

Minutes



To: All Members of the Audit Committee, Chief Executive, Chief Officers, All officers named for 'actions'

From: Legal, Democratic & Statutory Services
Ask for: Theresa Baker
Ext: 26545

AUDIT COMMITTEE 1 DECEMBER 2017

ATTENDANCE

MEMBERS OF THE PANEL

P Bibby, F Button (Chairman), S Gordon (substituted for J M Graham), C K Hogg, A K Khan, A J S Mitchell, T J Williams, W J Wyatt-Lowe (Vice-Chairman), P M Zukowskyj

OTHER MEMBERS

R G Tindall

Upon consideration of the agenda for the Audit Committee meeting 1 December 2017, as circulated, copy annexed, conclusions were reached and are recorded below:

Note: No declarations of interest were made by any member of the Committee in relation to the matters considered at this meeting.

PART I ('OPEN') BUSINESS

1. MINUTES

- 1.1 The minutes of the Committee meeting held on 11 September 2017 were confirmed as a correct record and signed by the Chairman.

2. HERTFORDSHIRE FIRE AND RESCUE AUTHORITY STATEMENT OF ASSURANCE 2016/17

[Contact: Darryl Keen, Chief Fire Officer (Tel: 01992 507500),
John Johnstone, Senior Business Support Manager
(Tel: 01992 507537)]

- 2.1 The Committee considered the Hertfordshire Fire and Rescue Authority (HFRA) draft Statement of Assurance the purpose of which was to provide assurances on financial, governance, operational matters for 2016/17 and to demonstrate due regard to the published Integrated Risk Management Plan (IRMP).

ACTION

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| 2.2 | Members heard that the assurance statement was written in a purely descriptive format to make it accessible to all interested parties and that the data underlying it was published in other reports. Officers agreed to consider the best way to evidence such data to support the next report. Emphasis was given to ensuring balance so that the content of the performance reports were not duplicated; a summary of quantitative outputs and the scrutiny of this data throughout the year could form part of future iterations of the report. | C Bigland
O Mapley |
| 2.3 | Members were updated that the trial HFRS cardio pulmonary resuscitation (CPR) training session undertaken by 500 children, had been videoed to enable wider dissemination of the message and learning via digital channels; in addition the Safe and Well project was now county wide. | |
| 2.4 | Members were advised that the published District Level Plan was one of the documents that contained quantitative data on assurance for every locality. Officers agreed to consider how to share this information with the Committee. | C Bigland |
| 2.5 | Officers clarified that Corporate Plan and the Integrated Plan would include measureable objectives for HFRS 'Future Improvements' | |
| | Conclusions: | |
| 2.6 | The Committee RESOLVED that the draft Statement of Assurance 2016/17 was approved and that for future iterations officers would review the amount of quantitative data it contained. | |
| 3. | HERTFORDSHIRE COUNTY COUNCIL AND PENSION FUND ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2017 | |
| | [Contact: Neil Harris, Associate Partner, Ernst & Young LLP] | |
| 3.1 | The Committee considered the Hertfordshire County Council and Pension Fund Annual Audit letter 2016-2017 which communicated key issues arising from the work of the external auditors Ernst & Young (EY). | |
| 3.2 | Neil Harris (NH) clarified that the £5,500 nationally agreed fee, over and above the scale fee of £27,991, was for additional work by EY (the administering body auditor) to provide assurance requested by the admitted body auditors on IAS 19 procedures. | |
| 3.3 | The Committee were updated that NH's department and their work on Hertfordshire County Council and the Pension Fund had been selected by EY as part of its annual internal quality review programme. A good quality review was anticipated and Members and officers would be made aware of any findings at the next Audit Committee meeting; the County Council would not incur any costs or | |

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loss of officer time from this review.

- 3.4 The external auditor and officers acknowledged the challenge that faster closure in 2018 presented to both the County Council and EY in particular. EY was addressing this by planning to complete 60 % of their audit before the end of the financial year. From the County Council perspective, on the basis of the 2016-17 trial run for draft account production by 31 May and final audited accounts by 31 July, processes were being implemented to enable assurance to be carried out early where possible; officers had also engaged with other authorities on their approach to this issue and there had been no indications that there would be any problems.

Conclusions:

- 3.5 The Committee RESOLVED to note the Hertfordshire County Council and Pension Fund Audit Results Letter for the year ended 31 March 2017.

