

MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE HELD IN THE  
COUNCIL CHAMBER, WALLFIELDS,  
HERTFORD ON WEDNESDAY 16 JULY  
2014, AT 7.00 PM

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PRESENT: Councillors W Mortimer (in the chair),  
D Andrews, M Pope, R Sharma and J Wyllie.

OFFICERS IN ATTENDANCE:

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

ALSO IN ATTENDANCE:

Terry Barnet	- Shared Internal Audit Service
Sarah Ironmonger	- Grant Thornton External Audi

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**REVISION TO TREASURY MANAGEMENT  
ARRANGEMENTS**

**The Executive Member for Finance submitted a report setting out a number of revisions to the Treasury Management arrangement, the detail of which was set out in the report now submitted.**

**The Director of Finance and Support Services explained that these revisions would give the Council the**

**framework it needed in terms of its roles and responsibilities, to invest in Pooled Property Funds. The Director of Finance and Support Services stated that the strategy would be refreshed as part of the budget setting meeting cycle in conjunction with the Council's Medium Term Finance Plan and capital strategy in February 2015.**

**The Director of Finance and Support Services explained that this was a strategy document and subject to refresh annually as required by appropriate regulations.**

**In response to a query by Councillor M Pope regarding "sovereignty support" being withdrawn the Interim Principal Accountant provided an update that the intention was for the United States, Europe and the UK to implement the regulatory changes.**

**Councillor D Andrews suggested that the Council should be investing locally in property as this would demonstrate a commitment to local residents and communities.**

**The Director of Finance and Support Services drew Members' attention to the proposed framework by which the Council would invest in terms of property funds and indirect investment in property and explained the differences of each. Once approved, this would allow the Council to move ahead. It was noted that work on selecting an appropriate partner on the property fund had been taking place in the background and the results would be reported for Members' consideration when complete.**

**The Director of Finance and Support Services explained what considerations needed to be taken into account from a property fund investment viewpoint in terms of risk, liquidity, cash flow and the need to take a balanced view.**

**The Director of Finance and Support Services drew Members' attention to paragraph 9.6 of Essential Reference Paper "B" of the proposed regulatory changes**

to Financial Institutions and paragraph 9.6.2 the steps for mitigating the consequent risks, which are likely to take place of the time period of the strategy.

In response to a query from Councillor M Pope regarding property funds investment selection, the Director of Finance and Support Services stated that the Council would be considering the various risks and also the availability of a secondary markets should there be a need to withdraw from the fund quickly.

Councillor R Sharma advocated a “cautious” approach. The Director of Finance and Support Services stated that the Council would look at a range of issues including past performance.

Councillor J Wyllie asked that officers give consideration to local “seed-bed” units. The Director of Finance and Support Services explained that the Council was constrained by lack of land and that local investment was about finding the right place in which to invest.

The Interim Principal Accountant drew Members’ attention to paragraph 3 of Essential Reference Paper “B” which showed that the Council was investing surplus cash which would attract low rates of interest in its delivery of the approved capital schemes.

The Committee received the report.

**RECOMMENDED** – that (A) Non-Treasury Investments be included in the Treasury Management Strategy and associated criteria for selection, as now detailed within Essential Reference Papers “B” and “C” (Annex 2c);

(B) the proposed steps to mitigate investment credit risk as now detailed, be noted;

(C) the credit criteria changes for the selection of investment counterparties as now detailed, be

**noted;**

**(D) the revised format for the Treasury Management strategy as now detailed, be noted.**

105 APPOINTMENT OF VICE CHAIRMAN

It was moved by Councillor M Pope and seconded by Councillor J Wyllie that Councillor W Mortimer be appointed Vice-Chairman for the civic year 2014/15.

RESOLVED – that Councillor W Mortimer be appointed Vice-Chairman for the civic year 2014/15

106 APOLOGIES

Apologies for absence were submitted from Councillors J Ranger, N Wilson and J Wing. It was noted that Councillor J Wyllie was substituting for Councillor N Wilson.

107 MINUTES

RESOLVED - that the Minutes of the meeting held on 19 March 2014 be confirmed as a correct record and signed by the Vice-Chairman.

108 EXTERNAL AUDIT - AUDIT PLAN

The External Auditor submitted the Audit Plan for the year ending 31 March 2014 which set out the External Audit approach, the risks, significant and other, associated with the plan. The External Auditor provided a summary of the interim audit work undertaken, adding that there was nothing significant to bring to Members' attention. It was noted that in accordance with accounting codes of practice, the External Auditor would be carrying out a Value for Money exercise, the criteria and focus of which was explained.

