

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON WEDNESDAY
27 NOVEMBER 2024, AT 7.00 PM

PRESENT: Councillor M Adams (Chair)
Councillors B Deering, C Hart, G Williamson
and D Woolcombe

ALSO PRESENT:

Councillors C Brittain and B Crystall
Mr M Poppy – Independent Person
Mr N Sharman – Independent Person

OFFICERS IN ATTENDANCE:

Michele Aves	- Committee Support Officer
Steven Linnett	- Head of Strategic Finance and Property

ALSO IN ATTENDANCE:

Martha Charima	- Azets
Paul Grady	- Azets
Simon Martin	- Shared Internal Audit Service

247 APOLOGIES
There were apologies for absence from Councillors Nicholls and Willcocks.

248 MINUTES - 30 OCTOBER 2024
Mr Sharman observed an error at Minute 215 - page 15, paragraph 3, and said that 'March 2022' should be replaced with 'March 2023'.

It was moved by Councillor Williamson and seconded by Councillor Deering, that the Minutes of the meeting of the Committee held on 30 October 2024 (as amended) be confirmed as a correct record and signed by the Chair. 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 30 October 2024 be confirmed as a correct record and signed by the Chair.

249 CHAIRMAN'S ANNOUNCEMENTS

The Chair welcomed all to the meeting, and said that it was the Head of Strategic Finance and Property's final meeting as he was retiring. He thanked him on behalf of himself and the Vice-Chair for his support and sage advice, including the coaching which he had given to bring the new administration up to speed.

Councillor Williamson also extended his personal gratitude to the Head of Strategic Finance and Property for his support during his time as the former Executive Member for Financial Sustainability. He said that he would be missed.

Councillor Deering gave his appreciation to Executive Member for Financial Sustainability on behalf of the previous administration.

Councillor Brittain echoed the comments made by the Chair and other Members and thanked the Head of Strategic Finance and Property for his help as the new administration's Executive Member for Financial Sustainability.

250 DECLARATIONS OF INTEREST

There were no declarations of interest.

251 TRAINING - TREASURY MANAGEMENT

The Arlingclose Client Director gave a training presentation to the Committee.

As the presentation contained the likely disclosure of information relating to the financial or business affairs of the authority, it was moved by the Chair and seconded by Councillor Woollcombe that, under Section 100 (A) (4) of the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following item of business because it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). It was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED - that, under Section 100 (A) (4) of the Local Government Act 1972 (as amended), the public and press be excluded from the meeting for the following item of business because it involved the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). It was considered that, in all the circumstances of the case, the public interest in maintaining the exemption outweighed the public interest in disclosing the information.

The Chair thanked the Arlingclose Client Director for his presentation, and questions from Members were answered.

RESOLVED – that the Treasury Management training presentation be received.

252 SECTION 106 UPDATE REPORT AND 2023/24
INFRASTRUCTURE FUNDING STATEMENT

The Executive Member for Financial Sustainability introduced the report, which was the annual report to the Committee on Section 106 at East Herts Council.

The Executive Member for Financial Sustainability said that report itself provided an update on East Herts Section 106 financial contribution identification, collection and allocation plus information on the 2023/24 Infrastructure Funding Statement (which was included as Appendix A) and feedback from the Internal Audit undertaken last year (which was included as Appendix B), as well as information on other Section 106 related income generation from monitoring fees and S106 information requests.

The Executive Member for Financial Sustainability drew Members attention to paragraph 3.19 of the report, which gave an overview of historic Section 106 contribution collection and allocations from 1st April 1996 to 31st March 2024 – with details of the total amounts of contributions received, spent, allocated and unallocated, and paragraph 3.23 which provided more detailed information on the total amounts collected and allocated over the last five years, and an update on the contributions collected and allocated in the current financial year (from 1st April 2024 to the end of September 2024). He said that figures could be seen at paragraph 3.26.

The Executive Member for Financial Sustainability said that Members would be aware that East Herts Council was bound by Legislation to produce and publish an annual summary of income and expenditure of the financial Section 106 contributions collected by the Council as the annual Infrastructure Funding Statement (IFS), which was required to be published on the council's website before 31 December each year.

