

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE SUB-
COMMITTEE HELD IN THE COUNCIL
CHAMBER, WALLFIELDS, HERTFORD ON
THURSDAY 16 MARCH 2023, AT 10.00 AM

PRESENT: Councillor M Pope (Chairman)
Councillors A Alder, K Crofton, R Fernando
and M Goldspink

OFFICERS IN ATTENDANCE:

Michele Aves	- Democratic Services Officer
Steven Linnett	- Head of Strategic Finance and Property
Alison Street	- Financial Planning Manager

ALSO IN ATTENDANCE:

Debbie Hanson	- Ernst Young LLP
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1 APOLOGIES

It was noted that Councillor Goldspink was substituting for Councillor Bell.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 CHAIRMAN'S ANNOUNCEMENTS

The Chairman asked that all participants used their microphones when speaking as the meeting was being

webcast.

4 TRAINING - STATEMENT OF ACCOUNTS

The Finance Business Partner introduced a training presentation to the Committee on the Statement of Accounts.

The Finance Business Partner said that the Statement of Accounts were produced annually in accordance with CIPFA's Code of Practice on Local Authority Accounting, which were the Committee's responsibility to approve.

The Finance Business Partner said that the accounts were made up of six key areas and comprehensively explained the contents of each area. She drew Members' attention to the new section within the Narrative Statement which related to the impact of Covid.

The Chairman and Councillor Goldspink asked for clarification of 'unusable reserves'. The Head of Strategic Finance and Property said that the balance sheet was required to show either liabilities or assets to comply with international reporting standards. He said that such items could not be used and they were merely shown as accounting adjustments to be regulation compliant.

The Chairman thanked the Finance Business Partner for her easily understandable explanation of the accounts. He asked if more references relating to climate change and the environment could feature in the future. The Finance Business Partner said that going forward the narrative would contain more

commentary in this area.

Councillor Crofton asked how the council was treating its debtors. The Chairman said that Note 15 covered debtors within the Statement of Accounts. The Finance Business Partner said that all debts were reviewed at the end of the financial year, and an assessment made to the provision required to determine the collectability. She said that the council had quite a large amount of aged debt, which officers were working on, but that provision had been made for write off should these debts not be collectable.

Councillor Crofton said that he was sure that the future Committee would want to concentrate on debtors. The Chairman said that debtors would be covered in future reports to the Committee, and that he understood that the Finance Department had a project which was concentrating on aged debtors.

The Head of Strategic Finance and Property said that as per Note 15, £2.5 million had been allocated to write off the council's uncollectable debt. He said that he had produced a report, shortly to go to the Chief Executive, which requested that the Finance Department be allocated extra staff to enable debts to be taken back in house from other service areas. He said that other methods, such as the changing of the wording on reminder letters, a 'pay before service' regime (where billing is made in advance), and the use of external credit recovery agencies where appropriate were also wanted.

The Head of Strategic Finance and Property said he had seen no write off of debt in the past two years. He

said should a debt be uncollectable the details were kept in the system and if the opportunity to pursue the debtor again arose this would be undertaken.

The Chairman asked who had the authority to write off debts. The Head of Strategic Finance and Property said that he had the delegated authority to write off up to £50,000 per individual debt, but this would also have to go to the Executive.

The Chairman asked if there would be an update on debtors at the meeting of the Audit and Governance Committee on 28 March 2023. The Head of Strategic Finance and Property said that this was not on the agenda on 28 March 2023.

Councillor Crofton said that debtors were discussed at a previous meeting of the Audit and Governance Committee, and that he had spoken about the possibility of the council using a recovery agency. He said that action was required with regards to the £2.5 million of debtors now. Councillor Alder agreed and said that debtors should be pursued with all vigour. She asked what was being done with the large Bishop's Stortford debt.

The Head of Strategic Finance and Property said that currently each Head of Service had devolved responsibility for each different debt portfolio and that he was unsure which debt Councillor Alder was referring to.

The Chairman asked Members for their thoughts on him contacting the Chief Executive to raise the Committee's call for immediate action regarding the

council's debtors. Members supported this approach.

Councillor Alder said that she understood from a previous meeting of the Committee that the Finance Department were going to take control of all debtors two months ago. She therefore asked that this did now happen. The Chairman said he did not recall the timeframe but that as discussed, there were plans for the Finance Department to have such function. He reiterated that he would make representation to the Chief Executive, regarding the Committee's concerns that this function was implemented in a timely manner.

RESOLVED – that the Statement of Accounts training be received.

