

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON
WEDNESDAY 25 JANUARY 2017, AT 7.00
PM

PRESENT: Councillor M Pope (Chairman)
Councillors D Abbott, A Alder, P Boylan,
B Deering, W Mortimer and S Stainsby.

ALSO PRESENT:

Councillors P Ruffles.

OFFICERS IN ATTENDANCE:

Victoria Clothier	- Legal Services Manager
Philip Gregory	- Head of Strategic Finance and Property
Peter Mannings	- Democratic Services Officer
Kevin Williams	- Acting Head of Legal and Democratic Services

ALSO IN ATTENDANCE:

Natalie Clark	- Ernst Young LLP
Debbie Hanson	- Ernst Young LLP
Nick Jennings	- SAFS
Margaret Mulkerrin	- SIAS

540 TRAINING ITEM – FRAUD

The Counter Fraud Manager provided a training presentation on Fraud. He defined fraud and explained that the principal risk was the danger of losses rather than actual fraud. He referred to estimated fraud losses

across a range of sectors and explained that actual losses were likely to be significantly higher.

Members were advised that reported fraud was the highest recorded crime with over 3.6 million cases unveiled by an annual survey. Fraud and cybercrime now accounted for almost half of all crime according to the Office for National Statistics (ONS). Across the 6 Authorities covered by the Shared Anti-Fraud Services (SAFS), this equated to an estimated financial risk of about £12m.

The Counter Fraud Manager provided a second presentation in respect of the Hertfordshire Shared Anti-Fraud Service. He detailed the partner Authorities and the objectives of the Shared Anti-Fraud Service (SAFS). He summarised what SAFS provided and referred to the pleasing situation regarding fraud reporting in East Herts.

Members were advised of risks relating to a “perfect storm” of newly emerging fraud threats for local government following welfare reforms and austerity measures. The Counter Fraud Manager confirmed to Councillor A Alder that it was not for SAFS Officers to recover Council’s fraud losses once a fraud had been identified.

Members were advised that a quarterly report was submitted to the Revenues and Benefits Shared Service in respect of the Council Tax and Business Rate collection rates. He referred to a common fraud whereby a business closed down without paying business rates then re-emerging as the same business under a new name.

The Counter Fraud Manager also confirmed to Councillor A Alder that SAFS did not work with the National Health Service (NHS) as the NHS employed its own fraud Officers. He responded to a number of other comments and questions from the Committee.

The Counter Fraud Manager confirmed to Members that

he would investigate the possibility of fraud prevention and awareness raising sessions for Parish and Town Councils. The Chairman thanked the Officer for his presentations. The Committee received the presentations.

RESOLVED – that the presentations be received.

541 APOLOGIES

Apologies for absence were submitted on behalf of Councillors I Devonshire and C Woodward.

542 MINUTES – 23 NOVEMBER 2016

RESOLVED – that the Minutes of the meeting held on 23 November 2016 be confirmed as a correct record and signed by the Chairman.

543 CHAIRMAN'S ANNOUNCEMENTS

The Chairman advised that he had agreed to move the matters referred to in Minutes 544 and 545 up the Agenda prior to consideration of the External Audit Grants Certification Report 2015/16.

544 CONSTITUTION WORKING GROUP REVIEW – INTERIM REPORT

The Legal Services Manager submitted a report providing Members with an overview of the Constitution Working Groups approach so far. She invited Members to receive the report and advised that she had sought authority from the Chairman to amend the report. She confirmed that she was not seeking a recommendation from Members at this stage and the report was solely to update the Committee.

Members were reminded that the Committee had previously authorised the setting up of a Constitution Working Group (CWG) to carry out the review of the Constitution. Whilst carrying out the review, it had

become apparent that a significant amount of time needed to be allocated to revising the Constitution not only in the sense of making it more user friendly to the public.

The Legal Services Manager stated that she was not in a position to report full recommendations and Officers would continue to work with the CWG to meet the initial timetable. Councillor B Deering stated that he was on the CWG and acknowledged that reviewing the constitution was a significant job for Officers. Members received the report subject to Officers reporting back to the Committee on the ongoing progress of the review.

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

(B) the Legal Services Manager report on the ongoing progress of the review at the next meeting.

545 COMPLAINTS SUBMITTED TO THE MONITORING OFFICER – UPDATE

The Acting Head of Legal and Democratic Services explained the current procedure in terms of the complaints process and complaints submitted formally to the Monitoring Officer. He stated that he preferred informal local resolution for dealing with complaints with referral to the Standards Sub-Committee only if required.

The Acting Head stated that the code of conduct did not extend to the conduct of Town or Parish Council Officers or to the conduct of Councillors in their private lives. He detailed the criteria used to address complaints and the criteria under which complaints could be made to the Monitoring Officer.

Members were advised that 9 complaints had been lodged which variously related to Parish and Town Councils and East Herts Council. The Acting Head confirmed that 2 complaints had been referred for external investigation and he was not in a position to

elaborate any further at this meeting. He responded to a couple of minor queries from the Committee.

Councillor A Alder commented that there should be a level playing field in terms of Members of the Committee selected to serve on the Standards Sub-Committee. She confirmed that she had undertaken the necessary training on two occasions.

Members noted the update.

RESOLVED – that the update be noted.

