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NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MONDAY, 29TH JULY, 2019

SUPPLEMENTARY AGENDA

Please find attached supplementary papers relating to the above meeting, as follows:

Agenda No	Item
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| 2. | <u>MINUTES - 3 JUNE 2019</u> (Pages 3 - 10) |
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To take as read and approve as a true record the minutes of the meeting of this Committee held on the 3 June 2019.

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NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, COUNCIL OFFICES,
GERNON ROAD, LETCHWORTH GARDEN CITY
ON MONDAY, 3RD JUNE, 2019 AT 7.30 PM

MINUTES

Present: *Councillors Kate Aspinwall (Chair), Sam North (Vice-Chairman), Sam Collins, Morgan Derbyshire and Kay Tart*

In Attendance: *Head of the Shared Internal Audit Service (SIAS), Ian Couper (Service Director - Resources), Reuben Ayavoo (Policy and Community Engagement Manager) and Amelia McNally (Committee, Member and Scrutiny Officer)*

1 INTRODUCTION AND APOLOGIES FOR ABSENCE

Audio Recording – Start of Item – 14 Seconds

Before announcing the Apologies, The new Chair of the Committee, Councillor Kate Aspinwall welcomed everyone and read out a statement that had been produced by the previous Chairman of the Committee, Councillor Terry Hone, which she felt perfectly described the role of the Members of Finance, Audit and Risk.

Audio Recording – Start of Item – 1 Minute, 50 Seconds

Apologies for absence were received from Councillors Steve Deakin-Davies and Steve Jarvis.

Having given due notice, Councillor Sam Collins advised that he would be substituting for Councillor Steve Jarvis.

2 MINUTES - 21 MARCH 2019

Audio Recording – Start of Item – 2 Minutes, 5 Seconds

RESOLVED: That the Minutes of the Meeting of the Committee held on 21 March 2019 be approved as a true record of the proceedings and be signed by the Chair.

3 NOTIFICATION OF OTHER BUSINESS

Audio Recording – Start of Item – 2 Minutes, 18 Seconds

There was no other business notified.

4 CHAIRMAN'S ANNOUNCEMENTS

Audio Recording – Start of Item – 2 Minutes, 22 Seconds

(1) The Chair thanked those who were no longer Members of that Committee, Councillors Terry Hone, Simon Harwood, Ian Albert, Jim McNally, Ian Moody and Terry Tyler;

- (2) The Chair welcomed Councillors Morgan Derbyshire, Steve Jarvis, Sam North, Kay Tart and Michael Weeks who were new to the Committee;
- (3) The Chair announced that in accordance with Council Policy that the meeting was being audio recorded. Members of the public and the press may use their devices to film/photograph, or do a sound recording of the meeting, but she asked them to let her know if they were doing so, in order to inform all present. She requested flash photography not be used, and to disable any beeps or other sound notifications that emitted from their devices;
- (4) The Chair reminded Members that, in line with the Code of Conduct, any Declarations of Interest needed to be declared immediately prior to the item in question.

5 PUBLIC PARTICIPATION

Audio Recording – Start of Item – 3 Minutes, 48 Seconds

There was no public participation.

6 SIAS ANNUAL ASSURANCE OPINION AND ANNUAL REPORT

Audio Recording – Start of Item – 3 Minutes, 54 Seconds

The Committee considered the Shared Internal Audit Service in respect of the 2018/19 Annual Assurance Opinion and Annual Report presented by the Head of the Shared Internal Audit Service.

- The Shared Internal Audit Service was formed in 2011. Hertfordshire County Council along with 7 other Districts and Boroughs, all Hertfordshire Local Authorities, were a part of the shared service.
- The Report provided by SIAS fed into NHDC's Annual Governance Statement.
- The Audit Charter was briefly highlighted by way of providing the Committee with introduction and purpose.
- Reported that no matters threatened SIAS's independence, and SIAS was not subject to any inappropriate Scope or Resource Limitations during 2018/19. The Service Director – Resources confirmed to the Committee that no Limitations of Scope were imposed on the SIAS team, and went on to further state that he actively encouraged SIAS to point out anything they deemed as a weakness, in order to provide NHDC with the best possible service.
- Based on the audit work carried out, SIAS reported that the adequacy and effectiveness of the Council's control environment, broken down between Financial and Non-Financial Systems, had provided an overall opinion of "Satisfactory" for both.

RESOLVED:

- (1) That the Annual Assurance Statement and Internal Audit Report be noted;
- (2) That the results of the self-assessment, as required by both the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP) be noted;

- (3) That the SIAS Audit Charter be accepted; and
- (4) That the assurance from management that the scope and resources for internal audit had been subject to no inappropriate limitations in 2018/19 be noted.

