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NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE TO BE ADVISED
ON WEDNESDAY, 16TH MARCH, 2022 AT 7.30 PM

MINUTES

Present: *Councillors: Councillor Keith Hoskins MBE (Chair), Councillor Clare Billing (Vice-Chair), Adam Compton and Terry Hone*

In Attendance: *Ian Couper (Service Director – Resources) Debbie Hanson (Ernst & Young), Ghulam Hussain (Ernst & Young), Nick Jennings, Mark Chalkley (Client Audit Manager), William Edwards (Committee, Member and Scrutiny Manager) and Louis Mutter (Committee, Member and Scrutiny Officer)*

10 APOLOGIES FOR ABSENCE

Audio recording – 1:18

Apologies for absence were received from Councillors Sean Prendergast, Adem Ruggerio-Cakir and Morgan Derbyshire.

11 MINUTES - 17 JANUARY 2022

Audio Recording – 1:35

RESOLVED: That the Minutes of the Meeting of the Committee held on 17 January would be approved at the next Committee meeting, due to it not being included in the agenda pack.

12 NOTIFICATION OF OTHER BUSINESS

Audio recording – 1:52

There was no other business notified.

13 CHAIR'S ANNOUNCEMENTS

Audio recording – 1:58

- (1) The Chair welcomed those present at the meeting, especially those who had attended to give a presentation;
- (2) The Chair advised that, in accordance with Council Policy, the meeting would be audio recorded;
- (3) 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.

14 PUBLIC PARTICIPATION

Audio recording – 2:20

There was no public participation at this meeting.

15 ANNUAL GOVERNANCE STATEMENT 2020/21

Audio Recording: 2:25

The Policy and Community Engagement Manager presented the report entitled Annual Governance Statement 2020/21 along with Appendix A – Annual Governance Statement for 2020-21 and Action Plan for 2021-22 and drew attention to the following:

- This report had been brought to the Committee last July for comments;
- The statement sets out the Council's Governance arrangements for the 2021 period and proposes an Action Plan for the next financial year;
- The statement received comments from SAFS and Ernst & Young and changes were made subsequent to those comments.

Councillor Keith Hoskins proposed and following a vote it was:

RESOLVED: That the Committee is recommended to approve the amended AGS and Action Plan (Appendix A)

REASON FOR DECISION: The AGS must be considered and approved by this Committee before the Statement of Accounts under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR') 2015/234.

16 LOCAL CODE OF CORPORATE GOVERNANCE 2022

Audio Recording: 5:15

The Policy and Community Engagement Manager presented the report entitled Local Code of Corporate Governance 2022 and highlighted the following key points:

- The Code is updated annually and is based on the Chartered Institute of Public Finance and Accountancy;
- It is the basis for the assessment of the Governance arrangement;
- The document hasn't changed much since last year except the section which discusses the Council Plan as this is changing in 2022;
- Will be reviewed annually to make use it's a current and live document.

The following Members asked questions:

- Councillor Terry Hone

In response to questions the Policy and Community Engagement Manager advised:

- The legal entity remains to be North Herts District Council, however in the body of reports it is intended to use North Herts Council

Councillor Keith Hoskins proposed and following the vote it was:

RESOLVED: That the Committee approves the Local Code of Corporate Governance 2022 (Appendix A)

REASON FOR DECISION: It is recommended practice to review the Local Code of Corporate Governance each year to ensure it remains up to date and relevant.

17 AUDIT RESULTS REPORT

Audio Recording: 8:47

Ernst & Young presented the report entitled Audits Results and highlighted the following key points:

- This is a required report once E&Y have completed their audit and before their opinion is given on financial statements;
- To highlight the key risks identified, the work that has been done to address those risks, and the conclusion from the audit work;
- Now substantially completed the audit of the accounts of 2021 financial year, there are some areas of work that are subject to manager review, aiming to complete those over the next few weeks;
- The biggest remaining piece of work is the review of the Council's property plan and equipment;
- No significant changes from the planned audit procedures; have updated their materiality based draft financial statements;
- Haven't identified any risks or change to risks during the audit work;
- Haven't identified any difference from the audit other than minor disclosure differences;
- Have now identified one adjusted difference of £651,000 which is a reduction of pension fund liability;
- One area that won't be completed in a timely basis is the work on the Whole of Government Accounts on behalf of the NAO, due to the instructions of that work not being issued until July this year; Cannot issue the audit certificate which concludes the audit;
- Page 44 summarises the risks that E&Y have identified, which includes 2 fraud risks and 1 significant risk;
- Have not identified any issues in relation to the fraud risks; and have completed work on investment properties;
- Have also completed the work on Grant Income and have not identified any issues.