4. UPDATE ON RESPONSE TO THE AUDIT RESULTS REPORT AND PREPARATIONS

[Contact: Owen Mapley, Director of Resources (Tel: 01992 55601)]

- 4.1 The Committee considered a report which provided an update on actions taken in response to the 2016/17 Audit Results Report (ARR) and in preparation for the audit of the 2017/18 accounting statements.
- 4.2 Officers highlighted the strong leadership given to the early closure process by the Head of Accountancy Services (L McLeod) and the potential risk posed to its success by her retirement in March 2018, and that in mitigation succession planning had already commenced.
- 4.3 Members noted that the detailed draft timetable of Hertfordshire County Council activities, developed in conjunction with EY to meet the 2017/18 audit, included a significant amount of audit work by EY in February e.g. early sampling of transactions, and also early preparation of notes by the County Council.
- 4.4 Officers acknowledged that the most significant risk to the Council's finances and services was continued reduction in core funding in the context of increasing demand for services. The preparation of the Integrated Plan (IP) and Budget Scrutiny drew together the two areas of risk for 2017/18 and included the outlook for 2018/19-2021/22 including formalising of savings plans to meet the budget gap.

Conclusions:

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4.5 The Committee RESOLVED to note the report and commented upon it.

5. MID-YEAR REPORT ON THE TREASURY MANAGEMENT SERVICE AND PRUDENTIAL INDICATORS 2017/18

[Contact: Rob Thurlow, Senior Accountant (01992 555061)]

5.1 The Committee received the Mid-Year Report on treasury management performance and activity against prudential indicators for the period to 30 September 2017.

5.2 The Committee noted the continuing uncertain economic climate and that Arlingclose, the Council's Treasury advisors, had forecast interest rates remaining at 0.50%, whilst the Bank of England was suggesting two further rate increases of 0.25%, in 2018 and 2020; bringing rates to 1.00% at this point. Officers were monitoring this situation.

5.3 Members were updated that the Bank of England had recently conducted a further series of banking stress tests, modelled on a scenario more severe than that during the financial crisis; all UK banks had passed with no further recommendations for strengthening their capital positions.

5.4 To provide a more comprehensive view of the percentage of ultimate recovery for the Council's Icelandic investments a new version of Table 5 (page 8) was tabled, which showed the two closed claims, for completeness, and can be viewed at: [Item 5-Mid-year report on Treasury Management Service & Prudential Indicators 17-18, Revised page 8, Table 5 amended](#)

5.5 A typographical error was noted in 10.2, where £155.50 should have read £155.50m.

5.6 The breach of strategy on 4 May 2017, which had enabled £275,000 to be held in the Council's Barclays account over the £10m limit, was attributable to the automatic overnight sweeping mechanism of additional income received after dealing had closed, as opposed to an active investment decision. The data entry process on the treasury management system had now been changed to prevent the limit from being breached again when these sweeps are being recorded.

5.7 Members received assurance that unauthorised active investment decisions outside of programmed limits were prevented by inbuilt controls in the Treasury Management System, programmed in line with the Treasury Management Strategy.

5.8 The more conservative exposure to direct investment in overseas banks was determined by the overall Treasury Management

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Strategy, which was based on officer appraisal of the global financial environment and advice from treasury partners.

- 5.9 As part of its diversification approach, the Council had indirect overseas investments via its money market funds which invested in a range of financial institutions including appropriately rated overseas banks.
- 5.10 The un credit-rated investment instruments held by the Council were part of long term pooled funds recommended by the treasury adviser; the security of these investments arose from the diversification for the underlying assets.
- 5.11 The Committee requested a training session with Arlingclose and that officers determine the most appropriate time.

J Adam
S Pilsworth

Conclusions:

- 5.12 The Committee RESOLVED to note the Treasury Management mid-year report.

6 RISK MANAGEMENT UPDATE

[Officer Contact: Fiona Timms, Risk and Insurance Manager
(Tel: 01438 843565)]

- 6.1 The Committee received the quarterly Risk Management Update report which included: a summary of corporate risk movements/new risks; a heat map of the 32 Corporate Risks with amendments since the September meeting and a linked icon to the full Corporate Risk Register. Members were directed to Appendix A for risks escalated to the Corporate Risk Register since the September meeting; Appendix B: a summary of the latest risk scores and those reported at each of the three previous meetings of Audit Committee.
- 6.2 Members' attention was drawn to those risks escalated on the Corporate Risk Register i.e. CP07 and AC10 and those de-escalated to Service level risk i.e. R19.
- 6.3 The Committee endorsed the direction of risk consideration, in particular the introduction of a 'target' risk assessment and the potential splitting of the Corporate Risk Register and categorisation of the risks into Corporate and Strategic Risks.
- 6.4 Officers agreed to consider removal of the 'totals' row, which appeared to serve no purpose, in the Corporate Risk Register Summary Risk Status Report.

