

MINUTES of the meeting of Audit and Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Friday 17 September 2010 at 10.00 am

Present: Councillor ACR Chappell (Chairman)
Councillor RH Smith (Vice Chairman)

Councillors: JHR Goodwin and PJ McCaull

In attendance: Councillors PJ Edwards

13. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors: MJ Fishley, AW Johnson and AM Toon.

14. NAMED SUBSTITUTES (IF ANY)

Councillor G Lucas substituted for Councillor MJ Fishley.
Councillor AT Oliver substituted for Councillor AM Toon.

15. DECLARATIONS OF INTEREST

6. STATEMENT ON MAJOR PROJECTS.

Councillor ACR Chappell, Personal, declared an interest in Agenda Item 6 with regard to the Hereford Academy.

16. MINUTES

RESOLVED: That the Minutes of the meeting held on 12 March 2010 be approved as a correct record and signed by the Chairman.

17. INTERIM AUDIT SERVICES ASSURANCE REPORT 2009/10

The Chief Internal Auditor informed the Committee of the key issues in the Annual Governance Statement at Appendix 1 to the report advising that considerable action was taking place and that it was expected that by the next meeting of the Committee the issues would be cleared.

Regarding Appendix 2 item 40 – this item has been considered for some time and it was agreed to put this as part of the inventory audit by Audit Services. The Chief Internal Auditor to agree the scope of the audit with the client and a report to be brought back to the next meeting.

The Chairman informed the Committee that after examining Appendix 2 to the report at the briefing meeting he had requested that officers, when dealing with the follow up to resolutions and recommendations, to no longer refer to any of the previous officers that had been dealing with the item as it was no longer relevant.

In discussion the Committee made the following points on the Audit Services Assurance report:

- Items 41 and 47 of Appendix 2 be closed and removed from the schedule.
- Item 42 Appendix 2 – had a completion date of 30 June, however, now into September and still not completed. Director of Resources to speak with the Monitoring Officer on this matter.
- Item 67, 92, 96, 111 and 114 of Appendix 3 – to be closed.
- Items 89 and 90 Appendix 3 – to receive updates at the next meeting.
- Item 108 Appendix 3 – Members enquired as to when the letter would be circulated giving details of the recommendations. The Director apologised to the Committee for the delay and would ensure that it was brought to the next meeting.

Points made by the Chief Internal Auditor:

- Advised the Committee regarding Item 113 of Appendix 3 that comments had been received from the JMT, but in addition Members needed to consider the proposed revisions to the financial procedure rules, which would be presented to Cabinet and Council. A report would be presented to the Committee following Council approval of the revisions.
- In referring to page 6 of the report – Fundamental Systems – this would form part of the next report to the Committee.
- Advised the Committee that there was an unsatisfactory audit report on car park income and the Chairman had received a copy of the report. The anomalies were due to new officers in post and inadequate procedure notes in place. A thorough check was carried out for fraud with none detected. The Head of Service has worked with staff to provide comprehensive procedure notes which are now in place.
- Regarding Governance and anti fraud the National Fraud Initiative 2010 is in progress, members will be kept informed of progress.
- Establishments the committee was advised that reports were in draft with the clients and there would be a follow up at the next meeting.
- Funding – page 7 paragraph 11 of the report. Six recommendations were partly completed and five not completed, following the audit visit assurance has been provided by the head of service that all recommendations have been actioned.

RESOLVED: That the report be noted.

18. STATEMENT ON MAJOR PROJECTS

The Director of Resources presented the report and stated that due to the number of projects undertaken, it was important to ensure the Committee was up to date on the scale of money being spent by the authority.

The Director made the following points:

- Spending was significant at £77.7m, but a considerable amount was funded through government capital grants.
- It was expected that the comprehensive spending review would see the grant funding decrease.
- The financial definition of a key project was sums of £500k or above and included in the capital programme.
- Page 22 paragraphs 9 and 10 of the report outline the links between capital finance regulations and the revenue programme.
- Pages 24 and 25 of the report provide the list of schemes that show where funds are being spent, with a number of projects below the £500k totalling £9.7m.

