

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON WEDNESDAY 20
JANUARY 2010, AT 7.30 PM

PRESENT: Councillor J O Ranger (Chairman)
Councillors A M Graham, J Hedley, M Pope,
R A K Radford and J Warren

ALSO PRESENT:

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

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Committee Secretary
Chris Gibson	- Internal Audit and Business Improvement Manager
Victoria Harvey	- Principal Auditor
Alan Madin	- Director of Internal Services
Ceri Pettit	- Head of Strategic Direction (shared) and Performance Manager

ALSO IN ATTENDANCE:

Paul Dossett, Nick Taylor and Mark Woodhall

507 APOLOGIES

An apology for absence was submitted from Councillor K Darby.

508 CHAIRMAN'S ANNOUCEMENTS

The Chairman welcomed all in attendance. He referred to the minutes of the last meeting and stated that the request by Councillor A M Graham for a report back on the audit risk of moving from two administrative centres to one would be reported back to Members at the meeting on 17 March 2010.

RESOLVED ITEMS

509 MINUTES

RESOLVED – that the Minutes of the meeting held on 25 November 2009 be confirmed as a correct record and signed by the Chairman.

510 EXTERNAL AUDIT REPORT - REVIEW OF SCRUTINY AND AUDIT COMMITTEE ARRANGEMENTS (FINDINGS)

Paul Dossett stated that Grant Thornton had undertaken a review of the scrutiny arrangements within the Council. He commented that scrutiny was a difficult issue for local government generally and that many local authorities struggled to articulate the impact of scrutiny and to demonstrate the value added to the democratic process. Overall and with East Herts, scrutiny was achieving similar levels of performance which Grant Thornton experienced elsewhere. He stated there was a strong commitment within the Council and that the scrutiny function was well supported by Officers. He added that Audit Committee was improving in its effectiveness.

Grant Thornton had identified a number of key issues in order to take the scrutiny process forward:

- Ensuring that a robust assessment of training needs was undertaken with a clear action plan to implement training needs for Members during 2010/11;
- the provision of financial information as part of the scrutiny process needed to be set within a clear and consistent framework;
- complex issues under review by scrutiny, would benefit

from direct access by Scrutiny to any independent advice retained by the Council and from external advisors where relevant;

- to review the effectiveness of scrutiny on an annual basis, to demonstrate the impact it has made on the democratic process.

An action plan attached to the report now submitted, set out the recommendations made by the External Auditor.

In terms of Audit Committee, the External Auditor stated that the agenda and issues covered were sound. He stated that some issues were difficult for Members to understand and that further training in accounting matters, particularly those relating to International Financial Reporting Standards, the CIPFA Code for Internal Audit and the wider Use of Resources and the CAA regime, would help Members.

The Chairman thanked the External Auditors and suggested that the report be submitted to all Scrutiny Committees. This was supported. He referred to the fact that many of the recommendations were already in hand.

The Chairman referred to the External Auditor's statement that *"scrutiny is at its most powerful when it stands back from the detail of existing service delivery and processes. It should focus on outcomes for service users and taxpayers and how they can be improved"*. He suggested that this aspect should be stressed to each of the Scrutiny Committees.

In response to a query by Councillor A M Graham concerning the levels of public involvement, specifically on the issue of leisure and why this was not part of the action plan, the Chairman stated that the issue of how to involve the general public had been raised at the Joint Scrutiny Committee on 19 January 2010. He stated that he would be attending a meeting next week in London to consider possible initiatives. The Head of Strategic Direction (shared) and Performance Manager advised that the issue of public involvement had been addressed within the context of recommendation (6).

Councillor N Clark asked for the Auditor's view in relation to the 4 out of 10 overall score in terms of comparative and absolute values. He queried the use of professional knowledge stating that he was a Chartered Engineer specialising in finance and that these skills could benefit the Council. He referred to a statement that "professional judgement should be left to professional officers" and was concerned that professionals were being told that they must not use their professional knowledge.

Paul Dossett explained that in terms of values, it depended on what the Council was trying to achieve. He stated that he had looked at the Council in the context of other local authorities and their performance levels and that Members came from a variety of backgrounds. Overall, he felt that East Herts had scored an average of 6 out of 10. Paul Dossett encouraged Members to always raise issues of concern but that in the execution of policy, that should remain a function of the Officer. The Chairman clarified the position of Task and Finish Group Membership, adding that Members were sought on the basis of interest and expertise.

