

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
PEGS LANE, HERTFORD ON
WEDNESDAY 5 SEPTEMBER, 2007 AT
7.30 PM

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

ALSO PRESENT:

Councillors D Clark, A P Jackson, M J Tindale

OFFICERS IN ATTENDANCE:

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| Anne Freimanis | - Chief Executive |
| Lorraine Blackburn | - Committee Secretary |
| Simon Chancellor | - Head of Financial Support Services |
| Karl Chui | - Performance Officer (Trainee) |
| Dave Cooper | - Performance Officer |
| Simon Drinkwater | - Director of Neighbourhood Services |
| Chris Gibson | - Principal Internal Auditor |
| Peter Searle | - Head of Business Support Services |

ALSO IN ATTENDANCE:

Justin Collings, Robson Rhodes – External Auditor
Paul Dossett, Robson Rhodes – External Auditor

237 APOLOGIES

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

submitted the Director of Internal Services' apologies owing to illness.

238 SECTION 151 OFFICER

Councillor D Clark sought clarification from the External Auditor on the new role of the Head of Business Support Services as the Section 151 Officer in terms of possible conflicts of interest which might arise. The External Auditor confirmed that he was not concerned about the role of the Head of Business Support Services as the new Section 151 Officer. All Councils supported different arrangements.

RECOMMENDED ITEM

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

The Leader of the Council submitted a report on a number of measures to enhance the Council's internal control framework during 2007/08. Following a recommendation by External Audit, the 2006/07 Statement of Internal Control (SIC) had been revised to take account of two recommendations concerning the overspend against budget and deadlines for Internal Audit's core financial systems.

The 2006/07 SIC now included the following two additional actions:

- Throughout 2007/08 the Council should review budget setting and monitoring processes and its levels of reserves to ensure that its financial management and financial health continue to be robust;
- The Audit Committee monitor the timeliness of completion of internal audit's core financial systems work and for the Audit Committee to satisfy itself that key internal controls are being

reviewed on a timely basis.

The Head of Business Support Services also explained that the reference to the Management Letter in the SIC now correctly read “the Annual Audit and Inspection Letter”.

The Head of Business Support Services explained that within the 2006/07 SIC Action Plan, two milestones had been achieved and satisfactory progress was being made in the remaining 13 areas. The target date for the review of the Council’s Financial Regulations and Procedures had been amended from December 2007 to March 2008 and the Statement of Internal Control had been amended accordingly.

The Director of Neighbourhood Services confirmed that the Emergency Plan was nearing completion.

Councillor D Clark sought assurances that the financial regulations were in place to support the recent management re-structuring. The Director of Neighbourhood Services confirmed that the Regulations had already been revised and how this had been approached. He commented that there was the opportunity to take a more holistic view to improve the way the Council operated. Further guidance had also been produced for the new Section 151 Officer.

In terms of non-significant internal control concerns highlighted by the Chief Officer Assurance statements process, the Head of Business Support Services confirmed that robust processes were in place which were controlled locally by Officers and visited on a quarterly basis.

Councillor D Clark commented on the wording used in relation to Portfolio Members “viewing performance ...on the Council’s management system”. It was noted that Members could access Covalent at any time and the Leader confirmed that regular updates were provided to portfolio holders via Directors within their

areas of responsibility.

The Chief Officer Assurance process had not identified any new significant internal control issues.

The Chairman commented on the number of local performance indicators and queried whether these could be reduced within the context of the work currently being undertaken by the Task and Finish Group.

Following approval by Council on 12 September 2007, the Leader and Chief Executive would sign off the 2006/07 Statement of Internal Control as being a true statement.

RECOMMENDED - that (A) 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 be received and the SIC adopted; and

(B) the Leader and Chief Executive be requested to sign the 2006/07 Statement of Internal Control as being a true statement.

CE

RESOLVED ITEMS

240 MINUTES

The Minutes of the meeting held on 26 June 2007 were agreed as a correct record and signed by the Chairman.

