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## NORTH HERTFORDSHIRE DISTRICT COUNCIL

### FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERONON ROAD, LETCHWORTH  
ON WEDNESDAY, 8TH MARCH, 2023 AT 7.30 PM

#### MINUTES

**Present:** *Councillors: Councillor Terry Tyler (Chair), Clare Billing (Vice-Chair), George Davies, Sean Nolan and Cannon*

*John Cannon (Independent Person)*

**In Attendance:**

*Ian Couper (Service Director - Resources), Antonio Ciampa (Accountancy Manager), Reuben Ayavoo (Policy and Community Engagement Manager), James Lovegrove (Committee, Member and Scrutiny Manager) and Eleanor Hopcraft (Committee, Member & Scrutiny Officer)*

**Also Present:**

*At the commencement of the meeting approximately 1 member of the public, including registered speakers.*

#### 79 APOLOGIES FOR ABSENCE

*Audio recording – 1 minute 49 seconds*

Apologies for absence were received from Councillor Terry Hone.

#### 80 MINUTES - 25 JANUARY 2023

*Audio Recording – 2 minutes 7 seconds*

Councillor Terry Tyler, as Chair proposed and Councillor Clare Billing seconded, and following a vote, it was:

**RESOLVED:** That the Minutes of the Meeting of the Committee held on 25 January 2023 be approved as a true record of the proceedings and be signed by the Chair.

#### 81 NOTIFICATION OF OTHER BUSINESS

*Audio recording – 2 minutes 52 seconds*

There was no other business notified.

#### 82 CHAIR'S ANNOUNCEMENTS

*Audio recording – 2 minutes 57 seconds*

(1) The Chair advised that, in accordance with Council Policy, the meeting would be audio 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 for the purposes of clarification for that 4.8.23(a) of the Constitution did not apply to this meeting.
- (4) The Chair led a Minute's silence in memory of former Councillor John Bishop, who passed away on 2 March 2023.

### 83 PUBLIC PARTICIPATION

*Audio recording – 5 minutes 23 seconds*

There was no public participation at this meeting.

### 84 ANNUAL GOVERNANCE STATEMENT

*Audio recording – 5 minutes 29 seconds*

Reuben Ayavoo, Policy and Community Manager presented the report and advised:

- The draft Annual Governance Statement (AGS) was presented to the Committee in December 2022.
- In section 5.1, there had been amendments made to principles F and G.
- There was an updated reference to the Ernst & Young external annual report.

Councillor Terry Tyler proposed, Councillor Sean Nolan seconded, and after a vote, it was:

**RESOLVED:** That the Committee approved the amended AGS and Action plan (Appendix A).

#### **REASONS FOR DECISION:**

- (1) The AGS must be considered and approved by this Committee before the approval of the Statement of Accounts under Regulation 6(4)(a) of the Accounts and Audit Regulations ('AAR' 2015/234).
- (2) The Committee is the legal body with responsibility for approval of the AGS.
- (3) Reviewing the AGS Action Plan during 2022-23 will provide the committee with assurances that the Council is examining and where necessary improving its governance arrangements.

### 85 LOCAL CODE OF GOVERNANCE

*Audio recording – 8 minutes 56 seconds*

Reuben Ayavoo, Policy and Community Manager, gave a verbal presentation and advised:

- The report outlined the Local Code of Governance (LCG), set out with the seven principles for approval in 2023.
- Good governance was measured against the LCG.
- Section 7.1 highlighted that it was good practice to have a LCG.
- In Section 4, the principles had been updated against the Council's objectives.
- The LCG would be revisited in 2024 unless there was a significant event which meant it must be reviewed sooner.

The following Member's asked questions:

- Councillor Sean Nolan
- Councillor Clare Billing

In response to the questions, Mr. Ayavoo advised:

- Other local authorities were looked at for evidence against good governance and learning.
- Whistleblowing was included in the report. Staff members had to complete an Annual Declaration of Anti-Fraud, Whistleblowing and other relevant policies.

The Service Director – Resources advised that the Council did pay heed to other local authorities and the governance issues they had.

Councillor Terry Tyler proposed, Councillor Clare Billing seconded, and after a vote, it was:

**RESOLVED:** That the Committee approved the Local Code of Corporate Governance 2023 (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.

