

MINUTES OF A MEETING OF THE  
AUDIT AND GOVERNANCE COMMITTEE  
HELD IN THE COUNCIL CHAMBER,  
WALLFIELDS, HERTFORD ON WEDNESDAY  
31 MAY 2023, AT 7.00 PM

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PRESENT:

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

ALSO PRESENT:

Councillors P Boylan, B Crystall and  
S Hopewell

OFFICERS IN ATTENDANCE:

Michele Aves	- Democratic Services Officer
Jess Khanom-Metaman	- Head of Operations
Steven Linnett	- Head of Strategic Finance and Property
Simon Martin	- Client Audit Manager, Shared Internal Audit Service
Ian Sharratt	- Leisure and Parks Development Manager
Alison Street	- Financial Planning Manager
Rhys Thomas	- Theatre Director and Arts Advisor

ALSO IN ATTENDANCE:

Debbie Hanson	- Ernst Young LLP
Dan Humphries	- Contracts Manager, Everyone Active
Rachel Merez	- Ernst Young LLP

18 APPOINTMENT OF VICE-CHAIRMAN

It was moved by Councillor Nicholls and seconded by Councillor Hart, that Councillor Woollcombe be appointed Vice-Chairman of the Audit and Governance Committee. After being put to the meeting and a vote taken, the motion was declared CARRIED. It was noted that Councillors Deering and Williamson abstained from the vote.

**RESOLVED** – that Councillor Woollcombe be appointed as Vice-Chairman of the Audit and Governance Committee.

19 APOLOGIES

An advance apology for lateness was received from Councillor Woollcombe.

20 MINUTES - AUDIT AND GOVERNANCE SUB-COMMITTEE, 16 MARCH 2023

It was moved by Councillor Nicholls and seconded by Councillor Hart, that the Minutes of the meeting of the Sub-Committee held on 16 March 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. It was noted that Councillors Deering, Jacobs and Williamson abstained from the vote.

**RESOLVED** – that the Minutes of the Sub-

Committee meeting held on 16 March 2023 be confirmed as a correct record and signed by the Chairman.

21 MINUTES - 12 APRIL 2023

It was moved by Councillor Nicholls and seconded by Councillor Hart, that the Minutes of the meeting of the Committee held on 12 April 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. It was noted that Councillors Deering, Jacobs and Williamson abstained from the vote.

**RESOLVED** – that the Minutes of the Committee meeting held on 12 April 2023 be confirmed as a correct record and signed by the Chairman.

22 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed all to the meeting, thanking them for their attendance. He said that it was a privilege to be the Chairman of the Committee and extended his gratitude to both officers and the previous administration for their work.

23 DECLARATIONS OF INTEREST

There were no declarations of interest.

24 TRAINING - THE ROLE OF THE AUDIT AND GOVERNANCE COMMITTEE

The Head of Strategic Finance and Property gave a presentation to Members on 'The Role of the Audit and Governance Committee'. The presentation gave Members an overview of the Committee's purpose and explained how the Committee's agendas met its remit.

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

**RESOLVED** – that the training be received.

25 ANNUAL LEISURE CONTRACT PERFORMANCE REPORT 2023

The Executive Member for Wellbeing introduced the report, explaining that the Council was in the fourth year of a fifteen-year leisure contract with Everyone Active.

The Executive Member for Wellbeing then introduced the Contracts Manager from Everyone Active who gave a presentation to the Committee. The presentation gave a review of the 2022 year and gave detail on all aspects of the leisure contract. This included achievements, participation, staffing, partnerships and environmental and energy information.

The Chairman thanked the Contracts Manager for his presentation.

Councillor Jacobs said that the presentation contained lots of figures but none in relation to service-level agreements (SLA's), and he asked if there were any SLA's in place.

The Contracts Manager said that this information was not part of his presentation speech, but that a number of key targets were set each year in terms of participation. He said that these targets were being met and he located a slide from within the presentation which gave a breakdown of this information.