In response to a query from Councillor M Pope concerning "de-cluttering the accounts" and making them easier to understand, the External Auditor explained how the accounts

would be “de-cluttered” and how this would add value. She assured Members that this would not affect strategic aims.

In response to a query from Councillor R Sharma, the External Auditor confirmed that that there had been no fraudulent transactions identified and that good controls were in place.

In response to a query from Councillor M Pope regarding work undertaken by the External Auditor remotely and “in situ”, the External Auditor explained that the majority of the work was undertaken on site but this depended on what was being audited. The External Auditor stated that in January 2014, housing benefits was audited with auditors spending three weeks at the Council’s offices.

Members received the External Audit Plan.

RESOLVED - that the External Audit Plan be received.

#### 109 DRAFT STATEMENT OF ACCOUNTS 2013 - 2014

The Executive Member for Finance submitted a report setting out the Draft Statement of Accounts for 2013/14.

The Director of Finance and Support Services stressed that the accounts were a draft, (and subject to audit), fully compliant with rules and regulations and that these would be made available on the Council’s website for public inspection. The Director of Finance and Support Services provided a summary of changes, affecting the accounts, the detail of which was set out in the Explanatory Foreword.

The Director of Finance and Support Services explained the background to the underspend of £1.5Million against service budgets for the financial year 2013/14.

In response to a query from Councillor D Andrews concerning planning income which had been offset by a number of planning appeal costs, the Director of Finance and Support Services explained how variances were managed in terms of

timeframes and that many variances could be anticipated as part of the monthly healthcheck to scrutiny committees. She assured Members that monitoring and controls would ensure that the Council would have resources in the right place when needed.

In response to a query from Councillor R Sharma concerning responses from the public once the draft accounts were published, the Director of Finance and Support Services explained that occasionally, someone would request an opportunity to examine the accounts and were entitled to ask questions of the External Auditor. Last year, no objections to the accounts had been received.

The Accountancy Manager provided a response to a query from Councillor J Wyllie concerning the Council's assets held for sale. The Director of Finance and Support Services explained that before any decisions on disposal were taken, the best use of the asset would have been considered and matters such as yields, levels of sustainable income and any liability issue would have been taken into account. The Director of Finance and Support Services explained that the report on the Treasury Management Strategy (see Minute 104) explained the approach to direct property investment in more detail.

The Accountancy Manager provided a response to a query from Councillor M Pope regarding the note on adjustments between the Accounting basis and Funding basis in the accounts. The Accountancy Manager also agreed to provide a written response following Councillor D Andrew's concerns about short term creditors.

In response to a query from Councillor M Pope, the Interim Principal Accountant provided a response regarding the need to restate the pension reserve.

The Director of Finance and Support Service provided background around the level of contingency liabilities. An update in relation to the Municipal Mutual Insurance Scheme was considered and Members were advised that this had

been recognised as a contingent liability in the Accounts.

The Committee received the Draft Statement of Accounts for 2013/14.

RESOLVED – that (A) the Draft Statement of Accounts be received; and

(B) the Director of Finance and Support Services be authorised to issue the Council's 2013/14 draft accounts in line with statutory processes.

110 SHARED INTERNAL AUDIT SERVICE ANNUAL  
ASSURANCE STATEMENT AND ANNUAL REPORT  
2013/14

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The Shared Internal Audit Service submitted a report on the Annual Assurance Statement and Internal Audit Annual Report.

The Shared Internal Audit Service Manager provided a summary of the key points and drew Members' attention to the need to adopt an Audit Charter as required by the Public Sector Internal Audit Standards.

In response to a query from Councillor J Wyllie, the Shared Internal Audit Service Manager explained that the service had completed 32 out of 34 projects by March 2014.

The Director of Finance and Support Services gave assurances that there were no inappropriate limitations on the Internal Audit Service in terms of either scope or resources.

In response to a query from Councillor M Pope concerning recommendation follow-up, the Director of Finance and Support Service explained the process of review and follow-up assuring the Member that follow-up of lower and moderate category recommendations were reported to Corporate Management Team (CMT) by the Audit Champion on a quarterly basis. The External Auditor confirmed that as part of the Value for Money exercise, recommendations by the

Internal Audit Service would be reviewed.

The Committee received the report.