## 86 AUDIT RESULTS REPORT

*Audio recording – 14 minutes 2 seconds*

Debbie Hanson, Ernst and Young, gave a presentation and advised:

- The audit was substantially complete and this report was drafted on 24 February 2023. Not expecting to find anything that would change the Accounts.
- There were no changes to the audit scope since the December presentation.
- Performance and overall materiality had been reviewed and remained appropriate.
- Expect to issue an unqualified opinion.
- Work undertaken on Value for Money identified no significant issues.
- The Value of Money risk assessments were not fully complete but were not expected to identify any issues.
- Certificates were unable to be issued alongside the audit opinion due to ongoing authority sampling that the National Audit Office (NAO) may require.
- Have identified some audit adjustments which are outlined in the report.
- Page 72 detailed control environment recommendations in relation to the fixed asset register cash flow statement.
- The Council have already committed to take action to address these recommendations, which was positive.

In response to the question from Councillor Tyler, Ms. Hanson advised that there was no timescale on when certificates could be provided.

Rachel Merez, Ernst and Young, gave a presentation and advised:

- There were no issues identified in Misstatements to due to fraud or error and inappropriate capitalisation of Revenue spend.
- No material errors were found in valuation of Investment properties.
- PPE valuation balance identified a few issues such as a duplicate asset in the fixed asset register relating to Museum Services development valued at £5.6million.
- As this would impact the prior year's figures, would require adjustments to the comparative years too.

- The Council had identified other assets that had the same issue, but the impact was not as material and adjustments will be made.
- Revaluation reserves had identified issues. Some upward movement had gone to revaluation reserves instead of provision of services. Other assets were being queried from this issue, but there was no impact on the General Fund.
- £1.5million of other land, buildings assets needed to be reclassified to other PPE categories, which management had opted to adjust for.
- A minor disclosure point was raised which related to the Summary of Assets valued each year. Management has agreed to include this in the Statement of Accounts.
- In relation to the net pension liability value, Ernst and Young were waiting to receive the assurance letter from the pension fund auditor.
- In relation to the Net Pension Liability Value, the Assurance Letter from the Pension Fund Auditor had not been received. A draft version had one minor error and adjustment.
- The Council had received an updated actuary report which showed an increased value of pension liability by £2million which they had agreed to adjust.
- Benefits paid was included in the Assurance Letter from the Pension Fund auditor and identified a difference of £617k in net pension benefit. This did not affect the overall balance of Pension Liability.
- Growing concern work now complete and no issues found.
- Other differences in the report related to the classification of short-term creditors and grants received in advance. The difference of £2.6million did not impact the total asset balance.
- Treatment of some transactions within the cash flow statement had been adjusted by management.
- One of the investment confirmations from Santander had not been received yet. Ernst and Young as well as Council management were chasing the confirmation.

Ms. Hanson and Ms. Merez thanked the Finance Team for their support during the audit.

The Service Director – Resources advised that the Council was chasing the investment confirmation from Santander.

In response to the question from Councillor Clare Billing, the Service Director – Resources advised that the Council were looking at simplifying the Fixed Asset register and learning from error. Adjustments would also be made for other errors.

In response to the question from John Cannon, Ms. Hanson advised that the 2022/23 Audit would start just before Christmas. It was likely that the deadlines in the Accounts and Audit regulations would not be met. The longer-term aim was to complete audits in a more compressed timetable.

Councillor Terry Tyler proposed, Councillor Clare Billing seconded, and after a vote, it was:

**RESOLVED:** That the Audit Results Report was noted.

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## 87 STATEMENT OF ACCOUNTS 2021/22

*Audio recording – 31 minutes 55 seconds*

The Service Director – Resources gave a verbal presentation and advised:

- The accounts were not finalised yet.
- The additional recommendation would delegate the Chair of the Committee to sign off the Accounts once the audit was complete on the basis that there were no significant changes.

- The report detailed processes and timescales for the Statement of Accounts.
- Paragraph 8.2 summarised the adjustments that the Council were looking to make.
- One adjustment related to duplicate expenditure which was primarily found in the material balance for Hitchin Town Hall and District Museum.
- When work on the building was carried out, expenditure was added to the fixed asset register to increase capital value. The asset was revalued subsequently and should have been readjusted down to the revalued total.
- Other adjustments and impacts were detailed in the report and had no impact on the General Fund.
- Paragraph 8.5 detailed that the Council was not aware of any events that had occurred since the year end that provided additional evidence of conditions or that affected the Statement of Accounts.
- The Council were planning to make changes for all items. It was unsure if adjustments would be made for the minor error on the Pension Fund.

In response to questions from John Cannon, the Service Director – Resources advised in Local Authority accounting the depreciation charge was charged to the service line and then removed to unusable reserves. In relation to the Control Frameworks, the Council would keep aware of the CIFA guidance.

