

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES,
LETCWORTH GARDEN CITY, SG6 3JF
ON WEDNESDAY, 13TH NOVEMBER, 2024 AT 7.30 PM

MINUTES

Present: Councillors: Vijaiya Poopalasingham (Chair), Tina Bhartwas, Ruth Brown, Dominic Griffiths, Steven Patmore, Paul Ward, Stewart Willoughby and Daniel Wright-Mason.

John Cannon (Independent Member) Non-voting advisory role.

In Attendance: Ian Couper (Service Director - Resources) and Sjanel Wickenden (Committee, Member and Scrutiny Officer).

Other Presenters: Darren Bowler (Counter-Fraud Manager, Shared Anti Fraud Service) and Chris Wood (Head of Assurance Services (HCC) & Client Audit Manager (NHDC)), Debbie Hanson (Ernst and Young) and Jessica Hargreaves (KPMG).

Also Present: There were no Members of the public present.

32 APOLOGIES FOR ABSENCE

Audio recording – 1 minute 31 seconds

Apologies for absence were received from Councillor Sean Nolan.

Having given due notice Councillor Daniel Wright-Mason substituted for Councillor Nolan.

33 MINUTES - 4 SEPTEMBER 2024

Audio Recording – 1 minute 58 seconds

Councillor Vijaiya Poopalasingham, as Chair, proposed and Councillor Ruth Brown seconded and, following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 4 September 2024 be approved as a true record of the proceedings and be signed by the Chair.

34 NOTIFICATION OF OTHER BUSINESS

Audio recording – 2 minutes 55 seconds

There was no other business notified.

35 CHAIR'S ANNOUNCEMENTS

Audio recording – 3 minutes 4 seconds

(1) The Chair advised that, in accordance with Council Policy, the meeting would be recorded.

- (2) The Chair drew attention to the item on the agenda front pages regarding Declarations of Interest and 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.
- (3) The Chair advised that section 4.8.23(a) of the Constitution did not apply to this meeting.

36 PUBLIC PARTICIPATION

Audio recording – 3 minutes 56 seconds

There was no public participation at this meeting.

37 SAFS ANTI FRAUD UPDATE

Audio recording – 4 minutes 9 seconds

The Counter Fraud Manager presented the report entitled 'SAFS Anti Fraud Update 2024-25' and highlighted that:

- The report detailed the current work activity and the half yearly performance KPIs.
- There had been 22 fraud alerts and additional generic fraud reports.
- Seven specialised training sessions had taken place with more sessions planned for quarter 3.
- There had been 56 allegations of fraud received, related to housing, Council Tax, procurement and parking services. 37 of these allegations were under investigation and 18 had reached a referral stage. The combined losses for these allegations was £242K.
- Seven cases had been closed with £7K of identified losses and £13K of savings.
- Identified losses had the potential to be recovered, whereas savings were considered as money that could have been lost if the fraud had continued.
- One case had been referred to the Legal Team to consider prosecution and one case resulted in a 'cease and desist' notice being issued.
- There were six tenancy cases being investigated and a property had been recovered.
- A review of 18 Council Tax fraud cases had identified £10K of losses.
- The results from the National Fraud Initiative were now due on the 20 December 2024 instead of January and resources had been reallocated to facilitate the data results.
- The Herts Fraudhub had identified 800 records for review, with a small amount of fraud discrepancies already actioned.
- There had been a new Council Tax Framework contract for 2025/26.
- Work was ongoing with a Tri County Blue Badge prevention initiative, and a memorandum of understanding was expected to support the prevention and misuse of Blue Badges.
- There was still an outstanding software issue with identifying urgent cases however, all cases had been processed within the urgent case timeframe.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Paul Ward
- Councillor Vijaiya Poopalasingham
- Independent Member John Cannon

In response to questions, the Counter Fraud Manager advised that:

- The case management software provider had now confirmed that the system was unable to report on the processing of urgent cases. It was anticipated that this KPI would be changed for next year.

