



NOTICE OF MEETING

Meeting:	Audit Committee
Date and Time:	Tuesday, 28 June 2016 at 7.00 pm
Place:	Committee Room 1, Civic Offices, Fleet
Telephone Enquiries to:	Alison Cottrell, 01252 774131 alison.cottrell@hart.gov.uk
Members:	Axam, Blewett, Dickens, Makepeace-Browne, Neighbour (Chairman), Southern, Wright

Joint Chief Executive

CIVIC OFFICES, HARLINGTON WAY
FLEET, HAMPSHIRE GU51 4AE

AGENDA

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1 MINUTES OF THE PREVIOUS MEETING

The Minutes of the meeting held on 22 March 2016 are attached to be confirmed and signed as a correct record. **Paper A**

2 APOLOGIES FOR ABSENCE

3 CHAIRMAN'S ANNOUNCEMENTS

4 DECLARATIONS OF INTEREST

To declare disclosable pecuniary, and any other, interests.

5 AUDIT PROGRESS REPORT 2015/16

To receive an update from External Audit on their work on the Statements of Accounts. **Paper B**

RECOMMENDATION

That the Audit Progress Report be acknowledged and accepted.

6 2016/17 EXTERNAL AUDIT FEE LETTER

To receive notification of the External Audit Fee for 2016/17. **Paper C**

RECOMMENDATION

That the information be accepted.

7 INTERNAL AUDIT PROGRESS REPORT 2016/17 Q1

To update the Audit Committee on Internal Audit work carried out between April and June 2016. See Appendix I. **Paper D**

RECOMMENDATION

That the Internal Audit work completed between April and June be noted.

8 RISK REPORT

The committee considers a review of the Council's arrangements for reporting risk. **Paper E**

RECOMMENDATION

That the report be noted.

Date of Despatch: 21 June 2016

AUDIT COMMITTEE

Date and Time: 22 March 2016 at 7pm

Place: Committee Room 1, Civic Offices

Present:

Neighbour (Chairman)

Dickens, Makepeace-Browne

Officers:

Neil Carpenter	Audit Manager
Tony Higgins	Head of Finance

In attendance:

Justine Thorpe	Ernst & Young
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27 MINUTES OF THE PREVIOUS MEETING

The Minutes of the meeting held on 8 December 2015 were confirmed and signed as a correct record.

28 APOLOGIES FOR ABSENCE

Apologies had been received from Councillors Southern, Axam and Blewett.

29 CHAIRMAN'S ANNOUNCEMENTS

None

30 DECLARATIONS OF INTEREST

None declared.

31 EXTERNAL AUDIT PLAN FOR THE YEAR ENDING 31 MARCH 2016

Members considered the External Audit Plan, detailing the work completed by External Audit for the year ending 31 March 2016.

Ernst & Young highlighted the key areas that will be considered as part of the External Audit Plan for 2015/16. These included:

- The accounting treatment of the new leisure centre
- The risk of management override
- The governance arrangements in place for the joint procurement process
- The risks linked to the most up to date MTFS

- Ernst and Young confirmed that they intend to provide an opinion on the Statements of Accounts and the Councils Value for Money arrangements for 2015/16 by September 2016.

RESOLVED

The Committee approved the External Audit Plan for the year ending 31 March 2016.

32 EXTERNAL AUDIT PRESENTATION ON VALUE FOR MONEY

The Committee received information on the work that External Audit carry out in order to form an opinion on Value for Money.

Ernst & Young gave a short presentation on the revised arrangements that would be used to assess value for money.

RESOLVED

The Committee noted the Report.

33 INTERNAL AUDIT PROGRESS REPORT 2015/2016 Q4

The Committee considered the report detailing the work completed by External Audit between December 2015 and March 2016.

The progress report was discussed. The Audit Manager highlighted the key findings that were identified during the internal audit reviews of:

Garden Waste
Accounts Payable
Income Management
Payroll
Local Taxation

No issues were raised.

RESOLVED

The Committee noted the report.

34 INTERNAL AUDIT PLAN 2016/17

The Committee considered the report detailing the Internal Audit Plan for 2016/17.

The Internal Audit Plan for 2016/17 was discussed. Whilst the committee recognised that there was a need for some flexibility in the plan, it was agreed that more detail was required under the section headed Other Reviews.

The Audit Manager confirmed that once the content of the four reviews that come under that heading had been agreed with management, the Committee would be updated with the relevant details at its next meeting.