The following Members asked questions:

- Councillor Terry Hone
- Councillor Adam Compton

In response to questions, Ernst & Young advised:

- E&Y are happy to report back to the Committee once all stages of the audit have been completed and if any issues arose it would be brought to the Committee.

Councillor Keith Hoskins proposed and following a vote, it was:

RESOLVED: That the Audit Results Report be noted by the Committee.

18 STATEMENT OF ACCOUNTS 2020/21

Audio Recording: 18:47

The Service Director – Resources presented the report entitled Statement of Accounts 2020/21 along with Appendix A – Draft Statement of Accounts 2020/21 (current version at the time of writing the report)

Councillor Keith Hoskins proposed and following a vote, it was:

RESOLVED:

(1) That the draft 2020/21 Annual Statement of Accounts, as set out in Appendix A, be approved based on the draft Audit Results report.

(2) That, subject to the final Audit Results report not requiring any substantial changes, the Committee delegates to the Chair of the Committee the final approval of the 2020/21 Annual Statement of Accounts. This will include confirming that the Chair of the Committee can sign the Statement of Accounts to confirm that they have been approved by the Committee.

REASON FOR DECISION: To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts.

19 **SAFS PROPOSED ANTI-FRAUD PLAN 2022/23 AND PROGRESS WITH DELIVERY OF 2021/22 PLAN**

Audio Recording: 21:25

Nick Jennings presented the report entitled SAFS Proposed Anti-Fraud Plan 2022/23 and Progress with Delivery of 2021/22 Plan and highlighted the following key points:

- The report covers two topics and includes two recommendations;
- The appendices included in the agenda pack are in the reverse order and should be: Appendix A – Proposed Anti-fraud plan and Appendix B – SAFS KPI Performance for 2020-21;
- Structured the plan around the five pillars of: Govern, Acknowledge, Prevent, Pursue and Protect in fighting fraud in Local Government.
- Membership of SAFS partnership for the Council will be £86,165 which has seen a increase of 2.5%;
- Have been working with landlords to investigate tenancy fraud across the district boundaries;
- New arrangements to work with Settle Housing;
- The new County-wide Council Tax Review Framework is now funded entirely by the County Council and the District Council can draw on this;
- Tweaked the KPI's including targets for fraud alerts and dissemination of referrals to third parties. Have reduced amount of fraud training however have extended packages for iLearn on money laundering and other fraud;
- Section 4 details work completed by the fraud officers;
- The level of fraud reporting has decreased this year;
- Reporting from the public however remains high – good indication that the public have confidence that they can report matters of fraud to the Council;
- SAFS carried forward 37 live cases from 2020/21 and currently 39 cases are open and under investigation with estimated fraud losses/savings of £147k;

The following Members asked questions:

- Councillor Clare Billing
- Councillor Terry Hone
- Councillor Adam Compton

In response to questions Nick Jennings advised:

- Very few of the allegations received end in prosecutions as it can be dealt with by other means. As a result the amount of prosecutions is very low. Deal with about 2-3 serious cases that end up in Criminal Courts;

- As part of the Fraud Investigation activity in North Herts, the housing register is reviewed frequently to ensure that if there is any changes in person's circumstances it is reported back to the housing team.

Councillor Keith Hoskins proposed and, following a vote, it was:

RESOLVED:

(1) That the Committee approves the Anti-Fraud Plan 2022/23;

(2) That the Committee notes the activity to protect the Council against fraud and corruption in 2021/22.

20 UPDATED FRAUD POLICY

Audio Recording: 35:23

The Service Director – Resources presented the report entitled Updated Fraud Policy and highlighted the following key points:

- This report represents a minor change to the Fraud Prevention Policy;
- The change that has been made is to reflect that the Shared Anti-Fraud Service has taken on the Money Laundering Reporting Officer role;
- The Council does not really receive MLRO issues so it makes sense for SAFS to do it for the Council;
- SAFS have offered to provide this service free of charge;
- Have also reviewed the Fraud Prevention Policy to make sure it is up to date.

Councillor Keith Hoskins proposed and, following a vote, it was:

RESOLVED: That the Committee approve the amended Fraud Prevention Policy as attached at Appendix A.

REASON FOR DECISION: The policy is kept under regular review. As explained in section 8 it is beneficial for SAFS to take on the MLRO role for the Council.

