

## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE LOWER HALL, ICKNIELD CENTRE, ICKNIELD WAY,  
LETCHWORTH GARDEN CITY ON THURSDAY, 21ST SEPTEMBER, 2017 AT 7.30 PM

#### MINUTES

**Present:** *Councillors Councillor Terry Hone (Chairman), Ian Albert, John Booth (substitute) Steve Jarvis (substitute) and Jim McNally.*

**In Attendance:**

*Ian Couper (Head of Finance, Performance and Asset Management), Howard Crompton (Head of Revenues, Benefits and IT), Antonio Ciampa (Accountancy Manager), Jeanette Thompson (Senior Lawyer), Ian Gourlay (Committee and Member Services Manager), Chris Wood (SIAS Audit Manager, Shared Internal Audit Services), Nick Jennings (Shared Anti-Fraud Manager, Shared Anti-Fraud Services), Robert Garnett (Team Leader, Ernst & Young) and Kay Storey (Manager, Govt. & Public Sector, Ernst & Young).*

**Also Present:** *Councillor Julian Cunningham (Executive Member for Finance & IT).*

#### 22 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors John Bishop, Simon Harwood (Vice-Chairman), Deepak Sangha and Terry Tyler. Councillor John Booth was substituting for Councillor Bishop, and Councillor Steve Jarvis was substituting for Councillor Tyler.

#### 23 MINUTES

**RESOLVED:** That the Minutes of the Meeting of the Finance, Audit & Risk Committee held on 12 June 2017 be approved as a true record of the proceedings and be signed by the Chairman.

#### 24 NOTIFICATION OF OTHER BUSINESS

There was no other item of business tabled.

#### 25 CHAIRMAN'S ANNOUNCEMENTS

- (1) The Chairman announced that 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 not use flash and to disable any beeps or other sound notifications that emitted from their devices. In addition, the Chairman had arranged for the sound at this particular meeting to be recorded; and
- (2) The Chairman 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.

#### 26 PUBLIC PARTICIPATION

There was no public participation.

**27 SHARED ANTI-FRAUD SERVICE (SAFS) - PROGRESS REPORT**

The Shared Anti-Fraud Service (SAFS) Manager presented a report providing details of the work undertaken to protect the Council against the threat of fraud, and progress against the Council's Anti-Fraud Action Plan for 2017/18.

The SAFS Manager advised that, during the First Quarter of 2017/18, SAFS had received 37 allegations of fraud affecting NHDC services (mainly involving Council Tax and Housing Benefit fraud). He added that 76 cases had been carried over from 2016/17, but that these had been prioritised to focus on those that would provide NHDC with the largest return on its investment.

The SAFS Manager stated that many of the 2017/18 cases were still in the early stages of investigation and so it was not yet possible to report on the final or potential outcome of every case. The March 2018 meeting of the Committee would receive a report detailing the number of allegations of fraud received, outcomes from investigations and value of fraud losses/fraud prevented.

The SAFS Manager referred to a number of SAFS/NHDC pilots and projects, as set out in Paragraphs 2.3 to 2.6 of the report. In addition, SAFS was currently working with North Hertfordshire Homes on a project to address tenancy fraud.

In respect of 2016/17, the SAFS Manager explained that Appendix C to the report set out SAF's performance against its Key Performance Indicators (KPIs) for NHDC, which showed that performance was good, with most targets being met. He also referred to the open data that was required to be published by Local Authorities to comply with the Department of Communities and Local Government's (DCLG) Transparency Code issued in February 2015.

The SAFS Manager answered a number of Members' questions on the report. In response to a question on the Transparency, he undertook to liaise with NHDC with a view to, in future, including in the published information a figure for the total monetary value of the fraud that was recovered by NHDC.

**RESOLVED:**

- (1) That the progress of the Shared Anti-Fraud Service in delivering the Council's Anti-Fraud Action Plan 2017/2018 be noted; and
- (2) That the anti-fraud activity undertaken to prevent and deter fraud and protect public funds be noted.

**REASON FOR DECISION:** To update the Committee on the activities of the Shared Anti-Fraud Service.

**28 SHARED INTERNAL AUDIT SERVICES - ANNUAL REPORT 2016/17**

The Audit Manager (SIAS) presented the Shared Internal Audit Services (SIAS) Annual Report 2016/17.

