

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON WEDNESDAY 10 JULY
2013, AT 7.00 PM

PRESENT: Councillor J Ranger (Chairman).
Councillors W Mortimer, M Pope, R Sharma
and N Wilson.

ALSO PRESENT:

Councillor D Andrews.

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Democratic Services Officer
Simon Chancellor	- Head of Finance and Performance
Chris Gibson	- Manager of Corporate Risk

ALSO IN ATTENDANCE:

Terry Barnett	- Shared Internal Audit Service
Paul Grady	- Grant Thornton
Margaret Mulkerrin	- Shared Internal Audit Service
Nick Taylor	- Grant Thornton

100 GOVERNANCE – MEMBER TRAINING

The External Auditor provided a presentation on Good Governance and the Audit Committee Role. The presentation covered the need to look at governance, the scope of the External Auditor's reviews, key messages for Councils and the role of the Audit Committee.

The Chairman referred to reputational matters and

whether the External Auditor considered this a key issue for consideration in terms of the Annual Governance Statement. The External Auditor confirmed that matters for review were not just financial, but did indeed include the Council's reputation but that it was always a "balancing act" of the Council's key priorities.

In response to a query from Councillor R Sharma, the External Auditor confirmed that the explanatory notes in the Council's Statement of Accounts could include more information as a means of making them more user friendly, but to bear in mind that the accounts were a statutory document and needed to follow a specific format.

In response to a query from Councillor N Wilson, the External Auditor confirmed that the Annual Governance Statement report could include highlights on the positives of what the Council had achieved and the negatives.

The Chairman, on behalf of Members, thanked the External Auditor for the presentation.

The Committee received the presentation.

RESOLVED – that the presentation be received.

101 APPOINTMENT OF VICE-CHAIRMAN

It was moved by Councillor J Ranger and seconded by Councillor N Wilson that Councillor W Mortimer be appointed as Vice-Chairman for the 2013/14 Civic Year.

RESOLVED – that Councillor W Mortimer be appointed Vice-Chairman for the 2013/14 Civic Year.

102 APOLOGY

An apology for absence was submitted on behalf of Councillor J Wing.

103 MINUTES – 13 MARCH 2013

RESOLVED – that the Minutes of the meeting held on 13 March 2013, be confirmed as a correct record and signed by the Chairman.

104 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed new Members of Audit Committee and new Officers representing the External Audit Services and the Shared Internal Audit Service.

The Chairman, on behalf of Members, thanked Margaret Mulkerrin of the Shared Internal Audit Service for her hard work in supporting East Herts internal audit processes. He welcomed Terry Barnett to his new role.

105 EXTERNAL AUDIT – INTERIM AND AUDIT APPROACH REPORT

The External Auditor submitted a report setting out the audit planned approach for 2013/14 which formed a key part of the Council's accounts, the detail of which was set out in the supporting appendix. The plan highlighted key risks and financial challenges for the Council and how these would be dealt with.

The Chairman thanked the External Auditor for their detailed report which had made it clear what the Council was paying for.

The Committee received the report.

RESOLVED – that the report be received.

106 DRAFT STATEMENT OF ACCOUNTS 2012/13

The Executive Member for Finance submitted a report setting out the Council's draft statement of accounts for 2012/13. The Head of Finance and Performance

explained that presenting the accounts at this stage provided Members and the public with an early opportunity of viewing and questioning the accounts. It was noted that the accounts would be submitted to Audit Committee at its meeting on 18 September 2013 for approval.

The Head of Finance and Performance explained that the accounts were prescriptive in style and content, but that there was an opportunity to give context to them within the explanatory forward and headline information.

The Head of Finance and Performance provided Members with an overview of the main sections of the Council's accounts and summarised where main changes had occurred on the balance sheet.

In response to a query from Councillor M Pope regarding the Council's pension liability and volatility issues, the Chairman provided a summary of how the pension calculations were applied to the Council's accounts.

The Chairman referred to two long term loans which had been taken out many years ago at rates of interest around 8%, adding that to repay them early, the Council would have to pay a prohibitive premium.