RESOLVED – that (A) the Annual Assurance Statement and Internal Audit Report be noted;

(B) the results of the self-assessment be noted;

(C) the Shared Internal Audit Service Audit Charter be agreed; and

(D) the assurance provided by the Director of Finance and Support Services that the scope and resources for internal audit were not subject to inappropriate limitations in 2013/14, be noted.

#### 111 SHARED INTERNAL AUDIT SERVICE - AUDIT PLAN UPDATE

The Shared Internal Audit Service submitted a report detailing the progress made in delivering the Council's Annual Audit Plan for 2014/15. The report also set out proposed amendments to the approved Audit Plan and sought approval to remove implemented high priority recommendations.

The Shared Internal Audit Service Manager spoke of the difficulties in scheduling internal audit reviews with the Council as its client. A schedule had therefore been drawn up to assist this process.

The Vice-Chairman referred to a number of projects which could not be completed before Quarters 3 and 4. The Shared Internal Audit Service Manager explained how the revised cycle of activities would work.

In response to a query from Councillor D Andrews regarding a follow up of various ICT reviews, the Shared Internal Audit Service Manager explained why this remained on the schedule.



The Vice-Chairman thanked the Shared Internal Audit Service for their report.

The Committee received the report.

RESOLVED - that (A) the Internal Audit Progress report be received;

(B) the amendments to the Audit Plan as at 20 June 2014 be approved; and

(C) high priority recommendations which had been implemented, be removed.

112 UPDATE ON IMPLEMENTATION OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Director of Finance and Support Services submitted a report in relation to the 2012/13 Annual Governance Statement and the seven measures to enhance East Herts' internal control framework during 2013/14.

The Manager of Corporate Risk explained that current positions had been updated, but that there had been insufficient movements to change the "Red", "Green" or "Amber" status of any of the actions which would all remain at Amber. Revised targets dates had been set against a number of outstanding issues, the detail of which was set out in the report now submitted.

In response to a query from Councillor M Pope concerning Section 106 monies, the Director of Finance and Support Services explained that this was still a high profile issue and would remain so with Corporate Management Team receiving reports on a regular basis.

In response to a query from Councillor M Pope regarding governance arrangements at Hertford Theatre, the Director of Finance and Support Services explained that it was a question of examining the most advantageous governance arrangements for both the Council and the Council Taxpayer.

The Committee received the report.

RESOLVED – that (A) the progress made in implementing the action plan contained in the 2012/13 Annual Governance Statement, be received;

(B) the revised targets for actions, as now detailed, be approved;

(C) the “Amber” rated issues, as now detailed, be carried forward to the 2014/15 Annual Governance Action Plan.

### 113 DRAFT 2013/14 ANNUAL GOVERNANCE STATEMENT

The Leader of the Council submitted a report detailing proposals for taking forward the 2013/14 Annual Governance Statement.

The Manager of Corporate Risk advised that a self assessment of the Council’s counter-fraud arrangements had been undertaken, the detail of which was set out in the Essential Reference Paper. It was noted that the results of the self-assessment had been very positive and had been reported to Corporate Management Team

The Manager of Corporate Risk summarised the consultation process being undertaken prior to final approval of the Annual Governance Statement at the next Audit Committee. Members were invited to submit input towards the Annual Governance Statement alongside those issues already identified.

In response to a query from Councillor R Sharma regarding housing benefit and interaction with housing associations, the Director of Finance and Support Services explained that it was for Housing Associations to identify any fraud and take action. She assured the Member that there was regular dialogue with housing associations to discuss a range of issues.

The Committee received the report.

RESOLVED – that (A) the Annual Governance Statement be used as a basis for wider consultation;

(B) the process for taking forward the 2013/14 Annual Governance statement be approved; and

(C) the comments made within the self assessment document “Protecting the Public Purse” be supported.

114 RISK MANAGEMENT MONITORING REPORT 1 JANUARY 2014 TO 31 MARCH 2014

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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 1 January to 31 March 2014.

The Manager of Corporate Risk explained that the nine existing strategic risks would remain for 2014/15 together with four additional risks.

The Committee approved the report as now detailed.

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

115 AUDIT COMMITTEE WORK PROGRAMME

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

The Vice-Chairman suggested that Members might wish to have an investment presentation by Capita. The Director of Finance and Support Services reminded Members that the External Auditor had offered to give Members an update on what they had advised nationally in terms of financial resilience. The Director of Finance and Support Services suggested that Members invite the External Auditor to present

to the next meeting of Audit Committee. This was supported.

Members approved the work programme, as now amended.

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

The meeting closed at 8.55 pm

Chairman	.....
Date	.....