

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON WEDNESDAY 24
NOVEMBER 2010, AT 7.00 PM

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

OFFICERS IN ATTENDANCE:

Chris Gibson	- Internal Audit and Business Improvement Manager
Alan Madin	- Director of Internal Services
Peter Mannings	- Democratic Services Assistant
Ceri Pettit	- Head of Strategic Direction (shared) and Performance Manager

ALSO IN ATTENDANCE:

Nick Taylor	- Grant Thornton, External Auditor
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398 APOLOGY

An apology for absence was submitted on behalf of Councillor A M Graham. It was noted that Councillor Mrs M H Goldspink was substituting for Councillor A M Graham.

399 CHAIRMAN'S ANNOUNCEMENTS

The Chairman reminded Members that, in the period up

to the Sawbridgeworth by-election on 23 December 2010, “purdah” rules applied. These rules existed to ensure that there was no risk of public funds being used and/or actions undertaken to support one particular political party or individual.

The Chairman stated that he was happy for Councillors who were not Members of the Audit Committee to ask questions. He stressed that Members of the public were not permitted to ask questions.

400 MINUTES

RESOLVED – that the Minutes of Audit Committee meeting held on 15 September 2010 be confirmed as a correct record and signed by the Chairman.

401 DECLARATIONS OF INTEREST

Councillor K Darby declared a personal interest in the matter referred to at Minute 274 – Internal Audit Service Position Statement in that up to and including 12 November 2010, she had been employed by Vale House Stabilisation Services.

402 UPDATE ON IMPLEMENTATION OF ANNUAL GOVERNANCE ACTION PLAN

The Internal Audit and Business Improvement Manager submitted a report inviting the Committee to consider the Annual Governance Statement Action Plan. The Annual Governance Statement had been signed off by the External Auditor on 3 November 2010. Members were invited to consider details of proposed actions that needed to take place prior to confirmation being given that adequate and effective controls were fully in place against each milestone.

The Committee was advised that the action plan comprised 19 milestones of which 11 were new. Officers were keeping the action plan updated in respect of any

progress made.

Councillor Mrs M H Goldspink stated that the milestones detailed in the action plan should really be designated as risks. The Director of Internal Services advised that the milestones detailed in the annual governance statement action plan were milestones to improve corporate governance.

The Director stressed that each milestone was an issue to address so the Authority can improve performance on the way to an enhanced governance position. Councillor R A K Radford stated that each milestone identified the associated risks should that particular milestone not be achieved.

Councillor Goldspink stressed that all the milestones were identified as being amber or red. She stated that milestones achieved could be included as the action plan currently gave the impression that there had been little achievement against the action plan.

Councillor J Hedley emphasised that actions that had been designated as green or completed were removed from the action plan. The Director confirmed that this was typically the case as regards completed milestones. The Chairman stressed that the action plan was reviewed regularly and the report submitted to the last meeting did contain some completed actions marked as green.

The Internal Audit and Business Improvement Manager advised that the status for milestones was not designated as green until all the facets of each milestone were completed. As such, each milestone was broken down so that all the facets were displayed in the action plan.

In response to a query from Councillor Hedley relating to the risk of significant variance from the financial plan, the Director advised this was a risk currently associated more generally with public sector funding.

Councillor Goldspink commented on whether it was possible to identify savings that could have been achieved without pathfinder collaboration. The Director stressed that any figure would be a speculative estimate. The Chairman stated that the savings resulting from pathfinder could be claimed as a success story.

Councillor K Darby sought and was given clarification in respect of the standstill period referred to in relation to the refuse contract.

The Committee received the report.

RESOLVED - that (A) the principles outlined that will enable Annual Governance Statement internal control milestones to be considered as fully achieved, be supported; and

(B) the progress made against implementing the action plan detailed in the 2009/10 Annual Governance Statement, be noted.

403 SCRUTINY AND AUDIT ACTION PLAN: SIX MONTHLY PROGRESS REPORT

The Head of Strategic Direction (shared) and Performance Manager submitted a report presenting the progress made against the External Auditors' (Grant Thornton) recommendations following their review of Scrutiny and Audit arrangements at East Herts.

The Committee was advised that 6 of the 11 recommendations had been achieved and the remaining 5 were in progress. Members were advised that this would be the final monitoring report against the action plan.

The Committee received the report.

RESOLVED – that (A) the achievement against the 11 recommendations detailed in Essential Reference Paper 'B', be noted; and

(B) it be noted that this would be the final monitoring report of progress against the action plan.