RESOLVED

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

35 RISK MANAGEMENT UPDATE REPORT

The Committee considered the report providing an update on the status of the Council's risk registers.

The current risk profile of the Council was discussed.

- It was confirmed that the business continuity risk related mainly to the level of human resources that are available in some service areas.
- The committee requested that consideration is given to carry out business continuity testing with Adam Continuity.

The Chairman also requested that a short presentation be given to Members at its next meeting on the role of the Committee, as it is likely that there will be new members elected to the Committee.

RESOLVED

The Committee noted the report.

The meeting closed at 8:40 pm

Hart District Council

Audit Committee Progress Report

28 June 2016



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working world



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INVESTOR IN PEOPLE

Members of the Audit Committee
Hart District Council
Civic Offices
Harlington Way
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28 June 2016

Dear Committee Members

Audit Progress Report

We are pleased to attach our Audit Progress Report.

It sets out the work we have completed since our last report to the Committee. Its purpose is to provide the Committee with an overview of the progress that we have made with the work that we need to complete during the 2015/16 audit. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain
Executive Director
For and behalf of Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This progress update is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

2015/16 audit

Financial statements

We are required to give an audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended.

We adopt a risk based approach to the audit and as part of our ongoing continuous planning we continue to meet key officers and other stakeholders.

Audit Plan

We included the risks associated with the Council's financial statements in our 2015/16 Audit Plan which we presented to the Audit Committee in March.

Interim audit

Our audit timetable is summarised in section two of this report. During our interim audit, in February and March, we identified and walked through your key financial systems.

Post statements visit

Our post statements visit for four weeks, from 25 July, involves substantively testing the entries in the financial statements and other audit procedures required by both our audit approach and international standards on auditing. We have discussed our working paper requirements with officers.

Our conclusions will be set out in the Audit Results Reports for the Council which we will discuss and agree with officers at the beginning of September. We will present our findings to the Audit Committee in September.

Value for money assessment

We are required to give a statutory conclusion that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office has revised the specified criterion for the value for money conclusion for the 2015/16 audit to be:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

We carried out our initial risk assessment in early 2016 and identified two significant value for money risks at the Council; the delivery of a sustainable medium term financial plan and the award of the Corporate Services contract. We will carry out our fieldwork in July following the approach outlined in the Audit Plan.

2016/17 fee letter

We have included, within the agenda papers for this Committee, our audit fee letter for the 2016/17 audit.

Local appointment of auditors

We included, in our January progress report, details about the decision of the Department of Communities and Local Government (DCLG) not to extend the existing arrangements for external audit contracts beyond the end of 2017/18. This will mean from 2018/19

onwards, local bodies, including the Council, will be responsible for appointing their own auditors, and directly managing the resulting contract and the relationship.

Existing external audit arrangements will remain unchanged for the 2015/16, 2016/17 and 2017/18 years. We should also note that there is no restriction on your current auditor re-tendering for the new contract. Since our last update, some further information has emerged in respect of the re-tendering process. We will therefore be happy to provide a verbal update to the Committee.

Accelerating your financial close arrangements

On 17 February 2015 the Accounts and Audit Regulations 2015 were laid before Parliament, having been made under the Local Audit and Accountability Act 2014 on 12 February 2015.

A key area of the regulations is that, from the 2017/18 financial year, the timetable for the preparation and approval of accounts will be brought forward to a draft accounts deadline of 31 May and an audit deadline of 31 July. These changes provide challenges for both the preparers and the auditors of the financial statements. The good news is that with good planning, communication and joint working, those deadlines are highly attainable.

The majority of local bodies are on the right trajectory, having met the current reporting deadlines consistently for the last few years; the challenge now is upping the speed of that trajectory to achieve the faster deadlines. We have included below some suggestions which will help achieve this new statutory deadline. We will continue to engage with officers to ensure that the Council is well placed to meet these new statutory deadlines.

As with any project, the key to success is in the planning, together with timely engagement and collaboration between the preparers of the financial statements and the auditors of those statements. We appreciate that each client starts from a slightly different base. Therefore, there is no one size fits all solution. However, there are areas where consideration can be given now:

- revisit the current project timetable;
- carry out an early in-year financial hard close;
- review the format of your accounts;
- review your approach to estimates;
- review your year-end journal process;
- review the operation of your ledger system; and
- consider how fit for purpose is your current financial reporting system?

