

**MINUTES of the meeting of Audit and Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Thursday 29 September 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

**72. APOLOGIES FOR ABSENCE**

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

**73. NAMED SUBSTITUTES (IF ANY)**

There were no named substitutes.

**74. DECLARATIONS OF INTEREST**

There were no declarations of interest made.

**75. MINUTES**

**RESOLVED:** That the minutes of the meeting held on 23 August 2011 be approved as a correct record and signed by the Chairman, subject to the amendment of the time the meeting finished being 11.50 am and not 12.50 pm.

**76. ANNUAL GOVERNANCE REPORT 2010/11**

The Chairman welcomed the District Auditor, Liz Cave, and the Auditor, Terry Tobin, to the meeting. The District Auditor presented the Annual Governance Report to the Committee and the following points were made:

- The Annual Governance Report was a key document giving a formal opinion on the Council's financial statement and the provision of value for money.
- It was noted that there were no important weaknesses in internal control.
- This is the first year the accounts have been prepared under the International Financial Reporting Standards (IFRS), which created substantial additional work along with new ledger requirements.
- Contracts containing leases were substantively tested and found to be compliant with IAS17.
- The ACADEMY cash receipting system was tested with controls operating satisfactorily.
- In referring to errors in the financial statements, the Committee was advised that the overall net impact of the corrections made was to decrease total comprehensive income and expenditure by approximately £73k, reduce net assets by £592k and reserves by £322k. There was no impact on the General Fund balance. The Committee was advised that the figures were not hugely significant when compared against the allowed tolerance levels and would not cause a fundamental error.

- The Committee's attention was drawn to the Comprehensive Income and Expenditure Statement and some overheads of the Deputy Chief Executive's Directorate, which were not recharged to BVACOP headings. Members noted the District Auditor's comments.
- The Committee went on to discuss pension fund liabilities, redundancy and early retirement payments. In addition the Committee reviewed the bad debt fund and accounting practises in general.

The Committee agreed:

- That regular reconciliations between the ISIS system and the general ledger should be carried out.
- That in future years if any significant early retirement costs arose the actuary is asked to value those liabilities in the year they arise so that they may be reflected in the accounts in that year.
- That the Authority should establish a basis for calculating a bad debt provision relating to general fund debtors.
- That in future years consideration is given to whether any items included in provisions should be more accurately shown as creditors.

The District Auditor went on to state that there was a requirement to assess the Authority's value for money and the arrangements to secure economy, efficiency and effectiveness in the use of resources and financial resilience. The District Auditor issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness in the use of resources.

The Committee thanked the District Auditor for the report and the explanation of the points raised. The Committee believed it was a satisfactory report and confirmed that the overspend in the Adult Social Care budget would continue to be monitored.

## **RESOLVED**

### **THAT:**

- a) **the Committee discussed the content of the Annual Governance Report (AGR) for 2010/11 and approved the proposed action plan;**
- b) **the Committee approved the draft Letter of Representation for signature by the Chairman of the Committee and the Chief Officer; and**
- c) **the Committee agreed not to adjust the error in the Financial Statements relating to the recharge of overheads.**

## **77. STATEMENT OF ACCOUNTS 2010/11**

The Head of Corporate Finance presented the Statement of Accounts to the Committee reminding Members of the requirement to produce a statement of accounts which has been certified by the Chief Officer and approved by the Committee by 30 September. The following points were made:

- Members received a seminar on the statement of accounts on 23 September.
- International Financial Reporting Standards were included in the accounts for the first time.
- The Council delivered a balanced budget for 2010/11 through the use of reserves and savings made in corporate functions.
- £70m was spent on the capital programme, with the two significant items being the Hereford Academy and the Local Transport Plan.

- The pension fund for Herefordshire has reduced significantly due to changes in the inflation rate uplift.
- In referring to increased payments to Amey Wye Valley Ltd, the Committee was advised this was due to extra funding from government for the roads due to the bad winter weather, the transfer of staff and a number of large projects underway.

The Committee agreed that it would be appropriate for the Highways Network Manager, responsible for client contracts, to attend the next Committee meeting to discuss client contracts. The Committee went on to discuss council borrowing, business rates, capital grants relating to building funds for schools, PFI contracts, cash flow and the collection of funds for the Fire authority and West Mercia Police through council tax precepts. A question was raised relating to officer remuneration. The Committee was reminded by the Auditor that the authority had gone beyond normal requirements in providing the figures for officer salaries, as not all authorities did so. The Committee requested that a diagrammatical structure of the authority is provided by directorate and by post for each salary band.

The Committee asked that their thanks be passed on to all officers involved in producing the Statement of Accounts.

**RESOLVED: That the Statement of Accounts 2010/11 be approved.**

#### **78. INTERNAL AUDIT PROGRESS 2011/12**

The Interim Chief Internal Auditor advised the Committee of the following points:

- Three reviews on anti-money laundering, gifts and hospitality and Director Assurance Statements had been carried out with no significant issues raised. Members were advised that any issues only related to staff training and the reviews were graded as satisfactory.
- Audit reviews were currently progressing in a number of areas including Member and officer allowances.
- Additional audit input has been provided with regard to the collation of a creditors and debtors report on The Chestnuts (Ross-on-Wye Housing Association Ltd).
- In response to a question Members were reminded that should there be any internal audits that were not acceptable, they would be referred to the Chairman of the Committee and then on to the Committee.
- The Committee agreed to request the officer in charge of risk management to attend a future committee meeting to review the risk register.

**RESOLVED: That the report be noted.**

#### **79. DATE OF NEXT MEETING**

**RESOLVED: That the next meeting of the Committee be moved in order to accommodate Members attending Remembrance Day services.**

The meeting ended at 3.40 pm

**CHAIRMAN**