

## **REPORT OF THE AUDIT COMMITTEE**

### **Meeting held on 30th June, 2006**

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#### **Membership:**

Councillors: Mrs. P.A. Andrews, A.C.R. Chappell, Mrs. J.P. French, T.M. James, R.I. Matthews, R.J. Phillips, Mrs. S.J. Robertson.

#### **AUDIT COMMISSION AND INSPECTION PLAN 2006/07**

1. The Committee has received a report of the plan of audit and inspection work proposed by the Audit Commission for 2006/07. The main issues of significance for the Council are in performance management work and Local Area Agreements (LAA). The performance management audit will be carried out in September. It is intended that the LAA overview will be carried out around August. All Members of Council will be invited to a seminar outlining the results of this exercise. The Committee will consider a report on new governance arrangements at its next meeting in September.

#### **FOLLOW UP OF AUDIT COMMISSION RECOMMENDATIONS**

2. The Committee has approved an action plan for following up recommendations from the Audit Commission and will be kept up to date with progress on an exception basis.
3. The Committee has also agreed that interim arrangements be put in place for the post of Procurement Manager until the post is permanently filled.

#### **AUDIT COMMISSION REPORT - POOLED BUDGETS**

4. Section 31 pooled budget arrangements are among the flexibilities offered by the Health Act 1999. They allow NHS organisations and local authorities to allocate funds to a joint budget for the furtherance of health and social care. This can be through joint commissioning or integrated provision. The use of pooled budgets is intended to support partnership working and result in service improvement through joining up existing services or developing new services.

The Committee has noted the Audit Commission's report and that any lack of action of the part of the Council could have an adverse effect at the next Use of Resources assessment.

#### **AUDIT COMMISSION REPORT - REVIEW OF THE E-GOVERNMENT PROGRAMME**

5. The Committee has received a report from the Audit Commission on the review of the e-Government Programme. The report concluded that the Council is moving in the right direction in terms of its e-government programme. Following an internal review of the programme in 2004, delivery is now planned and controlled and tangible benefits are starting to become apparent. However, it felt that the Council was not as far advance as expected given the amount of investment over the last five years. The current state of development falls far short of the original vision for e-government, that "... by 2005 all citizens of Herefordshire will be able to interact effectively with a range of partnership services, at a time and place convenient to them, using a variety of communication channels."

The Committee has noted a number of measures put in place to ensure ongoing improvements to the programme. It has also noted the involvement of the partner organisations and extended their thanks to those staff responsible

for the recent improvements.

#### **MONITORING OFFICER REPORT 2005/06**

6. The Committee has received a report from the Monitoring Officer comparing the Council's performance in over the last four years with regards to complaints to the Ombudsman, Whistleblowing and other matters within his remit. It has noted that the Ombudsman had not yet finalised his report for 2005/06 although it was expected shortly. The Committee has asked for clarification with regards to the register of gifts and hospitality as there was a difference between the sum Members had to register and that of officers. The Committee also recommended that Members be regularly reminded of the need to register any gifts and hospitality and proposed that this be done annually at the same time as the Declarations of Financial and Other Interests. The Committee has also expressed concern about the number of town and parish council investigations referred to the Standards Committee for the Standard Board for England and asked that these be monitored, because of the cost implications.

#### **AUDIT SERVICES ASSURANCE REPORT 2005/06**

7. The Audit Commission in their Annual Audit and Inspection Letter identified that the Council needed to develop the role of the Audit Committee in providing leadership on audit and governance issues, including documenting the overall assurance framework. Consideration of the Assurance Report aids the Development of the Committee's role.
8. The Audit Service's review in relation to the Statement of Internal Control showed that the Council's procedures and protocols compared favourably with the CIPFA checklist and overall was found to be satisfactory. Fifteen fundamental systems were reviewing with three being given a "good" audit opinion, ten being "satisfactory" and two rated as "marginal". Management action has been taken where necessary and will be reported to the Committee in due course. The Committee has noted that management responses to Audit recommendations continue to be positive with action agreed on 96%.

#### **APPROVAL OF THE COUNCIL'S STATEMENT OF INTERNAL CONTROL 2005/06**

9. The Committee has approved the Council's Statement of Internal Control which ensures that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.
10. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to support the Council's operation and manage risk in a balanced and effective manner, acknowledging that an element of risk is inevitable if policies, aims and objectives are to be achieved.

#### **STATEMENT OF ACCOUNTS**

11. The Statement of Accounts is a technical document prepared in compliance

with Accounting Codes of Practice as a prime requirement. The Codes of Practice are heavily influenced by external standards. This year the Statement of Accounts were required to be formally approved by 30th June.

12. The Committee has approved the Statement of Accounts including the final revenue and capital outturn for 2005/06. It has approved the formal signing of the Statement of Accounts by the Chairman of the Committee on behalf of the Council. It has noted the information in respect of redundancies and early retirement and noted the information in respect of bank accounts.
13. In order to make the published Statement of Accounts widely available, copies of the audited statement will be sent to Info centres and libraries. The Statement will also be included in full on the Council's website together with the Auditor's Management Letter, once the external audit is complete. A summary leaflet will be produced this year in line with Use of Resources best practice guidance.
14. The Committee has expressed its thanks to the staff involved in producing the document for its clarity and availability within tight timescales.

**A.C.R. CHAPPELL  
CHAIRMAN  
AUDIT COMMITTEE**

#### **BACKGROUND PAPERS**

- Agenda papers of the meeting of the Audit Committee held on 30th June, 2006.