Over the coming year, we will organise regular meetings with your finance team and use this as a mechanism to discuss options for early close and early substantive testing. We will continue to provide the Committee with regular updates on our progress in this area. We are also happy to discuss the wider process with you in more detail when we next meet on 28 June 2016.

Other issues of interest

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Sector Briefings.

Timetable

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2015/16 committee cycle.

Audit phase	EY Timetable	Deliverable	Reported	Status
High level planning	Ongoing	Audit Fee Letter	June 2015	Complete
Risk assessment and setting of scope of audit	January 2016	Progress Report	January 2016	Complete
Testing of routine processes and controls	March 2016	Audit Plan	March 2016	Complete
Year-end audit	July - August 2016	<p>Audit results report to those charged with governance</p> <p>Audit report (including our opinion on the financial statements and a conclusion on your arrangements for securing economy, efficiency and effectiveness in your use of resources)</p> <p>Whole of Government Accounts Submission to NAO based on their group audit instructions</p> <p>Audit Completion certificate</p>	September 2016	<p>Year end audit work, on the Council's financial statements, will be carried out for four weeks commencing 25 July 2016.</p> <p>We will present the findings of our audit to the Committee in September 2016.</p>

EY | Assurance | Tax | Transactions | Advisory

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AUDIT COMMITTEE

DATE OF MEETING: 28th June 2016

TITLE OF REPORT: **INTERNAL AUDIT PROGRESS REPORT
2016/17 Q1**

Report of: **Internal Audit Manager**

Cabinet Member: **Councillor Ken Crookes, Portfolio Holder for
Finance**

I PURPOSE OF REPORT

1.1 To update the Audit Committee on Internal Audit work carried out between April 2016 and June 2016.

2 OFFICER RECOMMENDATION

2.1 That the Internal Audit work completed between April and June 2016 be noted.

3 BACKGROUND

3.1 Internal Audit prepares a risk based plan which identifies the work that is to be carried out during the year. The plan for 2016/17 was approved by the Committee in March 2016. It should be noted that the Audit Plan is heavily weighted in Q3 and Q4, as it is the second half of the year when the resource from Basingstoke is in place.

3.2 During discussions to approve the Internal Audit Plan in March, the Committee requested further detail of the planned reviews that were to take place within service areas. This was to ensure the committee was fully aware of the subjects of specific reviews that are planned. It was agreed that the Audit Manager would provide this information, which is shown below:

Service Area	Detail of Review
Leisure	Contract Management Arrangements
Regulatory Services	Enforcement
Corporate Services	Management of Shared/Outsourced Services
Housing	Homelessness

4 CONSIDERATIONS

4.1 During the period between April 2016 and June 2016 reports were issue for:

- Housing Benefits - Appendix 1
- Main Accounting - Appendix 2
- Fraud Risk Assessment - Appendix 3

5 FINANCIAL IMPLICATIONS

5.1 There are no direct financial implications arising from this report

Contact: Neil Carpenter, Ext 4140, neil.carpenter@hart.gov.uk

SUMMARY OF INTERNAL AUDIT WORK 2016/17

	Review Area	Status	Level of Assurance	Key Findings	Recommendations	
					High	Medium
1.	Housing Benefits 15/16	Complete	Adequate	<ul style="list-style-type: none"> ➤ Recovery of overpayments where no ongoing benefit exists needs to be improved. ➤ There is reasonable assurance that claims are calculated correctly. ➤ Procedures need to be reviewed with most either needing an update or deleting. 	1	1
2.	Main Accounting 15/16	Complete	Adequate	<ul style="list-style-type: none"> ➤ There is reasonable assurance that the elements of the function operate as expected. ➤ Financial Regulations should be reviewed and take into account both the current structure and harmonisation in line with the 5 Councils Procurement. 	0	5
3.	Fraud Risk Assessment	Complete	Adequate	<ul style="list-style-type: none"> ➤ Need to continue to raise awareness of the risk of fraud throughout the council. ➤ Establishing a shared service with Basingstoke and Deane will provide a dedicated and professionally trained resource. 	0	11
4.	General IT Controls	In progress				
5.	Enforcement	Q2				

6.	Leisure Contract Management	Q3				
7.	Homelessness	Q3				
8.	Shared/Outsourced Services Management	Q4				
9.	Payroll	Q3				
10.	Local Taxation	Q2				
11.	Accounts Payable	Q3				
12.	Accounts Receivable	Q2				
13.	Income Management	Q4				
14.	Housing Benefits	Q4				
15.	Treasury Management	Q3				
16.	Main Accounting	Q4				

Area of Review	Housing Benefits	Service Contact	Head of Finance
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Overall Audit Opinion

For this review of the Housing Benefit processes Internal Audit is able to offer an adequate level of assurance.

