

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON MONDAY 21 APRIL
2008 AT 7.30 PM

PRESENT: Councillor J Hedley (Chairman).
Councillors K Darby, W Quince, J P Warren and
N Wilson.

ALSO PRESENT:

Councillors D Clark, A P Jackson, M J Tindale.

OFFICERS IN ATTENDANCE:

Anne Freimanis	- Chief Executive
Lorraine Blackburn	- Committee Secretary
Dave Cooper	- Performance Officer
Simon Drinkwater	- Director of Neighbourhood Services
Chris Gibson	- Internal Audit and Business Improvement Manager
Tony Hall	- Interim Head of Business Support Services
Philip Hamberger	- Director of Internal Services

ALSO IN ATTENDANCE:

Justin Collings - Grant Thornton - External Auditor
Paul Dossett - Grant Thornton - External Auditor
Gary Hammersley - Audit Commission

633 APOLOGIES

Apologies for absence were submitted from Councillors M Pope and R Radford.

634 CHAIRMAN'S ANNOUCEMENTS

The Chairman welcomed Justin Collings and Paul Dossett from Grant Thornton (External Auditors) and Gary Hammersley (Audit Commission).

The Chairman apologised for the fact that this meeting had been delayed within the civic calendar, but that this delay had enabled Internal Audit to deliver reports as promised.

The Chairman on behalf of Members thanked Councillors D Clark and M Tindale for attending. He looked forward to meeting everyone again in the new civic year.

RESOLVED ITEMS

635 MINUTES

RESOLVED – that the Minutes of the meeting held on 28 November 2007 be confirmed as a correct record and signed by the Chairman.

636 ANNUAL AUDIT AND INSPECTION LETTER

Gary Hammersley of the Audit Commission explained the background to the production of the Annual Audit and Inspection Letter. The report provided an overall summary of the Audit Commission's Assessment drawing on recent Comprehensive Performance Assessments, findings and conclusions from the 2006/07 Council audit and inspections from the last Annual Audit and Inspection letter. The Audit Letter provided an assessment on the Council's performance including the Direction of Travel and other inspections and summarised key issues arising from the CPA inspections.

The Direction of Travel Report was a combination of outcomes and achievements made during the year and information on performance was drawn from the year 2006/07.

The Audit Commission recognised that the Council had invested in a number of areas to strengthen its capacity to deliver improvements. Priorities had been reviewed and sharpened. The Council continued to perform well with a higher than average number of performance indicators in the top quartile. Having said that, the Council's rate of improvement had slowed for the second consecutive year and was well below other councils (i.e. the Council was ranked 362 out of 388 Councils). In 2006/07, 48% of performance indicators had improved which was below average for District Councils.

In terms of the Direction of Travel, the Audit Commission commented that the Council continued to perform well, but that it needed a clearer focus on outcomes which the public would recognise. The Audit Commission recognised that plans had been put in place to support improvement but that capacity was stretched in some areas (e.g. finance, audit and human resources). He commented that the new scrutiny arrangements were not fully embedded.

Areas where the Council was improving and could improve were highlighted.

The Council had received an overall assessment from the Audit Commission of 3, broken down as follows:

- Financial reports - 4 out of 4
- Financial management - 3 out of 4
- Financial standing - 2 out of 4
- Internal control - 2 out of 4
- Value for money - 3 out of 4

The Audit Commission noted that it had been a difficult year for the Council due to changes in regulations, but that in the longer term, its focus would sharpen. The Audit Commission acknowledged the Corporate Plan which set out the Council's priorities, the Medium Term Financial Plan and other internal management arrangements, including a new management structure to support the process. The Council was reported to have good self awareness in terms of where it needed to improve and recognition of the challenges ahead.

Justin Collings summarised the role of the External Auditor and areas needing improvement. Comprehensive Performance Assessments would be phased out and replaced by Comprehensive Area Assessments (CAA), which would look at where services were delivered within an area and not the organisation responsible for it. CAA's would focus on outcomes with strategic partners and encourage better partnership working. The first CAA results would be published in the autumn of 2009.

