

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON TUESDAY
31 MARCH 2009 AT 7.30 PM

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

ALSO PRESENT:

Councillors D Andrews, N Clark.

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Committee Secretary
Simon Drinkwater	- Director of Neighbourhood Services
Chris Gibson	- Internal Audit and Business Improvement Manager
Alan Madin	- Director of Internal Services
Ceri Pettit	- Head of Strategic Direction (Shared) and Performance Manager

ALSO IN ATTENDANCE:

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

665 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed Justin Collings from Grant Thornton (External Auditors). The Chairman commented that, with the consent of Members, he would change the order of the agenda in order to allow Paul Dossett (Grant Thornton) and Gary Hammersley (Audit Commission) who had both been delayed, an opportunity to attend the meeting.

The Chairman thanked Officers and Members for their support in the audit process.

The Chairman noted that this was Councillor W Quince's last Audit Committee meeting and wished him well.

The Chairman welcomed Alan Madin as the new Director of Internal Services.

RESOLVED ITEMS

ACTION

666 MINUTES

RESOLVED – that the Minutes of the meeting held on 26 November 2008 be confirmed as a correct record and signed by the Chairman.

667 ANNUAL GOVERNANCE STATEMENT

The Internal Audit and Business Improvement Manager submitted a report outlining the progress made in implementing the action plan contained in the 2007/08 Annual Governance Statement. It was noted that there were fifteen measures to enhance East Herts Council's internal control framework during 2008/09 and good progress had been made in all areas. Position statements were set out in the Appendix to the report now submitted. Updates were provided on the milestones achieved.

The Chairman welcomed the report and the progress made over the last three years following the introduction of the

Audit Committee.

The Committee received the report.

RESOLVED – that the progress made against implementing the action plan contained in the 2007/08 Annual Governance Statement be received and noted.

668 INTERNAL AUDIT AND BUSINESS IMPROVEMENT SERVICE: POSITION STATEMENT

The Internal Audit and Business Improvement Manager submitted a report which provided a position statement on internal audit activity undertaken within the Internal Audit and Business Improvement Service and on outstanding audit recommendations. It was noted that the post of Principal Auditor remained vacant, but that resources had been supplemented with outside support from Tribal Business Assurance, Deloitte and Touche Public Sector Internal Audit Limited.

Appendix A of the report now submitted, detailed the progress made against implementing the audit recommendations. Updates were provided in terms of the works undertaken. It was noted that the majority of the Audit Plan had been completed.

In response to a query by Councillor N Clark in relation to the Members' IT protocol and how breaches of protocol would be dealt with, he was advised that this would be considered within the context of future reviews of the protocol and had not been forgotten.

The Committee received the report.

RESOLVED – that the report be received.

669 IMPLEMENTATION OF REVISED FINANCIAL REGULATIONS – PROGRESS REPORT

The Internal Audit and Business Improvement Manager submitted a report on the progress made in implementing the revised Financial Regulations and updated Members on the progress made in relation to the five key issues, specifically:-

- Constitution Review
- E-Procurement
- Budget Monitoring, Budgetary Control and related reporting
- Financial Systems
- Payment of Creditors

Councillor N Clark commented that in respect of the Constitution, the Independent Group had not had any input in respect of the Members' Panel. In response to a query in relation to E-Procurement, the Internal Audit and Business Manager confirmed that good progress was being made, but there were some instances where paper orders were still being used primarily because some staff did not have appropriate access to E-Marketplace. This issue was being addressed. Councillor N Clark congratulated Officers on the speedy implementation of the key issues.

In relation to Financial Systems, the Director of Internal Services provided an update in relation to "full" commitment accounting and how this would be implemented within the Council's overall financial management arrangements.

Councillor N Clark commented that the Council's largest contracts may not be accommodated by the Council's decisions. The Chairman commented that a "bespoke" approach would be adopted where necessary.

The Director of Internal Services assured Members that it was the intention of Officers to evaluate the profiles of large contracts in April each year and that this was currently being discussed with Heads of Service.

The Committee received the report.

RESOLVED – that the report be received.

670 ANNUAL REVIEW OF THE DATA QUALITY STRATEGY

The Leader of the Council submitted a report outlining revisions to the Data Quality Strategy for 2009 as a result of recommendations made by the Council's External Auditors and following the 2007/08 Data Quality Audit.

