

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON TUESDAY 12 JULY 2011,
AT 7.00 PM

PRESENT: Councillor J Ranger (Chairman)
Councillors W Mortimer, P Phillips, M Pope
and R Radford

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Committee Secretary
Simon Chancellor	- Head of Financial Support Services
Chris Gibson	- Internal Audit and Business Improvement Manager
Alan Madin	- Director of Internal Services

ALSO IN ATTENDANCE:

Paul Dossett	- Grant Thornton
Margaret Mulkerrin	- Shared Internal Audit Service
Nick Taylor	- Grant Thornton

149 THE ROLE OF AUDIT COMMITTEE - TRAINING ITEM
FOR MEMBERS

The Chairman welcomed new Members.

A training presentation was provided by the Internal Audit and Business Improvement Manager on the role of the Audit Committee.

The Internal Audit and Business Improvement Manager drew Members' attention to the terms of reference of Audit

Committee and the Committee's work programme. In the absence of Councillor J Wing, the Chairman asked Officers to contact the Member and draw his attention to the Terms of Reference as set out in the report now submitted.

Members thanked the Internal Audit and Business Improvement Manager for his presentation.

150 APOLOGIES

Apologies for absence were received from Councillors N Wilson and J Wing.

151 MINUTES

RESOLVED – that the Minutes of the Audit Committee meeting held on 23 March 2011 be confirmed as a correct record and signed by the Chairman.

152 EXTERNAL AUDITOR'S REPORT - REVIEW OF ARRANGEMENTS FOR IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The External Auditor submitted a report on a review of arrangements for the implementation of the new International Financial Reporting Standards (IFRS). Nick Taylor stated that the Council's overall arrangements for IFRS restatement were adequately planned for and focussed on key risk areas.

A Member sought clarification in relation to accounting policies. This was provided.

Members noted the report.

RESOLVED – that the report be noted.

153 EXTERNAL AUDITOR'S REPORT - ACCOUNTS AUDIT APPROACH MEMORANDUM

The External Auditor submitted a report setting out the Audit Strategy to be taken in relation to:

- Planning
- Control evaluation
- Substantive Procedures
- Completion

Nick Taylor stated that there were no significant issues to report with the exception of IT which Members agreed needed to be kept under review.

A Member sought clarification on the use of valuation experts and follow up time scales in relation to IT recommendations. The Director of Internal Services said that management issues around IT had now been addressed. Officers undertook to keep IT under review.

Members received the report.

RESOLVED – that the report be received.

154 EXTERNAL AUDITOR'S REPORT - ANNUAL GOVERNANCE STATEMENT - ADDING REAL VALUE?

The External Auditor submitted a report regarding the main issues of the Annual Governance Statement: Adding Real Value? The report highlighted weaknesses by some local authorities and what needed to be done for the Statement to add real value.

The Chairman thanked the External Auditor and said that it was a useful summary of what the External Auditors had found.

RESOLVED – that the report be received.

155 **EXTERNAL AUDITOR'S REPORT - CERTIFICATION WORK - PLANNING MEMORANDUM 2010 – 2011**

The External Auditors submitted a report on the approach taken regarding the external certification of claims for grant or subsidy and returns of financial information by the External Auditors acting as agent for the Audit Commission. The report explained what the certification arrangements were, the fees charged, the types of claims and other work including protocols for the 2010-11 claims and returns. Nick Taylor explained that there was one other grant claim which had not been included in the report as submitted, the detail of which was provided.

Members received the report.

RESOLVED – that the report be received.

156 **EXTERNAL AUDITOR'S REPORT - INDICATIVE AUDIT FEES 2011/12**

The External Auditors submitted a report summarising the audit work proposed for the 2011/12 financial year. It was noted that the fee set for 2011/12 represented a 5% decrease on the 2010/11 fee and that fees were still set by the Audit Commission and based on the assumption that detailed working papers would be provided by an agreed timetable.

Paul Dossett referred to 31 August 2011 when local electors would be able to review the Council's accounts. It was anticipated that there would be no complications arising from this.

Members received the report.

RESOLVED – that the report be received.

157 **STATEMENT OF ACCOUNTS 2010-2011**

The Executive Member for Resources and Internal Support submitted a report, following changes to the new Accounts and Audit Regulations. The Director of Internal Services referred to the new IFRS standards and delegation to Audit Committee, to approve the Annual Statement of Accounts. He explained the transitional effects of the IFRS on the Council's accounts in terms of building in resilience.

The Director of Internal Services encouraged Members to question and seek clarification whenever they felt necessary so that answers could be provided in a clear and transparent manner. The Head of Financial Support Services guided Members through the content of the Accounts, attached to the report now submitted.

Members discussed a number of issues in relation to the new arrangements and the effects on Council Tax, asset values, the pension fund and the Council's liability. Members queried repaying debt at higher rates of interest when it had a healthy level of reserves. This was explained. Clarification was provided in relation to the Council's approach to depreciation generally and specifically in relation to the use of refuse vehicles.

The Chairman encouraged Members to contact either the Director of Internal Services or the Head of Financial Support Services on any issue which needed clarification and in advance of the final accounts being submitted to Audit Committee on 21 September, 2011. He thanked Officers for their detailed explanation of the Council's accounts.

