

**MINUTES of the meeting of Audit and Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Tuesday 23 August 2011 at 10.00 am**

**Present:** Councillor J Stone (Chairman)

**Councillors:** CNH Attwood, KS Guthrie, Brig P Jones CBE, JLV Kenyon, PJ McCaull and JW Millar

**In attendance:** Councillors

**60. CHAIRMAN'S INTRODUCTION**

The Chairman thanked Members and Officers for the good wishes and cards they had sent during this recent illness.

**61. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor EMK Chave and Dr P Ashurst.

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

Councillor JLV Kenyon was appointed named substitute for Councillor EMK Chave.

**63. DECLARATIONS OF INTEREST**

There were no declarations of interest made at the meeting.

**64. MINUTES**

**RESOLVED:** That the Minutes of the meeting held on 23rd June, 2011 be approved as a correct record and signed by the Chairman, subject to the inclusion of a declaration of interest by Councillor Chave in respect of Item 7 – Statement of Accounts, 2.8 Pensions (LGPS) - minute No. 59.

**65. APPOINTMENT OF VICE-CHAIRMAN**

Councillors CNH Attwood and JW Millar were proposed for the position of Vice Chairman. There was not a seconder for Councillor Attwood.

**RESOLVED THAT**

**Councillor JW Millar appointed Vice Chairman for the ensuing Municipal Year**

**66. TERMS OF REFERENCE**

A report was presented by the Interim Head of Audit about the terms of reference of the Audit and Governance Committee. He drew attention to the fact that although it embraced the term governance, the Committee's role was fairly narrow in that its main function was to review the Annual Governance Statement, review various policies and procedures such as

the whistleblowing policy, and to contribute to the Council's review of the Constitution as requested.

The Committee discussed the various elements of its terms of reference and noted the main aspects of the report.

**RESOLVED THAT**

**The report of the Head of Audit be received and noted**

**67. WORK PROGRAMME 2011/12**

The Head of Audit presented a report about a suggested draft work programme for the Committee during 2011/2012. The Committee discussed the various elements which were contained in the programme and the Head of Audit advised on how these could be dealt with. The Committee noted that prior to its next meeting on 29<sup>th</sup> September a briefing would be arranged for Members to receive information about the reports that would be submitted to it for consideration about the Council's accounts.

The Head of Audit explained that he had carefully studied the Committees Terms of Reference and had prepared the draft programme to ensure that all the areas of responsibility of the Committee would be covered during the forthcoming year. A further training session would be arranged for the Committee in November and the Committee felt that it would be advantageous if this could be opened up to all Members of the Council. The Head of Audit asked Members to let him know if they had any matters they would like to see covered by the November training session.

**RESOLVED THAT**

- (i) the work programme set out in the report of the Head of Audit be approved as a basis for future agenda items;**
- (ii) a short briefing be arranged for the Committee prior to the next meeting in September in respect of the final accounts; and**
- (iii) the next Audit and Governance training session to be held in November be opened up to all Members of the Council**

**68. ANNUAL INTERNAL AUDIT PLAN - 2011/12**

A report was presented by the Head of Audit which sought the approval of the Committee to the Annual Internal Audit Plan for 2011/12. Preparation and adoption of the Annual Internal Audit Plan followed guidance contained within the CIPFA Code of Practice of Internal Audit in Local Government (2006). One of the roles of the Head of Audit was to give an opinion about the systems and controls in place and the Plan was an integral part of the process. The Committee was required under its terms of reference to review and approve the Plan and the Head of Audit explained the main elements of it, together with the role and objectives of internal audit, which included:-

- contributing to the improvement of the internal control environment;
- identifying opportunities for performance improvement;
- evaluating those systems which were over controlled or inefficient; and
- identifying cost saving opportunities.

The Head of Audit asked the Committee for their views on the areas which were proposed to be focused upon within the context of the Plan. Members enquired about potential for efficiencies in the Amey Wye Valley contract in view of the fact that the Company provided a County-wide service for the Council and had an impact on all Wards. The Head of Audit said that he would shortly be meeting with the Director for Places and Communities to identify the area for inclusion in the Annual Plan. Other potential areas for inclusion on the Plan were discussed. A question was asked about the areas to be addressed, such as value for money, and The Chief Officer Finance and Commercial drew attention to the areas being studied by the Scrutiny Task & Finnish Groups, some of which would complement the work of the Audit and Governance Committee.

A question was asked about Member involvement in staff appointments. The Assistant Director Law, Governance & Resilience said that the Chief Executive and Director posts were the subject of Member involvement but that the appointment of all other posts fell within the remit of the appropriate officers. The procedure followed during audits was referred to, and in particular, whether there was a rotation of the officers undertaking them. The Head of Audit said that there was considerable merit in continuity during audits which had to be balanced against the introduction of 'a fresh pair of eyes'.

A question was also asked about whether officers travel and subsistence claims would be looked at and the Head of Audit agreed to consider including this in the audit programme.

The Committee was generally in favour of the approach set out in the Plan and noted that the Head of Audit would discuss the various points raised at his forthcoming meeting with the Director for Places and Communities.