Councillor N Clark queried the political balance in relation to informal groups and stated that the Independent Group had not been involved in any Officer group. He stated that such groups were set up without the inclusion of one particular group. He added that one Member was a former Chairman of Audit Committee and a Chartered Accountant.

Paul Dossett explained that it was hoped that the Council would make more use of expertise on scrutiny especially in relation to financial matters. The Chairman added that task and finish groups could comprise any Member of the Council. Councillor N Clark explained that he was referring to Joint Member Officer Groups and not task and finish groups.

Councillor D Clark challenged task and finish group membership in terms of the inclusion of Members from the Opposition. The Chairman stated that the Council had had a process of scrutiny for approximately 10 years and that task and finish representation was based on a Members' interest in

the subject under review and their availability. A task and finish group appointed its own Chairman.

Councillor N Clark questioned the inclusiveness “on the surface” of rights to background information. Paul Dossett stated that this was an issue for the Council in terms of how it operated and who should receive specific papers. He emphasised transparency and openness and that Members should have access to all papers which were helpful in the decision making process.

In response to a query from Councillor N Clark as to whether the External Auditor had read a report to the September 2007 meeting of the Executive in relation to the Changing the Way We Work Programme, the Chairman stated that answers to this issue had been discussed elsewhere.

Councillor D Clark stated that of the major decisions made by the Executive, none had been reviewed by Scrutiny. She stated that the External Auditors had made the assumption in their report that the Changing the Way We Work report had been considered by Scrutiny. Paul Dossett stated that there was not sufficient information currently provided at Scrutiny and that when there were big decision to be made, Scrutiny must have the opportunity of addressing them in a timely manner which might necessitate an additional meeting to cover a specific issue. Councillor N Clark supported Recommendation 7 in the External Auditor’s report regarding the suggestion that significant issues be scrutinised before Council made a final decision.

In response to a query by Councillor Pope on the costs and benefits of implementation of the External Auditor’s recommendations, the Director of Internal Services explained that this issue would be addressed in the next report on the agenda in terms of the Council’s response.

Members noted the report and supported the suggestion that the report be submitted to all three Scrutiny Committees.

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

(B) the External Auditor's report on the Review of Scrutiny and Audit Committee be submitted to the three Scrutiny Committees.

511 REVIEW OF SCRUTINY AND AUDIT COMMITTEE ARRANGEMENTS - COUNCIL'S RESPONSE

The Leader of the Council submitted a report setting out the Council's response to the review of Scrutiny and Audit Committee arrangement which had been undertaken by the Council's External Auditors, Grant Thornton. The scope of the review was set out in the report now submitted together with the Council's response.

Grant Thornton had concluded that the Council was at a level similar to other Councils audited by them and that Audit Committee was improving "its effectiveness". A list of 11 recommendations had been produced by the External Auditors to support areas for improvement. Further, that Audit Committee should monitor progress on a six monthly basis.

Councillor A M Graham suggested that Recommendation 4 should be amended by the inclusion of the word "Opposition Member". This was supported. In response to a query from Councillor Graham concerning the involvement of the public, the Head of Strategic Direction (shared) Performance Manager stated that Officers in IT would be asked how social networking sites could be approached to address this issue.

In response to query from Councillor N Clark concerning the development of a consolidated list of all Task and Finish Groups which should be made available to all, this was supported.

Members supported the report and the minor amendments.

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

(B) the Action Plan attached to the report now submitted be approved as amended by the inclusion of

the word "Opposition Member" and the development of a list of all Task and Finish Groups; and

(C) a six monthly monitoring report on the areas for improvement be submitted to Members.

512 AUDIT COMMISSION REPORT - 2008/09
ORGANISATIONAL ASSESSMENT

The Audit Commission submitted its first assessment of the Council under the new Comprehensive Area Assessment framework introduced from 1 April 2009, the detail of which was considered in the subsequent minute 513 in relation to the Council's response to the Audit Commission's report.

RESOLVED – that the Audit Commission's Organisational Assessment report be received.

513 ORGANISATIONAL ASSESSMENT - COUNCIL'S
RESPONSE

The Audit Commission submitted a report which reviewed how well the Council provided services to its local community and whether it was providing value for money. The Organisational Assessment was made up of two sub scores relating to:

- Managing Performance
- Use of Resources.