Levels of assurance available:

Level of Assurance	Risk Exposure	Effectiveness of Controls
Substantial	Where risks are being mitigated to an acceptable level.	Controls are applied consistently and enable achievement of the intended objective.
Adequate	There are weaknesses in internal control that would mean risks are not being effectively managed. However, the risks are not considered to be material in terms of financial impact or achievement of objectives.	Controls are applied in most instances with only minor lapses.
Limited	Where the Council is exposed to the risk of financial loss, fraud or the loss of reputation.	Controls in place are inadequate and the intended objective is unlikely to be achieved.

Summary of Findings

3.1 Control Objective 1 – That effective admin arrangements are in place

- Sufficient information on the housing benefit application process is available to residents via the council website and application template. However, internal processes remain inadequately documented with many documents and procedures being overdue for review.

3.2 Control Objective 2 – That claims are processed accurately and in a timely manner

- Sample testing showed that new claims and changes of circumstances are processed effectively however the sample tested showed that the time taken to process new benefit applications exceeds the performance target set (28 days against a target of 23 days).
- To clarify processes and ensure data protection compliance a documented Service Level Agreement should be established between the Council and Vale and South DC until such a time that the arrangement is replaced by the five council arrangement.

3.3 Control Objective 3 – That overpayments are effectively managed

- Housing benefit overpayments are adequately managed up to the point of issuing the final demand. However there is effectively no action taken beyond this stage which has resulted in £257,295.49 of overpayments being held on the Civica benefits system with very little form of recovery action being taken. This issue needs to be resolved as a high priority.
- Some of these overpayments may be required to be written off due to the age of the debt or if they are uneconomical to pursue.

3.4 Control Objective 4 – That effective arrangements are in place to prevent and detect fraud

- Capita are coordinating a data matching exercise with the National Fraud Initiative (NFI). Which makes use of the Civica (Revenues and Benefit system) database and where necessary with the additional data from Experian.

3.5 Control Objective 5 - That payments are correctly accounted for

- There is reasonable assurance that housing benefit payments are correctly accounted for. The DWP Subsidy Claim was returned by the statutory date.

Management Action Plan

Ref	Recommendation	Risk Category	Management Response	Responsible Officer	Action Date
1.	Procedures should be reviewed to ensure those that are in use are still relevant. Procedural updates communicated by email should be retained for reference.	Low	Agreed. However, it must be noted that this work is a low priority. Work will be on-going during the year.	Head of Revs and Bens (Capita)	Dec 2016
2.	A Service Level Agreement (SLA) should be established between the council and Vale and South District Council for the provision of quality assurance work on Capita benefit assessments with consideration being given to appropriate data sharing protocols.	Medium	Not agreed.	Head of Finance	n/a

Appendix I

3.	The Housing Benefit Overpayment Recovery Manual should be reviewed to ensure current procedures are accurately reflected.	Low	Agreed. However, it must be noted that this work is a low priority. Work will be on-going during the year.	Head of Revs and Bens (Capita)	Dec 2016
4.	Existing recovery arrangements should be reviewed and documented to improve their effectiveness. Other appropriate and proportionate recovery options should be considered.	High	The outstanding overpayments are currently being reviewed with CIS & Experian checks to locate current whereabouts. Chasing Letters are currently been issued requesting payment and cases put for write off where no forwarding address is found.	Head of Revs and Bens (Capita)	June 2016
6.	The Write Off Overpayment Code of Practice Capita Procedure should be reviewed to ensure current procedures are accurately reflected.	Low	Agreed.	Head of Finance	June 2016
7.	The Anti-Fraud & Corruption Policy should be reviewed to ensure accuracy.	Low	Done	Audit Manager	March 2016

Area of Review	Main Accounting	Service Contact	Head of Finance
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3. Overall Audit Opinion and Conclusions

The overall level of assurance that can be provided for the management of Main Accounting is Adequate.

