

NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MINUTES

**Meeting held in Foundation House, Icknield Way,
Letchworth Garden City, on Wednesday, 22 March 2017 at 7.30p.m.**

PRESENT: *Councillors: Michael Weeks (Chairman), Simon Harwood (Vice-Chairman), Ian Albert, John Bishop, Deepak Sangha and Terry Tyler.*

IN ATTENDANCE: *Ian Couper – Head of Finance, Performance and Asset Management
Howard Crompton – Head of Revenues, Benefits and IT
Jeanette Thompson – Senior Lawyer
Ian Gourlay - Committee and Member Services Manager
Fiona Timms – Shared Risk Manager
Margaret Mulkerrin – Audit Manager (Shared Internal Audit Services)
Nick Jennings – Shared Anti-Fraud Manager (Shared Anti-Fraud Services)
Suresh Patel - Audit Executive Director, Ernst & Young
Robert Garnett - Team Leader, Ernst & Young*

ALSO PRESENT: *Councillor Julian Cunningham
1 member of the public.*

68. APOLOGIES FOR ABSENCE

The Chairman acknowledged the tragic events that had taken place that day in London, and asked for the Committee's condolences to be conveyed to the families of the Police Officer and members of the public who had lost their lives.

Apologies for absence were submitted on behalf of Councillor Jim McNally.

69. MINUTES – 23 JANUARY 2017

RESOLVED: That the Minutes of the Meeting of the Finance, Audit and Risk Committee held on 23 January 2017 be confirmed as a true record of the proceedings and be signed by the Chairman.

70. NOTIFICATION OF OTHER BUSINESS

There was no other item of business tabled.

71. 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 he 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 advised that, in line with the Code of Conduct, any Declarations of Interest should be declared immediately prior to the item in question.

72. PUBLIC PARTICIPATION

There was no public participation.

73. EXTERNAL AUDIT UPDATE

The Audit Executive Director, Ernst and Young, presented an External Audit Update report.

The Audit Executive Director advised there were no changes to the risks identified in the report to the Committee in January 2017. Ernst and Young were currently on site at NHDC carrying out an interim visit. Discussions were being held with NHDC officers regarding the timing of the Housing Benefits Claim (which would be earlier than in previous years). It was also intended that the bulk of Ernst and Young's value for money conclusion work would be completed in the near future.

The Audit Executive Director stated that the timetable for the Year End Audit had been recently agreed. Ernst and Young planned to be on site to carry out this work in the three weeks commencing on 24 July 2017. This would enable a report on this matter to be submitted to the September 2017 meeting of the Committee.

RESOLVED: That the External Audit Update report be noted.

REASON FOR DECISION: To enable the Committee to comment on the External Audit Update report.

74. LOCAL GOVERNMENT AUDIT COMMITTEE BRIEFING

The Audit Executive Director, Ernst and Young, presented the latest Local Government Audit Committee Briefing paper.

The Audit Executive Director referred to Page 18 of the Briefing Note, where a number of questions were raised for audit committees. He was aware that a number of the matters included were more relevant for County and Unitary Authorities than NHDC, but the one question that was relevant was "Has the Authority put plans in place to meet the faster close requirements for 2017/18?".

The Committee was informed that Ernst and Young was working closely with NHDC officers to put systems in place to meet the faster close requirements, which also meant that the dates for Committee meetings in 2018/19 would need to be differently distributed throughout that year.

The Chairman invited the Audit Executive Director to advise the Committee about a forthcoming Audit Committees Forum. The Audit Executive Director advised that the Forum would open to all Audit Committee Members from nearby Authorities to meet and discuss current governance issues and to hear what other Councils were facing in terms of challenges and how they were dealing with those challenges. Ernst and Young would be hosting the first of these Forums on 25 April 2017 in Cambridge, and another one was planned for London in June 2017. The Audit Executive Director would send details to the Committee Secretary for onward transmission to Members of the Committee.

RESOLVED: That the Local Government Audit Committee Briefing paper be noted.

REASON FOR DECISION: To enable the Committee to comment on the Local Government Audit Committee Briefing paper.

75. SHARED INTERNAL AUDIT SERVICES – UPDATE ON PROGRESS AGAINST THE 2016/17 AUDIT PLAN

The Audit Manager (SIAS) presented an update report on progress against the 2016/17 Audit Plan.