The Audit Manager advised that the report had been presented to and approved by the SIAS Board in June 2017. The key message in the report was that SIAS had achieved one of its key objectives for 2016/17, namely the delivery of billable days, but was just below its target for the issue of draft Audit reports, despite the challenges posed by staff vacancies and sickness absences throughout the year.

In response to a series of Member's questions, the Audit Manager responded as follows:

**Thursday, 21st September, 2017**

- The two staff vacancies were due to retirement, and of the four major sickness absences, two were foreseen and two were not foreseen. These “gaps” had been filled by BDO, the SIAS co-sourced audit partners, who had been working with SIAS for the last two and a half financial years, together with the use of CIPFA graduate trainees as part of the Hertfordshire County Council work placement programme;
- The SIAS restructuring was ongoing, and had been necessitated by the fact that the SIAS partners were looking to reduce the number of audit days for 2017/18 and beyond.

**RESOLVED:** That the Shared Internal Audit Services (SIAS) Annual Report 2016/17 be noted.

**REASON FOR DECISION:** To enable the Committee to consider and comment on the SIAS Annual Report 2016/17.

## **29 SHARED INTERNAL AUDIT SERVICES - UPDATE ON PROGRESS AGAINST THE 2017/18 AUDIT PLAN**

The Audit Manager (SIAS) presented an update report on progress against the 2017/18 Audit Plan.

The Audit Manager advised that, since the preparation of the report, SIAS had delivered 34% of planned audit days, and had issued a further final audit report, namely Office Accommodation, which had a substantial level of assurance, with two medium priority and two “merits attention” recommendations. The percentage of actual projects completed to draft stage was 20%.

The Audit Manager referred to the medium priority recommendations summarised in Paragraph 2.4 of the report, and also to the high priority recommendations set out in Appendix B to the report. He commented that the two high priority recommendations arising from the Data Protection and Freedom of Information audit had been implemented and would henceforth be removed from the list.

The Audit Manager drew attention to Paragraph 2.8 of the report, which showed that the audits relating to the Green Space Strategy and Asset Management System had been cancelled, with the audit days planned on these audits being returned to contingency.

The Committee debated the differences between high and medium priority recommendations, and it was felt that greater clarity should be provided in future reports as to the methodology used to determine the whether recommendations were high or medium priority.

In response to a Member’s question regarding the reasons for the cancellation of the Green Space Strategy audit, the Head of Finance, Performance and Asset Management undertook to investigate this matter and respond to Members of the Committee in due course.

**RESOLVED:**

- (1) That the Internal Audit Progress Report for the period to 28 August 2017 be noted;
- (2) That the proposed amendments to the 2017/18 Annual 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.

**30 AUDIT RESULTS REPORT FOR NHDC FOR THE YEAR ENDED 31 MARCH 2017**

The Manager (Govt. & Public Sector), Ernst and Young, introduced the Audit Results report for NHDC for the year ended 31 March 2017. She advised that the report summarised the work undertaken by herself and colleagues to meet the National Audit Office's Code of Audit Practice, as well as legislative requirements for issuing an audit opinion. She added that the report was in a new format and that she would welcome any Members' comments on the new style document.

The Team Leader, Ernst and Young, reported that the audit had been conducted according to the Audit Plan approved by the Committee in January 2017. The materiality was based on approximately £1.4million (2% of the Council's gross expenditure). He commented that Ernst and Young proposed to offer an unqualified opinion on the Council's accounts for 2016/17.

The Team Leader stated that there were three audit differences identified, with a total of £2.8million which reduced the revaluation of current assets. However, due to the way that Local Government capital accounting worked, there was no impact on the bottom line of the Council's General Fund. These audit differences were corrected prior to the publication of the Council's final Statement of Accounts.

The Team Leader explained that there had been two areas of audit focus, one being the inappropriate capitalisation of revenue expenditure and the second being the risk of management override. Ernst and Young's conclusion on this work was that there were no material misstatements identified, or any weaknesses in control.