- SAFs were ahead of target in delivering the required 267 days, the amber of KPI 2 was due to being part way through the civic year.
- Due to pending legal action the details of the two housing cases were currently confidential however, details could be sent outside of this meeting.
- Blue Badge parking was highly sought after and in certain parts of the country badges could be sold for a high price, leading to losses and misuse. In the summer the Civil Enforcement team, County Council and the Police worked together in a joint operation reviewing targeted areas for Blue Badge fraud. As a result of this operation a memorandum of understanding was being developed and it was hoped that this would become an annual exercise.
- Organised fraud groups were targeting companies with mandate frauds, which were becoming more sophisticated and looked genuine as they included email chains from suppliers. SAFs were advising that any change of bank account request were independently verified.

In response to a question, the Head of Assurance advised that the KPI colour coding was an ongoing issue and there were ongoing discussions around this matter.

Councillor Ruth Brown proposed and Councillor Stewart Willoughby seconded and, following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee noted the progress by Officers and the Shared Anti-Fraud Service to deliver the Anti-Fraud Plan for the Council.

38 SIAS PROGRESS REPORT 2024/25

Audio recording – 23 minutes 28 seconds

The Head of Assurance presented the report entitled 'SIAS Progress Report 2024-25' and highlighted that:

- The implementation of high priority recommendations from the Estates audit were taking longer than anticipated and now had a revised target date of March 2025, good progress had been made on this with full details at Appendix D.
- The high priority recommendation on Agency Staff and on Houses of Multiple Occupation had been implemented.
- The Project Prioritisation audit had been replaced by a Purchasing Card audit and this had had recently commenced.
- The Churchgate Project Assurance audit had a change of approach and would no longer follow an embedded assurance approach and instead would be a more traditional 'specific moment in time' audit covering the period since the issue of the final reports for the two Churchgate audits completed as part of the 2023/24 Internal Audit Plan.
- There had been changes to several audit start dates and this had meant a delay on commencing those audits, full details were available at Appendix B. It was not uncommon in Local Authorities for audit start dates to be moved at either the request of Council management or the internal audit team in some circumstances.
- SIAS were confident that they would be able to deliver enough work to support the assurance opinion to be issued in May / June 2025. Resources were available to complete the plan.

The following Members asked questions:

- Councillor Paul Ward
- Independent Member John Cannon

In response to questions, the Head of Assurance advised that:

- The Estates department were making good progress with the implementation of the high priority recommendation and a revised full implementation date had been set for 1 March 2025. There was ongoing cross checking of data sources occurring.
- The final audit report in this matter had been issued in quarter 1.
- Once the Estates department had accurately captured the data in Excel form, this would enable them to satisfy the recommendations in the case of alerts for review dates and update the asset register. A review could then be undertaken to decide if the current property management system needed updating, or if a new system would be more appropriate for the Council's needs and to deliver the audit recommendations.

In response to questions, the Service Director – Resources advised that:

- The Estates department were now fully staffed and this meant good progress was being made.
- The full extent of current risks would be confirmed outside of this meeting.
- It was felt that the Purchasing Card audit was a greater risk than the Project Prioritisation audit, especially as the new finance system had controls in place regarding projects. The audit would ensure that purchasing cards were used correctly and in line with policies.
- The Peer Review and the new Council Delivery Plan covered off areas that the Project Prioritisation audit would have reviewed.

Councillor Paul Ward proposed and Councillor Tina Bhartwas seconded and, following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee noted:

- (1) The SIAS Progress Report for the period to 25 October 2024.
- (2) The implementation status of the reported high priority recommendations.
- (3) The plan amendments to the 2024/25 Annual Audit Plan

39 STATEMENT OF ACCOUNTS 2022/23 AND 2023/24

Audio recording – 37 minutes 19 seconds

The Service Director – Resources presented the report entitled 'Statement of Accounts 2022/23 and 2023/24' and highlighted that:

- There had been a supplementary document published on 13 November 2024 which included a completion report from Ernst and Young.
- There was a date error in the third paragraph of the Executive Summary and the audit backstop date should read as 28 February 2025 for 2023/24 and the last sentence should read as 2023/24 instead of 2024/25
- Due to failures in the public and private sector there had been a strengthening of audit requirements which resulted in audits taking longer. This had been made worse by Covid. The Government worked to resolve this and backstop dates for audits were agreed. These were then delayed by the general election and had now been passed by Government.
- The first backstop date was 13 December 2024 for accounts for the financial year 2022/23 and before. Details of future dates were highlighted in paragraph 8.2 of the report.
- The Committee was originally asked to review the report at Appendix B and delegate final approval to the Chair of the Committee however, the reports had since been finalised and published.

