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NORTH HERTFORDSHIRE DISTRICT COUNCIL

FINANCE, AUDIT AND RISK COMMITTEE

MEETING HELD IN THE COUNCIL CHAMBER, DISTRICT COUNCIL OFFICES, GERNON ROAD, LETCHWORTH GARDEN CITY, SG6 3JF
ON WEDNESDAY, 13TH MARCH, 2024 AT 7.30 PM

MINUTES

Present: *Councillors: Tom Plater (Chair), Terry Hone, Chris Lucas, Mandi Tandi and Tamsin Thomas.*

John Cannon (Independent Person) Non-voting advisory role.

In Attendance: *Georgina Chapman (Policy & Strategy Team Leader), Ian Couper (Service Director - Resources) and Sjanel Wickenden (Committee, Member and Scrutiny Officer).*

Other Presenters: *Darren Bowler (Counter-Fraud Manager, Shared Anti Fraud Service) and Chris Wood (Head of Assurance Services (HCC) & Client Audit Manager (NHDC)).*

Also Present: *At the commencement of the meeting there were no members of the public present.*

29 ELECTION OF A CHAIR

Audio recording – 52 seconds

Councillor Tamsin Thomas proposed and Councillor Terry Hone seconded and following a vote, it was

RESOLVED: That Councillor Tom Plater was elected Chair for this meeting of the Finance, Audit and Risk Committee.

30 APOLOGIES FOR ABSENCE

Audio recording – 3 minutes 19 seconds

Apologies for absence were received from Councillors Sean Nolan and Terry Tyler.

31 MINUTES - 31 JANUARY 2024

Audio Recording – 3 minutes 32 seconds

Councillor Tom Plater, as Chair, proposed and Councillor Tamsin Thomas seconded and, following a vote, it was:

RESOLVED: That the Minutes of the Meeting of the Committee held on 31 January 2024 be approved as a true record of the proceedings and be signed by the Chair.

32 NOTIFICATION OF OTHER BUSINESS

Audio recording – 4 minutes 11 seconds

There was no other business notified.

33 CHAIR'S ANNOUNCEMENTS

Audio recording – 4 minutes 18 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 that section 4.8.23(a) of the Constitution did not apply to this meeting.
- (4) The Chair advised a change in the order of the agenda. Agenda item 11 Clearing the External Audit Backlog would be considered after Agenda item 5.

34 PUBLIC PARTICIPATION

Audio recording – 5 minutes 7 seconds

There was no public participation at this meeting.

35 CLEARING THE EXTERNAL AUDIT BACKLOG

Audio recording 5 minutes 14 seconds

The Service Director – Resources presented the report entitled 'Clearing the External Audit Backlog' and highlighted that:

- There was known backlog of external audits for Local Government. North Herts District Council had a backlog of one year.
- On the 8 February 2024 the Department for Housing, Levelling Up and Communities (DHLUC) launched a consultation to address the audit backlog as stated in paragraph 8.1 of the report.
- The consultation proposed that there would be a three phased action plan; Reset, Recovery and Reform.
- There would be a back stop date of the 30 September 2024 to approve any 2022-23 accounts as part of the reset phase.
- In the recovery phase the back stop date for audits to be approved would slowly move backwards towards Ultimately being November each year.
- North Herts District Council were currently audited by Ernst & Young however, from the current year 2023-24 the Council had moved to KPMG.
- A backstop date of 30 September 2024 had been set for the sign off of the 2022-23 external audit, the audit may not be fully completed but would have a disclaimed opinion and signed off on that basis.
- The 2023-24 audit would therefore have had no audit of the opening balance and a catch up would commence.
- A limited scope opinion was not a bad thing but was a necessity.
- This was not an individual Council issue but a general Local Government issue.
- There were concerns regarding the proposed backstop deadline of 31 May 2025 for the 2023-24 accounts which had been highlighted through the consultation process.
- The backstop date for the Finance, Audit and Risk (FAR) Committee to sign off the 2023-24 account was noted as the 31 May 2025, there were concerns that this would be a big responsibility for a newly formed FAR Committee and close to Annual Council.

