

HERTSMERE BOROUGH COUNCIL

AUDIT COMMITTEE

**Minutes of the meeting held in Committee Rooms A and B, Civic Offices,
Elstree Way, Borehamwood**

1 April 2015

Present:

Voting Members:

Councillors P Hodgson-Jones (Chairman), Morris and Sachdev.

Also present:

Councillor Graham

Officers:

S Bijle	Director of Resources
B Moldon	Finance and Business Services Manager
Andrew Atkinson	Fraud Investigator
Helen Maneuf	Head of Assurance. SIAS
P Hughes	Democratic Services Manager

Also in attendance – Trevor Greenlee of Grant Thornton.

582. **MEMBERSHIP**

No membership changes were made at this meeting.

583. **COMMUNICATIONS AND APOLOGIES**

An apology for absence was submitted on behalf of Councillor Winters.

584. **DECLARATIONS OF INTEREST**

No Members had an interest to declare in relation to the items of business on the agenda for the meeting.

585. **MINUTES**

RESOLVED that the minutes of the meeting held on 12 January 2015 be confirmed as a correct record.

586. **ANTI-FRAUD UNIT PERFORMANCE AND UPDATE REPORT**

The Fraud Investigator reported with an update on the performance of the Anti-Fraud Unit for 2014/15. The meeting noted that the total amount of overpayment identified in that year was £659,534.93 and that the section had obtained 49 sanctions and 9 prosecutions.

The meeting was reminded that, from 1 May 2015, the Department of Work and Pensions would take over benefit fraud investigation but the Council would continue to be responsible for the collection of overpayments of housing benefit. It was noted that the new cross Hertfordshire Shared Anti-Fraud Service had taken over the investigation of other alleged frauds from today.

The Chairman noted that this meeting was to be the last attended by Fraud Investigator Andrew Atkinson and he thanked him for his work over the years.

RESOLVED that the information contained in the report of the head of Finance and Business Services, be noted.

587. **AUDIT PLAN 2014/15**

Grant Thornton, the Council's External Auditor, submitted the Audit Plan for this authority. The Plan sought to understand the challenges and opportunities the Council was facing, along with the impact of key developments in the sector. The Plan went on to identify two presumed significant risks applicable to all audits under auditing standards. The Committee was informed that following interim audit work, there were no issues to bring to their attention.

In reply to a question about asbestos claims, the Director of Resources explained that Hertsmere maintained a register of known locations which was regularly reviewed. The Director then said that the Council's new external auditor, Ernst and Young, were expected to be present tonight and that she would contact them about attending future meetings. Members commented that the input of the new external auditors would be helpful in work on the establishment of a development company by the Council.

RESOLVED that the Grant Thornton Audit Plan for Hertsmere Borough Council be noted.

588. **CERTIFICATION REPORT 2013/14**

The Council's external auditors Grant Thornton were required to certify certain claims and returns submitted by the Council. The Committee noted that in 2013/14 one claim required auditor certification relating to expenditure of £39.4m. The key messages from this work were noted and the Department for Work and Pensions had informed the Council and confirmed that there were no outstanding issues relating to the 2013/14 housing benefit subsidy claim.

RESOLVED that the certification report 2013/14 provided by Grant Thornton, be noted.

589. **NEW ACCOUNTING STANDARDS AND REVIEW OF ACCOUNTING POLICIES**

The Finance Manager introduced a report on new accounting standards applicable to the Council and a review of the Council's current accounting policies. The report reviewed the accounting policy in respect of valuations of land and buildings adopted in April 2014 and proposes a minor amendment. It went on to advise Members of changes to International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS), which were to be implemented by local authorities in preparing the statement of accounts for 2014/15 but which had limited impact on the Council. It also provided members with information concerning the requirement to review the accounting treatment of transport infrastructure assets, as the CIPFA Accounting Code of Practice for 2016/17 would adopt the measurement requirements of the CIPFA Code of Practice on Transport Infrastructure Assets. Finally it advised members of future changes to accounting standards in respect of valuations of property and accounting for leases, and recommended that the Council's current accounting policies be retained except where they were affected by the accounting standards referred to above.

