

MINUTES of the meeting of Audit and Corporate Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford on Friday, 22nd September, 2006 at 10.00 a.m.

Present: Councillor A.C.R. Chappell (Chairman)

Councillors: H. Bramer, T.M. James, J.G. Jarvis, and Mrs. S.J. Robertson.

In attendance: Councillors T. Tobin, District Audit(ex-officio) and Councillor R.M. Wilson, Cabinet Member (Resources) (ex-officio).

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Mrs. P.A. Andrews and R.I. Matthews.

2. NAMED SUBSTITUTES

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 the 30th, June 2006 be approved as a correct record and signed by the Chairman.

5. TERMS OF REFERENCE

The Head of Legal and Democratic Services referred to the Terms of Reference which had been approved by Council at its meeting on 28th July 2006 (Agenda Item Report No.5 refers) and that these were essentially the areas of work that the Audit and Corporate Governance Committee should be addressing in future.

The Committee noted that the Terms of Reference were in line with the guidance issued by the Chartered Institute of Public Finance and Accountancy in respect of such Committees.

RESOLVED: That the Terms of Reference be noted.

6. AUDIT COMMISSION ANNUAL GOVERNANCE REPORT

The Director of Resources referred to the Audit Commission's Annual Governance report for Herefordshire Council for 2005/2006 (Agenda Item Report No.6 refers), and indicated that it was pleasing to note that the Audit Commission anticipated being able to issue an unqualified opinion on the Council's Statement of Accounts by 30th

September 2006. The Audit Commission had made three recommendations and these and the Council's response to those recommendations were set out in the Action Plan at Appendix 6 of the Annual Governance Report.

Mrs L Cave, District Auditor, drew the Committee's attention to the purpose and scope of the report which set out the fundamental principles which had been adhered to in carrying out the audit of the Council. She made particular reference to adjusted misstatements, qualitative aspects of accounting practices and financial reporting, material weaknesses in internal control identified during the audit (paragraphs 17, 18, and 19 respectively of the report), the recommendations pertaining to those issues, and noted the response to those recommendations in the action plan at Appendix 6 of the audit report.

RESOLVED:

- THAT (a) the management's responses to the Audit Commission's recommendations be approved; and**
- (b) the Letter of Representation be signed on behalf of the Council by the Chairman of the Audit and Corporate Governance Committee and the Director of Resources.**

7. CODE OF CORPORATE GOVERNANCE

The Committee considered a report (Agenda Item Report No.7 refers) which referred to a Code of Corporate Governance for the Council. It was noted that the Code was closely linked to the Council's Statement on Internal Control and brought together in one document the Council's overall strategy on governance.

Particular reference was made to the Standards of Conduct within the Code, and the need to maintain a set of appropriate Standards.

In endorsing the Code of Corporate Governance, the Chairman suggested that a 'Foreward' be composed to prefix the Code of Corporate Governance to explain the Committee's role generally, the framework of the Code of Corporate Governance and the role of the public.

It was suggested that the Head of Legal and Democratic Services should draw up a set of Standards, as referred to in the Code at paragraphs 42 to 45 of the Code, and how these Standards should apply.

RESOLVED:

- THAT (a) the Director of Resources be the responsible officer for financial probity, performance and risk, together with internal audit, and review independently the efficiency and effectiveness of the Code in that regard;**
- (b) the Monitoring Officer (currently the Head of Legal and Democratic Services) be the responsible officer for legal probity and the ethical framework review, and the efficiency and effectiveness of the Code in that regard;**
- (c) the reviews referred to above be carried out annually, a report submitted to this Committee and the Standards Committee respectively and any issues arising reported to Cabinet;**

- (d) **subject to any comments by the Audit and Corporate Governance Committee and the Standards Committee, the Code of Corporate Governance be approved by Cabinet and Council; and**
- (e) **the Director of Resources prepare a 'Foreward' to the Code of Corporate Governance explaining the link between this Committee's role and the framework of the Code of Corporate Governance, emphasizing the role of the public;**

8. AUDIT CHARTER

The Principal Audit Manager presented a report (Agenda Item Report No.8) with regard to this Council making provision for Internal Audit in accordance with the Chartered Institute of Public Finance and Accountancy/SOLACE (CIPFA) Code of Practice. It was emphasised that the proposed new Code by CIPFA had updated the old previously adopted Code.

RESOLVED: That the updated Audit Charter at Appendix 1 to Agenda be approved.

9. RISK MANAGEMENT POLICY

The Principal Audit Manager presented a revised Risk Management Policy (Appendix 1 to Agenda Item Report No.9) which had further developed the Council's approach to Risk Management and ensured compliance with good practice. He indicated that the revised Policy had streamlined the original Policy previously agreed in April 2004.

The Director of Resources informed the Committee that Corporate Governance and Risk Management would be kept under constant review with a view to keeping both areas updated in line with best practice.

RECOMMENDED: That the Risk Management Policy be endorsed and submitted to Cabinet for consideration and approval.

10. UPDATE ON THE COUNCIL'S STATEMENT ON INTERNAL CONTROL

The Principal Audit Manager presented a report (Agenda Item Report no. 10) on the outcome of the Audit Commission's review of the Council's 2005/6 Statement of Internal Control. He made reference to paragraph 6 in the report regarding Council Tax and Revenues and Benefits, and informed the Committee that these had now been included within the Statement of Internal Control. With regard to the Annual assurance return from Directors and Heads of Service, paragraph 7 of the Report refers, this had been reduced to a quarterly return which accorded with the suggestion by the Audit Commission to improve the frequency of returns.

RESOLVED: That the Report be noted and the actions endorsed.

11. USE OF RESOURCES IMPROVEMENT PLAN

The Director of Resources presented a report (Agenda Item Report No.11) regarding the progress in relation the Use of Resources Improvement Plan (Appendix 1 to that

**AUDIT AND CORPORATE GOVERNANCE COMMITTEE FRIDAY, 22ND SEPTEMBER,
2006**

Report refers). The Appendix listed the progress made with regard to financial matters, value for money and timescales being worked to.

RESOLVED: That the report be noted.

The meeting ended at 10.58 am.

CHAIRMAN