

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON WEDNESDAY 25
NOVEMBER 2015, AT 7.00 PM

PRESENT: Councillor W Mortimer (Chairman)
Councillors J Cartwright, I Devonshire,
P Kenealy and S Stainsby.

ALSO PRESENT:

Councillors A Alder and G Williamson.

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Democratic Services Officer
Chris Gibson	- Head of Governance and Risk Management
Philip Gregory	- Head of Strategic Finance
Nicola Munro	- Principal Accountant
Adele Taylor	- Director of Finance and Support Services

ALSO IN ATTENDANCE:

Alan Simkins	- King and Shaxson
Paul Turner	- King and Shaxson

423 TRAINING ITEM - TREASURY MANAGEMENT:
PRESENTATION BY KING AND SHAXSON

Members were given a Treasury Management Training presentation by King and Shaxson, a company with over 150 years' experience and 237 Local Authority clients. The

company was a leading supplier of transferable securities and had £3.75bn assets under its custody (as at 31 October 2015).

Mr Turner and Mr Simkins provided Members with an overview of what transferable securities and investments were available to Local Authorities and what the Council's options were.

The Chairman, on behalf of Members thanked King and Shaxson for their informative summary.

The Committee received the presentation.

RESOLVED – that the presentation be received.

424 APOLOGIES

Apologies for absence were submitted Councillors B Deering and P Phillips. The Council's new External Auditors, EY also submitted their apologies.

425 MINUTES

The Director of Finance and Support Services referred to the meeting on 15 July 2015 when Councillor B Deering raised an issue regarding pensions. The Director explained that she now had this information and would forward this to him. She apologised that this had not been referred to in the Minutes or picked up at the time.

RESOLVED - that the Minutes of the meeting held on 23 September 2015 be confirmed as a correct record and signed by the Chairman.

426 TREASURY MANAGEMENT STRATEGY - 2015/16 MID YEAR REVIEW

The Executive Member for Finance submitted a report setting out the Council's Treasury Management activities for the six months to 30 September 2015. The Head of Strategic Finance referred Members to the background of the economy,

how this had affected the current financial cycle and its effects on the Council's investments. He provided a summary of the report and supporting essential reference papers.

The Chairman stated that in relation to Property Investment Funds, the average rental return was 3.0%.

The Committee received the report.

RESOLVED – that (A) the loan and investment position as at 30 September 2015 be noted;

(B) the Prudential Indicator position as at 30 September 2015 be noted; and

(C) the changes on credit rating methodology be noted.

427 EXTERNAL AUDIT REPORT - 2014/15 ANNUAL AUDIT LETTER

The Director of Finance and Support Services explained that the Council's former External Auditor (Grant Thornton), had submitted their apologies for absence.

The External Auditors had submitted a report setting out the key messages, issues and recommendations arising from work which had been carried out for the year ended 31 March 2015, the detail of which was set out in the report. Key findings were also reported to Audit Committee on 23 September 2015.

The Director of Finance and Support Services advised that Grant Thornton had issued an unqualified Value for Money conclusion on 30 September for the period 2014/15 and that there were no changes to that view.

The Committee received the report.

RESOLVED – that the report be received.

428 COUNCIL'S RESPONSE TO 2014/15 ANNUAL AUDIT LETTER

The Executive Member for Finance and Support Services submitted a report setting out the proposed response from the Council to the issues and recommendations raised in the Annual Audit Letter 2014/15, the detail of which was set out in the report.

The Director of Finance and Support Services confirmed that following the work undertaken by Grant Thornton UK LLP, no issues had been raised in the Annual Audit Letter but three recommendations had been made to the Council to:

- Review the asset management system;
- Consider preventing access rights to prevent the same individual initiating and authorising purchase orders; and
- Consider how the volume and significant of self- authorised journals could be reduced.

The suggested response from the Council to the recommendations was detailed in the report. In relation to the Asset Management System, the Director explained that this issue was being addressed in the Annual Governance Statement. In terms of the other two issues, Officers had reviewed controls and were satisfied with what was currently in place, given the size of the Council.

The Committee agreed the response to the Annual Audit Letter, as now detailed.

RESOLVED – that the response to the Annual Audit Letter, as now detailed be agreed.

