

MINUTES of the meeting of Audit and Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Friday 6 July 2012 at 2.00 pm

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

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

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors: PGH Cutter, AJ Hempton-Smith and JW Millar.

Apologies for absence were also received from Councillor A Seldon, who is in attendance at the meeting as Chairman of the Overview and Scrutiny Committee.

2. NAMED SUBSTITUTES (IF ANY)

There were no named substitutes.

3. DECLARATIONS OF INTEREST

There were no declarations of interest made.

4. MINUTES

RESOLVED: That the minutes of the meeting held on 11 May 2012 be approved as a correct record and signed by the Chairman subject to the following amendments.

Minute 108: Internal Audit Progress 2011/12, bullet point one – the Chief Officer Finance and Commercial informed the Committee that due to incomplete information he was he had been unable to provide the list of directors and terms of reference for partner organisations, but he would do so by the end of the following week.

Minute 109: Community Governance Reviews – The Chairman informed the Committee that the setting up of a sub-committee to deal with the Community Governance Review would need to be dealt with at the September meeting of the Committee.

Minute 110: Changes to the Standards Regime – The Chairman advised that this matter would also need to be brought to the September meeting of the Committee.

Minute 111: Future Meetings – The Committee was advised that the September meeting would now be held on 21 September at the Shire Hall in Committee Room 1 at 2.00 pm.

The Chairman welcomed Mr Phillip Ashurst, former Chairman of the PCT Audit Committee, to the meeting. Mr Ashurst informed the Committee:

- He was now a member of the Clinical Commissioning Committee and was a member of the Audit Board for the West Mercia Cluster of PCTs which covered Herefordshire, Shropshire, Worcestershire and Telford and Wrekin. The cluster formally came into being January this year and would cease to exist from April 2013.
- All former Non Executive Directors of Herefordshire's PCT had been retained as local support members.
- The Clinical Commissioning Group hopes to be formally authorised and appoint a chairman by September / October 2012.
- Mr Ashurst expressed a wish to continue to liaise with the Audit and Governance Committee until March 2013 to keep the Committee updated.

5. DRAFT ANNUAL GOVERNANCE STATEMENT

The Chief Internal Auditor presented his report on the Draft Annual Governance Statement and reminded the Committee the report was for Members to review and that the Annual Governance Statement would come before the September meeting of the Committee for final approval.

The following points were made in discussion:

- That the report provides the public with a view of how the authority is running its business.
- Appendix 1, 5.2 of the report - there was a significant issue with a potential fraud in the creditors system, however an action plan was now in place.
- 5.5 Adult Social Care budget referred to overspends and the action being taken to address the issue.
- In response to a question the Chief Officer Finance and Commercial advised the Committee that the Committee's role was to challenge, check and monitor and that the Chairman of the Committee could not sign off the Annual Governance Statement, as this was a requirement of the Leader of the Council along with the statutory officers. It was emphasised that the role of the Committee was not that of an Overview and Scrutiny Committee.
- In response to a question as to why the Council had decided not to follow CIPFA's statement about the position in the authority of the lead financial role, the Chief Officer Finance and Commercial (CFO) advised Members that the guidance from CIPFA covered the status and position of the Section 151 role in a local authority. This was the first year the authority had to make a declaration about whether it followed the guidance. The CFO stated that whilst the authority did not follow some aspects of the statement's guidance he had access to the Chief Executive and right of attendance at any meeting so that the role of the Section 151 officer could be carried out. Members noted the current approach.
- In response to a question on the resilience team the Committee was advised that the team was made up of officers from across the authority that prepares plans for any major incident such as floods and keep a register of potential risks to the authority.
- The Committee was informed that the Draft Annual Governance Statement would be forwarded to the Chairman for comment and then to the Committee Members it would also include information on partner organisations.

RESOLVED

THAT:

- a) the draft Annual Governance Statement 2011/12 as attached at Appendix 1 to the report be reviewed; and**

b) the draft Annual Governance Statement 2011/12 for inclusion in the Statement of Accounts for 2011/12 be approved.

6. ANNUAL INTERNAL AUDIT PLAN

The Chief Internal Auditor presented his report and advised that it had been signed off by Herefordshire Public Services Leadership Team.

