

MINUTES OF A MEETING OF THE  
AUDIT AND GOVERNANCE COMMITTEE  
HELD IN THE COUNCIL CHAMBER,  
WALLFIELDS, HERTFORD ON THURSDAY 29  
JULY 2021, AT 7.00 PM

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PRESENT: Councillor M Pope (Chairman)  
Councillors A Alder, T Stowe, R Townsend  
and A Curtis

ALSO PRESENT:

Councillors G Williamson

OFFICERS IN ATTENDANCE:

Steven Linnett	- Head of Strategic Finance and Property
Nanci Pomfrett	- Trainee Environmental Health Practitioner
William Troop	- Democratic Services Officer

ALSO IN ATTENDANCE:

Nazeer Mohammed - EY

121 APOLOGIES

Apologies for absence were submitted on behalf of Councillors Fernando, Huggins and Ward-Booth. It was noted that Councillor Curtis was acting as a substitute

for Councillor Ward-Booth.

122 MINUTES - 27 MAY 2021

It was moved by Councillor Alder and seconded by Councillor Townsend, that the Minutes of the meeting of the Committee held on 27 May 2021 be confirmed as a correct record and signed by the Chairman. After being put to the meeting and a vote taken, the motion was declared CARRIED.

**RESOLVED** – that the Minutes of the Committee meeting held on 27 May 2021 be confirmed as a correct record and signed by the Chairman.

123 CHAIRMAN'S ANNOUNCEMENTS

The Chairman thanked the Democratic Services Officer for providing Members with answers to outstanding queries from the previous meeting.

124 DECLARATIONS OF INTEREST

There were no declarations of interest.

125 SHARED INTERNAL AUDIT SERVICE (SIAS) INTERNAL AUDIT PLAN PROGRESS REPORT

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The Shared Internal Audit Service (SIAS) Officer gave a brief summary of the report.

Councillor Curtis thanked the SIAS Officer for his report. He asked about the disaster recovery plan and whether Officers were comfortable with the amount of time the work on IT systems was taking, given the

Council's exposure in the meantime. He added that he hoped that the Committee would have oversight of the new document.

The SIAS Officer said that the work on the disaster recovery plan was simply to collate all relevant policies and procedures into one comprehensive document. This did not suggest there were problems with existing procedures.

Councillor Townsend asked whether business continuity would be incorporated into the disaster recovery plan.

The SIAS Officer said that business continuity was usually a comprehensive set of procedures in itself and would generally be collated separately, but he would check this and respond to Members outside of the meeting.

The Chairman asked about disused audit days being added to the contingency balance.

The SIAS Officer confirmed that these days were not lost, but simply used elsewhere when an unplanned business need was identified. Not all audit needs could be foreseen and it was normal practise for the audit plan to change throughout the year.

Councillor Alder asked what constituted a low level of fraud regarding fly-tipping.

The SIAS Officer said that he would look into this and respond to Members outside of the meeting.

The Chairman asked about the gaps in the policies and procedures regarding fly-tipping as identified in the report and whether this was something which should be referred to Overview and Scrutiny Committee for further consideration.

The SIAS Officer said that there were well-established processes regarding fly-tipping, but documentation of these could be improved to aid business continuity in the event of staff absence.

It was moved by Councillor Curtis and seconded by Councillor Stowe 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 9 July 2021 be approved; and

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

## 126 ANNUAL GOVERNANCE STATEMENT 2020/21

The Head of Strategic Finance and Property gave a brief summary of the report. The Annual Governance Statement (AGS) this year was longer than in previous years to provide further detail and comparison against the Chartered Institute of Public Finance and Accountancy (CIPFA) standards.

The Chairman thanked the Head of Strategic Finance

and Property for the comprehensive document.

Councillor Curtis said that whilst informative detail was welcome, it may make the document more difficult for the general public to digest.

The Head of Strategic Finance and Property said that there was a summary page included. The purpose of the AGS was to provide assurance to the public, alongside the statement of accounts. However, it would likely be difficult to digest it in any case, without an understanding of the relevant governance framework.

Councillor Townsend said that those seeking out the AGS were likely to be able to comprehend it and therefore the level of detail and clarity of the report was appropriate.

Councillors Stowe, Curtis, Townsend and the Chairman made several comments about the possibility of a Members being required to complete a minimum level of training.

The Head of Strategic Finance and Property said that this was something that would need to be referred to the Constitution Review Group as this would not be within his remit.

The Chairman requested that Member briefings being added to the Assurance Cycle graphic in the AGS. This was agreed. He also asked about policies being reviewed by Members.

The Head of Strategic Finance and Property said that

the whistleblowing and anti-money laundering policies were due to be reviewed by the Shared Anti-Fraud Service (SAFS).

The Chairman and Councillor Curtis asked how the impact and consequences of decisions were measured. Councillor Curtis also said that Overview and Scrutiny Committee could improve at this.

The Head of Strategic Finance and Property outlined a number of ways the Council did this, including by using key performance indicators (KPIs).

Councillor Williamson, Executive Member for Financial Sustainability, said that there was also the Quarterly Corporate Health Check which afforded Members ongoing oversight.

The Chairman asked whether the Council was still committed to apprenticeships.

