

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON WEDNESDAY 25
NOVEMBER 2009 AT 7.30 PM

PRESENT: Councillor J O Ranger (Chairman).
Councillors K Darby, A M Graham, J Hedley,
M Pope, J P Warren.

ALSO PRESENT:

Councillors D Clark, N P Clark, M J Tindale
and M Wood.

OFFICERS IN ATTENDANCE:

Dave Cooper	- Performance Officer
Chris Gibson	- Internal Audit and Business Improvement Manager
Alan Madin	- Director of Internal Services
Peter Mannings	- Democratic Services Assistant
Ceri Pettit	- Head of Strategic Direction (shared) and Performance Manager
John Woodham	- Deputy Section 151 Officer

ALSO IN ATTENDANCE:

Justin Collings	- Grant Thornton - External Auditor
Paul Dossett	- Grant Thornton - External Auditor
Nick Taylor	- Grant Thornton – External Auditor

393 CHAIRMAN'S ANNOUNCEMENT

The Chairman commented that the reports on the agenda contained a certain amount of repetition. He stated that Members' questions would be addressed at appropriate points in the meeting.

RESOLVED ITEMSACTION394 MINUTES

RESOLVED – that the Minutes of the meeting held on 2 September 2009 be confirmed as a correct record and signed by the Chairman.

395 EXTERNAL AUDIT REPORT : ANNUAL AUDIT LETTER 2008/09

Paul Dossett, Grant Thornton, submitted a report highlighting the key issues arising from the Annual Audit Letter 2008/09. He stated that the letter had been circulated to Members as the Committee had to be presented with this document by 31 December 2009.

Paul Dossett drew the Committee's attention to a number of key areas for action in 2009/10. He highlighted Members' expenses, the Use of Resources Assessment and the introduction of accounting under International Financial Reporting Standards (IFRS) as particular areas the Authority should focus on for 2009/10.

The Committee was referred to page 5.09 onwards for the Auditor's recommendations going forward. Paul Dossett stated that the Council was performing well in relation to value for money monitoring and work around the National Fraud Initiative (NFI).

Councillor J O Ranger referred to an e-mail from Councillor N P Clark concerning the Independent Remuneration Panel. He commented that an assertion had been made that a meeting of the Panel arranged for March 2009 had

then been cancelled before it had taken place. Councillor Ranger invited the Director of Internal Services to give Members an explanation of the situation regarding that meeting.

The Director of Internal Services commented that Officers had hoped to convene a meeting of the Panel in March 2009. However, when the Head of Democratic and Legal Support Services had looked into setting up the meeting, it had become clear that the meeting could not have taken place at that time.

Paul Dossett referred to the implemented recommendations as detailed in Appendix 'C' to the report now submitted. He stated that the implemented recommendations were a reflection of the good work carried out by Officers following the receipt of recommendations in the 2008/09 Annual Audit Letter.

In response to a query from Councillor A M Graham in respect of benchmarking the Authority in comparison to neighbouring Councils, Paul Dossett commented that benchmarking in any field should be treated with caution.

The Committee was advised that benchmarking was one of a number of processes that could be used to compare Authorities. Paul Dossett stated that the idea was to select the most appropriate benchmarks. The Audit Commission grouped Local Authorities by nearest neighbour.

Councillor M Pope asked whether Grant Thornton could provide some training for Members in respect of IFRS. Paul Dossett commented that training could be arranged for the March 2010 meeting of the Committee.

Councillor Pope commented on how the financial pressures facing the Authority were being addressed. The Chairman commented that the issue had been thoroughly scrutinised by the Corporate Business Scrutiny Committee. The Executive had also considered ways to mitigate the projected overspend.

The Chairman commented that Officers were considering ways of saving money for forthcoming financial years, such as bringing savings forward from future budget years. The Director of Internal Services commented that monthly health checks had identified some mitigating savings, as well as some additional budgetary pressures.

Councillor Graham commented on the identified audit risk of moving from two administrative centres to one. He asked the Auditors when they would report back on this issue. Paul Dossett commented that Grant Thornton would report back in January 2010.

In response to a query from the Chairman on workforce management, Paul Dossett commented that plans for developing the Council's workforce were in place. In response to a Member question, Paul Dossett stated that more public questions had been raised with Grant Thornton about the Council than at a number of other similar Councils combined.