Debbie Hanson, Ernst & Young stated that:

- The 2021-22 Audit and opinion was completed in September 2023. This was behind their ideal schedule for a normal year.
- In July 2023 after the announcement of ministers to review the local audit system they took a decision to align a strategy to the announcements and a focus was placed on completing audits that were substantially complete including the 2021-22 North Herts audit.
- A further focus was placed on updating and completing value for money (VFM) and auditing pension funds.
- The 2022-23 value for money audit was substantially complete with the intention to present this to the next FAR Committee meeting as an interim report. This would be an interim report as the audit can not be fully concluded until the issue of an opinion.
- Ernst & Young had taken the decision to issue a disclaim opinion to be completed by the backstop date, this would be reviewed again once the consultation was reviewed.
- Normally a disclaim opinion would be issued when there was insufficient evidence to enable an audit opinion to be issued and may have a negative effect on a Council, this would not be the case in this instance. The disclaim opinion would be issued as it would not be possible to complete the audit before the backstop date.
- A disclaim opinion would be issued by the 30 September 2024 or earlier if the VFM and audit work on 2022-23 was concluded.
- The disclaim opinion would have an impact on at least two years financial statement as no opening balance or comparative figures would be available.
- The DHLUC consultation would give a consistence approach for subsequent years and an understanding of what the disclaimer meant.
- There was a May deadline for audits to be completed in future years, with the aim to get this established as soon as possible.
- There had been recent issues with capacity and skills and this had impacted other audits with delays and resourcing issues.
- The backstop would stop audits from continuing over many years and would get the system back on to a timely basis.
- These were unprecedented times and as this had not happened before would be challenging.

The Service Director – Resources updated the Committee with a statement from KPMG and stated that:

- Discussions were ongoing and it was unknown what impact the disclaim opinion would have on future audit opinions.
- Although this was at consultation stage it was assumed that this would happen.
- The technical disclaimer would mean that KPMG would not have assurance over all opening balances, balance sheet and movement in reserves.
- The expected impact was for a limitation in scope for KPMGs opinion regarding the impacted balance in future years.
- Currently the duration of the disclaimer opinion would vary between entities depending on the volume of outstanding audit years.
- KPMG would adopt a consistent approach across all the entities impacted by this consultation.
- KPMG would require Ernst & Young to complete their work and issue an audit opinion before KPMG could commence any audit work.
- KPMG were currently building relationship with North Herts, learning their systems and had commenced some work on the VFM for 2023-24, but not any substantial testing.
- Work on the audit was expected to commence in October 2024.
- They were committed to getting on track with audits, but there may be some adjustment time.

- They are unable to commence audit work until the 2022-23 audit was completed.

The following Members asked questions:

- Councillor Terry Hone
- Councillor Tamsin Thomas
- Independent Person John Cannon
- Councillor Tom Plater

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

- There would be some impact with the switch to a new external auditor however, some of these changes had already started especially, the building of new relationships and exploring the new financial system.
- The change was positive and what was needed.
- It was most likely that the audit for 2026-27 would be the first audit using the new guideline and have a non disclaimer opinion, although there was a possibility that the audit for 2025-26 could be on schedule.
- The first year of KPMG accounts would be using the existing financial system. The new financial system would be implemented by August and affect the 2024-25 audit accounts however all data from the 1 April 2024 would be moved to the new system.
- KPMG had already commenced a working relationship with the Council with detailed auditing work due to commence in October 2024.
- There would be a consistency approach to disclaim opinions, and this would bring all Local Authorities up to date.
- There would be an impact on fees to reflect the amount of work completed in each year. It was likely that these may be less than the general scale fees for the current year.
- KPMG would need to complete more work in future years to get back on track, so overall it could be the same cost but split between years and auditors.
- The scale fees for this year and going forward were much higher, and this is in line with the requirements of the auditors, more work equalled more fees.
- The Government had provided grants in recent years but, it was unclear if this would continue.
- It was hoped that the changes in the reform phase would reduce the audit worked required and that this may in future years lead to a reduction in audit fees.

In response to questions Ernst & Young advised that:

- The PSA were conducting ongoing analysis of audit firms fees.
- Once VFM had been substantiated the appropriate fees for the disclaim opinion could be reviewed.
- The PSA would determine the appropriate fees for the disclaim years opinions.
- The going concern assessment covered a period of 12 month from the date of the audit report. The assessment which took place in September 2023 covered the Council until September 2024 and stated that the Council had sufficient reserves.
- The work Ernst & Young were completing on VFM took into account the Councils arrangements for financial resilience.

Councillor Chris Lucas proposed and Councillor Tamsin Thomas seconded and, following a vote, it was:

RESOLVED: That the Committee noted this report including the implications on the approval of the Statement of Accounts for 2022-23 onwards.
22-23 onwards.

