

MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE HELD IN THE  
COUNCIL CHAMBER, WALLFIELDS,  
PEGS LANE, HERTFORD ON TUESDAY  
27 MARCH 2007 AT 7.30 PM

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

ALSO IN ATTENDANCE:

Councillors W Ashley, A P Jackson, P A Ruffles  
Justin Collings, Robson Rhodes – External  
Auditor  
Paul Dossett, Robson Rhodes – External Auditor  
Gary Hammersley – Audit Commission

OFFICERS IN ATTENDANCE:

Anne Freimanis	- Chief Executive
Lorraine Blackburn	- Committee Secretary
Simon Chancellor	- Head of Accountancy
Dave Cooper	- Performance Officer
Simon Drinkwater	- Director of Neighbourhood Services
Chris Gibson	- Principal Internal Auditor
Ceri Petit	- Head of Performance
Peter Searle	- Head of Audit

668 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed Paul Dossett and Justin Collings (Robson Rhodes) and Gary Hammersley (Audit Commission) to the meeting.

The Chairman commented that this was the last Audit Committee meeting of this Council. She extended her thanks to all those who had contributed to the work of Audit Committee; Internal Audit for their persistence and to Robson Rhodes for their advice. She reminded Members that the Council was now in Purdah.

### RESOLVED ITEMS

#### 669 MINUTES

The Minutes of the meeting held on 13 February 2007 were considered.

(a) Minute 572 (E) - Matters Arising from Briefing Papers requested at the meeting on 27 November 2006

The Chairman commented that she had spoken with Officers on this issue and requested that this be considered at the next Audit Committee meeting in June 2007.

(b) Minute 574 - Update on Implementation of Internal Audit and External Audit Recommendations

The Chairman requested clarification on the Council's legal position in terms of writing off sums of money. The Director of Neighbourhood Services provided clarification that officers had authority to write off sums below £2,500.

RESOLVED – that the Minutes of the meeting held on 13 February 2007 be confirmed as a correct record and signed by the Chairman.

#### 670 EXTERNAL AUDIT REPORT (A) ANNUAL AUDIT AND INSPECTION LETTER FOR 2006 (B) AUDIT AND INSPECTION PLAN FOR 2007/2008

The Leader of the Council submitted a report introducing the Annual Audit and Inspection Letter for 2006. The summary statement explained the Council's Direction of Travel and its Use of Resources assessments and the

Audit of Accounts. The report also set out the Audit and Inspection Plan for 2007/08.

Robson Rhodes commented that overall, it was a positive letter. The Direction of Travel Statement was positive and the Council continued to perform well generally and in relation to its priorities.

Robson Rhodes referred to the substantial changes within the Authority and the steady influence of the new Chief Executive and Leader. Community engagement continued to improve with the development of new policies, value for money had improved and the External Auditors attributed this to the role of the Audit Committee. The role of Human Resources Committee and performance management was acknowledged in terms of developing a clearer strategic direction.

Generally, the Council continued to perform well on its Use of Resources and offered good value for money. The Council had positive prospects.

The Chairman commented that there was a lot of useful facts and was pleased to see that the Audit Committee had played a positive role. She urged all Members to read the Direction of Travel Statement.

The Leader commented that it was gratifying to see what had been achieved especially as the Chief Executive had not yet been in post for a year. He was pleased to see that staff wanted to deliver good services. He acknowledged the role of Audit Committee in contributing to the challenges and to Human Resources Committee for its valuable role. He commented that the Council should not be complacent and of the need to take a balanced view to ensure that the Council was clear about its priorities and how these were delivered and resourced. There was a need to strengthen the Use of Resources Score to a "strong 3".

It was noted that from 2006/07 all audits and assessments would be in line with the financial year.

The Director of Neighbourhood Services clarified the Council's legal title.

In response to a question on organisational change and staff support, the Chief Executive outlined the need for clear communication and staff support mechanisms.

Robson Rhodes confirmed that there would be no impact on the capital financial receipts as a result of changes to recommended practice.

The Leader outlined the situation in relation to the Pathfinder bid to the Department of Communities and Local Government (DCLG) and the need to share resources to achieve value for money. At a Herts Leaders' meeting, there was a commitment to working together to achieve economies of scale, regardless of the success or not of the DCLG bid.

The Chairman, on behalf of Members, thanked representatives from Robson Rhodes and the Audit Commission for attending.

It was noted that overall, Officers were happy with the Inspection Plan but that there were a couple of outstanding queries regarding planning inspection activity which required further clarification. It was therefore suggested that Officers be authorised to sign off the Audit and Inspection Plan for 2007/08 when those areas had been clarified.

RESOLVED – that (A) the draft Annual Audit and Inspection Letter for 2006 be received; and

(B) Officers be authorised to sign off the draft Audit and Inspection Plan for 2007/08 once the outstanding areas had been clarified.

CE

## 671 EXTERNAL AUDIT REPORT – USE OF RESOURCES

The External Auditor presented a report summarising their findings in relation to the Use of Resources Judgements 2006.

Robson Rhodes commented that the Council had improved the score in financial reporting and internal control and had strengthened its overall arrangements. It could now be considered to be a “strong level 3” authority.