The External Auditor commented that the Council continued to perform well but needed to improve its priority services to areas in decline.

The Chairman commented that with so many performance indicators it was difficult to show improvement on a percentage basis. This was acknowledged. Gary Hammersley commented that this Council needed to be clear about its priorities. Some indicators might not be priorities.

The Chairman commented on the difficulties faced in getting private houses back into use. He commented that matters were "tight" but the Council was not "stretched". The Audit Commission felt that it was "stretched" in areas such as Human Resources, Finance and Audit and that in the long term, this would have a significant effect on some areas.

The Chairman thanked the Audit Commission and the External Auditors for their positive comments.

Councillor D Clark referred to the Direction of Travel and progress made to support future improvement. She commented that this had been a recurring theme within the Council when each year, Members were told that plans were in place for improvement, but that Members were not provided with the outcomes or were not provided with a chance to review the outcomes.

Councillor D Clark referred to the new policy framework and the suggestion that it made the Council a better place to deliver against its priorities. She commented that this was not the case and asked how another new policy framework would improve delivery unless the right staff were in place to apply the right policies effectively. She stated that sickness absence had increased and that there were capacity issues in key areas. Councillor D Clark commented that it was important that the Audit Letter and especially the Direction of Travel report, be circulated to all Members.

The Director of Internal Services commented that these documents were available on the Council's website. He undertook to ensure that the Audit Letter and Action Plan were brought to the attention of all Members.

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Councillor W Quince commented on the positive comments by the Audit Commission. He commented that the Council had gone a long way embedding the scrutiny process. He commented that as Chairman of Environment Committee, there had been two meetings which had resulted in changes in process and an effective challenge to the Executive. He commented on the Audit Commission's assessment that the Council was poor at recycling and stated that plans were in place to tackle this.

Councillor K Darby commented on the need to ensure that all were comparing "like with like" in relation to Performance Indicators.

Councillor J P Warren commented on the positive report and that the Council should use criticism as a basis to help the Council achieve. He commented that it was an achievement to get an Overall 3 assessment given that the last four years had been difficult periods of change.

The Chairman referred to the new assessment procedure to be introduced and how this could impact on percentage figures. Paul Dossett commented that it would be a harder and more difficult process and that scores may be lower.

The Chairman referred to the Grant Certificate report and the fact that it had secured a £10,000 reduction in the Audit Fee. Of a total Grant Claim of £32.9M, this amount had only needed to be adjusted by around £3,000.

RESOLVED – that the report be received.

637 EXTERNAL AUDIT AND INSPECTION PLAN 2008-09

Paul Dossett provided the background to the audit and inspection plan. The plan was based on the Audit Commission's risk-based approach and requirements under the new Comprehensive Area Assessments which would replace Comprehensive Performance Assessments from 1 April 2008. The External Auditors commented on their areas of responsibilities and the work undertaken. This was set out in the report now submitted.

Justin Collings explained how the Statement of Internal Control would be replaced by the Annual Governance Statement.

Councillor W Quince commented that, on the one hand the Council was being praised for effective partnership working, but that this report referred to "risks continuing". Paul Dossett commented that risk was less about inadequacies of partnership working, but more a response to the Commission's requirement to focus on areas in more detail.

The Chairman, on behalf of Members, thanked Paul Dossett, Justin Collings and Gary Hammersley for their positive comments and for attending the meeting.

RESOLVED – that the report be received.

638 SUMMARY OF INTERNAL AUDIT REPORTS ISSUED 5 SEPTEMBER 2007 TO 2 APRIL 2008

The Head of Business Support Services submitted a report summarising Internal Audit reports issued between 5 September 2007 and 2 April 2008. It was noted that because of staff shortages, an outside contractor, Tribal Business Assurance had been engaged to provide help between January and March 2008.

