

HMCS Audit Committee

Friday 4 May 2007

Present:

Kenneth Ludlam	Non Executive Board Member (Chair)
Neil Andrews	Non Executive Member, Chair of Midlands Regional Risk & Audit Committee
Kevin King	Non Executive Board Member
John McGorrigan OBE JP	Non Executive Member, Chair of North East Regional Risk & Audit Committee
Mee Ling Ng	Non Executive Board Member

Also attended:

Graham Hancock	Head of Financial Accounts
Philip Lloyd	Director of Resources
Rahini Mylvaganam	National Audit Office
Alan Rummins	Head of Internal Audit
Steven Shields	Internal Audit Division
Kirk Siderman-Wolter	Head of Corporate Governance
David Willis	Chief Executive's Office

Apologies for absence

Laurie Pavelin CBE

Briefings

Prior to the meeting the Committee received briefings on Human Resources matters (from Dorothy Brown, Director of HR for HMCS) and on Criminal Justice – Speedy, Simple, Summary (CJSSS) (from Martin Jones, Deputy Director, Criminal Justice Improvement, and Damon Norville, CJSSS Project Manager). The Committee asked that there should be briefings on Libra and the estates strategy position (including procurement and any current issues) at the next meeting.

1.0 Minutes of meeting held on 26 January 2007

- 1.1 The minutes were agreed as a correct record. The Committee noted actions taken following earlier decisions.

2.0 Declarations of interest

- 2.1 None.

3.0 Audit Committee's terms of reference and operating arrangements

- 3.1 The Committee noted that the Board had reviewed their governance and decisions structure and asked each committee to review their terms of reference and delegations. The Audit Committee was an advisory committee, without executive powers, and no delegations were proposed.
- 3.2 The Committee made the following amendments to their terms of reference:
- Delete the requirement to report annually to DCA Audit Committee (para. 8) as this was no longer a requirement;
 - Amend timetable so that the external audit management letter would be reviewed at the October meeting; the statement of internal control would be reviewed at the April meeting; and to reflect the decision to have briefing sessions prior to each meeting.
- 3.3 The level of the annual review of the Committee's effectiveness would be considered as a full review would not be necessary each year.
- 3.4 Reporting of matters arising from regional risk and audit committees (RRACs) was normally via the Head of Corporate Governance. Whilst this captured the matters which appeared to be of corporate concern or significance, it did not necessarily reflect what RRAC chairs felt to be important. The Committee agreed that chairs of RRACs should be invited to send to the Chairman informal notes of any issues arising at their meetings of which they felt he should be aware or which they wished him to review.

Action: David Willis to prepare letter for Chairman to invite RRAC chairs to let him know of issues arising at RRAC meetings.

4.0 HMCS Annual Accounts, 2006-07 preparation

- 4.1 The Committee noted progress in meeting the timetable for preparation of the Annual Accounts. The date for signing the Annual Accounts had been brought forward by a week but it was expected that the timetable would be achieved.
- 4.2 Accounting issues relating to property transfer (CUPID project), fines treatment, pension provision, early departure provision and accounting for legal aid payments were discussed. The Committee noted that regions were placing greater emphasis on property transfer.
- 4.3 The Committee noted the position on the accounting treatment of fines imposed by magistrates and considered a letter dated 24 April from the National Audit Office

(NAO) to the Director of Resources, following a meeting on 16 February. NAO considered that such fines should be accounted for in HMCS accounts, notwithstanding that HMCS was responsible only for collection. However, they were prepared to accept a different settlement. Internal Audit Division (IAD) considered that a recent Public Accounts Committee hearing was relevant and would provide a copy of the hearing report to the Chairman as background. The Committee noted that HMCS did not levy the fines: DCA were responsible for them and NAO accepted that there was full disclosure of fines transactions and balances in the Department's resource accounts. The NAO letter indicated that fines were imposed by magistrates' courts, but this was not so. Fines were imposed by magistrates as one of a range of punishment options and HMCS had no influence over nor responsibility for them. The fines would continue to be accounted for in DCA accounts but a disclosure on fines would be made in the notes to the accounts. The Committee asked that the accounts should make clear that responsibility for fines lay with DCA so there was no misunderstanding that HMCS responsibility related to collection only.

Action: (1) Stephen Shields to provide copy of PAC report to Chairman; (2) Graham Hancock to ensure that the Annual Accounts make clear that HMCS' responsibility for fines related to collection only.

5.0 External audit – audit progress report, 2006-07

- 5.1 The Committee noted progress on the NAO audit of HMCS for the year ending 31 March 2007 and the current position on previously identified risks. NAO had not identified any further material risk areas and their audit strategy was unchanged from that reported previously. The production and audit timetable remained on track and NAO expected that the accounts should be signed shortly after the next meeting of the Committee.

6.0 Internal audit progress report

- 6.1 The Committee noted progress against the annual internal audit plan. Two audits had reported category 1 action points, in relation to recruitment in HMCS and implementation of corporate governance arrangements in HMCS. The Head of Internal Audit was satisfied that all audits delivered with 'no assurance' and/or with priority 2 action points had resulted in business owners taking urgent remedial action. The internal audit plan for 2007-08 had been circulated to members separately and had now been approved by the Chief Executive.
- 6.2 The Committee noted action against the audit plan and that the audit opinion in the annual audit report for 2006-07 would be 'limited assurance'. They noted that the position was improving and asked that the report should reflect this by indicating that HMCS was moving towards a 'reasonable assurance' position. The Committee asked that reports should include the number of recommendations outstanding and synopses of themes arising from audits.

Action: Alan Rummins to reflect in the annual audit report the movement towards 'reasonable assurance' and to include synopses of emerging themes in audit reports.

- 6.3 The Committee endorsed the internal audit plan for 2007-08. They noted that the plan was for a one year period, reviewed quarterly, due to the pace of change of the

organisation. They asked that consideration be given to moving to a three year plan once there was more stability.

Action: Alan Rummins to consider moving to a three year period for audit planning in due course.

7.0 Corporate governance – quarterly report to 31 March 2007

7.1 The Head of Corporate Governance reported on corporate-level risks and the development of the risk management process. He presented a draft Statement of Internal Control (SIC) and the Committee considered this along with the core assurances which the Chairman had indicated he would expect to see underpinning the SIC. Members were asked to let Kirk Siderman-Wolter have any comments on the SIC by the end of May for him to take into account and issue a revised draft in June. The Committee noted the need for consistency between the internal audit annual report and the SIC. The draft SIC noted as one of the significant control issues the management of external suppliers. This was being taken forward by the Corporate Services Committee and the Committee asked to be kept informed on progress.

Action: (1) All to pass comments on the SIC to Kirk Siderman-Wolter by end of May; (2) Kirk Siderman-Wolter and Alan Rummins to ensure consistency between the annual report and SIC; (3) Kirk Siderman-Wolter to inform the Committee on progress on management of external suppliers.

8.0 Investigations and referrals

8.1 The Head of Corporate Governance reported that a specialist investigations team had been established to investigate active referrals and focus on prevention, detection and recovery. A protocol had been established for suspensions and investigations which had led to a decrease in suspension costs and a more efficient means of disposal of these matters. A 'whistleblowing' policy was about to be introduced which would incorporate a facility to report via the Workplace Support team.

8.2 The Committee noted details of cases. A case management system was being developed. They asked to be kept informed of any trends developing.

Action: Kirk Siderman-Wolter to include any developing trends in future reports.

9.0 Next meeting – 29 June 2007, 1.00pm (briefings from 10.30am)

Signed:

Date:

Chair