The Chairman referred to the earlier debate regarding making the accounts as user friendly as possible and suggested that the Statement of Accounts include an introductory paragraph summarising the Council's financial situation over the last two or three years. He added that it might be helpful if the pie chart setting out Government Grants of £49.4Million was broken down to differentiate between housing related grants and other grants. This was supported.

In response to a query from Councillor J Wyllie regarding bank statements being provided to the Portfolio Holder for Finance, the Head of Finance and Performance explained that this would not normally be the case. He explained

that the “cash and cash equivalents” in the balance sheet, included short term investments that met this definition of cash. The Chairman added that he was a Member of the Investment Panel which met regularly to be updated on the Council’s investments.

In response to a query from Councillor M Pope, the Head of Finance and Performance agreed to review narrative denoting an item as a (surplus)/ deficit when a single figure was shown.

The Committee received the report and agreed that in an effort to make the Statement of Accounts more user friendly, they should include an introductory paragraph summarising the Council’s financial situation over the last 2 or three years and that the pie chart setting out Government Grants of £49.4Million should be broken down to differentiate between Housing related and other grants.

RESOLVED – that (A) the completion and authorisation for issue, of the Council’s 2012/13 accounts, in line with statutory processes, be noted; and

(B) the Statement of Accounts include an introductory paragraph summarising the Council’s financial situation over the last two or three years and that the pie chart setting out Government Grants of £49.4Million be broken down to differentiate between housing related and other grants.

107 2012/13 ANNUAL ASSURANCE STATEMENT AND
INTERNAL AUDIT ANNUAL REPORT

The Shared Internal Audit Service (SIAS) submitted a report providing their overall opinion on the adequacy and effectiveness of the Council’s control environment, summarising the audit work and the performance of the internal audit service, the detail of which was set out in

the report now submitted.

The SIAS explained that six of the seven performance indicators had been met. The Chairman, on behalf of Members, congratulated the service on this performance. The SIAS drew Members' attention to a statutory new requirement (Public Sector Internal Audit Standards) for Members to provide assurances that the scope and resources for internal audit were not subject to inappropriate limitations. In response to a query from Councillor J Wyllie, the SIAS explained that there had not been any limitations placed on them.

The Manager of Corporate Risk explained that the Council's relationship with the SIAS had worked very well and gave an assurance that the scope and resources for internal audit had not been subject to inappropriate limitations.

The Committee approved the report.

RESOLVED – that (A) the Annual Assurance Statement and Internal Audit Annual report be approved; and

(B) the scope and resources for internal audit had not been subject to inappropriate limitations.

108 PUBLIC SECTOR INTERNAL AUDIT STANDARDS
(INCORPORATING THE SHARED INTERNAL AUDIT
SERVICE AUDIT CHARTER)

The Shared Internal Audit Service (SIAS) submitted a report setting out the requirements of the Public Sector Internal Audit Service Standards (PSIAS) and the need to adopt an Audit Charter, which set out the framework within which internal audit discharges its responsibilities to those charged with governance in the Council.

In response to a query from Councillor J Wyllie, the SIAS explained that there had not been any limitations placed

on them.

The Committee approved the report.

RESOLVED – that (A) the Public Sector Internal Audit Service Standards (PSIAS) be adopted with effect from 1 April 2013;

(B) the Shared Internal Audit Service (SIAS) Charter be approved as part of a compliance requirement, as contained in the Public Service Internal Audit Standards 2013; and

(C) it be noted that management assurance had been given that there had been no inappropriate scope or resource limitations on internal audit activity.

109 SHARED INTERNAL AUDIT SERVICE – PROGRESS REPORT

The Shared Internal Audit Service (SIAS) submitted a report setting out the progress made in delivering the Council's Annual Audit Plan for 2013/13, and proposed amendments to the approved 2013/14 Audit Plan. SIAS also provided the status on previously agreed high priority audit recommendations and an update on performance management information, the detail of which was set out in the report now submitted.

