

MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON WEDNESDAY 16 MARCH
2016, AT 7.00 PM

PRESENT: Councillor I Devonshire (In the Chair)
Councillors B Deering, P Kenealy, S Stainsby
and J Taylor

ALSO PRESENT:

Councillors A Alder, R Brunton and
G Williamson

OFFICERS IN ATTENDANCE:

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

ALSO IN ATTENDANCE:

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| Debbie Hanson | - Ernst Young LLP |
| Francesca Palmer | - Ernst Young LLP |
| Nick Jennings | - SIAS |
| Darren Williams | - SIAS |

643 **SHARED ANTI FRAUD SERVICES (SAFS) POSITION
STATEMENT (1)**

The Shared Anti-Fraud Service (SAFS) submitted a report detailing the progress made by the service since its

launch in April 2015 and the progress made against its business plan. The report also outlined the proposed SAFS/EHDC Anti-Fraud Action Plan for 2016/17 and detailed a proposed draft Fraud Sanction and Prosecution Policy to deal with any investigations undertaken by SAFS on behalf of the Council. The SAFS Officer provided a summary of the report.

The Head of Governance and Risk Management explained that, given the content and the implications of the proposed draft Fraud Sanction and Prosecution Policy in terms of authorising the conduct of prosecutions both criminal and civil, including referrals to the Crown Prosecution Service, the report needed to be submitted to Council for approval.

The Committee supported the report and recommend to Council, approval of the report as now detailed.

RECOMMENDED – that the draft Fraud Sanction and Prosecution Policy, as detailed, be approved to be effective immediately.

(See also Minute 649)

644 TRAINING ITEM - INTRODUCTION TO EY (ERNST AND YOUNG - EXTERNAL AUDITORS)

The Council's External Auditors, Ernst and Young (EY), gave a presentation on EY's background and experience of Government and Public Sector audit work. The Executive Director (EY) gave a detailed explanation of the audit process and their approach to the audit plan.

In response to a query from Councillor S Stainsby, EY explained the key issues affecting Authorities in addition to Government cuts in funding.

The Vice Chairman, on behalf of Members thanked the External Auditors for their informative presentation.

RESOLVED – that the presentation be received.

645 APOLOGIES

Apologies for absence were received from the Chairman, Councillor W Mortimer and P Phillips.

646 MINUTES

In respect of Minute 520 - Minutes, and the issue regarding pensions and the Council's deficit, the Director of Finance and Support Services explained that she had emailed all available information to the Committee. The Vice Chairman also explained that this issue would be added to the work programme of the June 2016 meeting of Audit Committee.

RESOLVED - that the Minutes of the meeting held on 20 January 2016 be confirmed as a correct record and signed by the Chairman.

647 SHARED INTERNAL AUDIT SERVICE - AUDIT PLAN 2015-16: UPDATE REPORT

The Shared Internal Audit Services (SIAS) submitted a report setting out the progress made in delivering the Council's Annual Audit Plan for 2015/16 and proposed amendments. The report also set out the implementation status of previously agreed high priority recommendations and updated Members in relation to performance management information as at 26 February 2016. The Officer from SIAS provided a summary of the report as detailed.

In response to a query from Councillor P Kenealy regarding the development and reliability of the Business Continuity Plan, the Director of Finance and Support Services gave assurances that some testing had been carried out, referring to support given to the Council by the County Council for a future full test and that the intention was for the plan to be in place by the end of March 2016. The Director also explained that a Business Continuity Group met on a quarterly basis.

The Committee noted the progress made in relation to the internal audit reviews and approved amendments to the Audit Plan as detailed. Members also noted the status of high priority recommendations.

RESOLVED – that (A) the progress made in relation to the internal audit plan be approved;

(B) amendments to the Audit Plan as at 26 February 2016 be approved; and

(C) the status of high priority recommendations be noted.

648 SHARED INTERNAL AUDIT SERVICE - AUDIT PLAN 2016/17

The Shared Internal Audit Services (SIAS) submitted a report setting out the proposed Internal Audit Plan for 2016/17. The Officer from SIAS provided a summary of the report.

In response to a query from Councillor A Alder regarding the number of volunteers, the Director of Finance and Support Services agreed to write to the Member.

The Vice Chairman, on behalf of Members, thanked the Officer for the detailed report.

The Committee approved the proposed East Herts Internal Audit Plan for 2016/17.

RESOLVED – that the Internal Audit Plan for 2016/17 be approved.

