

<b>MEETING:</b>	<b>COUNCIL</b>
<b>DATE:</b>	<b>4 MARCH 2011</b>
<b>TITLE OF REPORT:</b>	<b>ANNUAL REPORT OF THE AUDIT AND GOVERNANCE COMMITTEE 2010 - 2011</b>
<b>MEMBERSHIP</b>	<b>ACR CHAPPELL (CHAIRMAN), MJ FISHLEY, JHR GOODWIN, AW JOHNSON, PJ MCCAULL, RH SMITH AND AM TOON</b>

**CLASSIFICATION:** Open

### **Wards Affected**

County-wide

### **Purpose**

To inform the council of the activities of the above Committee between May 2010 and January 2011 and to note the report, which is for information.

#### **AUDIT FEE LETTER 2010/11 AND AUDIT OPINION PLAN**

- 1 The committee received a report of the work undertaken for the 2010/11 financial year by the Audit Commission and the Commission's total indicative fee for 2010/11. The committee noted the major areas of specific risks and the Commission's response on how each risk area would be addressed. The committee noted the content of the Annual Audit Fee Letter and the content of the Audit Opinion Plan.

#### **ANNUAL GOVERNANCE STATEMENT 2009/10**

- 2 The committee received a report which requested the committee's approval of the draft Annual Governance Statement. The report brought together all the council's controls into one document and demonstrated the effectiveness of those controls. The committee approved the Annual Governance Statement 2009-10 for inclusion in the Statement of Accounts for 2009-10.

#### **AUDIT PLAN 2010/11**

- 3 The committee received the 2010/11 Audit Plan and resolved that the Plan be adopted.

#### **AUDIT SERVICES ASSURANCE REPORT 2009/10**

- 4 The committee received a report which updated members on the status of various items of work and drew the committee's attention to key control issues. This was an end of year report and closed down three previous interim reports. The committee noted that the overall system of internal control environment had been given a satisfactory audit opinion, and resolved that the report be noted.

#### **STATEMENT OF ACCOUNTS 2009/10**

- 5 The committee received the 2009/10 Statement of Accounts, and noted that that on 23 June 2010 a workshop was held that covered in detail the Statement of Accounts. The committee resolved that the Statement of Accounts for 2009/10 be approved.

### **RISK MANAGEMENT REVIEW**

- 6 The committee received a progress report on the risk recommendations implementation. The committee was reminded that a partnership approach had been adopted for the council and NHS Herefordshire and this was reflected in the report and recommendations. The review had been extensive and had raised the profile of risk management as an important part of the day to day work of directorates. Risk management was also embedded within systems at the PCT and seen as a useful tool. The committee noted the progress to date.

### **WORK PROGRAMME 2010/11**

- 7 The committee received a report about the committee's Work Programme for 2010/11. The committee noted that after 17 January 2011 there would be no Use of Resources Inspection. The committee resolved to approve the current work programme as a basis for future agenda items, with the addition of a review of Internal Audit for the September meeting, and deletion of Use of Resources (Audit Commission) from the January meeting.

### **INTERIM AUDIT SERVICES ASSURANCE REPORT 2010/11 (NO.1)**

- 8 The committee received the Interim Audit Services Assurance Report 2010/11 and noted, in particular, Appendix 1 of the report, which drew attention to the status of the Annual Governance Statement 2009/10 significant governance issues. The committee noted that the audits on car park income were rated unsatisfactory, and that there was no evidence of fraud.

### **STATEMENT ON MAJOR PROJECTS**

- 9 The committee received a report on Major Projects. The committee noted that spending, at £77.7m, was substantial, although much had been funded through government capital grants. The committee noted that the aim of the report was to provide visibility on the programme and the direction the authority was taking.

### **CREDITOR PAYMENT AUTHORISATION**

- 10 The committee received a report outlining the present position with creditor payments with particular reference to the last quarter. The committee noted that due to a change in personnel there had been some creditor vouchers returned, but that this was being dealt with through training. The committee agreed that due to increases in the returns for the Children and Young People Directorate and the Sustainable Communities Directorate, a report should be tabled at the next meeting of the committee.

