



Finance, Audit and Risk Committee
Annual Report

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Introduction from the Chair of the Committee

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 2022.

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 Keith Hoskins

May 2022

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

Effectiveness

The Chartered Institute of Public Finance and Accountancy (CIPFA) have produced a publication on "Audit Committees: Practical Guidance for Local Authorities and Police". This recommends that Audit Committees should consider their effectiveness and provides an self-evaluation tool to facilitate this. The Council asked the Shared Internal Audit Service (SIAS) to undertake such a review in July last year, which was reported to Committee at July meeting (<https://democracy.north-herts.gov.uk/documents/s16780/Appendix%20A%20-%20SIAS%20Review%20of%20the%20effectiveness%20of%20the%20Finance%20Audit%20and%20Risk%20Committee.pdf>). A similar review will not be carried out this year as it was not part of the agreed Audit Plan for 2022-23. It was not included as the findings in each of the previous reviews had been very similar.

The findings of the 2021 review (and progress made against the recommendations) were:

- **Independent Member (non-political appointment).** It is best practice for the Committee to have an Independent Member. A selection process for an Independent Member has taken place and their appointment was confirmed at Annual Council. It is expected that they will be attending FAR meetings from June 2022 onwards.
- **Forward Work Plan.** The Committee could have a forward work plan. In effect this document sets out the expected regular reports as well as (in the Planned Work) section any irregular reports expected in the coming year. Members of the Committee are also encouraged to recommend future agenda items.
- **Learning and Development.** The established practice is that Members of the Committee are asked to complete a skills self-assessment at the beginning of each year. This is then used to determine and deliver relevant training. This exercise was missed in 2020/21 due to the Covid-19 pandemic but was reintroduced in 2021/22. Delays in the completion of the self-assessment grids meant that there was little time left in the year to provide the training. Some training was provided in the form of a more detailed introduction when items were presented to the Committee. Also the report on the Financial Management Code (in September) provided an insight in to the Council's Balance Sheet. This year a general Councillor finance training session will be provided in early June. A fraud awareness session is also being planned. This will be supplemented with online training and any other topics that members of the Committee would like more training on.
- **Terms of Reference.** Recommended some minor changes to the Committees Terms of Reference. These will be considered as part of the next full review of the Council's Constitution.
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During 2022/23 the Council will have a follow-up to its Peer Review. Part of this follow-up will provide support on improving the effectiveness of the Audit Committee.

As part of the 2023/24 Internal Audit Planning it will be considered whether to reinstate the SIAS review in Summer 2023.

Members of the Committee

The following Members were appointed to the Committee for 2021/22:

Councillor Keith Hoskins	Liberal Democrat	Chair
Councillor Clare Billing	Labour and Co-operative	Vice-Chair
Councillor Sam Collins (to July 2021)	Liberal Democrat	
Councillor Adam Compton	Conservative	
Councillor Morgan Derbyshire	Conservative	
Councillor Terry Hone	Conservative	
Councillor Adem Ruggiero-Cakir	Labour and Co-operative	
Councillor Sean Prendergast (from July 2021)	Liberal Democrat	

Substitutes:

Councillor Juan Cowell	Conservative
Councillor George Davies	Conservative
Councillor Steve Jarvis	Liberal Democrat
Councillor Nigel Mason	Labour and Co-operative
Councillor Kay Tart	Labour and Co-operative
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 six times in the year and the following reports were presented and discussed:

23 June 2021

Annual Assurance Statement and Internal Audit Annual Report 2020-2021
SIAS update on progress against the 2021-22 audit plan
FAR Annual Report
Risk Management Update
Revenue Budget Outturn 2020-2021
Investment Strategy Outturn 2020-21

12 July 2021

Shared Anti-Fraud Service Annual Report 2020-21
Annual Governance Statement for 2020-21
SIAS review of the effectiveness of the Audit Committee

15 September 2021

SIAS Annual Report 2020-21
SIAS update on progress against the 2021-22 Audit Plan
Risk Management Update (Q1)
Revenue Monitor Q1 2021-22
Investment Strategy Q1 2021-22
Medium Term Financial Strategy
Financial Regulations Review
Financial Management Code and Balance Sheet Insight

15 December 2021

External Audit 2020-21 Update report
SIAS update on progress against the 2021-22 Audit Plan
SAFS Anti-Fraud Progress Report
Risk Management Update (Q2)
Revenue Monitor Q2 2021-22
Investment Strategy Q2 2021-22
Draft Budget 2022-23
Integrated Performance Management proposal
Appointment of External Auditors for 2023-24 to 2027-28

17 January 2022

Updated Contract Procurement Rules
Revenue Budget 2022-23
Investment Strategy (Integrated Capital and Treasury) 2022-23 onwards

16 March 2022

Annual Governance Statement 2020-21
Local Code of Corporate Governance 2022
Audit Results Report 2020-21
Statement of Accounts 2020-21
SAFS Anti-Fraud Plan for 2022-23 and Anti-Fraud Progress Report 2021-22
Updated Fraud Policy
Internal Audit Plan for 2022-23
SIAS update on progress against the 2021-22 Audit Plan
Risk Management Update (Q3)
Revenue Monitor Q3 2021-22
Investment Strategy Q3 2021-22
Tax Compliance Framework
Council Delivery Plan

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.

The Committee received reports on changes to the Contract Procurement Rules, the Fraud Policy and Financial Regulations. This allowed the Committee to review the proposals. These were all referred on to Cabinet or Council (as relevant) where they were adopted.

The Committee was also asked to comment on the development of proposals in relation to the Council Delivery Plan. The Council Delivery Plan seeks to better align performance and risk. The Committee will have less of a role in reviewing specific risks, but will look to strengthen the oversight role of risk management processes.

The Committee also provided comment on the development of a Tax Compliance Framework.

Planned work for 2022-23

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

June

End of year (2021/22) outturn reports for Revenue Budget and the Investment Strategy
SIAS End of year (2021/22) report for North Herts Council
Risk Management Annual Report
FAR Annual Report

September

Shared Anti-Fraud Service Annual Report 2021-22
SIAS Annual Report for the overall Shared Service
SIAS Update on 2022-23 progress
Quarter 1 updates on Revenue budget and Investment Strategy
Medium Term Financial Strategy

December

SIAS Update on 2022-23 progress
Mid-year updates on Revenue budget, Investment Strategy and Risk
Draft Budget 2023-24
Anti-Fraud Progress Report 2022-23

January

Revenue Budget 2023-24
Investment Strategy (Integrated Capital and Treasury) 2023-24 onwards

March

SIAS Update on 2022-23 progress
Audit Plan for 2023-24
Quarter 3 updates on Revenue budget and Investment Strategy
SAFS Anti-Fraud Plan for 2023-24 and Anti-Fraud Progress Report 2022-23

The Committee will also approve the Council's Statement of Accounts and receive regular reports from the Council's Auditors (Ernst and Young LLP). The timing of these will depend on when Ernst and Young carry out the Council's audit. A meeting has been scheduled at the end of November in line with the statutory deadline for the sign-off of the Council's accounts.

During the year the Committee will also be asked to review an update to the Council's Financial Regulations.

Members of the Committee can also make recommendations of other topic areas that they would like to discuss/ be reported on. This will be subject to them being within the remit of the Committee, and not over-lapping with the role of Overview and Scrutiny Committee.

All Members of the Committee are encouraged to take advantage of the various offers of training and development that will be made by Officers, as well as any relevant external courses that are available.