

A G E N D A

Audit and Corporate Governance Committee

Date: **Friday, 13th April, 2007**

Time: **10.00 a.m.**

Place: **Brockington, 35 Hafod Road,
Hereford.**

Notes: Please note the **time, date** and **venue** of
the meeting.

For any further information please contact:

Paul Rogers Democratic Services Officer

progers@herefordshire.gov.uk

**County of Herefordshire
District Council**

AGENDA

for the Meeting of the Audit and Corporate Governance Committee

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

Councillors: Mrs. P.A. Andrews, H. Bramer, T.M. James, J.G. Jarvis, R.I. Matthews and Mrs. S.J. Robertson

In Attendance: T. Tobin (Audit Commission), and Councillor R.M. Wilson, Cabinet Member (Resources).

	Pages
1. APOLOGIES FOR ABSENCE	
2. NAMED SUBSTITUTES(IF ANY)	
3. DECLARATIONS OF INTEREST	
4. MINUTES	1 - 4
To approve and sign the Minutes of the meeting held on 19th January, 2007.	
5. COMPLETION OF ACCOUNTS FOR 2006/07	5 - 14
To report on issues surrounding this year's closedown of accounts.	
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To advise on the process used to develop the Annual Plan for 2007/08.	
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To update Members on work status and advise on any key internal control issues.	
9. PROGRESS ON THE COUNCIL'S 2006/07 STATEMENT OF INTERNAL CONTROL	37 - 40
To update Members on the progress being made in relation to the completion of the Council's Statement of Internal Control.	
10. USE OF RESOURCES ACTION PLAN	41 - 48
To present the detailed Use of Resources Action Plan (Appendix 1 refers).	

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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

BROCKINGTON, 35 HAFOD ROAD, HEREFORD.

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COUNTY OF HEREFORDSHIRE DISTRICT COUNCIL

MINUTES of the meeting of Audit and Corporate Governance Committee held at Council Chamber, Town Hall, Hereford on Friday, 19th January, 2007 at 2.00 p.m.

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

Councillors: T.M. James, R.I. Matthews and Ms G. Powell

In attendance: Mr T Tobin (Audit Commission) and Councillor R.M. Wilson, Cabinet Member (Resources) (ex-officio).

22. APOLOGIES FOR ABSENCE

Apologies for Absence were received from Councillors Mrs. P.A. Andrews, H. Bramer and J.G. Jarvis.

23. NAMED SUBSTITUTES (IF ANY)

Councillor Ms. G. Powell substituted for Councillor Mrs. S.R. Robertson.

24. DECLARATIONS OF INTEREST

There were no declarations of interest made.

25. MINUTES

RESOLVED: That the Minutes of the meeting held on 8th December, 2006 be approved as a correct record and signed by the Chairman.

26. AUDIT COMMISSION USE OF RESOURCES REPORT

The Director of Resources presented a report which updated the Committee on the Audit Commission's report in respect of the Council's Use of Resources. Although giving a positive assessment overall, the Audit Commission's report highlighted the need for improvement in certain areas. The Director of Resources indicated that these areas of concern were currently being addressed in the form of an action plan and that good progress was being made with the aim that improvements and efficiencies would be worked into service delivery plans. Mr.T.Tobin, Audit Commission, endorsed the good progress being made and indicated that the improvements would translate into improved assessment scores in due course.

Mr. T. Ford, Audit Services Manager, informed the Committee that a final version of the Use of Resources Auditor Judgements will be submitted to the Committee.

In referring to the Audit Commission's focus on Members' disclosures in respect of gifts and hospitality, Mr. T. Tobin informed the Committee that the Audit Commission would be arranging a seminar for Members in the near future on the subject.

RESOLVED: That the report be noted.

27. AUDIT SERVICES UPDATED INTERIM ASSURANCE REPORT

The Audit Services Manager, presented a report which updated the Committee on work status with regard to the Interim Assurance report and also brought to Members' attention key control issues. He informed the Committee that an update would be submitted to the next meeting on progress on developing guidance for teachers in respect of Criminal Records Bureau checks. With regard Information Communications Technology (ICT), Financial Management Systems and Procurement, the Head of ICT had signed off the action plan.

Discussion ensued in relation to Members and officers telephone usage. Members were informed that Audit Services had completed an audit on telephones with recommendations.

RESOLVED:

THAT (a) the report be noted; and

(b) a report be submitted to the next meeting on the audit recommendations made in relation to telephones.

28. CLIX ICT SYSTEM REVIEW - RECOMMENDATION FOLLOW UP

The Audit Services Manager presented a report which updated the Committee on the current status of the audit recommendations that had been made in respect of the functionality and security of the Client Index System.

RESOLVED: That the report be noted.

29. BENEFITS CORPORATE PERFORMANCE AND BENEFIT CHANGES APRIL 2007

The Head of Benefit and Exchequer Services presented a report which advised the Committee on the Benefit Fraud Inspectorates Corporate Performance Assessment report and the Benefit Intervention changes.

The Committee noted the progress and improvements made in respect of restructuring, processes and performance and the expectancy of achieving an improved Corporate Performance assessment in 2007.

The Principal Audit Manager informed Members that Housing Benefit is reviewed annually and that a report would be submitted to the Committee in due course.

RESOLVED: That the 2006 Benefit Corporate Performance Assessment rating and the Benefit changes, effective from April 2007, be noted.

30. MANAGING PERFORMANCE MANAGEMENT

The Head of Policy and Performance presented a report to Committee which detailed the Council's response to the recommendations of the recent audit of performance management. An action plan had been developed and was attached to the report as Appendix 1. He stated that there would be additions to the plan in future and that its nature was such that it would be on going and would evolve as time progressed. He emphasized that the Council's response to the recommendations needed to be robust and capable of taking the Council forward to a position of achieving fundamental service improvement over the next year.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE FRIDAY, 19TH JANUARY, 2007

The Director of Resources stated that performance would be monitored through the Council's budgets, savings, investment and its corporate governance framework and that these procedures and arrangements would indicate how efficiencies are being achieved. Regular update reports would be submitted to the Committee.

Mr.P.Morgan, Audit Commission, informed the Committee that although generally, performance management was not as well developed as other comparable authorities, the Council's action plans that had been put in place and the current proposals before the Committee was good. He emphasized the need to embed performance processes at all points of the Council, individually and from a team ethic viewpoint. He endorsed the way in which performance management issues were being addressed and the Council's positive response to achieve its aims.

RESOLVED: That the action plan at Appendix I to the report be approved and, subject to final drafting amendments, be submitted to the Audit Commission as the Council's response to the recent audit of its performance management arrangements.

The meeting ended at 3.18 p.m.

CHAIRMAN

COMPLETION OF THE ACCOUNTS FOR 2006/07**Report By: THE DIRECTOR OF RESOURCES****Wards Affected**

None wards affected.

Purpose

To report on issues surrounding this year's closedown of accounts.

Financial Implications

None.

RECOMMENDATION

THAT the report be noted and endorsed.

Reasons

To inform the Audit and Corporate Governance Committee about the 2006/07 closedown arrangements.