Levels of assurance available:

Level of Assurance	Risk Exposure	Effectiveness of Controls
Substantial	Where risks are being mitigated to an acceptable level.	Controls are applied consistently and enable achievement of the intended objective.
Adequate	There are weaknesses in internal control that would mean risks are not being effectively managed. However, the risks are not considered to be material in terms of financial impact or achievement of objectives.	Controls are applied in most instances with only minor lapses.
Limited	Where the Council is exposed to the risk of financial loss, fraud or the loss of reputation.	Controls in place are inadequate and the intended objective is unlikely to be achieved.

Control Objective 1: That the Statements of Accounts are completed within the statutory timetable

- The Statements of Accounts were prepared within the statutory timetable.
- Financial Regulations need to be reviewed, such a review should be carried out with the Joint Procurement process in mind as a single set of Financial Regulations for all 5 councils should be considered.

Control Objective 2: That Budgets are prepared in accordance with the requirements of Financial Regulations

- Budgets were prepared using good practice and were approved by the statutory deadline.

Control Objective 3: That Budget Monitoring arrangements are effective

- Budget monitoring arrangements at a service level are reasonable.
- Budget monitoring at a strategic levels could be enhanced by having Budget Monitoring as a standing item on Management Team Agendas
- The role of the Head of Finance should be increased to provide more support to the Joint Chief Executives
- Managers do not use Integra enough as part of their budget monitoring arrangements, they tend wait until a monthly meeting with Capita Finance

Control Objective 4: That Journal transfers are complete and authorised

- There is reasonable assurance that journals are processed correctly and are properly authorised when required
- As part of the implementation of Integra2 the use of an automated notification process for journals over £500K should be put in place

Control Objective 5: That the Asset Register is accurate and up to date

- There is reasonable assurance that the Asset Register is up to date and that the value of assets is reconciled in Integra
- There is no guidance to services who keep inventories on what should be included, nor is there any guidance on the disposal of assets

Control Objective 6: That the Financial regulations and procedures are up to date and relevant.

- Financial Regulations and most operating procedures should be reviewed. The review should take into account the joint procurement process and the overarching principal of harmonisation needs to be considered.

Management Action Plan

Ref	Recommendation	Risk Category	Management Response	Responsible Officer	Action Date
1.	Review Financial Regulations as part of the Joint Procurement process.	Medium	Agreed. Will also raise awareness of their content to managers.	Head Of Finance	Oct 2016
2.	To improve budgetary control managers should be encouraged to use Integra more frequently.	Low	Agreed. Managers will be encouraged to use the finance system more as part of the implementation of Integra2.	Head of Finance	Sept 2016
3.	Allocate an increased resource for the role of the Section 151 Officer.	Medium	The council has recognised that this role does need to be enhanced. A new full time post at Head of Service level has been created which will include the role of the S151 Officer.	Joint Chief Executive (PH)	July 2016
4.	Provide guidance to managers regarding the management of inventories and the process to dispose of assets.	Medium	To be included as part of the review of Financial Regulations.	Head of Finance	Oct 2016

Appendix 2

Ref	Recommendation	Risk Category	Management Response	Responsible Officer	Action Date
5.	Review the reporting of commitments on Integra so that information on commitments is easily identified.	Medium	Agreed. Work has started to link Purchase Order reports to budget monitoring screens in Integra.	Accounting Services Manager	June 2016
6.	That Integra User Access is reviewed on a 6 monthly basis.	Medium	A review has recently been carried out. Future reviews will be 6 monthly.	Client Officer Finance	Achieved



FRAUD RISK ASSESSMENT 2016/17

BACKGROUND

Fraud in Local Government is estimated to cost around £2.1bn per year, this is money that could be spent on the provision of services. The Council has a duty to ensure it protects public money from the risk of fraud. It is impossible to eliminate all fraud, but the council must have a sufficiently robust control framework in place to reduce fraud risks.

The control framework should be reviewed on an ongoing basis, the findings of this review can be used to support the on-going management of fraud risk.

This review is based on good practice identified in the Local Government Fraud Strategy. It includes an assessment on how well the council acknowledges the risk of fraud and how it prevents, detects and pursues monies or assets obtained fraudulently. It also considers how services that are more susceptible to the risk of fraud high risk services manage that risk.

