

MINUTES of the meeting of Audit Committee held at Council Chamber, Brockington on Monday, 20th February, 2006 at 10.00 a.m.

Present: Councillor A.C.R. Chappell (Chairman)

Councillors: Mrs. P.A. Andrews, T.M. James, R.I. Matthews, R.J. Phillips and Mrs. S.J. Robertson

In attendance: Mr T Tobin (ex-officio) and Councillor R.M. Wilson (ex-officio)

13. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Mrs J.P. French.

14. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes.

15. DECLARATIONS OF INTEREST

There were no declarations of interest made.

16. MINUTES

RESOLVED: That the minutes of the meeting held on 30th September, 2005 be approved as a correct record and signed by the Chairman.

17. COMPLETION OF THE ACCOUNTS 2006/06

The Assistant County Treasurer (Accountancy and Exchequer Services) advised the Committee that the date for the closing of the Statement of Accounts is 30th June 2006 and that the timetable, attached to the report, is well on course to meet the deadline. He stated that although the deadline date had moved forward, the authority remained committed to closing the accounts as soon as possible after the year end. Members noted the planned changes and improvements to the 2005/06 Statement of Accounts. It was emphasised that although there was a wish for simplicity of the accounts, there were restrictions within the formal requirements preventing this, however, explanatory notes would be inserted as much as possible to ease understanding. It was also pointed out that a summary document would be produced, which would be less technical and more public friendly.

RESOLVED: That the report be noted.

18. CIPFA GUIDANCE ON AUDIT COMMITTEES

The Principal Audit Manager presented the report and reminded Members that at the first meeting of the Committee in September 2005 information was given on the position statement guidance now published and highlighted in the report. Some of the points raised highlighted the need for the Committee:

- to be a fully constituted committee of the Council, which is independent of both the Executive and Scrutiny functions;
- for Members to receive specific training relevant to their responsibilities;
- to have terms of reference that are reviewed annually, taking into account relevant governance developments, which are then integrated within the Council;
- Chairman to have previous knowledge of or to receive appropriate training on financial and risk management, accounting concepts and standards and the regulatory function; and
- to provide effective leadership on audit and governance, with the Committee proactive in providing forward looking agenda items;

Additionally, Members were advised that there was a need to raise the profile of the Audit Committee within the Council. It was agreed that it would take time to embed across the Council all the issues outlined in the Statement of Internal Control, but good progress had been made to date. Currently the Audit Committee is made up of Cabinet and Scrutiny Committee Members, CIPFA guidance requires that Members are sufficiently independent of other key committees of the Council. Therefore the terms of reference and membership of the Committee would need to be re-examined. It was proposed that the Principal Audit Manager contacted other local authorities to investigate what other authorities are proposing for the make up of the Committee and that this information is circulated to Members. It was also suggested by the Director that Members would need to discuss the longer term future of the Committee and the possible change of name to the Corporate Governance Committee to cover the other non-financial issues that would need to be dealt with. It was discussed that it might be more appropriate for backbench Members to make up the membership of the Committee and to consider an independent Chairman. It was emphasised that it was important that the Committee was not made up of Members with only financial experience, but to have Members with a general business background also.

CIPFA guidance also suggests separate and private meetings with the Chairman and both internal and external auditors. It was felt however that this would not sit well with the Council's culture and erode transparency and it was felt therefore that all matters should come before the Committee. There is also a need for the Committee to decide on the issues to be overseen by them, which are listed below:

- Risk Management;
- The Assurance Framework, to include the production of the Statement of Internal Control;
- Codes of Corporate Governance, standards and behaviour;
- Arrangements for delivering value for money;
- Anti-fraud arrangements;
- Arrangements for performance management;
- Internal audit strategy/plan; and
- Anti-corruption arrangements including the Council's whistleblowing guidance.

Members discussed the issue of training and the Director for Resources advised that a training programme was being put together for Committee Members to cover any gaps there may be from the initial induction training Councillors' received. However, a rolling training programme, in line with suggested good practice, was being developed and would commence with risk management. With regards to the work programme for the Committee, it was anticipated that

this would be Member led. Additionally, it was reported that CIPFA guidelines suggest that in line with good practice the Committee meets four times a year. It was proposed therefore that the Committee meet four times a year and develop the work programme as set out in the report.

RESOLVED

- THAT**
- (a) the Terms of Reference as outlined in the CIPFA guidance in Appendix 3 to the report be adopted;**
 - (b) the membership of the Committee be reviewed;**
 - (c) the strategies to be overseen by the Committee as outlined above, be adopted;**
 - (d) the timetable for training outlined in the report be adopted;**
 - (e) the work programme outlined in the report be adopted; and**
 - (f) a further report be made to the April meeting.**

19. AUDIT SERVICES INTERIM ASSURANCE REPORT 2005/06

The Principal Audit Manager advised the Committee of the progress that had been made to date on the Audit Plan and highlighted key internal control issues. In addition he advised of the current position on the key issues raised in 2004/05.

