



Finance, Audit and Risk Committee
Annual Report 2022-23

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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 2023.

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 Communities 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 Terry Tyler

June 2023

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 2021, which was reported to Committee at the July 2021 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>).

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

- **Independent Member (non-political appointment).** The Committee now has an Independent Member, who has attended each meeting since June 2022.
- **Forward Work Plan.** This document provides a forward work plan (see the Planned Work section). Members of the Committee are also encouraged to recommend future agenda items.
- **Learning and Development.** There is still an intention that all Members of the Committee will complete a skills self-assessment at the start of the civic year. However as it can take a while for these to be completed, the Service Director: Resources will put in place a training programme. This will mainly be delivered via a series of short learning sessions immediately prior to each meeting. The skills self-assessment will be used to shape the content of those sessions, plus any additional learning events or material.
- **Terms of Reference.** The Terms of Reference for Council now confirm that this Annual Report will be considered by a meeting of Full Council.

During 2022/23 received some peer support to look at improving the effectiveness of the Finance, Audit and Risk Committee (as well as the Overview and Scrutiny Committee). The recommendations of that process will be considered in a separate report, with the Committee asked to comment on them.

As the peer review follow-up took place during last year, the SIAS review of this committee was not included in the audit plan for this year (2023/24).

Members of the Committee

The following Members were appointed to the Committee for 2022/23:

Councillor Terry Tyler	Liberal Democrat	Chair
Councillor Clare Billing	Labour and Co-operative	Vice-Chair
Councillor George Davies	Conservative	
Councillor Morgan Derbyshire	Conservative	
Councillor Phil Weeder	Liberal Democrat	
Councillor Sean Nolan	Labour and Co-operative	
Councillor Terry Hone	Conservative	
John Cannon	Independent (non-voting)	

Substitutes:

Councillor Simon Bloxham	Conservative
Councillor Adam Compton	Conservative
Councillor Chris Hinchcliff	Labour and Co-operative
Councillor Steve Jarvis	Liberal Democrat
Councillor Nigel Mason	Labour and Co-operative

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:

	Jun 2022	Sep 2022	Dec 2022	Jan 2023	Mar 2023
Annual Governance Statement			Draft AGS 21/22		AGS 21/22 Local Code of Governance
Reports from External Auditors (Ernst and Young)	Audit Results 20/21	Annual Report 20/21	Plan for 21/22		Audit Results 21/22
Statement of Accounts	20/21 Accounts				21/22 Accounts
Internal Audit (SIAS) progress reports	Annual Report 21/22 and progress 22/23	Service Report 21/22 and update 22/23	Progress Report		Audit Plan 23/24 and 22/23 Progress
Anti-Fraud (SAFS) reports		Annual Report 21/22 and progress 22/23	Progress Report		23/24 Plan and 22/23 Progress
Budget monitoring reports	Outturn for 21/22	Q1 22/23	Q2 22/23		Q3 22/23
Risk Management	Annual Report and Update		Mid-year update		
Budget setting reports		Medium Term Financial Strategy	Draft Budget 23/24	Revenue Budget 23/24 Investment Strategy 23/24 onwards	
Other reports	FAR Annual Report 21/22	Council Tax Reduction Scheme (CTRS) 23/24	CTRS 23/24 Contract Procurement Rules		

Main Achievements

As an Audit Committee, it is important that FAR undertakes its key and regular tasks to ensure good governance.

Following the completion of required external audit work by Ernst and Young, it was pleasing to see that FAR was able to approve the Statement of Accounts for 2020/21 in June 2022. It had been hoped that the 2021/22 would also be able to be approved during the year. The final sign-off was delegated to the Chair at the March 2022 meeting, but an ongoing pension issue (that is outside the Council's control) means that approval will not be possible until at least July 2023. The Annual Governance Statement (AGS) for 2021/22 was approved, and from this year onwards the plan will be to approve the AGS much earlier in the year.

With the introduction of the Council Delivery Plan, the monitoring of strategic risks has been taken on by Overview and Scrutiny Committee. This gives the FAR Committee the opportunity to refocus on the processes that are in place to ensure effective risk management and providing governance oversight.

The Independent Member started in their role in September 2022. They have attended all of the meetings and provided a valued contribution to the Committee.

In addition to the regular topics, FAR received reports on the new Council Tax Reduction Scheme. This allowed the Committee to analyse the likely effectiveness of the new scheme, and the impact on those that may lose out through the changes.

During the year, regular training sessions were introduced. These have taken place immediately before the committee meetings and provide focused sessions on key topics. The topics so far have been fraud prevention, the role of internal audit and an overview of the Statement of Accounts.

Planned work for 2022-23

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

	Jun 2023	Sep 2023	Dec 2023	Jan 2024	Mar 2024
Annual Governance Statement	Draft AGS 22/22	AGS 22/23 Local Code of Governance			
Reports from External Auditors (Ernst and Young)	TBC Will include the approval of the 21/22 Account, the audit plan for 22/23 and hopefully being able to approve the 22/23 accounts (depending on progress with external audit work). See below.				
Statement of Accounts					
Internal Audit (SIAS) progress reports	Annual Report 22/23	Service Report 22/23 and update 23/24	Progress Report		Audit Plan 24/25 and 23/24 Progress
Anti-Fraud (SAFS) reports		Annual Report 22/23 and progress 23/24	Progress Report		24/25 Plan and 23/24 Progress
Budget monitoring reports	Outturn for 22/23	Q1 23/24	Q2 23/24		Q3 23/24
Risk Management	Annual Report		Mid-year update		
Budget setting reports		Medium Term Financial Strategy	Draft Budget 24/25	Revenue Budget 24/25 Investment Strategy 24/25 onwards	
Other reports	FAR Annual Report 21/22		Financial Regulations Review		

The Accounts and Audit regulations require that Local Authorities complete draft accounts by the end of May (for the year ended 31st March 2023). The ongoing issue with the 2021/22 accounts has a knock-on impact on the 2022/23 accounts (as until the pension position has been resolved we cannot instruct the pension actuary on the basis to provide data for the 2022/23 accounts), and therefore we have not met the 31st May deadline. The 2022/23 accounts will be issued as soon as the 2021/22 issue has been resolved and the required resultant pension data has been received and processed. Our auditors are aware of what we are doing and have agreed the statement that we have put on our website to explain the situation. It is currently expected that we will publish the draft 2022/23 accounts by the end of July (this is likely to be in advance of the committee meeting to approve the final 2021/22 accounts). That would be in advance of the currently scheduled audit start date (November 2023) so should not impact on the completion of the 2022/23 audit work and in turn the approval of the 2022/23 accounts. It is therefore hoped that the 2022/23 final accounts can be approved by the March 2024 meeting.

Members of the Committee can also make recommendations of other topic areas that they would like to discuss/ be reported on.

The training sessions immediately prior to each meeting will continue. The focus of the first session will be on the role of FAR as an Audit Committee and how it supports effective governance.

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. All Members are also able to contact the Service Director: Resources for any support that they require.