Conclusions

There is reasonable assurance that the council has an appropriate control framework in place to mitigate the risk of fraud. It is impossible to eliminate the risk completely and there are areas where the control framework could be improved, these are:

- Further fraud awareness training should be provided to employees, to ensure they are aware of the type of fraud risks that exist within their own service area.
- Capita have not been able to follow up National Fraud Initiative matches in a timely manner during the year. In particular data relating to rising 18's, as these matches may have implications to those that have applied for a Single Person Discount.
- There is no dedicated fraud resource within the council. Whilst it is accepted that should a fraud be identified during the year it will be investigated, the lack of a dedicated resource does mean that there is very little pro-active work carried out.
- As the council continues its use of outsourcing, management should ensure that the contractors that the council work with sign up to the principles of both the Whistleblowing, and Anti-Fraud and Corruption Policies.

It is noted that the number of fraud cases is low, however fraud is on the increase nationally and dedicated fraud resources in the public sector is reducing. To help resolve this issue the Council needs to consider better joint working and sharing of information with other local authorities and agencies. It also needs to make sure it takes opportunities increase the awareness of fraud risk amongst all staff, as fraud prevention is not the sole remit of Internal Audit it lies with all employees.

FRAUD RISK ASSESSMENT 2016/17

I. ACKNOWLEDGE THE RISK OF FRAUD						
I.1	Does the Council have a zero tolerance policy towards fraud?	The Council's Anti-Fraud and Corruption Policy clearly states that there is a zero tolerance of fraud. The policy was reviewed in March 2016.				
I.2	Is the council aware of the fraud risk threats that it is exposed to?	<p>The council uses the following to identify potential fraud risks:</p> <p>Annual Fraud Risk Assessment</p> <p>Fraud is included in a quarterly review of risk registers. This is discussed with Heads of Service and key managers.</p> <p>A summary of the risk registers are reported to the</p>	<p>Consider further fraud awareness training or the use of an online training module for fraud. This would also assist in creating an anti-fraud culture.</p> <p>The council should also ensure that contractors it works with sign up to both Whistleblowing and Anti-Fraud and Corruption Policies. In particular Capita and Vinci.</p>	<p>Audit Manager</p> <p>November 2016</p>		

		<p>Audit Committee each quarter.</p> <p>Internal Audit consider the risk of fraud as part of each audit review carried out.</p>			
I.3	Has the council allocated sufficient resource to tackle fraud risks and investigate suspected and known fraud?	<p>There is no dedicated fraud resource.</p> <p>Capita are contracted to follow up on NFI Matches that relate to Housing Benefits and Council Tax.</p> <p>Housing Benefit Fraud has now been passed to the DWP. This would include some of the work for NFI Matches.</p>	<p>There is a backlog of matches that need to be reviewed. The main set of matches where the backlog exists in on Rising 18's. Capita have been reminded to look at these matches.</p> <p>An agreement has been reached with Basingstoke and Deane to enhance the existing fraud resource.</p>	<p>Audit Manager</p> <p>July 2016</p>	
I.4	Does the council keep a record of all suspected and known fraud?	All known frauds are recorded.			

I.5	Does the council review controls in place in areas that are more vulnerable to the risk of fraud?	Services and processes that are more vulnerable to the risk of fraud are Housing Benefits, Payroll and Accounts Payable. Controls in place for each of these services are reviewed each year by Internal Audit the review will take into account the risk of fraud.			
I.6	Is a Fraud Response Plan in place to ensure investigations are carried out in a consistent manner and provides clear guidance on how an investigation should be conducted?	<p>A Fraud Response Plan is in place for corporate frauds. The plan is held by the Audit Manager and should ensure there is a consistent approach to fraud investigations. Fraud Response Plan reviewed in May 2016.</p> <p>No procedure is currently in place for the management of fraud referrals to the DWP.</p>	Establish a procedure for the management of fraud referrals to the DWP.	<p>Revenues Manager (Capita)</p> <p>July 2016</p>	