The Internal Audit and Business Improvement Manager commented that 18 internal reports had been issued and internal audit reports had been undertaken for four Town Councils. Substantial assurances were provided in three instances, namely cheque accounting, treasury management and benefits. In relation to debtors, main accounting, Council Tax and NNDR and advance payments; good assurances had been given. In the 11 other cases, there were adequate levels of assurance.

Good progress was reported in relation to the Council's anti-fraud and corruption arrangements. However, a review by Tribal Business Assurance on the Information Communications Technology Controls had highlighted a need for the Business Continuity and Disaster Recovery Plans to be put in place and to be tested.

The Director of Neighbourhood Services gave assurances that there had been progress made in respect of Business Continuity and Disaster Recovery planning.

The Internal Audit and Business Improvement Manager confirmed that unannounced visits to Cash Offices had initially started but had then ceased. This report point had been included again as the visits should be ongoing.

The Committee welcomed the report.

RESOLVED – that the report be noted.

639 UPDATE ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Head of Business Support Services submitted a report which provided an update on the implementation by management, of recommendations made by Internal and External Audit.

Excellent progress had been made in resolving the outstanding recommendations with only five having “alarm bells” denoted. Progress on audit recommendations made since the last Audit Committee would be reported to Audit Committee on 24 June 2008.

Updates were provided in relation to areas where risk continued, specifically:

- The Cashiers Review – computer password security and the need to complete and test, the Business Continuity and Disaster Recovery Plans.
- The IT Business Continuity Plan - the inability to fully restore the computer system off site represented a continuing risk.
- Members IT Allowances – some Members had not signed up to the protocol.

It was noted that 27 outstanding recommendations had been completed since the last meeting.

The Chairman commented that the IT Business Continuity Plan appeared to be a key issue to be resolved.

The Leader undertook to chase up his Members who had not signed up to the Protocol.

Councillor D Clark praised the work by Internal Audit. She commented that the workload would increase when the recently issued recommendations were added to the template. She asked whether long standing recommendations in respect of non-audit work, e.g. responsibility for returned cheques could be addressed. The Internal Audit and Business Improvement Manager commented that these concerns would be addressed within the reorganisation of Business Support Services.

The Director of Neighbourhood Services commented that the Corporate Business Continuity Plan had been produced last year but that the IT Disaster Recovery Plan was outstanding.

Councillor K Darby commented that the Disaster Recovery Plan, once in place, would help clear a number of outstanding recommendations.

Members noted that good progress had been made in implementing recommendations and thanked the Officers for their hard work.

RESOLVED – that the report be noted.

640 UPDATE ON IMPLEMENTATION OF STATEMENT OF INTERNAL CONTROL ACTION PLAN AND MATTERS ARISING FROM CHIEF OFFICER ASSURANCE STATEMENTS

The Leader of the Council submitted a report on the progress made against implementing the action plan contained in the 2006/07 Statement of Internal Control (SIC) and updates arising from Chief Officer Assurance Statements. The results of the third quarter Chief Officer Assurance statements were also attached to the report now submitted.

It was noted that there were 15 previously required enhancements to internal control as a result of the SIC approved in June 2007. This had been increased to 17 following the SIC's approval by Council on 12 September

2007.

Three milestones had been achieved as at 31 December 2007. No other milestones had been achieved since the last Audit Committee. All other areas were making satisfactory progress.

The Internal Audit and Business Improvement Manager confirmed that Chief Officers had re-affirmed their commitment to maintaining robust systems of internal control. The template had been updated to reflect the position as at 31 December 2007.

The Chairman commented that many of the items shown as amber were virtually completed and thanked the Officers.

RESOLVED - that the progress made against implementing the Action Plan contained in the 2006/07 Statement of Internal Control and updates arising from Chief Officer Assurance Statements be noted.

641 INTERNAL AUDIT SERVICE – APRIL 2007 – MARCH 2008

The Head of Business Support Services submitted a report summarising the work undertaken by the Internal Audit service during the 2007/08 financial year.