Priorities and “must haves” for 2007 included:

- Wider consultation to identify views of stakeholders regarding the production of an annual report
- Corporate capital strategy – linking with corporate priorities and medium term financial strategy
- Investments and disposal decision making – option appraisals and whole life costings
- Risk management training – training for managing business risks
- Key financial systems – production of procedural notes and manuals
- Business continuity – finalising the business continuity planning process and its review

It was suggested that these improvements should be implemented by the summer 2007. The Head of Performance confirmed that this timeframe was manageable.

The Leader commented that discussions had taken place with the LSP Board recently about the need to link in the Council’s corporate objectives with the Board.

The Chairman referred to the need to the development of level 4 in specific areas.

The Chairman, on behalf of Members thanked Robson Rhodes for their report.

RESOLVED – that the report be received.

672 USE OF RESOURCES – COUNCIL’S RESPONSE TO ACTION PLAN

The Leader of the Council submitted a report setting out the Council’s response to the Use of Resources Action Plan. The Head of Performance explained that attached to the report now submitted, was a management response to each of the recommendations and timescales for their implementation.

Overall there were eleven recommendations which the Council was proposing to accept, some of which were already underway.

The Chairman was of the view that the Action Plan for 2006/07 should be reviewed again in December 2007.

The scoring system of 1, 2 and 3 was explained in terms of priorities.

The Chairman commented on the need to undertake appropriate consultation with all stakeholders who might have an interest. The Chairman welcomed Robson Rhodes’ suggestion to refer examples of Best Practice to the Council.

RESOLVED – that (A) the Council’s response to the Use of Resources Action Plan be supported; and

(B) that the Action Plan for 2006/07 be reviewed in December 2007.

CE

673 SUMMARY OF INTERNAL AUDIT REPORTS ISSUED  
31 JANUARY 2007 TO 13 MARCH 2007

The Head of Internal Audit submitted a report summarising the Internal Audit reports issued between 31 January to 13 March 2007. He provided an update in respect of:

- Single Person Discounts
- Review of Treasury Management
- Review of Main Accounting System 2006/07
- Review of IT software and hardware licences 2006/07

Robson Rhodes were pleased to note that the number of people who had not responded in relation to the single person discount was now down to a manageable 321. The point was made that those individuals might be receiving Council Tax benefit and that this could then be a “paper exercise”. Robson Rhodes commented that if they were not eligible, they should not get a subsidy. The Council might be overpaying and this needed to be scrutinised. The Chairman on behalf of Members thanked Internal and External Audit.

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

(B) an update be provided to Members in July 2007.

CE

674 UPDATE ON IMPLEMENTATION OF INTERNAL 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. The most significant

areas where risks continued were in relation to:

- IT business impact review and risk assessment – to be completed in June 2007 as part of the Business Continuity review process;
- IT Policy – a risk continues until all staff have “signed up” to the agreement. This should be completed by June 2007;
- Location of water pipes and storage tanks – to be referred to senior management;
- Payroll and Human Resources – the need for a reconciliation between the establishment and payroll list. This work should be complete by the end of the financial year;
- Market charging at Ware – concessionary arrangement to be regularised through the portfolio holders. The Leader agreed to deal with this;
- Car parking – Management training underway and would be completed before June 2007; and
- Cash Office – Procedure manuals – the need to put these in place as these impacted on the Council’s scoring.

The Leader commented that Executive Members were signing up to the IT Policy. It was suggested that the matter could also form part of the Induction Pack for new Members in May 2007.

The Chairman expressed concern that the information in relation to water pipes and storage tanks was still outstanding. She felt that this was unacceptable and requested that this matter be urgently addressed by the Head of Property and requested the Chief Executive to investigate the matter.



The Chairman urged Officers to ensure that all old items should be cleared before the next meeting of Audit Committee and the Chief Executive agreed to draw this to the attention of CMT (Corporate Management Team).

The Head of Internal Audit provided an update in relation to the transfer of some operational activities:

- a) Returned cheques – this function be devolved to all sections; and
- b) Contracts Regulations – a report would be presented to Audit Committee in June 2007.

Robson Rhodes commented that they would be monitoring the Council in relation to progress on the Continuity Plan and the need to develop procedure manuals.

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

(B) Corporate Management Team be made aware of the need to clear all the outstanding items prior to the next meeting of Audit Committee in June 2007.

CE

#### 675 AUDIT COMMITTEE - 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 the need to move the proposed July meeting forward to 11 July 2007.

The Chairman commented that this was the last Audit Committee of the 2003-07 term. She acknowledged the fact that new Members would wish to set their own agenda but may appreciate some guidance in developing the work of the new Committee. In this regard the Chairman provided an outline of the aims and aspirations of the Committee's ongoing work:

1. Continue to raise the profile of Internal Audit and work towards embedded risk management culture through:
  - continued emphasis on implementation of recommendations;
  - continued attention to implementation and development of risk management processes (eg through monitoring reports, SIC Chief Officer assurance statements; and
  - extending work to cover wider aspects of risk management (eg through Development Control service plan risk assessment).
  
2. To seek opportunities for improvement by asking the following questions:-
  - Budget strategy and efficiency savings: How does the process ensure value for money focused on Member priorities whilst addressing the medium term financial challenge?
  - Member financial information: Do papers provide sufficient, relevant, timely, clear and user-friendly financial information to enable ordinary Members to make informed decisions and recommendations?
  - Capital Spending Decisions: How are projects appraised and decisions scrutinised to ensure value for money in line with the Council's priorities?

- 3. Consider the Committee might address significant risks outlined in the Use of Resources report.

RESOLVED – that the report be noted.

The meeting closed at 8.40 pm.

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