

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 26 MARCH 2018

ATTENDANCE

MEMBERS OF THE PANEL

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

OTHER MEMBERS

Upon consideration of the agenda for the Audit Committee meeting 26 March 2018, as circulated, copy annexed, conclusions were reached and are recorded below:

Note: A conflict of interest was declared by a member of the Cabinet Panel in relation to the matters on which conclusions were reached at this meeting and are recorded at item 6

Chairman's Announcements:

- i. Charlotte Hogg had resigned from the Council & thus Audit Committee;
- ii. Members' visits to homecare providers had been of value in understanding the pressures faced and highlighted the staff passion for care of their clients.

PART I ('OPEN') BUSINESS

1. MINUTES

- 1.1 The minutes of the Committee meeting held on 1 December 2017 were confirmed as a correct record and signed by the Chairman.

2. UPDATE ON PREPARATIONS FOR 2017/18 AUDIT

[Contact: Owen Mapley, Director of Resources (Tel: 01992 555601)]

- 2.1 The Committee received an update on actions under way in preparation for the 2017/18 Statement of Accounts and to address the earlier statutory closedown time scale i.e. draft accounts by 31 May and final audited accounts by 31 July.

ACTION

- 2.2 N Harris (EY) apologised for the delay in delivering the external audit plan and explained that this stemmed from the coincidence of both an internal and an external review of the County Council audit engagement, however it offered additional assurance that the audit plan, when presented, would have been subjected to thorough review and detailed testing. It was anticipated that the final audit plan would be issued in mid-April and brought to the May meeting of the Committee. Members expressed their disappointment but understood the pressures EY faced.
- 2.3 No substantial changes were required to the accounting requirements. Members expressed concern at the recommendation to move to single accounts from group accounts particularly with the increase in the number of trading companies being set up by the Council. They stressed this decision was for this year only, and expected to review the position for the following year.
- 2.4 Although the increase in materiality from 1 to 2% reflected the County Council's good track record, the 1% represented fluctuations within a range of £16m of public money that would not be reported. N Harris clarified that gross materiality described the level of test required on income expenditure and not the balance sheet; other areas of the council were subject to lower levels of materiality. For transparency members requested figures rather than percentages.

N Harris

Conclusions:

- 2.5 The Committee RESOLVED to
- Note the preparation for the 2017/18 accounts close and audit, in particular the earlier deadlines to be achieved in 2017/18 for draft accounts and audit conclusion,
 - Note a potential delay in the internal EY sign off for issuing the 2017/18 audit plan, that this was unfortunate but unavoidable and the EY team were seeking to minimise any delay, and that Herts Finance officers had reviewed the risks arising and were confident that they would not jeopardise the overall timetable,
 - Note that there were no significant changes required to the accounting policies for 2017/18,
 - Note the intention to move from 'group entity' to 'single entity' accounts in 2017/18, but to hold this under annual review for future years
- and commented as above.

3. REPORT ON LETTERS OF REPRESENTATION ON MANAGEMENT AND OVERSIGHT OF THE HERTFORDSHIRE COUNTY COUNCIL (INCLUDING FIREFIGHTERS' PENSION FUND) AND HERTFORDSHIRE PENSION FUND ACCOUNTS 2017/18

[Officer Contact: Steven Pilsworth, Assistant Director Finance (Tel:

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01992 555737); Patrick Towey, Head of Specialist Accounting (Tel: 01992 555148)]

- 3.1 The Committee considered draft Letters of Representation to the External Auditors (EY) on management and oversight of both the General and Pension Fund accounts (Appendices A & B to the report), the Letters being required by Ernst & Young on an annual basis, in accordance with International Accounting Standards, to update their understanding of the management and processes of these accounts.
- 3.2 Members heard that EY were looking to avoid misstatement and that if materiality dropped below 2% it would be looked at individually.

Conclusions:

- 3.3 The Committee RESOLVED that, subject to any adjustments or amendments required as a result of the work still outstanding, the letters of representation to EY be approved for signature by the Chairman of Audit Committee.