RESOLVED – that the Minutes of the meeting held on 26 June 2007 be confirmed as a correct record and signed by the Chairman.

241 ANNUAL REPORT TO THOSE CHARGED WITH GOVERNANCE

The External Auditors submitted the Annual Report to Those Charged With Governance. The report outlined key matters arising from the External Audit.

A number of recommendations had arisen from the audit, the detail of which was set out in an Appendix to the report now submitted. In summary, these referred to the budget overspend and the timeliness of internal audit work.

A number of audit finalisation procedures still needed to be completed which were set out in the report now submitted including, further information from Hertfordshire County Council on the Pension Fund. Subject to these issues, the External Auditors still expected to issue an unqualified opinion on the Council's accounts by 30 September 2007.

The current level of internal audit resources was discussed including the impact this might have on the internal audit plan. The Head of Business Support Services referred to his new role and confirmed that he would be recommending to the Director of Internal Services that recruitment to the now vacant post be pursued. The Chief Executive had also given her strong support for this.

Generally, it had been a good audit process and overall, there were no significant concerns over the controls in place.

It was noted that the Letter of Representation relating to the 2006/07 Accounts should be signed by the Leader of the Council and the Chief Executive.

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

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

(B) the Leader and Chief Executive be requested to sign the Letter of Representation as detailed in the report now submitted. CE

242 FINANCIAL PROCESSES

The Director of Internal Services submitted a report providing an overview of the Council's financial processes and any suggestions for improvement.

The role played by the Executive, Policy Development Scrutiny Committee, Audit Committee and Capital Strategy Group in terms of approving the revenue and capital programme was explained. This process was also supported by the Corporate Health Check arrangements which measured progress against delivery and Medium Term Financial Planning undertaken by Directors and Heads of Service.

Councillor D Clark commented that she had expected something with more substance and more in keeping with the Audit Committee's wishes of 23 March 2007.

The Director of Neighbourhood Services assured Members that the Council had achieved value for money generally and in broader financial terms. Financial options would be used to develop a budget for Members to review at a meeting of scrutiny in October 2007.

A Member commented on a recommendation made by the External Auditor that the Council should review budget setting and monitoring processes within the Statement of Internal Control Action Plan. This was considered further elsewhere on the Agenda. A Member commented on the level of overspend and was assured that the Council would bring about a sustainable budget to mitigate any risk.

RESOLVED – that the report be noted.

243 BUDGET SCRUTINY OPTIONS

The Director of Internal Services submitted a report which summarised the current process for budget scrutiny and outlined a review of the arrangements. The Chief Executive explained the process and the anticipated timetable of when this might happen. She assured Members that the new structure would include an additional process to review the budget and financial matters.

Councillor D Clark reiterated her earlier concerns about the production of timely information. The Chairman undertook to speak to relevant Officers and respond to her.

RESOLVED – that the report be received.

244 SUMMARY OF INTERNAL AUDIT REPORTS ISSUED
13 JUNE TO 21 AUGUST 2007

The Head of Business Support Services submitted a report summarising the Internal Audit reports issued between 13 June 2007 and 21 August 2007. The Principal Auditor provided an update in respect of:-

- Council Tax and NNDR 2006/07
- Benefits 2006/07
- Supplies and Services 2006/07
- Cashiers 2006/2007
- Payroll (Internal Services) 2006/07
- Payroll (Human Resources) 2006/07

A Member sought assurances that pre-employment checks were being carried out. The Principal Internal Auditor explained the process.

RESOLVED – that the report be received.

245 UPDATE ON IMPLEMENTATION OF AUDIT
RECOMMENDATIONS

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

It was noted that although there were still some warning bells, progress was being made towards implementing recommendations. The most significant areas where risks continued were in relation to IT Services and Business Solutions. Updates were provided in relation to Business Continuity arrangements, Car Parking Contract Compliance, Cashiers, Castle Hall, Officers Code of Conduct, Annual Declaration Letter and the Partnership Risk Framework.

In future, in an effort to speed up the process, outstanding recommendations would be forwarded to appropriate Officers immediately following Audit Committee for action prior to its submission to Corporate Management Team (CMT).