The Head of Strategic Finance and Property said that Leadership Team (LT) had rejected a proposal to stop the apprenticeship scheme. This was still valued and partly funded by the apprenticeship levy.

The Chairman asked about the assurance mapping exercise.

The Head of Strategic Finance and Property said that this would be included for the first time and the Council would be the first in Hertfordshire to utilise it. This would afford a visual tool to assist in understanding the areas of assurance and identify areas which the Council needed to provide more or

less assurance. This would form part of the SIAS Officer's report going forward.

The Chairman asked about the cross-service Officer group which would be established to discuss asset management issues. He also asked whether the Committee would be involved in the Commercial Strategy.

The Head of Strategic Finance and Property said that the Executive Member for Financial Sustainability would attend the cross-service Officer group and other Members may be welcome depending on their areas of interest.

Councillor Williamson said the Commercial Strategy would be discussed by LT and the Executive and its scrutiny path would then be decided.

Councillor Townsend asked whether the asset strategy would include planned preventative maintenance.

The Head of Strategic Finance and Property said that the Council was adhering well to the asset management plan, including on projects such as Hertford Theatre and Grange Paddocks.

The Chairman asked when the planned external review of the ICT strategy would take place.

The Head of Strategic Finance and Property said that procurement would take place soon. A new Interim Head of IT had just been appointed.

**RESOLVED** – that the report be received and considered.

127 RECEIPT OF THE EXTERNAL AUDITOR'S AUDIT PLANNING REPORT

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Ernst and Young's (EY) representative briefly introduced the report.

Councillor Curtis thanked EY's representative for the report. He asked how the values of the Council's properties, particularly those that were part of the capital projects, were accurately valued. He said that this was of high importance so that Members could make appropriate decisions.

EY's representative said that the changes relating to property values were more to do with material uncertainty caused by the COVID-19 pandemic. The perceived risk for the Council was low, as buildings such as leisure centres were not as at risk as retail facilities, for example. The Council's capital programme was also reviewed last year by EY as part of its value for money work.

Councillor Townsend pointed out a typo on page 92 of the report in the figures relating to performance materiality. EY's representative said this would be corrected in the final report.

The Chairman asked the Head of Strategic Finance and Property to outline the risks caused by the delayed audit.

The Head of Strategic Finance and Property said that it



was unclear what action the Ministry of Housing, Communities and Local Government (MHCLG) would take in relation to Business Rates. If the deadline was not extended for the audit, the money could potentially be withheld and problems with cash flow could be damaging to the Council. It would likely be necessary for an additional meeting of the Committee to take place or the establishment of a Sub-Committee to approve the statement of accounts at the end of the year.

The Chairman asked how much extra work the new fraud risks generated for EY. He also asked whether the group accounting was a complex area as the accounts for Millstream should be fairly straight forward. Finally, he asked whether the audit work would be completed remotely.

EY's representative said the work relating to the Minimum Revenue Provision would be major and specialists would need to be engaged. The other areas could be included into standard testing. EY had not yet seen material relating to Millstream, but it was more the values of the properties the subsidiary owned which was considered complex. The audit would be completed remotely.

The Chairman asked about EY's data analytics tool. He also asked how big the sample sizes were which were used.

EY's representative said that the tool did compliance testing using data, for example by flagging unusual transactions within payroll. Sample sizes varied, using the example of payroll once again, 40 or 50 samples

would be used and bank confirmations would also be sought.

The Chairman asked about the 2019/20 audit fee and whether Public Sector Audit Appointments (PSAA) had responded to the considerable proposed increase.

The Head of Strategic Finance and Property said that audit firms had consistently undercut each other and were now all struggling and seeking increases in fees. Comments from PSAA had yet to have been received.

The Chairman asked that the Committee's concern over the delay to the audit and the considerable risks this posed to the Council be minuted. Whilst it was accepted that many other local authorities were in the same position, the Committee wished to place on record its disappointment at the situation.

**RESOLVED** - that (A) the report be received and considered;

(B) that the fact that Council would be unable to comply with the 30 September 2021 statutory deadline for publishing audited accounts as set out in the Accounts and Audit Regulations 2015 (as amended), as the audit work would not commence until October, be noted; and

(C) the risks that the late audit work exposed the Council be noted.

## 128 WORK PROGRAMME PROPOSALS 2020-21

The Democratic Services Officer briefly introduced the

report and explained that the Scrutiny Officer was on annual leave but any comments would be passed on upon her return.

The Chairman mentioned the Provisional Outturn report and that another meeting to approve the statement of accounts at the end of the year would need to be added.

The Head of Strategic Finance and Property said that the work programme would need to be substantially changed due to the delays with the audit. A report would be produced which would set out this and the need for an additional meeting of the Committee or creation of a Sub-Committee.

The Chairman asked about the possibility of provision of additional training.

The Head of Strategic Finance and Property said training in treasury management, insurance and account statements could be considered. A workshop relating to the accounts might be possible, although the high existing workload would need to be factored into this.

It was moved by Councillor Stowe and seconded by Councillor Townsend 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 main agenda items for the next meeting be agreed; and

(B) the proposed consolidated work programme

be agreed.

129 URGENT ITEMS

There was no urgent business.

The meeting closed at 8.26 pm

Chairman .....

Date .....