

MINUTES OF A MEETING OF THE  
AUDIT AND GOVERNANCE COMMITTEE  
HELD IN THE COUNCIL CHAMBER,  
WALLFIELDS, HERTFORD ON  
WEDNESDAY 23 NOVEMBER 2016, AT  
7.00 PM

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PRESENT: Councillor M Pope (Chairman)  
Councillors D Abbott, P Boylan, B Deering,  
I Devonshire, S Stainsby and C Woodward

ALSO PRESENT:

Councillors M Allen, P Moore and P Ruffles

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	-	Democratic Services Officer
Philip Gregory	-	Head of Strategic Finance and Property
Helen Standen	-	Director
Kevin Williams		Acting Head of Legal and Democratic Services

ALSO IN ATTENDANCE:

Debbie Hanson - Ernst Young LLP

442 COMPLAINTS LODGED WITH THE MONITORING OFFICER

The Monitoring Officer stated that he had received a report from an independent investigator which would be referred to a Sub Committee. He stated that the report referred to former Councillor Cartwright and that this would be considered by the Sub Committee on 13 December 2016 and that the Sub Committee would take a decision on whether the report

should be considered on the open agenda and therefore become a public document.

The Committee noted the update.

RESOLVED – that the update be noted.

#### 443 TRAINING ITEM - BUSINESS CONTINUITY UPDATE

Members were given a presentation on an update in relation to Business Continuity Planning. The Director explained that the Business Continuity Plan provided the Council with the ability to maintain its services and be responsible to members of the public during any disaster which might befall the Council. She explained that the Council had been practising and testing for specific disasters in order to identify any weaknesses and to make the necessary adaptations to processes. The Director explained the role of key officers in responding to a disaster; when and how information was cascaded to senior management.

In response to a query from Councillor D Abbott regarding risk assessment information, the Director explained that the information was available on the intranet and that there were plans to make staff more aware of this and of their responsibilities via staff briefings and the weekly staff bulletin. Councillor C Woodward explained that this could be made mandatory in terms of questions asked by new staff during the induction process.

The Director explained what weaknesses had been identified and that the Business Continuity Plan would be added to the Emergency Plan and that staff would be involved in a test session with no prior warning.

In response to a query from Councillor P Boylan, the Director explained that plans were in place to address mass sickness, even death and explained the built in resilience to potential IT failures. She explained how data was backed up regularly in Stevenage and that staff could log on from anywhere. The Director assured Members that mechanisms were in place to

ensure that Members were kept fully informed and that Officers had information on which Members were media trained to speak to the press.

Councillor M Allen referred to disasters and questioned how quickly the Council could be up and running following such an event. The Director explained that it depended on the severity of the disaster but the aim was within 24 hours.

The Chairman queried whether Business Continuity Planning procedures were shared between Councils. The Director explained that as far as she was aware, East Herts had never been asked to share their procedures.

The Chairman, on behalf of Members, thanked the Director for the presentation.

The Committee received the presentation.

RESOLVED – that the presentation be received.

444 APOLOGIES

Apologies for absence were submitted on behalf of Councillors A Alder and P Kenealy.

445 MINUTES

The External Auditor drew Members' attention to a minor change in relation to Minute 317 (External Audit – Audit Results report) and asked that in the first paragraph (fourth line) that the word "control" be changed to "conclusion". This was supported

RESOLVED – that the Minutes of the meeting held on 21 September 2016, as amended, be confirmed as a correct record and signed by the Chairman.

446 CHAIRMAN'S ANNOUNCEMENTS

The Chairman stated that, with Members consent, the order of

the agenda be changed so that agenda item 13 (Complaints lodged with the Monitoring Officer) was considered first . This was supported.

447 EXTERNAL AUDITOR APPOINTMENT

The Executive Member for Finance and Support Services submitted a report which set out the options available to the Council in appointing external auditors from 2018/19 and the process for achieving the successful procurement of external audit services. The Head of Strategic Finance and Property provided a summary of the report.

In response to a query from the Chairman regarding setting the audit fee, the Head of Strategic Finance and Property explained the process.

The Committee recommend to Council via the Executive, that the Council “opts in” to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of External Auditors.

RESOLVED – that Council via the Executive be advised that Audit and Governance support “opting in” to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of External Auditors from 2018/19.

448 TREASURY MANAGEMENT STRATEGY 2016/17 - MID YEAR REVIEW

The Executive Member for Finance and Support Services submitted a report which reviewed the Council’s Treasury Management activities for the first six months of 2016/17 financial year, including the prudential indicators. The Head of Strategic Finance and Property provided a summary of the report.

The Chairman sought and was given clarification on a number of issues including information regarding borrowing, the impact on interest rates following Brexit, the Council’s choice

of banking institutions used and investment diversification.

The Committee approved the Treasury Management activity and prudential indicators for the first six months of 2016/17 financial year.

RESOLVED – that the Treasury Management activity and prudential indicators for the first 6 months of 2016/17 financial year be approved.

449 EXTERNAL AUDIT - 2015/16 ANNUAL AUDIT LETTER

The External Auditor submitted a report setting out its results and conclusions following completion of audit procedures for the year ended 31 March 2016. The Annual Audit Letter set out any key issues which had arisen from the External Auditor's work. She explained that the audit fee had been varied in the sum of £771 in order to address some additional work in reaching their Value for Money conclusion.

The External Auditor provided an overview of the report stating that there were no significant risks identified in relation to the Financial Statement Audit. Three key issues had been identified in relation to management override of controls, revenue and expenditure recognition and the purchase of Old River Lane, but that having performed procedures outlined in the External Audit Plan, the External Auditors had concluded that the Council had adequate arrangements in place and had issued an unqualified opinion.