429 EXTERNAL AUDIT - AUDIT FEES FOR 2015/16

The External Auditor Ernst and Young LLP submitted a letter setting out their indicative audit fees (£52,331) and certification fees (£8,316) for 2015/16.

The Committee noted and agreed the level of audit and certification fees.

RESOLVED – that the contents of the letter setting out the audit and certification fees be agreed.

430 UPDATE ON IMPLEMENTATION OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Director of Finance and Support Services submitted a report which provided an update on the measures included in the 2014/15 statement to enhance the Council's internal control framework during 2015/16, the detail of which was set out in the report.

The Head of Governance and Risk Management summarised the position statements detailed within the report. The Head of Governance and Risk Management drew Members' attention to the fact that SMART actions had been identified for the Asset Management Plan, which would be reported to the Executive by March 2016 and for the development of a District Plan, which had a target date for adoption of May 2017. No clear timelines had yet to be identified of the impact of impending legislation regarding the Welfare Reform changes on the Council and its residents.

In response to a query from Councillor J Cartwright regarding the "Amber" status of the Annual Governance Statement and the cautionary approach being taken, the Head of Governance and Risk Management explained that actions could not be shown as "Green" until they had been achieved.

In response to a query from Councillor P Kenealy in relation to SMART Targets and the need to establish a completion date in respect of the Asset Management IT System Procurement, the Director of Finance and Support Services explained that this was a significant piece of work to be undertaken with a long term view as such it was difficult to provide a completion date. It was suggested that Officers could report back to the meeting on 20 January 2016. This was supported.

The Head of Governance and Risk Management referred to

the impact on the Asset Management Plan following the purchase of the Old River Lane site which would be reported to Members at the next meeting.

A Member raised a query regarding the Chancellor of the Exchequer's recent statement in relation to Councils' using their reserves. The Director of Finance and Support Services stated that she had not had an opportunity to analyse the impact of his statement in terms of reserves and that this would be assessed in terms of the Medium Term Finance Plan when the Director would be providing an opinion on the adequacy of the Council's reserves and how this fit in with the Council's long term plans. She explained the purpose of earmarked reserves.

Members noted the progress made in implementing the action plan contained in the 2014/15 Annual Governance Statement as submitted.

RESOLVED – that (A) the progress made in implementing the action plan contained in the 2014/15 Annual Governance Statement be received; and

(B) the SMART target attached to the actions as now submitted, be approved; and

(C) Officers report back in January 2016, on the progress of the Asset Management IT System.

431 RISK MANAGEMENT MONITORING REPORT 1 JULY 2015
TO 30 SEPTEMBER 2015

The Executive Member for Finance and Support Services submitted a report on the actions taken to mitigate and control strategic risks during the period July to September 2015.

The Head of Governance and Risk Management advised that two new risks had been introduced; safeguarding adults and the Old River Lane Bishop's Stortford site, the latter would be included in the register for the period October to December and reported to Audit Committee in

March 2016.

In response to a query from the Chairman regarding 15SR6 (Availability and performance of IT Systems and resources impacting on service delivery), the Director of Finance and Support Services explained that it was shown as high impact and high likelihood on the matrix as IT was the life-blood of the organisation. She explained that the Council had been investing heavily in networks and telephony and expected those issues to reduce and mitigate the Council's risk.

The Director of Finance and Support Services explained how the Council's data was backed up at two separate sites and referred to an unfortunate incident when a cable between those two sites had been cut.

In response to a query from Councillor I Devonshire, the Director of Finance and Support Services explained the processes in place to cope with power cuts and that tests were conducted in respect of back-up power supplies.

The Committee approved the report as now detailed.

RESOLVED – that the actions taken to mitigate and control strategic risks be approved.

432 AUDIT COMMITTEE WORK PROGRAMME

The Director of Finance and Support Services submitted a report detailing the proposed work programme for Audit Committee.

The Head of Governance and Risk Management suggested that Risk Management training be included as a training item for the meeting on 20 January 2016 in advance of the Risk Management Strategy being considered by Members at the March Audit Committee. This was supported.

The Chairman asked that Members email him regarding requests for further training.

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

The meeting closed at 8.10 pm

Chairman

Date