Staffing difficulties were outlined in what had been a difficult year for the Internal Audit section. The Internal Audit and Business Improvement Manager explained that he had been in his new post since March 2008. Tribal Business Assurance had been assisting the Council between January and March 2008.

It was noted that the appendix of the report now submitted, detailed what had originally been agreed as the Audit Plan for 2007/08 and the current status had been shown against each item. The Audit Plan had been amended following a meeting with the Director of Internal Services, the Interim

Deputy Section 151 Officer, the Internal Audit and Business Improvement Manager and the Committee Chairman. All Members of the Audit Committee had been notified of the amendments to the Audit Plan.

Updates were provided on which reviews had been carried out. It was noted that there were three reviews where a limited opinion had been given, all related to the period 2006/07. Further reviews had been undertaken in 2007/08 and all three areas had improved. On balance, an adequate overall level of assurance had been given. Arrangements to monitor the implementation of audit recommendations had provided good focus. Good risk management practices had been delivered throughout 2007/08. This included the incorporation of risk opinions into all Committee reports, integration of risk management methodologies into Project Management and service planning processes.

It was noted that new financial regulations had been approved by Council in March 2008 which could take some time to embed.

The Internal Audit and Business Improvement Manager referred to the amended Three Year Strategic Plan for 2007- 10 set out in the appendix to the report now submitted. The intention was for this document to form the basis for construction of the Strategic Audit Plan 2008 - 11. The Audit Plan would be presented to the next meeting of Audit Committee.

Councillor D Clark asked whether there was an estimate of future resources needed rather than what resources were available. It was noted that more work was needed to clarify both the resources needed and what was available.

The Chairman commented that the Interim Deputy Section 151 Officer had agreed to stay with the Council longer.

Councillor N Wilson commented on the neutral direction of travel and asked whether there was any aim to achieve beyond "adequate".

The Director of Internal Services confirmed that having looked at the assurances, as Officers, it was not felt prudent to give a “good assurance”, hence the overall “adequate” assurance, but the intention was to move beyond “adequate”.

Members thanked the Officers for the report.

RESOLVED – that the report be noted.

642 OPERATIONAL AND STRATEGIC RISK MONITORING –
1 OCTOBER – 31 DECEMBER 2007

The Director of Neighbourhood Services submitted a report on the progress made in taking action to mitigate and control risks tracked by operational and strategic risk registers during the period 1 October to 31 December 2007.

Updates were provided in relation to the 34 Operational Risk Registers and the 24 Strategic Risk Registers. No adverse movements had been recorded in either of the registers between quarters 2 and 3. The direction of movement remained the same for all categories in both registers.

Councillor D Clark commented on OR43 (monitoring the risk of non-compliance within facilities management), which she stated had been assessed as critical and could have a major impact with long term consequences. This issue had been raised at the Executive and then at Council. The Leader confirmed that this matter had been raised with Officers. He suggested that the Officers could not resolve the matter after only 10 days and they should be allowed the opportunity of addressing the issue. Councillor D Clark commented that the issue had been outstanding for a long time and referred to the purpose of keeping risk registers and the fact that this was not being properly monitored.

The Chairman commented that he was sure that progress would be made in the near future.

RESOLVED – that the progress taken to mitigate and control risks tracked by Operational and Strategic Risk Registers during 1 October 2007 to 31 December 2007 be noted.

643 AUDIT COMMITTEE: WORK PROGRAMME

The Director of Internal Services submitted a draft Audit Committee work programme for the next civic year. The new programme would be submitted, together with the Committee’s Terms of Reference, to the next meeting of the Committee.

It was noted that from this year, there was a requirement to monitor the implementation of the Annual Governance Statement which would replace the Statement of Internal Control. No training had been included on the work programme and requests for training were invited from Committee Members.

RESOLVED – that the report be approved.

The meeting closed at 8.55 pm.

Chairman
Date