The Committee received the report and Annual Audit Letter 2008/09.

RESOLVED – that the report be received and noted.

396 CONCLUSION OF 2008/09 AUDIT OF ACCOUNTS

The Director of Internal Services submitted a report to advise the Audit Committee on the outcomes of the submission of electors' objections and questions on the Council's Statement of Accounts to the Council's External Auditor. The Director acknowledged the unusual extent of the issues raised.

The Director referred Members to Essential Reference Paper 'B' for an indication of the issues that had been raised with Grant Thornton. The Committee was advised that the Authority had made a more extensive disclosure of some of the valuations in the accounts. He hoped that the enhanced disclosure had confirmed that the accounts were

fundamentally sound.

The Committee noted the report and action plans now submitted.

RESOLVED – that the 2008/09 Audit of Accounts report and action plans be noted.

397 USE OF RESOURCES 2009 - FINDINGS AND CONCLUSIONS

The External Auditor submitted a report on the Use of Resources 2009 - findings and conclusions. Justin Collings commented on the context of this report. He stated that Grant Thornton was required to reach a conclusion on whether the Council had put in place arrangements to secure economy, efficiency and effectiveness in its use of resources.

Justin Collings referred Members to Appendix 'B' for the new framework for the use of resources assessment. The framework for scoring remained unchanged and the scores for the Council were detailed at Appendix 'C' on page 7.35 of the report now submitted.

Justin Collings commented that the new framework made the assessment more challenging than in previous years. He commented that the new framework was a learning curve for Members, Officers and the Audit Commission. He stated that the Council was performing well in relation to the management of resources and finances.

Justin Collings advised that the Council had maintained a consistent high quality performance in relation to the presentation of year end accounts. He commented that Officers had prepared a separate report to address the recommendations of the Audit Commission.

The Committee was reminded of the importance of monitoring the implementation of the recommendations set out at Appendix 'A' to the report now submitted. Councillor M Pope commented on the finding that the Council's

Human Resources (HR) function had been under resourced in recent years and whether this issue had been addressed.

The Director of Internal Services commented that the HR function was adequately resourced. He referred to extra capacity being provided by Manpower. He advised the Committee that an interim Head of HR from Hertfordshire County Council would cover an impending period of maternity leave for the Officer in that post.

Councillor J O Ranger commented that Members may have become too focused on details around process and scrutiny at the expense of more strategic matters. He hoped that Scrutiny Committee Members had taken that into account.

Paul Dossett commented that the outcomes of the consultation on the Sustainable Community Strategy were unclear. The Council lacked a clear focus on how it will deliver on the social and environmental objectives. Improvements were required at the Local Strategic Partnership (LSP) level to ensure positive outcomes.

In response to comments from Councillors Ranger and Tindale, Paul Dossett stated that it was important that Members have development plans. He commented that this was good practice and plans should be reviewed periodically.

Councillor A M Graham commented that the first Audit Committee meeting of the new civic year could be set aside for a training session for Members. Training would help Members fully understand the remit of the Audit Committee and ensure there was a suitable quality of challenge. Officers and the External Auditor agreed that this would be useful.

The Committee noted the Use of Resources findings and conclusions report now submitted.

RESOLVED – that the Use of Resources 2009 findings and conclusions report be received and

noted.

398 USE OF RESOURCES ASSESSMENT 2008/09 -
COUNCIL RESPONSE

The Leader of the Council submitted a report setting out the Council's response to the recommendations of the Council's External Auditor following the Use of Resources assessment for 2008/09.

The Committee was referred to Essential Reference Paper 'B' for the 2009/10 Use of Resources Action Plan. Members were advised that the action plan would be monitored on a six monthly basis and would be reported back to the Committee in June 2010.

The Committee was advised that two actions remained outstanding. The Head of Strategic Direction (shared) and Performance Manager commented that the feedback form for Member training had been piloted and had been well received.

Councillor D Clark commented that, in relation to Member Development Plans and the Member Development Charter, she was on the Member group looking at the action plan. She commented that there had only been one meeting and she had heard nothing about future meetings to take this forward.

The Director of Internal Services commented that he would liaise with the Head of Democratic and Legal Support Services and a meeting would be convened shortly.