404 2009/10 IMPROVEMENT PLAN: SIX MONTHLY PROGRESS REPORT

The Head of Strategic Direction (shared) and Performance Manager submitted a report presenting the progress made against the recommendations identified following the Council's 2008/09 Use of Resources and Managing Performance assessment. She stated that this report detailed the progress made since the June meeting of this Committee.

Members were advised that the timeframe of the plan related to when the recommendations were reported and covered the period November 2009 to October 2010. The Committee was advised of the progress made against all 15 actions detailed in the report now submitted.

Members were advised that the 5 outstanding actions were being monitored by the performance management framework. The Head of Strategic Direction (shared) and Performance Manager stressed that this would be the final specific monitoring report. She concluded by stating that the Comprehensive Area Assessment had been abolished so would no longer be used to assess progress. Members were advised that there were insufficient resources internally for the mapping of funding. The Committee was also advised that a bid was being made to Improvement East to procure external support on this task.

The Chairman stressed that LSP work should be carried out in a more co-operative manner to avoid duplication. The Head of Strategic Direction (shared) and Performance Manager advised the LSP Board had revised its activities down from 6 to 7 objectives to 2 or 3 with a greater emphasis on partnership working. The Committee received the report.

RESOLVED – that (A) the achievement against the 15 recommendations detailed in ‘Essential Reference Paper B’ be noted;

(B) the revised completion date for action 15 be approved; and

(C) the 5 outstanding actions be monitored through the Council’s performance management framework.

405 INTERNAL AUDIT SERVICES - POSITION STATEMENT

The Internal Audit and Business Improvement Manager submitted a report detailing a position statement on internal audit activity undertaken within the Internal Audit Service since the previous Audit Committee.

Members were also provided with an update in respect of outstanding audit recommendations and a copy of the Internal Audit Report on the release of confidential information to the Hertfordshire Mercury.

The Internal Audit and Business Improvement Manager stated that additional resources had been provided by North Herts Council at Principal Auditor Level to support the current reduced staffing resources. He also stated that there had been some slippage in respect of taking forward shared internal audit initiatives through Pathfinder.

The Committee was advised that following Officer investigations into the release of confidential information to the Hertfordshire Mercury, there were two recommendations for Members to consider, as detailed at paragraphs 4.1 and 4.2 of the report now submitted. The Internal Audit and Business Improvement Manager advised that Officers would, in future, look to minimise the storage of confidential documents and improve the security of electronic documents.

Members were advised that good progress had been made against outstanding audit recommendations. The Committee was given an update in respect of the audit recommendations detailed in the report now submitted. 27 recommendations had been resolved since the previous meeting.

The Chairman stressed the importance of noting the progress that had been made against the audit recommendations. He stated that Members had been appalled that an employee had passed details of a confidential document to the press. He also emphasised that an apology was owed to the individual referred to in the document. The Committee was satisfied that a thorough investigation had been carried out.

The Committee received the report.

RESOLVED – that the report be received and noted.

406 RISK MANAGEMENT MONITORING REPORT 1 AUGUST - 30 SEPTEMBER 2010

The Director of Internal Services submitted the risk monitoring report for the period 1 August - 30 September 2010. He stated that this report related to actions taken to mitigate and control strategic risks during this period.

The Committee was reminded that risk monitoring reports would not always have a consistent pattern of a report covering a 3 month period. The Internal Audit and Business Improvement Manager stated that risk monitoring was a key business process and was also a key system of internal control. He also stated that because of committee timings this report had already been considered by the Executive on 9 November 2010.

Members were referred to the strategic risk register as detailed at Essential Reference Paper 'B' to the report now submitted. All risk ratings had remained the same with the

exception being Carbon reduction targets that now fell below the reporting threshold. The Committee was reminded that the all Councillors had access to Covalent.

The Committee received the report.

RESOLVED - that the action taken to mitigate and control strategic risks during the period 1 August to 30 September 2010, be noted.

407 VARIANCES FROM FINANCIAL PLANS

The Director of Internal Services submitted a report in response to a request from the Committee that a review be undertaken of the pattern of budget variances and the timing of the reporting of those variances.

The Director stressed that a common factor of budgets was the importance of income items in explaining the late reporting of favourable variances. He commented that the impact of less significant individual variances was not identified until the final accounts.

Members were advised that Managers had been urged to be more balanced in reporting as they may have been overly cautious in forecasting income budgets where there was limited control.

The Chairman stated that income reports in March generally covered cash receipts until the end of February. He stressed that as details of expenditure were now on the Council's website, a more accurate and timely picture of the finances was available.

The Chairman advised Members that the next meeting would include relevant training and urged the Committee to attend. He reminded Members that this training would take place as part of the next meeting.

The Committee received the report.

RESOLVED – that (A) the report be noted; and

(B) the reporting system will report on original budgets.

408 COUNCIL'S RESPONSE TO 2009/10 ANNUAL AUDIT LETTER

The Director of Internal Services submitted a report detailing the Council's response to the issues raised in the Annual Audit Letter 2009/10. Members were advised that financial pressures, IFRS and Member training were the 3 key areas arising from the report.

The Committee was advised that a report had been submitted to the Executive in September 2010 in relation to the Medium Term Financial Plan (MTFP) following the release of the Comprehensive Spending Review (CSR). The Director stated that the Authority had not yet received details of its individual settlement from government. East Herts Council was in a good position financially when compared to other local authorities.

The Director stressed that he did not envisage any changes to the MTFP. He commented however, that there would still be some tough choices ahead for Members. The Committee was advised that the Authority would be getting advice from investment managers in relation to the challenging financial climate.

The Director stressed that Members would receive training in respect of IFRS. Councillor J Hedley referred to page 165 of the report now submitted. He stated that the External Auditor had stressed that the Authority had not acted improperly in relation to C3W and the property deal, although best practice had not always been followed.

The Committee thanked the External Auditor for the extra work that had been carried out. The Chairman stressed that the role of Councillors was to set policy and it was the

job of Officers to carry out the work of putting those policies into action. He believed that Members were not in a position to scrutinise every action in a micro level of detail. He also stated that the External Auditor had judged that the actions of the Authority had not been unlawful.

Councillor Mrs M H Goldspink concurred with the conclusions reached by the External Auditor. She emphasised the importance of noting the comments of the Auditor where there had been criticism of the Authority. She stressed that all decisions of the Authority must follow best practice.

Members were pleased that advice given by the External Auditor had already been taken on board by the Council and acknowledged that things could have been done better.

The Committee received the report.

RESOLVED – that the Council's response to the Annual Audit Letter be endorsed.

409 EXTERNAL AUDIT REPORT - 2009/10 ANNUAL AUDIT LETTER

Nick Taylor, Grant Thornton, submitted a report highlighting the key issues arising from the Annual Audit Letter 2009/10. He drew the Committee's attention to a number of key areas for action in 2010/11. He highlighted financial pressures as a particular area the Authority should focus on for 2010/11.

Members were reminded that the 2010/11 accounts would be in line with guidelines under International Financial Reporting Standards (IFRS). Nick Taylor stressed that Member training was a key area for development. He advised that an unqualified opinion had been issued on the Council's 2009/10 accounts on 3 November 2010.

Nick Taylor advised that a report would be submitted to the next meeting in respect of IFRS. The Committee acknowledged the importance of Member training.

The Committee received the report and Annual Audit Letter 2009/10.

RESOLVED – that the report be received and noted.

410 EXTERNAL AUDIT REPORT - FINAL EXTERNAL AUDIT PLAN 2010/11

Nick Taylor, Grant Thornton, submitted a report highlighting the key issues arising from the Audit Plan 2010/11. He stressed the importance of having proper arrangements in place in respect of financial security. He referred to the importance of high level risk assessments in key areas.

Nick Taylor advised that future work would place a significant emphasis on IFRS and a more risk based approach to value for money analysis. He invited Members to receive the report.

The Committee received the report.

RESOLVED – that the report be received and noted.

411 EXTERNAL AUDITOR'S REPORT - VALUE FOR MONEY 2009/10

Nick Taylor, Grant Thornton, submitted a report highlighting the key issues arising from the Value for Money Conclusion 2009/10. He advised that this report had arisen from the findings of work around use of resources. He stated that the Council had responded strongly to the economic downturn.

Nick Taylor invited Members to receive the report.

The Head of Strategic Direction (shared) and Performance Manager stressed that there was scope for generic training for Members, which could be organised by the Head of Democratic and Legal Support Services. Councillor J O Ranger referred to this being part of work around the Member Development Charter.

The Committee received the report.

RESOLVED – that the report be received and noted.

412 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 work programme for the 19 January 2011 meeting by the introduction of training in respect of fraud awareness and anti-fraud awareness as well as training on risk management. 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 8.48 pm

Chairman
Date