The Audit Manager advised that the report set out the final SIAS update for 2016/17 and was indicative of the year end position against the approved Audit Plan. As the Head of Assurance had outlined at the December 2016 meeting of the Committee, SIAS had faced a number of significant resource challenges throughout the year which had impacted on service delivery. This was reflected in the below target outcomes against the performance indicators.

The Audit Manager reported that the current position against the two Key Performance Indicators was that 84% of billable days had been delivered against a

target of 95% and that 66% of audits had been delivered to draft report stage against a target of 95%.

The Audit Manager stated that, since submission of the report, SIAS had issued Treasury Management and Grants draft reports and had finalised reports on the IT Asset Management, Main Accounting Systems and Housing Benefits and Rent Allowances audits, all of which had been given an overall assurance level of substantial. SIAS had moved into the fieldwork stage in respect of the Use of Consultants and Prevent audits.

The Audit Manager advised that calculations based on current workloads indicated that final SIAS performance for NHDC for 2016/17 was likely to be in the region of 90% of billable days delivered and 80% of reports delivered to draft stage. To achieve this, SIAS would be aiming to issue draft reports on the Council Tax, NNDR, Payroll and Contract Management audits, and to finalise all reports currently at draft stage.

The Audit Manager explained that, as a consequence of the above situation, SIAS would be carrying forward a higher level of work into 2017/18 than in previous years. The six pieces of work to be carried forward were the Contractors, Green Space Strategy and Risk Management audits (due to SIAS resource issues) and the Careline, Hitchin Town Hall and Appraisal Audits (due to lack of client availability or requests for a deferral into 2017/18).

The Audit Manager commented that the Head of Assurance was confident that sufficient work would be completed in 2016/17 for him to issue an assurance statement for NHDC, with his opinion based on completed work and relevant fieldwork.

The Committee debated the two High Priority Audit recommendations in respect of Data Protection and Freedom of Information. Concern was expressed with the current practice used by some Members of the auto forwarding of e-mails to personal e-mail addresses, as this was contrary to the Public Sector Network requirements necessary to comply with the Cabinet Office standards, could lead to Data Protection breaches, and was contrary to the IT Information Security Policy, to which all Members had signed up. It was agreed that this matter be referred to Cabinet for action, and that auto forwarding would cease on a date agreed by the Cabinet.

The Committee further agreed that Cabinet should be requested to ensure that all Members of the Council registered themselves with the Information Commissioner's Office (ICO) as Data Controllers, which could be done on behalf of councillors by the Council's IT Manager, and that all Members be urged to undertake the Data Protection e-learning module on the Council's Learning Management System.

RESOLVED:

- (1) That the Internal Audit Progress Report for the period to 4 March 2017 be noted; and
- (2) That the implementation status of high priority recommendations be noted.

RECOMMENDED TO CABINET: That, in respect of the two High Priority Audit recommendations relating to Data Protection and Freedom of Information:

- (1) The current practice used by some Members of the auto forwarding of e-mails to personal e-mail addresses be discontinued, and be ceased on a date set by the Cabinet;
- (2) All Members of the Council register either themselves, or with assistance from the IT Manager, with the Information Commissioner's Office (ICO) as Data Controllers; and
- (3) All Members be urged to undertake the Data Protection e-learning module on the Council's Learning Management System.

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

76. NHDC AUDIT PLAN FOR 2017/18

The Audit Manager (SIAS) presented a report in respect of the proposed North Hertfordshire District Council Internal Audit Plan for 2017/18.

The Audit Manager advised that the proposed Plan had been developed by NHDC officers, with appropriate input from SIAS, and conversations with the Committee Chairman and the Council's External Auditors. The Plan had been influenced by entries in the Council's Risk Register and relevant National issues, to the extent that these might impact on the achievement of the Council's objectives.

The Audit Manager explained that the Plan had also been agreed with the Council's Section 151 Officer, who had responsibility for ensuring the provision of an adequate Internal Audit service.

The Audit Manager stated that the split of work across the various audit areas was shown in the Table at Paragraph 2.7 of the report. She commented that there was a contingency of 5 days to allow SIAS to respond to any issues that might emerge during the year. Two joint reviews were scheduled, but the scope of these had yet to be determined, but would be agreed by the SIAS Board.

The Audit Manager advised that the Serious and Organised Crime Agency (SOCA) checklist was going to be completed across all clients and shared learning distributed as appropriate.