REASON FOR DECISION: To review and note the Annual Assurance Statement and the Internal Audit Annual Report for 2018/19.

7 SIAS PROGRESS REPORT

Audio Recording – Start of Item – 13 Minutes, 21 Seconds

The Head of the Shared Internal Audit Service (SIAS) presented an Update Report on Progress made by the Shared Internal Audit Service (SIAS) in delivery of the Council's Annual Audit Plan for 2019/20 up to 17 May 2019.

Two highlighted areas:-

- (1) 2018/19 Final Reports that had been issued since the last Committee meeting on 21 March 2019 – Of those - Corporate Debt Management had a limited Assurance Level; and
- (2) There were two High Priority Recommendations, which from a governance point of view was an area that Audit Committees should be focussing on. That The Finance, Audit & Risk Committee be mindful of the target implementation date, and the implementation status of the agreed high priority audit recommendations. Referred to Appendix B, within the Report – Implementation Status of High Priority Recommendations.

In answer to questions from Members, the Head of the Shared Internal Audit Service, (SIAS) responded as follows:

The implementation date provided for the first high priority recommendation on Corporate Debt Management was 31 October 2019. There should be an update of progress on high priority recommendations. Encouraged Members to note the date and keep an eye on implementation progress.

SIAS made recommendations through the agreed Audit Report - accountability lay with officers to ensure action.

The Service Director – Resources stated that he monitored the Audit Plan throughout the year and regular reports would be provided to the Committee. He would prefer to keep recommendations within the Committee Meeting cycle. He did, state, however that if there was ever a Critical Recommendation, this could be flagged, separate meetings could take place, which would provide Members with the opportunity to raise questions for concern as appropriate at the next Finance, Audit & Risk Committee meeting.

The Service Director stated that the Authority had an effective Debt Management processes in place. In relation to the first period after a debt becomes overdue and the debt remained outstanding, this would then be referred back to the Service Area which had provided the initial service. The recommendation within the report referred to providing those particular members of staff with clear procedures being outlined and documented, in order that there would always be a consistent approach to debt management and recovery.

RESOLVED:

- (1) That the Internal Audit Progress Report for the period to 17 May 2019 be noted;
- (2) That the proposed amendments to the 2019/20 Audit Plan be noted; and

- (3) That the implementation status of High Priority recommendations be noted.

REASON FOR DECISION: To allow the Committee to review, comment and challenge the current status of the Internal Audit Plan.

8 DRAFT ANNUAL GOVERNANCE STATEMENT

Audio Recording – Start of Item – 26 Minutes, 45 Seconds

The Policy and Community Engagement Manager presented a report in respect of the Draft Annual Governance Statement (AGS) 2018/19. He advised the Committee that he brought the Report to the Finance, Audit & Risk Committee in order that they review and comment on the Action Plan so that it may be finalised for approval at the next meeting of the Committee in July 2019.

The Policy and Community Engagement Manager explained that the Annual Governance Statement was a legal requirement in which NHDC had to review their requirements for Good Governance – set against the Local Government Framework of delivering Good Governance, published by the Chartered Institute of Public Finance Accountancy and the Society of Local Authority Chief Executives and Senior Managers.

The Finance, Audit & Risk Committee was the Legal Body to approve the Statement, drawing the Members attention to paragraph 7 which provided background information.

Highlighted the 8 Principles outlined in Appendix A of the Report.

Drew the Committee's attention to Paragraph 7.5 of the Report - Key element of the review of effectiveness, which would incorporate the Internal Audit's Annual Report / opinion on arrangements, that had just been presented by Chris Wood, Head of Shared Internal Audit Service, that evening.

The assurance level as assessed against the 2016 Principles were substantial, these had been detailed in the draft AGS Action Plan, however, the detailed self-assessment document had not been appended but would be incorporated following comments from SIAS and advice from CIPFA.

The Service Director – Resources reminded Members of the Committee that they were required to approve the Annual Governance Statement and the Statement of Accounts, which had been issued on 30 May 2019. The Service Director - Resources confirmed that he would send a link to Members. The Statement of Accounts would be subject to Audit by external auditors and results would be available for the next meeting of the Finance Audit & Risk Committee in the hope that these would be approved at that time. Members were encouraged to take a look at the document and raise any questions with the Service Director - Resources before the next meeting.

After a short discussion providing clarification to notes within the Report, The Finance Audit & Risk Committee

RESOLVED:

- (1) That The Senior Policy Manager provided a Gender Pay Gap Link to Members on ModGov; and
- (2) That the draft Annual Governance Statement Action Plan for 2018/19 be noted in order for it to be finalised for approval in July 2019.