The Executive Member for Financial Sustainability said that the IFS attached at Appendix A was the 5th to be produced by East Herts and highlighted the following to Members:

- New Section 106 Agreements - There were eleven new Section 106 Agreements signed in 2023/24 providing £1,171,381.00 in identified East Herts council financial contributions including £11,700 monitoring contributions and 23 new affordable housing units.
- Historic Contribution information – page 7 of the IFS provided further details on total income, expenditure, and allocated / unallocated contributions from 1st April 10996 up to 31st March 2023.
- 2023/24 contributions collected - a total of £5,304,487.68 was received from 86 contributions triggered for payment from 11 individual Section 106 Agreements.
- 2023/24 contributions allocated - a total of £4,859,523.51 was allocated and spent on 21 individual projects or identified uses from 70 individual contributions from 29 Section 106 Agreements.
- In addition, the IFS gave details of the various council projects and services funded with capital and revenue contributions, and the seven external projects across the district supported with Section 106 in the financial year 2023/24.

The Executive Member for Financial Sustainability said that the Internal Audit final report (which was attached at Appendix B) was very positive, with 'substantial assurance' that there was effective controls and a robust framework in place for the collection and allocation of

Section 106 contributions. He said that this was the highest grading and that only one 'low priority' recommendation was noted – a checklist for the Section 106 Programme Manager to use, and that this had been implemented.

The Chair thanked the Executive Member for Financial Sustainability and the Section 106 Programme Manager for the report.

Councillor Deering asked for clarification of a how relatively low number of contributions were 'unallocated'.

The Section 106 Programme Manager said that contributions were technically 'unallocated' if they did not have a specific project named within the agreement's wording. She referred to page 8 of the IFS which gave a breakdown of each individual 'unallocated' allocation and gave detail on how work was being undertaken with colleagues and Parish Councils to identify projects for these contributions.

Councillor Deering asked if Town and Parish Councils could apply to East Herts for Section 106 monies.

The Section 106 Programme Manager said that normally they could not as Section 106 contributions were tied to major developments in an area. She said that work was undertaken with both the Planning Department and Town and Parish Councils to establish what facilities local communities wanted.

The Section 106 Programme Manager said that she was keen however to hear from Town and Parish Councils, to understand what was occurring in their areas and to enable a list of potential projects to be made.

Mr Poppy asked if there was a time limit for contributions to be spent.

The Section 106 Programme Manager said that there was a time limit, which was normally ten years, but some agreements had a five-year limit written in. She said that she had an ongoing monitoring programme, and that to date no contributions had been given back.

Mr Sharman said that he thought the report was excellent and provided clarity. He asked if the monitoring fees covered the costs of the council's administration.

The Section 106 Programme Manager said that the fees (£300) were set several years ago and were not sufficient to fund the work done. She said that benchmarking against other local authorities was being undertaken, with the potential for fees to be increased or percentage charged being considered.

The Chair asked if it was just East Herts Council who were involved with the allocation of contributions.

The Section 106 Programme Manager said that technically no, as draft agreements and projects were worked on collaboratively with Town and Parish Councils and community groups (for example, sports organisations) to identify their wants and needs.

Mr Poppy asked if there were ever instances of failure to collect contributions.

The Section 106 Programme Manager said that to date, failure to collect contributions had never occurred. She said that such failure came close with one insolvent developer but work with the council's legal department ensured that contributions were paid.

It was moved by Councillor Deering and seconded by Councillor Woollcombe, that the recommendations, as detailed, be approved. After being put to the meeting and

a vote taken, this motion was declared CARRIED.

RESOLVED –that the '2023/24 Infrastructure Funding Statement' (Appendix A) and the SIAS Internal Audit Report (Appendix B) be noted, and any comments given to the Section 106 Programme Manager.

253 EXTERNAL AUDIT - INTERIM PROGRESS REPORT - 2023/24
The Azets Partner introduced the item, which comprised of a progress report -giving interim findings and what was likely by the next audit backstop date of 28 February 2025, and a briefing note – which summarised guidance for the government's local audit backlog recovery period.

The Azets Partner said that the assumption was that the council would miss the audit backstop date of 13 December 2024, as the public inspection period for its 2022/23 accounts (which were being audited by the council's previous auditors, EY LLP) would run until 18 December 2024.

The Azets Partner said that work had been undertaken earlier in the year in anticipation that the backstop date of 13 December 2024 would be met. He said that as this was now not the case, and as there would be too much work to complete (for a council with two years of unassured accounts) to meet the 28 February 2025 backstop date, the probability was that a disclaimer would also be issued for the 2023/24 accounts.

The Azets Partner said that EY LLP's Value for Money (VFM) work would be considered when they undertook their own VFM work for 2023/24. He said that he saw little benefit to causing further delays with this, and so as soon as EY LLP had concluded their VFM work, they would also issue theirs in line with the backstop dates.

The Azets Partner said that the report set out the areas

which were planned to be undertaken (if possible). He said for those areas where work was not possible, the report illustrated the build back position for a number of years to come.

