

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON TUESDAY 26
SEPTEMBER 2023, AT 7.00 PM

PRESENT: Councillor M Adams (Chairman)
Councillors B Deering, C Hart, D Jacobs,
S Nicholls, G Williamson and
D Woollcombe

ALSO PRESENT:

Councillors C Brittain and B Crystall

OFFICERS IN ATTENDANCE:

Michele Aves	- Democratic Services Officer
Steven Linnett	- Head of Strategic Finance and Property
Tyron Suddes	- Information Governance and Data Protection Manager
Ben Wood	- Head of Communications, Strategy and Policy

ALSO IN ATTENDANCE:

Darren Bowler	- Shared Anti-Fraud Service (SAFS)
Simon Martin	- Shared Internal Audit Service

152 APOLOGIES

There were no apologies for absence.

153 MINUTES - 31 MAY 2023

It was moved by Councillor Nicholls and seconded by Councillor Jacobs, that the Minutes of the meeting of the Audit and Governance Committee meeting held on 31 May 2023 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 Audit and Governance Committee meeting held on 31 May 2023 be confirmed as a correct record and signed by the Chairman.

154 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed all to the meeting. He said that the Committee would be aware of the briefing notes which were sent to them on 22 September 2023.

The Chairman said that the briefing notes addressed the outstanding questions asked by Members about External Audit and the Risk Register at the last meeting. He said that there would be opportunity to discuss related matters later in the agenda.

155 DECLARATIONS OF INTEREST

There were no declarations of interest.

156 CO-OPTION OF INDEPENDENT MEMBERS

It was moved by Councillor Nicholls and seconded by Councillor Williamson, that Mark Poppy and Nick

Sharman be formally co-opted to the Audit and Governance Committee. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that Mark Poppy and Nick Sharman be formally co-opted to the Audit and Governance Committee.

157 TRAINING - THE ROLE OF INTERNAL AUDIT

The Shared Internal Audit Service Manager gave a training presentation to the Committee on 'The Role of Internal Audit'.

The presentation covered the following points and gave Members the opportunity to ask any questions:

- Definition of internal audit
- What Internal Audit does
- Requirement for internal audit
- Standards
- Delivery models for internal audit
- Internal Audit annual cycle

The Chairman thanked the Shared Internal Audit Service Manager for his presentation.

RESOLVED – that the training be received.

158 SHARED INTERNAL AUDIT SERVICE - PROGRESS REPORT

The Shared Internal Audit Service Manager introduced his report, which was the first for 2023/24. He drew Members' attention to the report's key issues, referring to paragraphs 2.2 and 2.3 which gave detail on the delivery of the Audit Plan.

The Shared Internal Audit Service Manager said that there had been no changes to the Audit Workplan, and reassured Members that they would be advised should there be any. He drew Members' attention to paragraph 2.5 and Appendix B of the report and advised that there were no new critical and high priority recommendations.

The Shared Internal Audit Service Manager referred to paragraph 2.7 – 2.11 of the report which detailed and gave commentary on performance indicators. He said that staff vacancies within the Shared Internal Audit Service had recently been recruited to.

The Shared Internal Audit Service Manager referred to Appendix C of the report which gave a table of scheduled audits for the forthcoming year.

Mr Poppy (Independent Person) asked how the council ensured that it got a fair share of the Shared Internal Audit Service's (SIAS) time.

The Shared Internal Audit Service Manager said that the number of Audit requirement days was advanced commissioned by the council. He said that 250 days was typical coverage for a council the size of East Herts.

Mr Sharman (Independent Person) asked if the external independent assessment of the SIAS was satisfactory.

The Shared Internal Audit Service Manager said it was, and that it was typical. He said that the rating had moved from 'part conformed' to 'fully conformed'.

Councillor Woollcombe asked if SIAS had measures to combat allegations of fraud and associated toxic rumours.

The Shared Internal Audit Service Manager said that SIAS did not have responsibility for fraud. He said that all Local Authorities had policies and procedures in place where the public could report such concerns, with a route for appropriate investigations.