REASON FOR DECISION: To offer Members of the Committee the opportunity to assess and comment on the Annual Governance Statement before it is finalised; and to provide the Committee with assurances that NHDC is examining and, where necessary, improving its governance arrangements.

9 FINANCE, AUDIT AND RISK ANNUAL REPORT

Audio Recording – Start of Item – 36 Minutes, 48 Seconds

The Service Director – Resources presented the Finance, Audit & Risk Annual Report to the Committee, explaining that this summarised what the Committee had done in the last year and would be reported to Full Council, subject to approval.

Drew attention to pages of the report of works carried out, highlighting that a lot of this was a regular cycle linked to the Terms of Reference of the Committee and its statutory requirements.

Planned work for 2019/20

Along with fulfilling its statutory requirement to approve the Annual Governance Statement and Statement of Annual Accounts, the Committee would also comment on a planned update to a new Fraud Prevention Policy.

To ascertain individual Committee Members level of knowledge in respect of Finance, Audit and Risk in order that he develops a satisfactory training programme, the Services Director – Resources requested that Members complete a short questionnaire, which would be provided to them before they left the meeting that evening.

Members were reminded that The Risk Management Group met on a quarterly basis, in advance to the Finance, Audit and Risk Committee Meetings. These meetings were held during the day time and were attended by The Service Director - Resources as the Officer Risk Champion, and Councillor Ian Albert, the Member Risk Champion. The output of the Risk Management Group meetings were brought to the Committee. The Service Director - Resources informed that he would circulate all of the upcoming meeting dates and Members were encouraged to attend.

RESOLVED:

That the Annual Report of the Finance, Audit and Risk Committee 2018/2019 be approved.

REASON FOR DECISION: To comply with the requirements of the Council's Constitution.

10 REVENUE BUDGET OUTTURN 2018/19

Audio Recording – Start of Item – 40 Minutes, 58 Seconds

The Service Director – Resources presented the report and explained the Revenue Budget Outturn 2018/19.

The report provided was for the year that ended 31 March 2019. A requirement under Financial Regulations to report to both the Finance, Audit & Risk Committee and Cabinet on any variances of expenditure that exceeded £25,0000 against the working Budget. Quarterly reports were provided. The Service Director – Resources informed that relevant variances of under £25,000 would also be reported to the Finance, Audit and Risk Committee.

The Service Director – Resources advised that, at year end, there had been an underspend against the working budget of £555k, explaining that this was mainly due to projects which had not been completed during the year so there was a carry forward of £474,000 of underspends.

The Service Director – Resources referred to Table 3 in the report, which summarised the significant variances between spend and budget. He also drew attention to paragraph 3.15 within the report looking at variances of funding.

In 2018/19, the Council was a member of the Hertfordshire Business Rates Pool. As forecast, there had been an increase in Business rates, with the Council benefitting from a pooling gain of £368k retained in a specific reserve. This amount had the potential to be used in the future for more general purposes. The Service Director- Resources drew the Member's attention to Table 8 in the report highlighting Earmarked Reserves.

In answer to questions from Councillors Sam Collins, Sam North and Kay Tart, The Service Director – Resources responded as follows:

The variance reported on Waste Services – Income from Paper, was more to do with the fact that there was generally less paper to recycle, the public were not buying as many newspapers and less printed media, rather than the non-collection of re-cycling waste. Other local authorities were showing the same decline.

Brexit Preparations

Out of the Central Government Funding £17,500 received 2017/18, a sensible amount of money had been spent. Officer work continued to look into the implications of Brexit, but this did not involve spending money externally, which allowed expenditure as and when funds would be required. The responsibility for Brexit had been taken on by the Service Director for Legal and Community.

No detailed costing systems were in place in respect of Internal resources used for Brexit preparation. Protection for staff - given that Brexit is a Category 9 - Assurance was given that the Head of Paid Services would always keep under review any need for extra resource required.

If Brexit does not happen the grant funding received would be kept.

RESOLVED:

- (1) To review the Risk Matrix at the next Finance, Audit and Risk Committee Meeting
- (2) That the Revenue Budget Outturn 2018/19 be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Revenue Budget Outturn 2018/19.

11 CAPITAL PROGRAMME OUTTURN 2018/19

Audio Recording – Start of Item – 1 Hour, 1 Minute, 5 Seconds

The Services Director – Resources presented the report in respect of the Capital Programme Outturn 2018/19, and advised that the report was for consideration prior to presentation to Cabinet - The end of year position against the Working Budget.

