

**MINUTES of the meeting of Audit and Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Friday 29 January 2010 at 10.00 am**

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

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

**In attendance:** Councillors WLS Bowen and PJ Edwards

**31. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**32. NAMED SUBSTITUTES (IF ANY)**

There were no named substitutes declared.

**33. DECLARATIONS OF INTEREST**

Councillor RH Smith declared a personal interest in item No. 5 on the Agenda, Minute No.35 refers, being a representative of the Council on the Herefordshire and Worcestershire Joint Members Waste Resource Management Forum.

**34. MINUTES**

**RESOLVED:** That subject to the following amendments, the Minutes of the meeting held on 20 November 2009 be approved as a correct record and signed by the Chairman:

- (i) the words 'closed and deleted' be replaced by the word 'completed' in line two of the second bullet point of the preamble to Minute No.28;
- (ii) the word 'Buttermarket' be replaced by the words 'rationale for Hereford street market' in line two of paragraph 5 of the preamble to Minute No. 29.

**35. ANNUAL AUDIT AND INSPECTION LETTER 2009**

The Director of Resources presented a report regarding the Audit Commission's Annual Audit and Inspection Letter for 2009.

The Chairman welcomed Mr T Tobin, representing the Audit Commission, who had attended to present the Audit Commission's Letter.

Mr Tobin informed the Committee that the Letter was a summary of the findings from his 2008/09 audit. He advised that overall the message in the letter was positive and summed up a lot of good work with arrangements being put in place by the Council. He emphasised that it was too soon to see outcomes from the arrangements as these would take time to embed. He drew Member's attention to three key areas, Planning, Use of Resources and Waste.

With regard to Planning, Mr Tobin advised that the audit had been carried out as a consequence of letters of concern the Commission had received from the public about the decision making arrangements. The Commission had brought in a planning expert to carry out the work. He was pleased to inform the Committee that since the report had been completed, he had been impressed with the speed and response of the Council to carry out the actions contained within the report. He would review the outcome of the actions after a period of time.

In referring to Use of Resources, Mr Tobin informed Members that the current use of resources could not be compared to the previous year and that the assessment this year was broader and more demanding. He drew the Committee's attention to the scored judgement in Managing finances, Governing Business and Managing Resources and advised that positives were shown in each area with Managing Finances achieving the best score with the time element being shorter to show results. He informed Members that next year's audit on the Use of Resources would be focusing on what had changed and the impact made by those changes. Workforce development would also be covered.

Mr Tobin referred to the strong drive through the Herefordshire partnership with Worcestershire County Council around the contract for waste management and he was pleased at the amount of work being carried out by the partnership to reduce the amount of waste.

In answer to a Member's points in respect of Planning, Mr Tobin informed the Committee that he was aware of the strong feelings around this issue and the local role Members play in the community. He emphasised however, that the local role and voting should be split and that there was a need for the voting to reach the right decision to be made on planning matters.

**RESOLVED: That**

- (i) the Audit Commission's Annual Audit and Inspection Letter for 2009 be noted; and**
- (ii) an update report on the progress of the Audit Commission's recommendations shown on page 22 on the Agenda be submitted to the next meeting of the Committee.**

**36. USE OF RESOURCES 2009**

The Director of Resources presented a report on the Use of Resources 2009 which made reference to the Audit Commission's Draft report, attached as an Appendix to the report, with a view to identifying improvement opportunities and next steps.

Mr Tobin representing the Audit Commission, referred to Recommendation 5 of the Commission's report and informed Members that it was a recurrent issue that clearer information could be given to Members to assist decision making.

Responding to a comment regarding the implications of the new audit framework for the Use of Resources, Mr Tobin informed Members that the new audit review was already much wider and broader. He referred to the words 'reviewing effectiveness' in some of the Commission's recommendations and emphasised that those words did not infer that the areas were bad. There was however a statutory requirement to look at outcomes in those areas.

The Director of Resources drew attention to the fact that Treasury Management had always been a key issue, but had not always had a high risk profile. However, with the recent problems surrounding Banks, Treasury Management had become high profile. He informed the Committee that steps had now been taken to show the Council's stance in the light of the risks involved. He gave an example of the good review on Treasury Management which had been carried out in the Resources Directorate which had given a fresh perspective on the area at the time of the increased risk.

With regard to an issue raised, the Head of Asset Management and Property Services (HAMPS) informed the Committee that a Joint Community Asset Transfer Policy had been approved by the National Health Service Board and the Council's Cabinet.

**RESOLVED: That an update report be provided at the next meeting.**

### **37. INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Technical Accounting Manager presented a report on the progress for implementing International Financial Reporting Standards (IFRS). She emphasised that the dates by which actions were required to be completed were referred to in the Detailed Action Plan appended to the report. Those dates were based on an earlier assessment and it was likely that more realistic dates would be available by the end of April.

Responding to a comment raised regarding the ICT system relating to the integrated property management and asset register system, the HAMPS informed Members that the system procured was an upgrade of the existing system.

The Vice-Chairman requested that the Committee express its appreciation both of the clarity and comprehensiveness of the report by the Technical Accounting Manager and the energy and efficiency which underlined it. He requested that future updates to the Action Plan should indicate which actions, if any, were behind schedule.

Mr T Tobin, representing the Audit Commission, commended the way in which the Council had approached and dealt with the implementation of the IFRS. He emphasised that the IFRS implementation was the top risk facing the Council's accounting process, so it was important.

**RESOLVED: That the report be noted.**

### **38. TENDERING OF THE CONTRACT TO BUILD THE NEW HEREFORD LIVESTOCK MARKET**

The Director of Resources presented a report which informed the Audit and Governance Committee of the process used during the procurement of the contract to construct the New Livestock Market. He drew Member's attention to the SCAPE framework which was set out in the Appendix attached to the report and that one of the advantages of using the framework was around controlling costs. He advised that in using the framework there was cost certainty, process savings and value for money and these were not available if engaging in the more traditional procurement.