- Concern had been raised on slippage and issues in the past where projects had rolled into the following year. The report aims to provide visibility on the programme and where the authority is moving towards.

Committee Members made the following points:

- Playbuilder scheme – It was questioned whether a decision had been made to ring fence funding for the scheme. It was noted the scheme was part of the area based grants authorities receive and which government had cut this year. There would be a review of all funding affected by area based grants and the authority was very aware of the issues as match funding had been raised by local communities. The Director advised he would be meeting with the Director of Children’s Services and the Cabinet Member to discuss the issues.
- Primary Grant – amalgamation of Leominster junior and infant schools. The Director advised the funding would be held for the schools.
- Concern was raised as to the possibility of the Hereford Academy going over budget. The Director advised that everything would be done to contain spending and confirmed the Academy was on budget at present.
- Concern was raised on how projects would be funded and the use of Privately Funded Initiatives (PFI). The Director stated the Council only had two PFI projects and was not anticipating any more in the future, although it could not be ruled out.
- The Committee noted the possibility of considerable cuts in road maintenance and an update is to be provided for the next meeting.
- Members were reminded of the forthcoming seminar on the Comprehensive Spending Review.

RESOLVED: That the report be noted.

19. CREDITOR PAYMENT AUTHORISATIONS

The Director of Resources presented the report and referred Members to paragraph 3 of the report and the reasons identified for returned vouchers. Members were reminded of the Council’s aim to pay on time, particularly for small and medium sized businesses and currently the majority were paid within 15 days with 50% of suppliers within 10 days.

The Committee noted the appendix and the increase in the number of returned payment vouchers. This increase was tracked to a new member of staff and the recognition of a training need, which had now been addressed. An issue was raised on payments not paid within the agreed period, particularly larger projects. The Director advised this was dealt with by officers through their delegated budget. He advised that with larger companies paid on a monthly basis there were mechanisms in place to deal with any payment disputes and that the report largely referred to smaller companies, which the Council was keen to ensure were paid on time.

RESOLVED: That the report be noted.

20. REVIEW OF INTERNAL AUDIT

The Director reminded the Committee that the internal audit section needed to be fit for purpose and that the review was important as it was thorough and provided assurance of the work carried out by the audit section. Of the 107 CIPFA standards audit met 100 completely and 7 partly. The challenge now was to provide more added value, as departments currently look to audit to provide assurance that they are working correctly.

Audit Services were now looking to provide joint working with the PCT as the PCT team had been reduced in size, however, a wider review might be required in the future.

Members were reassured that the Chief Internal Auditor was in regular contact with the Chairman regarding any audit issues. Members went on to discuss the qualifications and training of staff and were advised that there was a rolling programme of professional training for staff. The Director advised that AKA Ltd had been brought in by the Deputy Chief Executive's office to provide training and had gone through a selection process before being appointed.

RESOLVED: That the improvement plan be approved.

21. DATA QUALITY UPDATE

The Director of Resources presented the report on behalf of the Head of Policy and Performance and advised that it was the final data quality report, which was part of the Use of Resources assessment that had now ceased. Members were referred to paragraph 5 of the report and that 7 tasks were still 'amber' with two still requiring a response from data sharing partners for completion. It was noted that considerable chasing for responses had been carried out, but it was unlikely that any response would now be received. A report would still be made to JMT regularly and the Director was a member of JMT.

RESOLVED: That the final position against the data quality action plan be noted.

22. INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Technical Accounting Manager presented the report outlining the progress with International Financial Reporting Standards (IFRS), and for which accounts would need to be compliant with from 2010/11 onwards. The Committee noted that the Technical Accounting Manager attended regular regional IFRS meetings and that leases and fixed assets were two controversial and difficult areas for the group, with some leases treated similarly to Private Finance Initiatives (PFI). It was recognised that the Council's Amey and Focsa contracts were two big contracts to be reviewed. Members commended the style of the report.

RESOLVED: That the report be noted.

23. WORK PROGRAMME

The Director advised the Committee that there were a number of routine areas listed in the report. However, risk management was an area of importance and the Committee would continue to be kept informed on progress. He added that there was a new software system in place called Agresso, which was a system jointly used by the PCT, HHT and the Council and that a report on the implementation and progress would be made to the next meeting.