Considerations

1. Legally the requirement under the Accounts and Audit Regulations 2003 is to have the 2006/07 Statement of Accounts approved by no later than 30 June. A meeting of the Audit and Corporate Governance Committee has been arranged for 29 June 2007.
2. The 2006/07 Closedown timetable meets the statutory requirement in full. We remain committed to closing the accounts as soon as possible after the year-end.
3. The completion of the external audit and the final publication of the Statement of Accounts will have to be completed by 30th September 2007.
4. For the second year we will be producing a shorter summary accounts document and we will be carrying out a process of consultation on the content and format.
5. The format and content of the formal Statement of Accounts is determined each year by CIPFA's Code of Practice on Local Authority Accounting and there are a number of changes to the 2006/07 Statement of Accounts: -
 - (a) The removal of notional interest from the capital charges to services in the published accounts. This does not have an effect on the 'bottom line' charge to council tax but will reduce the level of spend shown in services.
 - (b) There is a new set of core statements, which will be presented in a specified

order, followed by a consolidated set of notes;

- Income and Expenditure Account
- Statement of Movement on the General Fund Balance
- Statement of Recognised Gains and Losses
- Balance Sheet
- Cash Flow Statement

(c) These statements present the figures in a completely new way, but the 2005/06 figures will be restated to allow a consistent comparison.

6. Timetables for the closedown process and for production of the Statement of Accounts are attached.

Risk Management

If the closedown procedures are not followed and legal deadlines not achieved this would have an adverse impact on the council's Use of Resources assessment

BACKGROUND PAPERS

- Closedown timetable 2006/07
- Statement timetable 2006/07

Closedown Timetable 2006/07

Task	Completion date		Responsible officer
Issue final accounts timetable	Fri	26 th Jan	HF
Send e-mail to check whether balancing of holding codes and cash/refunds are up to date	Mon	29 th Jan	HF
Closedown timetable e-mailed to External Audit	Mon	12 th Feb	HF
Issue feeder timetable/year-end guidance notes to Directorates and accountants	Mon	12 th Feb	HF
Report to CMB on Closedown including timetable	Tue	27 th Feb	DP/HF
Supply FRS17 data to WCC	Wed	28 th Feb	ASm
Prepare pro forma Statements including SORP changes	Wed	28 th Feb	HF
Out of date creditor cheques to be processed	Fri	16 th Mar	ASm/AU
Last date for receipt of sundry debtor account requests for 2006/07 in Revenues at the Town Hall	Mon	19 th Mar	Directorates
Memo sent to Members Services to supply details of any business interests recorded by members in Register of Interests	Fri	30 th Mar	HF
Stock valuations to be completed	Fri	30 th Mar	Directorates
Capital charges for Support services and Admin buildings including estimated deferred charges	Fri	30 th Mar	SBch
Balancing and posting government grants to CRA	Fri	30 th Mar	HF
Letters to Officers re related party disclosures	Fri	30 th Mar	AMc
Accountants meeting with External audit re working papers		TBA	Accountants
Provision of 2006/07 valuation schedules to Technical section	Mon	2 nd Apr	AH
Impairment review information sent to Technical section	Thu	5 th Apr	AH
Final date for inputting Direct Debits	Thu	5 th Apr	ASm/AU
BT bulk bill – 4 th quarter	Thu	5 th Apr	IT accountant
Journals for stock valuations to be processed	Thu	5 th Apr	IT accountant, GE, CS
CRB recharges to Directorates	Thu	5 th Apr	ASm
POP accrual journal circulated to accountants	Thu	5 th Apr	DE
Analysis of 2005/06 pension payments to WCC across Cedar codes	Tue	10 th Apr	ASm
Accommodation recharges	Tue	10 th Apr	BR
Car loan accounts balanced and journals completed	Wed	11 th Apr	CJ
Finalise spreadsheets for FRS 17 calculations	Wed	11 th Apr	HF
Report to Audit Committee on Closedown timetable	Fri	13 th Apr	DP/HF
Final ICT SLA and development charges	Fri	13 th Apr	IT accountant
Completion of central telephone charges	Mon	16 th Apr	IT accountant
Allocation of corporate training (plus budget)	Tue	17 th Apr	BR
Journals for depreciation to be processed	Tue	17 th Apr	SBch
Journals for impairment to be processed	Tue	17 th Apr	SBch
Clear Insurance holding codes	Tue	17 th Apr	AR
Recharge of IT/IEG base budget cost centres	Tue	17 th Apr	IT accountant

(plus budget)			
Allocation of Property services (plus budget)	Tue	17 th Apr	BR
Last date for petty cash claims to be received by Payments section	Wed	18 th Apr	Directorates
Last date for receipt in Payments section of invoices to be coded in 2006/07	Wed	18 th Apr	Directorates
Recharge of IT capital and support services charges to programme areas	Wed	18 th Apr	IT accountant
Allocation of corporate costs (plus budget)	Wed	18 th Apr	BR
Adjustments to POP accrual to be notified to DE	Thu	19 th Apr	Accountants
Jarvis March charges coded to Cedar	Thu	19 th Apr	CS
Allocation of INFO charges (plus budget)	Thu	19 th Apr	BR
POP accrual posted	Fri	20 th Apr	DE
Support Services SLA charges	Fri	20 th Apr	BR
Last date for receipt of internal transfers into accountancy	Fri	20 th Apr	Directorates
Review level of insurance provision and adjust as appropriate	Fri	20 th Apr	DP/AR
Council Tax and NNDR year end information to be received by accountancy	Fri	20 th Apr	RM
Old debtors system balancing information to accountancy	Fri	20 th Apr	AC
Housing & Council Tax Benefit expenditure figures to accountancy	Fri	20 th Apr	AB/MT
Print of creditors control account produced and reconciled to Cedar	Fri	20 th Apr	DE
Print of debtors control account produced and reconciled to Cedar	Fri	20 th Apr	DE
Period 13 closed and re-opened for historic journals only	Fri	20 th Apr	DE
Last date for transactions relating to Social Care section 31 arrangements	Fri	20 th Apr	SM
Corporate property pool allocations	Tue	24 th Apr	BR
Last date for receipt for debtors and creditors lists to accountants	Wed	25 th Apr	Directorates
Pooled budget memorandum accounts to PCT	Thur	26 th April	SM
Legal services to provide list of contingent liabilities	Fri	4 th May	KO'K
Receive FRS 17 information from WCC	Fri	4 th May	WCC
Last date for posting entries to schools	Fri	4 th May	Directorates/ service accountants
Holding codes cleared	Tue	8 th May	Accountants
Housing Benefit subsidy figures to accountancy	Tue	8 th May	AB/MT
Verify FRS17 information	Tue	8 th May	HF
Journal FRS 17 adjustments	Wed	9 th May	HF
Collection fund accounts completed	Wed	9 th May	Corporate Accountant
Debt financing items	Wed	9 th May	HF/SBch
Capital accounts closed	Wed	9 th May	JS
Journals for capital financing completed	Thu	10 th May	JS
Pooled capital receipts entries	Thu	10 th May	JS
Deferred charges (and grants) written off to revenue accounts	Thu	10 th May	SBch
Journals for property revaluations to be	Fri	11 th May	SBch

processed			
Consolidated bank reconciliation completed	Fri	11 th May	LB
Trust Fund accounts closed	Fri	11 th May	MG, HF, Property accountant
Revenue Accounts closed	Fri	11 th May	HF
ICT accounts cleared to I&E Account	Mon	14 th May	HF/ IT accountant
Transfer Directorate spend to I&E	Mon	14 th May	HF
Adjustments to reserves	Tue	15 th May	HF
Investment income	Tue	15 th May	SBch
Appropriations to CFR	Tue	15 th May	HF/SBch
I&E account completed	Wed	16 th May	HF
Letters to Members re related party disclosures	Fri	18 th May	AMc
BVACOP analysis of Service areas for I&E sent to HF	Fri	18 th May	Accountants
Balance Sheet completed	Fri	18 th May	HF
Statement of Internal Control finalised	Mon	11 th Jun	TF
Final date for receiving information for notes to the accounts (see detailed schedule)	Fri	15 th Jun	See Statements timetable
Statement of Accounts finished	Fri	22 nd Jun	HF
Audit Committee	Fri	29 th Jun	
Last date for R.O information to be produced	Fri	6 th July	Accountants
RO/CO forms to ODPM	Fri	13 th July	HF/Corporate Accountant
Last date for Working papers for Audit Commission in electronic format e-mailed to HF	Mon	16 th July	Accountants
Working papers to Audit Commission	Mon	30 th July	HF
External audit starts	Mon	30 th July	External Audit
Last date for advert of public inspection to appear		TBA	
Period of Public Inspection starts		TBA	
Meeting to discuss matters arising during audit		TBA	External Audit, HF, DP
External audit finishes	Fri	31 st Aug	External Audit
Meeting to finalise any amendments arising as a result of External audit		TBA	External Audit, HF, DP
Letter of Representation to be sent to Auditors		TBA	SR
Auditors appointed day		TBA	External Audit
Provisional date for SAS610 meeting with Audit committee		TBA	
Issue of Audit Opinion	Fri	28 th Sep	External Audit
Publication of Statements on Council's website	Fri	28 th Sep	HF

