

MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE HELD IN THE  
COUNCIL CHAMBER, WALLFIELDS,  
HERTFORD ON WEDNESDAY 3  
SEPTEMBER 2008 AT 7.30 PM

PRESENT: Councillor J Hedley (Chairman).  
Councillors K Darby, M Pope, W Quince,  
R A K Radford.

ALSO PRESENT:

Councillors D Clark, N P Clark and P A Ruffles.

OFFICERS IN ATTENDANCE:

Mike Collier	- Interim Director of Internal Services
Dave Cooper	- Performance Officer
Simon Drinkwater	- Director of Neighbourhood Services
Chris Gibson	- Internal Audit and Business Improvement Manager
Peter Mannings	- Democratic Services Assistant

ALSO IN ATTENDANCE:

Justin Collings	- Grant Thornton - External Auditor
Paul Dossett	- Grant Thornton - External Auditor
Denis Thorpe	- Grant Thornton - External Auditor

257 APOLOGIES

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

258 CHAIRMAN'S ANNOUNCEMENTS

The Chairman apologised for being absent at the 24 June 2008 meeting and thanked Councillor W Quince for chairing the meeting.

The Chairman welcomed Justin Collings, Paul Dossett and Denis Thorpe from Grant Thornton (External Auditors).

RESOLVED ITEMSACTION259 MINUTES

RESOLVED – that the Minutes of the meeting held on 24 June 2008 be confirmed as a correct record and signed by the Chairman, subject to the following amendment:

Delete in second line under Members present –  
'.....N Pope.'

Replace with – 'M Pope'.

260 ROLE OF THE AUDITOR AND LOCAL GOVERNMENT ELECTORS

Paul Dossett gave a presentation in respect of the role of the External Auditor in relation to the public as local government electors. He advised that public queries should relate to the accounts and any queries should be evidence based.

Paul Dossett referred to value for money concerns and fraud as issues the External Auditor could investigate following queries from local government electors. He stated that a judgement had to be made whether a query

was for the External Auditor, the Local Government Ombudsman or was covered by the Freedom of Information Act.

Paul Dossett advised that the External Auditor could issue a public interest report if there was sufficient cause for concern to justify such action. He advised that a public interest report would generate significant press interest and the Council would have to respond in the public domain.

The Committee was also advised that Grant Thornton could issue a Section 11 notice as part of the Annual Audit Letter. Paul Dossett concluded that the Council should respond to a Section 11 notice in the public domain. He stated that the External Auditor could make recommendations outside of public interest reports and Section 11 notices.

Councillor J Hedley sought and was given clarification in respect of what action would be taken if the External Auditor was faced with a serial complainant. Paul Dossett commented that the External Auditor could judge a serial complainant to be malevolent and terminate all further contact.

The Committee was advised that a judgement had to be made on whether the issue was of sufficient public interest to warrant further action. Paul Dossett commented on the importance of striking a balance between taking action or designating a serial complainant as malevolent.

In response to a query from Councillor P A Ruffles, Paul Dossett stated that the Audit Commission was a multi-faceted organisation with a very broad remit. He commented that the remit was broadly based on economy, efficiency and effectiveness.

The Committee was advised that the Audit Commission reported on particular topics in reference to best practice and made recommendations that often made headline news.

The Committee agreed that the presentation be noted.

RESOLVED – that the presentation be noted.

261 EXTERNAL AUDIT ISA 260 REPORT - ANNUAL REPORT  
TO THOSE CHARGED WITH GOVERNANCE

Justin Collings, on behalf of the External Auditor, submitted the Annual Report to Those Charged With Governance. The report outlined key matters arising from the External Audit.

The Committee was referred to significant changes due in respect of the statement of accounts in future years, in particular, the implementation of International Financial Reporting Standards (IFRS).

Justin Collings reported that the External Auditor expected to issue an unqualified opinion on the Council's accounts and an unqualified value for money conclusion. The Committee was advised of the appreciation of Grant Thornton for the co-operation and assistance of the Council's Officers during the conduct of the audit.

Justin Collings requested that the Audit Committee minute an approval of the accounting treatment chosen by management, which was consistent with the accounting for accrued interest on borrowings.

Councillor D Clark commented on paragraph 1.10 of the report now submitted and queried how the Annual Governance Statement could be amended when this document had been approved at Full Council.

Justin Collings advised that the recommended changes to the Annual Governance Statement did not impact on the focus of the document. He commented that, on those grounds, a resubmission to Full Council was not required.

Councillor W Quince commented on how the External Auditor defined an elector. Justin Collings stated that anyone who was eligible to vote, including elected Members, was classified as an elector.

It was noted that the Committee approved the accounting treatment chosen by management. It was also noted that the Letter of Representation relating to the 2007/08 Accounts should be signed by the Leader of the Council and the Chief Executive.

RESOLVED – that (A) the report be noted;

(B) the accounting treatment chosen by management be approved; and

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

## 262 INTERNAL AUDIT AND BUSINESS IMPROVEMENT SERVICE - POSITION STATEMENT

The Internal Audit and Business Improvement Manager submitted an update report in respect of the activity within the Internal Audit and Business Improvement team since Audit Committee met on 24 June 2008. The Committee was also provided with an update in respect of outstanding audit recommendations.

The Committee was advised that one of two vacant Principal Auditor posts had been filled internally since early August. The Internal Audit and Business Improvement Manager reported that a good response had been received to the advert for the remaining vacant Principal Auditor post. However, although four applicants had been interviewed, no appointment had been made.

The Committee was advised that two functions previously viewed as prejudicing Officers' independence had been transferred away from Internal Audit. These were the administration of returned cheques and maintenance of the contracts register.