Drew attention to two tables within the report:

Table 2: The list of schemes in the 2018/19 Capital Programme that will start or continue in 2019/20 – Scheme Timetable Revision:

- (i) Provide Housing at Market Rents; and
- (ii) Museum Services Development

Table 3: Changes to Capital Schemes Commencing in 2018/19 -

Highlighting 2 areas where the spend was less in 2018/19 than was forecast

- (i) Disabled Facility Grants; and
- (ii) Waste and Street Cleansing Vehicles

In answer to questions from Councillors Kay Tart, Sam Collins, Sam North and Kate Aspinwall, The Service Director – Resources responded as follows:

- The estimated money set aside for Waste and Street Cleansing Vehicles, if not used, would be returned to the general pot. However, this would be subject to Capital bids and go through full Council in February 2020.
- The Council set the realms on how waste in the district was collected, however, the Contractor leased the waste trucks from a leasing company. Under the accounting regulations, the trucks were required to be shown as the Council's asset.

In response to whether The Finance, Audit and Risk Committee could ever see or be able to scrutinise tender processes, The Service Director – Resources stated that this would be a matter of Member / Officer Protocol, as decisions on tenders was not normally an area where Members would or should be involved. However, it was within the Committees remit to question contracting processes, variances of budget and any exceeding of Capital Budget Expenditure, if they felt it was necessary. The Service Director – Resources confirmed that Full Council set the procurement rules.

RESOLVED:

That the Capital Programme Outturn 2018/19 report be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Capital Programme Outturn 2018/19.

12 ANNUAL TREASURY MANAGEMENT REVIEW 2018/19

Audio Recording – Start of Item – 1 Hour, 13 Minutes

The Service Director – Resources presented the report in respect of the Annual Treasury Management Review 2018/19, and advised that the report was for consideration prior to presentation to Cabinet.

The Service Director – Resources provided the Committee with a brief background explanation, and drew the Members attention to the reports Executive Summary which informed that the Council had generated slightly less than the Working Budget as at the end of the year, but had in fact, achieved an improved return over the year as a whole, compared with the original budget. He confirmed that the Council had complied with all legislative and regulatory rules.

The Members attention was drawn to the fully detailed Annual Treasury Management Review of the report, stating questions would be welcomed.

In response to Councillor Sam Collins concerns of the volatility and unpredictability of the current "Brexit" climate who asked a question about the Investment Portfolio, The Service Director – Resources explained that the Council were protected by ensuring that there was good diversification on investment. The Treasury Strategy that was set for 2018/19 did not now allow for investment in any foreign banks. Ensured that Building Societies had assets to back up investment.

In response to questions asked by Councillor Sam North, The Service Director – Resources responded as follows:

- Whilst 9 million pounds was being invested in local authorities, no local authorities invested in NHDC as this Council did not borrow money.
- Investment had been placed with Slough Borough Council and Lancashire County Council as they both required cash to either fund their capital programme or assist with their cash flow. The money was provided for a set period of time and would be returned with interest. The money was not an investment in their Councils, it was an investment that was placed with them.

In answer to Councillor Kay Tarts query, The Service Director – Resources confirmed that the £32.4 million as at 31 March 2019 was an accumulation of all the cash that the Council held. He also confirmed that the average daily balance of investment with balance variances highlighted within the report was perfectly normal.

In response to Councillor Sam North's query in respect to how quickly investment could be liquefied, The Service Director – Resources referred the Members to the Chart on page 125 of the Report – Maturity Profile of Investment.

RESOLVED:

- (1) That the Committee review the Risk Profile of the Diversity of Investments; and
- (2) That the Annual Treasury Management Review 2018/19 be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Annual Treasury Management Review 2018/19.

13 FUTURE MEETINGS - POSSIBLE AGENDA ITEMS

Audio Recording – Start of Item – 1 Hour, 31 Minutes, 36 Seconds

The Chair reminded the Committee that there was a fairly packed statutory cycle of Agenda items that would be followed, however, a lot of the content in future meetings may be determined by the result of that evenings questionnaire.

The Chair further stated that she felt it was important that the Committee Members thought about what they wanted to learn about. She requested that should any Members have any suggestions for agenda items at future meetings to please advise himself, Officers or the Committee Clerk.

Before closing the meeting, The Chair reiterated that the Statement of Accounts that was required to be approved by The Finance, Audit and Risk Committee at the next meeting was on the website. She encouraged Members to look through them thoroughly, keeping notes and direct any queries to The Service Director – Resources.

The meeting closed at 9.06pm

Chair