

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

PRESENT: Councillor J Hedley (Chairman).
Councillors K Darby, M Pope, W Quince,
R Radford, R Taylor (substitute for A M Graham)
N Wilson.

ALSO IN ATTENDANCE:

Councillors R Beeching, D Clark, J Demonti,
P Grethe, A P Jackson, P A Ruffles, M Tindale,
C Woodward

Justin Collings, Robson Rhodes – External
Auditor

OFFICERS IN ATTENDANCE:

Anne Freimanis	- Chief Executive
Mandy Barton	- Principal Accountant
Lorraine Blackburn	- Committee Secretary
Simon Chancellor	- Head of Accountancy
Karl Chui	- Performance Officer
Simon Drinkwater	- Director of Neighbourhood Services
Chris Gibson	- Principal Internal Auditor
Philip Hamberger	- Director of Internal Services
Ceri Petit	- Head of Strategic Direction (Shared) and Performance Manager
Katie Taylor	- Accountant

85 APOLOGY

An apology for absence was submitted from Councillor A M Graham. The Committee noted that Councillor R Taylor was substituting for him.

86 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed Justin Collings (Robson Rhodes) and new Members of the Council to Audit Committee. He thanked Councillor D Clark, the former Chairman.

RESOLVED ITEMS87 MINUTES

The Minutes of the meeting held on 27 March 2007 were agreed as a correct record and signed by the Chairman.

RESOLVED – that the Minutes of the meeting held on 27 March 2007 be confirmed as a correct record and signed by the Chairman.

88 2007/08 AUDIT COMMITTEE WORK PROGRAMME AND TERMS OF REFERENCE

The Director of Neighbourhood Services submitted a report concerning Audit Committee's Terms of Reference and Work Programme for the civic year. It was noted that the work programme had been agreed between Members and both Internal and External Audit, in terms of the need to comply with legislative requirements.

RESOLVED – that the 2007/08 Audit Committee Work Programme be noted.

89 INTERIM PROGRESS REPORT – EXTERNAL AUDIT

The External Auditor presented a report summarising its role and component parts and how each were interlinked. Robson Rhodes explained that they were independently appointed by

the Audit Commission and prohibited from becoming Members of any political organisation.

Justin Collings outlined some of the areas which Robson Rhodes would be reviewing in the forthcoming year, including the Council's arrangements for achieving value for money and timetabling requirements in terms of audit reporting lines.

A Member sought clarification on the processes and percentages involved in invoice sampling. The External Auditor explained that these represented a very small percentage and covered a wide range of services.

RESOLVED – that the report be noted.

90 2005/06 DATA QUALITY AUDIT – PROGRESS REPORT ON ACTION PLAN

The Head of Strategic Direction (shared) and Performance Manager submitted a report concerning the progress made in implementing the 2006/07 Action Plan. The three stage approach in reviewing data was explained. A number of actions were still outstanding for the reasons explained in the report, now submitted and required revised completion dates. It was hoped that the revision of some recommendations would not impact greatly on the Council's overall Data Quality Score, currently at 2 out of 4.

It was noted that the vacancy within the Performance Section would be filled.

RESOLVED – that (A) the recommendations achieved be noted; and

(B) the revised completion dates for actions currently outstanding be agreed as detailed in the report, now submitted.

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91 INTERNAL AUDIT SERVICE – APRIL 2006 TO MARCH 2007

The Head of Internal Audit submitted a report summarising Internal Audit activity from April 2006 to March 2007.

The Principal Auditor explained that resources had been tight and to accommodate a number of unplanned assignments, audits had been deferred on a priority basis.

Updates were provided on:

- Resources and planning
- Independent Assurance Opinions
- Monitoring implementation of internal and external audit recommendations
- Risk Management
- Opinion on Internal Control and Corporate Governance arrangements
- Fraud awareness
- Compliance with the 2006 CIPFA Code of Practice for Internal Audit in Local Government and Planned Improvements within Internal Audit.

The Principal Auditor explained that resourcing difficulties had meant that two high priority and three medium priority reviews had been deferred to 2007/08.

The report concluded that the authority had good governance practices in the areas of risk management and in its arrangements for the preparation of the 2006/07 Statement of Internal Control. All relevant points arising from Internal Audit's work had been incorporated into the draft 2006/07 Statement of Internal Control.

RESOLVED – that the report be received.