Councillor Deering asked that the presentation slides be circulated to the Committee Members. He said that the initiatives within the report were something to be proud of and which could be attributed to the previous administration.

Councillor Hart asked for clarification of what specifically was being heated to a fixed temperature of twenty degrees.

The Contracts Manager said that the heating of office space was set to twenty degrees when occupied. He said that it would be necessary to be mindful of colleagues if a reduction in this temperature was to be considered.

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

26 HERTFORD THEATRE PRICING STRATEGY REPORT

The Executive Member for Wellbeing introduced the report. She said that the Hertford Theatre Growth and Legacy Project was on track for opening in Spring 2024, and that in anticipation for the opening of the new building a pricing strategy needed to be confirmed.

Councillor Williams referred to the table shown on page 65 of the report. He said that the proposed hire charges could be seen from line 12 of the table (which factored in inflation and the increase in the theatre's capacity) and asked for clarification as to why a figure of a third had been used.

The Theatre Director and East Herts Council Arts

Advisor said that the figures presented needed to meet the business case. He said that the 12.5% increase (which represented a third) shown in the proposed pricing was an attempt to not fully reflect the increase in the theatre's capacity from 400 – 550 seats in the hire charges.

Councillor Williamson asked if a figure of a half would be deemed too expensive.

The Theatre Director and East Herts Council Arts Advisor said that using a figure of a half would be too expensive, and that benchmarking against other comparable theatres had been done.

Councillor Jacobs referred to paragraph 2.13 of the report and asked how the variety of terms upon which productions are made available to the theatre aligned with the fixed price regime outlined.

The Theatre Director and East Herts Council Arts Advisor said that curated programme events did not come into the theatre on a hire basis. He said that instead a deal would be agreed with the artist's promoter, and this differed from the fixed pricing which was applied when a customer wished to take the building in its entirety.

The Theatre Director and East Herts Council Arts Advisor said that the curated programme looked to develop different audiences and to give a breadth and depth of offers. He said that he was comfortable to support non-professional organisations where reasonably possible, but from a business aspect it would not be sensible to carry the risk of such shows

within the curated programme.

The Head of Operations said that the project looked to increase theatre participation and remove intimidation, with a balance between commercial and community outreach. She said that the theatre team were experts in this area, with an understanding of the local community, including the needs of marginalised groups.

Councillor Deering said that Hertford Theatre will be fantastic for all in East Herts. He said that the Theatre Director and East Herts Council Arts Advisor and his team deserved credit for the challenging project as did the previous administration.

It was moved by Councillor Hart 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 (A) the principle of, and approach to, charging for all aspects of the new Hertford Theatre building, as outlined in the report be endorsed, in order to inform the Executive's consideration for adoption.

27 RECEIPT OF THE EXTERNAL AUDITOR'S ANNUAL REPORT 2020/21

The Head of Strategic Finance and Property introduced his covering report. He said that the External Auditor would follow his introduction to present their report, which would set out the final results of their delayed audit of the 2020/21 statement of accounts.

The Head of Strategic Finance and Property drew Members' attention to the links provided within the summary paragraph of his report. These links took followers to the Minutes of the meetings of the Committee held on 5 April 2022 and 16 March 2023 where the Interim Audit Results Report 2020/21 and the Receipt of the External Auditor's Audit Results Report 2020/21 were received.

The External Auditor sought to clarify some of the points within the Head of Strategic Finance and Property's covering report.

The External Auditor referred to page 79 of the report and said that the protracted timeframe described was in part due to the communication method used between the Auditors and the Council's Finance Team. She explained that the submission of papers was completed via a canvass portal, which was more secure than email and allowed multiple staff members to view documents, but which could cause users to have to load papers multiple times. She said that this was an issue which would be looked at and streamlined for next year.

The External Auditor said that the problems which related to the errors in the calculation of the net pension liability affected all the bodies within Hertfordshire. This resulted in the Actuary having to produce an updated ISA19 report, which has impacted all the audits in Hertfordshire.

