

MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE HELD IN THE  
WAYTEMORE ROOM, THE  
CAUSEWAY, BISHOP'S STORTFORD  
ON WEDNESDAY 6 SEPTEMBER 2006  
AT 2.30 PM

PRESENT: Councillor D Clark (Chairman)  
Councillors L O Haysey, J Hedley, J P Warren

ALSO IN ATTENDANCE:

Paul Dossett - Robson Rhodes	} External Auditors
Justin Collings – Robson Rhodes	

OFFICERS IN ATTENDANCE:

Gerald Balabanoff	- Interim Director Organisational Development
Lorraine Blackburn	- Committee Secretary
Mandy Barton	- Principal Accountant
Simon Chancellor	- Head of Accountancy
Dave Cooper	- Performance Officer
Simon Drinkwater	- Director of Corporate Governance
Chris Gibson	- Principal Internal Auditor
Peter Searle	- Head of Internal Audit

210 APOLOGIES

Apologies for absence were received from Councillors  
G L Francis, J D Thornton and M J Tindale.

211 CHAIRMAN'S ANNOUNCEMENTS

The Chairman commented that at the request of Members  
a Budget Monitoring overview had been circulated in  
August 2006. Since a review was currently under way the

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Head of Accountancy would provide a brief update to this meeting and further details would be reported back to Audit Committee in due course.

RESOLVED ITEMS212 MINUTES

In respect of Minute 137 – Work Programme (12 July 2006), the Head of Accountancy commented that the budget monitoring process was currently under review. A “corporate health check” style of report was being developed which would bring together different strands such as performance and risk management as well as the financial position. He outlined the intended reporting process. The Chief Executive had indicated her keenness to see this new style report introduced. The Head of Accountancy commented that as soon as this was “bedded down”, a report would be presented detailing the new framework.

RESOLVED – that the minutes of the meetings held on 27 June and 12 July 2006 be confirmed as a correct record and signed by the Chairman.

213 EXTERNAL AUDIT REPORT ON 2005/06 ACCOUNTS AND VALUE FOR MONEY OPINION

The External Auditor, Robson Rhodes presented their Annual Audit Report for 2005/06. Although a number of matters were outstanding at the time of writing the report, it was anticipated that these would be completed to allow sign-off of the Accounts before the end of September 2006.

Robson Rhodes anticipated providing an unqualified opinion on the Council’s accounts, on the arrangements for ensuring economy efficiency and effectiveness in its use of resources (subject to completion of the outstanding work) and in relation to the Council’s Best Value Performance Plan. Paul Dossett advised the Committee that a new issue had recently been raised and was in the early stages

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of investigation. However this should not affect the Auditor's overall opinion. The certification process was explained. It was noted that the issue now raised should not impact upon the ability to sign off the Accounts by 30 September but may delay the technical "closure" of the Audit.

It was not anticipated to impact on the Council's Statement of Internal Control.

Information was provided on a number of issues as follows that:

- the method of calculating the provision for doubtful NNDR and Council Tax debtors was based on historical trends. Officers considered this to be a more scientific approach and Robson Rhodes were satisfied with this approach;
- the Council's financial strategy to address the savings required in the medium term was based on processes to ensure that efficiency savings, were being delivered, a new budget approach ie meetings with portfolio holders and plans for a "Challenge Day" and, an understanding that growth items would not be approved unless met by contingency savings;
- there were no material concerns regarding inappropriate accounting policies which would require consideration by the Audit Committee; and
- the Letter of Representation relating to the 2005/06 accounts should be signed by the Chief Executive as well as the Director of Resources.

The Chairman, on behalf of Members, congratulated officers on achieving such a good report.

RESOLVED – that the report be noted.

ACTION214 SUMMARY OF INTERNAL AUDIT REPORTS ISSUED –  
27 JUNE TO 22 AUGUST 2006

The Head of Internal Audit submitted a report summarising the Internal Audit reports issued between 27 June and 22 August 2006.

The Head of Internal Audit confirmed that good progress had been made in implementing recommendations.

The Chairman, on behalf of Members, thanked the Officers.

RESOLVED – that the report be noted.

215 UPDATE ON IMPLEMENTATION OF INTERNAL AUDIT  
AND EXTERNAL AUDIT RECOMMENDATIONS

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

It was noted that good progress had been made towards implementing recommendations. Two items in the report had been conditionally resolved, as follows:

- monitoring of capital expenditure on an accruals basis. The Head of Accountancy explained that significant commitments were now quantified at Capital Strategy Group enabling accrual based reporting. It was agreed that this recommendation should be treated as resolved;
- transfer of operational activities from Internal Audit. This matter had been considered by Corporate Management Team who had agreed that some responsibilities should be transferred. The rationale for retaining some operational activities within Internal Audit at this time was explained and it was agreed that this was an appropriate approach but the

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item should be retained as 'conditionally resolved' and reviewed later in the year.

