

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON WEDNESDAY 24
SEPTEMBER 2014, AT 7.00 PM

PRESENT: Councillor J Ranger (Chairman).
Councillors D Andrews, M Pope, N Wilson
and J Wing.

OFFICERS IN ATTENDANCE:

Mandy Barton	- Accountancy Manager
Lorraine Blackburn	- Democratic Services Officer
Chris Gibson	- Manager of Corporate Risk
Adele Taylor	- Director of Finance and Support Services

ALSO IN ATTENDANCE:

Alan Cooper	- Shared Internal Audit Service
Sarah Ironmonger	- Grant Thornton

252 APOLOGIES

Apologies for absence were received from Councillors W
Mortimer and R Sharma.

253 MINUTES – 16 JULY 2014

RESOLVED – that the Minutes of the meeting held
on 16 July 2014 be confirmed as a correct record
and signed by the Chairman.

254 CHAIRMAN'S ANNOUNCEMENTS

The Chairman stated that the report on the Treasury Management Strategy for 2014/15 Mid Year Review had been deferred and would be considered at Audit Committee on 26 November 2014.

The Chairman stated that Member training was being offered in Stevenage on "Maximising the Value of Audit Meetings" on 3 October 2014. The attendance fee was £50. Further information was available via the Scrutiny Officer or Mr Alan Cooper, Principal Auditor (Shared Internal Audit Service). Members were advised to contact the Scrutiny Officer if they wished to attend.

255 EXTERNAL AUDIT REPORT – AUDIT FINDINGS

The External Auditor submitted a report setting out key matters which had arisen following the audit for the year ended 31 March 2014. The External Auditor explained which areas were still being progressed, the detail of which was set out in the report. Subject to the completion of these areas, the External Auditor anticipated providing an unqualified opinion on the financial statements. Apart from a small number of presentational changes and typographical errors, key messages arising from the financial audit were:

- that the financial statements had been provided on time;
- of the need to consider "de-cluttering" of the accounts in future years; and
- of the need to consider updating asset revaluation procedures in the light of changes to the CIPFA Code.

The External Auditor provided Members with a summary of the report. It was noted that the External Auditor had received a question about the accounts which needed to be evidenced before the accounts could be closed. The

External Auditor confirmed that questions on the accounts could be raised as long as the accounts remained open.

In response to a query from Councillor M Pope regarding revaluations, the Director of Finance and Support Services advised that the Council would use their network of different authorities to gain advice and would seek as much guidance as possible from CIPFA. The External Auditor explained that clarification was needed from CIPFA on the definition of a “short period of time”.

The External Auditor referred to the question of the Council’s levels of reserves. The Director of Finance and Support Services explained that this question had been raised at a recent meeting of Corporate Business Scrutiny. The Director stated that this matter would be considered further by Members, before the Council set its budget in January 2015. The Director of Finance and Support Services advised Members that, had the Council not stated within its policy a maximum level of reserves, then the performance indicator would be showing in the report as “green” and not “amber”.

In response to a query from Councillor D Andrews regarding the question raised by a member of the public and the publication of the accounts, the External Auditor explained that it was not usual to publish questions raised in the accounts.

The Chairman suggested that “de-cluttering” the accounts might be included on the work programme as a future training item. This was supported. Councillor M Pope was concerned that taking out too much information might be detrimental to understanding the accounts.

The Chairman thanked the External Auditor for their unqualified opinion, adding that it was comforting to know that the authority was so well run.

The Director of Finance and Support Services also thanked the External Auditor and the accountancy team

for their efforts in producing the accounts.

The Committee received the report.

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

(B) Officers be thanked for their help in co-ordinating the audit process.

256 TREASURY MANAGEMENT STRATEGY 2013/14 OUTTURN

The Executive Member for Finance submitted a report on the Council's Treasury Management activities for 2013/14 and identified the impact on the 2014/15 treasury management strategy. The latter would be considered by Members at the November meeting of Audit Committee.

The Director of Finance and Support Services provided Members with a summary of the Council's operation and the rates of interest achieved in terms of income. It was noted that in terms of dedicated officer support in the process, the role of managing the treasury had been vacant for some time and the Director was pleased to announce that an appointment had been made on a permanent basis.

The Director of Finance and Support Services provided clarification regarding issues around cash flows which, on one occasion was attributable to a substantial deposit, without notice, relating to a business rate relief payment which required the Council to take remedial action as detailed in the report now submitted. The Chairman commented on the need to consider cash flows more carefully with the help of the new officer.

In response to a query from Councillor M Pope, the Director of Finance and Support Service explained how the Council placed money with Goldman Sachs and the timescales involved.

In response to a query from Councillor J Wing regarding

the cost effectiveness of the new officer, the Director of Finance and Support Services explained that the individual had considerable experience with investing in money markets and anticipated that the appointee would make many times more money than their salary.

The Committee received the report.

RESOLVED – that (A) the treasury management activity for 2013/14 and prudential indicators be approved; and

(B) remedial action, as now detailed in the report to ensure that the group limit of £20 million for NatWest is consistently maintained, be noted.

257 STATEMENT OF ACCOUNTS 2013/14

The Executive Member for Finance submitted a report setting out the process in approving the Council's 2013/14 Statement of Accounts. The report as now submitted, set out changes in reporting requirements for 2012/13 together with comments on the key financial statements.

The Accountancy Manager explained that the accounts were substantially the same as those presented to Members in July 2014.

