

MINUTES OF A MEETING OF THE  
AUDIT AND GOVERNANCE COMMITTEE  
HELD AS AN ONLINE MEETING ON  
TUESDAY 22 SEPTEMBER 2020, AT 7.00 PM

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

ALSO PRESENT:

Councillors M Goldspink and C Redfern

OFFICERS IN ATTENDANCE:

Steven Linnett	- Head of Strategic Finance and Property
Peter Mannings	- Democratic Services Officer
Graham Mully	- Insurance and Risk Business Advisor
Bob Palmer	- Interim Head of Strategic Finance and Property
Alison Street	- Finance Business Partner
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)
Suresh Patel	- EY
Nazeer Mohammed	- EY

167 APOLOGIES

No apologies for absence were received.

168 MINUTES - 28 JULY 2020

It was moved by Councillor Ward-Booth and seconded by Councillor Fernando, that the Minutes of the meeting of the Committee held on 28 July 2020 be confirmed as a correct record and signed by the Chairman. Councillor Huggins said he would abstain from the vote as he was not officially in attendance at the last meeting, although he did watch the live stream online. 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 28 July 2020 be confirmed as a correct record and signed by the Chairman.

169 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed Members, Officers and the public to the meeting. He said 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 this current public health emergency. This meeting was being held remotely under these regulations, via the Zoom application and was being recorded and live streamed on YouTube. The Chairman explained to Members how they should signify when they wished to ask a question and how they were voting.

The Chairman said this would be Bob Palmer's last meeting as the Interim Head of Strategic Finance and Property. The Chairman thanked him for his hard work and wished him luck in future endeavours. He welcomed Steven Linnett, the incoming Head of Strategic Finance and Property and said the Committee were looking forward to working with him.

170 DECLARATIONS OF INTEREST

There were no declarations of interest.

171 SHARED INTERNAL AUDIT SERVICE – UPDATE

The Shared Internal Audit Service (SIAS) Officer presented a report updating the Committee on recent SIAS work. He gave a brief update on Cyber Security and Incident Management. The Head of the Shared IT Service had indicated that he anticipated that the procurement of networking tools and work to allow all IT services to be managed from a single data centre would be concluded this financial year.

The Chairman asked about the medium priority recommendations in the Information Management Audit on which only limited assurance had been given.

The SIAS Officer said the report focussed mainly on high priority recommendations, but these particular recommendations were shown for completeness. However, the Head of the Shared IT Service had given assurances that this recommendation would be addressed, and SIAS would continue to monitor the situation.

Councillor Corpe asked about a reference to Officers initially having been unable to find a defined Information Asset Register to supply to auditors. Whilst this document had subsequently been located and supplied, the initial inability to find the register was concerning. He asked whether there should be a defined knowledge transfer process in place to avoid this in future.

The SIAS Officer said the Head of Legal and Democratic Services had come into post shortly before the audit. SIAS would usually allow a grace period in this scenario, but the Head of Legal and Democratic Services had supported the planned timescale for the audit. Whilst there had been no opportunity for knowledge transfer from the previous post-holder, this situation was not typical.

The Chairman asked about several cancelled audits, and asked the SIAS Officer to confirm whether such cancellations were due to complications relating to COVID-19. He asked whether the external auditors' review of the Grange Paddocks and Hartham Leisure Centres capital projects would form part of the external auditors' year-end report.

The SIAS Officer confirmed COVID-19 had been the

cause of the cancelled audits.

The Interim Head of Strategic Finance and Property said the external auditors were reviewing the capital projects as part of their value for money work. He assured Members that he had been working closely with the incoming Head of Strategic Finance and Property to ensure the necessary knowledge transfer had taken place.

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

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

#### 172 SHARED ANTI-FRAUD SERVICE – UPDATE

The Shared Anti-Fraud Service (SAFS) Officer presented a report updating the Committee on recent SAFS work. He said some activities, such as face-to-face training, remained suspended due to COVID-19. However, SAFS was still able to support the Council, such as through post payment assurance on grant payments given during the pandemic, and work with external bodies to counter phishing scams. Whilst the Officer responsible for SAFS casework specifically relating to East Herts District Council was on maternity leave, her caseload had been covered by other Officers. There had been a reduction in referrals to SAFS during the pandemic. This was addressed by a fraud awareness campaign which reached 350,000 residents, and saw visits to the fraud reporting webpages increase significantly.

The Chairman and Councillor Ward-Booth asked about

any fraud that had been uncovered as part of the COVID-19 grant scheme, and whether the particular time pressure of this exercise meant that Officers were forced into 'taking chances'.

The SAFS Officer said that a number of potentially fraudulent payments had been identified, but in relation to the volume of payments that had been made, the level of fraud represented a very low proportion of the total payments. Members should be assured that Officers and the Council had performed well, and where there were doubts over applications, further enquiries were made or more supporting evidence requested from applicants.

The Chairman asked about the reference in the report to International Fraud Awareness Week. He also asked what 'proactive' fraud referrals were considered to be, and whether the SAFS Officer foresaw that these would constitute a larger proportion of referrals in future.