Councillor Sean Nolan proposed, Councillor Clare Billing seconded and after a vote, it was:

**RESOLVED:**

- (1) That the Committee noted the 2020/21 Annual Statement of Accounts (addendum version), as set out in Appendix A (addendum).
- (2) That the Committee noted the audit work completed to date, the findings from that work and the resultant changes made to the Statement of Accounts.
- (3) That, subject to the final audit work not requiring any substantial changes to the Statement of Accounts, the Committee delegated to the Chair of the Committee the final approval of the 2021/22 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 DECISIONS:**

- (1) To ensure that the Council abides by the Audit and Account Regulations 2015, which require the approval and publication of audited Statement of Accounts.

**88 SAFS PROPOSED ANTI-FRAUD PLAN 2023/24 AND PROGRESS WITH DELIVERY OF 2022/23 AUDIT PLAN**

*Audio recording – 42 minutes 44 seconds*

Nick Jennings, Head of the Shared Anti-Fraud Service (SAFS) , gave a verbal presentation and advised:

- The report should have covered two areas, but there is not a written report to cover the current year progress. So covering that as a verbal update.
- The final report in summer 2023 would look over the delivery of the plan over 2022/23.
- Following the last update at the December meeting, anti-money laundering training was given to Officers in line with the Council's policy. Also delivered other fraud awareness training.

- There were 76 allegations of fraud affecting Council services, with 32 reports from staff. 41 cases were live subject to investigation, with an estimated potential fraud loss of £154k.
- 36 investigations were closed at the end of February, with 26 identifying fraud error or irregularity. These totaled over £100k in losses.
- SAFS were working with the Legal team to bring prosecutions on 2 cases.
- Section 3 and 8 referred to guidance and best practice from organisations such as the Local Government Association, DLUHC, CIPFA, CIFAS and others.
- The plan had been devised to meet the recommendations of the Fighting Fraud and Corruption Local Strategy.
- The plan identified Officers and Members who had a role in delivering plan.
- The Appendix listed activity and actions for next year to protect against fraud.

Councillor Terry Tyler proposed, Councillor Sean Nolan seconded, and after a vote, it was:

**RESOLVED:**

- (1) That the report was noted.
- (2) That the Committee reviewed and approved the Anti-Fraud Plan 2023/24.

**89 AUDIT PLAN 2023/24**

*Audio recording – 50 minutes 23 seconds*

Chris Wood, Head of the Shared Internal Audit Service (SIAS), gave a verbal presentation and advised:

- In the Local Governance Statement, the SIAS shared learning on governance issues.
- The role of SAFS should be reflected in the Code of Governance.
- The audit plan has been approved by the leadership team before coming to the audit committee.
- The planned use of 260 days in the Audit Plan was laid out in Appendix A.
- Section 3 detailed performance indicators, there was no change in indicators this year.
- There was one extra technical audit.
- There was a small reserve list laid out in a dynamic plan.

The following Members asked questions:

- Councillor Sean Nolan
- John Cannon

In response to the questions, Mr. Wood advised:

- BDO had been appointed to cover additional resilience on a 4 year tender. Resources had been procured from other firms
- There was a risk for Churchgate which SIAS would cover. Guidance may be needed around technical requirements.

Councillor Terry Tyler proposed and Councillor Clare Billing seconded and after a vote, it was:

**RESOLVED:** That the Committee approved the proposed North Herts Council Internal Audit Plan for 2023/24.

**90 Q3 2022/23 AUDIT UPDATE REPORT**

*Audio recording – 58 minutes 41 seconds*

Chris Wood, Head of SIAS, gave a verbal presentation and advised:

- The performance statistics in paragraphs 2.11 and 2.12 showed that 83 audit days in the plan and 63% of projects had been delivered.
- At least 24 audits would be delivered at the year end.
- It was anticipated that over 80% of audits would be delivered in year, with 100% of the plan being delivered when the Annual Assurance opinion is delivered.
- There was a significant number of final audit reports that had come through.
- The climate emergency report was released after the Update Report was prepared.
- The business continuity plan was a limited assurance report one with one new high priority recommendation.
- The climate emergency report was a limited assurance report and there was a high priority recommendation within it.
- Paragraph 2.6 detailed the requirement to report implementation dates and high priority recommendations to the Committee.
- There were three high priority recommendations made in the Revenues and Benefits system technical team audit, with implementation dates at the end of March 2023.
- The Careline Operations high priority internal audit recommendation had been implemented.
- One proposed amendment to the audit plan is that the Strategic Planning audit would be deferred to the 23/24 plan, and was replaced with the community lottery audit.

