

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD, ON MONDAY 28 JUNE 2010,
AT 7.00 PM

PRESENT: Councillor J O Ranger (Chairman)
Councillors K Darby, Mrs M H Goldspink
(Substitute for A M Graham), J Hedley,
M Pope, R A K Radford, J P Warren.

ALSO PRESENT:

Councillors N P Clark and M J Tindale

OFFICERS IN ATTENDANCE:

Mandy Barton	- Accountancy Manager
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
Ceri Pettit	- Head of Strategic Direction (shared) and Performance Manager

ALSO IN ATTENDANCE:

Nick Taylor - Grant Thornton

82 APOLOGIES

An apology for absence was submitted from Councillor A

Graham. It was noted that Councillor Mrs M H Goldspink was acting as substitute for him.

RESOLVED ITEMS

83 MINUTES

The Minutes of the meeting held on 17 March 2010 were submitted. Councillor N Clark suggested that there were too many uses of the word "commented" and that Officers should find alternatives.

RESOLVED – that the Minutes of Audit Committee meeting held on 17 March 2010 be confirmed as a correct record and signed by the Chairman.

84 EXTERNAL AUDITOR'S REPORT - ACCOUNTS AUDIT APPROACH MEMORANDUM

The External Auditor outlined the proposed audit approach in relation to the Accounts 2009/10 Memorandum. The approach was based on an assessment of audit risk relevant to the individual elements of the financial statements and focussing audit effort on areas deemed to be of higher risk. Work in other areas was proportionately lower than for higher risk areas.

The Chairman queried the additional fees payable to the Audit Commission and following reductions in workload and hoped that they would "disappear". It was noted that the fees payable related to Statutory Inspections in relation to Management Performance Assessments. It was also recognised that the public had asked a lot of questions of the External Auditor last year.

Councillor N Clark queried Members' Allowances and questioned the appropriateness of the Council's scheme. The External Auditor saw nothing which was particularly different in comparison to other Councils.

The Committee received the report.

RESOLVED – that the report be received.

85 SCRUTINY AND AUDIT ACTION PLAN: SIX MONTHLY
PROGRESS REPORT

The Chief Executive submitted a report showing the progress made against the External Auditors' recommendations following their review of Scrutiny and Audit arrangements at East Herts. The progress made on the 11 recommendations was set out in the report now submitted. The Head of Strategic Direction (Shared) and Performance Manager, explained the position in relation to the Action Plan and clarified the position in relation to the Essential Reference Papers.

In response to a query from Councillor Mrs M H Goldspink regarding the potential for scrutiny of major topics to be overlooked, the Director of Internal Services explained that it was a function of Chief Officers to ensure that issues were followed through. The Chairman explained that there were a number of fail safes as well, including the use of call in if Members felt that an issue had not been sufficiently scrutinised. Additionally, the Committees' Work Programme was circulated weekly to all Members via the Members' Information Bulletin. The Director of Internal Services added that the MTFP (Medium Term Financial Plan), had been published and that Officers would be inviting all scrutiny committees to examine future years' savings early in their calendar. He explained that it would be unusual for a large scheme to be proposed which had not already been included in the MTFP well in advance of it commencing.

The Chairman suggested that Members might wish to scrutinise the Capital Programme.

Councillor N P Clark referred to the role of Member and Officer Groups. He questioned the Terms of Reference for the C3W Group and asked why all political groups had not been invited to attend that meeting. Councillor M Tindale stated that invitations had been sent to Members based on

what Members might be able to contribute to move the issue forward. He added that there was no necessity to have political balance on the C3W group. Councillor N Clark said that he had asked to be included on that Group and that Councillor Tindale had refused. Councillor Tindale agreed that that was correct.

The Committee received the report and noted the achievements made against the 11 recommendations set out in the report now submitted.

RESOLVED – that the achievements made against the 11 recommendations be noted.