The Committee received the report.

RESOLVED – that the Council's response to the 2008/09 Use of Resources Assessment be approved.

399 2008/09 USE OF RESOURCES ACTION PLAN -
PROGRESS REPORT AGAINST THE EXTERNAL
AUDITOR'S RECOMMENDATIONS

The Leader of the Council submitted a report on the progress made against the External Auditor's recommendations following the Council's 2007/08 Use of Resources assessments. The report also set out the three outstanding actions due to be incorporated into the 2009/10 action plan, in response to the External Auditor's recommendations made in respect of the Council's 2008/09 Use of Resources assessment.

The Committee was referred to Essential Reference Paper B on the 2008/09 Use of Resources Action Plan. Members were advised that five actions had been achieved, two actions had revised completion dates and one action was on target. Members were also advised of the priority colour coding detailed in Essential Reference Paper 'B'.

The Committee received the report.

RESOLVED – that (A) the achievement against the 8 recommendations detailed in Essential Reference Paper 'B' be noted;

(B) the revised completion dates for actions 3 and 4 be approved; and

(C) the outstanding actions be incorporated into the 2009/10 action plan.

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400 DATA QUALITY AUDIT ACTION PLAN PROGRESS
REPORT

The Leader of the Council submitted a report on the progress of the corporate response to the Data Quality Audit Report by Grant Thornton. A progress update was also submitted in respect of the Data Quality Action Plan.

The Committee was requested to approve the inclusion of an annual review of the Data Quality Strategy in the Action Plan. In response to a query from Councillor A M Graham on the effectiveness the Data Sharing Protocol, Officers commented that the protocol had proved to be very effective.

Councillor Graham commented on whether the benefits of partnership working had been logged. The Head of Strategic Direction (shared) and Performance Manager commented that this had not been logged but Officers could look into this. Councillor Ranger commented that this issue had been raised at Scrutiny.

The Committee received the report.

RESOLVED - that (A) the progress against the Data Quality Audit Action Plan be noted;

(B) the action plan be no longer monitored;

(C) the outstanding action be fed into the Strategic Direction 2010/11 Service Plan; and CE

(D) an annual review of the Data Quality Strategy be built into the Audit Committee work programme. CE

401 UPDATE ON IMPLEMENTATION OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Chairman complimented Officers on the quality of the Internal Audit reports.

The Internal Audit and Business Improvement Manager submitted a report updating the Committee on progress in respect of the implementation of the Annual Governance Statement Action Plan.

The Committee was advised that progress was being made in all areas and there were no issues of concern. The Internal Audit and Business Improvement Manager

submitted a breakdown of progress against the milestones detailed in the report.

Councillor N P Clark commented that, although it had been stated that the Council's Constitution had been audited in full through the Monitoring Officer, a lot more work was required to ensure consistency. Councillor D Clark commented that it was a challenge for an Officer to review his own work. She stated that the Constitution should be revisited to ensure an independent perspective.

The Director of Internal Services advised that the Constitution was fundamental to the role of Members and that Members should take ownership of it. He also stated that Officers suggested revisions to the Constitution when there had been changes to statutory provisions.

Councillor J O Ranger commented that Members could receive training in respect of governance. He also stated that the Constitution could be checked annually by Corporate Business Scrutiny Committee.

The Committee received the report.

RESOLVED - that the progress made against implementing the Annual Governance Statement Action Plan be noted.

402 INTERNAL AUDIT SERVICE - POSITION STATEMENT

The Internal Audit and Business Improvement Manager submitted a report detailing the internal audit activity undertaken since the previous meeting of the Committee. He provided an update on outstanding audit recommendations.

The Committee was referred to Essential Reference Paper 'B' for information in respect of the follow up of Audit recommendations. The Internal Audit and Business Improvement Manager commented that 17 recommendations had been resolved since the previous

meeting of the Committee.

The Committee was referred to Essential Reference Paper 'C' for a self assessment form that Officers hoped Members would complete to assist Officers when compiling a training programme for the Committee.

Councillor N P Clark stated that the lessons learned from the Leisure Management Contract review should be shared through the Scrutiny process. The Internal Audit and Business Improvement Manager undertook to raise this issue with the Director of Customer and Community Services.