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

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

159 SHARED ANTI-FRAUD SERVICE (SAFS) - ANTI-FRAUD REPORT 2022/23

The Shared Anti-Fraud Service Manager introduced his report. He said that Anti-Fraud training for all Members was to be arranged before Council on 18 October 2023.

The Shared Anti-Fraud Service Manager gave a brief overview of the Shared Anti-Fraud Service (SAFS) to the new Members of the Committee. He said that the SAFS was a partnership arrangement, as per the Shared Internal Audit Service, which employed twenty-two members of staff in a variety of roles. He said that East Herts was one of the founding members of SAFS, who now worked with several other Local Authorities and social housing providers in Hertfordshire, Bedfordshire and within the M25 area.

The Shared Anti-Fraud Service Manager said Local Authorities were as much at risk of fraud as businesses or individuals, but that the Council was in a good position. He drew Members' attention to page 39 of the report which detailed the key performance indicators for 2022/23, and the case studies contained within the report.

The Shared Anti-Fraud Service Manager said that reporting had been consistent over the past eight years, with executive reports arising from investigations or risks.

The Chairman thanked the Shared Anti-Fraud Service Manager for his report. He asked that Members reserve any questions which they may have until the Shared Anti-Fraud Service Manager had delivered his second report which was the next item on the agenda.

RESOLVED – that A) the activity undertaken by the Shared Anti-Fraud Service to deliver the 2022/2023 Anti-Fraud Plan for the Council be noted; and

B) that the other anti-fraud activity undertaken to protect the Council be noted.

160 SHARED ANTI-FRAUD SERVICE (SAFS) – ANTI-FRAUD PROGRESS REPORT 2023/24

The Shared Anti-Fraud Service Manager introduced his report, which covered the first quarter of 2023/24 and updated Members on the work undertaken by the Shared Anti-Fraud Service (SAFS).

The Shared Anti-Fraud Service Manager drew Members' attention to the key performance indicators contained within the report. He said that new post-pandemic employment practices had seen eighteen allegations and subsequent investigations into staff working 'polygamously'. He detailed the seven civil penalties which had been imposed in cases related to Council Tax irregularities, and of the £44,000 in costs which had been awarded by St Albans Crown Court in connection with a Council Tax Business Rates fraud case.

Councillor Hart asked for distinction between 'fraud' and 'irregularity'.

The Shared Anti-Fraud Service Manager said that an irregularity was a human error and gave the example of an individual completing a Council Tax form incorrectly. He said that the council's forms were of a standard format but did sometimes follow on from information which an individual had given to the Department for Work and Pensions (DWP).

Councillor Hart said that it would be helpful if an explanation of what the irregularities were could be given in future reports.

Councillor Jacobs asked for clarification on how the council was at risk of tenancy fraud as it did not hold any housing stock.

The Shared Anti-Fraud Service Manager said that although the council did not own any housing stock it still held the waiting list for such properties. He said that this saw people present themselves to the

council's Housing Department in need of support, when this may not be their true circumstances. The Shared Anti-Fraud Service Manager said that in such cases the property allocated may become abandoned or sub-let by the tenant, reducing the availability of housing stock for genuine applicants, and increasing the cost to the council for providing alternative temporary accommodation.

The Shared Anti-Fraud Service Manager said that tenancy fraud was not huge in East Herts, but that its impact could be. He said that SAFS worked with social housing providers and the council's Housing Team to reduce risks and encouraged the public to report any suspected cases of tenancy fraud.

Councillor Jacobs referred to paragraph 43 of the 2022/23 report asked for an update on the National Fraud Initiative (NFI).

The Shared Anti-Fraud Service Manager said that SAFS had completed 25% of all the NFI data matches. He said that SAFS ran this exercise in tandem with the Herts Fraud Hub.

Councillor Nicholls asked if there was data which illustrated how effective Anti-Fraud training/increasing the public's awareness of fraud was.

The Shared Anti-Fraud Service Manager said that there was no such data, and that this would be difficult to obtain. He said that spikes in allegations from the public were seen following publicity campaigns, for example, post press releases.

Mr Sharman asked if the number of fraud allegations was stable in East Herts, and if similar patterns were seen elsewhere.