Abbreviations for Responsible Officers

AB – Alison Bowen	HF- Heather Foster	DP – David Powell
SBch – Sam Birch	MG – Malcolm Green	BR – Bob Rawlinson
CB – Colin Birks	AH – Alison Hext	AR – Andrew Rewell
LB – Lin Bradford	CJ – Christine Jones	ASm – Alun Smith
AC – Alison Cook	KO’K – Kevin O’Keefe	JS – Josie Smith
DE – Derek Edwards	AMc – Alan McLaughlin	CS – Cathy Stokes
GE – Greg Evans	SM – Sarah Meredith	MT – Mike Toney
TF – Tony Ford	RM – Rob Morgan	AU – Andrea Upton

Statement of Accounts & WGA 2006/07 – Information Requirements

Task	Completion date		Responsible officer
General			
Analysis of revenue and capital grants received (cash) – to period 9 to CJ	Wed	7 th Feb	Accountants
Analysis of revenue and capital grants received (cash) - to period 12 to CJ	Wed	16 th May	Accountants
Debtors and creditors lists including WGA and Related party summaries agreed to Cedar - sent to Corporate Accountant	Fri	25 th May	Accountants
WGA 'other' income summary to Corporate Accountant	Fri	25 th May	Accountants
Revenue analytical review to Corporate Accountant	Fri	8 th June	Accountants
Debtors and Creditors analytical review to Corporate Accountant	Fri	8 th June	Accountants
Foreword			
Capital Programme note including Prudential borrowing	Fri	18 th May	JS
Council's Borrowing note	Fri	18 th May	SBch
Analysis of over/under spends	Fri	25 th May	HF
Summary of Directorate out-turn	Fri	25 th May	HF
Council's reserves note	Fri	25 th May	HF
Service areas subjective analysis	Fri	1 st Jun	HF
Education subjective analysis	Fri	1 st Jun	MG
Pies analysing gross and net expenditure & income	Fri	8 th Jun	HF
Pensions note	Wed	13 th Jun	HF
Statement of Responsibilities			
	Fri	12 th Jan	HF
Statement of Internal Control			
	Mon	11 th Jun	TF
Statement of Accounting Policies			
Accountants to notify HF on any significant estimated figures to be included in the accounts and the estimation technique to be used.	Fri	23 rd Feb	Accountants
Paragraphs on accruals, reserves & provisions, grants, stocks & wip, allocation of support services, pensions, car & computer loans, car leasing, exceptional & extraordinary items, estimation techniques.	Fri	2 nd Mar	HF
Paragraphs on fixed assets, capital receipts, capital accruals, basis for redemption of debt, investments, leases,	Fri	2 nd Mar	SBch, JS
PFI note	Fri	2 nd Mar	HF
Jarvis note	Fri	2 nd Mar	HF
Income and Expenditure Account			
Collection fund transfers	Wed	9 th May	Corporate Accountant

Journal FRS 17 adjustments	Wed	9 th May	HF
Debt financing items	Wed	9 th May	HF/SBch
Pooled capital receipts entries	Thu	10 th May	JS
ICT accounts cleared to I&E	Mon	14 th May	HF/IT accountant
Transfer Directorate spend to I&E	Mon	14 th May	HF
Investment income	Tues	15 th May	SBch
Profit or loss on disposal of assets	Tues	15 th May	JS
I&E account completed	Wed	16 th May	HF
BVACOP analysis of Service areas for I&E sent to HF	Fri	18 th May	Accountants
Statement of Movement on General Fund Balance	Wed	16 th May	HF
Statement of Recognised Gains and Losses			
Surplus of deficit on I&E account	Fri	25 th May	HF
Surplus or deficit on revaluation of fixed assets	Fri	25 th May	SBch
Actuarial gains and losses	Fri	25 th May	HF
Other gains and losses	Fri	25 th May	HF
Balance Sheet	Fri	18 th May	HF
Cash Flow Statement			
Precepts paid	Fri	30 th Mar	HF
RSG and redistributed NNDR	Fri	30 th Mar	HF
Housing benefit cash payments	Fri	20 th Apr	HF/AB
DWP grants received	Tues	8 th May	HF
C tax and NNDR receipts	Wed	9 th May	Corporate Accountant
Analysis of government grants	Fri	25 th May	Corporate Accountant
Cash book analysis adjusted for internal transfers	Fri	25 th May	LB
Schools cash book analysis	Fri	25 th May	MG
Interest paid and received	Fri	8 th Jun	SBch
Purchase of fixed assets	Fri	8 th Jun	JS
Other capital cash payments	Fri	8 th Jun	JS
Sale of fixed assets	Fri	8 th Jun	JS
Other capital cash receipts	Fri	8 th Jun	JS
Employee cash figures (gross pay, 'ers NI, 'ers super)	Mon	11 th Jun	Corporate Accountant
Movement in short-term investments	Mon	11 th Jun	SBch
Repayments of amounts borrowed	Mon	11 th Jun	SBch
New loans raised	Mon	11 th Jun	SBch
Notes to the Core Financial Statements			
Goods & Services Act – analysis of debtors accounts to period 10	Mon	26 th Feb	CJ
Goods & Services Act – analysis of debtors accounts to period 12	Fri	20 th Apr	CJ
PFI	Fri	27 th Apr	DP/HF
Insurance provision note	Fri	27 th Apr	AR
Pooled budget/Section 31 notes	Fri	4 th May	SM
Contingent liabilities	Fri	4 th May	KO'K
Note on the Statement of Movement on the	Wed	16 th May	HF

