

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON TUESDAY 24 JUNE
2008 AT 7.30 PM

PRESENT: Councillor W Quince (Chairman).
Councillors K Darby, N Pope, R A K Radford,
J P Warren.

ALSO PRESENT:

Councillors D Clark, M J Tindale.

OFFICERS IN ATTENDANCE:

Simon Chancellor	- Head of Financial Support Services
Simon Drinkwater	- Director of Neighbourhood Services
Chris Gibson	- Internal Audit and Business Improvement Manager
Tony Hall	- Interim Deputy Chief Finance Officer
Philip Hamberger	- Director of Internal Services
Peter Mannings	- Democratic Services Assistant

ALSO IN ATTENDANCE:

Denis Thorpe	- Grant Thornton - External Auditor
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69 APOLOGIES

Apologies for absence were submitted from Councillors J Hedley and N Wilson.

70 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed Denis Thorpe from Grant Thornton (External Auditors).

The Chairman advised that he had agreed to accept onto the agenda as an urgent matter, a report entitled Capital Payments and Financing 2007/08, in order to prevent undue delay in determining this matter.

The Chairman stated that the item of urgent business at agenda item 17 would be addressed after agenda item 7 and agenda item 7 would be moved up the agenda to follow agenda item 5.

RESOLVED ITEMSACTION71 APPOINTMENT OF CHAIRMAN

It was proposed by Councillor R A K Radford and seconded by Councillor K Darby that Councillor W Quince be appointed Chairman of the Audit Committee for the meeting.

RESOLVED – that Councillor W Quince be appointed Chairman of the Audit Committee for the meeting.

72 MINUTES

RESOLVED – that the Minutes of the meeting held on 21 April 2008 be confirmed as a correct record and signed by the Chairman.

73 2008/09 AUDIT COMMITTEE WORK PROGRAMME AND TERMS OF REFERENCE

The Internal Audit and Business Improvement Manager submitted a report providing the proposed Audit Committee work programme for the 2008/09 Civic Year.

The Committee was advised that one of the main changes for this year to the work programme at 'Appendix A5' of the report now submitted, was that the monitoring of the implementation of the Annual Governance Statement replaced the monitoring of the Statement of Internal Control. This change had also been reflected within proposed minor amendments to the terms of reference.

RESOLVED – that (A) the proposed 2008/09 Audit Committee work programme be approved; and

(B) the amended terms of reference be referred to Council for approval.

DNS

74 GENERAL FUND REVENUE OUT-TURN 2007/08

The Executive Member for Resources and Internal Support submitted a report updating the Committee on the general fund revenue out-turn for 2007/08. The Committee was advised that the general fund expenditure was currently subject to an under spend of £2.7 million.

The Committee was advised that given the increased level of underspend from that anticipated in February 2008, further consideration had been given to the level of reserves. The Executive Member stated that £600,000 would be allocated to increase the service improvement fund to £1,000,000. He also commented that an additional £400,000 would be allocated to the interest equalisation reserve.

Councillor D Clark expressed concerns that this report fell outside the remit of the Audit Committee and should have been submitted to Corporate Business Scrutiny Committee

to facilitate appropriate scrutiny of the issues raised. Councillor Clark sought and was given clarification on whether the terms of reference of the Audit Committee covered the submission of the report at this meeting.

Councillor K Darby sought clarification on the reasons for the shortfall in income in the areas of Building Control, Development Control and Land Charges. The Head of Financial Support Services attributed the shortfall to the downturn in economic activity in these Service areas.

RESOLVED – that (A) the General Fund Revenue Out-turn for 2007-08, be supported;

(B) Fund Balances, as set out within the report, being established at 31 March 2008 and the Director of Neighbourhood Services (Monitoring Officer), in consultation with the Portfolio Holder for Resources and Internal Support, being authorised to settle uninsured Loss Claims from the Insurance reserve, be supported; and

(C) Budget “Carry Forward” as set out within paragraph 6.0 and the Director of Customer and Community Services, in consultation with the Portfolio Holder for Planning Policy and Transport, being delegated authority to determine application of the Local Authority Business Growth Incentive (LAGBI) funds, be supported.

75 CAPITAL PAYMENTS AND FINANCING 2007/08

The Executive Member for Resources and Internal Support submitted a report updating Members of actual expenditure to date in respect of capital items during the last financial year when compared to the approved estimates.

