

MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE HELD IN THE  
COUNCIL CHAMBER, WALLFIELDS,  
HERTFORD ON WEDNESDAY 18  
SEPTEMBER 2013, AT 7.00 PM

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

OFFICERS IN ATTENDANCE:

Mandy Barton	- Accountancy Manager
Lorraine Blackburn	- Democratic Services Officer
Simon Chancellor	- Head of Finance and Performance
Adele Taylor	- Director of Finance and Support Services

ALSO IN ATTENDANCE:

Terry Barnett	- Shared Internal Audit Service
Alan Cooper	- Shared Internal Audit Service
Paul Grady	- Grant Thornton
Nick Taylor	- Grant Thornton

237 MEMBER TRAINING - SHARED INTERNAL AUDIT SERVICE: FIELDWORK PROCESSES

The Shared Internal Audit Service (SIAS) provided Members with a presentation on the internal audit process addressing such issues as the annual audit plan, work allocation and assignment processes, fieldwork and follow up work.

In response to a query from the Chairman, Alan Cooper of SIAS explained that examples of good practice within authorities were shared wherever possible. SIAS explained that expertise from external organisations was also used from time to time, for example from PricewaterhouseCoopers.

In response to a query from Councillor J Wing regarding ensuring written processes were properly applied, SIAS explained how processes were mapped out and applied to ensure compliance with procedures.

The Chairman referred to the fact that some policies were reviewed every three years. The Director of Finance and Support Services confirmed that there were moves towards a three year Audit Plan which would provide the Council with some flexibility in deciding timings of reviews.

The Chairman, on behalf of Members, thanked Officers from SIAS for their informative presentation.

RESOLVED – that the presentation be received.

238 APOLOGIES

An apology for absence was received from Councillor J Wyllie. It was noted that Councillor D Andrews was substituting for Councillor J Wyllie.

239 MINUTES

The Chairman referred to Minute 113 (Risk Management Monitoring Report February to April 2013) and advised that the issue of the inclusion of the District Plan on the Risk

Register would be considered elsewhere on the agenda.

RESOLVED – that the Minutes of the meeting held on 10 July 2013 be confirmed as a correct record and signed by the Chairman.

## 240 EXTERNAL AUDIT REPORT - AUDIT FINDINGS

The External Auditor submitted a report on the Audit Findings for the year ended 31 March 2013. He referred to the fact that there were a few minor outstanding adjustments to make which had been agreed by the Council and that Grant Thornton would be providing an unqualified opinion on the financial statements as there were no issues which caused the external auditors any cause for concern. In terms of the way forward, the External Auditor explained that a small number of recommendations had been made in relation to IT and that these were set out within the Action Plan attached to the report now submitted.

The External Auditor stated that there had been five missing disclosures (four relating to previous Members) and that they anticipated a 100% return next year. The Director of Finance and Support Services explained that every effort had been made to secure the return of the missing disclosure forms (one of which related to a former Officer).

Councillor M Pope referred to the underspends and windfalls which the Council had achieved. The Director of Finance and Support Services provided a summary of some of the underlying causes of these and also action being taken to consider any financial implications for future years that relate to underspends in 2012/13.

In response to a query from Councillor J Wing regarding the Audit Fee and its effect on the audit process, the External Auditor explained that the fee had been reduced by 40% and of the risks involved of removing items from the audit process.

Councillor R Sharma congratulated the External Auditors on the rigor of the audit process. The External Auditor explained that it worked to international accounting standards to ensure

robustness.

The Chairman, on behalf of Members, thanked the External Auditors for their positive feedback on Audit Findings.

The Committee received the report.

RESOLVED – that the report be received.

241 TREASURY MANAGEMENT STRATEGY STATEMENT -  
2012/13 OUTTURN AND 2013/14 MID YEAR REVIEW

The Executive Member for Finance submitted a report which reviewed the Council's 2012/13 Treasury Management Strategy and Prudential Code arrangements including the current position to 31 July 2013, the detail of which was set out in the report now submitted and within the Essential Reference Papers.

The Head of Finance and Performance summarised the content of the report drawing Members' attention to capital spending, levels of indebtedness, prudential and treasury indicators, the Council's borrowing, investment activity and the low rates of interest offered and the challenges this placed on the Council.

It was noted that Officers were currently exploring with SECTOR alternatives to the traditional investment vehicles and of the balance which needed to be achieved between investment opportunities, liquidity and security.

In response to a query from Councillor M Pope regarding investing in Corporate Bonds, the Head of Finance and Performance stated that this was an area which could be considered and that the Council was looking for innovative opportunities which still met the criteria of liquidity and security.

The Chairman referred to the positive impact a small improvement could make to the Council's investment returns, adding that the Council could explore adding to larger investment pots such as Hertfordshire County Council's.

The Committee approved the report and noted the current year position at 31 July 2013. Members further agreed that the Council should investigate the possible investment in Corporate Bonds.

RESOLVED – that (A) the 2012/13 Treasury Management and Prudential Indicator Outturn be approved;

(B) the current year position to 31 July 2013 be noted; and

(C) Officers review the possibility of investing in Corporate Bonds.

## 242 STATEMENT OF ACCOUNTS 2012-2013

The Executive Member for Finance submitted a report setting out the background to the requirement for Members to consider and approve the Council's 2012/13 Statement of Accounts and detailed changes to the reporting requirements from 2011/12, which was set out in the report now submitted and Essential Reference Papers.