649 SHARED ANTI-FRAUD SERVICES (SAFS) POSITION STATEMENT (2)

The Shared Anti-Fraud Service (SAFS) submitted a report detailing the progress made by the service since its launch in April 2015 and the progress made against its business plan. The report also outlined the proposed SAFS/EHDC Anti-Fraud

Action Plan for 2016/17. The SAFS Officer provided a summary of the report

It was noted that The European Institute for Combatting Fraud and Corruption (TEICCAF) fraud briefing would be reported to a future Audit Committee. In response to a query from the Vice Chairman regarding the established target of £100K, the SAFS Officer explained that the target related to 2016/17.

In response to a query from Councillor B Deering regarding criminal and civic prosecutions and the recovery of costs, the SAFS Officer explained that in such situations cases were determined on merit and evidence and that as a first step, fraud had to be stopped with recovery of monies the next step in the process. He commented that if the Council prosecuted, then information would be publicised which had benefits to the Council as a deterrent against future fraud. The SAFS Officer explained that not all savings were “cashable” in terms of money being returned to the Council.

In response to a query from Councillor P Kenealy regarding the identified value of fraud for 2015/16 (£601K), the SAFS Officer provided an explanation. The Director of Finance and Support Services explained that the figure shown was based on a detailed calculation made up of different types of fraud.

The Committee agreed the report as now recommended.

RESOLVED – that (A) the progress of Shared Anti-Fraud Service and against the SAFS Business Plan for 2015/16 be noted;

(B) the SAFS/EHDC Anti Fraud Action Plan for 2016/17 be approved; and

(C) the TEICCAF Fraud Briefing be reported to a future Audit Committee.

(See also Minute 643)

650 UPDATE ON IMPLEMENTATION OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Director of Finance and Support Services submitted a report updating Members on the progress made within the 2015/16 action plan. The Head of Governance and Risk Management provided a summary of the report.

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

RESOLVED – that the progress made against implementing the Action Plan within the 2014/15 Annual Governance Statement be approved.

651 RISK MANAGEMENT MONITORING REPORT 1 OCTOBER 2015 TO 31 DECEMBER 2015

The Executive Member for Finance and Support Services submitted a report on the action taken to mitigate and control strategic risks during the period October to December 2015. The Head of Governance and Risk Management provided a summary of the report.

In response to a query from Councillor S Stainsby regarding Bishop's Stortford and the reported pollution levels at Hockerill traffic lights and the risk of possible litigation, the Head of Governance and Risk Management explained that this would be one of a number of elements of risk around developments and infrastructure that had been taken into account in giving the risk a level 4 figure within the strategic risk register. The Director of Finance and Support Services explained that this was an emerging issue in terms of press coverage and would be kept under review.

The Committee approved the report as now detailed.

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

652 RISK MANAGEMENT STRATEGY

The Leader of the Council submitted a report regarding proposed revisions to the Risk Management Strategy in order to reflect current best practice. The Head of Governance and Risk Management provided a summary of the changes.

The Head of Governance and Risk Management explained that the strategy would need to be amended to reflect recent significant changes within the Council's senior management structure.

The Committee supported in principle, the recommendation as now detailed, subject to changes to reflect amendments to the management structure.

RESOLVED – that Council, via the Executive, be advised that the Committee supports in principle, the Risk Management Strategy, subject to changes to reflect amendments to the senior management structure.

653 AUDIT COMMITTEE - WORK PROGRAMME

The Director of Finance and Support Services submitted a report detailing the proposed work programme for Audit Committee. The Director advised that the work programme for the meeting on 15 June 2016 would include an update on a Triennial Review for Pensions Process. This was supported.

Members approved the work programme, as now detailed.

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

654 EXTERNAL AUDIT - AUDIT PLAN

The External Auditors, Ernst and Young (EY), submitted a report setting out how they intended to carry out their

responsibilities as the Council’s external auditors. The report set out their proposed audit approach and scope for the 2015/16 audit in accordance with statutory and other professional requirements and to ensure that it was aligned with service expectations. The Audit Plan set out what work the External Auditors planned to perform and the key issues which needed to be taken into account.

The Vice Chairman commented that the report did not refer to National Non-Domestic Ratepayers (NNDR). EY explained that small businesses were being exempted from paying NNDR according to the latest budget announcement today and that Authorities would, for the present time, be compensated by the Government. The Director of Finance and Support Services explained that a consultation process on business rates was due in the summer and that she would brief Members when more information was available.

The Committee approved the Audit Plan for 2015/16.

RESOLVED – that the Audit Plan for 2015/16, as now detailed, be approved.

The meeting closed at 9.00 pm

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| Chairman |
| Date |