The Manager (Govt. & Public Sector) advised that Ernst and Young was proposing to issue an unqualified opinion on its value for money conclusion. In its Audit Plan, Ernst and Young had identified as a potential risk the level of saving required to be made over the life of the Council's Medium Term Financial Strategy, which was greater than the materiality figure used for the audit of the annual accounts. Ernst and Young had conducted a programme of work to investigate this issue, with three projects being used to inform this work, which sought to provide assurance that the projects would be delivered to appropriate standards. The conclusion was that Ernst and Young had been satisfied that enough evidence had been supplied to provide the necessary assurance.

The Manager (Govt. & Public Sector) answered a number of Members' questions regarding the report.

**RESOLVED:** That the Audit Results for NHDC for the year ended 31 March 2017 be noted.

**REASON FOR DECISION:** To confirm that the findings of the external auditor were reviewed and noted and that the recommendations were acted upon.

**31 ANNUAL GOVERNANCE STATEMENT 2016/17**

The Senior Lawyer presented a report in respect of the Annual Governance Statement (AGS) 2016/17.

The Senior Lawyer advised that the draft AGS had been presented to the Committee at its June 2017 meeting. Following that meeting, further liaison had taken place with the external auditors (Ernst and Young), SIAS and SAFS, and the AGS now presented incorporated their input.

The Senior Lawyer drew attention to a minor amendment required to the AGS set out at Appendix A to the report – the date in the first bullet point in the third column on the first page should be March 2017 not March 2016.

**Thursday, 21st September, 2017**

The Senior Lawyer reminded Members that the AGS process was now covered by a new CIPFA/SOLACE Framework that had been approved in 2016. The AGS had been prepared following an in-depth review/ input and scoring of arrangements by SMT against the seven Framework 2016 Principles.

The Senior Lawyer stated that issues to be addressed through the AGS were set out in the updated Action Plan, attached to the report as Appendix B.

The Senior Lawyer explained that the AGS 2016/17 was required to be approved by the Committee, as it would be published alongside the 2016/17 Statement of Accounts (see Minute 32 below).

**RESOLVED:**

- (1) That the Annual Governance Statement/Action Plan for 2016/17, as set out at Appendix A to the report (as amended), be approved; and
- (2) That the progress to date against the Action Plan, as set out in Appendix B to the report, be noted.

**REASON FOR DECISION:** To meet the Council's statutory requirements to review and approve the Annual Governance Statement under Regulation 6(4)(a) of the Accounts and Audit Regulations 2015/234; and to review proposed actions, which will improve the Council's governance arrangements.

**32 STATEMENT OF ACCOUNTS 2016/17**

The Accountancy Manager presented the report of the Head of Finance, Performance and Asset Management in respect of the Statement of Accounts 2016/17.

The Accountancy Manager advised that, as with the AGS, the Statement of Accounts for 2016/17, attached at Appendix A to the report, was required to be approved and published by 30 September 2017.

The Accountancy Manager explained that the report provided an overview of the process. The draft Accounts were published by the due date of 30 June 2017. These were made available for public inspection, following which they were subject to external audit review by Ernst and Young. Some changes were made following Ernst and Young's consideration of the Accounts, all of which had been incorporated into the final version set out at Appendix A.

The Accountancy Manager stated that none of the changes made by Ernst and Young had any impact on the General Fund 2016/17 outturn position reported to the Committee in June 2017.

The Accountancy Manager commented that the 2018/19 process would be very challenging, as the draft Accounts would need to be published by 31 May 2018, and the final version published and approved by 31 July 2018.

**RESOLVED:** That the 2016/17 Annual Statement of Accounts, as set out in Appendix A to the report, be approved and signed by the Chairman.

**REASON FOR DECISION:** To ensure that the Council abides by the Audit and Account Regulations 2015 which require the approval and publication of the Statement of Accounts by no later than 30 September 2017.

**33 FIRST QUARTER REVENUE BUDGET MONITORING 2017/18**

The Head of Finance, Performance and Asset Management presented a report in respect of the First Quarter Revenue Budget Monitoring 2017/18, and advised that the report was before this Committee for consideration prior to presentation to Cabinet on 26 September 2017.

The Head of Finance, Performance and Asset Management advised that the forecast variance on the Revenue Budget was an increase of £208,000 on the net working budget of £17.022m for 2017/18, with an ongoing impact in future years of £158,000. He highlighted some of the more significant individual variances set out in Table 2 of the report, including Employer Pension Contribution; Parking Penalty Charge Notice income; Housing Benefit – Contribution to bad debt provision in respect of benefits overpayment income; and Careline Net Direct Trading Expenditure.