It was noted that the Strategy was reviewed annually to ensure that it remained fit for purpose and was up to date with current legislation. The External Auditors found that the Council had "good processes for securing good data quality on internally generated data..." but that information from partnerships and external sources needed to be evaluated in terms of its quality and the outcomes achieved. The Head of Strategic Direction provided a summary as to how this would be achieved and what revisions would be needed to the Data Quality Strategy. It was noted that the report would be submitted for approval by the Executive on 21 April 2009.

The Committee received the report.

RESOLVED – that the report be received.

671 OPERATIONAL AND STRATEGIC RISK MONITORING REPORT (1 OCTOBER – 31 DECEMBER 2008)

The Leader of the Council submitted a report detailing actions taken to mitigate and control risks tracked by operational and strategic risk registers during the period 1 October to 31 December 2008.

There were no “adverse” movements recorded in either the Operational or Strategic Risk Registers.

RESOLVED – that (A) the progress in taking action to mitigate and control risks tracked by operational and strategic risk registers during the period 1 October to 31 December 2008 be noted; and

(B) the referral of the report to the Executive on 21 April 2009 be noted.

672 WORK PROGRAMME

The Internal Audit and Business Improvement Manager submitted a report on the revised work programme for the 2009/10 civic year, attached as an Appendix to the report now submitted. Members were reminded of the purpose of the Audit Committee as detailed by the CIPFA Code of Practice for Internal Audit. The Chairman made reference to greater emphasis being placed on value for money reviews and the Internal Audit and Business Improvement Manager agreed to give this full consideration within the Audit Plan.

The Chairman commented the civic calendar of meetings should be amended to incorporate a further meeting of Audit Committee in January 2010. He commented that the period between Audit Committee meetings from November to March was too long and warranted an additional meeting.

The Committee supported this approach and noted the report.

RESOLVED – that (A) the Work Programme, as amended, be noted.

(B) a further meeting of Audit Committee be incorporated within the civic calendar in January 2010.

DIS

673 EXTERNAL AUDIT REPORT – GRANTS 2007/09

The External Auditors, Grant Thornton, submitted a report on the accuracy of grant claims and returns to various Government departments and other agencies as prescribed by the Audit Commission.

It was noted that overall, the Council had improved its performance and no requirements had been identified to improve the Council's arrangements. As part of the process, Grant Thornton had certified that all claims were processed within specific timeframes. Appendices to the report now submitted, provided a breakdown of claims and returns certified in 2007/08 and a Fee Analysis in respect of certification work set out in the Audit and Inspection Plan. This Plan had been agreed by Audit Committee in March 2007.

In response to a query regarding fees, Justin Collings provided an explanation of how these were determined and how this interlinked with another report elsewhere on the agenda.

The Committee noted the report.

RESOLVED – that the report be noted.

674 EXTERNAL AUDIT REPORT – LEISURE MANAGEMENT CONTRACT REVIEW

The External Auditors, Grant Thornton submitted a report following a review of the procurement of the leisure management contract. Paul Dossett commented that he anticipated seeing this type of review more often and that the External Auditors had been keen to review the process as a case study, given its historic issues in relation to the general procurement activity of the Council. He commented that this review had not been about the decision of the Council, but around the process of the letting of the contract.

Paul Dossett commented that overall, the procurement of the Leisure Management contract had complied with EU legislation and the requirements of the Official Journal of the European Union (OJEU). It was noted that compliance with the toolkit for contract awards above £50,000 was defined within the Council's regulations. Additionally, the Council had also put together a team to manage the procurement contract with Officers from a variety of professional expertise including, legal, procurement and leisure and an external consultant with leisure experience.

As part of the review process, it was noted that two challenges had arisen which the Council had been asked to consider specifically, a challenge from Unison in respect of compliance with Government guidance on Workforce Matters and the extent of the Scrutiny process. It was noted that further information was awaited from the Audit Commission in relation to the Workforce Matters challenge. On the second issue, the External Auditors were of the view that the Scrutiny function was to consider matters of policy and strategy and that a review of detail was not part of its remit. Grant Thornton commented that the Council's Constitution stated that the examination of detail and contract were functions delegated to Officers and was therefore a management function.

Grant Thornton concluded that whilst there was some scope to engage further with more stakeholders, the contract had been properly procured and let. Three areas for improvement had been recommended by the External Auditors. These were set out in the report now submitted.

The Chairman commented that in relation to page 6.15 of the report submitted, the dates related to 2009 and not 2008.

Councillor N Clark thanked Officers for the report and the opportunity to speak. He raised the issue of compliance and questioned the decision to award the contract, which, he stated, was identified as a key decision in the Forward Plan, but this had not been submitted to scrutiny. He commented that this was a breach of the Council's

Constitution. He commented that the External Auditor's report was "incorrect".