In response to a query regarding the follow up on ICT reviews being assessed when the outcomes of the IT Business Continuity Plan audit review were agreed, the Chairman explained that an officer from Stevenage was temporarily acting as the Head of Service and that a decision would shortly be taken by both East Herts and Stevenage Councils regarding shared services which included ICT as a service. Members supported the suggestion that an item on IT Business Continuity Plan be added to the Agenda for the next meeting in September 2013.

The Committee approved the report.

RESOLVED – that (A) the Internal Audit Progress Report be noted;

(B) the amendments to the 2013/14 Audit Plan as at 14 June 2013, as submitted, be approved; and

(C) the removal of implemented high priority recommendations be approved.

110 UPDATE ON PAYMENTS TO MEMBERS FOR ICT EXPENSES – OBJECTION TO THE 2011/12 ACCOUNTS

The Director of Finance and Support Services submitted a report setting out the Council's response to the External Auditor's recommendations in relation to payments to Members for ICT expenses, the detail of which was set out in the report now submitted.

Councillor D Andrews drew Members' attention to the fact that not all current Members were affected by the £35/month payments made outside the Members Allowance Scheme from May 2011 to 31 March 2012, as not all current Members had claimed the allowance and that this should be noted accordingly. The Manager of Corporate Risk acknowledged that this was correct.

The Committee noted the report.

RESOLVED – that the current position regarding the recovery of monies in relation to payments made outside the Members Allowance Scheme be noted.

111 UPDATE ON IMPLEMENTATION OF 2012/2013 ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Director of Finance and Support Services submitted

a report updating Members on the implementation of the 2012/13 Annual Governance Statement Action Plan, the detail of which was set out in the report now submitted and supporting Essential Reference Papers.

The Manager of Corporate Risk advised that two actions had recently turned “green” relating to the web-site efficiencies and Data Protection. On the issue of data protection, Councillor D Andrews referred to the “umbrella” protection now afforded by the Council to Parish Councillors.

The Committee noted the progress made.

RESOLVED – that the progress made in implementing the action plan contained in the 2011/12 Annual Governance Statement, as submitted, be noted.

112 DRAFT ANNUAL GOVERNANCE STATEMENT 2012/13

The Leader of the Council submitted a report setting out proposals for taking forward the 2012/13 Annual Governance Statement, the detail of which was set out in the report now submitted, and supporting Essential Reference Paper.

The Chairman referred to an earlier discussion on risk in relation to damage to the Council’s reputation, specifically regarding the implementation of the District Plan which was progressing slowly, resulting in subsequent planning problems which had occurred in his ward. The Chairman felt that this was creating a negative public perception which could damage the Council’s reputation. The External Auditor agreed that should a risk be identified then that risk should be included within the risk register and that the Annual Governance Statement could also be used to move this forward. Members supported this approach.

The Committee approved the report.

RESOLVED – that (A) the proposed process for taking forward the 2012/13 Annual Governance Statement be approved; and

(B) due consideration be given to reflecting the reputational risks identified through delays in implementing the District Plan both within the Annual Governance Statement and the Risk Register.

113 RISK MANAGEMENT MONITORING REPORT –
(FEBRUARY TO APRIL 2013)

The Leader of the Council submitted a report setting out the action taken to mitigate and control strategic risks during the period February to April 2013, the detail of which was set out in the report now submitted and supporting Essential Reference Paper “B”.

Members noted the earlier discussions regarding the potential impact and damage to the Council’s reputation following delays in implementing the District Plan and the need to consider the inclusion of this issue within future Risk Management Monitoring reports. This was supported.

The Committee approved the report.

RESOLVED – that (A) the action taken to mitigate and control strategic risks, as submitted, be approved; and

(B) due consideration be given to the risk register being amended to include the District Plan and the potential damage to the Council’s reputation which might ensue, as a result of delays in its implementation.

114 AUDIT COMMITTEE WORK PROGRAMME 2013/14

The Director of Finance and Support Services submitted a report detailing the proposed work programme for Audit Committee. The Chairman drew Members' attention to the earlier request for a report on the ICT Business Continuity Plan review at the next meeting. This was supported.

RESOLVED – that the work programme, as now amended, be approved.

The meeting closed at 9.00 pm

Chairman
Date