F Timms

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- 6.5 Members highlighted various anomalies in risk categorisation which affected their understanding of risk e.g.:
- CSHF0016 where the text did not refer to the service area and could lead to misinterpretation as a corporate risk;
 - HR0018 where the 'Impact' of death of a service user was rated at only 8, in contrast to the recent regularisation and higher 'Impact' rating of the death of a service user in Adult Care Services and in Children's Services;
- Officers clarified that that the 'Impact' rating was a subjective judgement by the risk owner and emphasised the importance of actually identifying a risk, its causes and mitigation.
- 6.6 Officers agreed to examine risk targets, risk wordings and definitions with a view to improving them. F Timms
- 6.7 In view of the large number of risks on the Council's risk register when compared to similar bodies, Members suggested a possible benefit in combining related risks, e.g. R017 and R01.
- 6.8 Officers agreed to provide the Committee with higher level risk training on the criteria used to categorise risk, the impact of the methodology and the criteria used to determine if a risk remained on departmental/service risk register or whether it potentially become a Corporate risk, by examination of specific risks and the underlying judgements. F Timms
- Conclusion:**
- 6.9 The Committee RESOLVED:
- (i) to note the Risk Management Update report;
 - (ii) that Risk R01 / HR0021: *'If we fail to retrain, attract and recruit the right people (managers, officer's and volunteers) and the right skills and maintain engagement at all levels, there may be a significant impact on service delivery and major cost implications [Formerly CSCE0007]'* be the subject of the risk focus report for the March 2018 meeting. S Hopper
- 7. HOMECARE WORKFORCE IN HERTFORDSHIRE**
- [Officer Contact: Frances Heathcote, Assistant Director Adult Care Commissioning (Tel: 01992)]
- 7.1 In relation to the County Council's statutory responsibility to provide homecare, Members received a report which:
- Provided further information on the risk and associated controls recorded on the Corporate Risk Register relating to the recruitment of the homecare workforce;
 - Outlined Hertfordshire's approach to mitigating the risks outlined in the report, and the positive steps being taken, in partnership with homecare providers, and Hertfordshire Care Providers association (HCPA) to ensure the County Council was able to

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support the homecare market, meet demand, and increase the homecare workforce to ensure people who needed care and support at home were able to access homecare in a timely way, thus improving outcomes for them and reducing pressure on the wider health and social care system in Hertfordshire.

- 7.2 The committee welcomed the quality and detail of the report.
- 7.3 Members commented that the entirety of Hertfordshire residents discharged from hospital, including those hospitals located outside of the county boundary, should be included in the homecare picture.
- 7.4 Further to this, raising of public awareness that social care was not without cost could assist in reducing the total demand, e.g. through publication of data which gave the whole picture by including self-funders and care given by other people e.g. family members.
- 7.5 A revised version of the report was tabled, incorporating on page 5 an omitted table on Delayed Transfers of Care (DTOC) in the acute hospitals on each side of the county since April 2016, which can be viewed at :
[Audit Committee -1 December 2017-Item 7-Risk Focus Report- Homecare Workforce in Hertfordshire- Revised to include table at 4.3.2](#)
Members heard that DTOC were the number of hospital ‘bed days’ lost by people delayed in hospital, when they are medically fit, awaiting a homecare package.
- 7.6 Officers clarified that the complex geography of Herts Valleys (i.e. towns and rurality), proximity to London and discharge behaviours specific to particular hospitals (e.g. short notice notifications which led to difficulties in sourcing same day care and contact with families) had resulted in higher levels of DTOC in this area.
- 7.7 Officers clarified that, on the basis of a formula using numbers of care hours given and waiting lists, ACS was currently delivering approximately 96% of homecare need in Hertfordshire for those residents eligible for homecare commissioned by the local authority. Unmet need being met by unpaid family carers was not possible to quantify as it required all such carers to identify themselves. To improve this the County Council had a contract with ‘Carers in Herts’ and strong links with charities such as Age UK, the British Red Cross and Voluntary Community Service which enabled earlier identification of and support of the increasing number of unpaid and aging carers in the county.