Councillor Sean Nolan proposed and Councillor Clare Billing seconded, and following a vote it was:

**RESOLVED:**

- (1) Noted the SIAS Progress Report for the period to 17 February 2023.
- (2) Approved the plan amendments to the 2022/23 Internal Annual Audit Plan.

**91 THIRD QUARTER REVENUE BUDGET MONITORING 2022/23**

*Audio recording – 64 minutes 6 seconds*

The Service Director – Resources gave a verbal presentation and advised:

- This was the standard quarterly report on the revenue budget position.
- This report covered quarter 3, which covered up to the end of December.
- Table 3 highlighted variances reported at this time. Some were in relation to staffing, where there had been issues in staff recruitment.
- Agency staff had been used to cover, which could be expensive.
- Interest investment income was increasing as the base rate had continued to increase throughout the year.
- Co-mingled recycling material processing costs market. At the start of the year, there was a big movement in terms of increased income, which is now off-set by a movement the other way.
- The budget for next year was still sound as it was based on the original budget and not the previously recalculated budget.
- Paragraph 8.2 detailed staffing and the recommendation for Cabinet to consider in relation to the carry forward of some staffing underspend and staffing resourcing for next year.
- Money would be used on a short-term basis only to help the Council achieve its priorities and help manage staff workloads.
- Tables 4 and 5 detailed performance indicators in relation to finances and supporting data.

- Table 6 detailed the General Fund impact. The forecast for the General Fund balance at the end of the year was more positive than it was, as a result of the current year underspend.
- The recommendation requests a carry forward of £549k as covered in Table 2, so this would be the spending of some of the additional General Fund balance.
- The general release of the Mausoleum reserves was a transfer between reserves.
- In future, there was potential for Government funding cuts and two contracts up for renewal. Therefore, having a healthy General fund balance was needed as cover for those significant risks.

Councillor Terry Tyler proposed, Councillor Clare Billing seconded and following a vote, it was:

**RECOMMENDED TO CABINET:**

- (1) That Cabinet note this report.
- (2) That Cabinet approves the changes to the 2022/23 General Fund budget, as identified in table 3 and paragraph 8.3, a £1.090 million decrease in net expenditure.
- (3) That Cabinet approves the changes to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.3, a total £549k increase in net expenditure.
- (4) That Cabinet approves the use of £140k of salary budget carry-forward for additional Service Director capacity for an 18- month period, and that the allocation of the remainder (if needed) will be delegated to the Managing Director (as Head of Paid Service), in consultation with the Leader, Deputy Leader and Executive Member for Finance and IT.

**REASONS FOR DECISIONS:**

- (1) 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

**92 THIRD QUARTER 2022/23 INVESTMENT STRATEGY (CAPITAL AND TREASURY)**

*Audio recording – 71 minutes 36 seconds*

The Service Director – Resources presented the report entitled Third Quarter 2022/23 Investment Strategy (Capital and Treasury) and advised:

- This report was a combination of the capital position and Treasury position for the year.
- Capital position was covered in the first half of Section 8 and Table 2.
- Table 3 covered the use of Section 106 money and that the capital allocation for the North Hertfordshire Museum platform lift was no longer required.
- In relation to Treasury position, more interest was being generated on treasury investments.
- In terms of splits in investments, there was a high proportion of the Council's money with government.
- The DMO were paying good interest returns in general and provide flexibility over investment periods.
- As there was an unlimited capacity to invest in government under the Treasury Strategy, the DMO would continue to be used.
- The Council were looking to maintain a spread of investments.
- Towards the end of the year, the Council were looking to make sure there were a spread of maturity dates and investments as interest rates would start to move down again.



- The table in Section 8.13 detailed all Investments at the end of the Third Quarter and the returns.

In response to the question from Councillor Sean Nolan, the Service Director – Resources advised that it was common for local authorities to borrow and invest money from each other. As they were paying reasonable rates, it was likely that there would be more local authorities that the Council would lend to in the next quarter.

Councillor Terry Tyler proposed, Councillor Sean Nolan seconded and after a vote, it was:

***RECOMMENDED TO CABINET:***

- (1) That Cabinet notes the forecast expenditure of £8.370M in 2022/23 on the capital programme, paragraph 8.3 refers.
- (2) That Cabinet approves the adjustments to the capital programme for 2022/23 onwards, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the estimated spend in 2023/24 by £1.554M.
- (3) That Cabinet notes 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) Cabinet is asked to note the position of Treasury Management activity as at the end of December 2022.

***REASONS FOR DECISIONS:***

- (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.

**93 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS**

This item was not considered at the Committee.

The meeting closed at 8.49 pm

Chair

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