General Fund Balance			
Reconciliation of I&E to mov't on General Fund	Wed	16 th May	HF
Capital expenditure and disposals note	Wed	16 th May	JS
Summary of movements on deferred charges	Fri	18 th May	SBch
Capital commitments	Fri	18 th May	JS
Debt liability	Tue	22 nd May	HF
Deferred credits	Tue	22 nd May	HF
Capital contributions deferred	Tue	22 nd May	JS
Fixed asset restatement account	Tue	22 nd May	JS
Capital financing account	Tue	22 nd May	JS
Usable capital receipts	Tue	22 nd May	JS
Long-term debtors	Wed	23 rd May	HF
Stocks & Wip	Wed	23 rd May	HF
Movement on reserves	Wed	23 rd May	HF
Provisions	Wed	23 rd May	HF
Fixed assets	Thur	24 th May	SBch
Information on intangible assets	Thur	24 th May	SBch
Leases	Fri	25 th May	AD, Corporate Accountant
Members allowances	Fri	25 th May	ASm
Section 137	Fri	25 th May	ACI
Provision for bad debts	Fri	25 th May	HF
Publicity	Fri	1 st Jun	Corporate Accountant
Borrowing analysis	Fri	1 st Jun	SBch
Building control account	Fri	1 st Jun	GE
External Audit fees	Fri	1 st Jun	HF
Depreciation note – methods, useful lives, total depreciation etc	Fri	1 st Jun	SBch
Investments	Fri	1 st Jun	SBch
Goods & Services Act returns from service areas	Fri	1 st Jun	Accountants
Goods & Services Act note checked and consolidated	Wed	6 th Jun	CJ
Schools balances note	Fri	8 th Jun	MG
Trading operations	Fri	8 th Jun	Corporate Accountant & IT Accountant
Debtors and creditors note	Fri	8 th Jun	Corporate Accountant
Related party transactions and balances	Fri	9 th Jun	Corporate Accountant
Pensions	Wed	13 th Jun	HF, ASm
Employees remuneration	Wed	13 th Jun	ASm
Trust Funds Note	Fri	15 th Jun	HF/Corporate Accountant
Reconciliation of revenue activities cash flow to CRA	Wed	20 th Jun	HF
Other cash flow notes	Wed	20 th Jun	HF
Collection Fund			
Information from Ctax for notes	Fri	27 th Apr	Rob Morgan
Fund accounts and notes	Mon	18 th Jun	Rob Morgan
Trust Funds			
Miscellaneous Trusts	Fri	1 st Jun	HF
Sylvia Short Trust	Wed	13 th Jun	SBch
Education figures and notes	Wed	13 th Jun	MG

Buchanon Trust figures and notes	Fri	15 th Jun	Property Accountant
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Abbreviations for Responsible Officers

SB – Susie Binns SBch – Sam Birch LB – Lin Bradford ACI – Annie Clipson AD – Angelina Durham GE – Greg Evans TF – Tony Ford HF- Heather Foster MG – Malcolm Green CJ – Christine Jones	SM – Sarah Meredith RM – Rob Morgan KO’K – Kevin O’Keefe DP – David Powell AR – Andrew Rewell ASm – Alun Smith JS – Josie Smith	CS – Cathy Stokes
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AUDIT STRATEGY 2007/08**Report By: Audit Services Manager****Wards Affected**

County-wide

Purpose

To present the 2007/08 Audit Strategy for approval.

Financial Implications

None Identified

RECOMMENDATION**THAT the Audit Strategy for 2007/08 be approved.****Reasons**

Adoption of an Audit Strategy represents best practice as required by the CIPFA Code of Practice for Internal Audit in Local Government (2006) and is an integral part of the Council's Internal Controls procedures under the CPA Use of Resources.

Considerations

1. The Audit Strategy is a high level statement of how Audit Services will be delivered and developed in accordance with the previously agreed terms of reference.
2. It is normal practice for the Audit Strategy to be reviewed annually by the Audit and Corporate Governance Committee.
3. The Strategy for 2006/07 was reviewed and adopted in April 2006.
4. The 2007/08 Audit Strategy covers:
 - Audit Services objectives and outcomes;
 - Resilience of the Audit Opinion;
 - Identification of significant issues and risks;
 - Provision of the Service;
 - Resources and skills; and

- Internal Control Audit Opinion Matrix.

RISK MANAGEMENT

5. If the Audit Strategy is not reviewed and adopted there is the risk of non-compliance with the CIPFA Code of Practice for Internal Audit in Local Government (2006). There would also be an adverse impact on the Councils Use of Resources score.

BACKGROUND PAPERS

The Code of Practice for Internal Audit in Local Government in the United Kingdom (2006)

AUDIT SERVICE STRATEGY 2007/08

Introduction

1. The Code of Practice for Internal Audit in Local Government (2006) requires the Audit Services Manager to produce an Audit Strategy, which is a high level statement of how the internal audit service will be delivered and developed in accordance with its terms of reference and how it links to the organisational objectives and priorities.

Objectives and Outcomes

2. The terms of reference for Audit Service are very comprehensive and are set out in the Audit Charter previously approved by Cabinet.
3. Audit Service outcomes are linked to the Council's objectives, as evidenced within the Audit Services' Service Plan for 2007-2010. The Plan also highlights the service performance indicators, which will be monitored as part of the Council's Performance Management Framework.

Resilience of the Audit Opinion

4. The Audit opinion on the Council's systems of internal control will be based on a review of the following:
 - Financial standards, which will cover the Council's fundamental systems;
 - Non-fundamental Systems;
 - Corporate governance arrangements to include Anti-fraud activity;
 - Best Value Performance Indicators (BVPIs);
 - Risk management arrangements;
 - ICT protocols and controls;
 - Establishment visits;
 - Verification and probity audits;
 - Corporate issues as they arise;
 - Level of recommendations agreed for action by management; and
 - Results of recommendations follow-up.
5. An audit opinion will be given to each audit review, which will inform the Audit Managers overall opinion on the Council's system of internal control (Paragraph 15 refers).

Identification of significant issues and risks

6. The Audit Services Manager will use the Council's risk management framework to identify key audit risks. This will be supplemented by a review of Cabinet agenda, the Corporate Plan and corporate and directorate risk registers.

**AUDIT SERVICE STRATEGY
2007/08**

7. The Audit Services Manager will carry out an annual assessment of the need to review all key financial systems.
8. The Audit Services Manager will review all high-risk financial systems each year and medium risk financial systems on a cyclical basis

Provision of the services

9. The service is provided by an in-house team and supplemented by an external computer auditor. This mix works well bearing in mind the ever-changing world of ICT and the specific skills required for computer audit work.
10. ICT audit training and development will continue to be a key training area for all audit staff, and with other training will ensure that Audit Services staff provide a comprehensive audit service to the Council.
11. The service has been under pressure, bearing in mind the ever-increasing need for computer auditing technical advice; this is evidenced by the introduction and implementation of Herefordshire Connects.
12. The Audit Commission carries out limited assurance work, relying mainly on the work of Audit Services.

Resources and skills

13. Following the completion of the risk based audit plan, any differences between the plan and resources available will be identified and reported to members as appropriate. The Audit and Corporate Governance Committee will also be informed of audits removed from the plan to align the risk based plan to audit resources available.
14. Each audit assignment will be given a complexity rating and the auditor chosen to complete the assignment will have the required skills as set out in the CIPFA Good Practice Guide to Skills and Competencies. In addition, full managerial support will be given during all audit assignments.

**AUDIT SERVICE STRATEGY
2007/08**

15. Internal Control Audit Opinion Matrix

	Overall Opinion	Maximum % Weighting
Financial standards, which will cover the Councils Fundamental Systems.		25
Non-Fundamental Systems.		10
Corporate Governance Arrangements to include Anti-Fraud activity.		10
Performance management/Best Value Performance Indicators.		10
Risk Management Arrangements.		15
I.C.T protocols and controls.		15
Establishment visits		2.5
Verification and probity audits		2.5
Other Corporate issues as they arise.		2.5
Level of recommendations agreed for action by management.		2.5
Results of recommendations follow up.		5
		100

Key		
	Good	85 to 100
	Satisfactory	65 to 84
	Marginal	51 to 64
	Unsatisfactory	31 to 50
	Unsound	1 to 30

AUDIT PLAN 2007/08**Report By: Audit Services Manager****Wards Affected**

County Wide

Purpose

To advise on the process used to develop the Annual Plan for 2007/08.

Financial Implications

None identified.