The External Auditor said that to catch up, work for the 2021/22 audits started in January of this year, before the previous audit for 2020/21 had been concluded.



She said that the target to complete work for 2021/22 was March 2023, but that requests for information from the Council had been understandably delayed due to the Council's budget and other internal actions. She said work was now required to produce a clear timetable for completion, and she assured Members that the External Auditor was not working towards an estimated completion date of November 2023.

The Chairman thanked the External Auditor for her clarification, and asked Members if they had any questions.

Councillor Deering asked if the Council was reserving its position as the delay to the Audit was very significant and had consequences for the Council.

The Head of Strategic Finance and Property said that the Auditor had included additional fee analysis at Appendix B to their report. He said that the scale fees were set by the Public Sector Audit Appointments Limited (PSAA), and any additional fees would also be moderated by the PSAA.

Councillor Deering said that, as detailed in the report, the delays had caused the Council inconvenience, extra work and extra cost, and asked if the Council was therefore seeking reimbursement from the Auditors or if it was reserving its position.

The Head of Strategic Finance and Property said that no such conversation regarding fees had taken place with the Auditors. He said that the Audit was conducted under a statutory regime, and he would therefore need to take advice from the Monitoring

Officer.

Councillor Deering asked that the Head of Strategic Finance and Property report back to the Committee once he had consultation with the Monitoring Officer.

The External Auditor said that it should be noted that some of the delays were caused by the Council not having the capacity to provide information to the Auditors in a timely manner. She said that it would not be appropriate to attribute all the delays to the Auditor.

Councillor Deering said that he understood what was being said and that he did not wish to apportion blame, hence the neutral term used in his question.

The External Auditor introduced her report. She said that the report was required to be produced following the conclusion of the Audit work and included commentary on the Council's Value for Money Arrangements.

The External Auditor referred to page 86 of the report which gave an unqualified opinion on the Council's financial statements for which there were no concerns.

The External Auditor said that there were four adjustments which reflected errors in previous years. She said that these would feed through into the provisional audit plan which Members would also be taken through for the next item on the agenda.

The External Auditor referred to page 105 of the report, which gave Value for Money commentary

against three key areas, financial sustainability, governance arrangements and arrangements to improve economy, efficiency and effectiveness. She said that there were no concerns in these three areas.

The Chairman thanked the External Auditor for her report and asked Members if they had any questions.

Councillor Jacobs referred to page 87 of the report and asked for clarification on the Auditor not yet issuing their certificate for 2020/21. He asked if the Audit was therefore incomplete.

The External Auditor said that every council in the country found itself in the unusual situation where a certificate of a completed audit could not be issued until the National Audit Office had clarified the additional work they may require for sampled bodies. She said that potentially the Audit was incomplete should East Herts Council be selected for sample, and that this was out of the Council and the Auditor's control.

The Chairman asked the External Auditor if the 2021 Audit was a reflection on how the Council had been audited in previous years.

The External Auditor said that it was difficult for her to comment as she had not completed the previous year's audit. She said that the level of errors identified was greater than in prior years, but this in part due to an increase in focus on certain areas. She said that some of the errors identified were technical and had no impact on the bottom line, being presentational only.

**RESOLVED** – that the External Auditor’s Audit Results Report 2020/21 be received.

28 RECEIPT OF THE EXTERNAL AUDITOR’S PROVISIONAL AUDIT PLANNING REPORT 2021/22

The Head of Strategic Finance and Property introduced his covering report. He said that the External Auditor would follow his introduction to present their report, which would set out the provisional planning of their delayed audit of the 2021/22 statement of accounts.

The External Auditor presented her report which she said she would take as read, but highlighted three items; risk, materiality and value for money.

The External Auditor referred to page 138 of the report and said that primarily the risks identified for 2021/22 were largely similar to those identified in 2020/21.

The External Auditor drew Members’ attention to the fraud risks identified in the report, giving further explanation on each risk and setting out the audit strategy and approach.