The Audit Manager explained that there was a high level indicative scope for each of the reviews in the Plan, and these would be developed into assurance areas at the time of scoping and would reflect the risks in those service areas at the time of each audit. SIAS was currently scheduling the audits, and the agreed schedule would be reported to the next meeting of the Committee in June 2017. Should any of the planned audits fail to come to fruition then a substitute would be sought. It had been agreed that consultancy support would be provided in respect of the Integra System upgrade process, and the outcomes considered when determining the scope and timings of the Key Financial Systems audit.

The Audit Manager and other officers answered a number of questions raised by Members on the 2017/18 Audit Plan.

RESOLVED: That the proposed North Hertfordshire District Council Internal Audit Plan for 2017/18, as set out at Appendix A to the report, be approved.

REASON FOR DECISION: To ensure that the Committee was aware of the proposed NHDC Internal Audit Plan for 2017–2018.

77. SHARED ANTI-FRAUD SERVICES (SAFS) – PROGRESS REPORT

The Shared Anti-Fraud Service (SAFS) Manager presented a report providing progress against the Council's Anti-Fraud Action Plan adopted by the Committee at its meeting held in March 2016, and seeking consideration of the proposed Anti-Fraud Action Plan for 2017/18.

The SAFS Manager reminded the Committee that SAFS was originally created as a two year pilot, in 2015, with an option to extend the service for a maximum of five years. In December 2016, the SAFS Board agreed to continue with the existing service from April 2017 and the Partnership had now been joined by Luton Borough Council from January 2017.

The SAFS Manager advised that, between April and December 2016, SAFS received over 600 allegations of fraud across all of its Partners. For NHDC, 66 matters had been reported in year and a number of live cases were carried forward from

2015/2016. A full report on cases dealt with in 2016/1017 would be provided to the Committee in the summer of 2017, but currently fraud savings or losses in excess of £91,000 had been identified. Training had been delivered to officers of the Council on Anti-Money Laundering, Fraud Awareness and ID Fraud. Elected Members had also been provided with some general fraud awareness, as well as an introduction to SAFS.

In respect of Pilot Projects, the SAFS Manager stated that SAFS had developed a good relationship with the Council's Revenues and Benefit Service and this had included fraud awareness training and an improved reporting fraud process. SAFS had also worked with the Housing, Customer Service and Parking Enforcement Teams. SAFS had delivered a county-wide Council Tax Review Framework to identify fraud in Council Tax, particularly around fraudulent discounts and exemptions, as well as empty homes, and Council Tax support schemes. This would be introduced in the Spring of 2017 for all Districts, and would be funded by the County Council and all participating districts. In addition, NHDC was a pilot site (one of 5 in the UK) for joint working with the Department for Work and Pensions where allegations of fraud impacted on both Council Tax and housing benefit. These cases were investigated in partnership by SAFS and DWP Investigators. This pilot had been so successful that DWP had announced a national roll out in the summer of 2017.

The SAFS Manager referred to the 2016/17 Anti-Fraud Action Plan and progress against this set out in Appendix 1 to the report. He commented that all of the objectives set in the 2016/17 Plan had been achieved, or were well on the way to delivery. He further referred to the proposed Anti- Fraud Action for 2017/18, attached as Appendix 2 to the report. Adherence to the proposed plan for 2017/2018 would ensure compliance with the Council's own Strategy, and the best practice guidance issued by the Government, National Audit Office and CIPFA.

The SAFS Manager concluded by advising that SAFS would provide data to meet the requirements of Transparency Code for publication by NHDC.

Upon a request by the Committee, the SAFS Manager undertook to provide Members with a breakdown of the 66 matters reported to SAFS in 2016/17.

RESOLVED:

- (1) That the progress of the Anti-Fraud Service and progress against the Anti-Fraud Action Plan 2016/17, as set out in Appendix 1 to the report, be noted; and
- (2) That the Anti-Fraud Action Plan 2017/18, as set out at Appendix 2 to the report, be agreed.

REASON FOR DECISION: To enable the Committee to monitor the progress and development of SAFS and to keep Members advised on current fraud matters.

78. RISK MANAGEMENT UPDATE

The Shared Risk Manager presented a report which provided an update on Risk Management.

The Shared Risk Manager advised that the sub-risk of Shared Procurement Opportunity underlying the Corporate risk of the Waste and Street Cleansing Contract renewal had been subject to an increased likelihood due to the time being taken to finalise the specification. This had been due to infrastructure and the client management and customer service elements of the contract, following a change to the preferred procurement option in January 2017. The contract would now no longer be awarded in line with the original timeframe of May 2017, which may have further impacts on the bidders' willingness to participate in the procurement. New timelines would be developed once agreement had been reached on the final scope of the outstanding elements of the specification. Despite the increase in the sub-risk score,

the overarching Waste and Street Cleansing Contract renewal risk had remained at the same assessment level.

