

MINUTES of the meeting of Audit and Corporate Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Friday, 29th June, 2007 at 10.00 a.m.

Present: Councillor ACR Chappell (Chairman)
Councillor GFM Dawe (Vice Chairman)

Councillors: JHR Goodwin, RH Smith and AM Toon

In attendance: Councillors H Bramer

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors MJ Fishley and R Mills.

2. NAMED SUBSTITUTES(IF ANY)

There were no named substitutes made.

3. DECLARATIONS OF INTEREST

There were no declarations of interest made.

4. MINUTES

RESOLVED: That the Minutes of the meeting held on 13th April, 2007 be approved as a correct record and signed by the Chairman.

5. STATEMENT OF ACCOUNTS 2006/07

The Head of Financial Services presented a report about the Council's formal Statement of Accounts for 2006/2007 which was determined each year in accordance with the Chartered Institute of Public Finance (CIPFA) and Accountancy Code of Practice on Local Authority Accounting. He advised on the following changes to the 2006/07 Statement of Accounts compared to previous years:

- (a) the removal of notional interest from the capital charges to services in the published accounts. This did not have an effect on the 'bottom line' charge to council tax but reduced the level of spend shown in services;
- (b) there was a new set of core statements presented in a specified order and 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; and
 - cash flow statement;
- (c) the statements presented the figures in a completely new way and the Council was also required to restate the figures for 2005/06 to enable a

comparison to be made.

He went on to explain that the next stage would be completion of the external Audit and final publication of the Accounts by 30th September 2007.

Members asked a number of questions about the different aspects of the report. The Director of Resources said that forthcoming training had been arranged about the Councils financial matters.

RESOLVED

THAT the 2006/07 Statement of Accounts be approved.

6. MONITORING OFFICERS REPORT

The Legal Practice Manager presented the report of the Head of Legal and Democratic Services about the Council's performance for 2006/07 with regard to complaints to the Ombudsman, "Whistleblowing" and those matters which fell under the remit of the Head of Legal and Democratic Services as the Council's Monitoring Officer. He advised that the role of the Monitoring Officer was to ensure that the Council and its Members acted with probity in accordance with the law and in its Constitution. He provided the Committee with details about the following:

- (a) matters dealt with by The Complaints Panel;
- (b) complaints investigated by The Local Government Ombudsman;
- (c) the work of The Standards Committee;
- (d) the Register of Gifts and Hospitality;
- (e) the Register of Members Interests; and
- (f) risk management – the implications of changes in legislation or case law that may impact on the delivery of services or impose statutory duties on the Authority, and training for Officers and Members.

RESOLVED

THAT the report be received and noted.

7. AUDIT SERVICES ANNUAL ASSURANCE REPORT

A report was presented by the Audit Services Manager on the Audit Services Assurance Report which set out the progress being made in relation to the Audit Plan and related key internal control issues. He said that the report also updated Members on the actions or the current position on key issues raised for 2005/06 that required attention. He advised that five key issues had been identified as being relevant to the Councils Statement on Internal Control, and that good progress was being made on the key issues identified in relation to 2005/06. He also said that three key elements had affected the overall completion of the Audit Plan for 2006/07,

namely:

- (a) the level of time spent verifying performance indicators;
- (b) the time taken to review the Council's fundamental systems; and
- (c) the work required on the new DfES Toolkit.

The Audit Services Manager said that the Audit Services Review in relation to the Statement showed that the Council's procedures and protocols for internal control compared favourably with the CIPFA checklist and overall had been found to be satisfactory. Eighteen key systems had been reviewed and the majority had received favourable reports. Management action was being taken in respect of the systems identified as having scope for improvement and he would provide the Committee with progress reports on these. He said that the response of the Council's Management to audit recommendations continued to be positive during the year with action being agreed in some 97% of them. He outlined the follow-up work which was being done by Audit Services said that the Committee would be advised of the outcome at future meetings.

The Committee thanked the Audit Manager for his informative report and asked a number of questions. He provided further details about the work that was being undertaken by the Audit Section about reviewing the effectiveness of internal procedures, and the associated follow-up work which was carried out where necessary.

RESOLVED

THAT the Audit Services Assurance Report 2006/07 be received and noted.

