

Appendix 1

Draft Annual Governance Statement 2010/11

1. Scope of responsibility

- 1.1 Herefordshire Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this duty, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions. These include arrangements for the management of risk.
- 1.3 The Council has adopted a code of corporate governance that is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (“CIPFA”)/Society of Local Authority Chief Executives (“SOLACE”) framework for delivering good governance in local government. A copy of the code can be obtained from the Assistant Director – Law, Governance and Resilience.
- 1.4 The Annual Governance Statement for 2010/11 explains how the Council has complied with its code of corporate governance. It also explains how the requirements of Regulation 4(2) of the Accounts and Audit Regulations 2003, as amended by the Accounts and Audit (Amendment) (England) regulations 2006 in relation to the publication of a statement have been met.

2. The purpose of the Governance framework

- 2.1 The governance framework comprises the systems, processes, culture and values by which the Council is managed and controlled. The framework also sets out how the Council accounts to, engages with and leads the community.
- 2.2 The governance framework enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.
- 2.3 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives as an individual’s failure to comply with policies and procedures, even when provided with comprehensive training on them, can never be entirely eliminated.
- 2.4 The system of internal control is based on an ongoing process designed to:
 - (a) identify the risks to the achievement of the Council’s policies, aims and objectives;
 - (b) evaluate the likelihood and impact of the risks should they be realised; and
 - (c) identify and implement measures to reduce the likelihood of the risks being realised and to negate, or at least mitigate, their potential impact.

3. The Governance framework

- 3.1 The Council’s corporate governance framework was approved by the Audit and Corporate Governance Committee on 21 November 2008. It seeks to ensure that the principles of

good governance are embedded into all aspects of the Council’s work. The five principles agreed by the Audit and Corporate Governance Committee have been linked to the six principles of good governance outlined in the SOLACE/CIPFA publication “Delivering good Governance in Local Government”.

3.2 For ease of reference, the following table matches the Council’s set of principles with those contained in the SOLACE/CIPFA guidance:

SOLACE/CIPFA* Guidance - Principle 1	Focusing on the purpose of the authority, on outcomes for the community and creating and implementing a vision for the local area.
Council – Principle 1	Provide the best possible service to the people of Herefordshire.
SOLACE/CIPFA* Guidance - Principle 2	Members and officers working together to achieve a common purpose with clearly defined functions and roles.
Council – principle 2	Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness.
SOLACE/CIPFA* Guidance - Principle 3	Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
Council – Principle 3	Require high standards of conduct.
SOLACE/CIPFA* Guidance - Principle 4	Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
Council – Principle 4	Take sound decisions on the basis of good information.
SOLACE/CIPFA* Guidance - Principle 5	Developing the capacity and the capability of members and officers to be effective.
Council – Principle 2	Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness.
SOLACE/CIPFA* Guidance - Principle 6	Engaging with local people and other stakeholders to ensure robust public accountability.
Council – Principle 6	Be transparent and open: responsive to Herefordshire’s needs and accountable to its people.

3.3 To comply with the Code of Governance (approved by Council on 31 October 2008) the following has been carried out:

Principle 1 – Provide the best possible service to the people of Herefordshire

3.4 The Council continues to develop the partnership with NHS Herefordshire, with work being done on the best approach to shared service delivery. The Council and PCT work as one organisation to plan, purchase, design and deliver care around people’s individual needs close to where they live. There is a single corporate plan with shared targets, one set of agreed values, a joint management team, and several joined up teams and services.

3.5 In November 2010, the Council agreed to set up a Joint Venture (JV) Company with the NHS Herefordshire and Herefordshire Hospitals Trust to deliver shared services to all the partners with effect from 1 April 2011.

- 3.6 The Council has a Joint Risk Management and Assurance Policy and Joint Risk Management Assurance Guidance which was approved by Cabinet on 26 November 2009.
- 3.7 The Council has an Environmental Management System (British Standard 14001).