Overall, the Council had scored 3 out of 4 in relation to Managing Performance and 2 out of 3 in relation to Use of Resources. Mark Woodhall stated that the Council had done well in relation to managing performance because it had consistently delivered good quality services which mattered most to local people. In relation to the Council's 2 out of 4 score for the Use of Resources, the Audit Commission felt that the Council managed its finances well and that it had responded promptly to a fall in its income by making some savings. It was also good at managing its own performance to ensure that it delivered what was promised. However, the

Audit Commission stated that the Council did not always consider the impact of its decisions on the environment, but recognised that the Council was working better at this and continued to deliver improvements.

How the outcomes had been evaluated were explained. Mark Woodhall highlighted some recent achievements including:-

- A new community centre in Sele, Hertford;
- Green flags for Southern Country park and the Ridgeway and lowest levels of litter in Hertfordshire;
- Managing the Council's finances well;
- Ensuring the District was a safe place to live through good partnership working;
- Having strong political and managerial leaders and skilled staff.

Areas for improvement included:

- Considering the environment more when making decisions;
- Moving up from level 2 to level 3 of the Local Government Equality Standard;
- Delivering more affordable homes;
- Providing more consistent community leadership

It was noted that rather than create another improvement plan, the areas for improvement detailed above had been added to an improvement plan which had been agreed by Audit Committee on 25 November, 2009. It was proposed that Audit Committee would receive a six monthly monitoring report on all the recommendations numbers 5, 12 and 13

The Head of Strategic Direction (Shared) Performance Manager explained that the new additions to the improvement plan were set out in recommendations numbers, 5, 12 and 13.

Councillor A M Graham explained that there could be an issue concerning the sustainability of dealing with improvements because of a decline in the Council's resources. He stated that the issue of sustainability had not been addressed in the

Audit Commission's report. He added that to make improvements, the Council had to invest across a whole range of services and questioned how this could be achieved when finances were under threat. Councillor J O Ranger added that the Council needed to spend in priority areas.

Mark Woodhall explained that the Council's initiatives would be looked at within the context of the wider environment and benefits to the public and whether this offered value for money.

Members were reminded that there would be a meeting of LSP Board on 29 January 2010 when partnership working would be discussed. The suggestion that Members should receive an annual report detailing outcomes of the Sustainable Community Strategy was not supported, Members preferred instead, to be provided with a report as soon as possible after the Board meeting on 29 January 2010. Councillor J P Warren suggested that contributions might be needed from the Council's partners to achieve specific actions within the strategy. He referred to monies negotiated under Section 106 agreements and suggested that these should be distributed to help sustain communities. The Chairman suggested that this was something the Leader might like to address at the next LSP Board meeting.

Councillor D Clark suggested that the Council might wish to revisit its priorities. The Director of Internal Services referred to the role of the Medium Term Financial Plan in terms of its focus on priorities. The Chairman referred to the role of Corporate Business Scrutiny in terms of the discussion of priorities. He suggested that the Member should direct her question at a meeting of the Executive.

Councillor N Clark referred to the need for closer liaison between the Council and Town and Parish Councils in the development of their budgets and future plans. The Chairman agreed that there should be closer working.

Members received both the report from the Audit Commission and the Council's response.

RESOLVED – that (A) the Council's response to the Organisational Assessment be received; and

(B) a report on partnership working following the LSP Board Meeting on 29 January 2010 be provided to all Members of Audit Committee.

514 EXTERNAL AUDIT REPORT - GRANTS REPORT 2008-09

Members received a report from the External Auditor in relation to grant claims and returns from Government departments and other bodies which required external audit certifications in 2008-09 and which represented an income in excess of £27million.

The External Auditor stated that all claims which required certification, had been submitted to them on time and were certified by the requisite deadlines. Paul Dossett stated that the quality of the working papers to support the process was good and that there were no significant issues identified from an auditing viewpoint which required action by the Council.

Members received and noted the report.

RESOLVED – that the report be received.

515 EXTERNAL AUDIT REPORT - UPDATED AUDIT PLAN FOR 2009/10

The External Auditor submitted a report detailing its Audit Plan for the financial year 2009-10 which set out the work which would be required in discharging its responsibilities and on giving an opinion on the Council's financial statements including a conclusion on the Council's arrangements for achieving value for money.

In March 2009 an indicative figure for the 2009/10 fee of £125,000 had been provided. However, increased risks relevant to the External Auditors' code of responsibility in relation to the Changing the Way We Work Programme,

managing performance through partnership and scrutiny effectiveness had increased this fee to a revised sum of £135,000 for 2009/10. Thereafter it was hoped that the fee for 2010/11 be revised back down to an estimated figure of £110,000.

