

# Public Document Pack



Leader and Members  
of the Audit Committee

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Date: 6 March 2013

cc. All other recipients of the Audit  
Committee agenda

Dear Councillor

## **AUDIT COMMITTEE - 13 MARCH 2013**

Please find attached the following report which was marked "to follow" on the agenda for the above meeting:

6. Council's Response to Auditor's Recommendations Relating to an objection to the 2011/12 Accounts - Follow Up Actions (Pages 3 - 8)

Please bring these papers with you to the meeting next Wednesday

Yours faithfully

Lorraine Blackburn  
Democratic Services Officer  
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**MEETING** : AUDIT COMMITTEE  
**VENUE** : COUNCIL CHAMBER, WALLFIELDS, HERTFORD  
**DATE** : WEDNESDAY 13 MARCH 2013  
**TIME** : 7.00 PM

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## EAST HERTS COUNCIL

### AUDIT COMMITTEE – 13 MARCH 2013

#### REPORT BY THE DIRECTOR OF FINANCE AND SUPPORT SERVICES

#### COUNCIL'S RESPONSE TO AUDITOR'S RECOMMENDATIONS RELATING TO AN OBJECTION TO THE 2011-12 ACCOUNTS – FOLLOW UP ACTIONS

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WARD(S) AFFECTED: NONE

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#### **Purpose/Summary of Report**

This report details the Council's response to the External Auditors' recommendations in relation to payments to members for ICT expenses. The Audit Committee considered a report at its meeting on 23 January 2013 which detailed Council's response to an objection to the 2011-12 accounts, including the recommendation to recover payments from Councillors and former Councillors.

<b>RECOMMENDATION FOR AUDIT COMMITTEE:</b>	
<b>That:</b>	
<b>(A)</b>	<b>the planned process of recovering monies in relation to payments made outside members allowance scheme, as detailed in the report now submitted, be noted</b>

#### 1.0 Background

1.1 Audit Committee considered a report on 23 January 2013 that detailed the Council's response to an objection that was received by the External Auditor to Council's accounts for 2011/12.

1.2 The response that was tabled included, under paragraph 2.11, agreement that Council would pursue appropriate recovery of unlawful payments from Councillors. This report describes the approach that will be taken.

- 1.3 In recovering payments that were made in good faith to Councillors, but have since been determined to be unlawful, consideration needs to be given to the most appropriate way to recover monies.
- 1.4 The Auditor recommended that recovery was required of payments made to Councillors outside the members allowance scheme from May 2011 until 31<sup>st</sup> March 2012. The Auditor also recommended that such payments should be regularised. For the financial years 2012/13 onwards Council voted on Tuesday 20<sup>th</sup> February 2013 to accept the recommendation of the Independent Remuneration Panel that the £35 monthly payments previously made outside the members allowance scheme should be regularised into Councillors basic members' allowances.
- 1.5 Action is considered relating to the following circumstances:

£35 payments made outside members allowance scheme from May 2011 to 31 March 2012. It should be noted that not all Councillors chose to receive the allowance.
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Error by Council where broadband and IST lines were not cut-off promptly. (No payments were made to individuals.)
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- 1.6 When considering recovery action, Council must agree the most effective way of recovering expenses, particularly given that these are taxable under HMRC rules.
- 1.7 Council must also recover monies in the same way in which it would recover monies for any kind of debt, and following the financial regulations embedded in the Council's constitution.

## 2.0 Report

- 2.1 Council has now written to all Councillors to clarify the action that it needs to take in regard of recovering payments.
- 2.2 Former Councillors - Payments made by the Council to suppliers for broadband and line rentals are considered to be non recoverable. Members were informed that lines would be cancelled but the Council did not act quickly enough to cancel lines. The errors were not of the Councillors making.

- 2.3 Councillors who have recently resigned - As it is not possible to recover monies via payroll for these individuals, invoices will be raised to these Councillors. Standard payment terms and conditions apply.
- 2.4 Current Councillors - All Councillors who received payments from May 2011 until 31 March 2012 will be offered the opportunity to have repayments made via payroll through 2013/14. This is the same route that any other overpayment of salary or expenses is usually dealt with and is no different from other recovery action. Councillors can agree alternative payment arrangements in consultation with the Director of Finance and Support Services.
- 2.5 This will mean that for the following types of overpayment, the Council will undertake the actions detailed below:

<u>£35 payments made outside Members Allowance Scheme from May 2011 to 31<sup>st</sup> March 2012.</u>	
All current EHC members	Recovery will be made from members' allowances in 2013/14
EHC members who have resigned in year	Recovery will be undertaken through invoice action

<u>Error by the Council where broadband and IST lines were not cut-off promptly.</u>	
EHC councillors	As £35 payments made outside members allowance scheme from May 2011 to 31 March 2012 is being recovered the payments made during 2011/12 are lawful.
Ex councillors	Payments made to broadband / IST providers not lawful but are considered to be non recoverable
All / any telephone call payments	Any bill for calls over £5 to be invoiced (as set out in Council's Financial Regulations)

- 3.0 Implications/Consultations
- 3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

## Background Papers

Audit Committee report "Response to Auditors recommendations Relating to An Objection to 2011-2012 Accounts", 23<sup>rd</sup> January 2013

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**ESSENTIAL REFERENCE PAPER 'A'**

Contribution to the Council's Corporate Priorities/ Objectives	N/A
Consultation:	Consultation has been sought with External Audit to ensure that they are satisfied with the response to the objection to the accounts by the Council, including proposed recovery action.
Legal:	External advice has been taken
Financial:	As set out in the report.
Human Resource:	N/A
Risk Management:	N/A

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