The Shared Anti-Fraud Service Manager said that comparison with other areas was difficult as each was different, for example East Herts to North Herts. He said that patterns were roughly the same in East Herts as those of other Hertfordshire partners and were of no concern.

Councillor Hart referred to paragraph 50 of the 2022/23 report and asked if the SAFS remit included investigation into cases of alleged contractor overcharging.

The Shared Anti-Fraud Service Manager said that procurement fraud was not prevalent, but involved large amounts of money and subsequent press attention when it did occur. He said that bribery and corruption training was included in the SAFS training package.

The Chairman thanked the Shared Anti-Fraud Service Manager for his report.

RESOLVED – that the progress by officers and the Shared Anti-Fraud Service to deliver the 2023/2024 Anti-Fraud Plan for the Council be noted.

161 DATA PROTECTION UPDATE

The Information Governance and Data Protection Manager introduced the report, which detailed fourteen reported data breaches for the period

October 2022 – August 2023.

The Information Governance and Data Protection Manager said that one of these breaches was reported to the Information Commissioner's Officer (ICO) approximately two months ago, and a response had not yet been received. He said that this normally indicated that the ICO was satisfied with the action taken by the council.

The Information Governance and Data Protection Manager said that human error was the most common reason for a breach, a list of which could be found within the report. He said that eleven Subject Access Requests had been made in the period, with all being processed and responded to within the statutory time limit.

Councillor Deering asked if the breaches due to human error were being made by the same person.

The Information Governance and Data Protection Manager said that two of the breaches were attributed to the same person, but that this individual had now received training and the training shared with other staff to avoid recurrences. He said the level of breaches remained stable and were of no concern.

Councillor Nicholls asked if there was any help available to those who were caused distress by a data breach.

The Information Governance and Data Protection Manager said that incidents were taken on a case-by-case basis, and that advice and actions were given. He

said that there had not been any incidents where emotional stress had been caused, but this external support/counselling could be sought should this occur.

The Chairman asked if the council had an 'annual cull' of the data which it held.

The Information Governance and Data Protection Manager said that the council had policies and schedules in place which ensured the destruction or archiving of data.

The Chairman thanked the Information Governance and Data Protection Manager for this report.

RESOLVED - the content of the report be noted, and any observations provided to the Information Governance and Data Protection Manager.

162 ASSETS OF COMMUNITY VALUE

The Executive Member for Financial Stability introduced the report, explaining that it was a statutory requirement for the council to maintain the Community Asset Register. He explained how the register provided an additional safeguard for community facilities and drew Members' attention to paragraphs 2.5 – 2.8 of the report which detailed the nomination process for buildings and land.

Councillor Nicholls said that there were lots of pubs on the register and asked if other buildings such as doctors' surgeries or care homes could be registered.

The Head of Communications, Strategy and Policy said

that there were exclusions, as buildings or land which were registered had to facilitate a community's social interests. He said that therefore doctors' surgeries and care homes could not be registered.

Mr Sharman referred to paragraph 2.12 of the report and asked how the Holy Trinity Church was registered if places of worship were excluded.

The Head of Communications, Strategy and Policy said that Holy Trinity Church was considered in detail, with the church itself exempt from registration but not the school.

Councillor Deering said that he thought the register was a good thing, and asked if there was scope to publicise it. He referred to Town and Parish Councils.

The Head of Communications, Strategy and Policy said that this was a good point and that an article could be placed in the weekly Members Information Bulletin.

Councillor Nicholls said that community groups would find the funding to purchase a property placed on the register difficult.

The Head of Communications, Strategy and Policy said that this was true in some cases, but by registering a property its sale would be slowed down.

Councillor Williamson asked if the expiry date of a registration was prescribed by legislation or the council's policy.

The Head of Communications, Strategy and Policy said

that the five-year registration expiry date was set in legislation, but that properties could come off the register early or come off and be put back on again.

Councillor Jacobs asked if the Local Authority could be the owner of a property on the register.

The Head of Communications, Strategy and Policy said that properties owned by the Local Authority were treated in the same way, and that there were properties on the register of which the council was the freeholder.

Councillor Deering queried why the Yew Tree Public House, Walkern had a ten-year expiry date.