The SAFS Officer said the International Fraud Awareness Week was an opportunity for the Council to take advantage of wider publicity to make residents aware of how to report potential fraud locally, and also protect themselves against fraud. Proactive referrals were instances in which SAFS had itself discovered potential fraud - such as by carrying out data matching exercises - rather than reacting to referrals from Officers or the public. Members were advised that the level of such proactive referrals depended on SAFS' resources, and the number of external referrals remained an important source of work.

Councillor Corpe asked about the third key

performance indicator (KPI), which was highlighted in amber on the report, despite action on referrals being taken within an average of two days at present. He asked whether, if this was an average response time, did this mean there were some referrals actioned outside of the target timeframe and, if so, what was the percentage of such referrals.

The SAFS Officer said that the KPI was highlighted in amber because although the target was currently being met, this could change. He said that he would respond to Members on the other point after the meeting as he did not have these figures to hand, but every urgent referral was actioned within two days and every other referral within a week.

The Chairman said that although costs had increased, the SAFS still represented good value for money, given the savings achieved through the prevention of fraud. He asked about the progress of the Fraud Hub and in particular whether this would be an additional cost to the Council and when it would be established.

The SAFS Officer said the Fraud Hub would cost the Council approximately £4,000 a year. He explained that the Council was required to take part in the National Fraud Initiative every two years, which was conducted by the Cabinet Office. Large scale data analysis was undertaken in order to identify possible fraud, which was then fed back to the Council to act upon. It generally took around five months for this feedback to be given following the initial snapshot, by which time SAFS had often already acted upon this possible fraud.

Members were advised that the Fraud Hub aimed to

replicate this process at a local level, which would allow the Council to act upon this information more quickly, increasing its value. The implementation date would need to be discussed with the Head of Legal and Democratic Services and the Head of Strategic Finance and Property, and a meeting was scheduled to address this.

**RESOLVED** – that the work of the Council and the Shared Anti-Fraud Service in delivering the 2020/21 Anti-Fraud Plan be noted.

173 STRATEGIC RISK REGISTER 2020/21 – QUARTER ONE

The Insurance and Risk Business Advisor presented a report to the Committee on the Strategic Risk Register, covering the period April - June 2020. He said the major risk to the Council currently was COVID-19 and the associated financial challenges. There had been an amendment to the previously agreed strategy in that senior Officers would not monitor highest level service, project and corporate risks, due to the fact that these risks were addressed in a separate quarterly report which had been initiated by the Communications, Strategy and Policy team.

The Chairman asked who would consider these reports. The Insurance and Risk Business Advisor said that they would be received by senior officers.

Councillor Stowe asked about the fact that only around half of the 4,000 EU residents in the district had applied for settled status. The Insurance and Risk Business Advisor said he would follow this up with the Head of Communications, Strategy and Policy, but he

expected an increase in this number as the deadline grew closer.

Councillor Huggins said that references in the report to COVID-19 restrictions lifting, in light of recent developments, seemed short-sighted. He also commented that other factors, aside from regrading and pay proposals, could have contributed to the reduction in staff turnover, such as staff not wanting to leave secure employment during a pandemic.

The Chairman asked about the Council's capacity and skills to deliver services as detailed in the report, and said he thought the impact score should be graded at three, rather than two, given the likelihood score was three. He also commented that the impact would likely depend on the amount of staff lost. He asked if the next report could be presented in a tracked change format to highlight to Members what changes had been implemented.

The Insurance and Risk Business Advisor referred to the scoring matrix and said that whilst this event would not be a minor impact, it would not be a catastrophic failure either. However, this could be fed back to the Head of Human Resources and Organisational Development. It was agreed that the next report could be presented in a tracked change format. Although considered, Officers were not advised of any further action that could be taken to manage risk.

**RESOLVED** – that the Strategic Risk Register be received.

174 EXTERNAL AUDIT UPDATE – PROGRESS ON 2019/20 AUDIT

Suresh Patel, Ernst and Young (EY), presented a report updating Members on the progress on the external audit. He said the audit had been slowed by the concurrent audit of the pension fund, which EY were also responsible for. The financial effects of COVID-19 meant that it was difficult to estimate the value of the fund. There had also been some difficulty obtaining historic pensions data.

Nazeer Mohammed, EY, gave a status update on the audit, saying there had been some progress since the submission of the report, such as the conclusion of property valuations. There was still outstanding data regarding pensions and from banks.

Members were advised there were also still some internal processes which EY needed to complete. There had been some differences identified by the audit and two main changes had been made. Firstly, the Council's pension liability had been reduced by £1.9 million. Secondly, an overvaluation of £1.1 million of the income from Jackson Square Car Park had been corrected. The audit had also analysed if the Council had spent efficiently and achieved value for money. Key capital programmes had been scrutinised and no concerns were raised.

Suresh Patel said that EY would include an 'emphasis of matter' paragraph regarding the uncertainty around the valuation of property. However, he did not foresee that this would also apply to the 'Going concern' section of the audit, although this decision was yet to be confirmed.