5 RECEIPT OF THE EXTERNAL AUDITOR'S AUDIT RESULTS REPORT 2020/21

Debbie Hanson from Ernst Young LLP introduced the report, reminding the Committee that the provisional report was produced and presented in April 2022. She referred back on several errors which had been identified, which the auditors and the Finance Department had constructively worked on to resolve.

Debbie Hanson said that she recognised the pressures which the Finance Department had been under. She said that she hoped that the Committee would approve the accounts, for which she would then undertake final checks and be in a position to issue an unqualified opinion and conclusion.

The Chairman asked how the pandemic had affected audits in terms of the time spent by auditors on site in

offices and with regards to audit fees.

Debbie Hanson said that pre pandemic all audits were completed on site, but that for 2020 these were wholly undertaken remotely using remote technology. She said that although this had worked well, there was no substitute for people being in the same room. She said that extra observational work had been required with remote working to ensure competency and accuracy which was reflected in the fees relating to covid.

The Chairman said that he understood the difficulties which the Finance Team had been working under and extended his thanks to them.

Debbie Hanson drew Members' attention to the Executive Summary which started at page 14 of the report. She said that changes to the plan had been identified relating to Covid, that the risk around the Minimum Income Provision had been removed and that no risks had been identified around value for money.

Debbie Hanson referred to page 17 of the report which highlighted key risks, findings and conclusions and gave Members an overview of these.

Debbie Hanson referred to page 18 of the report and said that the Business Rates error which was identified was a specialist's calculation error had been corrected in the council's financial statements. She said that the error which was identified in the group cash flow statement had also been corrected by management. She said that no issues had been identified in relation to grant income associated with Covid-19.

Debbie Hanson referred to page 34 of the report which detailed audit differences and gave Members an overview of these. She said that a number of these differences were outside of the council's control, but some were classification errors, with the biggest error relating to PPE.

The Business Finance Partner said that the procedure relating to PPE was correct, it was the presentation which was incorrect. Debbie Hanson confirmed that this had no effect on the council's balance sheet.

Debbie Hanson drew Members' attention to page 35 of the report, which detailed a national issue which was identified in early 2022 in relation to accounting for infrastructure assets. She said that this issue effected all local authorities and a statutory override had been applied to enable the reporting of such assets on a net book basis until 2024/25.

The Chairman asked why the override was in place until 2024/25. Debbie Hanson said this was a temporary solution which had been put in place whilst the sector looked for an alternative for the accounting infrastructure assets. The Business Finance Partner said that the council had infrastructure assets such as bridges and footpaths.

Debbie Hanson referred to page 43 of the report which gave an assessment of financial controls. She said that the lease point was highlighted within this section, and a recommendation made that the council should robustly monitor all active leases through the capital asset register. She reiterated again that this was a

disclosure and presentation issue.

The Chairman thanked Debbie Hanson for her report. He referred to page 49 of the report and asked if the Public Sector Audit Appointments (PSAA) would look at the fees charged. Debbie Hanson said that all fees would be submitted to PSAA. She said that compared to ten years ago the complexity and expectations of the work carried out by auditors was incomparable.

The Chairman said that it was fair to say that audit fees were increasing. The Head of Strategic Finance and Property said that such fees had tripled. He confirmed that the audit was procured by the PSAA competitively, with the fees being those which were bid.

Councillor Alder asked if the Head of Strategic Finance and Property was confident that he had enough staff to carry out a review of procedures in a timely manner. The Head of Strategic Finance and Property said that the aforementioned report to the Chief Executive included a bid for extra staff to both deal with the issue of debtors and to assist with the production of the accounts (the latter of which was a considerable piece of work, which became more complicated every year).

Councillor Alder said that she thought that Members were in agreement that the council should concentrate on the recouping of its losses to bring in revenue. She said that although it was important for the council to record the value of any property this should not be so much of a priority.

It was moved by Councillor Alder and seconded by

Councillor Fernando 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 External Auditor’s Audit Results Report 2020/2021, be received.

6 APPROVAL OF THE 2020/21 STATEMENT OF ACCOUNTS

The Head of Strategic Finance and Property introduced the report and asked that the Committee approve the Statement of Accounts.

The Chairman asked if Members had any questions, which they did not.

The Chairman sought confirmation of and gave suggestions relating to possible changes in some of the presentation of the display information contained within the report. The Head of Strategic Finance and Property clarified these points.

It was moved by Councillor Crofton 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 the 2020/2021 Statement of Accounts be approved.

7 URGENT ITEMS

There were no urgent items.

The meeting closed at 11.05 am

Chairman
Date