It was noted that the Audit Letter was to be brought forward on the work programme to January following on from Cabinet.

RESOLVED: That the current work programme be approved with the amendment that from January 2011 the Audit Letter be brought to the January meeting of the Committee.

24. ADDITIONAL ITEM UNDER SPECIAL URGENCY - ANNUAL GOVERNANCE REPORT 2009/10

The District Auditor, Mrs Liz Cave, presented her report to the Committee and referred Members to the key messages on page 4. Mrs Cave advised that the Council had received an unqualified approval of the accounts. She added that the audit was nearly

complete and did not anticipate any changes to it. There had been excellent co-operation from staff and stated that it had been a very technically difficult year and believed that next year would not be as difficult.

Mrs Cave referred to the challenge of the complex changes to the way PFI and similar schemes would need to be accounted for and that management had agreed to make a number of adjustments to the statement of accounts, which would mainly improve the notes to the accounts. She added that a number of errors had been identified that were not material in aggregate but individually were above the trivial threshold. It was noted that officers did not propose to make any amendments and they would be reported as unadjusted misstatements, which were at Appendix 2 of the report. Members were also advised that there were three issues relating to the public which remained and had not been signed off and one issue that she and her team were continuing to investigate.

Mrs Cave referred the Committee to two of the Council's contracts, one with Shaw Homes and the second the Waste PFI contract. The authority was working with Worcestershire Council on the Waste PFI contract as this was an asset that had not initially been picked up and now needed to be valued. However, it was not expected to be above £500k but would need to be included next year.

In discussing the Annual Governance Report Members questioned the timing of the report and were advised that it had to be completed at the end of the audit. The Committee approved the Annual Governance Report.

RESOLVED

THAT:

- (a) the content of the Annual Governance Report for 2009/10 was discussed with the external auditor;**
- (b) the action plan in the Annual Governance Report in response to the recommendations contained in the report for 2009/10 be approved; and**
- (c) the draft Letter of Representation (Appendix 3 of the Annual Governance Report 2009) be approved for signature by the Chairman of the Audit and Governance Committee and the Director of Resources (Council).**

NOTE ON ABOLITION OF AUDIT COMMISSION

The District Auditor informed the Committee that it had been a great surprise to staff when the Government had made the announcement that the Commission would be abolished. She advised that a new regime had not been decided upon by Government and that the Commission would carry on providing an audit for 2010/11 and 2011/12. However, there would be a change in the areas relating to value for money and financial resilience; and therefore, there would be some rebate in the fees. By 2012/13 Council's would be able to appoint their own auditor and it was expected that private companies would be expected to place a tender, a framework would be put in place for this. It was noted there was still a lot of issues around the detail of the government plans. Mrs Cave explained that overheads were currently being cut and that the organisation as it currently is would be a much leaner organisation in the near future.

The Chairman stated on behalf of the Committee and Director of Resources that the authority was more than satisfied with the work Mrs Cave and her team had carried out and thanked her for the work they had done.

25. MONITORING OFFICER REPORT

The Democratic Services Manager presented the Monitoring Officer's report in the absence of the Assistant Chief Executive Legal and Democratic. The Committee was advised of the activities that had taken place through the year and the Council's performance for 2009/10 with regards to complaints to the Ombudsman and the standards framework.

The main focus had been regarding the constitutional review programme, the support of good governance and high standards of conduct and probity, supporting the Shared Services programme with regard to governance and developing the organisational model and heads of terms, dealing with all issues relating to the standards framework and dealing with any Ombudsman complaints.

The Committee noted that there had been no formal statutory report to Council regarding any actual or intended unlawful activities since June 2009. There had been one complaint which resulted in a local settlement during 2009. There were two complaints during 2010 which resulted in local settlements and a formal report of maladministration causing a finding of injustice to one complainant, which was reported to Council.

RESOLVED: That the report be noted and any comments to be fed back to the Monitoring Officer.

The meeting ended at 11.30 am

CHAIRMAN