Principle 2 – Define the roles of members and officers, ensure that they work together constructively and improve their effectiveness

- 3.8 The Constitution clarifies roles and responsibilities and ensures accountability for setting the policy framework, including the corporate objectives and long term outcomes in the Corporate Plan, for fulfilling executive functions including a much clearer scheme of delegation to officers, improved planning arrangements and greater clarity of roles for all councillors.
- 3.9 The Council has undertaken a constitutional review led by the Constitutional Review Working Group (CRWG). This has led to various changes and updates to the Constitution to ensure that it continues to reflect legislative requirements and to remove any ambiguities.
- 3.10 The Chief Executive is the Head of Paid Service, the Chief Officer – Finance and Commercial Services is designated the Section 151 Officer and the Assistant Director – Law, Governance and Resilience is designated the Council’s Monitoring Officer.
- 3.11 There is a formal staff performance review requirement for all officers.

Principle 3 – Require High Standards of Conduct

- 3.12 Member officer development on a range of governance topics has been undertaken in the past 12 months. This has included training for Members and Officers on the new Constitution, on the single Planning Committee, which members of the Standards Committee were invited to attend. A bespoke programme of development was carried out to support the overview and scrutiny and scrutiny function, and work planning activity in particular.
- 3.13 Work has continued with Parish Councils to promote good local governance, including undertaking some targeted work with some Councils and more general training and development work with Herefordshire Association of Local Councils (HALC). The Herefordshire Parish Compact was highlighted in a national study on Parish governance.
- 3.14 There are Codes of Conduct for Members and Officers.
- 3.15 The Standards Committee has continued actively to promote high standards of ethical behaviour through its casework, training and development activities. The Standards Committee were consulted on the new Constitution to ensure that it reflected high ethical standards. To respond to the Standard’s Committee increased level of activity, a Vice Chairman was appointed in May 2010.
- 3.16 The Council has a process in place for dealing with complaints about Member behaviour. Between the period January 2010 to February 2011, 47 complaints were received of which 33 required no action, 10 were resolved through additional training being provided and others were dealt with through investigation. 36 of the complaints were related to parish/town councillors and only 11 to Herefordshire councillors.
- 3.17 The Council has shared values, which act as a guide for decision-making and a basis for developing positive and trusting relationships within the Council.

- 3.18 There are procedures and policies in place to ensure that Members and Officers are not influenced by prejudice, bias or conflicts of interest when making decisions and when dealing with stakeholders.
- 3.19 A register of members' interests is maintained and updated on a regular basis.
- 3.20 An updated Anti-fraud and Anti-corruption Policy is in place.
- 3.21 A Whistle-blowing Policy is in place and forms part of the Council's Constitution.
- 3.22 There is a formal Monitoring Officer Statement in relation to the use of the Monitoring Officers powers.
- 3.23 Written assurances are received from key managers. These assurances highlight areas of concern and confirm that the service areas has effective controls in operation.

Principle 4 – Take sound decisions on the basis of good information

- 3.24 There is an overview and scrutiny function that encourages constructive challenge.
- 3.25 The Council has an Audit and Governance Committee, which is independent of the executive and scrutiny functions.
- 3.26 The Council has a report writing framework and template which have been developed to ensure that all reports have contributions from key support officers, eg finance, legal, risk management and consultation. Report writing guidance makes it clear what other matters should be considered when preparing reports, eg equalities and human rights, alternative options.
- 3.27 Decisions made by Cabinet and Committees are based upon written reports as presented.
- 3.28 There is a Data Quality Policy previously agreed by Cabinet in May 2008 and updated in July 2010.