RECOMMENDATION**THAT the Audit Plan for 2007/8 be adopted.****Reasons**

Preparation of the Audit Plan represents best practice as required by the CIPFA Code of Practice for Internal Audit In Local Government and is an integral part of the Council's Internal Controls procedures under the CPA Use of Resources.

Considerations

1. The Accounts and Audit Regulations 2003 (as amended) established that a relevant body must *maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper practice in relation to internal control*. The guidance accompanying the legislation states that, for principal local authorities, proper internal control practice for internal audit are those contained within the CIPFA code.
2. Herefordshire Council also has an obligation to include in its Statement of Accounts a statement on the system of internal financial control. The statement should set out the framework within which financial control is managed and reviewed and the main components of the system, including arrangements for internal audit. This statement reports on significant identified weaknesses and the actions undertaken to rectify them.
3. The work of Audit Services forms a significant part in the Council meeting its obligations under the Accounts and Audit Regulations and in the compilation of the Council's Statement on Internal Control. In addition, Audit Services work makes an important contribution to the Council's CPA rating in the Use of Resources category. Limiting the Council's vulnerability to fraud and corruption and adhering to financial controls are key lines of enquiry in this

assessment. The first call on audit resources will always be from the corporate governance and control perspective although the skills inherent within the team can positively contribute to other corporate initiatives where possible.

- 4 The Code of Practice for Internal Audit in Local Government in the United Kingdom (2006) states that *“The Head of Internal Audit should prepare a risk-based audit plan designed to implement the audit strategy. In preparing the plan, the Head of Internal Audit should take account of the adequacy and outcomes of the organisation’s risk management, performance management and other assurance processes”*.
- 5 The Code also states that *“ the plan should be fixed for a period of no longer than one year. The plan should outline the assignments to be carried out, their respective priorities and the estimated resources needed. The plan should differentiate between assurance and other work”*.
- 6 The approach to preparing the Annual Audit Plan is fundamentally based upon the Council’s Risk Strategy and covers risk assessments in the following areas:
 - Fundamental Systems.
 - Non- fundamental Systems.
 - Corporate Governance arrangements to include Anti-Fraud arrangements.
 - Performance Management/Best Value Performance Indicators.
 - Risk Management arrangements.
 - ICT protocols and controls.
 - Establishment visits.
 - Verification and Probity Reviews
7. Each area is assessed for potential risks and classified as a high, medium, or low risk. In addition, within each risk area, consideration is also given to residual risk for specific functions or establishments based upon past Audit opinion and current knowledge including a review of Risk Registers at Corporate and Directorate level.
8. A key part of the risk methodology is that fundamental systems are always high no matter what their previous audit opinion is, as these are critical systems whose failure could cause major disruption or loss of financial control to the Council. These systems are identified by an analysis of the Council’s last published accounts and further identification of the information systems impacted upon. In addition, bank account schools are always high because of their level of independence from the Council’s control systems.
9. Links to the Council’s Standing Orders and Financial Regulations, and scheme of delegation are evidenced by audit work set out below:

Further information on the subject of this report is available from Tony Ford (Audit Services Manager) on 01432 260425

- Establishment audits cover inventories, budget monitoring and control, procurement and contracts, purchasing and stock control, income, Insurance, voluntary funds and imprest accounts.
 - Reviews at Directorate level cover compliance with Standing Orders for the Regulation of Contracts;
 - A review of the Gifts and Hospitality Register; and receipt of written assurances from Corporate Management Board members and all Heads of Service relating to gifts and hospitality.
 - Fundamental reviews such as those covering Debtors, Asset Register, Treasury Management, Creditors, Payroll also contribute; and
 - Reviews of delegation arrangements at Directorate level.
10. It is anticipated that for 2007/8 some £21,600 will be received by charging schools a nominal fee as a contribution towards additional costs to be incurred to achieve the target dates. These monies will be used to increase resources temporarily.
11. At the present time there is a FTE vacant post within Audit Services. It is anticipated that it will not be filled until the restructure of the Service has been completed. Temporary resources will continue to be brought in as cover.
12. Following the risk assessment, the base plan identified 2869 days of resources compared to available resources of 2588 days, a difference of some 281 days. The gap between needed and resources available is due to the requirements of the new DfES Toolkit for schools, which meant an allocation of some 761 days to cover audits and to give assurance that the Toolkit requirements have been met by 51 schools.
13. The alignment of the base plan to available resources has been achieved by:
- reducing contingency by 8 days; and
 - spreading the completion of school audits over two years with completion of 21 primary schools by 30th June 2008, this will however impact on the 2008/9 Audit Plan by 273 days. It is felt that this is the best approach as there is a need to ensure that assurance work is not compromised and that Audit Services has full involvement in Council priorities such as Herefordshire Connects and the Public Service Trust, and that the Director of Resources S151 responsibilities are not compromised.
14. With regards to Fundamental Systems the Audit Commission requirements for 2007/8 are currently being ascertained, these will be reported to members when known. The Audit Services Manager will liaise with Directors and Heads of Service to ensure that the requirements of the Audit Commission are met in full.

15. The plan also reflects continuing Audit Services involvement in supporting key corporate priorities such as the Performance Management Framework, Project Management, Risk Management, Local Public Service Agreements (LPSA), Local Area Agreements (LAA), Herefordshire Connects and the Public Service Trust.
16. Any revisions to the plan for 2007/08 will be reported to members by 30th November 2007 and the report will reflect any changes in resources and new audit work identified.
17. Appendix 1 shows the detailed Audit Plan
18. There has been consultation with Corporate Management Board Members, and their views, subject to resources, have been taken into account in determining the areas that require audit attention.

Risk Management

19. There is the risk that the Audit Plan is not completed. The key control measure will be monthly progress reports to the Director of Resources and progress on the Audit plan will form part of the Interim Assurance Report to the Audit Committee. If required temporary resources will be brought in to cover any vacancies if they arise.

BACKGROUND PAPERS

The Code of Practice for Internal Audit in Local Government in the United Kingdom (2006)

AUDIT SERVICES AUDIT PLAN 2007/08

AUDIT AREA	DAYS
Administration & Management	
Bench Marking	5.00
General	57.00
Customer Liaison	20.00
Audit Manual	15.00
Management	45.00
Health and Safety	5.00
Directorate Management Team	17.00
Hereford & Worcester Audit Group	4.00
Tardis	10.00
Team Briefings	52.00
IT Problems and Delays	10.00
	240.00
Staff Review and Development	
SRDs	20.00
Training	75.00
	95.00
Leave	
Special	10.00
Bank Holiday	80.00
Annual Leave	274.00
Sick	70.00
	434.00
Corporate	
Audit Committee	65.00
Public Service Trust	60.00
Statement on Internal Control	20.00
Herefordshire Connects	50.00
Use of Resources	20.00
LPSA/LAA	25.00
Diversity	10.00
GEM	10.00
Contingency	32.00
	292.00
Non-Fundamental Systems	
Recruitment and selection	17.00
Sure Start	22.00
Income from Trade Waste	12.00
Penalty Charge Income	20.00
Planning Fees & Charges	12.00
Section 31 Agreements	20.00
Payments to Independent Providers	17.00
Managing Attendance	12.00
	132.00
\Recommendation Follow up	
Section 106	6.00
Anti Money laundering	6.00
ICT FMS	10.00
Markets Fees and Charges	5.00
Homecare Payroll	5.00