Councillor D Clark raised the issue of Members' invoices. The Head of Business Support Services undertook to raise the matter with the Director of Internal Services.

The Head of Business Support Services confirmed that the IT Business Continuity Plan had been drafted and would be considered by the Corporate Business Continuity Group shortly.

Members noted that the Council's Anti-Fraud and Corruption Strategy and the Confidential Reporting Code had been updated to reflect the Council's new business arrangements and had been approved by Human Resources Committee on 5 July 2007.

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

(B) the Director of Internal Services be requested to pursue the matter of Members' invoices. DIS

246 RISK MANAGEMENT AND SERVICE PLANS

The Director of Neighbourhood Services submitted a report outlining the Strategic and Operational Risk Management System and how it applied to the Council's Service Plan. Examples from Development Control and Contract Services were provided.

The process was continually monitored by the Risk Management Group, Corporate Management Team, the Executive and Audit Committee on a quarterly basis and any new risks were re-assessed as part of the Annual Service Plan process.

Councillor D Clark questioned what processes were in place to ensure Officers' objectivity and professionalism in relation to planning matters. She commented that there were procedures which could be followed by planning applicants, but that there were fewer opportunities for others to follow when affected by a planning matter following the grant of permission. This concern was shared by a Member who commented that 96% of planning matters were delegated to Officers.

The Director of Neighbourhood Services confirmed that reports were produced explaining why an application might be a delegated decision. He referred to the Government's White Paper which may affect the number of delegated decisions. He commented that there was a separation of duties, in that a dedicated case officer would make an initial recommendation

which would be reviewed by a Senior Planning Officer.

RESOLVED – that the report be noted.

247 OPERATIONAL AND STRATEGIC RISK MONITORING –
1 APRIL TO 30 JUNE 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 April to 30 June 2007.

Updates were provided in relation to the 34 Operational Risk Registers and the 24 Strategic Risk Registers.

RESOLVED – that (A) the progress taken to mitigate and control risks tracked by Operational and Strategic Risk Registers during 1 April 2007 to 30 June 2007 be noted; and

(B) the report be referred to the Executive.

CE

248 EAST HERTS DATA QUALITY STRATEGY – DRAFT FOR
CONSULTATION

The Chief Executive submitted a report outlining the Council's approach to producing accurate, timely and relevant performance information which conformed to a set of core principles. The Strategy had been produced as a response to the Audit Commission, along with a data sharing protocol, to help services identify what good data quality was.

Detailed consultation would be undertaken and the Strategy would be submitted to the Executive on 23 October 2007 for approval.

Members welcomed the document and commended it to the Executive.

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

(B) the report be commended to the Executive.

249 EAST HERTS DATA SHARING PROTOCOL – DRAFT FOR CONSULTATION

The Chief Executive submitted a report concerning the draft data sharing protocol which outlined how information / data (suitable for disclosure), could be shared internally and externally with partner agencies. This Strategy had also been produced in response to the Auditor's requirement to have such documents in place.

The Strategy would be subject to detailed consultation with all services and Members. Once feedback had been established, the process for approving would be considered, including how external partners should be consulted.

Members welcomed the development of the Strategy. It was anticipated that the final version would be submitted to the Executive in December 2007.

RESOLVED – that (A) the Data Sharing protocol be supported; and

(B) following the consultation process, the Strategy be submitted to the Executive and Council for approval.

CE

250 AUDIT COMMITTEE: WORK PROGRAMME

The Director of Neighbourhood Services submitted a report of the Audit Committee's work programme for the civic year.

The work programme had been modified since Audit Committee on 26 June 2007 and the reasons for this were explained. The Director of Neighbourhood Services requested that the Work Programme for 28 November 2007

be amended by the inclusion of Risk Management Training and the programme for 26 March 2008 be amended to include a report on Comprehensive Area Assessment.

RESOLVED – that the report, as amended, be approved.

The meeting closed at 9.10 pm.

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| Chairman | |
| Date | |