86 2009/10 IMPROVEMENT PLAN: SIX MONTHLY PROGRESS REPORT

The Leader of the Council submitted a report on the progress made against recommendations identified following the Council's 2008/09 Use of Resources and Managing Performance Assessment which had been presented to Members last year. The achievements against the 15 recommendations were set out in the report now submitted. It was noted that revised completion dates for actions 14 and 15 had been requested. An explanation for the completion date revisions was set out in the report now submitted.

The Head of Strategic Direction (Shared) and Performance Manager explained the timing of the report in that it had been drafted prior to the announcement of the abolition of Comprehensive Area Assessments. She referred to other up and coming legislation which would be announced after the Parliamentary recess adding that monitoring would continue with a report to Members in November 2010.

The Director of Internal Services provided updates in relation to reductions in Government spending which would affect performance reward grants.

Councillor N Clark asked for an update in relation to the Independent Remuneration Panel. The Director of Internal

Services explained that as agreed by Council, nominations to serve on the Panel were being sought from a number of constituencies for consideration and he would report back to Members when further information was available.

The Committee noted the achievements against the 15 recommendations and agreed the revised completion dates for actions 14 and 15.

RESOLVED – that (A) the achievements against the 15 recommendations be noted; and

(B) the revised completions dates for actions 14 and 15 be agreed.

87 RISK MONITORING REPORT (1 JANUARY – 31 MARCH 2010)

The Leader of the Council submitted a report on the action taken to mitigate and control strategic risks during the period 1 January to 31 March 2010.

The Chairman raised concerns about reviewing information which was out of date, suggesting that the current reporting programme based on quarter end dates was too rigid and that there should be greater flexibility in reporting back. He asked Officers to consider ways of making the report as up to date as possible, suggesting the possibility of a more timely report as being more practical.

The Chairman referred to the position regarding Stansted Airport. It was noted that the Government had refused permission for a second runway and that this would impact on the Council. The Head of Strategic Direction (Shared) and Performance Manager undertook to forward the request for a further report to appropriate Officers as required by the stated mitigated action. CE

Councillor N Clark queried Strategic Risk 7 (SR7 – Financial Plan) and referred to the management of the Council's investment strategy and of arrangements to report matters to

Council. The Director of Internal Services confirmed that any changes to the investment strategy required the approval of Council. The Chairman stated that Members would like to see investment areas widened and referred to types of investments which other Councils had undertaken, some of whom were achieving 7% interest per year but also urged a cautionary approach. Councillor M Tindale stated that discussions were ongoing with the Council's treasury advisers, Sector and that it was a question of getting the balance right between risk and gain. Options for investment were considered. The Director of Internal Services stated that the Council would adopt a cautionary approach on investment and any advice given.

The Committee welcomed the suggestion that a more timely report be submitted and noted the action taken to mitigate and control strategic risks during the period 1 January to 31 March 2010.

RESOLVED – that (A) the action taken to mitigate and control strategic risks during the period 1 January to 31 March 2010 be noted; and

(B) Members be provided with a more timely report at the next meeting of Audit Committee. CE

88 STATEMENT OF ACCOUNTS 2009/10

The Executive Member for Resources and Internal Services submitted a report setting out the background requirements in approving the Statement of Accounts, attached to the report now submitted. Full Council was required to approve the Council's accounts by 30 June 2010 following the relevant accounting year end. The report now submitted, provided a summary of Accounting Policies including the Income and Expenditure Account, of movements on the General Fund Balance and recognised gains and losses. The report detailed the balances and reserves, the Council's deposits and its long term indebtedness.

The Director of Internal Services explained that the Capital

Outturn resulted in a performance of 90% of the original budget being achieved. £6.58m of capital receipts had been applied to fund the Capital Programme. There were offsetting accruals remaining on the balance sheet, netting to £2.35m relating to The Causeway property transaction. As at 31 March 2010, the balance of usable capital receipts stood at £7.61m.

The revenue under-spending was explained with particular reference to the income benefits accruing from the Alternative Refuse Collection (ARC) scheme leading to a proposal to transfer £275,000 into a Waste Recycling Reserve, the outturn allowed a transfer to a Pension Strain Costs Reserve, and a reduction in the withdrawal from the Interest Equalisation Reserve. Any service requests in relation to carrying forward of under-spends would be considered separately.