**RESOLVED THAT**

**subject to any issues arising from the comments made by the Committee, the Annual Internal Audit Plan - 2011/12 be approved.**

**69. ANNUAL GOVERNANCE STATEMENT**

The Chief Officer Finance and Commercial presented a report about the Annual Governance Statement for 2010/11. The Statement was one of the two key documents for the Committee and was prepared in accordance with the requirements of the Accounts and Audit Regulations 2003. The main areas covered included on-going improvements to the Council's governance and control processes such as risk management; key systems; and the controls which were introduced to cover the new arrangements with the recently established Shared Services Partnership.

The Council was required to conduct a review of the effectiveness of the governance framework and the system of internal control at least annually. This was dealt with through the Statement which was submitted for review and approval by the Committee. It would then be included within the Council's Statement of Accounts. The Statement also provided information about how the Council's governance framework and system of internal controls could be reviewed and continuously improved.

Concerns were expressed about the adverse impact that financial cuts would have on the Council's services, such as education where the improvements achieved since last year's OFSTED report could be undermined. The Chief Officer Finance and Commercial said that areas such as this would need to be carefully monitored with resilient procedures put in place, in view of the significant cuts being faced by the Council. The Chairman said that he would like to see the rating for Children's Services to become better than 'adequate'. Councillor Miller mentioned that one of the Scrutiny Task and Finish Groups would be looking specifically at this area.

Governance within parish and town councils was referred to and the impact arising from those which had decided to leave the Herefordshire association of Local Councils (HALC). The Assistant Director Law, Governance & Resilience said that HALC provided an important service to all local councils and also offered advice about governance issues to those who were not members of it. The large number of local councils in the County made it unviable and impractical for the Council to become involved with them individually.

A question was asked about the PACT meetings. The Chief Officer Finance and Commercial said that the success of the meetings had been somewhat variable but that the Council was embarking on a process of establishing the 'nine localities' approach. Work had been carried out over the past year with the Council's partners to develop an improved approach to meeting the needs of local communities. The aim was to gain a better understanding of communities and to encourage service providers to work better together to develop localised service delivery, community leadership and community engagement leading to empowerment. Each of the nine localities had been allocated a senior manager as lead officer and during forthcoming months the new arrangements would be developed with Local Ward Members.

Having carefully considered all aspects of the Statement, the Committee agreed with the proposals put forward by the Chief Officer Finance and Commercial.

## **RESOLVED THAT**

**the draft Annual Governance Statement 2010/11 set out in the report of the Chief Officer Finance and Commercial be approved for inclusion in the Statement of Accounts for 2010/11.**

### **70. MONITORING OFFICER REPORT 2010-11**

A report was presented by the Assistant Director Law, Governance & Resilience about the matters within the responsibility of the Monitoring Officer and the Council's performance for 2010-11 regarding complaints to the Ombudsman and the standards framework.

The Monitoring Officer's activities in the period from June 2010 to date had focused on:

- a Constitutional review programme – now in Phase 3;
- holding all-Council and all-parish elections in May 2011 and delivering a new member training programme;
- ensuring that Law Governance and Resilience support good governance and high standards of conduct and probity as well as fulfilling the day to day functions;
- supporting the Shared Services project with emphasis on governance and developing the organisational model and heads of terms;
- dealing with all Monitoring Officer activities with emphasis on the Standards framework;
- dealing with Ombudsman complaints until October 2010 and ensuring the orderly transition of cases to the Customer Insight Team

The Assistant Director Law, Governance & Resilience was pleased to report that it had not been necessary to make a formal statutory report to Council on any actual or intended unlawful activities since September 2010 and that only one investigation had been undertaken during that period. The Council had a good record in respect of the number of complaints dealt with by the Local Government Ombudsman.

He provided the Committee with details about the complaints which had been referred to the Standards Committee which had placed a considerable burden on the resources of the Council. Legislation was being developed to remove the current Standards regime and the outcome of this process and finalisation of any alternative arrangements to be introduced was awaited. In the meantime the current arrangements remained in place and the Standards Committee had been tasked with identifying the arrangements which could be introduced locally to deal with ethical matters. If the new legislation was introduced without amendment, there would be no provision for the Council to deal with complaints about parish and town councillors.

Members asked questions about the type of ethical framework that was likely to replace the existing one and how Members would be affected. Issues about expenses were raised and the Chief Officer Finance and Commercial said that it was not practical to look at individual claims, except for the occasional spot check, but more appropriate to look at the processes, checks and balances involved. The Head of Audit said that he would consider the most appropriate way of addressing this. The terms and conditions of senior officers were also referred to, the Chief Officer Finance and Commercial said that this matter was more within the remit of Scrutiny. Also, the terms and conditions offered for individual posts had to relate to the responsibility of the job and attracting the right person to it.

Having considered the various issues raised in his report, the Committee decided that it should be received and noted.

**RESOLVED THAT  
the report be received and noted.**

#### **71. DATE OF NEXT MEETING**

It was noted that the date of the next meeting had moved from 16th September to 29th September.

The meeting ended at 12:50

**CHAIRMAN**

