

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON WEDNESDAY 15 JULY
2015, AT 7.00 PM

PRESENT: Councillor W Mortimer (Chairman)
Councillors J Cartwright, B Deering,
I Devonshire, P Kenealy and S Stainsby.

ALSO PRESENT:

Councillors A Alder, M Stevenson and
G Williamson.

OFFICERS IN ATTENDANCE:

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| Lorraine Blackburn | - Democratic Services Officer |
| Chris Gibson | - Head of Governance and Risk Management |
| Philip Gregory | - Head of Strategic Finance |
| Adele Taylor | - Director of Finance and Support Services |

ALSO IN ATTENDANCE:

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| Terry Barnett, | - Shared Internal Audit Service |
| Chris Roberts | - Shared Internal Audit Service |
| Sarah Ironmonger | - Grant Thornton |

152 TRAINING ITEM - GOOD GOVERNANCE AND THE ROLE OF THE AUDIT COMMITTEE

The External Auditor, Grant Thornton provided a presentation on "Good Governance and the role of the Audit Committee".

The Chairman thanked the External Auditor for her informative presentation. The Chairman referred to the fact that there would be a new External Auditor in place for this financial year. The Chairman thanked the External Auditor for her support and advice over the years.

RESOLVED – that the presentation be received.

153 APPOINTMENT OF VICE CHAIRMAN

It was proposed and seconded that Councillor I Devonshire be appointed Vice–Chairman of Audit Committee for the 2015/16 civic year.

After being put to the meeting, Councillor I Devonshire was appointed Vice–Chairman of Audit Committee for the 2015/16 civic year.

RESOLVED – that Councillor I Devonshire be appointed Vice–Chairman of Audit Committee for the 2015/16 civic year.

154 APOLOGY

An apology for absence was submitted from Councillor P Philips.

155 MINUTES

RESOLVED - that the Minutes of the meeting held on 18 March 2015 be confirmed as a correct record and signed by the Chairman.

156 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed all new Members to the Committee. He explained that at each meeting, Members usually received a training item and that if Members had any requests for further training, they should either contact him or Officers.

The Chairman said that he had attended a meeting to launch a new Shared Anti-Fraud Service and found it to be very informative.

The Chairman stated that Members had an opportunity to go on a CIPFA Training and Development course on 8 September 2015 at North Hertfordshire District Council and that any interested parties should contact Officers as soon as possible. He stated that if there was an oversubscription, then North Herts might add a second training date.

157 EXTERNAL AUDIT - AUDIT PLAN

The External Auditor submitted a report outlining the approach of the next Audit Plan in the context of the challenges and opportunities unique to the Council and taking into account key developments, guidance and national audit requirements.

The External Auditor summarised the content of the report now submitted and explained the audit approach ensured compliance with International Standards on Auditing (ISAs). She stated that two significant risks had been brought to the Council's attention in relation to the revenue cycle and that audit procedures had been amended to resolve the issues.

The External Auditor summarised the results of the interim audit work, walkthrough testing and entity level controls. Overall, the External Auditor concluded that the internal audit service continued to provide an independent and satisfactory service and contributed to effective internal control and that there were no weaknesses in the audit approach. One minor issue was commented upon in relation to systems access. This had subsequently been addressed.

The Chairman referred to Fees and Charges and commented that the External Auditor's Fees and Charges were the lowest he had seen since serving on the Council.

The Committee agreed the Audit Plan.

RESOLVED – that the Audit Plan be approved.

158 DRAFT STATEMENT OF ACCOUNTS 2014-2015

The Director of Finance and Support Services submitted a draft Statement of Accounts for 2014/15. The Head of Strategic Finance explained the format of the statement of accounts which had been prepared in line with accounting standards. Officers aimed to ensure that there was clarity in the Council's performance and that the accounts were understandable to the public. The Head of Strategic Finance explained the revenue and capital expenditure against budget. He stated that the Council had not borrowed money to fund capital schemes.