### **REVIEW OF INTERNAL AUDIT**

- 11 The committee received a report on the internal audit review. The committee noted that, of the 107 CIPFA standards, Audit had met 100 completely and seven in part. The committee was reassured that the Chief Internal Auditor was in regular contact with the Chairman regarding any audit issues. The committee noted the report.

### **DATA QUALITY UPDATE**

- 12 The committee received a report giving an update on data quality. This was the final data quality report as it was part of the Use of Resources Assessment that had now ceased. The committee noted that seven 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. The committee resolved that the final position against the data quality action plan be noted.

#### **INTERNATIONAL FINANCIAL REPORTING STANDARDS**

- 13 The committee received a report from the Technical Accounting Manager on International Financial Reporting Standards and noted that, although there had been some slippage with the work programme because officers had been working on the Local Government Finance Settlement, it was expected that the programme would be back on track and key elements achieved by the end of March.

#### **ANNUAL GOVERNANCE REPORT 2009/10**

- 14 The committee received a report from the District Auditor, who advised that the council had received unqualified approval of the accounts. The committee resolved that the content of the Annual Governance Report for 2009/10 was to be discussed with the external auditor; that the action plan in the Annual Governance Report in response to the recommendations contained in the report for 2009/10 be approved; and that the draft Letter of Representation be approved for signature by the Chairman of the Audit and Governance Committee and the Director of Resources (Council).

#### **NOTE ON THE ABOLITION OF AUDIT COMMISSION**

- 15 The District Auditor referred the Committee to the government announcement that the Audit Commission would be abolished. She advised that a new regime had not been decided 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 there would, therefore, be some rebate in the fees. By 2012/13, councils would be able to appoint their own auditor and it was expected that private companies would be expected to tender.

#### **MONITORING OFFICER REPORT**

- 16 The committee received the monitoring officer's report, which covered the activities throughout the year, and the council's performance for 2009/10 relating to complaints to the Ombudsman and the standards framework. The committee resolved that the report be noted and comments fed back to the monitoring officer.

#### **INTERIM AUDIT ASSURANCE REPORT 2010/11 (NO2)**

- 17 The committee was updated on progress on committee resolutions and progress on the Audit Plan. The committee was also informed of the unsatisfactory audit opinion given to Earl Mortimer College.

#### **RE-PROVISION OF INTERNAL AUDIT SERVICES**

- 18 The committee was informed of the pending market testing of the internal audit service, with a view to an external supplier providing internal audit services from 1 April 2011.

#### **ANNUAL AUDIT LETTER**

- 19 The committee received a report which captured the key points to the Audit Commission's Annual Audit Letter, and noted the unqualified opinion on the council's financial statement and also the unqualified value for money conclusion stating that the council had satisfactory arrangements. The District Auditor stated that the council had sound financial accounts and welcomed the changes to the planning service and committee as a good example of the council acting quickly following the comments of the previous audit report. The committee resolved that the Annual Audit Letter and action plan be noted.

### **INTERIUM AUDIT SERVICES ASSURANCE REPORT 2010/11 (NO3)**

- 20 The committee was updated on progress on committee resolutions and progress on the Audit Plan. The committee was also update on progress regarding the market testing of the audit service

### **REVISED AUDIT STRATEGY AND AUDIT CHARTER 2010**

- 21 The committee noted amendments which had been made to the Revised Audit Strategy and Audit Charter 2010. Members noted there had been input from directors individually and from the joint management team. The committee resolved that the revised 2010/11 Audit Strategy and Audit Charter be approved.

### **AGRESSO PROJECT UPDATE**

- 22 The committee received an update on the Agresso project, which would come into force on the 1 April. The committee noted that the system would manage internal and external resources and would be used across the three organisations of Herefordshire Council, NHS Herefordshire and Herefordshire Hospitals Trust. The committee noted that as part of the audit plan the controls for Agresso would be examined and reported on.

### **ACR CHAPPELL CHAIRMAN**

**BACKGROUND PAPERS:** Agenda for meetings of the Audit and Corporate Governance Committee held on 29 June 2010, 17 September 2010, 12 November 2010 and 17 January 2011.