- 7.8 The importance of minimising travel time was recognised. To minimise travel time the county was divided in to 12 zones, including rural, and 70% contact time was bench marked for each visit to prioritise face to face contact. As part of the contract Lead Providers' care workers' travel time payment was contractually linked to Hertfordshire Care Standards and similarly for spot contracts in 2018 when these services are re-tendered.
- 7.9 Officers clarified that approximately 16% of the homecare Workforce was made up of EU citizens, with the majority being Polish.
- 7.10 Members heard that 70% of people going into homecare work did so because they were caring people who enjoyed person to person contact. This was being used to improve the image of homecare, and by association recruitment, via a multi-faceted ongoing campaign including personal testimony from care workers, and also social media and links with the colleges to reach younger people. To aid retention the Hertfordshire Good Care Campaign was used to highlight the value of the home care workforce, The home care workforce now also had access to Herts Rewards.
- 7.11 Care worker pay also affected recruitment and retention; a number of measures had been put in place to increase the hourly rate of home care staff, to enable providers to achieve the National Living Wage (NLW) target ahead of the government's target. Spot checks were carried out on providers to ensure that increases were passed on to the home care workforce. Members noted the competition for home care workers from self-funders who paid an estimated £20 per hour and from some retailers who had brought forward the NLW.
- 7.12 Officers observed that there was still no agreed timescale for the publication of the green paper on social care. In view of the extremely complex nature of the issue, a long term solution was required and needed to address the needs of working age adults with complex needs as well as older people.
- 7.13 F Button proposed two additional recommendations (as below) which were seconded by W-J Wyatt –Lowe:
- *'Audit Committee members request that the chairman of Adult Health and Care and the Chairman of Health Scrutiny be made aware of Audit Committee's views and concerns;*
 - *'That a visit to a Home Care Provider be arranged in order for Audit Committee better to understand the recruitment pressures being experiencing and the plans the Provider has in place to address these pressures.'*

Recommendations:

- 7.14 The Committee RESOLVED:
1. To note, commented upon and endorsed the overall approach that

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the County Council was taking to mitigate the risk and associated controls relating to the recruitment of the homecare workforce in Hertfordshire and to note the actions being taken to improve the recruitment and retention of the homecare workforce in Hertfordshire;

2. To request that the chairman of Adult Health and Care and the Chairman of Health Scrutiny be made aware of Audit Committee's views and concerns;
3. That a visit to a Home Care Provider be arranged in order for Audit Committee better to understand the recruitment pressures being experiencing and the plans the Provider had in place to address these pressures.

8. HERTFORDSHIRE COUNTY COUNCIL INTERNAL AUDIT PROGRESS REPORT

[Officer Contact: Darren Williams, Client Audit Manager
(Tel: 01438 844341)]

- 8.1 The Committee received an internal audit progress report (as at 14 August 2017) on Shared Internal Audit Service (SIAS) delivery of the Hertfordshire County Council Internal Audit Plan for 2017/18; proposed amendments to the approved 2017/18 Audit Plan; 'Limited Assurance' audits issued since the last meeting of the Committee; the implementation status of previously agreed high priority audit recommendations and agreement to remove completed actions, also medium priority recommendations; an update on performance management information.
- 8.2 Members noted the following updates since the writing of the report:
 - Internal Audit Plan Days delivered had risen from 52% to 56%;
 - 4 further draft reports would be issued within the coming week;
 - Schools Audit Activity (Theme 1) – 26 final reports issued and 1 remaining to finalise;
 - Schools Audit Activity (Theme 2) – 12 final reports issued and 5 in draft from;
 - Schools Audit Activity (Theme 3) – 7 draft reports issued and 1 visit left to undertake;
- 8.3 In relation to delivery against the planned days performance indicator, Officers clarified that performance could not be measured on a straight line basis as timing for certain activities was dependent on client or external requirements (e.g. external audit required key financial systems work to take place in December each year). The Committee heard that work was 35 days ahead on delivery, in comparison to the same point last year, and were assured that officers were currently confident the 95% performance target would be reached by 31 March 2018. It was highlighted that, whilst the KPI of 95% related to the amount of work carried to 31 March, the overall assurance opinion was based on work completed

subsequent to that date.

Conclusions:

- 8.4 The Committee RESOLVED to:
- note the Internal Audit Progress report
 - agree the changes to the audit plan;
 - agree to the removal of high priority actions now complete.

