

MINUTES OF A MEETING OF THE  
AUDIT AND GOVERNANCE COMMITTEE  
HELD IN THE COUNCIL CHAMBER,  
WALLFIELDS, HERTFORD ON  
WEDNESDAY 22 MARCH 2017, AT 7.00 PM

PRESENT: Councillor M Pope (Chairman)  
Councillors A Alder, P Boylan, B Deering,  
I Devonshire, P Kenealy and W Mortimer.

ALSO PRESENT:

Councillors M Allen, M Casey, J Goodeve,  
S Reed and K Warnell.

OFFICERS IN ATTENDANCE:

Isabel Brittain	- Head of Strategic Finance and Property
Peter Mannings	- Democratic Services Officer
Alison Stuart	- Head of Legal and Democratic Services

633 TRAINING ITEM – PENSIONS

The Head of Strategic Finance provided Members with a presentation on Pensions. Various Members made comments and asked questions.

The Head assured Councillor J Goodeve that a possible overpayment to the pension fund would be investigated as soon as possible. Following comments from the Chairman, the Head advised that the actual level of return compared to the assumptions made in 2013 would be circulated to the Committee.

Councillor M Casey commented on how much had been saved by the transition from a final salary to a career

average pension scheme. The Head confirmed that a written response would be issued to Members regarding savings resulting from this transition. Members received the presentation.

RESOLVED – that the training presentation be received.

634 APOLOGIES

Apologies for absence were submitted on behalf of Councillors D Abbott, S Stainsby and C Woodward and from Debbie Hanson from the Council's External Auditors, EY (Ernst Young).

635 MINUTES – 25 JANUARY 2017

Councillor A Alder commented on the 4<sup>th</sup> paragraph of Minute 545 and the lack of narrative in respect of her concerns regarding the gender balance of the Standards Sub-Committee. Councillor P Boylan expressed concerns regarding a lack of clarity in terms of where the Standards Sub-Committee would fit into the future reporting mechanisms and the two new Scrutiny Committees.

The Monitoring Officer advised that these issues would be taken into account and she would speak to the Chief Executive regarding this.

RESOLVED – that the Minutes of the meeting held on 25 January 2017 be confirmed as a correct record and signed by the Chairman.

636 COMPLAINTS SUBMITTED TO THE MONITORING OFFICER – UPDATE

The Head of Legal and Democratic Services provided updates in relation to the complaints process and two complaints that had been formally submitted to the Monitoring Officer. Members were advised that both

cases were moving forward and would be dealt with as swiftly as possible. Members noted the update.

RESOLVED – that the update be noted.

637 REVIEW OF THE CONSTITUTION

The Monitoring Officer submitted a report which provided an update on the progress in reviewing and updating the Constitution. The Monitoring Officer put it to Members that the report was for noting and the Constitution Working Group and the Leadership Team would be receiving update reports before a final report was submitted to Council on 10 May 2017.

Councillor M Allen, a Member of the Constitution Working Group, stated that better cross referencing and an improved index was discussed at the Working Group and that this should be done as it would make the Constitution simpler to navigate.

Members were advised by the Monitoring Officer that the comments raised would be fed back regarding the review of the Constitution to be considered. The Committee noted the update.

RESOLVED – that the update be noted.

638 EXTERNAL AUDITOR 2016 – 2017 AUDIT PLAN

The External Auditor submitted a report which set out how they intended to carry out their responsibilities as the external auditor. The report provided a basis on which to review the proposed audit approach and the scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice and the Statement of Responsibilities issued by the Public Sector Audit Appointments (PSAA) Ltd and other professional requirements.

The External Auditor referred to the valuation of property assets with particular reference to Old River Lane, Bishop's Stortford. Members were reminded that the valuation of property assets was a significant accounting estimate that had a material impact on the financial statements. The valuation of property assets had to be accurate and categorised correctly in the financial assessments.

The External Auditor highlighted the risks of management override and commented on changes to the CIPFA code regarding income and expenditure statements. Regarding the value for money conclusion, the External Auditor stressed the importance of good governance as well as following internal processes.

The External Auditor advised that they had determined that overall materiality for the financial statements of the Council was £1.743m based on 2% of Gross Expenditure. The Auditors would communicate uncorrected audit misstatements greater than £87,000 to the Authority. The fees detailed on page 30 of the report submitted were set by the PSAA.

The External Auditor and the Head of Strategic Finance responded to a number of queries from the Chairman and Committee Members. Councillor M Casey commented on the tendering process for the appointment of the External Auditors. He was advised that the PSAA handled the allocations of Authorities to the various External Auditors and the fees might change up or down from one year to the next.

The Committee noted the report.

RESOLVED – that the External Auditor's approach for 2016/17, be noted.

639 UPDATE ON IMPLEMENTATION OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Head of Strategic Finance submitted a report setting out the measures made in the 2015/16 Annual Governance Statement and the progress made against implementation set out within the Action plan. Essential Reference Paper 'B' of the report submitted provided a summary of what actions needed to be undertaken before confirmation could be given that adequate and effective controls were fully in place.

The Head of Strategic Finance advised Members that recent welfare changes had led to an increase in enquiries and this had resulted in a staffing cost overspend. The Head emphasised that a review of the use of agency staff as opposed to permanently employed Officers would help to ensure that staffing costs remained within budget.

Members received the report.