Principle 5 – Be transparent and open: responsive to Herefordshire's needs and accountable to its people

- 3.29 All meetings are held in public unless there are legal reasons for confidentiality.
- 3.30 The format of the Cabinet meeting is designed to ensure greater transparency of decision-making and to emphasise the separate roles of cabinet members, scrutiny members, political group leaders and to ensure that those in attendance express the views of the members of the Committee or group that they represent.
- 3.31 All Committee agendas, reports and minutes are publicly available on the Council's website other than for confidentiality reasons.
- 3.32 The public are allowed to ask a question at Council as long as a copy of the question is deposited with the Assistant Director – Law, Governance and Resilience.
- 3.33 There is a Herefordshire Customer Insight Unit, established as a single point of contact for Herefordshire Council and the Primary Care Trust. The unit is made up of officers from across the Council and Primary Care Trust, who work together to administer and monitor feedback such as feedback and complaints. Every directorate receives monthly performance reports relating to feedback.

- 3.34 Since being established in January 2010, a total of 177 compliments and 352 complaints have been received. It should be noted that no complaints escalated to the Local Government Ombudsman or to the Parliamentary and Health Service Ombudsman were upheld.
- 3.35 Arrangements are in place for the Council to inform the public about council services and service developments and these include the publication of the Herefordshire Matters Magazine, which is sent to every household in the county on a quarterly basis. This is supplemented by regular press and media notices.
- 3.36 Further information about services can be found on the Council's website and through other channels. For example, local election results were announced via Twitter in a pilot exercise during the 2011 local elections.
- 3.37 Historically, PACT (Police and Communities Together) meetings have been used as regular opportunities for the council and its partners to engage with local people and to discuss issues which are relevant to local communities. This system has been under review and will change in 2011/2012.

4. Review of effectiveness

- 4.1 Herefordshire Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council, who have responsibility for the development and maintenance of the governance environment: the Chief Internal Auditor reports on the audits conducted throughout the year and also by comments made by the external auditor and other review agencies and inspectorates.
- 4.2 The process of review is continuous and results in the Chief Internal Auditor's assurance reports presented at each meeting of the Audit & Corporate Governance Committee. These reports are used to inform the Annual Governance Statement. The Annual Governance Statement is signed by the Leader of the Council, the Chief Executive, the Chief Officer – Finance and Commercial Services and the Assistant Director – Law, Governance and Resilience.
- 4.3 The main independent sources of assurance on the operation of the corporate governance framework are the Council's Audit Services team, its external auditors, other external review bodies and the Audit and Governance Committee.
- 4.4 The review of effectiveness for the current financial year identified that the following work had been undertaken in 2010/11 in relation to the key aspects of the Council's governance framework outlined in paragraphs 4.5 to 4.70.

(A) Constitution

- 4.5 At its meeting on 13 November 2009, the Council tasked the Monitoring Officer (Assistant Director – Law, Governance and Resilience) to undertake further work on the constitution under the direction of the Constitutional Review Working Group (CRWG). During 2010/11, the Council continued with Phases 2 and 3 of its Constitutional review.
- 4.6 In May 2010, a number of changes were proposed and agreed to clarify existing arrangements and to respond to legislation. These included the designation of the Deputy Chief Executive and Director of Corporate Services be designated as statutory Scrutiny Officer, the creation of position of Vice Chairman to the Standards Committee and that the Council receive formal reports from the Standards Committee at all its meetings.

- 4.7 The Council approved changes to its Contracts Procedure Rules following review by a team including members of Procurement and Legal Services, with Councillor M Cooper as the Lead Member on behalf of the CRWG and the Chief Officer – Finance and Commercial Services as the Lead Director. The new Constitution was formally approved following the completion of Phase 2 in July 2010 and took account of a wide range of comments made by Members during the process.
- 4.8 As part of Phase 3 of the Constitutional Review in November 2010, the Council approved a revised set of Financial Procedure Rules and new arrangements for the discharge of Regulatory functions. These changes ensure that all appropriate regulatory functions are the responsibility of the Cabinet or Cabinet member are within the remit of the Regulatory Committee, that the delegations authorising officers to discharge those functions are clear and that there are safeguards providing for review and appeal.
- 4.9 In November 2010, the Council also considered its response to the Local Government and Public Involvement in Health Act 2007 to come into effect from May 2011. The Act requires the Council to consider new forms of executive arrangements. Following consultation and consideration of various options, the Council agreed to adopt Leader and Cabinet executive governance model with effect from the 3rd day after its elections on 5 May 2011.
- 4.10 One decision made by Cabinet was called in during 2010/11 as follows:
- (a) Discontinuation of Dilwyn Church Primary School
- 4.11 Cabinet responded formally to the comments made by the Children’s Services Scrutiny Committee.
- 4.12 On 4 March 2011, the Annual Report of the Overview and Scrutiny Committee was presented to Council. The report summarised the work undertaken by the six Scrutiny Committees in 2010/11.