The Appendix now submitted was updated as necessary.

Information was provided on a number of issues as follows:-

- the review of the Council's anti fraud and corruption arrangements would be completed by the end of September 2006 and that fraud awareness training would be rolled out by the end of the year;
- the framework for managing risks with partners was an extensive piece of work and that a clearer date for its roll-out would be available at the next meeting in November 2006;
- horizon scanning risk management techniques are included as part of a standard risk management item on CMT agendas;
- the process to ensure that insurance is adequately considered when drawing up contracts would be reviewed;
- that IT business impact review and risk assessment are part of the business continuity process that should be completed by the end of the year;
- whilst it was recognised that the work required on single person discounts for Council Tax was not insignificant, this long standing recommendation needed to be resolved; and
- given that Robson Rhodes were satisfied with the Council's arrangements on BVPI calculation it was agreed that no further work was required and this recommendation should be considered as resolved.

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The Chairman on behalf of Members, thanked the Internal Audit Service for their work with management in addressing these recommendations. The Chairman, on behalf of Members, also thanked the Principal Internal Auditor for redesigning the report and requested that restated recommendations be highlighted in bold.

RESOLVED – that (A) the report be noted, and

(B) restated recommendations be highlighted in bold on future reports to Audit Committee.

DCG

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

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The Head of Internal Audit submitted a report on progress made in implementing the action plan contained in the 2005/06 Statement of Internal Control (SIC) and updates from Chief Officer Assurance Statements.

The Director of Corporate Governance provided Members with an update in relation to Aspire Leisure and the Chief Executive's decision to investigate allegations in relation to the tendering exercise. An independent investigator would be appointed and the results would be reported to Audit Committee.

It was noted that, in the main, good progress had been made towards implementing the internal control action plan. Chief Officer Assurance Statements on the internal control framework would be submitted to Audit Committee on a quarterly basis.

Milestones had been achieved in two areas and satisfactory progress had been made in a further 14 areas. One planned action had not been achieved, the detail of which was set out in the Appendix to the report, now submitted. However, progress was being made in this area

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and a satisfactory status was anticipated for the next quarter.

A progress report on the SIC Action Plan had also been considered by the Corporate Management Team on 15 August 2006 when no new significant internal control issues were identified, although contractual problems with the leisure contract were highlighted.

It was noted that the SIC would need to be re-dated and signed off by the Leader and Chief Executive when the statutory accounts were signed off in September 2006. Any significant internal control issue between 28 June and the sign off date would also need to be incorporated in a revised SIC requiring approval by Council.

The Chairman referred to the anomaly of the Council having to sign off the SIC and accounts before the audit was completed. The External Auditor agreed that it was not sensible having two sign off dates.

RESOLVED – that the progress made against implementing the Action Plan contained in the 2005/06 Statement of Internal Control and updates arising from Chief Officer Assurance Statements be noted.

217 OPERATIONAL AND STRATEGIC RISK MONITORING REPORT (1 APRIL – 30 JUNE 2006)

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The Director of Corporate Governance submitted a report on the progress taken in mitigating and controlling risks tracked by operational and strategic risk registers during the period in question.

Of the 35 Operational Risk Registers most were “in control” and the direction of travel was positive.

CMT had reassessed OR35 (inadequate back up arrangements for Covalent performance management system) as “caution/contingency” because anticipated back

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up software had not yet been issued by Covalent and as a result, officers continued to perform manual back ups.

Of the 23 Strategic Risk Registers, 11 were “in control” and the direction of travel was positive. However two strategic registers ie SR10 (Perception of the Council’s Reputation) and SR11h (Leisure Contract) had shown adverse movements and were shown as “critical”.

The Committee noted the difficulties associated with the Leisure Contract as outlined by the Director of Corporate Governance.

RESOLVED – that (A) progress taken to mitigate and control risks tracked by operational and strategic risk registers during the period 1 April to 30 June 2006 be noted, specifically with regard to registers OR35, SR10 and SR11h; and

(B) the report be referred to the Executive on 24 October 2006.

DCG

218 WORK PROGRAMME

The Director of Corporate Governance submitted a report setting out the work programme for 2006/07, including work to meet statutory and audit obligations.

The Chairman referred to a Performance Management meeting which was being organised prior to Council on 20 September 2006. She encouraged Members to attend. Other training was being investigated by the Chief Executive.

RESOLVED – that the report be noted

The meeting closed at 4.25 pm.



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Chairman	.....
Date	.....

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