21 AUDIT PLAN 2022/2023

Audio Recording: 38:00

Mark Chalkley, SIAS Client Audit Manager presented the report entitled Audit Plan 2022/23 and highlighted the following key points:

- Section 1 of Page 239 provides a background of the Internal Audit Plan and the professional standards that are applicable to the process;
- Page 242 reflects changes made by SIAS after an external review of their process;
- Paragraph 2.2 sets out the 5 stage process to annual planning, and paragraph 2.3 sets out its horizon scanning method;
- Page 248 Paragraph 3.3 highlights the annual performance indicators that were approved by the SIAS board.
- Appendix A provides information on the level of priority of certain audits;
- Appendix B sets out the dates those audits would be considered.

The following Members asked questions:

- Councillor Adam Compton

In response to questions the SIAS Client Audit Manager advised:

- The high priority audits are included in the timetable in Appendix B and are spread across the year.

Councillor Keith Hoskins proposed and, following a vote it was:

RESOLVED:

(1) That the Finance, Audit and Risk Committee approve the proposed North Herts Council Internal Audit Plan for 2022/23;

(2) That the Committee agree on the Medium Priority Audits to be completed in Quarter 1 and 2.

22 Q3 2021/22 AUDIT UPDATE REPORT

Audio Recording: 47:10

The SIAS Client Audit Manager presented the report entitled Q3 2021/22 Audit Update Report and highlighted the following points:

- The report is a fairly brief update is the work so far this year;
- Page 258 Paragraph 2.5 highlights the proposed amendments agreed with management within this reporting period;
- Total number of billable days completed is 233 out of 270 – 86% versus the target of 90%;
- 16 completed projects compared to the target of 22;
- Although performance is quite strong, it is unlikely that SIAS will not meet the target for completed projects bringing it up to 92%.

The following Members asked questions:

- Councillor Terry Hone
- Councillor Adam Compton

In response to questions the SIAS Client Audit Manager advised:

- The two reports that will not be completed are: Ways of Working, due to start in Q4 which has not yet started and, Health and Safety of Lone Workers, which is underway but at risk at not scheduled to be completed. Anything that isn't complete by the end of this financial year are treated as a priority in the following months.
- Health and Safety of Lone Works was always scheduled to take place in Q4 and one half has been completed last year, however the pressures of the pandemic were on these teams during this work, it is predicted that the work will be done but the reporting stage will not be completed until after 31 March

Councillor Keith Hoskins proposed and, following a vote, it was:

RESOLVED:

(1) That the Committee notes the SIAS Progress Report for the period to 18 February 2022.

(2) To note the plan amendments to the 2021/22 Annual Audit Plan

23 RISK MANAGEMENT UPDATE

Audio Recording: 53:18

The Service Director – Resources presented the report entitled Risk Management Update and highlighted the following points:

- Not recommending any changes to Corporate Risk;
- Seen no need to change any of the risk scores and have focused a lot of the risk work in the upcoming Council Delivery Plan which is to be presented at the Committee later this evening.

The following Members asked questions:

- Councillor Adam Compton
- Councillor Clare Billing

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

- The team have been looking into what the impact could be with the ongoing conflict in Ukraine;
- The Council has very limited amount of vehicles however contractors do; at the moment they are continuing their services and are expected to in the future.
- No gas is bought from Gazprom;
-

Councillor Keith Hoskins proposed and, following a vote it was:

RESOLVED: That the Committee notes that there were no changes to Corporate Risk scores in this quarter.

REASON FOR DECISION:

- (1) The responsibility for ensuring the management of risks is that of Cabinet;
- (2) This Committee has responsibility to monitor the effective development and operation of Risk Management.

24 THIRD QUARTER REVENUE BUDGET MONITORING 2021/22

Audio Recording:

The Service Director – Resources presented the report entitled Third Quarter Revenue Budget Monitoring 2021/22 and highlighted the following points:

- This report is heading for Cabinet and is asking for any notes or comments from Members of this Committee;
- Table 3 Page 273 sets out a summary of significant variances and whether they are expected to be an impact on next years' 2022/23 budget;
- Paragraph 8.11 and table 5 provide an overall total of the impact of COVID-19 in terms of additional expenditure and loss income;
- Table 6 notes that the General Fund Balance is increased compared to the beginning of the year and forecast of the end of year previously – large contribution coming from other reserves.