Members received the report and noted the new requirements.

RESOLVED – that the production and authorisation by the Section 151 Officer of the Council's 2010/11 draft accounts in line with statutory requirements, be noted.

submitted a report outlining the Internal Audit activity relating to the financial year 2010/11, including independent assurance options on various areas of internal control. The overall level of assurance was reported as “good” including that of performance indicators. Members noted that good risk management practices had been delivered throughout 2010/11. The Internal Audit and Business Improvement Manager drew Members’ attention to concerns around IT and that measures would be taken to keep this under review.

The Chairman, on behalf of Members, thanked the Internal Audit and Business Improvement Manager for the detailed report and thanked officers for their excellent work during the last year.

RESOLVED – that the report be received.

159 INTERNAL AUDIT SERVICE POSITION STATEMENT

The Internal Audit and Business Improvement Manager submitted a report detailing the position on internal audit activity since the previous Audit Committee.

It was noted that excellent progress had been made in clearing outstanding audit recommendations since the last Committee, with 32 recommendations shown as being resolved but that there had been limited movement in relation to ICT issues which would be kept under review by Margaret Mulkerrin, the new Audit Manager under the Shared Internal Audit Service (SIAS) arrangement.

Margaret Mulkerrin explained that efficiencies would be generated under the new ways of working including the ability to develop areas of expertise. She reassured Members that Hertfordshire County Council would not be taking over the internal audit function, but that, it was a collaborative way of working.

Members received the report.

RESOLVED – that the report be received.

160 AN INTRODUCTION TO THE SHARED INTERNAL AUDIT SERVICE

The Chairman welcomed Margaret Mulkerrin, Audit Manager of the new Shared Internal Audit Services (SIAS). She apologised that the Head of Assurance, Helen Maneuf was unable to attend but would attend future meetings. Margaret Mulkerrin explained that the shared service had been operational from 1 July 2011 and that a partnership had been formed between the following Councils:

- East Herts District Council
- Hertfordshire County Council
- Hertsmere Borough Council
- North Hertfordshire District Council
- Stevenage Borough Council
- Welwyn Hatfield Borough Council.

Margaret Mulkerrin provided an update in relation to staffing issues. The aim of the SIAS was to maintain the prevailing quality and continuity and to enhance resilience.

The Chairman said that Members were pleased with the format of reports to Committee and emphasised the need to ensure that they were written in plain English.

Members noted the report.

RESOLVED – that the report be noted.

161 RISK MANAGEMENT MONITORING 1 FEBRUARY 2011 - 30 APRIL 2011

The Leader of the Council submitted a report on action taken to mitigate and control strategic risks during the period 1 February to 30 April 2011. The Director of Internal Services provided an update on how risks were evaluated and on those ratings which had not remained the same. He referred to the

continued need to work “smarter”.

The Chairman referred to the need to manage the public’s expectations on issues around devolving matters to the parish councils. The Director of Internal Services emphasised the need for transparency of decision making and the need for clear leadership.

Members received the report and were pleased to see the significant movement made during the year.

RESOLVED – that the action taken to mitigate and control strategic risks during the period 1 February to 30 April 2011 and of the significant movement made during the year be noted.

162 UPDATE ON IMPLEMENTATION OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Internal Audit and Business Improvement Manager submitted a report on the progress made against implementing the action plan contained in the 2009/10 Annual Governance Statement, attached to the report now submitted. The statement included 19 measures to enhance East Hertfordshire Council’s internal control framework during the period 2010/2011. Eight issues had been resolved since the previous Committee meeting with 7 outstanding issues to be carried forward to the 2010/11 Annual Governance Statement.

Members received the report and noted the excellent progress made in managing the action plan.

RESOLVED – that the excellent progress made against implementing the action plan contained in the 2009/10 Annual Governance Statement be noted.

163 DRAFT 2010/11 ANNUAL GOVERNANCE STATEMENT

The Leader of the Council submitted a report setting out the

draft 2010/11 Annual Governance Statement attached as Essential Reference Paper "B" to the report now submitted. The Annual Governance Statement was a prerequisite of the Accounts and Audit Regulations 2003 (as amended) and as such, the Council was required to undertake regular reviews of its governance arrangements to ensure continuing compliance with best practice.

The Internal Audit and Business Improvement Manager outlined the consultation process that was intended to lead to approval of the Annual Governance Statement at the next meeting of the Audit Committee.

The External Auditor reminded Members of the need to ensure that governance issues for inclusion in the Annual Governance Statement to enhance internal control, were key and strategic.

Members noted that the Annual Governance Statement was valuable and commented on the need to monitor the content quarterly.

RESOLVED – that the Draft 2010/11 Annual Governance Statement be received as part of the wider consultation process.

164 AUDIT COMMITTEE WORK PROGRAMME

The Internal Audit and Business Improvement Manager submitted the Audit Committee Work Programme for the 2011/12 civic year, as set out in Essential Reference Paper "B" attached to the report now submitted. The Internal Audit and Business Improvement Manager stated that further training was being investigated to assist Members in relation to Risk Management, Treasury Management and Corporate Governance matters.

Members supported a request that Treasury Management training be given initial priority.

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

The meeting closed at 9.10 pm

Chairman

Date