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

640 SHARED INTERNAL AUDIT SERVICE (SAFS) POSITION STATEMENT

The Shared Anti-Fraud Service (SAFS) submitted a report on the progress made against the Anti-Fraud Action Plan for 2016/17. The report also sought agreement to the Action Plan 2017/18. The Counter Fraud Officer apologised and corrected the erroneous title on page 49 of the 2017/18 Anti-Fraud Plan. An updated version of the East Herts Council Performance against the 2016/17 Anti-Fraud Plan was circulated to the Committee.

The DCLG and CIPFA had issued guidance which included the need for Councils to be vigilant, to recognise fraud risks and to invest resources in counter fraud activities that delivered savings. It was essential that the

Authority had a robust framework to prevent and deter fraud, as well as plans to deal with the investigation and prosecution of fraud.

Members were advised that between April and December 2016, SAFS had received over 600 allegations of fraud across all of its Partners. There had been 108 reported matters in East Herts in the year and a number of live cases had been carried forward from 2015/16. A full report on cases dealt with in 2016/17 would be provided to the Council in the summer of 2017 and the 2018/19 Anti-Fraud Action Plan would be reported to Members in March 2018.

In excess of £30k of fraud savings or losses had been identified and a number of fraud cases were currently going through the judicial process as part of ongoing successes in countering fraud. The Counter Fraud Manager detailed a number of good news stories regarding the work of the Shared Anti-Fraud Service.

The External Auditor responded to a number of queries regarding savings and the mitigation of fraud risks in East Herts. The Committee received the report.

RESOLVED – that the progress of the Shared Anti-Fraud Service in respect of the 2016/17 Anti-Fraud Action Plan be noted.

#### 641 SHARED INTERNAL AUDIT PLAN 2017/18

The Shared Internal Audit Services (SIAS) submitted a report detailing the proposed Internal Audit Plan for 2017/18. The SIAS Officer provided a summary of the report including recent changes to secure compliance with the Public Sector Internal Audit Standards.

The SIAS Officer referred to the risks regarding the delivery of the Authority's objectives regarding local and national horizon scanning, as detailed on page 68 of the report submitted. Members were reminded that this item

had been reported to the Section 151 Officer and the Leadership Team prior to being submitted to the Audit and Governance Committee.

Members were advised that any in year changes to the SIAS 2017/18 Audit Plan would be reported to the Performance, Audit and Governance Committee which would likely cover the current work of Audit and Governance Committee). The SIAS Officer referred the Committee to Appendix B for the Audit Plan Items (April 2017 to March 2018) where start dates had been agreed with management.

The SIAS Officer referred in detail, to the estimated percentage allocation of the total number of purchased audit days in 2017/18. He referred to the sharing of good practice and invoice payment procedures. He also referred to risk management and the levels of Member involvement.

The Committee approved the proposed Internal Audit Plan for 2017/18.

RESOLVED – that the Internal Audit Plan for 2017/18 be approved.

642 SHARED INTERNAL AUDIT SERVICE – AUDIT PLAN UPDATE

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The Shared Internal Audit Services (SIAS) submitted a report detailing the progress made in delivering the Council's Annual Audit Plan as at 3 March 2017. The SIAS Officer summarised the report and sought approval of a number of amendments to the Audit Plan.

The Head of SIAS advised that as at 3 March 2017, 90% of the 2016/17 Audit Plan days had been delivered and 93% of days had been delivered as of Friday 17 March 2017. Members were advised that nine projects from the 2016/17 Audit Plan had been finalised since the previous meeting on 25 January 2017.

The Head advised of two outstanding items that could be removed from the Audit Plan. The audit in respect of 'Digital by Design' had been deferred to 2017/18 to align with the progress on the Digital East Herts programme. Members were provided with updated percentages in respect of the table at paragraph 2.7 of the report submitted.

The Head concluded that sufficient audit days had been completed in order for Officers to be able to give Members a sound assurance opinion in respect of key performance indicators. Councillor W Mortimer made a number of comments and points in respect of the risks faced by the Authority with regard to cyber security. He referred to the cancelled audits in respect of the new payroll and land drainage contracts.

Members received the report and approved the recommendations, now detailed.

RESOLVED – that (A) the Internal Audit Progress Report be noted;

(B) the amendments to the Audit Plan as at 3 March 2017 be approved; and

(C) the status of high priority recommendations be noted and the removal of completed actions be approved.

#### 643 RISK MANAGEMENT MONITORING REPORT

The Executive Member for Finance and Support Services submitted a report setting out the action to mitigate and control strategic risks during the period October to December 2016.

The Head of Strategic Finance advised that no existing Strategic Risk Register scores had been altered. There was one additional risk entitled SR16 – development of



Old River Lane, Bishop’s Stortford. The Head responded to a number of queries from the Chairman and confirmed that Member training on covalent could be provided.

The Committee supported the recommendation, as now detailed.

RESOLVED – that the risk management controls implemented during the period October to December 2016, be approved.

644 RISK MANAGEMENT STRATEGY

The Executive Member for Finance and Support Services submitted a report setting out a number of minor amendments in respect of the annual review of the Risk Management Strategy. Members received the report and supported the minor amendments to the Risk Management Strategy.

RESOLVED – that (A) the report be received; and  
(B) the minor amendments to the Risk Management Strategy, be supported.

The meeting closed at 8.34 pm

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