RESOLVED that

(1) the accounting policy in respect of valuations of land and buildings adopted in April 2014 to comply with IAS 16 Property Plant and Equipment recognises that in determining the value of the council's properties on the balance sheet it is not appropriate to use local indices in isolation to update values.

(2) the retention of the Council's other existing accounting policies without change, as set out at paragraph 4.1 of report A/15/08, be approved.

(3) the information provided concerning the impact of the implementation of:

IAS 32 Financial Instruments (Presentation)

Accounting standards concerning group accounts and other collaborative ventures: IFRS 10 Consolidated Financial Statements: IFRS 11 Joint Arrangements: IFRS 12 Disclosure of Interests in Other Entities: IAS 27 Separate Financial Statements (as amended in 2011) and IAS 28 Investments in Associates and Joint Ventures (as amended in 2011).

the CIPFA Code of Practice on Transport Infrastructure Assets.

IFRS 13 Fair Value Measurement.

Proposed new standard on leases.

be noted.

590. **SIAS 2015/16 AUDIT PLAN**

The Shared Internal Audit Service submitted a report proposing the adoption of the Hertsmere Borough Council Internal Audit Plan 2015/16. The Plan set out the programme of internal audit work for the year ahead and formed part of the Council's wider assurance framework. Members noted the estimated allocation of the 400 audit days for 2015/16.

RESOLVED that the Hertsmere Borough Council Internal Audit Plan 2015-16 be approved.

591. **SIAS PROGRESS REPORT**

The Shared Internal Audit Service (SIAS) submitted a report to the Committee detailing progress made by SIAS on: delivery of the Council's 2014/15 Internal Audit Plan as at 14 March 2015; findings for the period 19 December 2014 to 14 March 2015; proposed amendments to the Audit Plan; status of audit recommendations and an update on performance management information as at 14 March 2015.

The Committee noted that 95% of the Audit Plan had been delivered.

RESOLVED that the information contained in the Shared Internal Audit Service progress report (A/15/11) be noted and the amendments to the Audit Plan be approved.

592. **RISK MANAGEMENT PROGRESS REPORT**

The Committee had before them a report from the Risk Manager which proposed a change in the likelihood of the Data Protection & Information Management risk, as well as revisions to the Risk and Opportunities Management Strategy.

The Risk Manger pointed out that a previous recommendation of the Audit Committee to reduce the Business Continuity Management & IT Disaster Recovery risk, had not been agreed by the Governance Group. That Group felt that there was still work to be done to finalise arrangements for the disaster recovery link and updating service business continuity plans. The recent fire at another district council had highlighted the impact such an event could have on the provision of council services. For these reasons it was proposed that the assessment of this risk remain unaltered.

Although guidance was to be issued to help reduce the risk arising from Data Protection & Information Management, the Risk Manager proposed that the likelihood of this risk be raised to level 2 (box 9). This was in response to the human element which was not easily managed. The Chairman drew attention to the accidental circulation of email addresses when forwarding an email trail. Members were of the view that the likelihood of the Data Protection & Information Management risk should be raised further to level three (box 12).

The Risk Manager had reviewed and made minor amendments to the Risk & Opportunities Management Strategy and a copy of the updated document was before the Committee

RESOLVED that

- (1) the increase in the assessment of the Data Protection & Information Management Risk, to box 12, be approved, and
- (2) the revisions to the Risk & Opportunities Management Strategy be approved.

593. **AUDIT COMMITTEE - RECENT PUBLICATIONS**

The representative of Grant Thornton had circulated summaries of certain publications by his company which might be of interest to members of the Committee.

Noted.

594. **ANY OTHER BUSINESS**

None.

595. **DATE OF NEXT MEETING**

The next meeting of this Committee will take place on 13 July 2015 in the Civic Offices, Borehamwood.

CLOSURE: 8.56 pm

CHAIRMAN