9. HERTFORDSHIRE COUNTY COUNCIL SHARED ANTI FRAUD SERVICE REPORT

[Officer contact: Nick Jennings Counter Fraud Manager
(Tel: 01438 844705)]

- 9.1 The Committee received a report on Shared Anti-Fraud Service (SAFS) activity in 2017/18, progress against the Council's Anti-Fraud Action Plan 2017/18 and the Transparency Code Data 2016/17 (appendices 1 & 2 to the report).
- 9.2 For information a 'Councillors Guide to Fraud' was tabled.
- 9.3 Officers highlighted that a further 2 government and public sector organisation reports had been issued since the report under consideration had been written:
- The CIPFA Anti-Fraud Tracker had identified that fraud in Local Government had changed from high volume low value to low volume high value, however as the response rate to the report had been low it included considerable extrapolation;
 - The UK Annual Fraud Indicator 2017, which had a wider scope and looked at broad risk, estimated that the broad risk of fraud losses for local government had now risen from £7m to £7.9m.
- Officers agreed to send these reports to the Members.
- 9.4 516 allegations of fraud had been received across all partners in the first half of 2017/18 and 89 related to County Council services. Officers detailed the type of fraud being reported in the County Council (Blue Badge fraud begin the most common), who was reporting it and the outcomes of closed cases.
- 9.5 It was highlighted that the County Council was the main beneficiary of the recovery of sums from Council Tax fraud perpetrated against the District and Borough Councils, currently £80,000 in the first half of 2017/18; members welcomed this relationship.
- 9.6 Members noted the County Council Transparency Code-Fraud Data.

N. Jennings

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9.7 Officers clarified that the Project Aims of ‘improving the reach into areas of non-benefit and corporate fraud within the county’, encompassed work with those services where fraud was less common / less well known but was still high risk, e.g. Adult Social Care where the high volumes of money paid to individuals were a potential target for fraudsters.

Conclusions:

9.8 The Committee RESOLVED to note the progress against the Anti-Fraud Action Plan 2017/18

9.9 The Chairman moved the meeting into PART II (Closed Session) and passed the decision at paragraph 9.10:

9.10 That under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 7 of Part 1 of Schedule 12A to the said Act and the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

PART II (‘CLOSED’) AGENDA

1 MINUTES

The Minute of this item of business is set out in the separate Part II Minutes.

2. RISK FOCUS REPORT – PREVENT – Radicalisation

The Minute of this item of business is set out in the separate Part II Minutes.

9.11 Following discussion on the Part II report and Recommendations, the Chairman moved the meeting back into Part I (Open Session)

10. FUTURE WORK PROGRAMME

The Committee noted the future work programme below:
(new items added at this meeting in **bold**)

10.1 Monday, 26 March 2018: 10.00am

- Audit Plan 2018/19 – County Council
- Audit Plan 2018/19 – Pension Fund
- Preparation for 2017/18 Accounts
- Letters of Representation on Management and Oversight of The Hertfordshire County Council (Including Firefighters’ Pension Fund) And Hertfordshire Pension Fund Accounts
2016/17

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- Risk Management Annual Report 2016/17
- **Risk Focus Report R01 / HR0021**
- Internal Audit Progress Report
- Internal Audit Plan 2018/19
- SAFS HCC Anti-Fraud Action Plan 2018/19
- SAFS Annual Report
- PREVENT update report

May 2018, date tbc

- Annual Governance Statement 2017/18 and Code of Corporate Governance- moved forward from July meeting
- Annual Assurance Statement and Internal Audit Annual Report 2017/18- moved forward from July meeting

Wednesday, 25 July 2018: 10.00am

- Internal Audit Progress Report
- Risk Management Update Report
- Risk Focus Report
- HCC Audit Results Report 2017/18
- Response To The Audit Results Report – HCC (Including Fire Fighters’ Pension Fund) Financial Statements
- Annual Statement Of Accounts 2017/18– HCC (Including Fire Fighters’ Pension Fund) Financial Statements
- Audit Results Report 2017/18 – HCC Pension Fund
- Response To The Audit Results Report 2017/18 – HCC Pension Fund
- Annual Report 2017/18
- End of Year Report on the Treasury Management Service and Prudential Indicators 2017/18
- Whistle Blowing Annual Report 2017/18

ANY OTHER BUSINESS

There was no other business

**KATHRYN PETTITT
CHIEF LEGAL OFFICER**

CHAIRMAN _____

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