

**MINUTES of the meeting of Audit and Governance Committee held at The Council Chamber, Brockington, 35 Hafod Road, Hereford, HR1 1SH on Monday 17 January 2011 at 10.00 am**

**Present:** Councillor ACR Chappell (Chairman)  
Councillor RH Smith (Vice Chairman)

Councillors: JHR Goodwin, AW Johnson, PJ McCaull and AM Toon

**In attendance:** Councillors WLS Bowen and PJ Edwards

**35. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

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

There were no named substitutes.

**37. DECLARATIONS OF INTEREST**

**5. ANNUAL AUDIT LETTER.**

Councillor PJ Edwards, Personal, Member of the Hereford and Worcester Joint Waste Member Group.

**5. ANNUAL AUDIT LETTER.**

Councillor RH Smith, Personal, Member of the Hereford and Worcester Joint Waste Member Group.

**38. MINUTES**

**RESOLVED:** That the Minutes of the meeting held on 12 November 2010 be approved a correct record and signed by the Chairman.

Note: The Chairman welcomed Liz Cave and Terry Tobin from the Audit Commission and also Phillip Ashurst, Non Executive Director of the PCT and Chairman of the Audit and Assurance Committee for the PCT.

**39. ANNUAL AUDIT LETTER**

The Director of Resources introduced the report which captured the key points to the Audit Commission's Annual Audit Letter and informed Members that it was an unqualified opinion on the Council's financial statement and also an unqualified value for money conclusion stating that the Council had satisfactory arrangements. The Director thanked the District Auditor for the work carried out by her team.

Liz Cave, District Auditor stated that the Council had sound financial accounts and made the following points:

The key points made were:

- 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. Committee meetings were conducted well and the decision making processes had improved. The Council is now inline with the national average for planning appeals.
- The financial plan is good and is moving in the right direction.
- The waste disposal contract has had a considerable amount of public interest. Once planning permission is granted and the tender process starts an evaluation on value for money should be carried out.
- International Financial Reporting Standards (IFRS) – making good progress, confident the standard will be reached.
- Value for money – summary of work under use of resources is good.
- Good proactive work and follow up carried out on fraud, particularly in relation to benefits with savings of £380k.
- Support for older people, considerable amount has been done to improve the support provided; the benefits should now start to be seen.
- The transformation programme has been redefined to ensure delivery, with a targeted review to obtain cost savings. The aims need to be focused in order to measure the benefits of the programme and review the business case for shared services.
- Regeneration – there has been considerable public interest in the ESG project. The Council needs to set out clearly how it intends to judge the success of the project and to improve communications with the public to gain their confidence and involvement in the project.

Finally, the District Auditor added there would in future be two new value for money criteria: securing financial resilience, and prioritising resources within tighter budgets. It is intended that this would provide a stronger focus on financial risks and resilience.

The Committee noted the comments of the District Auditor and made the following comments:

- The Chairman thanked the District Auditor for such a positive report and that the Standards and Audit and Governance Committees were playing an effective role.
- The comments on waste management were noted and that the authority was moving in the right direction regarding the ESG project (Hereford Futures) with improved communications. Consideration would now need to be given to the strategic review.
- Members noted the reduction in planning appeals, which could be aligned to the reduction in applications, but felt the new procedures worked well with officers. Members discussed the planning procedures in relation to the new localism bill and the concerns of Members and parish councils.

The Chairman invited the Non Executive Director and Chairman of the Audit and Assurance Committee, Phillip Ashurst to speak to the Committee.

Mr Ashurst noted that a number of points raised resonated with the PCT and that financial resilience would have a major impact for both organisations. He commended officers for their work on fraud and the savings that had been made. This was an area that both organisations were working much more closely on and it sent a strong message that fraud would not be tolerated. He added that the growing number of older people was a focus point for both organisations and was a

major part of expenditure for the PCT. The transformation programme, therefore, was key to both organisations as they moved to shared services and making the best use of resources for the residents of Herefordshire.

The District Auditor thanked officers and Members for all their work and the support provided.

**RESOLVED: That the Annual Audit Letter and action plan be noted.**

#### **40. INTERIM AUDIT SERVICES ASSURANCE REPORT 2010/11**

The Chief Internal Auditor drew Members' attention to appendix 1 of the Interim Audit Services Assurance report and Members agreed the following points:

- Page 38 paragraph 19 – a report regarding the tendering of the audit service to be brought to the next meeting of the committee.
- Pages 39 to 40 of the report – item 5.3 risk management to remain open
- Item 5.7 to remain open and reassessed once follow up work has been carried out.
- Item 5.8 to remain open until end of financial year.
- Pages 41 to 46 of report item 40 to close.
- Item 42 – Governance improvement plan, assurance had been given that all election money had been collected to date.
- Pages 43 to 45 of report – items 90 and 91 to remain open.
- Item 113 to close. Items 116 and 117 to remain open.
- There were no comments from the committee with regard to appendix 2.
- Members were reminded that the audits on Earl Mortimer College and on the car park income were rated unsatisfactory and reports were given to the Chairman. The Committee was advised that with regards to the car park income in depth testing was carried out and there was no evidence of fraud. In relation to Earl Mortimer College there were issues around budgetary control. The Chief Internal Auditor will provide a working note to Members on this matter. Following a Member question the Committee was advised that any school that became an academy could use the services of the internal audit team, or could also engage an outside company.