Paul Dossett commented that he had been advised that this issue had been submitted to scrutiny. He commented on the role of scrutiny and how this was carried out and what it looked at, i.e. in terms of value for money, whether it was scrutiny's role to review process or value for money. He commented that it was expected that the Council should achieve value for money and that the Council needed to satisfy itself that scrutiny committees were comfortable with the level of detail of information that they received and that the information was consistent across political groups.

The Chairman commented that he understood Councillor N Clark's viewpoint but welcomed the report and accepted the External Auditor's recommendations.

The Council's Monitoring Officer commented that he had not been involved with the External Auditor's report.

Paul Dossett commented that he would report back when further information had been received on the Workforce Matters challenge.

The Committee received the report.

RESOLVED – that the report be received.

675 EXTERNAL AUDIT REPORT – AUDIT PLAN 2009/10
AND FEES

The External Auditors provided an explanation of the indicative fee for Annual Audit 2009/10 and how this was broken down in terms of audit work for national and local risks.

In response to a query by Councillor N Wilson about monitoring recommendations and risk, the Internal Audit and Business Improvement Manager commented that internal audit would monitor external audit

recommendations and this would be reported back.

Councillor N Wilson suggested that the performance of large contracts could be reviewed at the proposed meeting of the Audit Committee in January 2010.

Paul Dossett outlined what the planned output for the Scrutiny report in January 2010 might entail, including processes and interviewing Members of Committees.

In response to a query from Councillor M Pope, Justin Collings explained how External Auditors were chosen, their length of appointment and the process of appointment.

In response to a query from Councillor W Quince, the process for challenging an audit fee was explained.

Councillor N Clark requested that the External Auditors review the effectiveness of the task and finish groups and panels within the context of reporting on Scrutiny. Paul Dossett commented that this was something which the External Auditors could take on board.

The Committee received the report.

RESOLVED – that the report be received.

676 EXTERNAL AUDIT REPORT – ANNUAL AUDIT LETTER 2007/08

Gary Hammersley of the Audit Commission provided an explanation of the role of the Audit Commission in terms of its assessment of the Council, taking into account the recent Comprehensive Performance Assessment (CPA), findings and conclusions from the Council's audit of 2007/08 and from recent inspections since the last Annual Audit and Inspection letter.

It was noted that the Council continued to perform well, delivering improvement in areas which were local priorities and achieved well above average levels of performance compared to national indicators. The Audit Commission

stated that the Council had consolidated internal development and had sound building blocks in its strategic planning framework, performance management and leadership to sustain its improvement. Further, that it had made improvements in its Use of Resources arrangements and performance during 2007/08 to demonstrate an improved assessment rate in two of the five themes, i.e. financial standing and internal control.

Gary Hammersley commented that in terms of taking matters forward, the report was positive about progress and sustaining improvement. He commented on the Council achieving level 2 in relation to Local Government Equality Standard which was in line with most other Councils and acknowledged the work the Council was doing to improve its approach to diversity and equality.

The Audit Commission acknowledged the scale of the change programme and the need to look at the financial and people implications of the programme.

It was noted that the new Comprehensive Area Assessments (CAA) would introduce a different focus to audit and assessment work. The new approach was more strategic, with outcomes focussed and more wide ranging in the areas covered. There was also a need to ensure that the Council could evidence its level of performance in each of the areas in the new assessment and how to evaluate how outcomes had been achieved for the community. Gary Hammersley commented that the Direction of Travel would be scored in future, combined with the Use of Resources score.

The Chairman acknowledged the good progress which had been made.

In response to a query from Councillor M Pope concerning treasury management issues, Paul Dossett commented that the Audit Commission had reported recently on "Icelandic Banks" and made a number of recommendations. The External Auditors would be reporting shortly to the Council on this matter.

In response to a query from Councillor K Darby about the need within the CAA, to compare “like with like”, Gary Hammersley commented that the new regime would not compare “like with like” in terms of the use of resources in that it was a more direct assessment of the Council’s progress against priorities and objectives.

In response to a query about free swimming for under 16 year olds and the introduction of an air monitoring scheme to enable early warnings of poor air quality to be made known to vulnerable users, the Director of Internal Services undertook to respond to the questions by email.

DIS

The Committee received the report.

RESOLVED – that the report be received.

The meeting closed at 8.55 pm.

Chairman
Date