36 SAFS ANTI-FRAUD PLAN 2023-24 PROGRESS UPDATE

Audio recording – 34 minutes 37 seconds

Darren Bowler, Shared Anti-Fraud Service, presented the 'SAFS Anti-Fraud Plan 2023-24 Progress Update' and highlighted that:

- There had been 81 referrals for fraud the year 2023-24, these had an even reporting split between staff and public.
- There were 13 cases carried forward into 2023-24 and there were currently 23 cases with investigators.
- They had closed 10 cases and 33 reviews, the majority of the reviews were Council Tax related, and these had a potential value of £42K.
- In February 2024 a case was concluded with the sentence of 20 month imprisonment for a Covid, Bids fraud matter. This case was not yet fully concluded as a financial investigation into the process of crime was still ongoing.
- Regular preventions of fraud campaigns were being supplied with alerts from national and Local Government agencies.
- There had been 677 fraud matches to date from the national fraud exercise. 545 had now been reviewed which had led to a potential value of £69K and had been supported by Officers at North Herts.
- A fraud hub had been running locally and managed by SAFS in conjunction with authorities, this hub had identified 661 matches between quarter 1 and quarter 3 and had reviewed 261 matches with a potential value of £17K.

Councillor Chris Lucas proposed and Councillor Tamsin Thomas seconded and following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee noted the progress made by the Shared Anti-Fraud Service on delivering the 2023/24 Anti-Fraud Plan.

37 SAFS PROPOSED ANTI-FRAUD PLAN 2024-25

Audio recording – 39 minutes 44 seconds

Darren Bowler, Shared Anti-Fraud Service, presented the 'SAFS Proposed Anti-Fraud Plan 2024-25' and advised that:

- There were four external reports highlighted in the proposed plan.
- The Lost Homes, Lost Hope report related to tenacity fraud, and was particularly relevant to the housing allocation team and the temporary accommodation team, providing support and assistance to ongoing issues within this sector.
- The plan was similar to the current year and outlined the roles of Officers, Members of the FAR Committee and had agreed KPIs.
- In-depth work had been undertaken on high risk service areas, developing plans and identifying project risks.
- The details of the KPIs could be found in appendix A of the report.

The following Members asked questions:

- Councillor Tamsin Thomas
- Independent Person John Cannon.

In response to questions the Counter-Fraud Manager SAFS stated:

- The main purpose of the plan was to prevent fraud, however when fraud occurred the team needed to establish how to resolve the matter and to identify if there was an error or fraud.
- When an allegation occurred, the team considered the intelligence, the supporting information and an understanding of the allegation. This may then lead to an appropriate disposal option.
- Council Tax fraud was a civil matter and involved penalties at a local level, although this changes with more serious and persistent allegations.
- More serious allegations, over a period of time are dealt with appropriately.
- Details are sent to Service Heads and Legal are consulted to advise on a course of either criminal or civil action.
- Executive reports are produced when a fraud has been identified to assist with the prevention and detection.
- The decision to prosecute was discussed with Senior Officers and the Head of Legal. When cases were prosecuted in court the decision to sentence was through the juridical system.
- The recent prosecution resulted in a custodial sentence, initially this was a non-custodial sentence however, there were further allegation of falsifying character documents for the court hearing.
- The ultimate disposal at court was a matter for the court to decide, housing matters were treated differently.

In response to a question the Service Director – Resources stated that they would email the Committee with the National Fraud Initiative costs.

Councillor Tamsin Thomas proposed and Councillor Chris Lucas seconded and following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee reviewed and approved the Anti-Fraud Plan for 2024-25.

38 **SIAS PROGRESS REPORT 2023-24**

Audio recording – 49 minutes 46 seconds

The Head of Assurance presented the report entitled 'SIAS Progress Report 2023- 2024' and drew attention to the following, that:

- Since the report was written, further progress had been made on delivery of the Internal Audit Plan than anticipated and the view was now that SIAS were cautiously optimistic of better performance in completion of the Plan than outlined at the January meeting of FAR Committee. The reasons for audit delays were also covered at the previous FAR Committee and continue to be experienced.
- There had been four audits specifically carried forward to the 2024/25 Internal Audit Plan with the agreement of senior Officers.
- They had now delivered 80% of the plan days, an increase on the 73% in the report.
- Three further draft audits reports had been issued, and it was expected that another four draft reports would be issued imminently resulting in the plan being 76% - 80% completed by the end of the financial year.
- Four audits had been carried forward and there was the potential for a fifth due to Council capacity issues.
- SIAS were on track to deliver sufficient work from the Plan to support the 2023-24 annual assurance opinion presented to the FAR Committee in June.
- The implementation of the last high priority recommendation was highlighted in the report.

