

**MINUTES of the meeting of Audit Committee held at Committee Room 1, The Shirehall, Hereford on Friday, 30th September, 2005 at 10.00 a.m.**

**Present:**

**Councillors:** Mrs. P.A. Andrews, A.C.R. Chappell, Mrs. J.P. French, T.M. James and R.J. Phillips

**In attendance:** Councillor R.M. Wilson

1. **CHAIRMAN**

**RESOLVED: That Councillor ACR Chappell be appointed Chairman for the ensuing year.**

2. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors: RI Matthews and Mrs SJ Robertson.

3. **NAMED SUBSTITUTES**

Councillor Mrs AE Gray substituted for Councillor RI Matthews.

4. **DECLARATIONS OF INTEREST**

There were no declarations of interest made.

5. **MINUTES**

**RESOLVED: That the Minutes of the former Statutory Accounts Committee meeting held on 11th July, 2005 be approved as a correct record and signed by Councillor RJ Phillips.**

NOTE: The Chief Executive explained to the Committee that Councillor RM Wilson was not a Member of the Committee but was in attendance as Cabinet Member (Resources). This was to ensure independence of the Committee to the executive. It was noted that to maintain the independent status of the Committee the Chairman should not be a member of the executive.

6. **AUDIT COMMITTEE TERMS OF REFERENCE**

The Principal Audit Manager firstly advised the Committee of a typographical error in the last sentence of paragraph six, which should read "a work programme will need to be developed for the Committee".

The Comprehensive Performance Assessment (CPA) 2005 report "Use of Resources" advises that the Council forms an Audit Committee, which is constituted as a full Committee of the Council and independent of both the Executive and Scrutiny

functions. Members were reminded that although there was no Audit Committee previously, this function was carried out by Cabinet and the Strategic Monitoring Committee. Terms of Reference for the Committee, which were approved by Council in July 2005 were outlined in the Appendix to the report. Members noted the necessity to review the Terms of Reference annually. To carry out the functions of the Committee some training requirements will be needed and a work programme developed.

The election of a Chairman who was not a member of the Executive would help to ensure the independence of the Committee. The Committee will report directly to Council. Members proposed that for the future they would like the Committee to be set up similarly to the Standards Committee with a Chairman who is not a Councillor.

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

#### 7. **CIPFA POSITION STATEMENT ON AUDIT COMMITTEES**

The Principal Audit Manager outlined to Members the importance that CIPFA have put on Audit Committees and how they have identified four features, which they believe should be common to all local authorities. These are:

- A Statement of Purpose should be approved which:
  - ❖ Identifies core functions;
  - ❖ Highlights good Audit Committee characteristics; and
  - ❖ Highlights structure and administration good practice.

A full position statement from CIPFA was attached to the report. It was recognised that further guidance on the implementing and running of Audit Committees was needed and the Position Statement is being developed into practical guidance by CIPFA and will be made available shortly when Members will be briefed. Members discussed further the issue of having an independent Chairman, who was not a Councillor, for the Committee.

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

#### 8. **EXTERNAL AUDIT 2004/05**

The Assistant County Treasurer (Accountancy and Exchequer Services) reported to the Committee on the Council's External Audit for 2004/05 by the Audit Commission. He advised Members of the points raised by External Audit that needed to be addressed prior to the audit being finished. He stated that the audit was approaching its conclusion and would be completed by the statutory deadline of 31st October 2005.

Members noted the extra work that had been done by staff to complete the audit in time, and requested that the appropriate staff be complimented.

**RESOLVED: That the progress of the external audit and the preliminary list of issues raised be noted.**

#### 9. **AUDIT SERVICES ASSURANCE REPORT 2004/05**

The Principal Audit Manager advised Members that the CIPFA code of practice for internal audit requires an annual report to be presented to Members that gives an opinion on the Council's internal control environment. A report on the Audit Services Assurance report for 2004/05, was presented to Cabinet on 1st September, 2005. The Annual Report sets out:

- Action taken on key issues identified during 2003/04;

- A summary of work undertaken;
- Issues raised in the Statement of Internal Control;
- Compliance with the Code and Audit Performance; and
- The Audit Opinion – which is satisfactory.

Two areas for attention are: the Council's overall disaster recovery arrangements and the overspend in Social Care. To address the overspend, an action plan has been put in place to minimise risk, including:

- Control of spending decisions relating to non-staffing budgets.
- Modernisation of the Learning Disability Service to include assessment practice improvements, accommodation and modernisation of day opportunities.
- Negotiations have been agreed with the Primary Care Trust on risk sharing.

Members discussed the report and that the Emergency Planning Unit might need to report directly into the Audit Committee. It was agreed that for the future any serious issues for the Council would be drawn to the Cabinet Member's attention.

**RESOLVED That the report be noted.**

10. **CORPORATE INTERNAL CONTROL AUDIT OPINION 2004/05**

The Principal Audit Manager informed Members that the CIPFA Code of Practice for Internal Audit in Local Government states that an annual report on the authority should include an opinion on the overall adequacy and effectiveness of the internal control environment. The Audit Strategy, approved by Cabinet on 14th April 2005, sets out the approach to demonstrate the resilience of the audit opinion. The report sets out how the Council's overall opinion was reached for 2004/05.

The Principal Audit Manager advised the Committee of the type of visits carried out to schools, libraries and other establishments to examine the operating processes being carried out. He advised that all secondary schools had to reach a certain final standard and have acted upon any recommendations made to the school. Finally, he stated that any recurring themes in the audit for schools would be reported to the Herefordshire Schools Forum for action.

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

11. **FUNDAMENTAL SYSTEMS, AUDIT OPINIONS AND RESULTING RECOMMENDATIONS**

The Principal Audit Manager gave an update on the Council's fundamental systems, the types of audit opinion given by Audit Services and the proposed action to be taken on key audit recommendations. He added that the CPA Use of Resources report requires the Council to have procedure notes / manuals for the systems identified as being business critical and that these should be updated at least annually. The report listed seventeen systems the Council has currently identified as business critical.

Members' attention was drawn to the critical areas of concern together with recommended actions to be taken by the management. The Principal Audit Manager stated that in such cases he would formally write to the relevant Director outlining the situation. This would be followed by an internal audit within two weeks. In such circumstances External Audit Services would work closely with the internal audit department.

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

**12. CORPORATE RISK MANAGEMENT AND AUDIT PLANNING**

The Principal Audit Manager reported the approach taken by Audit Services regarding the risk-based Audit Plan and its link to the Council's Corporate Risk Management. He advised that the revised Risk Management Strategy had been approved by Cabinet on 15th April, 2005. He added that the Risk Strategy covered risk assessments in the following areas:

- Fundamental Systems.
- Non-fundamental Systems.
- Corporate governance arrangements to include anti-fraud arrangements.
- Best Value Performance indicators.
- Risk Management arrangements.
- ICT protocols and controls.
- Establishment visits.
- Verification and probity reviews.

It was noted that each area was assessed for potential risks as classified utilising 'traffic lights' signposting. Additionally within each area consideration is given to residual risk for specific functions or establishments based on their last Audit Opinion and current knowledge, including risk management reports to the Corporate Management Board.

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

The meeting finished at 11.10 am

**CHAIRMAN**