AUDIT SERVICES AUDIT PLAN 2007/08

AUDIT AREA	DAYS
	32.00
Project Management	
Project Management	20.00
	20.00
Risk Management	
Risk Managemant	20.00
Business Continuity	10.00
	30.00
Performance Management	
Performance Management	20.00
BVPI	50.00
	70.00
Anti Fraud	
Travell & Subsistance	20.00
Members Exp etc	15.00
Staff Gift Register	10.00
Regeneration development	15.00
Housing Renovation grants	20.00
NFI	15.00
	95.00
Contracts	
Waste Contract	12.00
Contract Letting-Environment	10.00
Adult and Community	10.00
Chief Executives	10.00
	42.00
Delegations	
delegations- Environment	10.00
delegations- Corp & Customer c	10.00
	20.00
ICT	
Physical Security- Remote Sites	10.50
Business Continuity	10.50
Telephone-Recs follow up	5.50
CAPS Recs follow up	4.50
E-POP Ceder E- Purchasing	10.50
TALIS	5.50
MVM & Planning 20/20	5.50
Adult Services-CLIX System Controls	5.50
Adult Services-Homepoint System	5.50
Payroll System - Access Control	8.50
Creditor System Access Control	8.50
CT/HB/NDR- Access Controls	10.50
ICT Gap Analysis and Backup and Recovery	15.50
General Ledger- Interfaces	10.50
	117.00
Schools	

AUDIT SERVICES AUDIT PLAN 2007/08

AUDIT AREA	DAYS
Schools High (14)	280.00
Schools Primary (16)	208.00
	488.00
Fundamentals	
FM S System	28.00
Bank Reconciliation	28.00
Treasury Management	23.00
Asset Register	23.00
Salaries	33.00
FMS -Schools	28.00
Salaries- Schools	33.00
Sundry Debtors	23.00
NDR	33.00
Council Tax	33.00
Housing Benefit	38.00
Cash and Deposits	28.00
Creditors	28.00
Supporting People	28.00
FMS -ICT	28.00
Early Years	23.00
School Transport	23.00
	481.00
TOTAL	2588.00

AUDIT SERVICES UPDATED INTERIM ASSURANCE REPORT NO 2

Report By: Audit Services Manager

Wards affected

County-wide

Purpose

To update Members on work status and to advise on any key internal control issues.

Financial Implications

None.

Recommendation

THAT the report be noted.

Reasons

1. Compliance with good practice as set out in the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom.

Considerations

2. The Interim Assurance Report was presented to The Audit Committee and Corporate Governance Committee on 8th December 2006. The first updated Interim Assurance Report was presented on 19th January 2007.
3. The work on the completion of eighteen fundamental systems has progressed well with the exception of the Council Tax system, which was not presented to the Audit Commission on time. However this has now been delivered a month after the due date.

Audit Opinions

4. Appendix 1 shows the status of work carried out by Audit Services, with final audits showing an audit opinion. There was an unsatisfactory audit opinion in relation to the CLIX system as it did not meet the functional or security needs of Adult Services, nor did it fulfil central government requirements. Members requested an update on Audit recommendation made and were updated on progress on 19th January 2007. In addition resources have been put into the Audit Plan for 2007/08 for further audit work.

5. The ICT FMS and Procurement System (a fundamental System) was given an unsatisfactory audit opinion as there was a need for improved controls over payments, better reconciliation to Cedar and budgets to be set.
6. Following the review of the audit file by the Audit Commission they are of the view that issues identified by Audit Services could have an impact when carrying out their audit of the Council's final accounts. Under the circumstances they have asked that Audit Services carry out additional work on their behalf as part of the planned Audit Services follow up work commencing in April 2007. The outcome will form part of the Annual Assurance Report for 2006/07.
7. The system for Market Fees and Charges was also given an unsatisfactory Audit Opinion due to fundamental system weakness, particularly over the receipt books and supervisory checks to ensure that all income receivable is received. Follow up action is planned for 2007/08.
8. However it was satisfying to report that three fundamental systems were given a good Audit Opinion.

Recommendations made

9. Under current reporting protocols the Audit Services Manager has to bring to the attention of the Audit and Corporate Governance Committee 'Critical 1' recommendations. These are recommendations where non-compliance will be a high risk to the Council and where action is required urgently or within an agreed timescale.
10. Seven critical 1 recommendations were reported previously. Three relate to CRB procedures and one to inventory records. The Audit Services Manager, the Legal Practice Manager and the Human Resources Manager will be developing guidance with regards to CRB procedures. In relation to inventory records, the Head of Financial Services has developed Accounting Guidelines, which are in the process of being finalised and sent out to Key Managers and Headteachers. Three related to the fundamental system ICT FMS and Procurement and cover the need for improved controls over payments, better reconciliation to Cedar, and budgets to be set.
11. The Audit Services Manager has met the Director of Corporate and Customer Services and the Head of ICT and Customer Services and agreed a way forward to meet the recommendations. The Head of ICT has developed an action plan in response to the audit recommendations. It should be noted that a much higher level of controls would have been required if this system was a corporate system. Audit follow up work will commence in April 2007.
12. No additional critical recommendations have been made for audits currently finalised

Risk Management

13. If the Head of ICT and Customer Services does not take action on the critical recommendations made by Audit Services it is likely that the system controls could become a matter of concern. Follow up action in April 2007 will ascertain the up to date position.

14. There is the risk that the level of work required to give an opinion on the Council's Internal Control system is not met. To help mitigate this the Audit Plan is kept under constant review by the Audit Services Manager.

BACKGROUND PAPERS

- Code of Practice for Internal Audit 2006

STATUS OF AUDITS STARTED DURING THE YEAR

Audit	Status	Audit Opinion
Fundamental Systems		
Statement on Internal Control-2005/6	Final	Satisfactory
Creditors	Final	Satisfactory
Education Transport	Final	Marginal
Bank Reconciliation	Final	Satisfactory
Salaries - Non Education	Final	Satisfactory
Housing Benefit Payments	Final	Marginal
Early Years Development	Final	Satisfactory
Salaries - Children Services	Final	Marginal
ICT FMS and Procurement	Final	Unsatisfactory
FMS- Main Accounting Systems	Final	Satisfactory
NDR	Final	Satisfactory
Cash and Deposits	Draft with Client	Good
Debtors	Draft	
Supporting People	Final	Satisfactory
LMS- Financial Management System	Final	Good
Council Tax	Draft	
Asset Register	Draft	Good
Treasury Management	Final	Good
Non Fundamental Systems		
Members Expenses/Register of Interest	Final	Satisfactory
Creditor Emergency Payments	Final	Satisfactory
Section 106 Agreements	WIP	
Aftercare/Care Leavers Payments	Draft with Client	
Car Loans	Final	Marginal
Agency Payments – Adult Services	WIP	
Market Fees and Charges	Final	Unsatisfactory
Management of Property Portfolio	WIP	
Governance		
Contract Tendering /Monitoring – Environment Directorate	WIP	
Contract Tendering /Monitoring –Adult and Community Directorate	Draft	
Contract Tendering /Monitoring – Resources Directorate	Draft	
Delegation Arrangements	WIP	
Performance Management		
Children Services Performance Management and Delivery of the JAR Action Plan	Final	Marginal
Performance Management Framework	Final	Satisfactory
IPF-Stock Turnover –Issues per 1000 population/books per 1000 population	Final	Marginal
BVPI 109 Planning Speed	Final	Marginal
BVPI 183a Average time in Temporary Accommodation	Final	Satisfactory
HIP HSSA- Private Sector Unfit Properties	Final	Satisfactory