546 EXTERNAL AUDIT – GRANTS CERTIFICATION REPORT 2015/16

The External Audit Manager submitted a report detailing the results of certification and other assurance work regarding the Annual Grants Certification for 2015/16. The Manager introduced the report and gave an overall summary of the positive position in respect of Annual Grants Certification for 2015/16. She referred in particular, to the very positive position regarding the Revenues and Benefits Shared Service.

Members were advised of a number of minor issues they should be aware of on page 6 of the report submitted. The Manager also advised that from 2018/19, the Council would be responsible for appointing its own auditor and this was likely to include making arrangements for the certification of the housing benefit subsidy claim in accordance with the requirements that would be established by the Department for Work and Pensions (DWP).

The Manager confirmed to Councillor S Stainsby that, as regards the certification of the housing benefits subsidy claim, no qualification letter was required this year which was an improvement over the previous year when one had been issued by the previous auditors. Amendments were required which had resulted in a marginal decrease in the subsidy due of £5,440.

Members were advised that this did not constitute a financial loss rather an over claim of income. The Committee noted the report as detailed.

RESOLVED – that the report be noted.

547 TREASURY MANAGEMENT STRATEGY STATEMENT
2017/18

The Executive Member for Finance and Support Services submitted a report which set out the proposed treasury management strategy and annual investment strategy for 2017/18. The report detailed where changes had been made to the revised treasury management strategy and annual investment strategy for 2016/17 or to the credit criteria for selection of investment counterparties approved for 2016/17.

Finally, the report presented the 2017/18 prudential indicators for approval. The Head of Strategic Finance and Property detailed the 3 principal areas of treasury management. He highlighted the aims of the strategy documents and advised that the issue had also been considered by the joint meeting of Scrutiny Committees on 17 January 2017. He referred Members to Essential Reference Paper 'B' of the report submitted regarding the approval of financial indicators and investment policies.

The Head of Strategic Finance and Property responded to a number of queries from Members. He referred in particular to the good practice of maintaining flexibility when entering into day to day lease arrangements. He also referred to the substantial exit costs associated with the conditions of long terms loans taken out by the Authority. Members were advised that this situation was kept under regular review by Officers.

The Head confirmed to the Committee Chairman that Officers always sought to utilise cash in the bank before resorting to borrowing and, if borrowing was necessary, Officers would prefer to report this to Council before

moving forward with such action.

Councillor W Mortimer commented on whether such decision making could be taken in consultation with the Chief Executive, the Chairman of the Audit and Governance Committee and the Section 151 Officer.

The Committee approved the recommendations now detailed.

RESOLVED – that (A) the Treasury Management Strategy and Annual Investment Strategy detailed in paragraphs 2.1 – 2.2 be received and recommended for approval by Council via the Executive;

(B) the Prudential Indicators detailed in paragraph 2.3 be recommended for approval by Council via the Executive; and

(C) the counterparty listing detailed in paragraph 2.4 be recommended for approval by Council via the Executive.

548 AUDIT AND GOVERNANCE COMMITTEE: WORK PROGRAMME 2016/17

The Head of Strategic Finance and Property submitted a report detailing the proposed 2016/17 work programme for Audit and Governance Committee. Councillor P Boylan requested that a further update in respect of the Constitution Working Group Review be submitted to the meeting due on 22 March 2017. This was supported.

Members approved the work programme for Audit and Governance Committee, as now amended.

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

549 SHARED INTERNAL AUDIT SERVICE – AUDIT PLAN UPDATE

The Shared Internal Audit Service (SIAS) submitted a report detailing the progress made in delivering the Council's Annual Audit Plan for 2016/17 as at 6 January 2017. The report proposed amendments to the approved 2016/17 Audit Plan and detailed the status of previously agreed high priority audit recommendations.

The report also provided an update on performance management information. The SIAS Officer summarised the report and provided a number of updates that Members should be aware of. The SIAS Officer and the Head of Strategic Finance and Property responded to a number of minor queries from Members. The Head confirmed that low and medium term priorities were reported to the Leadership Team on a monthly basis.

The Head confirmed to the Committee Chairman that work on the Business Continuity Plan was ongoing and the Leadership Team was being kept up to date on a regular basis. A report on any outstanding issues would be submitted to the Audit and Governance Committee as soon as possible. Members received the report and approved the recommendations now detailed.

RESOLVED – that (A) the Internal Audit Progress report as now submitted be noted;

(B) the amendments to the Audit Plan as at 6 January 2017, be approved; and

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

550 UPDATE ON IMPLEMENTATION OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Head of Strategic Finance and Property submitted a report regarding the 2015/16 Annual Governance Statement. Members were invited to consider the content of Essential Reference Paper 'B' of the report submitted, in respect of details of proposed actions that needed to

take place prior to confirmation being given that adequate and effective controls were fully in place.

The Head summarised the current position regarding the necessary enhancements to internal control arrangements. The Committee noted the progress made in implementing the action plan detailed in the 2015/16 Annual Governance Statement.

RESOLVED – that the progress made in implementing the action plan detailed in the 2015/16 Annual Governance Statement be noted.

551 MINUTES OF THE STANDARDS SUB-COMMITTEE – 13 DECEMBER 2016

Members noted the Minutes of the Standards Sub-Committee meeting held on 13 December 2016.

RESOLVED – that the Minutes of the Standards Sub-Committee meeting held on 13 December 2016, be received.

The meeting closed at 8.42 pm

Chairman
Date