Councillor Alder asked if EY could give any indication of how much the property valuations were likely to reduce.

Suresh Patel said this was difficult to say as the value of different types of property would be affected to various extents. For example, retail property would likely be hardest hit.

Councillor Corpe asked about the external audit fee consultation, which had been considered at the previous meeting, and whether a decision on this had been received.

Suresh Patel said that the Public Sector Audit Appointments (PSAA) had not yet decided whether the scale fee for the audit should be changed.

The Chairman asked whether the Council should have expected the banks to return the necessary confirmations by now. He also asked how common it was for an 'emphasis of matter' to be included in audits of local authorities. He also said that he noted with interest the audit's comment on the importance of the governance and risk management operations.

Suresh Patel said that the bank returns had only recently been requested but were expected soon. He had not previously included an 'emphasis of matter' in the audit of any local authority, but due to COVID-19, a number of Council's audits this year included such a reference. Members could be assured that the Council was therefore not the only local authority in this position.

The Chairman mentioned the potential need for the Committee to sign off the Statement of Accounts after the audit had been concluded, and asked when this was likely to be.

Suresh Patel said he foresaw that the audit could potentially be completed by mid-October.

The Interim Head of Strategic Finance and Property confirmed this date would be after his departure, however, most of the work on the Statement of Accounts had been completed and he did not foresee that the handover should cause a problem for the incoming Head of Strategic Finance and Property.

**RESOLVED** – that the report be noted.

#### 175 ANNUAL GOVERNANCE STATEMENT

The Interim Head of Strategic Finance and Property presented the Annual Governance Statement to the Committee. He said that the tracked change format had been used to show amendments, which Members had specifically requested at the last meeting of the Committee on 28 July 2020.

It was moved by Councillor Alder and seconded by Councillor Ward-Booth that the Annual Governance Statement for 2019/20, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

**RESOLVED** – that the Annual Governance Statement for 2019/20 be approved.

176 STATEMENT OF ACCOUNTS 2019/20

The Interim Head of Strategic Finance and Property presented the Statement of Accounts for 2019/20 to the Committee. He briefly highlighted the changes, which had previously been discussed in the context of the external audit.

It was moved by Councillor Stowe and seconded by Councillor Huggins that the Statement of Accounts be approved, subject to the completion of the external audit. After being put to the meeting and a vote taken, the motion was declared CARRIED.

**RESOLVED** – that (A) the amendments be noted;  
and

(B) the Statement of Accounts be approved,  
subject to the completion of the external audit.

177 QUARTERLY CORPORATE BUDGET MONITOR - QUARTER 1  
JUNE 2020

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The Finance Business Partner presented a report to the Committee on the corporate budget, covering the period April - June 2020. She said the main points to note were a broadcast overspend of £100,000 against the revenue budget, and a predicted carry forward of £100,000 against the capital budget. Members were briefly talked through the remainder of the report. Specifically, the financial impact of COVID-19 was mentioned, such as in the reduction in rental income and expected interest income.

The Chairman queried:

- how rental incomes had been affected by COVID-19;
- whether the review of capital projects would be seen by the Executive;
- possible changes to the income generated from curb-side recycling, as he was under the impression that the Council had fixed prices it received for materials as part of a contract.

The Finance Business Partner said rental income was currently down 20% and this would continue to be monitored by Officers. The review of the capital projects in view of COVID-19 would be seen by the Executive. She referred to the fact that the Council had entered into contracts for waste disposal, but drew Members' attention to the fact that the prices the Council received for the materials were subject to changing market values.

The Incoming Head of Strategic Finance and Property said that volatility in the market for recycled materials had increased recently.

Councillor Ward-Booth asked what type of debt the Council was pursuing from aged debtors and how this was being pursued.

The Finance Business Partner said that she could provide detailed information following the meeting, but she believed this was made up of a large number of smaller debts.

The Interim Head of Strategic Finance and Property

said the debt included a significant debt stemming from a shared leisure provision agreement with a school in the district. Recovery was likely to be pursued via arbitration and potentially in the courts, and was likely to account for around £200,000 of the debt. The position had changed since the production of these statistics, as they included a £238,000 section 106 debt which had now been cleared.

The Chairman asked whether it was anticipated that there would be more defaults from residents on their council tax accounts, in view of the financial impact of COVID-19.

The Interim Head of Strategic Finance and Property said that this prospect seemed inevitable, but there had not been a significant increase yet.

Councillor Huggins asked if this were to happen, how long it would take for Councillors to be made aware of any change.

The Interim Head of Finance and Strategic Property said that the Revenue and Benefits Shared Service produced quarterly reports, so it should be evident fairly quickly if the collection rate decreased.

**RESOLVED** – that (A) the net revenue budget forecast overspend of £100,000 in 2020/21 be noted; and

(B) the revised capital budget be noted.

178 WORK PROGRAMME PROPOSALS 2020-21

It was moved by Councillor Alder 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 consolidated work programme be approved.

The meeting closed at 8.41 pm