The Head of Communications, Strategy and Policy apologised and said that this was a typo which he would correct. He said that he was aware that the council's webpage also required updating to show the most up to date register.

The Chairman thanked the Executive Member for Financial Stability and the Head of Communications, Strategy and Policy for their report.

It was moved by Councillor Nicholls and seconded by Councillor Deering, that the recommendation as detailed, be approved. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that the Asset Register be reviewed.

OUTTURN 2022/23

The Head of Strategic Finance and Property introduced the report. He said that it should be viewed within the context of the 2022/23 year, with the war in Ukraine, the cost-of-living crisis, high inflation, three different Prime Ministers and a rise in interest rates.

The Head of Strategic Finance and Property said that the underspend was contributed to by delays to schemes caused by archaeological finds and drew Members' attention to the report's appendices for full details.

Councillor Deering referred to paragraph 3.1 of the report and asked if the delays to the 2021/22 and 2022/23 external audits were causing problems. He asked if the council was holding its position.

The Head of Strategic Finance and Property said that as detailed in the briefing note circulated to the Committee, the contractual relationship was between the Public Sector Audit Appointment Limited (PSAA) and the external auditor (EY LLP). He said that the council could complain to the PSAA about EY but that they were already aware of the situation.

The Head of Strategic Finance and Property said that the government was considering implementing deadlines and the solution of allowing auditors to disclaim an option on accounts if these could not be met.

The Head of Strategic Finance and Property said that EY was exiting the market, but that the Finance Team continued to work hard to try and get them to come in.

He said that EY should have been at the meeting.

Councillor Deering said that should the external audit delays be causing a problem Members needed to know. He asked if it was fair comment to say that the delays were not of the council's making.

The Head of Strategic Finance and Property said that this was fair comment.

Councillor Jacobs said that the external auditor had given a target for their report to be on the agenda at tonight's meeting.

The Head of Strategic Finance and Property said that this had been moved back to the November meeting of the Committee, and it would be impressed upon EY that Members expected their report.

Mr Poppy said that as an employee of The Chartered Institute of Public Finance and Accountancy (CIPFA) he was aware that delays with external audits were countrywide.

Councillor Jacobs referred to page 100 of the report and asked for an update on the council's reserves.

The Head of Strategic Finance and Property said that he would find this information for Councillor Jacobs.

The Chairman thanked the Head of Strategic Finance and Property for his report.

RESOLVED – that A) it be noted that the General Fund revenue outturn of £195k overspend will

be funded from the General Reserve; and

B) that the Capital Programme was underspent by £14.797m due to slippage caused by various factors, including archaeological finds. Budgets of £12.916 million will be carried forward to the next financial year as a consequence.

164 BUDGET MONITORING FORECAST OUTTURN TO YEAR END 2023/24

The Head of Strategic Finance and Property introduced the report which set out the corporate budget for Quarter 1 of 2023.

The Head of Strategic Finance and Property said that the net revenue budget forecast overspend of £403k, and the capital programme forecast overspend of £409k. He said that the forecast overspend on Herford Theatre was £2.645 million.

The Head of Strategic Finance and Property said that the council continued to centralise credit control and move systems into the cloud. He said that the Icon card payment system was anticipated to go live in April 2024, enabling the Finance Department to become fully responsible for debtors.

Councillor Deering asked for clarification regarding the forecasted overspend for the Planning Department.

The Head of Strategic Finance and Property said that each department made their own forecast, and that outturn was generally less than predicted. He said that he was satisfied that the forecasting was robust.

The Head of Strategic Finance and Property said that the market supplements offered to new recruits within the Planning Department would cost less than continuing to employ agency staff, and that the council continued to struggle to recruit to these vacancies as there was a nationwide shortage of planners. He said that attempts to 'grow your own' planners often resulted in staff moving on elsewhere for higher salaries once they were qualified. The Head of Strategic Finance and Property said that the council had made a bid to government around Urban Designers as required for the Harlow and Gilston Garden Town Project.

Councillor Deering said that it was good to see that this overspend was trackable.

Councillor Hart asked for clarification regarding the forecasted Hertford Theatre overspend.

