council to share ideas on how various information is collected.

The Chairman drew attention to the additional work and strain on resources in the Resources Directorate to the extent that there could be a need for more staff as a consequence of the introduction of the IFRS.

Councillor RH Smith welcomed the way this difficult and technical issue had been clearly explained in the Acting Head of Financial Services report.

Councillor Smith asked if the new IFRS system created any benefit for the Council. The Acting Director of Finance informed the Committee that consistency of accounting procedures was the main aim. He informed the Committee that the National Health Service was also introducing the new system.

The Acting Director of Resources stated that the IFRS system was a significant change for the authority and that all staff would need to be on board. A training event would be organised for the Committee in due course.

RESOLVED: That

- (i) the report be noted; and**
- (ii) an action plan and progress report be brought to the next meeting regarding the implementation of the IFRS with periodic updates to future meetings.**

137. LEARNING DISABILITY INSPECTION PLAN - PROGRESS REPORT

The Acting Director of Resources presented a report which responded to issues raised by this Committee at its meeting of the 25 September 2009. The report to that meeting detailed progress on implementing the action plan to improve learning disability services. The Committee identified areas for clarification relating to improvements in assessment and care management.

RESOLVED: That the report be noted.

The meeting ended at 11.38 a.m.

CHAIRMAN