The Head of Finance and Performance reminded Members that they had had an opportunity of reviewing the statement of accounts in July 2013 and had made a number of helpful comments regarding the presentation of the accounts which had subsequently been taken on board. The accounts before Members were now being submitted for approval following the positive comments from the External Auditor.

Councillor M Pope drew attention to the "gain/loss" narrative and queried whether the line needed to be included. The Head of Finance and Performance indicated that the future presentation would be reviewed. In response to a further query regarding provisions and contingent liabilities, the Head of Finance and Performance explained that the context of provisions that had been made in the 2012/13 accounts.

In response to a query from Councillor R Sharma regarding

investment bank ratings, the Head of Finance and Performance summarised the approach to the treasury management strategy and the institutions used.

The Committee approved the Statement of Accounts for the financial year 2012/13 and that these be signed by the Chairman at the conclusion of the meeting. Members also agreed that the Letter of Representation be signed by the Chairman and Director of Finance and Support Services.

RESOLVED – that (A) the Statement of Accounts for the financial year 2012/13 be approved and that these be signed by the Chairman of Audit Committee at the conclusion of the meeting; and

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

#### 243 ANNUAL GOVERNANCE STATEMENT 2012/13

The Leader of the Council submitted a report setting out the 2012/13 Annual Governance Statement and the 2013/14 Annual Governance Statement Action Plan, the detail of which was set out in the report now submitted and within the Essential Reference Papers.

The Manager of Corporate Risk drew Members' attention to the amendments which had been made and shown as "red" within Essential Reference Paper "B". He explained the background and the significance of the changes which had been made. Seven significant governance issues had been identified in the Annual Governance Statement Action Plan which would continue to be monitored by Audit Committee, the detail of which was set out in Essential Reference Paper "C" of the report now submitted.

The Committee approved the Annual Governance Statement and Annual Governance Statement Action Plan.

RESOLVED – that the Annual Governance Statement 2012/13 and Annual Governance Statement Action

Plan 2013/14 be approved.

244 SHARED INTERNAL AUDIT SERVICE ANNUAL BOARD  
REPORT 2012 – 2013

The Shared Internal Audit Service (SIAS) submitted a report which reviewed the first full year of operation. The report highlighted key areas of success in the year, the performance of the partnership and looked ahead in terms of future developments to provide core assurances in the provision of resilience, efficiency, access to expertise, high standards of customer service and career opportunities for staff.

The issue of the number of “full assurance” audits was considered. The Director of Finance and Support Services explained that given our risk based approach to considering audit topics, there was a possible disadvantages of receiving a “full assurance” from an audit viewpoint, in that this could show that we are not considering the correct topics.

The Committee welcomed the report.

RESOLVED – that the report be received.

245 SHARED INTERNAL AUDIT SERVICE - PROGRESS  
REPORT

The Shared Internal Audit Service (SIAS) submitted a report setting out the progress made in delivering the Council’s Audit Plan for 2013/14 and the proposed amendments to the approved 2013/14 Audit Plan. SIAS also provided the status on previously agreed high priority audit recommendations and an update on performance management information as at 30 August 2013, the detail of which was set out in the report now submitted. The recommendation relating to Section 106 Agreements had been completed and the ICT recommendations considered elsewhere on the Agenda.

The Committee approved the report.

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

(B) the amendments to the 2013/14 Audit Plan as at 30 August 2013 as submitted, be approved; and

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

246 OUTSTANDING SIAS HIGH PRIORITY ICT RECOMMENDATIONS

The Director of Finance and Support Services submitted a report providing a detailed update on the outstanding ICT recommendations set out in the SIAS report elsewhere on the agenda, the detail of which was set out in the report now submitted.

The Director of Finance and Support Services explained that the Head of Shared ICT, Business Improvement and Print and Graphic Design Services had consolidated previous recommendations which had been outstanding for some time, the detail of which was set out in Essential Reference Paper "B" of the report now submitted and of the proposals to implement the recommendations following the recent decision on Shared Services.

In response to a query from Councillor M Pope regarding the timescales, the Director of Finance and Support Services felt that these were achievable adding that a lot of work had already been done and that this would be monitored through the new Shared Service Partnership Board.

The Committee noted the progress made.

RESOLVED – that the progress made in implementing the outstanding high priority recommendations set out in the report now submitted, be noted.

247 RISK MANAGEMENT STRATEGY

The Leader of the Council submitted a report on best practice in relation to the Risk Management Strategy, the detail of which was set out in the report now submitted. The Manager

of Corporate Risk provided a summary of what changes had been made, most notably moving from a 6x6 to a 4x4 matrix.

The Committee supported the Strategy and noted that the Executive would be considering it at its meeting on 1 October 2013.

RESOLVED – that the Risk Management Strategy be supported.

248 RISK MANAGEMENT MONITORING REPORT APRIL TO 30 JUNE 2013

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The Leader of the Council submitted a report setting out the action taken to mitigate and control strategic risk during the period April to June 2013, the detail of which was set out in the report now submitted and supporting Essential Reference Paper “B”.

The Manager of Corporate Risk outlined the nine strategic risks, comprising eight risks from 2012/13 together with a new risk around welfare reforms.

The Committee approved the report.

RESOLVED – that the action taken to mitigate and control strategic risks as submitted, be approved.

249 WORK PROGRAMME

The Director of Finance and Support Services submitted a report detailing the proposed work programme for Audit Committee. The Chairman asked that if there were any Member training issues which could be identified, to let him know.

RESOLVED - that the work programme be approved.

The meeting closed at 8.30 pm

Chairman .....

Date .....