Councillor Keith Hoskins proposed and, following a vote, it was:

RECOMMENDED TO CABINET:

- (1) The Committee recommends to Cabinet to note the report;
- (2) The Committee recommends to Cabinet to approve the changes to the 2021/22 General Fund budget, as identified in table 3 and paragraph 8.2, a £510k decrease in net expenditure;
- (3) The Committee recommends to Cabinet to approve the changes to the 2022/23 General Fund budget, as identified in table 3 and paragraph 8.2, a total £238k increase in net expenditure.

REASON FOR DECISION: Members are able to monitor, make adjustments within the overall budgetary framework and request appropriate action of Services who do not meet the budget targets set as part of the Corporate Business Planning process.

25 THIRD QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2021/22

Audio Recording: 1:01:40

The Service Director – Resources presented the report entitled Third Quarter Investment Strategy Review 2021/22 and highlighted the following key points:

- Report to go to Cabinet but welcomes feedback from this Committee;
- Table 2 are the various capital schemes which haven't taken place this year and so need approval from Cabinet to move across to the next year;
- Table 3 outlined Section 106 projects and the budget and forecast spend of those;
- Paragraph 8.9 mentions the small breach of the Treasury Strategy due to the Council's IT systems were down for the majority of the day and so payments could not be made;
- Paragraph 8.11 sets out the rates of interest the Council is earning, at the end of the Third Quarter the investment yield was very low but are now increasing for Short Term Investments.

The following Members asked questions:

- Councillor Adam Compton
- Councillor Clare Billing

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

- The foreign investment criteria is very high and far above the UK criteria, also set a high quality institution criteria for anything that is international. Also has to be in Sterling.
- The John Barker Place payments are expected to go out in the year 2022/23 after the 1st April.

Councillor Keith Hoskins proposed and, following a vote, it was:

RECOMMENDED TO CABINET:

- (1) The Committee recommends to Cabinet to note the forecast expenditure of £2.424M in 2021/22 on the capital programme, paragraph 8.3 refers;
- (2) The Committee recommends to Cabinet to approve the adjustments to the capital programme for 2021/22 onwards, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the estimated spend in 2022/23 by £0.823M;

(3) The Committee recommends to Cabinet to note the position of the availability of capital resources, as detailed in table 4 paragraph 8.6 and the requirement to keep the capital programme under review for affordability;

(4) The Committee recommends to Cabinet to note the position of Treasury Management activity as at the end of December 2021

REASON FOR RECOMMENDATION:

(1) Cabinet is required to approve adjustments to the capital programme and ensure the capital programme is fully funded.

(2) To ensure the Council's continued compliance with CIPFA's code of practice on Treasury Management and the Local Government Act 2003 and that the Council manages its exposure to interest and capital risk.

26 TAX COMPLIANCE FRAMEWORK

Audio Recording: 1:08:40

The Service Director – Resources presented the report entitled Tax Compliance Framework and highlighted the following key points:

- Inviting comments and feedback on the work of this report;
- HMRC have published a Tax Strategy and whilst the Council is not required to produce a strategy, the Council plans to publish one.
- This decision has been made as it is good practice, it also provides a named contact at HMRC which makes contacting HMRC easier.

Councillor Keith Hoskins proposed and, following a vote, it was:

RESOLVED: That the Committee comment on and note the proposed Tax Compliance Framework.

REASON FOR DECISION: The Council will benefit from having a Tax Compliance Framework, as it means that it will be allocated a contact at HMRC to discuss any relevant issues. This will support ongoing tax compliance. It also demonstrates best practice.

27 COUNCIL DELIVERY PLAN

Audio Recording: 1:10:50

The Service Director – Resources presented the report entitled Council Delivery Plan and made the following key points:

- This version of the Council Delivery Plan is for 2022/23 and has been discussed by the Overview & Scrutiny Committee last night;
- Appendix A is the proposed Council Plan;
- Appendix B is the list of risks and PIs that have been previously reported at this Committee or at the Overview and Scrutiny Committee that will not be reported in 2022/23;
- The majority of these risks have become outdated, however the online fraud is also listed, which is still important to the Council; the indirect potential implications are potential.

Councillor Keith Hoskins proposed and, following a vote, it was:

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RECOMMENDED TO CABINET: That Cabinet considers and formally approves the Council Delivery Plan and any associated targets, to be monitored throughout 2022/2023 by Overview & Scrutiny Committee.

REASON FOR RECOMMENDATION: An approved Council Delivery Plan provides the Cabinet with assurance that progress against achievement of the Council Plan objectives, will be monitored throughout 2022/23.

28 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 1:14:28

The Chair requested that, should any Members have any suggestions for agenda items for future meetings, they advise himself, officers or the Committee Clerk.

The meeting closed at 8:46 pm

Chair