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

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

The Chief Internal Auditor informed Members of the 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.

**RESOLVED: That the revised 2010/11 Audit Strategy and Audit Charter be approved.**

#### **42. CREDITOR PAYMENT AUTHORISATION**

The Director of Resources presented the report, which outlined the present position with creditor payments with particular reference to the last quarter. It was noted that due to a change in personnel there had been some creditor vouchers returned. This has now been dealt with through training.

Members agreed that due to increases in the returns for the Children and Young People Directorate and Sustainable Communities Directorate that a report should be tabled at a

future meeting of the Committee. Members were advised that the returns outlined for the Resources directorate were due to tests being carried out on the system.

**RESOLVED: That the information on invoices rejected be noted.**

#### **43. INTERNATIONAL FINANCIAL REPORTING STANDARDS**

The Technical Accounting Manager presented the report on International Financial Reporting Standards and informed Members that due to officers working on the Local Government Finance Settlement, there had been some slippage with the work programme, however, it was expected that the programme would be back on line and key elements achieved by the end of March. Members were informed that:

- All Government grants at 31 March 2009 and 31 March 2010 had been restated.
- Reviewed the Council's contract with Fosca and no embedded leases had been found.
- Holiday accruals for 2008/09 and 2009/10 had been calculated for schools based staff.
- Assets requiring re-categorisation had been identified and valuations were being carried out.
- Guidance notes had now been received from CIPFA and all work would be reviewed to ensure compliance.
- It was noted that the PCT was already in compliance with IFRS.

The Committee commended the Technical Accounting Manager and her team for the work carried out.

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

#### **44. AGRASSO PROJECT UPDATE**

The Director of Resources reminded Members that the Committee had requested an update on the Agresso project, which comes into force on the 1 April. Jonathon Riches, who is a lead officer on the project, informed the Committee that:

- The system would manage internal and external resources e.g. financial, material and human resources.
- It would be used across the three organisations of Herefordshire Council, NHS Herefordshire and Herefordshire Hospitals Trust.
- There would be two phases of testing; currently testing was on what had been built and what was expected. This would be followed by user testing by accountants and payroll to ensure it was fit for purpose.

The following points were discussed:

- Members raised the issue of on going system support and were reassured this would be provided by the software company. In addition there would be an internal support team.
- Agresso was chosen as changes to the system could be made internally to move it forward and have continual improvement. Noting that if improvements were not customised the supplier would still continue to provide support.
- Data from 15 systems would be brought into one.
- It was confirmed that all users would be trained and the Chief Internal Auditor advised that as part of the audit plan the controls for Agresso would be examined and reported on.

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

#### **45. RISK RECOMMENDATIONS IMPLEMENTATION - PROGRESS REPORT**

The Deputy Chief Executive presented the report to Committee and reminded Members of the partnership approach that has been adopted for the Council and NHS Herefordshire and which 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 a directorate. Members were advised that some recommendations had been revised as they had been considered ambitious and it was now felt that risk management was on track.

The following points were noted:

- Risk registers would be looked at on a monthly basis by the Joint Management Team.
- Directorates would keep registers up to date with a lead officer for risk in each directorate.
- A new resilience unit to be established, which would cover risk management, emergency planning, business continuity and corporate health and safety.
- Terry Tobin from the Audit Commission agreed that risk management needed to become part of the daily work of the authority and was pleased with the proposals for embedding the process.
- It was confirmed that risk management was now embedded within systems at the PCT and seen as a useful tool.
- Members were concerned that issues of risk were not currently adequately identified or what would happen with an identified risk.
- Members felt that minutes of directorate meetings were not sufficient to show how a risk had been dealt with, and that any amendment should be reflected in the risk register.
- The Deputy Chief Executive agreed that there needed to be a means of demonstrating how a risk had been dealt with and advised the Committee that the matter would be taken back to the Joint Management Team for discussion. He added that the risk register had not been brought to Committee as he felt it was not adequate in its current format.
- The Chief Internal Auditor advised that the audit plan would also outline how effective risk management was.
- Members proposed that scrutiny committees could also examine the risk registers as part of their programme of work.
- As any Council payments over £500 were now available to be seen on the web site, Members were concerned as to the way Amey payments were being reflected, as only the regular monthly payments were replicated without any detail for it to be challenged. The Chairman suggested the new Audit and Governance Committee, following the elections in May, would require a report on this matter and proposed that an Amey representative be asked to attend the meeting.

**RESOLVED: That progress to date be noted.**

The meeting ended at 12.15 pm

**CHAIRMAN**