STATUS OF AUDITS STARTED DURING THE YEAR

Audit	Status	Audit Opinion
Made Fit.		
IPF-Stock Level per 1,000 Population	Final	Marginal
BVPI 183b – Average time in Temporary Accommodation Hostels	Final	Satisfactory
IPF- Cost per Library Visit	Final	Satisfactory
BVPI 102 – Passenger Journeys on Busses	Final	Satisfactory
BVPI 82a – Recycling Performance	Final	Satisfactory
BVPI 165 – Percentage of Pedestrian Crossings with facilities for Disabled People.	Final	Marginal
BVPI 215 – Speed in Fixing Street Lights	Final	Marginal
BVPI 53 Home Care	Final	Satisfactory
ICT		
Adult Services- CLIX System Controls	Final	Unsatisfactory
Acquisition of Equipment	Final	Satisfactory
Homepoint System	Final	Marginal
Management of Software Licences	Draft with Client	
CAPS	Final	Marginal
Fire-Wall Security	Draft with Client	Satisfactory
Back up and Recovery	Final	Satisfactory
Establishment Audits		
Kingstone High School	Final	Satisfactory
John Kyrle High School	Final	Satisfactory
Ashperton Primary School	Draft with School	
Almeley Primary School	Final	Marginal
Much Marcle Primary School	Final	Marginal
Lady Hawkins High	Final	Marginal
Garway School	WIP	
Fairfield High	WIP	
John Kyrle High	Draft with Audit Manager	
Bishop of Hereford Bluecoat	WIP	
John Masefield High	WIP	
Verification and Probity		
Waste Management Contract	Final	N/a
Whitecross SSCO	Final	N/a
Minster SSCO	Final	N/a
Diversity- The Equality Standard	Draft	
Recommendation Follow up		
Hereford Museum	Draft with Client	
E-Gateway- Audit Commission Recommendations	Draft with Client	
Value for Money		
Postage	Final	N/a
Telephones	Final	N/a
Risk Management		
Risk Management Framework	WIP	

STATUS OF AUDITS STARTED DURING THE YEAR

Quantification and Classification of Internal Control Levels

Control Level	Definition
Good	A few minor recommendations (if any).
Satisfactory	Minimal risk; a few areas identified where changes would be beneficial.
Marginal	A number of areas have been identified for improvement.
Unsatisfactory	Unacceptable risks identified, changes should be made.
Unsound	Major risks identified; fundamental improvements are required.

The Audit Opinion is based on a number of factors including the number of Level 1 and, to a lesser extent, Level 2 recommendations. Weighting is given to different aspects of the Audit e.g. a high weighting for budgetary control. It is expected that larger systems and establishments will receive higher numbers of recommendations and allowance is made for this.

PROGRESS ON THE COUNCIL'S 2006/07 STATEMENT OF INTERNAL CONTROL

Report By: Audit Services Manager

Wards affected

County-wide

Purpose

To update Members on the progress being made in relation to the completion of the Council's Statement of Internal Control.

Financial Implications

None

Recommendation

THAT the report be noted.

Reasons

1. The CPA Uses of Resources highlights the Criteria for judgement in relation to the Statement on Internal Control as follows:
 - An appropriate member group has responsibility for review and approval of the Statement on Internal Control (SIC) and considers it separately from the accounts. (Level 2)
 - The Council has conducted an annual review of the effectiveness of the system of internal control and reported on this in the Statement on Internal Control. (Level 2)
 - The sources of assurance to support the Statement of Internal Control have been identified and are reviewed by senior officers and members. (Level 2)
 - There are action plans in place to address any significant internal control issues reported in the Statement on Internal Control. (Level 2)
 - The Council has put in place an assurance framework that maps the council's strategic objectives to risks, controls and assurances. (Level 3)
 - The assurance framework provides members with information to support the Statement on Internal Control. (Level 3)
 - The assurance framework is fully embedded in the Council's business process. (Level 4)

Further information on the subject of this report is available from Tony Ford (Audit Services Manager) on 01432 260425

- The Council can demonstrate corporate involvement in/ownership of the process for preparing the Statement on Internal Control. (Level 4)

Considerations

2. The 2006/07 Use of Resources review by the Audit Commission identified that the Council had a much improved process for preparing the Statement on Internal Control, but that there was the need for the process to be embedded. This progress report forms part of the embedding process identifying the issues that are likely to inform the opinion contained in the Statement on Internal Control for the 2006/07 financial year.
3. Audit Services has reviewed the corporate and all directorate risk registers as part of the process to prepare the risk based Audit Plan for 2007/08.
4. The Interim Assurance Report was presented to the Audit and Corporate Governance Committee on 8th December 2006, with an up date on 19th January 2007.
5. The second update of the Interim Assurance Report presented elsewhere on the agenda highlights the comments of the Audit Commission in relation to the unsatisfactory audit opinion on the ICT FMS and Procurement fundamental system. This is however being addressed and progress will be reviewed during April 2007.
6. The Audit Service Manager has asked the Audit Commission to provide a list of all their completed reviews for 2006/7 to ensure that their recommendations can be tracked and any outcomes used to inform the Council's Statement on Internal Control.
7. Good progress is being made with regards to the receipt of the required written assurances from Directors and Heads of Services to 31st December 2006. Requests covering the quarter to 31st March 2007 have been sent out.
8. The review of the Council's Register of Gifts and Hospitality is in progress; the outcome will be reported in the end of year Assurance Report.
9. The Monitoring Officer's report is being drafted and good progress is being made.
10. Current status on key action/improvement plans:
 - Joint Area Review – the progress report to Cabinet on 12th April 2007 on Improvement in Children and Young People's Services;
 - CPA Use of Resources- the progress report elsewhere on this agenda refers; and
 - CPA Corporate Assessment – the overall improvement plan has come to the end of its first year and the Overall Improvement Project Board is in the process of transferring responsibility to the appropriate board within the Council's transformation programme, once it is satisfied that robust governance arrangements are in place. Exception reports are presented

to the Chief Executive and form part of the Integrated Performance Report to Cabinet.

- 10 The latest Integrated Performance Report covering the period to January 2007 was presented to Cabinet on 22nd February 2007. The report summarises progress including action being taken to address areas of under performance.
11. The Audit Services Manager will start work on the CIPFA Assurance Checklist in early April 2007.

Risk Management

12. If the Council does not make satisfactory progress on embedding the assurance framework it could have an adverse effect on the Council's target to improve its CPA Use of Resources score.

BACKGROUND PAPERS

- CIPFA guidance on the Statement on Internal Control.

USE OF RESOURCES ACTION PLAN**Report By: Audit Services Manager****Wards Affected**

County wide.

Purpose

To present the detailed Use of Resources Action Plan (Appendix 1 refers).

Financial Implications

None Identified

RECOMMENDATION

THAT the report be noted.

Reasons

The Use of Resources Judgement assesses how well the Council manages and uses its financial resources. The assessment focuses on the importance of having sound and strategic financial management to ensure that resources are available to support the council's priorities and improve services. The five themes covers:

- financial reporting;
- financial management;
- financial standing;
- internal control; and
- value for money.

The Use of Resources assessment reflects the requirement for continuous improvement and helps to establish clear minimum requirements that will provide the foundation for reducing regulation in the future.

The Councils target is to achieve a level 4 by no later than 2009-10.

Considerations

1. At the Audit and Corporate Governance Committee on 19th January 2007 the Director of Resources presented the report Audit Commission Use of Resources Report, which outlined the key areas requiring action.

2. This report and the action plan attached which has been developed jointly with relevant officers highlights the specific actions to be taken and the timescales.
3. The Audit Services Manager will act as Project Manager and will report progress to the Audit and Corporate Governance Committee.
4. In addition to the work on the action plan, other areas of Key Lines of Enquiry are being kept under review to ensure that the gains previously made are not lost.