The Committee noted that

- the principal contractor can sub-contract through the same procurement process which provides clarity and transparency.
- the restrictive covenant issue in relation to the new site was being investigated.
- the project board was run with Prince Methodology.

**RESOLVED: That the report be noted.**

### **39. REVIEW OF PROCEDURES AND PROCUREMENT WITHIN PROPERTY SERVICES**

The Director of Resources presented a report on the review of procedures and procurement within Property Services. He drew Members attention to the two audits which had been carried out by Internal Audit relating to elements of the Council's contract letting procedures and the tendering procedures which were more particularly referred to in paragraph 6 of the report. One of the audits had been commissioned by the Director of Resources to review compliance with the AMEY agreement. This report had a satisfactory assessment. He was pleased to report that the Head of Asset Management and Property Services had taken significant steps to address issues that had arisen in the contract letting audit. The issues in the report reflected differing interpretations of the constitution.

The Vice-Chairman took the view that the grading of the audit review as Marginal in respect of the review of contract letting was inappropriate and that it should have been of lesser grading. The Vice-Chairman was of the view that some important questions remained unanswered including whether the management response had taken into account the implications.

The Chief Internal Auditor informed the Committee that there was a formal procedure using a matrix to assess the audit opinion which ensured consistency. The matrix took into account the complexity of the audit and the number and type of recommendations. The matrix indicated that the opinion was marginal. The Chief Internal Auditor's view was that this was at the lower end of the marginal range. The Head of Asset Management and Property Services confirmed that the revised procedures regarding the process of tenders would be re-audited.

The Director of Resources advised that the issues which had been highlighted had a significant impact on Property Services. The review of the contractors list was an important improvement measure and the list was now up to date. He emphasised that the revision of rules and procedures in Property Services was about resolving issues and that misuse of public funds had not been an issue.

**RESOLVED: That a report be submitted to the next meeting regarding an action plan showing how the issues referred to in the report will be rectified and indicating if any contracts were re-let subsequent to tender procedures being revised.**

### **40. AUDIT AND GOVERNANCE CODE**

The Chief Internal Auditor presented a report which detailed the Audit and Governance Code (AGC) which had been approved by Council on 13 November 2009.

The Vice-Chairman expressed his regret that the AGC had not been referred to the Committee prior to the Code becoming part of the Council's constitution.

In responding to an issue, the Chief Internal Auditor advised the Committee that the Council's AGC was in line with the Chartered Institute of Public Finance and Accountancy guidance but that the National Health Service had certain differences which were applicable to itself.

**RESOLVED: That the report be noted.**

#### **41. RISK MANAGEMENT**

The Corporate Risk Manager presented a report on the current Risk Management process. He drew the Committee's attention to the revised Joint Risk Policy that had been in place since November 2009 and further advised that risk management training was available to the National Health Service non executive Directors. He made reference to the Use of Resources report outcomes relating to wider risk management and the need to have clear and robust processes in place for managing risks. He indicated that wider risk management had been a success in the project boards where he had participated. He further advised that project boards had a system in place whereby projects can be analysed with regard to risk. He informed Members that the Corporate Risk Register had recently been reviewed and that Directors had been advised to include those areas which present a corporate risk. He informed Members that compared to two years ago risk management had progressed well but that there was still a long way to go.

In responding to issues raised, the Committee was informed that

- the Corporate Risk Register system was reviewed quarterly by Directors and that the use of the Register as an aid to management was sporadic across the authority.
- there was an audit plan in place with regard to Risk Management Review and the audit team looked at the process of Risk Management and whether it is followed.

With regard to an issue raised in respect of actions to be put in place to meet the tasks highlighted by the Audit Commission, the Corporate Risk Manager advised that training of officers and Members to show the benefits of risk management was important. He informed the Committee however that he was the only officer dealing with the tasks and that resource was a problem.

The Chief Internal Auditor referred to the Audit and Governance Code and reminded Members that the risk environment was taken up in 2009 and was included in the Annual Governance Statement. He advised that evidence was reported to the Committee as and when it is found.

The Director of Resources informed the Committee that there was good risk management in place in some areas but that improvements could be made in others. He reminded Members that the current implementation of the project for the International Financial Reporting Standards where good risk management was evident.

**RESOLVED: That a report be submitted to the next meeting informing the Committee of evidence where the Corporate Risk Register processes are not**

**being followed, detailing the risks in all areas of the Council and how they are mitigated and reviewed.**

**42. INTERIM AUDIT SERVICES ASSURANCE REPORT 2009/10 NO.2**

The Chief Internal Auditor presented a report which updated the Committee on the work status and which brought to Member's attention any key internal control issues. He drew Member's attention to page 161 point 5.5 which related to improving and embedding risk management and informed Members that the Governance Statement would not be signed off until he had carried out his report.

In response to an issue raised regarding 'bundling', item no.41 on page 163 on the agenda refers, the Director of Resources advised that this was being looked at in the constitution.

The Vice-Chairman recorded his frustration that the recommendation with regard to item no.41 had been raised in November 2007 and took the view that the recommendation attached to that item should be implemented without delay. The Director of Resources informed the Committee that he would take the advice of the Monitoring officer on the matter.

**RESOLVED: That**

- (i) a report be submitted to the next meeting detailing the actions in place to ensure that travel and subsistence claims are processed correctly; and**
- (ii) item Nos. 61, 78, 106 and 107 in Appendices 2 and 3 attached to the report be closed.**

The meeting ended at 12.15 pm

**CHAIRMAN**