(B) Corporate Objectives and Priorities

- 4.15 At their meetings, respectively on 28 January 2010 and 5 February 2010, the PCT Board and Council approved the high level vision, themes, strategic objectives and long term outcomes for the Joint Corporate Plan 2010-13.
- 4.16 The completion of the detailed information in the plan, namely performance measures, targets, key projects and milestones, was undertaken by the Chief Executive with the HPS Leadership Team. This was approved by Cabinet on 30 June 2011.
- 4.17 The Plan provides the starting point for performance monitoring reporting and management across the Council during 2010/11.

(C) Medium Term Financial Strategy

- 4.18 The Medium Term Financial Strategy was developed in line with the Council’s approved financial procedures. There was an integrated approach to corporate, service and financial planning processes. It is a joint plan with Herefordshire PCT.
- 4.19 The updated Medium Term Financial Management Strategy for 2010 / 13 was presented to Cabinet on 21 January 2011. Cabinet recommended to Council the recommendations for updating.
- 4.20 In their Annual Audit Letter dated November 2010 the Audit Commission noted that “The Council has generally good financial management arrangements. It has well established

medium term financial planning and budgeting processes to support the delivery of corporate and community plans”.

(D) Code of Governance

- 4.21 On 21 October 2008, Council reviewed and approved the revised Code of Governance. Both the Audit and Corporate Governance Committee and the Standards Committee took part in the consultation process.
- 4.22 The Audit & Corporate Governance Committee approved the Annual Governance Statement for 2009/10 at its June 2010 meeting. Actions taken on the significant internal control issues identified in the year were reported to the Audit and Governance Committee during the year.
- 4.23 The three Interim Assurance Reports by the Chief Internal Auditor informed the Audit and Corporate Governance Committee of progress on key issues identified in 2009/10.
- 4.24 The significant internal control issues identified in the Annual Governance Statement for 2009/10 area are being addressed, with the current status outlined in the current Chief Internal Auditor’s Annual Assurance report. All issues have been addressed with the exception of the embedding of risk management.
- 4.25 The Audit and Governance Committee considered the Audit Commission’s Annual Governance Report at their September 2010 meeting. The Audit Commission made two medium priority recommendations which were accepted by the Chief Officer – Finance and Commercial Services.
- 4.26 The Code of Governance forms has been updated as part of the review of the Constitution.

(E) Financial management arrangements

- 4.27 The Audit Commission’s Annual Audit and Inspection Letter dated November 2010 highlighted that the Council has good budget monitoring and internal financial reporting arrangements. It commented that the Council generally manages its finances well but is well aware that current and future cost pressures such as an ageing local population and reductions in central government funding, will mean that the short and medium term financial position will be very difficult.
- 4.28 The Council delivered services within budget for 2010/11.

(F) Performance management arrangements

- 4.29 The Council has a joint performance improvement framework which underpins the Joint Corporate Plan. The performance improvement framework encompasses the Council’s arrangements for preparing directorate and service plans in support of corporate priorities.
- 4.30 The arrangements for monitoring performance within directorates and reporting progress to members is established and culminated in quarterly Integrated Corporate Performance Reports to Cabinet in 2010/11. The performance reports details performance against key priorities, targets and commitments. Each Integrated Corporate Performance Report is subject to rigorous challenge by the Overview and Scrutiny Committee and key issues referred to the relevant scrutiny committee for further consideration.