1.7	<p>Does the council have an understanding on how resilient it is to the risk of fraud?</p>	<p>The councils understanding on how resilient it is to the risk of fraud is mainly based on the outcomes of the Fraud Risk Assessment.</p> <p>In addition the work of internal Audit can supplement this assessment as fraud is considered as part of all their system reviews, particularly those relating to Finance.</p> <p>It is noted that the council is working in an ever changing environment. This will mean that the council will need to continually review the control framework in place to mitigate the risk of fraud to ensure it remains robust.</p>	<p>Ensure there is an ongoing review of the internal control framework, to ensure the risk of fraud is minimised and that the framework remains robust.</p>	<p>Audit Manager</p> <p>On-going</p>	
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2. PREVENT THE RISK OF FRAUD					
2.1	Does the council use any data analytic tools for the purpose of detecting fraud?	There is limited use of data analytics to identify fraud. The exception being a full review of the accounts payable database.	As part of the agreement with Basingstoke & Deane to provide a fraud resource to assist in the management of fraud. The council will be able to enhance the use of data analytic tools for the purpose of detecting fraud.	Audit Manager December 2016	
2.2	Can the council demonstrate that it has imbedded an anti-fraud culture?	There is an Anti-Fraud and Corruption Policy that clearly states the council's stance on fraud which is zero tolerance, Fraud training was provided to all staff in 2014. However this would have missed any new starters. Capita staff employed on the Hart contract receive online training on fraud annually.	Consider providing Fraud further Awareness Training to staff. Raising awareness of fraud risk is one of the elements of fraud work that will be improved by using the agreement with Basingstoke and Deane.	Audit Manager November 2016	

2.3	Are all staff and members of the public able to report suspected fraud to the council?	<p>There is a fraud hotline, details are provided on the Councils' website.</p> <p>The Anti-Fraud and Whistleblowing policies make it clear who you can report suspected fraud or corruption to.</p>			
2.4	Has the council put in place policies for both anti-fraud and Whistleblowing?	<p>Both policies are in place.</p> <p>Both policies will require a review in 2016.</p> <p>Anti-Fraud; March 16</p> <p>Whistleblowing: Oct 16</p> <p>It is felt that both policies would be in a category where they are reviewed every 2 years.</p>			
2.5	Is there high level support for counter fraud work?	<p>No issues identified that would indicate there is not support for counter fraud work.</p>			

2.6	How does the council ensure it is up to date with good anti-fraud practice?	Fraud updates received from National Anti-Fraud Network. Member of Hants Fraud Group. Training			
2.7	Does the council publicise its stance against fraud?	The council does publicise its stance via the two key policies relating to fraud.			
2.8	Is the internal control framework sufficient to prevent and detect fraud?	Given the number of identified frauds that are not Housing Benefit related is low, it is felt that the internal control framework is reasonable. Key controls are reviewed annually by Internal Audit to ensure they work as expected.			

3. PURSUE					
3.1	Does the council have the appropriate level of specialist resource to investigate suspected fraud?	<p>There is no dedicated specialist resource for fraud investigations. Given the number of frauds that are identified in any one year a specialist resource could not be justified.</p> <p>It is recognised that part of Internal Audits role is to investigate fraud. It is also noted that a resource has also been recently put in place to support corporate fraud work.</p> <p>It is noted that there are discussions taking place with Basingstoke & Deane regarding a fraud resource. This resource is suitably qualified.</p>	The agreement with Basingstoke and Deane will allow access to a specialist fraud resource will be available to the council. It is likely that this will commence in July or August 2016.	<p>Audit Manager</p> <p>July 2016</p>	

3.2	Do officers that have a responsibility to investigate fraud have the appropriate authority to pursue their remit effectively?	No known issues that would prevent fraud prevention work.			
3.3	Does the council have the appropriate policies in place in terms of sanctions that are made against those that commit fraud?	Providing the fraudster has been identified, the Council does have an appropriate legal framework to recover any monies that are lost to a fraudster. This includes the Proceeds of Crime Act.			
3.4	Is training provided to those who are required to carry out fraud investigations as part of their role?	Fraud Training has been provided as part of Internal Audit role. As previously stated a shared fraud resource with Basingstoke & Deane would be an enhancement.	The use of a specialist resource from Basingstoke and Deane should negate the need for the council to provide training.		
3.5	Does the council work with other agencies to ensure fraud investigations are carried out effectively?	The council works with the DWP regarding HB Fraud.			

		<p>Where required the council will also work with other public sector agencies to prevent and detect fraud.</p> <p>The council has some data sharing protocols in place, in particular the National Fraud Initiative.</p>			
3.6	Does the council ensure that whenever possible proceeds from fraud are recovered?	<p>There are options to recover overpaid HB.</p> <p>For other types of fraud. Recovery will be sought where possible.</p>			

AUDIT COMMITTEE

DATE OF MEETING: 28th June 2016

TITLE OF REPORT: RISK REPORT

Report of: Internal Audit Manager

Cabinet Member: Councillor Ken Crookes, Portfolio Holder for Finance

1 PURPOSE OF REPORT

- 1.1 The purpose of this report is to begin a process to improve the existing arrangements that are in place to report on the management of risk.