Councillor A M Graham commented that the self assessment would be a useful prompt that Members required training in any particular aspect of the work within the remit of the Audit Committee. The Director of Internal Services commented that Officers would endeavour to address the training needs identified by Members.

Councillor Ranger supported the self-assessment form being sent to all members of the Committee, substitutes and regular attendees.

Councillor Ranger commented that there was significant concern amongst local Members and the public that section 106 contributions were not being spent in the areas most affected by planning applications. He commented that a report to the Committee on this would be helpful.

The Director of Internal Services commented that larger sums tended to accrue to Hertfordshire County Council. He stated that East Herts Council's role was mainly to ensure that section 106 agreements were adhered to. He suggested that any report on this matter should include the County Council perspective and that he would consider the matter further.

The Committee received the report.

RESOLVED - that the report be received and noted.

403 RISK MANAGEMENT MONITORING REPORT
(1 JULY – 30 SEPTEMBER 2009)

The Leader of the Council submitted a report detailing actions taken to mitigate and control strategic risks during the period 1 July to 30 September 2009.

In relation to a query from Councillor M Pope in respect of SR6 on the Carbon Reduction Commitment, the Director of Internal Services commented that the resources available to the Council were coming under severe stress. He stated that the current financial climate was making the Council's community leadership role increasingly difficult.

The Committee received the report.

RESOLVED – that the action taken to mitigate and control strategic risks during the period 1 July – 30 September 2009 be noted.

404 CHANGES INTRODUCED INTO THE STATEMENT OF
RECOMMENDED PRACTICE 2009 AND THE IMPACT OF
INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Director of Internal Services submitted a report that provided a summary of the main changes that had been introduced into the 2009 Statement of Recommended Practice (SORP). Members were also made aware of the future requirements to convert to International Financial Reporting Standards (IFRS).

The Committee was advised that converting to the use of IFRS was at variance with the statutory basis for setting council tax. Members were advised that articulating the accounts to Members and interested parties could prove increasingly challenging. The Council would have to acknowledge costs that would not ordinarily be of prime consideration to a public sector Authority.

The Director advised that, as the billing Authority, the Council collects taxes which are passed onto the major preceptors for Council Tax. The SORP guidelines for accounting for Council Tax had changed. He stated that the appropriate apportionment of Council Tax debtors would be included in the billing Authorities' and major preceptors' balance sheets.

The Director stated that SORP guidelines also introduced a new requirement that billing Authorities should no longer recognise National Non Domestic Rates (NNDR) debtors on their balance sheets. The Authority was no longer required to disclose information in relation to section 137 expenditure, publicity and building control.

The Committee was advised that these changes carried a risk that the Authority could be open to accusations of reduced transparency in the presentation of the accounts. The Director also emphasised that converting to IFRS was a resource challenge for the Council.

The Director commented that IFRS sought to value a business at the start and end of the year whilst explaining the change in valuation. He stated that the accounts would be more in line with those of a private company and this concept of valuing the business was not one the public sector had traditionally adopted.

Councillor J O Ranger commented that the current public sector practice of not carrying over budgets and spending a set amount in a financial year did not facilitate the flexibility available to the private sector. Justin Collings commented that IFRS would enable the Council to account for assets in the same way most companies do.

The Director advised that, with regard to pension liabilities and assets, an interim aggregate valuation of the Council's assets would take place each year with a full valuation every 3 years. Councillor N P Clark stated that if Members considered a disclosure of non statutory information would be helpful, then such a disclosure should be included in the

accounts.

The Director commented that Officers could include such information if requested to do so by Members. He stated however that this information may not be helpful as Officers would be unable to benchmark the data. He commented that one option would be to report such data separately as opposed to embedding it in the accounts.

The Committee received the report.

RESOLVED - that the report be noted.

405 WORK PROGRAMME

The Internal Audit and Business Improvement Manager submitted a report on the revised work programme for the 2009/10 civic year.

It was noted that the contract performance review would be removed from the work programme for the meeting in January 2010. It was also noted that the External Auditor had requested that the External Audit Report - Grants 2008/09 be brought forward to the January 2010 meeting and an additional item on the Updated Audit Plan 2009/10, also for January 2010.

RESOLVED – that the revised work programme, as now submitted, be approved.

The meeting closed at 9.50 pm.

Chairman
Date