The Head of Strategic Finance and Property said that the council continued to work with surveyors and contractors and that therefore the Quarter 1 position was not the definite position. He added that phasing of the project may be advantageous and that some purchases/fit out options had been cancelled/ changed because of the effect of inflation upon prices and affordability.

RESOLVED – that A) the net revenue budget forecast overspend of £403k be noted; and

B) The capital programme forecast overspend of £490k be noted; and

C) The forecast overspend on Hertford Theatre of £2.645 million and officer actions to reduce this figure be noted.

165 MONITORING OF 2023/24 QUARTER ONE CORPORATE RISK REGISTER

The Head of Strategic Finance and Property introduced the report and said that the risk scores across the register had not significantly changed since the last meeting of the Committee. He referred to the briefing note, which was sent to the Members of the Committee, and outlined plans to move towards a more action focused Risk Register as per Members requests. He said that it was anticipated that this new format would be brought before Members at the next meeting.

Councillor Williamson referred to risk three, and asked if the failure of IT systems was still deemed highly likely.

The Head of Strategic Finance and Property said that IT failure risks were to be separated into areas of data loss and cyber-attack. He said that process of moving into the cloud was ongoing, with East Herts in advance of Stevenage Council. He said that the risk and volume of attacks upon IT remained high.

Councillor Deering referred to page 118 of the report and asked if the score attributed to risk two was a suggestion that governance arrangements were not as good as they should be.

The Head of Strategic Finance and Property said that risk two considered local economic conditions,

including climate change etc and was now too wide and vague. He said that this risk was to be refocused on governance.

It was moved by Councillor Nicholls and seconded by Councillor Williamson, that the recommendations, as detailed be approved. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that A) the 2023/24 quarter one corporate risk register be reviewed, and officers advised of any further action that could be taken to manage risk; and

B) that an update to risk titles be agreed; and

C) that Risk Number 12 *'Outbreak of disease in humans impacting on service delivery and our residents'* is incorporated into Risk Number 13 *'Inadequate Business Continuity Plan / Emergency Plan and its impact on the Council and its residents'*

166 DRAFT ANNUAL GOVERNANCE STATEMENT

The Head of Strategic Finance and Property introduced the report, drawing Members' attention to the Draft Annual Governance Statement at its appendix.

Mr Sharman said that the report and statement were comprehensive, and asked if self-assessment was used.

The Head of Strategic Finance and Property said that assessment was undertaken by himself and the Monitoring Officer, with oversight by the External

Auditor as the statement was published alongside the accounts.

Mr Sharman said that this was reassuring, and thanked the Head of Strategic Finance and Property.

It was moved by Councillor Nicholls and seconded by Councillor Williamson, that the recommendations, as detailed be approved. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that A) Members review and give comments on the draft Annual Governance Statement for 2022/23.

- 167 AUDIT AND GOVERNANCE WORK PROGRAMME
The Head of Strategic Finance and Property introduced the report. He said that the Chairman and Vice Chairman of the Overview and Scrutiny Committee would be invited to the January 2024 meeting for budget scrutiny, and that an Audit and Governance Sub-Committee may be required to convene later in the year to receive the Statement of Accounts.

Councillor Williamson expressed his concerns that the agendas for the next two meetings appeared heavy, and asked if any items could be deferred to allow the Committee to focus on key areas.

Councillor Nicholls agreed with Councillor Williamson and cited the inexperience of the new Members of the Committee.

The Head of Strategic Finance and Property said that most of the agenda items were on an annual cycle,

coming to the Committee before Council, and so were not deferable. He suggested that if Members had any questions relating to agenda items which were just for noting, they could submit these outside of the meeting, instead of discussing them on the night.

The Democratic Services Officer suggested that the Chairman may wish to consider starting the meeting at an earlier time should Members think that this may finish after 22:00 hours.

Councillor Jacobs said that he shared the concerns of Councillors Williamson and Nicholls and asked that the Chairman and Officers considered the priorities for the next meeting.

It was moved by Councillor Nicholls and seconded by Councillor Dering, that the recommendations, as detailed be approved. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that A) the work programme as set out in the report be approved; and

B) that any training requirements be specified.

168 URGENT ITEMS
There were no urgent items.

The meeting closed at 9.09 pm

Chairman

Date