Risk Management

5. The Council now has in place a Statement of Internal Control Assurance Framework, which was approved by the Audit Committee. Part of the process involves actions that arise from the Council's Annual Audit and Inspection letter and associated reports. Lack of action on the Council's part could have an adverse effect on the Council's Use of Resources score at the next assessment

BACKGROUND PAPERS

Use of Resources Auditor Judgement

Use of Resources 2006/07 Action Plan

	Key Line of Enquiry	Audit Commission Comments	Action Taken	Action to be taken by	Date Action to be completed
	Financial Reporting				
1.1	The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers	Further improve quality of working papers particularly in relation to capital accounts.	Head of Financial Services to review working papers for 2006/7, however guidance from the Audit Commission is still outstanding	David Powell	April 2007
		Improve the analytical review in relation to the CRA.		David Powell	
1.2	The Council promotes external accountability.	The preferred formats for the annual report could be further developed by incorporating user views.	Head of Financial Services to develop a questionnaire and liaise Martin Heuter- Senior Community Involvement Officer on the best approach.	David Powell	April 2007
	Financial Management				
2.1	The Council's Medium-term Financial Management Strategy (MTFMS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.	There have been a number of innovations during this financial year (see above) which now need embedding into the culture of the Council.	Head of Financial Services to update MTFMS and review format	David Powell	June 2007
		The Corporate Business plan needs to include sensitivity analysis.		Steve Martin	
		A new system for revenue and capital projects including a project appraisal, business plan and affordability test needs to be embedded.	Head of Asset Management and Property Services to re-launch the Capital Board with terms of reference to look at project appraisal, business planning and affordability	Head of Asset Management and Property Services	August 2007

Use of Resources 2006/07 Action Plan

	Key Line of Enquiry	Audit Commission Comments	Action Taken	Action to be taken by	Date Action to be completed
			affordability		
		Level 4 tests need consideration	Part of service improvement planning in Financial Services	David Powell	July 2007
2.2	The Council manages performance against budgets	Innovations during this financial year (see above) which now need embedding into the culture of the Council	Revised Integrated Performance Report in place	David Powell	August 2007
		Training must be provided to Members and relevant non-financial staff.	Members have received training on Scrutiny form the Head of Financial Services. Further training for Members arranged.	Sonia Rees	July 2007
			Level 1 training for non- Financial Managers in progress and due for completion	David Powell	March 2007
			Level 2 training for non Financial Mangers held on 28 th March 2007	David Powell	March 2007
		Underspends and overspends need to be closely managed with reported variances to Members being a more accurate reflection of the Councils spend to date	Integrated Performance Report format changed to give more clarity to members and management of budgets will form part of the level 2 training to officers	David Powell	March 2007
		Level 4 tests need consideration	Part of service improvement planning in Financial Services	David Powell	July 2007
2.3	The Council manages its asset base.	Innovations during this financial year which now need embedding into the culture of the Council		Head of Asset Management and Property	Date to be agreed

Use of Resources 2006/07 Action Plan

	Key Line of Enquiry	Audit Commission Comments	Action Taken	Action to be taken by	Date Action to be completed
				Services	
	Financial Standing				
3.1	The Council manages its spending within the available resources.	The Council must ensure that it continues to manage its level of reserves more robustly. This includes regular reports to members on the level of reserves needed.	Head of Financial Service will be reporting to Strategic Monitoring Committee on 30 th March and Cabinet 12 th April 2007	David Powell	April 2007
		The Council must set and monitor targets for all material categories of income collection and recovery of arrears, based on age profile of debt.	Responsibility for debt recovery has now been brought together under one team. All outstanding debt is currently being reviewed and once this is completed age profiles will be created and recovery targets set for all years debts.	Mike Toney	April 2007
	Internal Control	.			
4.1	The Council manages its significant business risks	The risk management process should be reviewed and updated at least annually	Forms part of The Audit Plan for 2006/7	Tony Ford	April 2007
		All significant risks should be included in the corporate risk log.	The Corporate Risk Register has been reviewed.	David Powell	May 2007
		All appropriate staff should be offered relevant training	Risk Management Training for appropriate staff now complete	David Powell	Completed but will be updated
		The Council risk register must be clearly aligned to the Council's strategic objectives	To be part of the Corporate Risk Managers work programme.	David Powell	May 2007
4.2	The Council has arrangements in	The assurance framework should	This will be completed for the	Tony Ford	May 2007

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	Key Line of Enquiry	Audit Commission Comments	Action Taken	Action to be taken by	Date Action to be completed
	place to maintain a sound system of internal control	more clearly map the strategic objectives to the risk register, controls and assurances.	Council's 2007/8 objectives		
		All reports submitted to Members must be formally considered for legal issues before presentation.	The Head of Service sees reports with any legal implication and advises authors accordingly	Alan Mclaughlin	
		Regular reconciliations of all significant financial systems should be carried out.	The Head of Financial Services will be writing to the relevant Heads of Services informing them of the requirement to reconcile on a monthly basis	David Powell	April 2007
4.3	The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.				
		The Code of Conduct for Members and Officers needs review and there should be some tightening of the rules around the receipt of gifts and hospitality.	Has been issued. New Code of Conduct issued again needs to be reviewed and adopted	Alan Mclaughlin	November 2007
		More emphasis needs to be placed on having stronger arrangements for probity and propriety in place by actively ensuring staff and others involved with the Council are aware of and understand policies and processes (e.g. Whistleblowing)	Whistle-blowing Policy issued on website SMT made aware.	Alan Mclaughlin	
		Whistle blowing processes must	All payment remittance slips sent	Tony Ford	

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	Key Line of Enquiry	Audit Commission Comments	Action Taken	Action to be taken by	Date Action to be completed
		be communicated to all staff and external partners. This can be carried out internally by displaying posters etc	out has a Please note the Council's Whistle-blowing policy and the web link. Display posters on notice boards Reminder in News and Views		June 2007
	Value For Money				
47	5.1 The Council currently achieves good value for money	The Council's understanding of its cost pressures is improving, with a more robust and rigorous approach to medium term planning. The Council needs to continue to embed this understanding.	Financial Services is supporting Adult Services needs analysis work. The bi-annual 'refresh' of the MTFMS will draw out these issues	David Powell	July 2007
		Significant service overspends need to be robustly tackled	Part of ongoing discussions with Directorates	David Powell	
	5.2 The Council manages and improves value for money.				
		Embed the improvements made in planning for and delivering value for money, e.g. Herefordshire Connects.	This will be developed when the partner has been identified.	Herefordshire Connects Project Board	
		Ensure robust approaches to benchmarking in all service areas, and ensure that challenge (e.g. Scrutiny) is robust	The performance improvement network will undertake an assessment of current benchmarking and rectify the major gaps Other benchmarking gaps to be	Head of Performance Management	By April 2008 By April 2009

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	Key Line of Enquiry	Audit Commission Comments	Action Taken	Action to be taken by	Date Action to be completed
			addressed Approval for a new scrutiny development plan		By August 2007
		Ensure that improvements in value for money are accounted for in a straightforward and transparent way, by improving service planning and reporting arrangements	VFM will be demonstrated through information captured and recorded on the Benefit Card system.	Dean Hogan	
		Issue updated guidance to services on measuring efficiencies, and improve the assurance arrangements to ensure that efficiency gains are robustly stated.	Introduction of Benefit Card to capture and log efficiency gains	Dean Hogan	July 2007
		Corporate approaches to procurement are still not well developed	Strategic Procurement Manager now appointed progress to date – review of Postal Charges, and employment of agency staff. Closer involvement with area based activity	Dean Hogan	April 2007 for stated projects and ongoing for Corporate Procurement Improvements