The following points were made in discussion:

- It was noted that issues were taken account of and looked into as they arose, as outlined on page 39 of the report.
- Work on financial systems was being carried out on behalf of the Section 151 officer to examine the work of Hoople Ltd.
- Creditors had an alleged fraud last year, which was being investigated and to provide assurance to Members, would be reported back to the Committee.
- The Committee was reminded that KPMG acted as auditors for the PCT and the hospital trust as well as the Council.
- With regards to health and safety and business continuity planning the resilience team was overseeing the implementation of any issues in this area.
- In referring to the Rising to the Challenge project the authority was looking to make significant savings and the audit team would be looking to see if it was delivering on the various projects.
- IT system – a considerable piece of work was being carried out on data protection. Members were informed that the rules on data protection were frequently revised.
- In response to questions on fraud the Committee was reminded that Hoople Ltd., carried out its own audit function. It was noted that Hoople Ltd., was jointly owned by the Council, the PCT and the Wye Valley Trust. All work carried out by Hoople Ltd., could be accessed by the Chief Officer Finance and Commercial at any time. It was felt by the audit team that good governance arrangements were in place.
- In response to questions on public health Members were informed that a further piece of work was being carried out by the audit team next year.
- In response to a question on value for money and the renewal of contracts. The Committee was advised that Cabinet had received a report on whether to extend contracts and once a decision had been made this would be reported back to the Committee.

RESOLVED: That the Annual Internal Audit Plan 2012/13 be approved.

7. WORK PROGRAMME 2012/13

The Chairman proposed to the Committee deferring the Work Programme 2012/13 report until the next meeting of the Committee in September due to incomplete information. All Members agreed to the deferring of the item to the next meeting.

RESOLVED: That the Work Programme 2012/13 be deferred to the next meeting of the Committee.

8. ANNUAL AUDIT FEE LETTER AND AUDIT WORK 2011/12

The Chief Officer Finance and Commercial presented his report on the Annual Audit Fee and Letter which sets out the current view of risks, the work that will be undertaken by the Audit Commission and outlines the proposed fee.

The following points were made in discussion:

- Page 85 of the report sets out the significant risks to the authority, the first being the implementation of a new financial ledger system and capital accounting model which has brought about considerable change. Additionally there was suspected fraud resulting in a change to the audit approach. The audit team was satisfied by the response of the Chief Officer Finance and Commercial in ordering some detailed work to be carried out as early as possible. Budget holders were also contacted to identify any unusual activity. The Committee was assured that the matter had been identified quickly through the Council's own internal checks and was seen as a one off as no further evidence came to light.
- A second risk was that Hoople Ltd., would be closing down the final accounts for the first time, which is a significant risk to the Council. Previously the Council has always had a good track record and assurance was being sought from Hoople Ltd., that that would be maintained. Hoople staff had been invited to attend training to assist with the final accounts.
- In referring to page 89 of the report regarding value for money, Members were advised that the Waste PFI contract is now likely to be dealt with by the Secretary of State.
- It was noted that the Council's continued overspend in Adult Social Care would continue to make it difficult to balance the Council's financial position
- It was also noted that the savings expected through the transformation programme may not be sufficient to deliver a balanced position.

In concluding this item Members felt it would be useful to invite the Chairman of the Hereford Futures Audit Committee to a future Committee meeting for an informal discussion.

RESOLVED

THAT:

- a) **the content of the Audit Commission's Annual Audit Plan be noted; and**
- b) **the planned outputs be noted.**

9. AUDIT AND GOVERNANCE COMMITTEE UPDATE FROM THE AUDIT COMMISSION

The Chief Officer Finance and Commercial presented his report and referred Members to page 109 of the agenda and the progress report, which indicates the current position with the audit.

The following points were made in discussion:

- The Committee referred to page 112 of the agenda, the outsourcing of current work undertaken by the Audit Practice and the future of external auditing. Members were advised of the list of firms available and that auditors would be appointed from 2012/13 on a five year basis.
- It was noted that Grant Thornton was to be the Council's auditors for the next financial year.
- The Committee was advised that further cost savings were to be made and that fees could drop by as much as 40% next year.

RESOLVED: That the report be noted.

The meeting ended at 3.55 pm

CHAIRMAN