The Shared Risk Manager explained that, due to several high profile cyber attacks across the public and private sector, and the current public awareness about cyber security, this former service level risk was now proposed as a new Corporate risk. Although the Council had very good levels of security in place, this risk could not be fully mitigated. The most likely spread of any virus or download of ransomware would be through an officer or Member inadvertently opening an attachment they received via e-mail. Training in data protection for all was a high level recommendation in a recent SIAS audit.

The Shared Risk Manager stated that full details of mitigation actions for both of the above risks were set out in Appendix A to the report.

A Member questioned the risk level relating to the "Increased Homelessness and use of Bed and Breakfast" risk, in view of the fact that he understood that the Council's performance in this area had improved. The Head of Finance, Performance and Asset Management and Shared Risk Manager undertook to investigate the matter and review the risk at the next meeting of the Risk Management Group.

RECOMMENDED TO CABINET: That the increase in the score for the sub-risk of the Shared Procurement Opportunity relating to the overarching risk of the Waste and Street Cleansing Contract Renewal corporate risk, and the addition of a new risk in respect of Cyber risks, be approved.

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

79. REVIEW OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2015/16 AND LOCAL CODE OF CORPORATE GOVERNANCE

The Senior Lawyer presented a report in respect of progress against the improvement actions arising from the Annual Governance Statement (AGS) for 2015/16, and to approve the updated Local Code of Corporate Governance.

The Senior Lawyer advised that the review of the 2015/16 AGS Action Plan for implementation in 2016/17 was set out in tabular form at Paragraph 8.1 of the report, with narrative description of progress against the various principles in the Action Plan in Paragraphs 8.2 to 8.9.

In respect of the Local Code of Corporate Governance, the Senior Lawyer reminded Members that this had been last reviewed in March 2016 under the previous CIPFA/SOLACE framework principles. New principles had since been issued, and hence the Local Code, attached at Appendix B to the report, had been updated to reflect those principles.

Returning to the review of the 2015/16 AGS Action Plan, the Senior Lawyer stated that some actions were ongoing, but largely these were on target to hopefully improve the governance arrangements for the Council.

The Senior Lawyer drew attention to Paragraph 8.7 of the report, concerning Anti-Bribery training via the e-learning module in the Council's Learning Management System. The training was launched in April 2016 as part of the Council's Anti-Bribery Policy Review, on the recommendation of the Shared Anti-Fraud Service Counter Fraud Manager. A Shared Internal Audit Service (SIAS) Review of the Council's ethical policies, reported in November 2016, contained a recommendation that all employees and Members should undertake this e-learning module.

The Senior Lawyer reported that, as at the date of this meeting, 271 out of 310 employees had completed the training, but that only 4 Members had done so. She therefore invited the Committee to make a recommendation to Council which it was hoped would assist in meeting the SIAS recommendation. She commented that the e-learning module would take about 15 minutes to complete.

The Committee supported the proposed recommendation to Council on the Anti-Bribery training, as well as noting the current position with the AGS Actions for implementation in 2016/17 and approving the revised Local Code of Corporate Governance.

RESOLVED:

- (1) That the current position with the Annual Governance Statement actions for implementation in 2016/17 be noted; and
- (2) That the revised Local Code of Local Governance, attached at Appendix B to the report, be approved.

RECOMMENDED TO COUNCIL: That all Members and employees undertake the Anti-Bribery e-learning module, as per the Shared Internal Auditor's (SIAS) report recommendation of November 2016.

REASON FOR DECISION: To provide the Committee with assurance that it is following through with its commitment to improve its governance arrangements; and to ensure the Local Code of Corporate Governance remains up to date and relevant.

80. THIRD QUARTER REVENUE BUDGET MONITORING 2016/17

The Head of Finance, Performance and Asset Management presented the report of the Strategic Director of Finance, Policy and Governance in respect of Third Quarter Revenue Budget Monitoring for 2016/17.

The Head of Finance, Performance and Asset Management referred to the two most significant variances relating to:

- The lower level of housing benefit overpayments identified in the year and the difficulty in recovering outstanding debt from large benefit overpayment invoices raised in recent years - £330,000; and
- The transfer of the building control service to the new trading company, including compensation for the value of work outstanding at the time of the transfer - £159,000.