- 4.31 The end of year Integrated Corporate Performance Report was presented to Cabinet on 30th June 2011. In summary the report states that:
- Direction of travel: For those indicators where data has been reported that can be compared with the same period last year, 50.7% are showing improvement (50% in 2009-10).
 - Achievement of targets: where either end of year or latest data is available 47.2% have achieved or exceeded target.
 - Delivery of projects: the majority of projects either have been delivered to schedule or are on target.
- 4.32 Each directorate has a designated Performance Improvement Manager who works alongside the directorate management team and senior managers to ensure performance management is embedded into directorate and service activities. All directorates also have access to Performance Plus which gives senior managers ‘live’ performance information.
- 4.33 The Audit Commission’s Use of Resources Report, dated November 2010, highlights that the way the Council monitors and manages its performance has improved.

(G) Risk management arrangements

- 4.34 The Audit Commission’s Annual Audit and Inspection dated November 2010 stated that the Council has made progress in strengthening its risk management framework and in embedding risk management at directorate and business process levels. This was reinforced further in a review by Audit Services in March 2011 which saw the Corporate Risk Management system being given a **satisfactory** audit opinion. Audit Services last issued a report on this system in July 2009 which gave a **marginal** audit opinion.
- 4.35 Notwithstanding the ‘satisfactory’ opinion, further assurance measures are in the process of being introduced to ensure that all risks are being captured and monitored, as part of a dynamic process, at service level and escalated, as appropriate. Audit services concluded, during their review, that the effective identification and control of risks could be bettered if both ‘top/down’ and ‘bottom/up’ approaches are adopted and believe that this would also lead to an embedded risk culture at all levels.
- 4.36 The Cabinet Member – Corporate and Education has responsibility for Risk Management, with the Deputy Chief Executive and Director of Corporate Services responsible for risk management at officer level. The Deputy Chief Executive commissioned a risk consultant to undertake a review of the Council and NHS (PCT) existing risk management methodology and links between risk management, governance, assurance and reporting and make recommendations for improved effectiveness.
- 4.37 The risk consultant concluded that whilst the Council had in place policies, processes, procedures, directorate risk registers and a corporate risk register, there was a need to embed risk management. There was also a need to make risk management a dynamic tool to assist the Council in its decision making processes and to be fully able to provide assurance to the Cabinet.
- 4.38 Improvements. Accordingly, to ensure a dynamic and ‘whole systems’ approach to risk management, the Resilience Team was formed in April 2011; the team was an amalgamation of emergency planning, business continuity, health and safety and corporate risk functions. This acknowledged that effective identification and assessment of risk, which could obstruct seriously HPS’s performance of its functions, underpins all of the Resilience Teams business processes.
- 4.39 Although the review carried out by the risk consultant, in November 2010, identified proposals to provide refresher training to senior managers and also to review ‘team’ risk registers for non-compliance, audit services felt that that review did not emphasise the

importance of risk management within the 'service' and 'team' functions below the Directorates, or reinforce the risk culture at that level. To that end, the HPS Risk Management & Assurance Policy and Guidance has been rewritten and is undergoing consultation prior to being presented for approval to the Audit and Governance Committee. This policy and guidance document is applicable across the partnership and is mindful that it is essential, when faced with ongoing change, transformation and loss of corporate 'memory', to maintain effective risk management processes that stretch across organisational boundaries. Once approved, training will be provided at all staff levels. In the meantime, the Resilience Team Manager is providing clarification on the process at management team meetings.

4.40 The Resilience Group is chaired by the Deputy Chief Executive and Director of Corporate Services, with empowered representation from each directorate and division. The Group represents the interests and views of all departments in developing and maintaining a corporate approach to risk management issues; develops, on behalf of the HPS LT, the strategic approach for the implementation of the HPS Risk Management & Assurance Policy and Guidance; undertakes joint discussion and consideration of risk, including corporate risk to HPS strategic objectives; where appropriate, makes recommendations to senior management, including the HPS LT and Cabinet; and, provides a forum where all members can raise issues, concerns and share information and best practice relating to all aspects of risk, for consideration and action as appropriate. The establishment of the Resilience Group is an indication of the organisation's commitment to risk management, business continuity and health and safety.