He stated that two key areas identified in the Annual Assurance Report for 2005 were the need for improvements in the Council's overall disaster recovery arrangements and the overspends within Social Care. He stated that the current action plan to address the overspends in Social Care had resulted in:

- the secondment of the Assistant County Treasurer (Policy and Audit) to the Adult and Community Services Directorate to assist with the day-to-day financial management of the budget;
- the projected overspends within the Directorate for Children and Young People reduced to approximately £195,000; and
- the development of an action plan to increase family support and the recruitment and retention of skilled foster carers.

It was felt that positive action was being taken to resolve the issues relating to the overspends. It was noted that the audit review of the disaster recovery arrangements is planned for quarter four and it is proposed that the Committee is updated on this in the Annual Assurance Report. It was agreed that the work listed below be deferred to 2006/07 to align the Audit Plan with available resources.

- Social Care contract letting;
- Supply cover administration;
- Older people payment to independent providers;
- Physical disabilities – direct payments to service users;
- Private finance initiative;
- CHRIS;
- Government grants;
- Waste Management Contract;
- Info in Hereford, Garrick House;
- Agency payments;

- P and C grants and donations; and
- Early years development – site visits.

It was noted that audits on the fundamental systems of the Council would be carried out, as it would adversely affect the closure of the Council's financial accounts if they were not.

The Principal Audit Manager reported that there were only two 'critical one' recommendations, which related to improved school controls over the use of the school mini bus and the details of legislation and acts listed on the Council's various types of warrant cards were correct, complete and current. He stated that he had taken a personal interest in these issues and that good progress had been made.

It was reported to Members that any audit that was rated as unsatisfactory, worse and any fundamental or major system found to be marginal or worse, would be brought to the attention of the Committee. Two audits met this criteria, which were Social Care financial management and budgetary control and anti-money laundering procedures. Members were informed that for the Social Care issues an action plan for the Director had been prepared for consideration. With regard to the anti-money laundering procedures, guidance had been provided by CIPFA and through the Council's legal department. It was felt that good information and training had been put in place and the key areas were the Info Shops and Cash Office. Training was due for completion by the end of March 2006.

The Principal Audit Manager drew Members' attention to the audit benchmark survey, part of the CIPFA benchmarking club Audit Customer Satisfaction Survey, which gave an overall audit performance of good. Three areas for improvement were, value for money reviews, the timing of audits and recommendations being constructive, practical and cost effective. All areas were seen as of high importance by customers and have been addressed with the signing of audit protocols with each directorate.

RESOLVED That the Interim Assurance Report be approved.

20. STATEMENT OF INTERNAL CONTROL ASSURANCE FRAMEWORK PROTOCOLS

The Principal Audit Manager presented the report on the Statement of Internal Control Assurance Framework Protocols and advised Members that it had been drawn up as per CIPFA guidance. Members discussed the list of protocols and the various levels that they were set at. Members were advised that the assurance framework would take time to be fully embedded in the Council's business processes and that the Council must demonstrate corporate involvement in and ownership of the process for preparing the Statement of Internal Control. It was pointed out that the 2004/05 Audit Commission Annual Audit and Inspection Letter highlighted the need for the Council to develop the assurance framework, particularly in mapping strategic objectives to risks, controls and assurances. It was noted the importance of the involvement of the Section 151 Officer and the Monitoring Officer to ensure the process is carried out through the year. The Principal Audit Manager also advised the Committee that the Council had developed a checklist to help give the assurances in relation to the Statement of Internal Control.

The Principal Audit Manager referred to the diagram at Appendix 2 of the report, the Statement of Internal Control, which demonstrated how all the processes such as service plans; performance management; risk management; Corporate Management Board/senior management team; fed in to the Statement of Internal Control and was

a corporate document and not just a financial one. He added that one issue that had been highlighted by the Audit Commission was there was no link between the corporate risks and the Statement of Internal Control. He stated that the diagram at Appendix 3 of the report highlighted how everything fed into the Statement of Internal Control and how it was reported on to the Audit Committee. He added that once the Statement of Internal Control had been agreed and signed off by the Chief Executive and the Leader of the Council, it would be presented to the Audit Committee.

RESOLVED

- THAT**
- (a) the Corporate Management Board is responsible for the Statement of Internal Control, with the Director of Resources as lead officer;**
 - (b) the frameworks outlined at Appendices 2 and 3 be adopted; and**
 - (c) both frameworks are reviewed annually by the Committee.**

21. DATE OF NEXT MEETING

RESOLVED: That the date, time and venue of the next meeting is Friday, 7th April, 2006 at 10.00 am at the Council Chamber, Brockington, Hereford.

The meeting ended at 11.00 a.m.

CHAIRMAN