In response to a query from Councillor R Deering regarding a deficit in the pension fund, and whether there was a plan to reduce the figure to zero, the Director of Finance and Support Services explained that the Council was a member of the Hertfordshire Pension Fund. A deficit in the pension fund still remained and, after a tri-annual review, recommendations in the financial implications on bringing this back to balance over a period of 25 years were included in the Medium Term Financial Plan (MTFP). She explained that revenue contributions each year were made to contribute to the deficit and in the past, one-off additional contributions had been made to cap these ongoing revenue contributions on advice from pension advisors. Further advice was being sought on whether a further one-off payment from reserves could be recommended to Council if there was a financial case to do so. The Director of Finance and Support Services explained that the Council had also set aside a reserve of £1million for this purpose. She referred Members to further explanatory notes on the Pension Scheme within the report submitted.

The External Auditor explained that they would be reviewing this issue as part of the external audit. She stated that there was a need to understand how much was based on actuarial assumptions.

In response to a query from Councillor R Deering regarding old borrowing and high rates of interest, the Chairman

explained that it would cost more to pay off the old debts. The Director of Finance and Support Services stated that this was something that Officers kept under review and particularly within the context of the Treasury Management Strategy which Members would consider at a later meeting.

The Committee agreed the report, now submitted.

RESOLVED – that the report, now submitted be agreed.

159 SHARED INTERNAL AUDIT SERVICE ANNUAL
ASSURANCE STATEMENT AND ANNUAL REPORT
2014/15

The Shared Internal Audit Service (SIAS) submitted a report setting out the internal auditor's overall view on the adequacy and effectiveness of the Council's control environment on key issues. The report summarised the performance of SIAS with regard to work already undertaken for the Council, the outcomes of the self-assessment against the Public Sector Internal Audit Standards and Quality Assurance and Improvement Programme. SIAS also presented their Audit Charter for the civic year 2015/16 for approval.

The Chairman was pleased to see that issues regarding the distribution of workload and their completion timeframes had been resolved. The Shared Internal Audit Service Officer explained how this had been achieved.

The Director of Finance and Support Services confirmed that the scope and resources for internal audit were not subject to inappropriate limitations in 2014/15.

Members approved the recommendations detailed in the report, now submitted.

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

(B) the results of the Self-Assessment as required by the Public Sector Internal Audit Standards and the Quality

Assurance and Improvement Programme be noted;

(C) the Audit Charter be approved; and

(D) the assurance from management, that the scope and resources for internal audit were not subject to inappropriate limitations in 2014/15 be noted.

160 SHARED INTERNAL AUDIT SERVICE - AUDIT PLAN
UPDATE REPORT

The Shared Internal Audit Service (SIAS) submitted a report detailing the progress made by SIAS in delivering the Council's Annual Audit Plan for 2015/16 (as at 19 June 2015). The report proposed amendments to the approved 2015/16 Audit Plan and detailed the status of previously agreed high priority audit recommendations. The report provided an update on performance management information and sought agreement to the removal of implemented, high priority recommendations.

By way of an update, the Shared Internal Audit Service Officer confirmed that the Internal Audit service had now delivered 19% of actual billable days against planned chargeable dates completed.

Members noted the Internal Audit Progress Report and agreed to the removal of already implemented high priority recommendations as set out in the report in relation to various ICT reviews and IT change control.

RESOLVED – that (A) the Internal Audit Progress report as now submitted be noted; and

(B) high priority recommendations already implemented, be removed from the plan.

161 UPDATE ON IMPLEMENTATION OF THE 2014-15 ANNUAL
GOVERNANCE STATEMENT ACTION PLAN

The Director of Finance and Support Services submitted a

report detailing the progress made in implementing the action plan contained in the 2013/14 Annual Governance Statement and proposed revised targets.

The Head of Governance and Risk Management provided background information on the Annual Governance Statement and the position statement on the actions, for the benefit of new Members. He stated that since the last Audit Committee, seven actions had been achieved and were now shown as “green” on the Action Plan. Three issues remained outstanding, the detail of which set out Essential Reference Paper “B” of the report.