4.41 Herefordshire Multi-Agency Risk Management. There have been some significant developments on the management of risk with partner agencies, aligned to the new structure of the Herefordshire Multi-Agency Tactical Group; Chaired by Superintendent Hill, West Mercia Police and Vice Chaired by Erica Hermon, Resilience Team Manager. Herefordshire-wide risks, that require a multi-agency response, are being compiled and shared with partner agencies, reinforcing and signalling that a strong local multi-agency partnership exists to protect our public and provide local determination, prioritisation and direction. The Herefordshire Multi-Agency Silver Group will then match capacity with demand/expectation for risk mitigation, reflecting the risk priorities and the close integration of the Group's delivery functions.

(H) Anti-Fraud, anti-corruption and whistle-blowing arrangements

4.42 The Council has an anti fraud and corruption policy which was last updated in March 2010. There is also a Whistle-blowing policy which was last updated in March 2011. All policies are available on the Intranet. Staff induction includes ensuring employees are aware of all relevant policies and procedures. Reminders are issued throughout the year through corporate communication channels. The Audit Commission survey on fraud and corruption - 2010/11 found no cases involving officers or members. There were no whistleblowing incidents recorded for 2010/11.

(I) Project management arrangements

4.43 The Council has adopted the Prince 2 project management methodology for all major programmes and projects. The key principles of the Prince 2 methodology are applied to the management of less major projects. There is a Corporate Programmes team with project management responsibilities.

4.44 The Joint Corporate Plan 2010-13 contains a large number of projects. The status of projects is monitored through the quarterly Integrated Corporate Performance Report presented to Cabinet and Overview and Scrutiny Committees. The Audit and Governance Committee also received a report on the status of major projects in September 2010.

(J) Community engagement

- 4.45 During the course of the year a Community Engagement Framework was developed, led by HPS, but working through a Task and Finish Group which included a number of partners across the Local Strategic Partnership. Following an event in the Autumn, a Framework was produced and approved by Cabinet on 17 March 2011, subject to further comments from parish councils. Implementation of the framework, exploring how Herefordshire can best deliver the wide spectrum of community engagement will be progressed in earnest in 2011/12, linked to the newly emerging locality strategy.
- 4.46 Cabinet approved the joint Herefordshire Equality and Human Rights Charter on 21 October 2010 and it was publically launched at a Herefordshire Equality and Human Rights conference November 2010.
- 4.47 The “Reaching the Hearts of Herefordshire” programme continued, placing elected members at the heart of their community. The aim of the programme is to engage all partners, with council staff supporting local ward members to work within their communities has been introduced to support elected members to find ways for public services and communities to work together at a local level. A number of successful outcomes have come from the five wards where this approach was piloted. For instance, a Herefordshire wide loyalty card, Truffle Herefordshire, was launched in November 2010, designed to promote and support local business.
- 4.48 Community led planning continued to be supported across the County, with 56 plans having been published by March 2011. The development of the plans, provides communities opportunities to identify issues which are important for the local area, and to engage with service providers, to work together to find solutions. The process is initiated by the local community and takes an average of 18 months to 2 years to complete to publication stage. Community led planning is being used with initiatives, such as Reaching the Hearts of Herefordshire and participatory budgeting to form a very proactive approach to engagement, with communities being able to influence the delivery of services.
- 4.49 During 2010, the Council, together with its partners, conducted a review of PACT (Partners and Communities Together) meetings, which were held in 12 locations across the county. As a consequence, the implementation of the Community Engagement Framework will look at developing an alternative programme for engaging with local communities and encouraging them to get involved. This will be linked to the Locality Strategy, which was approved by Cabinet on 17 March 2011. The last PACT meetings were held in Autumn 2010. In the meantime, officers continued to engage with communities on important issues.
- 4.50 Consultation and gaining feedback on the development and provision of services has been ongoing. This is done through user groups, surveys and feedback from individuals as well as community representatives. Online consultation takes place using econsult and can be accessed via the “Have your say” link on the home page of the website. The website is also used to provide up to date information on services and initiatives which the Council is leading on. In partnership with the Primary Care Trust, the newsletter “Herefordshire Matters” was published regularly during the year carrying a number of articles addressing specific equality issues.