Paul Dossett referred Members to the accounting risks and planned audit response set out in the report now submitted, and the extra work which would need to be carried out necessitating an increase in the fee to be charged for 2009/10. He referred to the Medium Term Financial Plan and the Councils future plans for dealing with the financial position for 2011 onwards.

Members noted the report. The Chairman referred to the pressures of the economic climate and on behalf of Members, welcomed the return of a reduced audit fee.

RESOLVED – that the report be received.

516 UPDATE ON IMPLEMENTATION OF 2009/10 ANNUAL GOVERNANCE ACTION PLAN

The Internal Audit and Business Improvement Manager submitted a report and action plan providing an update in relation to planned actions relative to internal control covering both financial and managerial matters.

Councillor J Hedley stated that a lot of the “ambers” could have been “green” as many of the issues would have been completed early in January or by the end of January 2010.

In response to a query from the Chairman in relation to procurement training, the Internal Audit and Business Improvement Manager confirmed that procurement training had not been given to managers.

In response to a query from Councillor N Clark whereby the working arrangements milestone in Covalent showed a (red) critical score, yet the Action Plan showed this issue as “Amber”, the Internal Audit and Business Improvement

Manager stated that as far as the Risk Register was concerned, the matter was classed as a critical risk. He advised that there had been positive progress, that the target date was July 2011 which is why officers had given it an “Amber” rating.

In response to a query from Councillor M Pope regarding the training plan, the Internal Audit and Business Improvement Manager stated that it was anticipated that a report would be provided to Members on 17 March 2010.

RESOLVED – that the report be received.

517 INTERNAL AUDIT SERVICE POSITION STATEMENT

The Internal Audit and Business Improvement Manager submitted a report providing an update on internal audit activity since the last report to Members. Details of progress made against implementing outstanding audit recommendations was attached to the report now submitted.

It was noted that Internal Audit Reports had been issued in respect of Payroll, Council Tax Benefits and Castle Hall. Work was currently ongoing in relation to reviews of Performance Management, Members’ Allowances, Cashiers, Debtors, Leisure Contract Management, Main Accounting, Sustainability and password. Arrangements were also in place to provide an internal audit service to Hertford Town Council.

The Internal Audit and Business Manager stated that the responses to an email regarding training had been excellent and that it was anticipated that a training programme could be presented to Members at the meeting on 17 March 2010. A review group tasked with looking at Financial Regulations would be set up comprising two Members. Councillors M Pope and D Clark offered their help. This was supported.

The Internal Audit and Business Improvement Manager stated that steady progress had been made in clearing outstanding audit recommendations and that nine recommendations had

been resolved. Updates were provided in relation to those outstanding which were attached to the report now submitted.

In response to a query from Councillor N Clark concerning the Whistleblowing hotline and email address, the Internal Audit and Business Improvement Manager stated that only officers within Internal Audit could access this information.

In response to a query from Councillor A M Graham regarding plans for Castle Hall given that it would be closing in April 2010, the Internal Audit and Business Improvement Manager stated that appropriate plans would be put in place.

Notwithstanding the efforts made by Officers to locate relevant paperwork, a request by Members to remove item 2 (Grants to Voluntary Bodies (IA Report 5/8/09)) from the listing was supported.

In response to a query by Councillor N Clark in relation to ICT Remote Access and Passwords, the Internal Audit and Business Improvement Manager assured Members that Officers were looking at Password Controls and accessing the internet.

In relation to further training, Members supported a suggestion that Treasury Management and IFRS training should commence at 6.30pm on 17 March 2010 and that an invitation should be extended to all Councillors.

RESOLVED – that (A) the report be received;

(B) A review group, tasked with looking at Financial Regulations be established comprising Councillors M Pope and D Clark; and

(C) Officers make arrangements for Treasury Management and IFRS training to commence at 6.30pm before the next meeting of Audit Committee on 17 March 2010 and that an invitation be extended to all Councillors.

518 AUDIT COMMITTEE WORK PROGRAMME

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

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It was noted that revisions had been made to the Work Programme in relation the External Audit Report – Grants 2008/09 and the External Audit Report – Updated Audit Plan for 2009/10 which had been presented to Members earlier this evening.

With the consent of Members the work programme for March 2010 would be amended to reflect IFRS and Treasury Management training for Members.

RESOLVED – that the work programme, as amended, be approved.

The meeting closed at 9.05 pm

Chairman
Date