

NORTH HERTFORDSHIRE  
DISTRICT COUNCIL



North Hertfordshire District Council

# Finance, Audit & Risk Committee Annual Report

2020 to 2021

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## **Introduction from the Finance Audit & Risk Committee Chair**

I am pleased to present the Annual Report of the Finance, Audit & Risk (FAR) Committee which describes the Committee's work and achievements over a 12 month period to March 2021.

I hope this Annual Report demonstrates the importance of the role of the Finance Audit & Risk Committee and the contribution it makes to the Council's overall governance. All meetings are open to the public and I would encourage residents to come along and see the Committee in action.

As well as elected members, the Committee is supported by the Service Director: Resources and the Accountancy Manager. The Policy and Community Engagement Manager supports us in approving and reviewing the Annual Governance Statement. Similarly representatives from the Shared Internal Audit Service (SIAS), the Shared Anti-Fraud Service (SAFS) and our External Auditors (Ernst and Young) regularly attend the meetings of the Committee.

**Councillor Kate Aspinwall**

**June 2021**

## **Role of the Committee**

The purpose of the FAR Committee is to provide independent scrutiny and assurance of finance, audit and internal control matters and to provide effective scrutiny of financial matters. This also encompasses corporate governance and risk management.

The Committee reports to Cabinet. The work of the Committee provides assurance to Cabinet and Council on the annual accounts, risk management, audit and internal control.

The full Terms of Reference for this Committee are provided in the Council's Constitution.

[https://www.north-herts.gov.uk/sites/northherts-cms/files/S.10\\_0.pdf](https://www.north-herts.gov.uk/sites/northherts-cms/files/S.10_0.pdf)

## **Effectiveness**

The Code of Practice for Internal Audit in Local Government 2006 requires an Audit Committee to review its own remit and effectiveness.

The Public Sector Internal Audit Standards (PSIAS) also state that the 'Head of Internal Audit should participate in the committee's review of its own remit and effectiveness.' For the 2019/20 review, this function was delegated to SIAS, who provide internal audit services to the Council. The review was sent to Members of the Committee in July 2020 and concluded that the Committee "is compliant with the CIPFA best practice guidance and is therefore an effective scrutiny body for financial, audit, risk and internal control functions"

The review made the following recommendations to improve compliance with CIPFA best practice:

- Having an Independent Member of the Committee (non-political appointment). This was not progressed last year due to Covid-19. The plan is to progress it this year, with the first step being a change to the constitution to allow an Independent Member of the Committee.
- Achieving Committee independence by minimising the overlap with Overview and Scrutiny Committee and Executive Members/ Deputy Executive Members . This is difficult to achieve with the number of Committees that need Councillors to sit on them. The 2021/22 Committee Membership has made progress in addressing this.
- Members of the Committee are able challenge processes to ensure a balance between risk and control. They are also able to influence what is covered by the Committee. At the end of this report is a plan of work for 2021/22. The Committee will be asked if there is anything that they would like to add to the list. This will need to be areas that are within the Committee's terms of reference, and balanced against the role of the Overview and Scrutiny Committee.
- Ensure that Members of the Committee receive suitable training. In the past this has been addressed through a skills self-assessment process. This did not happen in 2020/21 due to the difficulties of arranging training, particularly early in the pandemic. This will be reinstated for 2021/22. This is also addressed by Officers providing some background to their reports when they present them, particularly early on in the civic year.

A further review is in progress and will be presented to the Committee at the July 2021 meeting.

### **Members of the Committee**

The following Members were appointed to the Committee for 2020/21:

Councillor Kate Aspinwall	Labour	Chairman
Councillor Sam North	Liberal Democrat	Vice-Chairman
Councillor Sam Collins	Liberal Democrat	
Councillor Steve Deakin-Davis	Conservative	
Councillor Morgan Derbyshire	Conservative	
Councillor Adem Ruggiero-Cakir	Labour	
Councillor Michael Weeks	Conservative	

### **Substitutes:**

Councillor Sam Collins	Liberal Democrat
Councillor George Davies	Conservative
Councillor Ian Moody	Conservative
Councillor Helen Oliver	Labour
Councillor Kay Tart	Labour
Councillor Terry Tyler	Liberal Democrat

To support Members appointed to the Committee, assistance was readily available from relevant Officers.

## Meetings

A work plan was set out at the start of the year, which included regular review of the following:

- Reports of the External Auditor (Ernst and Young)
- Internal Audit Reports (Shared Internal Audit Service – SIAS) to enable monitoring of the delivery of the internal audit service
- Anti-fraud reports (Shared Anti-Fraud Service- SAFS) to enable monitoring of the effectiveness of anti-fraud activity
- Risk Management Updates
- Financial monitoring including Revenue budget and the Investment Strategy (Capital and Treasury)

As and when required, the planned Agenda is supplemented by reports where the Committee has requested additional information or assurance.