8. STATEMENT OF INTERNAL CONTROL 2006/07

The Audit Services Manager presented a report about the work and process followed in relation to the completion of the Council's Statement on Internal Control. He advised that the CPA Use of Resources highlighted the Criteria for judgement in relation to the Statement of Internal Control as follows:

- an appropriate member group has responsibility for review and approval of the Statement on Internal Control and considers it separately from the accounts;
- 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;
- the sources of assurance to support the Statement on Internal Control have been identified and are reviewed by senior officers and members ;
- there are action plans in place to address any significant internal control issues reported in the Statement on Internal Control;
- the Council has put in place an assurance framework that maps the council's strategic objectives to risks, controls and assurances;

- the assurance framework provides members with information to support the Statement on Internal Control;
- the assurance framework is fully embedded in the Council's business process; and
- the Council can demonstrate corporate involvement in/ownership of the process for preparing the Statement on Internal Control.

The Audit Services Manager advised that the Council currently scored 2 out of 4 for the Internal Control element of the Use of Resources Assessment in 2006 and that it was aiming to score at least 3 at the next assessment. The Statement on Internal Control Assurance Framework set out the key documents used to evidence the Council's Statement on Internal Control. He explained the main elements of the process and how it related to the work which was undertaken by Cabinet in relation to monitoring the progress of the Council's Capital and Revenue budgets. The Committee discussed the different aspects of the report and the Audit Services Manager provided further details. It was noted that a further report would be presented to the Committee in September to look at progress on the areas for improvement that had been identified.

RESOLVED

THAT the Council's Statement on Internal Control be approved.

9. ANNUAL AUDIT AND INSPECTION LETTER

The District Auditor presented the report of the Audit Services Manager about the Audit Commission's Annual Audit and Inspection Letter 2005/06. He said that the report summarised the Audit Commission's assessment of the Council by drawing on the findings and conclusions from audit work and from analysing the Council's performance and its improvement over the year, as measured by the Comprehensive Performance Assessment. He said that the Council had been found to be improving adequately and had maintained its performance with improvements in priority areas such as safeguarding vulnerable children and helping more elderly adults to live at home. The production of Accounts was found to be good and timely and the systems of internal control and financial management had improved significantly in the year. The Commission had also recommended the steps that should be taken in continued performance management, the need to continue to focus on improving service outcomes, a robust approach to benchmarking in all service areas and appropriate monitoring and review.

RESOLVED

THAT the report be received and noted.

10. TELEPHONE USAGE ACTION PLAN

The Audit Services Manager presented a report about an action plan and work being undertaken arising on recommendation made by Audit Services in respect of telephone usage by the Council. He said that this formed part of the current cost

savings review being carried out. Further details about progress would be reported to the next meeting of the Committee.

RESOLVED

THAT the report be received and noted.

11. AUDIT COMMISSION AUDIT AND INSPECTION PLAN 2007/08

The District Auditor presented the report of the Audit Services Manager about the Audit Commission's Audit and Inspection Plan for 2007-2008 which highlighted the key statutes that govern the Commission's Audit and Inspection duties. He provided the Committee with details of the Audit Commission's estimated total fee and said that the Commission did not intend to carry out any service inspection during 2007/08. He advised that work within this area would be covered in the annual Direction of Travel assessment; and liaison work between the Council and the Audit Commission, other inspectorates, Government Office and other key stakeholders. The Commission would complete a Use of Resources Assessment for 2007 which would focus 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. Data quality work would be based on a three-stage approach covering:

- Stage 1 – management arrangements;
- Stage 2 – competencies check; and
- Stage 3 – risk based data quality spot checks of a sample of performance indicators.

The results of the work at Stage 3 would inform the Commission's CPA assessment and with regard to the Council's Best Value Performance Plan, the Commission was required to report on whether the Council had complied with legislation and statutory guidance in respect of its preparation and publication. The Commission had identified the following risks in terms of the 2006/07 financial statements:

- creating a GAAP compliant Revaluation Reserve to replace the Fixed Asset Restatement Account;
- potential revisions to accounting treatment for Waste Management PFI; and
- valuation of fixed assets and coding of intangible assets.

The Committee was also provided with the Commission's initial assessment of risk on use of resources and the reviews that would be undertaken.

RESOLVED

THAT the report be received and noted.