- There was still a requirement to delegate final approval to the Chair and the Service Director – Resources, as minor adjustments would be made to the Statement of Accounts before it could be formally approved by the Chair of the Committee.
- The Annual Governance Statement had previously been approved by the Committee and would be published alongside the Statement of Accounts.

Debbie Hanson, Ernst & Young, presented the report entitled 'Completion Report for Those Charged with Governance' and highlighted that:

- The Interim Value for Money report was presented to the Committee in its June meeting and this was incorporated in this report.
- Ernst and Young were required to report on materiality and risks under the Auditing Standards requirements.
- The requirements also included making checks with management regarding internal controls, compliance with laws and regulations, any significant fraud issues and good governance.
- There was a requirement to make basic checks on the account such as checking that the opening balances were the same as the closing balances from 2021/22 and checks against the CIPFA disclosure checklist.
- There were no specific issues at North Herts Council, the disclaimed opinion was the result of local audit system wide issues and backlogs.
- Had the audit been completed as normal, an applied level of Planning Materiality would have been set at £1.26M and this was detailed on page 17 of the supplement. These levels had been applied when reviewing any accounts errors.
- The risks indicated in the plan had been similar to the previous year, they included the incorrect valuation of land and buildings and the pension liability.
- Ernst and Young were required to confirm their independence as auditors, and this was stated in the report.
- There had been no significant issues with the Value for Money Report. The basic checks on the financial statements had identified some minor issues and as a result some changes had been requested to the financial statements prior to sign off and these were highlighted on page 23 of the report. These were mainly internal inconsistencies and the majority were not material and would be corrected.
- There was a Draft Audit Opinion on page 27 of the supplement and this was unlikely to be subject to any changes.
- A certificate would be issued along with the opinion after the 22 November 2024.

Jessica Hargreaves, KPMG, presented the report entitled 'Statement of Accounts 2023/24' and highlighted that:

- The audit plan for 2023/24 was approved by the Committee in June 2024.
- Progress was ongoing on the audit and was expected to be completed before the backstop date of 28 February 2025.
- The audit report 2023/24 would have a disclaimed opinion, but this would be for fewer items than the 2022/23 accounts.
- Audit procedures for 2023/24 would include income, expenditure and staff cost balances, as well as pension numbers and land and building revaluations which were all areas of significant risk.
- The opening balance for 2023/24 would not have been fully audited due to the backstop requirement, and therefore an assurance on that matter could not be given. Over the next few years the disclaimed differences would get smaller. This was a sector wide issue and not isolated to North Herts Council.
- The Value for Money report was progressing and an initial conclusion was expected by the end of the year.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Paul Ward
- Independent Member John Cannon

In response to questions, the Service Director – Resources advised that:

- There had been a £2M amalgamated error as stated in note 20 on page 23 of the report, however the figures when separated out added up to the correct figure. This would be corrected before the final sign off of the accounts.
- There had been an error on the reported Pension figures as stated in note 30 on page 23 of the report, and the wrong number had been input. This would be corrected before the final sign off of the accounts.
- Following the Value for Money report from Ernst and Young, the Churchgate property was reclassified as a property asset, rather than an investment asset.
- The new financial system had an assets register and any duplicate entries had already been corrected through updates to the current process.
- The Churchgate project had the same valuation and did not affect the overall balance.
- In 2018/19 the Council made savings from a new waste contract at a lower cost and the introduction of charging for garden waste.

The Chair proposed an amendment to recommendation 2.6 and an additional recommendation 2.7, that the Committee formally thanked Ernst and Young for their work and support to the Committee over the last eight years.