The Azets Partner said that the guidance aimed to build back evidence for clean opinions, but that in the interim disclaimers were likely. He said that the audit years before Azets' appointment would need to be revisited, and that some work undertaken to maintain a full trail for assurance, a plan for which and updates would be shared with the Committee. He said the biggest risk for this was the council's general fund.

The Azets Manager drew Members attention to key paragraphs within the report, which included the planned procedures for the 2023/24 audit, and detail on possible further procedures from page 93. She referred to page 99 which showed areas in red and amber which were anticipated not to obtain assurance, and page 100 which showed VFM work, with no significant risks identified.

The Chair thanked the Azets Partner and Manager for the report.

Councillor Deering asked if the Azets Partner could give assurance to residents that the audit backlog/issues were not of the council's making.

The Azets Partner said that it was not surprising that delays had occurred, as a perfect storm had occurred with a change in regulations, leaner finance teams and more complex work placing a greater challenges on authorities. He said that he could not comment on the council's relationship with EY, and that the situation was a multi-faceted piece.

The Head of Strategic Finance and Property said that The Society of District Council Treasurers have asked the

Chartered Institute of Public Finance and Accountancy (CIPFA) and the government to consider reducing the audit workload on local authorities. He gave examples of processes which could be streamlined, noting that council accounts used to be approximately 25 pages in length, and now comprised of over 200 pages.

Mr Sharman asked for a timeline of when the 2023/24 accounts would be produced.

The Head of Strategic Finance and Property said the target for production of the accounts was Christmas 2024, with the public inspection period to begin in January 2025. He said that due to staff sickness this timeline could now not be guaranteed.

Mr Sharman asked for the impact of this potential delay on Azets audit work.

The Azets Partner said that if the timeframe as stated (by the Head of Strategic Finance and Property) was met then the 30-day inspection period would end in late February 2025, and therefore the backstop date of 28 February 2025 could still be met. He said that any delay would impact Azets recovery work for future years.

The Chair asked the Azets Partner if he was receiving engagement form the council.

The Azets Partner said that they were receiving engagement from the council, but that not all of the work had been completed by the interim stage as wished. He said that an unplanned additional visit was carried out, and that the desired position had now been mostly achieved.

The Azets Partner said that they were conscious that the Finance Team was small, and that they were also dealing with EY LLP, but Azets work was dependent of the

production of the financial statements. He said that it was intended that the next report would come to the January 2025 meeting of the Committee.

RESOLVED – that the External Audit Interim Progress Report 2023/24 be noted.

- 254 SHARED INTERNAL AUDIT SERVICE - PROGRESS REPORT
The Shared Internal Audit Service (SIAS) Manager introduced the report, which was the second of its kind for the current financial year. He drew Members attention to paragraph 2.2 of which gave detail on the four audit reports finalised since September 2024, and paragraph 2.3 which summarised the audit plan for the year.

The SIAS Manager referred to paragraph 2.6 of the report which directed Members to Appendix B of the report for detail on the one new high priority recommendation relating to engineering business processes within the Licensing Department.

The SIAS Manager said that key performance indicators could be seen at paragraphs 2.7 – 2.9 of the report, adding that three further audit reports had been issued since publication. He said that currently there was no risk to a robust annual assurance.

The Chair thanked the SIAS Manager for his report, there were no questions from Members.

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

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

- 255 AUDIT AND GOVERNANCE WORK PROGRAMME
The Head of Strategic Finance and Property introduced

the report, inviting Members to nominate future training subjects. He said that the work programme would need to be fluid due to the uncertainty around the timing of reports, with the potential for meeting dates to be changed and/or extra meetings added.

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

Mr Poppy asked if procurement training should be added to the work programme.

The Head of Strategic Finance and Property said that the Procurement Strategy would be brought to the Committee for scrutiny in January 2025, and that Social Value Strategy updates would be also be included.

Mr Sharman asked for clarification on when audit disclaimers may come.

The Head of Strategic Finance and Property said that he did not know, and that he was bewildered with some of the comments made by EY LLP at the previous meeting of the Committee. He said that consequently he had reopened the 2021/22 accounts for public inspection, and then re-certified and re-advertised the 2021/22 and 2022/23 accounts.

Councillor Woollcombe asked if the Head of Strategic Finance and Property could draft a timetable for the next financial year to indicate when reports should be expected.

The Chair said that as the Head of Strategic Finance and Property was due to leave the council the next day this was not possible. He said that it was anticipated that the landscape would be clearer by the next meeting in January 2025, and so matters could be picked up then.

It was moved by Councillor Williamson and seconded by Councillor Willcocks, 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.

256 URGENT ITEMS
There were no urgent items.

The meeting closed at 9.01 pm

Chairman
Date