

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD AS AN ONLINE MEETING ON
TUESDAY 16 MARCH 2021, AT 7.00 PM

PRESENT: Councillor M Pope (Chairman)
Councillors A Alder, R Fernando, T Stowe
and A Ward-Booth

ALSO PRESENT:

Councillor G Cutting

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Scrutiny Officer
James Ellis	- Head of Legal and Democratic Services and Monitoring Officer
Steven Linnett	- Head of Strategic Finance and Property
Peter Mannings	- Democratic Services Officer
Graham Mully	- Insurance and Risk Business Advisor
William Troop	- Democratic Services Officer

ALSO IN ATTENDANCE:

Nick Jennings	- Shared Anti-Fraud Service (SAFS)
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Simon Martin

- Shared Internal Audit
Service (SIAS)

416 APOLOGY

An apology for absence was submitted on behalf of Councillor Huggins.

417 CHAIRMAN'S ANNOUNCEMENTS

The Chairman said that the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020 came into force on Saturday 4 April 2020 to enable councils to hold remote committee meetings during the COVID-19 pandemic period. This was to ensure local authorities could conduct business during the current public health emergency. This meeting of Audit and Governance Committee was being held remotely under these regulations, via the Zoom application and was being recorded and live streamed on YouTube.

418 MINUTES - 10 FEBRUARY 2021

It was moved by Councillor Ward-Booth and seconded by Councillor Alder, that the Minutes of the meeting of the Committee held on 10 February 2021 be confirmed as a correct record and signed by the Chairman. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that the Minutes of the Committee meeting held on 10 February 2021 be confirmed as a correct record and signed by the Chairman.

419 DECLARATIONS OF INTEREST

There were no declarations of interest.

420 SHARED ANTI-FRAUD SERVICE (SAFS) - ANTI-FRAUD PLAN 2021/22

The Shared Anti-Fraud Service (SAFS) Officer introduced the report and highlighted the main points to Members.

The Chairman asked what proactive fraud referrals were and if the cost of membership to SAFS was offset by prevented fraud or recovery of funds in discovered fraud.

The SAFS Officer said that proactive referrals were cases in which Officers had identified fraud without an external referral, such as by data matching. Estimated fraud losses/savings from 22 live cases carried forward from 2019/20 were £267,000, which in itself significantly outweighed the cost of the Council's membership. Lots of work, such as face-to-face interviews, had been delayed and meant there was a backlog of cases. However, Members could be assured these cases would be investigated thoroughly in due course.

The Chairman asked how often the Council's whistle-blowing policy was reviewed and by whom, and whether contractors were also monitored. He also asked about the progress of the implementation of the Herts FraudHub.

The Head of Legal and Democratic Services said that although he did not have the details to hand, Members could be assured the whistle-blowing policy would be reviewed cyclically by the appropriate service and be presented to the relevant Committee for approval if changes were required.

The SAFS Officer said that SAFS would carry out work to ensure that all of the Council's processes in terms of tendering and engaging with contractors were compliant in that contracts contained clauses relating to fraud and corruption, and contractors had similar policies. Procurement Officers would play a significant role in this process. The Council's membership to the Herts FraudHub has recently been agreed. This meant that data from East Herts could be contributed to the hub, and data matching could be carried out more regularly in key high-risk areas.

It was moved by Councillor Ward-Booth and seconded by Councillor Alder that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that (A) the Anti-Fraud Plan 2021/22 be approved; and

(B) the report be noted.

421 SHARED INTERNAL AUDIT SERVICE (SIAS) - PROGRESS REPORT

The Shared Internal Audit Service (SIAS) Officer introduced the report and highlighted the main points to Members.

The Chairman asked when the audit of Millstream would take place. He also noted that the number of high priority recommendations had fallen to two and asked whether it was likely that these would be dealt with prior to the next meeting of the Committee.

The SIAS Officer said that it was likely that the Millstream audit would take place in quarter two of the next financial year. There was still a significant amount of work to be done on the remaining high priority recommendations so it was unlikely this would be completed before the next meeting of the Committee.