The Committee met five times in the year and the following reports were presented and discussed:

<b>15 June 2020</b>
Update to the 2019-20 External Audit Plan- Impacts of Covid-19 Annual Assurance Statement and Internal Audit Annual Report 2019-2020 SIAS update on progress against the 2020-21 audit plan Finance, Audit and Risk Committee Annual Report 2019-20 Revenue Budget Outturn 2019-2020 Investment Strategy (Capital and Treasury) Outturn 2019-20
<b>20 July 2020</b>
Shared Anti-Fraud Service Annual Report 2019-20 and progress against the 2020-21 plan Draft Annual Governance Statement for 2019-20 Risk Management Update and Annual Report on Risk Management 2019-20 Financial Impacts of Covid-19
<b>7 September 2020</b>
SIAS Annual Report for 2019-20 SIAS update on progress against the 2020-21 Audit Plan Annual Governance Statement 2019-20 Draft Audit Results Report from Ernst and Young Statement of Accounts 2019-20 Risk Management Update First Quarter Revenue Monitoring 2020-21 First Quarter Investment Strategy Monitor 2020-21 Medium Term Financial Strategy
<b>3 December 2020</b>
Final Audit Results Report from Ernst and Young SIAS update on progress against the 2020-21 Audit Plan SAFS Anti-Fraud Progress Report Annual Governance Statement 2019-20: Updated Action Plan for 2020-21 Draft Budget 2021/22 Second Quarter Revenue Monitoring 2020-21 Second Quarter Investment Strategy (Integrated Capital and Treasury) 2020-21 Risk Management Update

### 18 January 2021

Annual Audit Letter 2019-20  
Revenue Budget 2021-22  
Investment Strategy (Integrated Capital and Treasury)

### 8 March 2021

Ernst and Young Outline Audit Plan 2021  
SIAS update on progress against the 2020-21 Audit Plan  
Internal Audit Plan for 2021-22  
SAFS Anti-Fraud Plan for 2021-22 and SAFS Anti-Fraud Progress Report for 2020-21  
Local Code of Corporate Governance 2021 and Annual Governance Statement 2019/20 (Action Plan for 2020/21) Update  
Risk Management Update  
Third Quarter Revenue Monitoring 2020-21  
Third Quarter Investment Strategy (Integrated Capital and Treasury) 2020-21

## Main Achievements

Taking the year as a whole, the Finance, Audit & Risk Committee has been successful in maintaining a comprehensive overview of internal control and governance. In addition, it played a key role in financial monitoring by reviewing reports and providing comments and recommendations to Cabinet. This was particularly relevant in relation to Covid-19 and providing oversight of the financial and risk implications.

## Planned work for 2020-21

The Committee will receive the items that ensure it covers its remit. This will include the following regular reports:

- **Annual Governance Statement (AGS).** Review of the draft AGS for 2020/21, with an opportunity to provide comments and input before approving the final version at the following meeting. Approving any actions arising from the AGS and monitoring the achievement of those actions.
- **External Audit (Ernst and Young).** The Committee have approved the Audit Plan for the audit of the 2020-21 accounts. Therefore the first report will be the findings from the 2020-21 Accounts audit. This should support the Committee in approving the Statements of Accounts for 2020-21. Subsequent reports will further confirm the results of the audit through the Final Audit Results Report and the Annual Audit Letter. At the end of the Civic Year the Committee will approve the Audit Plan for the 2021-22 Accounts.
- **Statement of Accounts.** Members of the Committee will be notified when the draft accounts are published on the website, and invited to review and make comments. The Committee will be asked to approve the Final Accounts following the audit by Ernst and Young.
- **Risk Management.** To receive regular reports on risk management and risk reviews that have been carried out. The Committee will comment on any changes to risks and make recommendations to Cabinet.
- **Revenue, Capital and Treasury Monitoring Reports.** To receive quarterly reports on the current position and forecasts. The Committee will provide comments and can make recommendations to Cabinet. The year end reports (and the mid-year Investment Strategy) are referred on to Full Council.

- **Internal Audit (Shared Internal Audit Service).** The Committee have approved the plan for 2021-22 audits. During the year the Committee will receive updates on progress, and any high or critical priority recommendations. Members of the Committee are sent copies of all final audit reports. At the end of the Civic Year the Committee will approve the plan for 2022-23 audits.
- **Fraud (Shared Anti-Fraud Service).** The Committee have approved the plan for fighting fraud in 2021-22. During the year the Committee will receive updates on progress, successes and the measures put in place by the Council and by SAFS. At the end of the Civic Year the Committee will approve the plan for 2022-23.
- **Budgets.** The Committee will review the Council's Medium Term Financial Strategy before it is considered by Cabinet and Council. This will set the context for the detailed budget setting process. The Committee will review the first draft of the 2022-23 Revenue Budget before it is considered by Cabinet in December. It will also review the final Revenue Budget and Investment Strategy, which will be approved by Full Council.

As well as the regular reports. During 2021-22 the Committee will comment on a review of the Financial Regulations and Procurement Rules. The Committee will also be provided with an update on the CIPFA Financial Management Code.

Members of the Committee are also regularly asked to provide ideas for agenda items.

All Members of the Committee are encouraged to carry out a skills self-assessment. This will enable training to be tailored to the needs of Committee Members. Attendance at a meeting of the Risk and Opportunities Management Group would also be beneficial. This will enable Members of the Committee to discharge their responsibilities to the best of their ability.