92 2006/07 STATEMENT OF INTERNAL CONTROL (SIC)
IMPLEMENTATION OF 2005/06 SIC ACTION PLAN AND
MATTERS ARISING FROM CHIEF OFFICER
ASSURANCE STATEMENTS

The Leader of the Council submitted a report on the proposed 2006/07 Statement of Internal Control (SIC). The report would be considered by Council and then signed off by the Leader of the Council and Chief Executive. It was noted that a score of 3 (performing well) had been awarded within the 2006/07 Use of Resources Judgement.

The 2006/07 SIC had been reviewed at Corporate Management Team on 29 May 2007. Chief Officers had provided certified individual assurance statements underlining their responsibility for maintaining an adequate and effective system of internal control and the need to identify any significant issues.

The External Auditor confirmed that the approach adopted for developing the 2006/07 SIC looked robust and that the system of Chief Officer Assurance Statements was sound.

The Leader confirmed the significance of the Statement in terms of the Council's priorities.

RESOLVED – that (A) the process in place for the production of the Statement of Internal Control be supported and recommended to Council;

(B) following approval by Council, the Leader and the Chief Executive sign the 2006/07 Statement of Internal Control as being a true statement; and

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(C) quarterly reports be submitted to Audit Committee on the progress made against implementing the Action Plan contained in the 2006/07 Statement of Internal Control and updates arising from Chief Officer Assurance Statements.

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93 STATEMENT OF ACCOUNTS 2006/07

The Executive Member for Resources and Internal Support submitted a report which set out the requirement for Members to approve the Statement of Accounts. The Head of Accountancy provided commentary and clarification on some of the main statements as necessary and commented on the volume of information which the Council was now required to provide. The comprehensive nature of the information was prescriptive and enshrined in legislation and allowed for comparability between different Councils.

The Head of Accountancy highlighted key changes from the previous year's accounts and provided an explanation of trends and movements in the balance sheet and income and expenditure account.

The Chairman commented on the level of reserves which had been drawn on to support Council Tax. The Head of Accountancy assured Members that the current level of reserves was reasonably healthy and should enable the Council to meet its medium term plans as it moved towards its aim of achieving a break even budget position. The External Auditor was also happy with the level of reserves.

The Head of Accountancy provided clarification on the level of Revenue Support Grant and its distribution.

Members were advised that the performance of the two Fund Managers was closely monitored to ensure that the Council achieved value for money. Quarterly reviews were undertaken and detailed reports submitted to the Executive. The Leader confirmed his involvement in the strategic process. The Head of Accountancy confirmed that, since

inception, the performance of the Council's Fund Managers had compared favourably with other Managers operating within Local Government.

The Council's reduced liability in relation to the Pension Fund was principally as a result of positive performance by a Pension Fund Manager. The Head of Accountancy commented on the possible need to amend the final accounts before they were published to reflect a likely change in the Pension Fund Liability / Reserve currently reported and explained why this would come about. The final position would not be known until the County Council's Auditors had completed their work on the overall County Council Pension Fund.

Members of Audit Committee had no concerns to refer to Council and supported the Statement of Accounts for the financial year ending 31 March 2007.

RESOLVED – that the Statement of Accounts for the financial year ending 31 March 2007 be noted.

94 STRATEGIC INTERNAL AUDIT PLAN 2007 TO 2010 AND
INTERNAL AUDIT STRATEGY

The Head of Internal Audit submitted a report on the draft Strategic Internal Audit Plan covering the period 1 April 2007 to 31 March 2010 showing proposed levels and areas of Internal Audit activity over the next three years.

Members were also requested to endorse the Internal Audit Strategy. Comments from the External Auditor had been incorporated in the report. Both the documents had previously been submitted to Corporate Management Team.

The Principal Auditor explained that the draft audit plan was fully resourced and contained a modest contingency over the next three years. The plan assumed that an Auditor currently on secondment would return to the section in August 2007. The plan would also require further attention when the outcome of the senior management review of Internal Services was known as this could affect the

placement of some of the non-audit activities and some high level corporate activities. The plan was tightly resourced and, in the event of any major unforeseen events arising, planned reviews would have to be deferred on a priority basis as had been the practice for several years. It was noted that there were clearly risks associated with reduced audit coverage and on-going deferment of reviews.

RESOLVED – that the content of the draft Strategic Internal Audit Plan covering the period 1 April 2007 to 31 March 2010 and the draft Internal Audit Strategy be supported, and both documents be referred to Corporate Management Team for approval.