F Button
O Mapley

4. RISK MANAGEMENT QUARTERLY UPDATE AND ANNUAL SUMMARY 2017/18

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

- 4.1 The Committee considered the quarterly update on risk management activity and the annual summary for risk management activity since March 2018
- 4.2 The report now differentiated between strategic and corporate risk via separate heat maps and separate definitions, the corporate risk register comprising both sets of data. The Committee acknowledged the volume of officer work undertaken to achieve this.
- 4.3 There was a wide-ranging discussion on various risks.
- 4.4 Corporate risk R05 'Insufficient skill in commissioning / contract management and competencies' was suggested as the risk to be reviewed at Audit Committee in July 2018.

Conclusions:

- 4.5 The Committee RESOLVED that
 - i. The changes in the Corporate Risks since the last report to the Committee be noted;
 - ii. That the Risk Management summary report be noted;
 - iii. Risk R05 "*Insufficient skill in commissioning / contract management and competencies*" be reviewed at its next meeting in July 2018.

S Pilsworth

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5. RISK FOCUS REPORT – Recruitment and Retention

[Contact: Sally Hopper, Assistant Director Human Resources
(Tel: 01992 556920)]

- 5.1 The Committee considered a report which provided further information on the risk (and associated controls) Corporate Risk Register number HR0021 'If we fail to retain, attract and recruit the right people (managers, officers and volunteers) and right skills and maintain engagement at all levels, there may be a significant impact on service delivery and major cost implications', and sought endorsement of the overall approach the Council was taking to mitigate this risk (excluding volunteers).
- 5.2 Members noted the daily practical challenges the County Council faced in recruitment and retention and the known shortage skills and hard to fill posts. Workforce planning included a commitment to optimise the Apprenticeship Levy so that the skills required and opportunities for learning aligned with the skills shortage. The significant geographic variations across Hertfordshire were noted.
- 5.3 The Committee heard that the benefits of the Hertfordshire social work academy, in conjunction with regional agreements on capping pay rates, made Hertfordshire very attractive to social workers. Members noted that social workers leaving permanent employment with the County Council now could not return as a locum within 1 year of leaving.
- 5.4 The reduction in spend on agency workers from £15.1m in 2015 to £11.1m in 2017 was welcomed, evidencing the ongoing success of the Council's recruitment and retention activities. There was a wide discussion about the increasing competition for well-qualified talent and unskilled labour.

Conclusions:

- 5.5
1. The Committee's comments on the information provided within the report were noted.
 2. The Committee supported the officer recommendation to downgrade the risk score from 32 to 24 nem. con. with two abstentions.

6. HERTFORDSHIRE COUNTY COUNCIL INTERNAL AUDIT PROGRESS REPORT

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

S J Taylor declared a non-prejudicial interest in relation to item 6 of

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the agenda as she is a member of the LEP Board. She remained in the room and participated in the debate and vote.

- 6.1 The Committee received an internal audit progress report (as at 12 March 2018) 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.
- 6.2 Members noted the following key updates within the progress report:
- Audit Plan 2017/18: 15 final reports and 13 draft reports had been issued since the 1 December 2017 committee update;
 - Remaining Activity from the 2016/17 Audit Plan: SIAS Partnership Joint Review of Trading Activities had been completed on 16 March 2018;
 - Delivery of remaining audits within the 2017/18 audit plan: 17 projects were outstanding and 9 due for completion by the end of March;
 - Schools Audit Activity since the 1 December 2017 committee update:
 - All school visits for 2017/18 had been completed and most reports finalised;
 - Plan Amendments since the 1 December 2017 committee update: 7 plan amendments had been reported, including 2 cancelled / deferred audits and 1 new audit;
 - Limited Assurance Audits: none since 1 December 2017 committee update;
 - High Priority Recommendations Follow Up's since 1 December 2017: 1 had been implemented and recommended for removal and 1 with a revised implementation date had been reported.
 - Performance Management: performance indicators were on track to achieve the 31 March 2018 target, with the exception of planned projects which would reach 93 or 94% against a target of 95%.
- 6.3 It was observed that the Members' role in GDPR should be taken into account during the proposed assurance work.