The Head of Finance, Performance and Asset Management explained the reasons for these variances.

RESOLVED: That the Third Quarter Revenue Budget Monitoring report for 2016/17 be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Third Quarter Revenue Budget Monitoring report for 2016/17.

81. THIRD QUARTER CAPITAL PROGRAMME MONITORING 2016/17

The Head of Finance, Performance and Asset Management presented the report of the Strategic Director of Finance, Policy and Governance in respect of Third Quarter Capital Monitoring for 2016/17.

The Head of Finance, Performance and Asset Management advised that the report focussed on the Capital Schemes that had been re-profiled into 2017/18. The largest of these was the District Council Offices refurbishment work, and the Programme now reflected the fact that the majority of this work would be carried out in 2017/18. Linked to this were a number of property-related projects which had also been re-profiled into 2017/18 due to the fact that the Property Team had been concentrating on work in connection with the District Council Offices refurbishment project.

In respect of Section 106 projects, the Committee requested the Head of Finance, Performance and Asset Management be requested to submit a report to a future meeting of the Committee providing details of the remaining Section 106 balances.

RESOLVED:

- (1) That the proposed Third Quarter Capital Programme Monitoring report for 2016/17 be noted; and
- (2) That the Head of Finance, Performance and Asset Management be requested to submit a report to a future meeting of the Committee providing details of the remaining Section 106 balances.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Third Quarter Capital Programme Monitoring report for 2016/17.

82. THIRD QUARTER TREASURY MANAGEMENT MONITORING 2016/17

The Head of Finance, Performance and Asset Management presented the report of the Strategic Director of Finance, Policy and Governance in respect of Third Quarter Treasury Management Monitoring for 2016/17.

The Head of Finance, Performance and Asset Management advised that, during the Third Quarter, the Council had continued to operate within the treasury and prudential indicators, as set out in the Treasury Management Strategy Statement, and in compliance with the Treasury Management Practices.

The Head of Finance, Performance and Asset Management stated that the amount of interest received was slightly higher than that reported in the Second Quarter.

RESOLVED: That the Third Quarter Treasury Management Monitoring report for 2016/17 be noted.

REASON FOR DECISION: To provide an opportunity for the Committee to comment as appropriate on the Third Quarter Treasury Management Monitoring report for 2016/17.

83. CAR PARK EXPENDITURE

The Head of Finance, Performance and Asset Management submitted a report in respect of car park expenditure for 2015/16.

The Head of Finance, Performance and Asset Management advised the report dealt with direct and allocatable costs on the Council's car parks. The report did not consider overheads or capital costs in any detail.

The Head of Finance, Performance and Asset Management referred to Table 2 of the report, which detailed the basis of cost apportionment; Table 3, which detailed actual expenditure, income and operating surplus/loss for each car park; and Appendix A to the report, which set out direct and allocated costs by car park for 2015/16.

The Committee thanked the Head of Finance, Performance and Asset Management for a thorough report. Members were keen to receive some information on car parking trends, and hence requested the Head of Finance, Performance and Asset Management to submit a report to a future meeting of the Committee in respect of a comparison of the income and expenditure on car parking in the last three years.

The Committee noted that the Overview and Scrutiny Committee had recently considered a report on proposed changes to car parking tariffs across the District. Due to the Committee's role in reviewing financial matters, it was therefore agreed that officers and the relevant Executive Member give consideration to the request that, in the future, the Committee receives reports on proposed changes to car parking tariffs across the District.

The Vice-Chairman of the Committee asked about the implications of some of the information recorded in the minutes of the meeting. These mainly related to the operating surpluses/losses for each car park. However, he looked forward to seeing

how some of these concerns might be addressed through the forthcoming review of the Council's Car Parking Strategy.

RESOLVED:

- (1) That the report be noted;
- (2) That the Head of Finance, Performance and Asset Management be requested to submit a report to a future meeting of the Committee in respect of a comparison of the income and expenditure on car parking in the last three years; and
- (3) That officers and the relevant Executive Member give consideration to the request that, in the future, the Committee receives reports on proposed changes to car parking tariffs across the District.

REASON FOR DECISION: To respond to a request made by the Committee to receive a report on car park expenditure.

84. FUTURE MEETINGS - POSSIBLE AGENDA ITEMS

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

The meeting closed at 9.24p.m.

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Chairman