Councillor D Andrews drew Members' attention to an omission within the Explanatory Forward (4. Capital Expenditure and Financing) in that the word "bridge" had been omitted from the last line. Two further typographical errors were amended.

In response to a query from the Chairman, the External Auditor clarified the position regarding an outstanding question on the accounts which had been received and stated that unless there were any significant variations identified in the last tests being completed, the accounts could be signed off by the Chairman.

The Committee received the report.

RESOLVED – that (A) unless there were any significant variations identified in the last tests being completed, the Council's Statement of Accounts for the financial year 2013/14 be approved and signed by the Chairman; and

(B) the Letter of Representation be approved for signature by the Chairman and Director of Finance and Support Services.

258 ANNUAL GOVERNANCE STATEMENT 2013/14

The Leader of the Council submitted a report presenting the 2013/14 Annual Governance Statement and the 2014/15 Annual Governance Statement Action Plan as set out in the Essential Reference Papers. The Manager of Corporate Risk provided a summary of the report.

Councillor M Pope drew Members' attention to the fact that the FSA had been replaced by the FCA and an amendment was accepted.

The Committee agreed the Annual Governance Statement 2013/14 and the Action Plan for 2014/15.

RESOLVED – that the Annual Governance Statement 2013/14 and Action Plan 2014/15 be approved.

259 SHARED INTERNAL AUDIT SERVICE ANNUAL REPORT 2013/14

The Shared Internal Audit Services (SIAS) submitted a report highlighting the work of the partnership during its third year of activity. The Principal Auditor (SIAS), provided a summary of the key successes through the year and the performance of the partnership during 2013/14.

The Chairman referred to the “excellent” SIAS partnership initiative and thanked the SIAS for their easy to read reports.

The Committee noted the Shared Internal Audit Service Annual Report 2013/14.

RESOLVED – that the SIAS Annual Report 2013/14 be noted.

260 SHARED INTERNAL AUDIT SERVICES – AUDIT PLAN UPDATE REPORT

The Shared Internal Audit Service (SIAS) submitted a progress report in delivering the Council’s Annual Audit Plan for 2014/15; proposed amendments to the approved 2014/15 Audit Plan; the implementation status of previously agreed high priority audit recommendations and an update on performance management information as at 5 September 2014.

The Principal Auditor (SIAS), provided a summary of the key issues for Members’ consideration. It was noted that the performance indicator for “Planned Days” was 4% below target but that SIAS had discussed the timings of audits with appropriate staff and was confident that the target would be achieved. The Principal Auditor (SIAS) referred to older (ICT) recommendations and advised that Price Waterhouse Cooper (PwC) would be undertaking a business continuity audit to evaluate whether some of the recommendations were still relevant and of the appropriateness of the recommendations.

The Committee approved the report.

RESOLVED – that (A) the Internal Audit Progress Report be noted;

(B) the proposed amendments to the Audit Plan as at 5 September 2014 be approved; and

(C) already implemented high priority recommendations be removed from the outstanding recommendations template.

261 RISK MANAGEMENT MONITORING REPORT 1 APRIL 2014
TO 30 JUNE 2014

The Leader of the Council submitted a report on the action taken to mitigate and control strategic risks in the period April to June 2014.

The Manager of Corporate Risk referred to the difficulties in reporting this information in a more timely manner. He stated that the risk management monitoring report to Members on 26 November 2014 would cover the period up to 30 September 2014.

The Chairman raised the issue of “Universal Credit” and sought clarification on what progress was being made. The Director of Finance and Support Services explained that there was still very little information available and that pilot initiatives were ongoing in some areas. The Director stated that Universal Credit would be a very difficult system to administer because of the various caveats which had to be taken into account. The External Auditor confirmed that as yet, there was a lack of clarity around the system.

In response to a query from Councillor D Andrews regarding Universal Credit, its “mobility” and “transferring in”, the Director of Finance and Support Services explained that Hertfordshire, as an area, was a very expensive place to live and it was unlikely that people moving into the area would already be in receipt of Universal Credit.

In response to a query from the Chairman and the suggestion of having to factor this into the 2015/2016, Medium Term Financial Plan (MTFP), the Director of Finance and Support Services explained that a prudent approach would be taken but that there was still

insufficient information about the system. The Director assured Members that information was reported and shared via the Joint Revenues and Benefits meetings. At those meetings the complexity of Universal Credit and its application was discussed and of the impact this might have in terms of data changes. The Chairman referred to the ongoing lobbying regarding the need only to record significant changes. The Director of Finance and Support Services confirmed that officers were also lobbying about this.

In response to a query from Councillor D Andrews regarding increased workload and its effect on the Council's "Front Desk", the Director of Finance and Support Services confirmed that additional funds had been allocated to customer services support for the last two years.

The Committee approved the report, as now detailed.

RESOLVED – that the actions taken to mitigate and control strategic risks, as now detailed, be approved.

262 WORK PROGRAMME

The Director of Finance and Support Services submitted a report detailing the proposed work programme for the civic year 2014/15.

The Manager for Corporate Risk sought Members' views on the inclusion of "de-cluttering" the Council's accounts as a training item at the November meeting. This was supported. It was also noted that the work programme be amended by the inclusion of the Treasury Management Strategy 2014/15 Mid Year Review which had been deferred for consideration at this meeting.

Members approved the work programme, as now amended.

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

The meeting closed at 8.20 pm

Chairman
Date