The External Auditor explained that in considering their Value for Money conclusion three significant issues had been identified and considered; achievement of savings over the medium term, arrangements for procuring supplies and services and the governance arrangements for the purchase of Old River Lane. Having performed procedures outlined in the External Audit Plan, the External Auditors concluded that the Council had adequate arrangements in place and issued an unqualified opinion.

The Annual Audit Letter reviewed the impact of the EU

Referendum on financial markets in terms of heightened levels of volatility. The External Auditor also referred to the final Audit Fees incurred for 2015/16.

It was noted that the Annual Audit Letter confirmed that the Council had received an unqualified opinion on both its financial statements for the year ended 2015/16 and for the value for money conclusion on 30 September 2016.

The Head of Strategic Finance and Property assured Members that new software would be in place by September 2017 in relation to procurement so that information would be held in one place. The Chairman sought and was provided with advice on the impact of Brexit on the Council's revenue streams. The External Auditor explained that those who were at risk were companies who received a lot of EU funding but that the Council needed to keep up to date with the challenges as they emerged.

In response to a query from the Chairman, the Head of Strategic Finance and Property confirmed that Rural Development Funding had been guaranteed by the Government.

The Committee received the Annual Audit Letter for the year ended 31 March 2016.

RESOLVED – that the Annual Audit Letter for the year ended 31 March 2016 be received.

#### 450 COUNCIL'S RESPONSE TO 2015/16 ANNUAL AUDIT LETTER

The Executive Member for Finance and Support Services submitted a report setting out the Council's proposed response to the issues and recommendations raised in the Annual Audit letter for 2015/16. It was noted that the Annual Audit Letter summarised the key issues and recommendations arising from the work undertaken by Ernst

and Young LLP (EY) and confirmed that the Council had received an unqualified opinion on both its financial statements for the year ending 2015/16 and for the Value for Money conclusion on 30 September 2016.

The Head of Strategic Finance and Property thanked the External Auditors (EY) for their help in producing the accounts.

The Committee agreed the Council's response to the Annual Audit Letter.

RESOLVED – that the Council's response to the Annual Audit Letter be agreed.

451 EXTERNAL AUDIT - PLANNING AUDIT FEES FOR 2016/17

The External Auditor submitted a letter setting out its indicative audit and certification work fees for the 2016/17 financial year the detail of which was set out in the report submitted.

The Committee noted the indicative audit fees for 2016/17.

RESOLVED – that the indicative audit fees for 2016/17 be noted.

452 UPDATE ON IMPLEMENTATION OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN

The Head of Strategic Finance and Property submitted a report detailing the progress made in implementing the action plan contained in the Annual Governance Statement 2015/16 and the measures to enhance East Herts Council's internal control framework during 2016/17. The Head of Strategic Finance and Property gave a summary of some of the key changes.

In response to a query regarding the District Plan it was noted that comments received following further consultation, would be determined by the Planning Inspectorate.

The Committee noted the progress made in implementing the action plan contained in the 2015/16 Annual Governance Statement.

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

453 RISK MANAGEMENT STRATEGY – UPDATE

The Executive Member for Finance and Support Services submitted a report detailing proposed annual revisions to the Risk Management Strategy in order to reflect current best practice and more recently, in order to reflect the changes following the senior management restructure. The Head of Strategic Finance and Property provided Members with a summary of the main amendments and referred Members to the Essential Reference Papers detailing the tracked changes within the strategy and the updated version.

Councillor C Woodward stated that two officers with extensive experience of Covalent would be shortly leaving the Council. The Head of Strategic Finance and Property provided a summary of what information was monitored by the Officers and provided assurance that Members would still have the ability to interrogate Covalent or any alternative that would be implemented in the future. Councillor Woodward asked whether additional training on Covalent could be arranged, for all and particularly new Members. This was supported.

The Committee supported the recommendation as now detailed.

RESOLVED – that (A) the Risk Management Strategy be approved; and

(B) the Scrutiny Officer be asked to arrange Member Training on Covalent.



454 RISK MANAGEMENT MONITORING REPORT 1 JULY 2016  
TO 30 SEPTEMBER 2016

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The Executive Member for Finance and Support Services submitted a report on the action taken to mitigate and control risks during July to September 2016. The Head of Strategic Finance and Property provided a summary of the report and the monitoring arrangements. Members debated at length the risk matrix in relation to Strategic Risks shown as “red”.

In response to a query from Councillor M Allen regarding SR 1b (Business Income significantly reduced from planning anticipated level and current levels), the Head of Strategic Finance and Property explained that the Council had set aside between £3 - 4M in the event of successful appeals and that any increase of 1% would be met from the Collection Fund reserve to mitigate the risk.

Councillor C Woodward raised the issue of SR 12 (Encouragement of economic vitality across the District) and the Hertford Urban Design Study. The Head of Strategic Finance and Property assured the Member that there were plans to incorporate projects in Bishop’s Stortford once agreed following publication of the planning framework currently under consultation.

The Committee approved the report, as now detailed.

RESOLVED – that the action taken to mitigate and control strategic risks for the period July to September 2016, be approved.

455 AUDIT AND GOVERNANCE WORK PROGRAMME

The Head of Strategic Finance and Property submitted a report detailing the proposed work programme for Audit and Governance Committee.

Members approved the work programme, as now detailed.

RESOLVED – that the work programme, be

approved.

The meeting closed at 8.12 pm

Chairman .....

Date .....