The Committee was advised that Sanville Gardens and St Michaels Mead had slipped into the 2008/09 financial year. The Executive Member commented that, as part of the Review of Working Arrangements, a number of IT projects had also been subject to the same slippage.

The Head of Financial Support Services reported that, as this was a 3 year capital programme, it was by its very nature, a fluid programme that would be subject to changing timescales.

Councillor D Clark expressed her concern that this report also fell outside the remit of the Audit Committee's terms of reference and should have been submitted to the Corporate Business Scrutiny Committee.

RESOLVED – that (A) the actual Capital expenditure in 2007/08 be noted;

(B) the method of financing the Capital Programme 2007/08 be noted; and

(C) the items of “slippage” identified in the appendix to the report, which have been proposed by the Project Control Officers, be supported.

76 STATEMENT OF ACCOUNTS 2007/08

The Interim Deputy Chief Finance Officer submitted a report detailing the 2007/08 Statement of Accounts. The Committee was advised that the statement would have to be approved by Full Council by the 30 June 2008. Audit Committee's comments would be reported verbally at the Council meeting on 25 June 2008.

The Committee was provided with a detailed background of the Statement of Accounts, as now submitted .

The Committee supported the Statement of Accounts as now submitted.

RESOLVED – that the support of the Audit Committee regarding the Statement of Accounts for the financial year ending 31 March 2008, be referred to Council.

DIS

77 AUDIT STRATEGY DOCUMENT

The External Auditor submitted a report in respect of the Audit Strategy Document for the year ending 31 March 2008. He referred Members to page 8.9 of his report and highlighted the audit risks the Committee should take note of.

The Committee was reminded of the terms of reference and external objectives of the External Auditor. Members were referred to the structure of the audit process. The External Auditor concluded by highlighting the key timetables and milestones in the audit process. He made particular reference to the receipt of FRS 17 data from Hertfordshire County Council.

In response to a query from Councillor K Darby, the External Auditor commented favourably on Internal Audit's 2007/2008 core financial systems work and was pleased to report that it had been completed in time for his interim audit visit.

RESOLVED – that the report be noted.

78 INTERNAL AUDIT AND BUSINESS IMPROVEMENT SERVICE - POSITION STATEMENT

The Internal Audit and Business Improvement Manager submitted a report detailing the current position statement in respect of the Internal Audit and Business Improvement Service. He advised Members that appointments had been made to the posts of Principal Internal Auditor and Risk Assurance Officer. A good response had also been received to the advertisement for the vacant Principal Internal Auditor post.

The Committee was advised that the 2008/09 Audit Plan was being compiled in consultation with Directors and Heads of Service and the intention was to undertake more value for money work. Members were advised that an Internal Audit Independence Protocol had been prepared, to address previously expressed External Audit concerns in

respect of the independence of Internal Audit. Staff would be asked to sign up to the protocol.

The Committee received the report and approved the Independence Protocol.

RESOLVED – that the report be received and the Internal Audit Independence Protocol be approved.

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

The Internal Audit and Business Improvement Manager submitted a progress report in respect of the Statement of Internal Control action plan and updates that had arisen from Chief Officer assurance statements.

The Committee was referred to Appendix 'A10' of the report now submitted, as an update document that reflected the position in respect of the Statement of Internal Control as at 31 March 2008. Members were advised that 9 out of 17 milestones had been achieved to date.

The Internal Audit and Business Improvement Manager updated the Committee in respect of the six milestones achieved since the last report and explained that the eight milestones where satisfactory progress had been made would be carried forward to the Annual Governance Statement for continued monitoring.

The Committee was referred to Appendix 'B10' of the report now submitted, where Chief Officers had reaffirmed their commitment to maintaining robust systems of internal control. The exercise had revealed no new significant internal control issues of concern as at 31 March 2008.

In response to a query from Councillor M Pope, the Director of Internal Services reported that the Internal Audit reviews had found evidence that existing procedure notes had been satisfactorily reviewed by management during the past 12

months and were fit for purpose, but that in some instances they needed to be expanded.

The Committee received the report.

RESOLVED – that 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.

80 UPDATE ON IMPLEMENTATION OF AUDIT RECOMMENDATIONS

The Internal Audit and Business Improvement Manager submitted a report updating the Committee on management implementation of recommendations made by Internal and External Audit.

In respect of the Members IT protocol, the Committee was advised that 3 Members had yet to sign up to the protocol. In respect of the Travel and Subsistence review, there was a need to review the Council's responsibilities under the Corporate Manslaughter and Corporate Homicide Act 2007. In relation to Asset Management and Main Accounting reviews, various recommendations had been made but these needed to be revisited in the light of the new Financial Regulations.