Conclusions:

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

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7. 2018/19 INTERNAL AUDIT PLAN REPORT

[Officer Contact: Terry Barnett, Head of Assurance Services
(Tel: 01438 845508);
Chris P Wood, SIAS Audit Manager (Tel: 01438 845513)]

7.1 The Committee received a report on proposed Hertfordshire County Council Internal Audit Plan for 2018/19, which sets out the programme of work for the year ahead and forms part of the Council’s wider assurance framework.

7.2 Members’ attention was drawn to the reduction of all SIAS partners’ existing Audit Plan days by 10%, allowing cashable savings to be achieved. For the County Council this equated to a reduction in Internal Plan days from 1637 days to 1473 days (164 days) with a significant proportion achieved through reducing strategic support activities (43 days), support and advice (20 days) and Key Financial Systems audits (25 days).

7.3 Officers clarified that:

- The reduced plan maintained focus on the key risks and whilst the amount of audit required to provide sufficient assurance was a judgment call, the assurance process was rigorous. Through the year, quarterly visits were made to each Service to discuss any emerging risks, and each Service was sighted on their portion of the plan, the contingency ensured that late changes could be made to respond to the unexpected issues that may arise.
- In the event of an audit being cancelled, items on the reserve list are moved to the actual plan and Members are informed of these changes via the update reports. Items remaining on the reserve list and on the actual plan itself are carried through to the following year if officers believe there remains a need for them to be covered by the audit process.

Conclusions:

7.4 The Committee Members RESOLVED to approve the proposed Hertfordshire County Council Internal Audit Plan for 2018/19

8. HERTFORDSHIRE COUNTY COUNCIL ANTI FRAUD ACTION PLAN - PROGRESS FOR 2017/18 AND PLAN FOR 2018/19

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

8.1 The Committee received a report which provided information on progress on the SAFS / HCC Anti-Fraud Action Plan for 2017/18, a proposed SAFS / HCC Anti-Fraud Action plan for 2018/19 and Transparency Code data.

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8.2 Members heard that the 112 case of fraud reported to SAFS exceed the target of 100, most incidents being Blue Badge fraud. Financial savings in excess of £1.8m and fraud losses of £92k had been identified in the 24 cases where action had been taken and investigations closed to the end of quarter 3. In addition, of the total £178k in Council Tax Revenue fraud identified by SAFS with the District Councils, £140k would come to the County Council.

8.3 Members heard that the Council's financial contribution to antifraud services was £110k in relation the total financial benefit (see 8.2) accruing to it from SAFS antifraud activity.

8.4 Officers agreed to provide Members with the full version of the SAFS / HCC Anti-Fraud Action Plan 2018/2019 (Appendix B to the report) for review and approval, as an attenuated version had mistakenly been provided with the original report. Members were requested to email any questions to N Jennings.

N Jennings
T Baker

Conclusions:

8.5 The Committee RESOLVED to:

1. Note the progress on the 2017/18 Action Plan;
2. Review the corrected version of the SAFS / HCC Anti-Fraud Action Plan 2018/2019, with a view to belated approval at the May 2018 meeting;
3. Read and review the LGA Councillors' Workbook on fraud and Bribery Prevention 2017

Audit
Committee
Members

8.6 The Chairman moved the meeting into PART II (Closed Session) and passed the decision at paragraph 8.7:

8.7 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.

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

9. FUTURE WORK PROGRAMME

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

9.1 Tuesday, 15 May 2018: 10.00am

(Meeting be preceded by 'Lite Bite' training on Risk Scoring)

- **Audit Plan 2018/19 – County Council**
- **Audit Plan 2018/19 – Pension Fund**
- 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
- **PREVENT - final report**

Wednesday, 18 July 2018: 2.00pm

- Internal Audit Progress Report
- Risk Management Update Report
- Risk Focus Report: Corporate risk R05 '*Insufficient skill in commissioning / contract management and competencies*'
- 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 being no further PART I business the Chairman closed the meeting.

KATHRYN PETTITT
CHIEF LEGAL OFFICER

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