The Director of Internal Services referred to the accounting concepts in relation to how pensions were charged and how these were different between the final accounts and the basis on which the Council calculated Council Tax. He drew attention to the increase in the pension liability and referred to the new Government's intended review of public sector pensions.

The Chairman referred to the intention that employers and employees should share increases in pension costs which was part of the last review of the scheme.

The Director of Internal Services stated that in 2009/10, The Causeway deal had been completed and how this was shown on the Balance Sheet. In short, the Council had made a £3M gain against the book value on disposal of these assets.

Councillor N Clark sought further information on a proposal to transfer £275,000 to a Waste Recycling Reserve to assist with future initiatives in support of Waste / Recycling Strategies. He suggested that it might have been better to leave these monies in the General Reserve. The Director of Internal Services advised that the Council had received an income

stream from waste and re-cycling credits. He stated that the Council was reviewing the waste recycling contract and that it was useful to have in place, a provision to draw on to secure the revenue income. The Director of Internal Services stated that Members would have an opportunity to scrutinise proposals before monies were spent and to judge the merits of the business case. In relation to the suggestion that these monies be left in the General Reserve, the Director explained that the Council was urged to be as transparent as possible. Councillor M Tindale stated as the Council received a contribution from the County Council for recycling, it would be wrong to put this sum of money in the General Reserve.

The Chairman added that recycling targets were constantly being raised and that it was important and prudent to show that funding was available to support new initiatives.

Councillor M Pope sought clarification on the pension interest costs and expected return on pensions assets. The Director of Internal services explained that the difference was largely as a result of a deficit in pension liability in that a pension deficit gave rise to an increase in interest costs. The Head of Financial Services referred the Member to the Pension Scheme (Notes to the Core Statements) for further clarification.

The Committee received the Statement of Accounts for the financial year ended 31 March 2010.

RESOLVED – that the Statement of Accounts for the year ending 31 March 2010 be referred to Council.

89 INTERNAL AUDIT SERVICE APRIL 2009 - MARCH 2010

The Internal Audit and Business Improvement Manager submitted a report summarising the activities performed by Internal Audit during 2009/10. An Annual Report was attached to the report now submitted.

It was noted that the overall level of assurance awarded for systems reviewed was “good”, meaning all major controls

were in place and also that good risk management practices had been delivered throughout 2009/10. The approach adopted for monitoring the Annual Governance Statement Action Plan to enhance East Herts' internal control framework was robust. Appendix 'A' of the report detailed what was originally agreed as the Audit Plan and provided a position status against each item.

Following a query by Councillor Mrs M H Goldspink concerning PINS (Professionalism In Security), the Internal Audit and Business Improvement Manager undertook to provide her with a written response.

DIS

The Chairman complimented the work of Internal Audit Services.

Councillor N Clark referred to the limited assurance assessment shown against the Streets Market review and was concerned that this had not been discussed in public. The Internal Audit and Business Improvement Manager explained that copies of all Internal Audit reports are sent to all Members of the Audit Committee and substitutes and that in this instance, the recommendations made had been actioned very quickly. Councillor N Clark asked that he also be copied into future Internal Audit reports. This was agreed. The Chairman stated that if Members were concerned about anything, they should contact him and he would ensure that issues were added to the agenda.

Councillor N Clark referred to the need to have independence in relation to the authorised signatory list which was maintained by Internal Audit. The Director of Internal Services agreed but explained that having a list of authorised signatories maintained by Internal Audit provided a pragmatic compromise which reflected the size of the organisation.

In response to a query from Councillor M Pope regarding the assessment of actual controls against expected controls in the CIPFA publication "Managing the Risk of Fraud", the Internal Audit and Business Improvement Manager assured the Member that the fraud awareness training recommendations

were consistent.

The Chairman referred to Members' earlier requests for training and was concerned that only himself and the Vice Chairman had attended training organised for earlier that evening.

The Committee received the report.