The Chairman asked about the audit days allotted to 'strategic support', membership of the SIAS board, joint reviews and whether the newsletters produced by SIAS could be circulated to Members.

The SIAS Officer explained that strategic support was time spent providing support to the Head of Strategic Finance and Property and producing the audit plan, for example. Joint reviews occurred when local authorities came together to commission a review into a particular issue. One recent example of this was the Council's partnership with North Herts in auditing waste contracts. Any reports which stemmed from these reviews would be presented to the Committee, although their regularity was dictated by the appetite for the reviews. The SIAS newsletter could be shared with Members going forward.

It was moved by Councillor Stowe and seconded by Councillor Ward-Booth that the recommendations, as detailed, be approved. After being put to the meeting

and a vote taken, the motion was declared CARRIED.

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

(B) changes to the Internal Audit Plan as at 26 February 2021 be approved; and

(C) the Status of Critical and High Priority Recommendations be noted.

422 SHARED INTERNAL AUDIT SERVICE (SIAS) - INTERNAL AUDIT PLAN 2021/22

The Shared Internal Audit Service (SIAS) Officer introduced the report and highlighted the main points to Members.

Councillor Stowe said that the proposed plan in terms of guidance for safe working practises should be expanded to more explicitly and thoroughly consider the risks of working from home in relation to both physical and mental health.

The SAFS Officer said that he was happy to take this comment on board and this area could be worked up in more detail should the audit be taken forward.

It was moved by Councillor Stowe and seconded by Councillor Ward-Booth that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that the proposed East Herts

Council Internal Audit Plan for 2021/22 be approved.

423 QUARTERLY CORPORATE BUDGET MONITOR – QUARTER 3 (DECEMBER 2020)

The Head of Strategic Finance and Property introduced the report and highlighted the main points to Members. He said that he believed the overspend was a good result for the Council in view of the challenging circumstances around this budget. Regarding the write off of aged debt, Officers would forego delegation of authority for this year end exercise to allow the Executive enhanced oversight of this process.

Councillor Ward-Booth asked about the underspend caused by vacant roles and whether any recruitment would therefore negatively affect the Council's finances.

The Head of Strategic Finance and Property said that all vacancies were referred to Leadership Team and restructuring considered, ensuring that all recruitment was strictly necessary.

The Chairman asked whether the £54,000 reduction in income from Millstream relating to loan interests due to timing of property purchases could have been foreseen and avoided. He also asked whether Planning and Building Control was an area of concern given the large forecast overspend and the effect of the COVID-19 pandemic.

The Head of Strategic Finance and Property said that estate agents were closed during the initial COVID-19

lockdown, which meant that property purchases were bunched together in the first three months of 2021. Interest payments were therefore bunched rather than evenly spread as would usually be the case. This was unavoidable and could not have been foreseen. Members were advised that there was an impending restructure of Planning and Building control to address existing issues. Around £110,000 of the overspend was made up of legal costs relating to a planning appeal in Little Hadham.

Councillor Fernando asked whether there was any further update on the debt figures.

The Head of Strategic Finance and Property said that they were still the most up to date figures. He also confirmed that the internal audit would examine the write offs after the fact but would not be involved in deciding what would be written off.

The Chairman asked for more detail on the increased contract costs relating to Operations.

The Head of Strategic Finance and Property said that despite many facilities not being used, there were still contractual costs for the Council to meet, such as payments for Civil Enforcement Officers for parking. The increase in residual waste and loss of recycling credits from Herts County Council (HCC) had affected the Council, and it seemed likely HCC would not renew the recycling credits scheme. The Council was considering other 'circular economy' solutions to deal with the build-up of low value recyclable materials. Members were also advised that increased contract costs related in part to costs of refuse staff being

replaced by agency workers when they were required to self-isolate.

The Chairman asked about the smoothing of leisure contract costs.

The Head of Strategic Finance and Property said that the Council were behind schedule in the capital schemes relating to the new leisure centres which the contractor had based their tender upon, but once they were open, the contractor would pay the Council, rather than vice versa. He also advised Members that he was comfortable with the level of the Council's reserves.

RESOLVED – that the report be noted.