95 SUMMARY OF INTERNAL AUDIT REPORTS ISSUED 14 MARCH 2007 TO 12 JUNE 2007

The Head of Internal Audit submitted a report summarising the Internal Audit reports issued between 14 March 2007 and 12 June 2007. The Principal Auditor provided an update in respect of:-

- Review of Street Cleansing
- Decent Homes Grants, Disabled Facilities Grants and Energy Efficiency Grants 2006/07
- Business Continuity – Alarms at Wallfields and The Causeway
- Cheque Accounting 2006/07
- Fraud and Corruption Overview
- Members IT Allowances

It was noted that in relation to Members IT Allowances, invoices were ready to be sent to Members. The total sum involved was less than £1000.

RESOLVED – that the report be received.

96 UPDATE ON IMPLEMENTATION OF 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 was continuing to be made towards implementing recommendations. The most significant areas where risks continued were in relation to:

- IT Services and Business Solutions;
- Business Continuity arrangements;
- Markets – the arrangement whereby half price fees were charged at Ware Market from 1 June 2006 still needed to be regularised.
- Car parking
- Castle Hall
- Officers Code of Conduct
- Partnership Risk Matrix
- Procedure Manuals needed finalisation in various areas of the Council.

It was noted that the list had been greatly reduced and updates were provided on each of the risks mentioned. Members questioned why the Ware Market issue had not been rectified and the Director of Internal Services undertook to process this matter as a Non-Key Decision before the next meeting.

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The Chairman thanked the Officers for making such positive progress in reducing the number of outstanding recommendations detailed on the appendix now submitted and thanked the former Chairman, who had played such a positive role in helping to reduce the list of risks.

RESOLVED – that the report be noted.

97 OPERATIONAL AND STRATEGIC RISK MONITORING –
1 JANUARY 2007 TO 31 MARCH 2007

The Director of Neighbourhood Services submitted a report on the progress made in taking action to mitigate and control risks tracked by operational and strategic risk registers during the period 1 January to 31 March 2007.

From a total of 35 Operational Risk Registers, the direction of movement between quarter 3 and quarter 4 rating was in the right direction for “Control” (increase) for “Caution / Contingency” (movement to “Control”) and for “Critical” (decrease). No register recorded an “adverse” movement between quarter 3 and 4 but six registers had target risk ratings of “Control” and were “Caution / Contingency” at the end of quarter 4. These were:

- OR16 – failure to prove a statutory service benefits, resulting in Government sanction and intervention;
- OR22 – sexual / physical assault on a child / vulnerable person;
- OR30 – hostels – failure of management processes;
- OR34 – non realisation of opportunities for IT, development control;
- OR35 – inadequate backup arrangements for Covalent Performance Management System;

- OR40 – loss of East Herts markets. Lack of support from traders / public eg from market shopping trends.

The above targets would be carried over to 2007/08.

Two other targets were in “Control” at the end of quarter 4:

- OR13 Animal Welfare Act – failure to implement statutory guidelines; and
- OR14 Smoking Act – failure to implement statutory requirements.

Of the 23 Strategic Risk Registers, there was no adverse movement but five were in “Caution / Contingency at the end of quarter 4:

- RS6 – Financial resources inadequate to achieve objectives or not properly controlled, resulting in loss. Inability to delivery budgets savings, resulting in an adverse impact on the ability to resource services;
- SR9 – Generic Health and Safety requirements not address or complied with;
- SR11h – Non-compliance with contract, resulting in the Council failing to deliver Leisure Services;
- SR12 – Investment returns – reductions in return on investments impacting on budgeted resources available. Investment Strategy resulting in poor investment returns; and
- SR20 – Council deciding not to participate in LSP and related partnerships.

It was also noted that the target for SR25 (Rhodes Arts Complex) was “critical” at the end of quarter 4. SR5 (non-compliance with contract resulting the Council failing to delivery Grounds Maintenance Services) was now in “Control”; SR27 (risk of over development of housing” was now in “Caution / Contingency” at the end of quarter 4.

RESOLVED – that (A) the progress taken to mitigate and control risks tracked by Operational and Strategic Risk Registers during 1 January 2007 to 31 March 2007 be noted; and

(B) the report be referred to the Executive.

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The meeting closed at 9.12 pm.

Chairman
Date