RESOLVED – that the report be received.

90 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 Annual Governance Statement action plan. Members were referred to the eight uncompleted actions which the Internal Audit and Business Improvement Manager wished to carry forward to the 2009/10 Annual Governance Statement.

The Internal Audit and Business Improvement Manager drew attention to the "Amber" items on Essential Reference Paper 'B' which would be carried forward. He updated Members on recent actions which had changed category and assured Members that the uncompleted "Red" item would also be carried forward.

The Director of Internal Services referred to variances in February and March 2010 which was good news in terms of under-spending. However, he felt it important that the Council sought to identify variances early and that more work was needed in that area and hence the "Red" status.

The Committee was pleased to receive the report and note the progress made. Members also supported a request to carry forward the eight uncompleted actions to the 2009/10 Annual Governance Statement.

RESOLVED – that (A) the progress made against

implementing the action plan contained in the 2008/09 Annual Governance Statement be noted; and

(B) the eight uncompleted actions be carried forward to the 2009/10 Annual Governance Statement. DIS

91 DRAFT 2009/10 ANNUAL GOVERNANCE STATEMENT

The Leader of the Council submitted a report on the draft 2009/10 Annual Governance Statement. It was noted that the eight outstanding actions referred to in an earlier report on the agenda had been carried forward to the draft 2009/10 Annual Governance Statement and a further eleven actions had been added to the draft 2009/10 Annual Governance Statement.

The Internal Audit and Business Improvement Manager drew attention to the review process of the Annual Governance Statement by a number of Committees which would ultimately be approved by Council. In total, 19 significant governance issues had been identified, the detail of which was set out in the report now submitted and these would form a new Annual Governance Statement Action Plan.

The Chairman referred to the possibility that the Pathfinder Group might fail to deliver required levels of efficiency across Hertfordshire adding that the process was slow. He stated that Project Initiation Documents (PIDs) for Legal Services, Human Resources and Internal Audit had not been scrutinised in terms of their effectiveness and that this issue should be drawn to the attention of Corporate Business Scrutiny Committee. This was supported.

The Committee noted the draft 2009/10 Annual Governance Statement as part of the wider consultation process. Members also supported the suggestion that the Pathfinder PIDs for Legal Services, Human Resources and Internal Audit be referred to Corporate Business Scrutiny Committee for scrutiny.

RESOLVED – that (A) the draft 2009/10 Annual Governance Statement be noted as part of the wider

consultation process; and

(B) Project Initiation Documents (PIDs) for Legal Services, Human Resources and Internal Audit be referred to Corporate Business Scrutiny Committee, for scrutiny. DIS

92 INTERNAL AUDIT SERVICE - POSITION STATEMENT

The Internal Audit and Business Improvement Manager submitted a report on internal audit activity undertaken within Internal Audit Services and updated Members on the outstanding audit recommendations which were set out in the report now submitted.

In response to a query by Councillor N Clark regarding the BACS service, the Director of Internal Services explained that the slow take up of BACS had been by suppliers.

The Internal Audit and Business Improvement Manager gave assurances that timescales given to the Council to consider capital payments would be monitored if the event arose in future. The status of the recommendation in respect of regular reconciliations was amended to "Continue to monitor".

In response to a query from Councillor K Darby, the Internal Audit and Business Improvement Manager explained how those actions that showed him as the responsible officer would only be signed off as resolved with the approval of the Section 151 Officer. This ensured sufficient separation of responsibilities.

The Committee received the report.

RESOLVED – that the report be received.

93 AUDIT COMMITTEE WORK PROGRAMME

The Internal Audit and Business Improvement Manager submitted the Audit Committee work programme for the 2010/11 civic year. The detail of the programme was set out

in the report now submitted. Members were advised of the need to revise the reports programmed for the 24 November 2010 meeting by the re-introduction of an unscored Use of Resources Assessment. This was supported.

The Committee received the work programme, as revised.

RESOLVED - that the revised work programme for Audit Committee be approved.

The meeting closed at 8.25 pm

Chairman
Date