

MINUTES of the meeting of Audit and Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Thursday 10 November 2011 at 2.00 pm

Present: Councillor J Stone (Chairman)
Councillor JW Millar (Vice Chairman)

Councillors: CNH Attwood, EMK Chave, KS Guthrie, Brig P Jones CBE and PJ McCaull

In attendance: Councillor TM James

80. APOLOGIES FOR ABSENCE

Apologies for absence were received from Dr Phillip Ashurst, Non-Executive Director NHS Herefordshire.

81. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes present at the meeting.

82. DECLARATIONS OF INTEREST

There were no declarations of interest made at the meeting.

83. MINUTES

RESOLVED: That the minutes of the meeting held on 29 September 2011 be approved as a correct record and signed by the Chairman, subject to the following amendments:

Minute 77(Statement of Accounts) the addition of reference to:

- reference made to the auditing of the Amey Contract;
- potential error which could impact on the revenue account;
- comparison with other authorities about benchmarking of borrowing;
- clarification of the grading levels eg "satisfactory", "adequate" or "not adequate" with a glossary or legend to indicate progress - Chief Officer Finance and Commercial to write to Members about this

84. ANUAL AUDIT LETTER 2010/2011

The Chairman welcomed the District Auditor, Liz Cave, and the Auditor, Terry Tobin, to the meeting.

The Chief Officer Finance and Commercial presented a report about the Audit Commission's Annual Audit Letter for 2010/11. The letter provided the audit was comprised of two elements; the audit of financial statements and the auditor's assessment of arrangements to

achieve value for money in the use of resources. In both cases the Council had received an unqualified opinion. The letter also provided confirmation that the Council had managed the implementation of International Financial Reporting Standards (IFRS) extremely well.

The Chief Officer Finance and Commercial said that an Action Plan would be prepared through the Council's Leadership Team and submitted to the Committee in January 2012.

Liz Cave, the District Auditor, said that there had been a positive outcome of the audit of the Council's accounts. The Council's financial resilience procedures arrangements had been found to be good in the medium term and demonstrated robust management arrangements. The Council had been able to adequately absorb the overspend in social care had from its reserves. Local Government had the on-going problem of being faced with increasing pressure on public finances but decreasing levels of grant from the Government. It was therefore essential for the Council to ensure that adequate provision was made for Cabinet to be provided with regular progress reports on the savings being achieved in individual services and also for benefit cards to be more specific.

The increasing need for supporting the elderly in Herefordshire had led to overspend. The District Auditor felt that the Council had made good progress in developing its procedures and how the processes were managed but that it also needed to concentrate on outcomes and adequate budgetary provision. The felt that the Council's financial resilience management arrangements were sound and the overspend on social care had been adequately absorbed from reserves. There would however be increasing financial pressures and it needed to be made clear to Members what the reserves were and what they could be used for, rather than reducing spending. Although the reporting levels were good, monthly reports should be provided to Cabinet on the matter. The potential overspend needed to be carefully monitored and managed.

The Chairman thanked the District Auditor for her assessment and guidance and Members asked a number of questions including the role of the Committee and what the expectations were of its Members. The committee also sought guidance on whether the progress reports were to be submitted to Cabinet or also the Committee and all Members. The Chief Officer Finance and Commercial explained that the role of the Committee centred on the Audit & Governance Action Plan and whether it was being effectively delivered. Details about the Council's budget fell within the remit of Cabinet with input from Overview and Scrutiny where appropriate. Members had been sent a letter from the Head Law Governance and Resilience about proposals which would be submitted to forthcoming Council recommending expanding the role of the Committee to review the Constitution. It would also be recommended that the membership of the Committee should be increased to better enable it to fulfil this role.

Members noted the new role of the Committee and discussed the most effective way in which it could fulfil its role in dealing with the Action Plan. In particular it was felt to be important that the Committee should be able to:

- review the robustness of the Action Plan, view trends and be assured that the necessary actions were being undertaken;
- receive assurance that specific recommendations which were approved were subsequently being carried out;
- ensure that the appropriate officers could attend meetings to further explain the progress of matters;

- be provided with an overview of action being taken to reduce costs but maintain good service provision;
- be informed that planned savings were being achieved;
- be able to review the effectiveness of the Action Plan during the course of forthcoming meetings;

Other aspects set out within the Annual Audit Letter which the Committee felt to need careful monitoring included:

- expenditure commitments prior to the Council's Social Care system Framework i being fully implemented;
- careful financial management of the areas identified to be at risk due to financial pressures and adequate arrangements to deal with the associated risks.

The Chief Officer Finance and Commercial provided the Committee with further information about the measures that had been put in place to deal with the areas of concern to Committee and outlined the recovery plan which had been developed.

Having considered the various aspects of the report of the Chief Officer Finance and Commercial it was:

RESOLVED THAT:

The Annual Audit Letter is noted.

85. INTERNAL AUDIT PROGRESS 2011/12

The Interim Internal Audit Manager provided the Committee with an update of the main activities of the Council's Audit Section and was pleased to report that all those areas studied had been giving assurances or substantial assurances about their efficiency and effectiveness. There were some twenty reviews underway at the moment including community pfi, Halo and the Amey contract. One member of staff had been seconded to Hoople (the shared services organisation) and this may result in the need for additional staffing support being obtained from KPMG if found to be necessary. He said that a progress report would be submitted to the next meeting of the Committee in January 2012.

86. FORTHCOMING MEETINGS

The dates of forthcoming meetings are:

27th January 2012

9th March 2012

The meeting ended at 3.15 pm

CHAIRMAN