(K) Data Quality

- 4.51 The Council recognises the importance of data quality and has a data quality action plan aimed at improving the quality of arrangements in place.

- 4.52 The essential elements of the quality action plan have now been completed. The Cabinet ‘signed off’ the plan on 22 July 2010 accepting that 7 tasks remain amber rated. This is an improved position when compared to the prior year when some tasks were rated as ‘red’. Of the outstanding actions, two depend on other organisations.
- 4.53 In its Annual Audit Letter for 2009/10, the Audit Commission commented that the Council continues to deliver a programme of improvements to its arrangements for data quality. Some key systems are not yet delivering the expected improvements and there are still gaps in the data available for managing and making decisions on key services.
- 4.54 The need to maintain and improve data quality remains. The immediate actions deemed necessary have been identified, These will continue to be monitored but through the integrated corporate performance report to Cabinet & the Overview and Scrutiny Committee rather than by separate reports.
- 4.55 There is a Data Quality Policy previously agreed by Cabinet in May 2008 and updated in July 2010.

(L) Independent review

- 4.56 The Audit and Governance Committee met five times during the year. The Audit Commission’s Annual Audit Letter dated November 2010 states that “The Audit and Governance Committees plays a high profile and effective role”.
- 4.57 The Council’s responsibility for maintaining an effective internal audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2003. The responsibility is delegated to the Chief Officer - Finance and Commercial Services. This Officer also has responsibility for the administration of the Council’s financial affairs as set out in section 151 of the Local Government Act 1972.
- 4.58 The Audit Services Team operates in accordance with best practice, professional standards and guidelines. The Team independently and objectively reviews, on a continual basis, the extent to which reliance can be placed on the internal control environment. This is evidenced by the opinion given on the Council’s overall system of control by the Interim Head of Audit which is satisfactory for 2010/11.
- 4.59 The Audit & Corporate Governance Committee receives interim and annual reports on internal audit activity and approves the annual audit plan and Audit Strategy.
- 4.60 The Audit Commission’s Annual Audit and Inspection Letter dated November 2010 highlighted that they placed reliance on the work of Internal Audit in relation to substantive tests that addressed the risks of mis-statement identified.
- 4.61 A formal review of the Council’s system of internal audit was completed during 2010/11. The review found that Internal Audit was largely compliant with the CIPFA Code of Practice on Internal Audit with minor improvements required. In particular, it was felt that a more strategic focus around the partnership agenda should be achieved and less time spent on fundamental systems and schools.
- 4.62 In November 2010, the Council took the decision, along with its partners, NHSH and HHT, to tender for the provision of audit services as part of its shared service agenda to deliver better outcomes for Herefordshire through the delivery of efficiencies. New arrangements are in place for 2011/12.

- 4.63 The Monitoring Officer will be commenting on the Annual Ombudsman report, which was received by the Council in June 2011.
- 4.64 Following the review of the Council's fundamental systems and other key systems the outcome was that all but one of the systems were graded as either good or satisfactory. Education Transport was given a marginal audit opinion due to the need for improved risk management and income control and procedures. In other key systems, two satisfactory and a good audit opinion was given. Work in relation to Project Management is currently being progressed.