Members noted the progress made in implementing the action plan contained in the 2013/14 Annual Governance Statement as submitted. They supported the revised target dates and agreed that the three issues outstanding be carried forward to the 2015/16 Action Plan.

RESOLVED – that (A) the progress made in implementing the action plan contained in the 2013/15 Annual Governance Statement be received;

(B) the revised target dates for actions as submitted be approved; and

(C) the three issues outstanding as identified in the report submitted, be carried forward to the 2015/16 Action Plan .

162 DRAFT 2014/15 ANNUAL GOVERNANCE STATEMENT

The Leader of the Council submitted a report detailing proposals for taking forward the 2014/15 Annual Governance Statement.

The Head of Governance and Risk Management drew Members’ attention to the matters identified for amendment and / or further consultation, the detail of which was set out in the report. He explained the internal consultation process undertaken with senior Officers when items had been raised,

which were considered to be significant governance issues, so that enhancements to internal control arrangements could be drawn up.

Members noted the content of the Annual Governance Statement and the matters identified for amendment and / or further consideration as detailed in the report now submitted.

RESOLVED – that (A) the Annual Governance Statement be noted;

(B) the matters identified for further consideration, as detailed in the report submitted be noted; and

(C) the proposed process for taking forward the 2014/15 Annual Governance Statement be approved.

163 RISK MANAGEMENT MONITORING REPORT 1 JANUARY 2015 TO 31 MARCH 2015

The Leader of the Council submitted a report on the action taken to mitigate and control strategic risks during the period January 2015 to March 2015.

The Head of Governance and Risk Management provided a background summary of the report and the monitoring arrangements and advised that any new risks would be reported to Audit Committee in September 2015.

Councillor R Deering queried the statement regarding robustness of the contract management process regarding 14-SR3 ((Risk that supplier / contractor or key third sector partner fails or fails to deliver). The Director of Finance and Support Services explained that key suppliers were monitored as part of contract performance and summarised the internal processes in place to ensure that systems continued to be robust and challenging.

The Head of Governance and Risk Management advised that the Shared Internal Audit Service would shortly be reviewing procurement and contract management as part of the audit

plan.

In response to a query from Councillor J Cartwright regarding the timeframe of the report, the Director of Finance and Support Services acknowledged the unfortunate timing of the report and referred to the need to report certain issues to specific Audit Committees. She referred Members to Covalent should they require more up to date information, or to speak to Officers who could assist.

In response to a query from Councillor I Devonshire regarding 14-SR1 (Risk of Significant Reduction in funding above that planned for), the Director of Finance and Support Services referred to the budget assumptions made in the last Medium Term Financial Plan (MTFP) and the Chancellor of the Exchequer's recent budget statement of intent and how this could impact significantly on the Council in 2016/17 in terms of central government funding. She stated that further information would become available following the Autumn Statement and Local Government finance settlement, which was likely to be in November or December 2015.

The Director of Finance and Support Services explained internal management responsibility arrangements following the retirement of the former Chief Executive with regard to risk management.

The Committee approved the report, as now detailed.

RESOLVED – that the action taken to mitigate and control strategic risks be approved.

164 AUDIT COMMITTEE WORK PROGRAMME

The Director of Finance and Support Services submitted a report detailing the proposed work programme for Audit Committee.

The Head of Governance and Risk Management asked Members to approve the moving of the Treasury Management Strategy 2015/16 Mid Year Review from the meeting on 23

September to the meeting on 25 November 2015. This was agreed.

The Head of Governance and Risk Management referred to the meeting programmed for 13 April 2016 and stated that this needed to be programmed for a meeting in March 2016 to meet certain reporting deadlines. This was supported.

The Chairman asked Members to let him or Officers know, if they had any specific training items for inclusion on future Audit Committee agendas.

RESOLVED – that (A) the work programme, as now amended, be approved; and

(B) Officers co-ordinate regarding re-scheduling a meeting for March 2016 rather than 13 April 2016.

The meeting closed at 8.30 pm

Chairman

Date