In response to a query from Councillor Darby, the Internal Audit and Business Improvement Manager commented that adequate evidence had to be provided by Officers before any recommendation could be reported as resolved.

The Committee received the report.

RESOLVED – that the report be received.

81 ANNUAL GOVERNANCE STATEMENT

The Director of Neighbourhood Services submitted a report presenting the Annual Government Statement to the

Committee. The Director advised Members that the Annual Governance Statement was an extension to the previous Statement of Internal Control. He commented that the statement would be subject to an annual review.

The Director referred Members to an amendment to part B of his recommendation to read 'the statement be submitted to Full Council'. He detailed the specific scope of the document and commented that the Committee would receive updates to the Annual Governance Statement on a regular basis.

In respect of a query from Councillor D Clark in relation to the decision making flow and information chart, Officers agreed to add a further arrow to demonstrate the flow of strategy, policy and development information back to Council and the Executive.

The Committee supported the Annual Governance Statement.

<u>RESOLVED</u> – that (A) the Executive be recommended to approve the process for the production of the Council's Annual Governance Statement;	DNS
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(B) the Statement be submitted to Full Council;	DNS
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(C) following approval by Council, the Leader and the Chief Executive be authorised to sign the Statement; and	CE
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(D) the Annual Governance Statement be submitted to Corporate Business Scrutiny Committee.	DNS
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82 LOCAL CODE OF CORPORATE GOVERNANCE

The Director of Neighbourhood Services submitted a report detailing the first draft Local Code of Corporate Governance. The Committee was advised that work on the document was ongoing and updates would be submitted to

the Audit Committee at future meetings.

The Director reported that the local code was an evolutionary document and this report introduced the first draft of the code for the Committee's consideration.

In response to a query from Councillor Darby, the Director commented that the draft code would be submitted to the Corporate Business Scrutiny Committee. He also stated that Corporate Management Team (CMT) would need to work up ownership assessments.

The Committee supported the Local Code of Corporate Governance.

RESOLVED – that (A) the Executive be recommended to approve the Local Code of Corporate Governance; and

(B) the Code be submitted to Corporate Business Scrutiny Committee.

83 IMPLEMENTATION OF REVISED FINANCIAL REGULATIONS

The Interim Deputy Chief Finance Officer submitted a report that reviewed implications of the revised Financial Regulations, as agreed at Council on 25 March 2008. Members were advised that the report was before the Committee to allow Members to oversee the supervision of the Council's governance arrangements.

The Committee was also advised that the revised regulations enabled budget managers to take greater financial management responsibility and provided Members with up to date financial management data. The Interim Deputy Chief Finance Officer reported that commitment accounting was assumed within the regulations and the roll out of the E-Marketplace would assist in moving towards this position.

Members were advised that an updated position statement would be submitted to the next meeting of the Audit Committee. The Chairman commented that progress reports would be regularly submitted to future meetings of the Audit Committee.

The Committee approved the proposals now detailed.

RESOLVED – that (A) the level of immediate compliance with the Financial Regulations be noted;

(B) project plans be developed to deliver the revised financial systems and procedures required to fully implement the Financial Regulations, with an approach that will provide clear indication of “direction of travel” in modernisation of financial management of the Authority; and

DIS

(C) progress on the implementation of the Regulations should be regularly reported to the Audit Committee as part of it’s role for overseeing the Council’s Governance arrangements.

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84 EAST HERTS DATA QUALITY AUDIT PROGRESS REPORT

The Leader of the Council submitted a report on the updated position in respect of the Data Quality Action Plan. There were a significant number of instances where actions were considered to have been completed. The External Auditor would review the progress on the action plan as part of the Stage One data quality audit in July 2008.

The Committee received the report.

RESOLVED – that the report be received.

85 OPERATIONAL AND STRATEGIC RISK MONITORING REPORT (1 JANUARY - 31 MARCH 2008)

The Director of Neighbourhood Services submitted a

progress report detailing actions taken to mitigate and control risks tracked by operational and strategic risk registers during the period 1 January to 31 March 2008, which was noted.

RESOLVED – that (A) the progress in taking action to mitigate and control risks tracked by operational and strategic risk registers during the period 1 January to 31 March 2008 be noted; and

(B) the report be referred to the Executive on 5 August 2008.

CE

The meeting closed at 8.40 pm.

Chairman
Date