

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON WEDNESDAY 23
JANUARY 2013, AT 7.00 PM

PRESENT: Councillor J Ranger (Chairman).
Councillors W Mortimer, M Pope and J Wing.

ALSO PRESENT:

Councillors P Ruffles.

OFFICERS IN ATTENDANCE:

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| Simon Chancellor | - Head of Finance and Performance |
| Chris Gibson | - Manager of Corporate Risk |
| Peter Mannings | - Democratic Services Officer |
| George A Robertson | - Chief Executive and Director of Customer and Community Services |
| Adele Taylor | - Director of Finance and Support Services |

ALSO IN ATTENDANCE:

| | |
|--------------|------------------------------------|
| Paul Grady | - Grant Thornton |
| Helen Maneuf | - Shared Internal Audit Service |

551 **COUNCIL'S RESPONSE TO AUDITOR'S
RECOMMENDATIONS RELATING TO AN OBJECTION TO
THE 2011–2012 ACCOUNTS**

The Chief Executive and Director of Customer and Community Services submitted a report informing Members of an objection received by the external auditor to the 2011/12 accounts, the external auditor's statement of reasons in response and the proposed response to the external auditor's recommendations.

The Audit Committee was advised that this report covered the recommendations that were being made by Grant Thornton.

Councillor J Wing requested that future reports from the external auditor comply with RNIB guidelines. Also, he queried whether the issue raised by the objection would be referred to the Independent Remuneration Panel.

The Chief Executive and Director of Customer and Community Services advised that his report had included a document that had not been initially intended for publication as a committee report. He also advised that the issue raised by the objection would be referred to the Independent Remuneration Panel.

Members noted the report and requested that the proposed response to the external auditor's recommendations be recommended to Council for approval.

RECOMMENDED – that (A) the report be received: and

(B) the proposed response to the external auditor's recommendations, as now submitted, be approved.

552 MINUTES - 21 NOVEMBER 2012

RESOLVED – that the Minutes of the meeting held on 21 November 2012 be confirmed as a correct record and signed by the Chairman.

553 EXTERNAL AUDIT – GRANTS CLAIM CERTIFICATION WORK 2011/12

The External Auditors submitted a report detailing the arrangements for certification work undertaken by them, as an agent for the Audit Commission. A summary of the claims and returns certified for 2011/12 were detailed in the report now submitted.

Members received the report.

RESOLVED – that the report be received.

554 TREASURY MANAGEMENT STRATEGY STATEMENT 2013/14

A report was received from the Executive Member for Finance setting out the 2013/14 Treasury Strategy Statement and Annual Investment Strategy, which also included information in respect of the setting of prudential indicators.

Members were advised that the report set out the Council's policy in respect of treasury management and, in particular, the principles for managing the sophisticated and complicated cash flow arrangements for the Authority. The principal aim of the treasury management strategy was to ensure security of capital and liquidity for the Council's investments.

The Head of Finance and Performance stated that Officers worked closely with SECTOR, the Council's Treasury Management advisors in considering a range of Investment opportunities that might enhance the returns being made by the Authority. Members advised that there

was always a balance that had to be struck between risk and investment return.

The Committee Chairman commented on the current bank base rate and when this might increase from the current 0.5%. The Head of Finance and Performance stated that SECTOR's current view was that the 0.5% current rate was not expected to start increasing until quarter 1 of 2015, despite inflation currently being well above the Monetary Policy Committee's inflation target.

Members were advised that there were always fine judgements for Officers to make in terms of treasury management. Officers had to oversee a varied portfolio of risk to enhance the best available investment return for the Authority.

In respect of a query from Councillor M Pope in relation to which investment portfolios were best for the Authority, the Head of Finance and Performance explained the basis of the Investec Fund and the rationale behind the recent decision in opening a new Money Market Fund.

Members received the report.

RESOLVED – that the 2013/14 Treasury Management Strategy Statement and Annual Investment Strategy and the prudential indicators be received.

555 SHARED INTERNAL AUDIT SERVICE – PROGRESS REPORT

The Shared Internal Audit Services (SIAS) submitted a report setting out the progress that had been made in delivering the Council's Annual Audit Plan for 2012/13 as at 28 December 2012. The report also proposed a number of amendments to the approved audit plan and sought approval for removal of implemented high priority recommendations, the detail of which was set out in the report now submitted.

The Committee Chairman thanked the SIAS for the report. He referred in particular, to the IT related recommendations detailed in the report. The Chief Executive and Director of Customer and Community Services advised that a senior Officer from Stevenage Borough Council would be assisting East Herts Council in establishing a more resilient and reliable IT function as part of the work to progress shared ICT services.

Members noted the report and approved the recommendations detailed in the report now submitted.

RESOLVED – that (A) the report be received;

(B) the amendments to the 2012/13 Audit Plan as at 28 December 2012 be approved; and

(C) the removal of the implemented high priority recommendations be approved.

556 UPDATE ON IMPLEMENTATION OF THE ANNUAL GOVERNANCE ACTION PLAN

The Director of Finance and Support Services submitted a report in relation to the 2012/13 Annual Governance Statement and the nine measures recommended to enhance East Herts Council's internal control framework during 2012/13, the detail of which was set out in Essential Reference Paper 'B'. The report also provided details of proposed actions that needed to take place prior to confirmation being given that adequate and effective controls were fully in place.

Members were referred to page 95 of the report in respect of the Shared Support Service governance arrangements. The Red, Amber and Green (RAG) status had been amended to Amber in view of management teams at East Herts Council and Stevenage Borough Council agreeing to continue to explore shared service arrangements.

The Director of Finance and Support Services stated that the testing stage was being planned in relation to East Herts Council using the same payroll system as Stevenage Borough Council. Members noted the progress made against implementing the action plan detailed in the 2012/13 Annual Governance Statement.

RESOLVED – that the progress made against implementing the action plan detailed in the 2012/13 Annual Governance statement be noted.

557 AUDIT COMMITTEE WORK PROGRAMME

The Director of Finance and Support Services submitted a report detailing the proposed work programme for Audit Committee. Members were reminded of the Asset Management Training that had been arranged for the March 2013 meeting of the Committee.

The Manager of Corporate Risk requested that Members agree to a report being added to the work programme for the March 2013 meeting in respect of the Anti-Fraud and Anti-Corruption Strategy and Whistleblowing Code. This was supported.

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

The meeting closed at 8.10 pm

Chairman

Date