The Internal Audit and Business Improvement Manager stated that External Audit had recommended that actions

detailed in the Annual Governance Statement should be time specific and relevant to identified control weakness. The Committee was advised that Officers had revisited the significant governance issues and had made the actions smarter. Target dates had also been incorporated for all actions. The Committee was advised that Officers would report back on progress to date at future meetings of the Committee.

In respect of the follow up of Audit Recommendations, the Committee was advised that the follow-ups template had been updated and eleven recommendations had been marked as resolved. The Internal Audit and Business Improvement Manager stated that, in addition, two other outstanding recommendations had been resolved in that both had been considered by the Standards Committee on 19 August 2008.

The Committee was advised that Officers had identified two warning bells, in respect of the Members IT Protocol as three Members had yet to sign up, and in respect of the Travel and Subsistence review, due to the implications of the Corporate Manslaughter and Corporate Homicide Act being under review.

The Committee was advised that Officers were currently revisiting recommendations made in the Asset Management Review and Main Accounting reviews in the light of new Financial Regulations.

The Internal Audit and Business Improvement Manager stated that, in most instances some progress had been made against recommendations, but Officers had not obtained sufficient evidence to show the recommendation as resolved.

Councillor N P Clark commented that the Members IT Protocol contained no guidance in respect of the procedure to be followed should an elected Member breach the protocol. The Internal Audit and Business Improvement Manager undertook to take this issue forward.

Councillor K Darby commented on the risks associated with the current arrangements for checking employees transport arrangements and whether the Council was fully discharging responsibility under the Corporate Manslaughter and Corporate Homicide Act 2007. The Internal Audit and Business Improvement Manager stated that no test cases had occurred to facilitate the act being tested in a court of law.

The Committee agreed that the report be received.

RESOLVED – that the report be received.

### 263 INTERNAL AUDIT PLAN 2008 TO 2009

The Internal Audit and Business Improvement Manager submitted a report in respect of the draft internal audit plan covering the period 1 April 2008 to 31 March 2009. The Committee was advised that the plan was for a 1 year period and Zurich Municipal were currently reviewing the Authority's risk management process and risk registers.

The Committee was advised that it was likely that fundamentally different risk registers would be in place for the next financial year. The Internal Audit and Business Improvement Manager stated that the plan had been compiled based on the previous three year plan for 2007 to 2010, but also taking into consideration strategic and operational risk assessments and service requirements.

Members were advised that deferred reviews from last year have been brought forward to this year and that the plan was based on 2.9 full time employees. The Internal Audit and Business Improvement Manager advised that, although the section currently fell below that staffing level, management had indicated that external resources would be used where necessary.

The Committee was advised that Officers had allocated 35 days for computer audit work and would be looking to engage a specialist IT auditor for up to 20 days, in partnership with other Hertfordshire District Councils

through the Hertfordshire Internal Audit Partnership.

The Internal Audit and Business Improvement Manager stated that Corporate Management Team (CMT) had considered the plan in August 2008 and their views had been taken on board, as had comments from the External Auditor. The Committee was advised that the Committee's comments would be fed back to CMT.

RESOLVED - that (A) the content of the draft Internal Audit Action Plan for the period 1 April 2008 to 31 March 2009 be noted; and

(B) the Internal Audit and Business Improvement Manager feedback the Committee's comments to Corporate Management Team. DIS

## 264 IMPLEMENTATION OF REVISED FINANCIAL REGULATIONS

The Internal Audit and Business Improvement Manager, on behalf of the Interim Deputy Chief Finance Officer, submitted a report reviewing the progress on implementation of the revised Financial Regulations approved at Full Council on 25 March 2008.

The Committee was advised that familiarisation and awareness training had been provided for Heads of Service throughout June and July 2008, in support of the understanding and appreciation of the changed responsibilities introduced by the Financial Regulations.

The Internal Audit and Business Improvement Manager stated that it is intended that all service areas would be live with the E-Procurement Market Place by mid November 2008 and that a review as to how creditors were paid was targeted by March 2009.

The Committee agreed that the report be noted.

RESOLVED – that the progress in implementing the Financial Regulations since the report on 24 June



2008 be noted.

265 OPERATIONAL AND STRATEGIC RISK MONITORING REPORT (1 APRIL - 30 JUNE 2008)

The Director of Neighbourhood Services submitted a report in respect of actions taken to mitigate and control risks tracked by operational and strategic risk registers during the period 1 April to 30 June 2008.

The Committee was advised that Zurich Municipal was in the process of auditing the risk management system, including the risk register and the strategy. The Director stated that the outcome of the audit would be reported to Members at a future meeting.

In response to a query from Councillor N P Clark in respect of outstanding critical items in the Strategic Risk Registers, the Performance Officer undertook to e-mail the Operational and Strategic Risk Registers to the Committee and also to Councillors D Clark and N P Clark.

The Committee agreed that the report be noted and referred to the Executive on 14 October 2008.

RESOLVED - that (A) the progress in taking action to mitigate and control risks tracked by operational and strategic risk registers during the period 1 April to 30 June 2008 be noted; and

DNS

(B) the report be referred to the Executive on 14 October 2008.

DNS

266 AUDIT COMMITTEE - WORK PROGRAMME

The Internal Audit and Business Improvement Manager submitted a report on the Audit Committee's revised work programme, based on the recommendations of the External Auditor.

The Committee was advised that Officers would update Members in November 2008 and March 2009 in respect of

the Implementation of Revised Financial Regulations, in addition to an updated position in respect of the Annual Governance Statement.

The Committee was requested to advise Officers of any Members' training needs.

The Committee approved the revised work programme.

RESOLVED – that the revised work programme for the Audit Committee be approved.

The meeting closed at 8.25 pm

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