Councillor Ruth Brown proposed, as amended, and Councillor Stewart Willoughby seconded and, following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee:

- (1) Noted the 2022/23 Annual Statement of Accounts as set out in Appendix B.
- (2) Delegated to the Chair of the Committee the final approval of the 2022/23 Annual Statement of Accounts. This would include confirming that the Chair of the Committee can sign the Statement of Accounts to confirm that they have been approved by the Committee.
- (3) Noted that the Annual Governance Statement for 2022/23 was approved by the Committee in September 2023, and that nothing has been identified since that date that would require a change to that Annual Governance Statement.
- (4) Noted the progress made in the audit of the 2023/24 Annual Statement of Accounts.
- (5) Noted the additional audit fees that have been notified by KPMG in relation to ISA315r of £11,597, which will be subject to approval by PSAA.
- (6) Noted the completion report and the process that would be followed for the approval of the 2022/23 Accounts as detailed in paragraph 8.13 of the supplementary report.
- (7) Formally thanked Ernst and Young for their work and support to the Committee over the last eight years.

REASON FOR DECISIONS:

To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts. Furthermore, to meet the back-stop deadlines set out in the Accounts and Audit (Amendment) Regulations 2024

40 CODE FOR STATUTORY OFFICERS (HEAD OF PAID SERVICE, SECTION 151 AND MONITORING OFFICERS)

Audio recording – 1 hour 1 minute 58 seconds

The Service Director – Resources presented the report entitled ‘Code for Statutory Officers (Head of Paid Service, Section 151 and Monitoring Officers)’ and highlighted that:

- The Code ensured the good governance of the Council and had been presented to the Standards Committee in October 2024 for comments.
- The Code covered the Statutory Officers namely, the Head of Paid Services, the Section 151 Officer and the Monitoring Officer, often referred to as the ‘Golden Triangle’.
- The Council was required by statute to have these key Officers.
- The Code summarised what the Council should do to ensure that they operated with good governance and that they had suitable measure in place to be efficient and listened to.
- The Code sets out the requirements for resources and for Officers to share information, by communicating with each other. It was felt that the Code was already being achieved but needed to be formalised.

The following Members asked questions:

- Councillor Ruth Brown
- Councillor Paul Ward
- Independent Member John Cannon

In response to questions, the Service Director – Resources advised that:

- Additional recommendations could be proposed and seconded by Members of the Committee.
- Investigations would be made with the Legal Team regarding formally adopting the Code.
- The Golden Triangle roles had deputies, for the Section 151 Officer it was Antonio Ciampa, Isabelle Alajooz was the Deputy Monitoring Officer and the Service Directors deputised for the Head of Paid Services.
- It may be prudent to have a more formal plan for any long-term absences of the Head of Paid Services
- Deputies were invited to attend the Statutory Officers Group meetings and there was ongoing work on their training and the Statutory Officers training.
- The foundations of the Code were already in place and adopting the Code would strengthen and formalise those procedures.
- The Monitoring Officer in their role as Service Director - Legal and Communities was not able to deputise for the Head of Paid Services. The Section 151 Officer was able to deputise for the Head of Paid Services.

In response to a question the Head of Assurance referred to paragraph 8.1 of the report, Act Effectively and referenced the effective two-way support that Statutory Officers and the internal and external auditors provided.

Councillor Ruth Brown proposed, with two additional recommendations, and this was seconded by Councillor Dominic Griffiths and, following a vote, it was:

RESOLVED:

- (1) That the Finance, Audit and Risk Committee noted the content of the report and Appendix A, and make any suggestions on future actions, particularly with reference to 7.6 and 7.7 of this report.
- (2) That the Code would be circulated as proposed under section 7.7 of the report.
- (3) That the Committee supported that the Council should formally adopt the Code as proposed.

REASON FOR DECISION: To ensure good governance within the Council.

41 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 1 hour 17 minutes 39 seconds

The Chair led a discussion regarding possible agenda items for future meetings.

Councillor Paul Ward requested training on the Risk Register and that mitigation against risks be considered.

The Service Director – Resources confirmed that the Half Year Risk Report would be brought to the next Committee meeting and that risk training would take place prior to that meeting.

The meeting closed at 8.52 pm

Chair