(M) External Inspections

Audit Commission Annual Audit and Inspection Letter (December 2010)

- 4.65 The Audit Commission in their Annual Audit Letter stated that the Council is managing and using its money, time and people to deliver value for money. The Letter notes that further work is required to assess how the PFI project can deliver value for money.
- 4.66 The Audit Commission also noted that Herefordshire Integrated Commissioning Directorate is setting in place changes designed to deliver improvement, but some elements of the change process are still in the early stage of development. The Letter also stated that Council should review if the Joint Venture Company (JVC) remained the right model and to gauge whether its contribution to the JVC is securing value for money.

Ofsted

- 4.67 In June 2010 Ofsted undertook the first annual inspection of contact, referral and assessment arrangements for children's safeguarding in Herefordshire. This inspection highlighted significant weaknesses in the referral and assessment service resulting in one area for priority action. Prompt and effective remedial action was taken to ensure safety of all children referred for a service and work to substantially and sustainably improve this particular service is ongoing.
- 4.68 Ofsted undertook a full announced inspection of safeguarding and looked after children's services across the partnership during September 2010. The overall judgments were, for safeguarding – overall effectiveness and capacity to improve both adequate; for looked after children – overall effectiveness and capacity to improve both good.
- 4.69 Ofsted has published its annual rating of children's services in Herefordshire as adequate overall.

Information Technology Security Techniques (ISO 27001)

- 4.70 The external assessor SGS completed their last 2010-11 audit in September 2010, and concluded that Herefordshire Council ICT Services and Modern Records Unit (MRU) has maintained its information security management system in line with the requirements of the standard.
- 4.71 During Quarter 1 and Quarter 2, ICT Services fell behind with implementing audit findings and agreeing new audit recommendations which in turn caused a delay in new audits being carried out. By Quarter 3 this issue had been resolved with the ICT Director's assistance; the monitoring of outstanding actions showed a marked improvement, and the internal audits were completed.
- 4.72 The Council's ISO27001 certification was continued.

Environmental Management System (ISO 14001)

- 4.73 The external assessor SGS completed their last 2010-11 audit in December 2010 and concluded that Herefordshire Council has maintained its environmental management system in line with the requirements of the standard. Three minor nonconformities were raised, whilst the major non-conformity (that was raised at the previous surveillance visit) was verified by the external auditors as closed out.

The monitoring of outstanding audit actions showed a marked improvement, and it was noted that a larger proportion of planned internal audits had been carried out (by the sustainability team and service area representatives) compared to the previous year.

(N) Assurances by Key Managers

- 4.74 Written assurances have been received from key managers. These assurances highlight areas of concern and confirm that:

- (a) action is being taken on recommendations from audit reviews;
- (b) council money is being banked promptly and that reconciliations to the Council's corporate finance systems are up to date;
- (c) gifts and hospitality have been declared in line with Council policy;
- (d) effective controls are operational in each service area.

- 4.75 Written assurances have also been received from directors and heads of service, giving assurance that there are no incidents of suspected fraud or corruption within their service area.

- 4.76 The Audit & Corporate Governance Committee has been advised of the implications of the result of the review of the effectiveness of the governance framework. The Committee will monitor progress with plans to address the areas identified for improvement in order to ensure that systems are continually improved.

5. Significant Governance issues

- 5.1 The significant governance issues identified as a result of the annual review of the Council's governance arrangement are as follows:

5.2 The need to continue to embed Risk Management (Deputy Chief Executive)

5.3 Ensure that improvements are made to key systems given a marginal audit opinion (Chief Officer – Finance and Commercial Services).

5.4 Continue to embed the control environment in relation to the Shared Services Partnership (Deputy Chief Executive and Director of Corporate Services).

Cllr John Jarvis
Leader of the Council

Signed:
Date:

Chris Bull
Chief Executive & Head of Paid Services

Signed:
Date:

David Powell
Chief Officer – Finance and Commercial Services & Section 151 Officer

Signed:
Date:

Chris Chapman
Assistant Director – Law, Governance and Resilience
and Monitoring Officer

Signed:
Date: