

MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE HELD IN THE  
COUNCIL CHAMBER, WALLFIELDS,  
HERTFORD ON WEDNESDAY 23 MARCH  
2011, AT 7.00 PM

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PRESENT: Councillor J O Ranger (Chairman)  
Councillors M Pope, R A K Radford and  
J P Warren

ALSO PRESENT:

Councillors W Ashley and P A Ruffles

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Committee Secretary
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

646 MINUTES

RESOLVED – that the Minutes of the Audit Committee meeting held on 19 January 2011 be confirmed as a correct record and signed by the Chairman.

647 CHAIRMAN'S ANNOUNCEMENTS

The Chairman referred to the recent sad loss of Councillor John Hedley who had previously been the Chairman of Audit Committee and had up until his recent death, been the current Vice Chairman. He asked those in attendance to observe a minute's silence.

The Chairman referred to the fact that he had recently attended a meeting at the External Auditors, Grant Thornton, where he had been provided with information relation to a number of important developments and with "Best Practice" in specific areas. The importance of the Annual Governance Statement was stressed. The Chairman stated that, during that meeting, what was highlighted was the fact that Audit Committee should be able to see real changes as a result of their work. He felt that it was a useful and productive meeting.

The Chairman advised that the Council continued to keep in touch with contacts in Japan following a previous visit there. He had received a letter recently referring to the fact that local government in Japan was moving towards how local government operated in the UK. The letter also sought the Council's sympathy and drew attention to the numerous relief funds which had been established to help the country following the recent disasters.

The Chairman sought Members' support to a suggestion that he respond on behalf of the Council, extending its sympathy and that the Council would draw attention to the various methods to contribute to the funding. This was supported.

Finally, the Chairman thanked Officers and Members for their support during his Chairmanship in the civic year.

648 COMMUTED SUMS - SECTION 106: MEMBER TRAINING

The Head of Planning and Building Control provided a presentation on the use of Commuted Sums: Section 106 Agreements. He explained what they were and what guidance was observed in developing such an agreement.

He stressed that whilst the concept was to make an intended development acceptable which would otherwise be unacceptable in planning terms, what needed to be borne in mind was that the benefits offered could not compensate for a substandard development. The Head of Planning and Building Control explained both the County Council's and East Herts Council's approaches to these agreements in terms of planning obligation priorities. He referred to the introduction of the Community Infrastructure Levy (CIL) and how this would impact on Section 106 Agreements.

The Chairman stated that many people living in villages felt aggrieved that they did not feel the benefit of the commuted sums and cited the village of Walkern where there had been three planning developments involving Section 106 agreements. He said that no monies had been invested back into the community. He was concerned that the County Council took the larger share and that this was used for secondary schools which were usually located in towns. He hoped that the Localism Bill would give people more say in their areas.

The Head of Planning and Building Control explained the difficulties in service provision for villages and of the role of Parish Councils and local committees in helping identifying local needs. He said that he was unsure what would come out of the Localism Bill. He explained that the split in relation to commuted sums between the County Council and the District was around 70:30; education and highways costs being high in relation to service provision.

In response to a query from Councillor R A K Radford regarding the percentage of affordable housing allocated for key workers, the Head of Planning and Building Control advised that current policy basis was to seek 40% provision but in the current market the percentage allocated depended on the actual financial viability of the development proposed. The issue of relaxing planning regulations in relation to using office for residential was considered. Councillor R A K Radford felt that there was a steady, widening gap between the needs of town and District Councils.

The Head of Building and Planning Control clarified the position in response to a question from Councillor P A Ruffles regarding the grant of a planning application for 97 homes close to a school and how the County Council allocated the Section 106 monies.

The Chairman stated that, more worryingly, was the fact that the County Council had been remiss in allocating and spending Section 106 commuted sums and that some monies had been returned to the developers. It was acknowledged that some of the County's capital projects had a long lead in time. The Head of Planning and Building Control stated that this was not the case in relation to East Herts and no monies had had to be refunded. He explained that the County Council was becoming more sophisticated in monitoring spend on a more detailed basis.

The Chairman referred to the "new homes bonus" and how this might benefit the Council. The Head of Planning and Building Control said that further assessment needed to be undertaken as to how the appropriate amount of development was to be assessed in the post-Regional Plan period. The Director of Internal Services indicated that there was an expectation that there may be some means of donating funds back into the community where development was taking place.

Councillor J P Warren commented on the issue of affordable housing. He felt that when Developers had to comply with this planning requirement, then the loss was passed on in the shape of increased prices to other prospective buyers.

The Chairman, on behalf of Members, thanked the Head of Planning and Building Control for his presentation.

RESOLVED – that the presentation be received.

649 EXTERNAL AUDITOR'S REPORT - PROGRESS UPDATE

The External Auditor, Nick Taylor, submitted an Audit Progress Report up to March 2011. The report provided an update on the progress made on issues such as the Council's arrangements to restate the 2009/10 Balance Sheet to in line with IFRS requirements, Value for Money in relation to securing financial resilience and how the Council challenge, secured economy, efficiency and effectiveness. The External Auditors also provided an update concerning a reduction in the Audit Fee as a result of recent changes to their work programme.

The Chairman thanked Nick Taylor for his update. He undertook to provide Members with an electronic copy of The Migration of Public Services document.

The Committee noted the report.

RESOLVED – that the report be noted.

650 EXTERNAL AUDITORS REPORT - 2009/10 CERTIFICATION OF WORK

The External Auditor submitted a report concerning the certification arrangements for the work undertaken in 2009/10 by Grant Thornton, acting as agent of the Audit Commission, on behalf of the Council. The results of the work, including the details of claims and returns certified for 2009/10, were set out in the report now submitted.

The External Auditor confirmed that everything was in order.

Members received the report.

RESOLVED – that the report be received.

651 EXTERNAL AUDITOR'S REPORT - FINANCIAL RESILIENCE: TERMS OF REFERENCE

The External Auditor submitted a report concerning a review

of the Council's arrangements for securing financial resilience, specifically in relation to the Council's arrangements regarding performance, financial governance, strategic financial planning and financial control, including the robustness of the Medium Term Financial Plan.

Members noted the report.

RESOLVED – that the report be noted.

652 UPDATE ON IMPLEMENTATION OF ANNUAL GOVERNANCE ACTION PLAN

The Internal Audit and Business Improvement Manager submitted a progress report on the Annual Governance Statement for Action Plan 2010/11. This included reviewing 19 measures to enhance the Council's internal control framework during 2010/10. These were set out in the Essential Reference papers, attached to the report now submitted.

The Internal Audit and Business Improvement Manager referred to Actions and provided updates regarding their changed status. Since the previous Audit Committee, two issues requiring action were considered to be completed.

The Chairman referred to the Pathfinder initiative identified as an outstanding issue and suggested that this action should be re-visited in view of shared service developments. The Chairman, on behalf of Members thanked the Internal Audit and Business Improvement Manager for progressing the actions.

Members received the report and noted the progress made against implementing the action plan contained in the 2009/10 Annual Governance Statement.

RESOLVED – that the report be received and the actions noted.

## 653 A SHARED INTERNAL AUDIT SERVICE

The Executive Member for Resources and Internal Support submitted a report providing an update on a shared internal audit service following a decision by the Executive on 8 March 2011 that East Herts Council participate with other four other Councils and Hertfordshire County Council in the "Shared Internal Audit Service".

The Director of Internal Service provided the background and rationale for this decision. Essential Reference Paper 'B', attached to the report now submitted, explained the objectives of a shared internal audit service and the key benefits to be achieved. It was noted that existing staff, with the exception of the current head of service, would transfer to Hertfordshire County Council and TUPE arrangements would apply to those staff affected by the transfer.

The Director of Internal Service stated that the Council's internal audit service was excellent and explained that working in partnership would help reduce costs, and provide all staff within the partnership with a broader working spectrum of issues and thereby improve their skills base. He felt that the arrangement therefore provided long term sustainability and better management of costs. The Director added that working as a group also provided some resilience in terms of the management of workload. It was anticipated that the new service would be fully operational from 1 July 2011.

In response to a query from the Chairman regarding the need to maintain the quality of the current service under the new arrangements, the Director of Internal Services advised that all current Heads of Audit would be required to compare their existing working practices so that the new service would commence from the best of those, feed into the new system and provide a new framework. He stated that the Shared Internal Audit Service Head of Assurance would be responsible for the set up of the new organisation and be responsible for making sure it worked. The Director of Internal Services said that he intended to meet regularly with

the new Head of Assurance.

The Director of Internal Services provided assurances that delivering high quality service was the aim and the key was in ensuring a strong appointment process.

Members received the report and the assurances provided by the Director of Internal Services regarding high quality service delivery.

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

(B) the assurances provided by the Director of Internal Services in relation to high quality service delivery be noted.

#### 654 ANNUAL REVIEW OF DATA QUALITY STRATEGY

The Leader of the Council submitted a report introducing the 2010/11 revisions to the Data Quality Strategy following the cancellation of Comprehensive Area Assessments, Use of Resources and the abolition of the Audit Commission. The revisions to the strategy were set out the Essential Reference Papers attached to the report now submitted. The Head of Strategic Direction (Shared) and Performance Manager reminded Members that the aim of the Data Quality Strategy was to provide good quality performance data on which performance assessments and Council decisions could be based.

The Chairman expressed concern about the quality of data received from partners and other bodies. The Head of Strategic Direction (Shared) and Performance Manager acknowledged the risk, adding that the Council had its own checks and balances in terms of the information received and this would help to mitigate those risks.

Members received the report and noted the revisions made.

RESOLVED – that the report be received and the revisions noted.



655 BRIBERY ACT 2010

The Executive Member for Resources and Internal Support submitted a report detailing the implications of the Bribery Act 2010. The Director of Internal Services explained the context of the report in relation to the Council's functions. The Essential Reference Paper attached to the report now submitted, provided a policy on bribery and set out six principles for bribery prevention. The Director of Internal Services stated that the Council needed to show clear commitment and that it took its responsibility seriously.

The Chairman suggested that what was also important was to ensure that the staff were protected from any allegations and that safeguards, checks and balances, were in place for staff involved in major decisions. The Director of Internal Services referred to the Council's other policies such as "Whistleblowing" as one such policy to protect staff. It was noted that all Heads of Service are required to annually review their processes and report to Internal Audit through their Anti-Fraud and Anti-Corruption Assurance Statement. Employees were also annually asked to sign a declaration concerning, for example, whether they had secondary employment and that this year's declaration had included information in respect of the Bribery Act.

Members stressed the need for Heads of Service to be proactive in reviewing their processes annually.

RESOLVED – that (A) the Bribery Policy be approved;  
and

(B) the existing practices whereby Heads of Services are proactively involved in reviewing their processes continue.

656 DRAFT INTERNAL AUDIT PLAN 2011/12

The Internal Audit and Business Improvement Manager submitted a report outlining the content of the draft Internal Audit Plan for 1 April 2011 to 31 March 2012. The draft

Internal Audit Plan was set out in the Essential Reference Paper attached to the report now submitted. The Plan will initially be delivered by the in-house team and subsequently the “Shared Internal Audit Service”.

The Chairman referred to the contingency cut and suggested that Officers monitor this on a day by day basis. This was supported.

RESOLVED – that (A) the content of the Internal Audit Plan for the period 1 April 2011 to 31 March 2012 be noted; and

(B) the contingency element be monitored on a day by day basis.

#### 657 INTERNAL AUDIT SERVICE - POSITION STATEMENT

The Internal Audit and Improvement Manager submitted a report on internal audit activity undertaken since the previous report to Members in January 2011. Updates were provided on what reports had been issued, of ongoing work and what support had been provided to various Town Councils. The Internal Audit and Business Improvement Manager explained that one of the Principal Internal Auditors had continued on a 50% secondment as a Lead Business Improvement Practitioner and that additional resources were being provided by North Herts District Council and Tribal Business Assurance.

The Internal Audit and Business Improvement Manager said that good progress had been made on outstanding recommendations set out in the Essential Reference Paper attached to the report now submitted.

In response to a query from the Chairman regarding whether all leavers completed a “debrief”, the Internal Audit and Business Improvement Manager explained that processes were in place even if an exit interview did not take place.

The Chairman, on behalf of Members congratulated the

Internal Audit and Business Improvement Manager for progressing and resolving so many issues.

Members received the report.

RESOLVED – that the report be received.

658 RISK MANAGEMENT MONITORING (OCTOBER -  
DECEMBER 2010)

The Leader of the Council submitted a report on action taken to mitigate and control strategic risks during the period 1 October 2010 to 31 January 2011. Members were encouraged to raise any key future risks that they anticipated.

The Chairman commented that the Council did not know what the Government might do in relation to local government finances in the third year and that this risk should be addressed. The Director of Internal Services referred Members to code 10SR9 (Significant variance from financial plan) which he suggested, should address the Chairman's concerns. Nick Taylor of Grant Thornton stated that as long as Members were aware of the risk, then that would be sufficient, adding that it did not have to be explicitly worded.

The Internal Audit and Business Improvement Manager undertook to reflect the development of shared services in relation to 10SR1 (Pathfinder Group)  
Members received the report.

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

(B) a variance of government grant is considered to be a financial risk and this should be reflected in the Strategic Risk Register.

659 WORK PROGRAMME 2011/12 CIVIC YEAR

The Internal Audit and Business Improvement Manager submitted the Audit Committee Work programme for the 2011/12 civic year.

The Director of Internal Services suggested that there might be a need to change the date of the next Audit Committee because of timing issues relating to the Council's Final Accounts. This was noted.

Members approved the report.

RESOLVED – that the work programme for Audit Committee be approved.

The meeting closed at 8.10 pm

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