424 ANNUAL REVIEW OF RISK MANAGEMENT STRATEGY

The Insurance and Risk Business Advisor introduced the report and highlighted the main points to Members.

The Chairman said that the Risk Management Strategy was now much clearer and comprehensible and thanked Officers for their work on it. He asked about the risks posed by COVID-19 and climate change.

The Insurance and Risk Business Advisor said that business continuity and emergency planning had always formed part of the strategy, but the pandemic had sharpened Officers' focus on the importance of this. Staff training on climate change was planned.

The Head of Strategic Finance and Property said that

more information on the risks of climate change was contained in the following report. However, extreme weather was already affecting the Council operationally; refuse crews had been forced to carry out their duties at differing times due to extreme heat in the summer of 2019.

There were no recommendations from Members that could enhance management of risk and the associated monitoring processes.

RESOLVED – that the report be received.

425 STRATEGIC RISK REGISTER – MONITORING 2020/21
QUARTER 3 AND PROPOSED CONTENT FOR 2021/22

The Insurance and Risk Business Advisor introduced the report and highlighted the main points to Members.

Councillor Stowe thanked Officers for their work on the new format which he said was clearer and included more useful information.

The Head of Strategic Finance and Property agreed, at the request of the Chairman, that each vulnerability could be added to the matrix in text, rather than numerically, to make it more immediately comprehensible.

The Chairman asked whether the potential impact of cyber-attacks had been underestimated. He also asked whether the risk of the Council being held to ransom over a cyber-attack had been appropriately

considered.

The Insurance and Risk Business Advisor said that the Deputy Chief Executive had previously answered to the Committee on the scoring relating to cyber-attacks but these concerns could be fed back to Leadership Team. Further work was being done on mitigating the risks of ransomware attacks and the Council was in discussions about ascertaining insurance cover for this scenario.

The Head of Strategic Finance and Property assured Members there were stringent manual controls on payments to prevent scams succeeding by impersonation or otherwise.

The Chairman and Councillor Ward-Booth said that an important mitigation of risk in terms of data protection was the hiring of a Data Protection Manager.

The Head of Legal and Democratic Services and the Scrutiny Officer said that the Data Protection Manager would report regularly to the Committee on these matters, starting at the May meeting of the Committee.

RESOLVED – that the report be received.

426 LOCAL GOVERNMENT ASSOCIATION (LGA) MODEL CODE OF CONDUCT

The Head of Legal and Democratic Services introduced the report and highlighted the main points to Members.

The Chairman said that the report summarised the

issues well, and whilst it gave a balanced opinion on the adoption of the Code, it seemed to him that the advantages far outweighed the disadvantages.

It was moved by Councillor Fernando and seconded by Councillor Ward-Booth that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that (A) the Committee recommends to Council the replacement of the Members' Code of Conduct as contained at Part 5a of the Council's Constitution with the LGA Model Councillor Code of Conduct (presented at Appendix 1) subject to Appendix C of the Model Code of Conduct being replaced with the text contained in Appendix 2 of the report; and

(B) that the Committee recommends to Council that the replacement Code of Conduct be adopted with immediate effect.

427 WORK PROGRAMME PROPOSALS 2020-21

The Scrutiny Officer introduced the report and highlighted the main points to Members.

The Chairman asked about progress in arranging further scrutiny training for Members.

The Scrutiny Officer said that bespoke quotes for the training had been obtained and had been presented to the Leader. However, it was considered that it would be prudent to wait until after the Annual Council meeting, where the memberships of Committees

would be finalised, before proceeding further.

The Chairman asked about the Committee potentially considering the Council’s capital projects.

The Scrutiny Officer said that scrutiny of performance was a function of Overview and Scrutiny Committee, although this Committee could consider the projects from a regulatory perspective. A proposal form was available to Members (and the public) should they wish to recommend that Overview and Scrutiny Committee consider a particular topic.

RESOLVED – that (A) the main agenda items for the next meeting be agreed; and

(B) the proposed consolidated work programme, at Appendix A, in relation to Audit and Governance matters, be agreed.

428 URGENT ITEMS

There were no urgent items.

The meeting closed at 8.38 pm

Chairman
Date