The External Auditor referred to page 140 of the report and said that the use of the figure of 2% of gross revenue expenditure for 2021/22 was in line with the prior year. She said that the use of 50% of materiality was a decrease from the prior’s figure of 75% due to the feedback of errors found.

The External Auditor said that with regards to value for money, risk assessment procedures were ongoing.

The External Auditor gave an update to the 2021/22 audit which commenced in January 2023. She said to date 73% of procedures were in review or completed, and that Auditors were in constant communication with the Council's Finance Team alongside checking the portal for receipt of new information.

The Chairman thanked the External Auditor for her report and asked Members if they had any questions.

Councillor Jacobs referred to page 166 of the report and asked for clarification that the 2021/22 audit would be completed by June 2023.

The External Auditor said that completion of the 2021/22 audit had been slightly pushed back from June 2023 to September 2023 due to national issues and outstanding portal requests. She said that the target was to bring an Audit Results Report to the next meeting of the Committee in September 2023.

**RESOLVED** – that the External Auditor's Provisional Audit Planning Report 2021/22 be received.

29 ANNUAL ASSURANCE STATEMENT AND INTERNAL AUDIT ANNUAL REPORT 2022/23

The Shared Internal Audit Service Manager introduced the report. He drew Members' attention to the explanatory narrative within the report and confirmed that training on 'The Role of Internal Audit' had been scheduled for the Committees' September meeting.

The Chairman thanked the Shared Internal Audit Service Manager for his report, and as per the fourth

recommendation asked the Head of Strategic Finance and Property for management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2022/23.

The Head of Strategic Finance and Property confirmed that there were no such inappropriate limitations for internal audit in 2022/23.

It was moved by Councillor Woollcombe and seconded by Councillor Nicholls, 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 Annual Assurance Statement and Internal Audit Annual Report be noted; and

(B) that the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted; and

(C) that the SIAS Audit Charter for 2023/24 be accepted; and

(D) that management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2022/23 be sought.

30 MONITORING OF 2022/23 QUARTER FOUR CORPORATE RISK REGISTER

The Head of Strategic Finance and Property introduced

the report, which provided an update to the Council's corporate risks for quarter four and detailed how these risks were managed. He said that there had been little change from quarter three, but since the publication of the report on 31 March 2023, the World Health Organisation had declared the end of the Covid-19 pandemic, which would cause a subsequent revision of this risk.

The Head of Strategic Finance and Property said that there had also been a consultation which would see an increase in planning fees, and that the risks surrounding political change to the Council had occurred.

Councillor Jacobs said that it may be helpful to Members if a clearer statement of the risk itself was included within the format of the register.

The Head of Strategic Finance and Property said that a description of each risk was included under the 'trigger' column of the register, but that he would consider Councillor Jacobs' suggestion.

Councillor Deering referred to page 211 of the report and asked for amplification regarding the updated commentary to Risk Seven – District Plan.

The Head of Strategic Finance and Property said that the previous Committee had raised questions regarding the risk level associated to Risk Seven, causing the risk owner to update the commentary (as per page 229 of the report). He said that he would access the relevant page of the quarter three report and provide this to Councillor Deering to enable him to

see the changes in the commentary.

It was moved by Councillor Nicholls and seconded by Councillor Woolcombe, 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 2022/23 quarter four corporate risk register be reviewed, and officers advised of any further action that could be taken to manage risk; and

B) that the risks monitored at present are retained for 2023/24.

### 31 AUDIT AND GOVERNANCE WORK PROGRAMME

The Head of Strategic Finance and Property introduced the report which detailed the work programme for the Committee.

The Chairman thanked the Head of Strategic Finance and Property for his report and asked if Members had any questions or training requirements.

Members had no such questions or requirements.

It was moved by Councillor Nicholls and seconded by Councillor Hart, 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.



32 URGENT ITEMS

There were no urgent items.

The meeting closed at 8.45 pm

Chairman .....

Date .....