The Head of Finance, Performance and Asset Management reported that Table 3 showed that all of the Council's corporate financial health indicators were at green status, and Paragraphs 8.6 to 8.12 of the report summarised the various funding received by the Council. He drew attention to the forecast for Business Rate retention, which showed an increase of £362,000 on funding expectation for 2017/18. He concluded by referring to the financial risks set out in Paragraph 8.13 of the report.

**RESOLVED:** That the First Quarter Revenue Budget Monitoring report 2017/18 be noted.

**REASON FOR DECISION:** To provide an opportunity for the Committee to comment as appropriate on the First Quarter Revenue Monitoring report 2017/18.

**34 FIRST QUARTER CAPITAL PROGRAMME MONITORING 2017/18**

The Head of Finance, Performance and Asset Management presented a report in respect of the First Quarter Capital Programme Monitoring 2017/18, and advised that the report was for consideration prior to presentation to Cabinet on 26 September 2017.

The Head of Finance, Performance and Asset Management advised that, in previous years, there had tended to be a significant amount of re-profiling of the Capital Programme in the latter part of the year. The focus was now on forecasting more accurately in the early part of the year, which was why there appeared to be a considerable amount of "movement" in the First Quarter Monitoring report.

The Head of Finance, Performance and Asset Management referred to Table 2 in the report, which highlighted the scheme timetable revisions from 2017/18 to 2018/19 onwards. He drew attention to the major items, such as Pension Capitalisation, which would continue to be pursued in 2018/19. He commented that the cost variance in the Refurbishment of the District Council Offices (DCO) scheme should be an increase of £120,000 and not £77,000 as stated in the report.

The Head of Finance, Performance and Asset Management explained that the overall situation on Capital reflected the likely position at the end of 2017/18. The significant amount of spend in 2017/18 was due to those projects that had been completed or were almost certain to be completed in year, such as the North Hertfordshire Leisure Centre and Refurbishment of the DCO projects. He added that the forecast balance on the Capital Programme at the end of 2017/18 was expected to be in the region of £7million.

In response to a comment made by the Chairman, the Head of Finance, Performance and Asset Management undertook to ensure that an appropriate recommendation be made to Cabinet regarding the reallocation of capital funding no longer required for the Royston Civic Centre Redevelopment project.

**RESOLVED:** That the First Quarter Capital Programme Monitoring report 2017/18 be noted.

**REASON FOR DECISION:** To provide an opportunity for the Committee to comment as appropriate on the First Quarter Capital Monitoring report 2017/18.

**35 TREASURY MANAGEMENT FIRST QUARTER 2017/18**

The Head of Finance, Performance and Asset Management presented a report in respect of the First Quarter Treasury Management Monitoring 2017/18, and advised that the report was for consideration prior to presentation to Cabinet on 26 September 2017.

The Head of Finance, Performance and Asset Management advised that, during the First Quarter, the Council had continued to operate within the treasury and prudential indicators set out in the Treasury Management Strategy Statement and in compliance with the Council's approved Treasury Management Practices. He commented that the current forecast was that the amount of investment interest expected to be generated during 2017/18 was £327,000, an increase of £60,000 on the original budget.

**RESOLVED:** That the First Quarter Treasury Management report 2017/18 be noted.

**REASON FOR DECISION:** To provide an opportunity for the Committee to comment as appropriate on the First Quarter Treasury Management Monitoring report 2017/18.

**36 RISK MANAGEMENT UPDATE**

The Head of Finance, Performance and Asset Management presented a report which provided an update on Risk Management.

The Head of Finance, Performance and Asset Management advised that the most recent quarterly meeting of Risk Management Group had agreed that there was no need to change the existing risk levels, and hence there were no recommended changes for Senior Management Team and the Committee to consider.

**RESOLVED:** That the report on Risk Management be noted.

**REASON FOR DECISION:** To comply with the requirements of the Risk and Opportunities Management Strategy.

**37 FUTURE MEETING - POSSIBLE AGENDA ITEMS**

The Chairman requested that should any Members have any suggestions for agenda items at future meetings would the please advise himself, officers or the Committee Clerk.

The meeting closed at 9.17 pm

Chairman at the meeting on  
Thursday, 21 September 2017