2 OFFICER RECOMMENDATION

- 2.1 That a Working Group is established to review the current processes in place to report on the Council's risk management arrangements.

3 BACKGROUND

- 3.1 The Council's current process of reporting risk has been in place for at least 2 years. As with any process it is good practice to review what is currently in place and consider whether improvements can be made.

4 CONSIDERATIONS

- 4.1 The Audit Committee is responsible for an on-going review of risk and to challenge the Council's governance arrangements, including the management of risk. However, it is not responsible for the actual management of risk.
- 4.3 The Committee is asked to recommend a suitable forum, the preferred option being a Working Group to consider the matter further.

5 FINANCIAL IMPLICATIONS

- 5.1 There are no direct financial implications arising from this report

Contact: Neil Carpenter, Ext 4140, neil.carpenter@hart.gov.uk

AUDIT COMMITTEE

Date and Time: 28 June 2016 at 7pm

Place: Committee Room 1, Civic Offices

Present:

Neighbour (Chairman)

Axam, Dickens, Makepeace-Browne, Southern, Wright

Officers:

Neil Carpenter	Audit Manager
Tony Higgins	Head of Finance

In attendance:

Justine Thorpe	Ernst and Young
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1 MINUTES OF THE PREVIOUS MEETING

The Minutes of the meeting held on 22 March 2016 were confirmed and signed as a correct record.

2 APOLOGIES FOR ABSENCE

Apologies had been received from Councillor Blewett

3 ELECTION OF VICE CHAIRMAN

Councillor Axam was elected Vice Chairman of the Committee

4 CHAIRMAN'S ANNOUNCEMENTS

None

5 DECLARATIONS OF INTEREST

None declared.

6 AUDIT PROGRESS REPORT 2015/16

The Council's External Auditors provided an update on the work that will be carried out on the Statements of Accounts for 2015/16. The work will commence on the 25th July 2016. The findings from the audit will be reported to the Committee in September 2016.

The Committee was asked to note that from 2017/18 the timetable for the preparation and approval of the accounts will be brought forward. The preparation of the draft accounts having a deadline of 31 May and the deadline for signing off the

accounts being 31 July. Capita who are responsible for preparing the Council's accounts are fully aware of this change and are confident that the revised deadlines will be met.

DECISION

That the Audit Progress Report be acknowledged and accepted.

6 2016/17 EXTERNAL AUDIT FEE LETTER

The fee for the work of External Audit for 2016/17 was presented to the Committee.

Members received notification of the External Audit Fee for 2016/17.

DECISION

That the information be accepted.

7 INTERNAL AUDIT PROGRESS REPORT 2016/2017 Q1

The Committee received an update on the Internal Audit work carried out between April and June 2016.

Housing Benefit Review

The level of Housing Benefit Overpayments was discussed and more detail was provided to the Committee on how this type of debt can occur and some of the difficulties that are experienced with recovery. However, it was agreed that more recovery options need to be explored.

The Head of Finance also explained that whilst it is accepted more options should be explored, there is no financial loss to the council where this type of debt is not collected as most Housing Benefit payments are recovered from government grant.

Main Accounting

Budget monitoring arrangements were discussed in terms of encouraging managers to use the Finance System more frequently to help manage their budgets more effectively.

Fraud Risk Assessment

The level of fraud and the type of fraud that the council is exposed to was discussed by the Committee. The Audit Manager and Head of Finance explained the types of fraud that were more common and what controls are in place to mitigate the risk of fraud. The Committee asked for an update on the fraud work that is planned for 2016/17. The Audit Manager agreed that an update would be provided at the December meeting.

DECISION

The Internal Audit work completed between April and June was noted.

8 RISK REPORT

Part of the role of the Audit Committee is to receive regular updates on the Council's risk management arrangements. Whilst the existing reporting process is reasonable it has been in place for a number of years and should be reviewed to ensure it is still appropriate.

It was agreed that a Working Group should be set up to review the current process. Councillors Neighbour, Makepeace-Brown and Dickens agreed to participate.

DECISION

The Committee noted the report.

The meeting closed at 8.25 pm