- There had been a change of focus on the Strategic Plan consultancy item, which would now be more of a data led audit regarding controls in the planning application system and related performance reporting.

The following Members asked questions:

- Councillor Terry Hone
- Independent Person John Cannon

In response to questions the Head of Service stated that:

- The four items moving into next year were, Houses in Multiple Occupation, Estates audit, Emergency Planning and Churchgate Project Ongoing Project Assurance.
- There were concerns that the Project Management item may also be carried forward.
- The IT Disaster Recovery item was now at the draft audit stage.
- The Churchgate Landlord Compliance and the grant work had been completed since the Committee papers were issued.
- As landlord for the Churchgate Centre there were some statutory responsibilities that the Council had to undertake including utilities and health and safety.

In response to a question the Service Director – Resources stated that consultants had been appointed for Churchgate to lead on the master planning process and detail design work had commenced. It was anticipated that the Council would attend the UK's Real Estate Investment & Infrastructure Forum (UKReiiF) event to see what interest in the sector was available.

Councillor Chris Lucas proposed and Councillor Mandi Tandi seconded and following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee:

- (1) Noted the SIAS Progress Report for the period to 26 February 2024.
- (2) Noted the implementation status of the reported high priority recommendations.
- (3) Noted the plan amendments to the 2023/24 Annual Audit Plan.

39 **SIAS PROPOSED INTERNAL AUDIT PLAN 2024-25**

Audio recording – 58 minutes 44 seconds

The Head of Assurance presented the report entitled 'SIAS Proposed Internal Audit Plan 2024-25' and drew attention to the following, that:

- This was the 2024-25 Internal Audit Plan and included a high level of detail on the planning process.
- The report had been produced after extensive consultation with Service Directors and consideration of the Councils Risk Register and Delivery Plan 2024-25.
- The Plan had been presented to the Senior Leadership team before bringing to FAR Committee for approval.
- The Plan would be monitored and owned by the Finance, Audit and Risk Committee on behalf of the Council.

Councillor Chris Lucas proposed and Councillor Tamsin Thomas seconded and following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee Members approved the proposed North Herts District Council Internal Audit Plan for 2024-25.

40 LOCAL CODE OF CORPORATE GOVERNANCE 2024 AND ANNUAL GOVERNANCE STATEMENT ACTION PLAN UPDATE 2023/24

Audio recording – 1 hour 1 minute 7 seconds

The Policy and Strategy Team Leader presented the report entitled 'Local Code of Corporate Governance 2024 and Annual Governance Statement Action Plan Update 2023-24' and drew attention to the following, that:

- The Local Code of Corporate Governance 2024 was shown in Appendix A
- Appendix B was the update of the Annual Governance Statement Action Plan 2023-24 which was agreed by the Committee in 2023.
- The Local Code of Corporate Governance was based on the CIPFA/SOLACE Framework Delivering Good Governance in Local Government 2016 Edition principles, the Committee last reviewed this in March 2023, and it was a requirement to review this annually.
- The Framework in Appendix A encompassed seven principles and covered various aspects of governance.
- Should the Committee approve the statement it would be published on the Council website and Members and staff would be informed using MIS and Insight.
- The Local Code and the CIPFA/SOLACE Framework provided a measure of the Annual Governance Statement (AGS) and was used for self assessment.
- The majority of the AGS 2023-24 action plan was complete, the only item outstanding was the ethical awareness training.
- For the period of May 2023 to January 2024, 55% of staff and 18% of Members had undertaken the Fraud Awareness training, this was an increase of 2%.
- For the period of May 2023 to January 2024, Anti Bribery training was highlighted as 84% for staff and 22% for Members.

The following Members asked questions:

- Councillor Mandi Tandi
- Councillor Tom Plater
- Councillor Tamsin Thomas

In response to questions the Policy and Strategy Team Leader stated that:

- There were no changes from the 2023 Local Code of Corporate Governance.
- Learning and Development had been working with the Shared Anti-Fraud Service (SAFS) to increase awareness of these courses and there had been a presentation at the recent staff briefing form SAFS.
- There had also been a presentation to Members prior to the November Council Meeting.

In response to a question the Service Director – Resources stated that:

- The training results were reviewed by SIAS as part of their audit and this would be highlighted to Managers.
- There was a balance to the time spent training and that spent chasing Officers and Members to take the training.
- The ethical awareness training would form part of the Post May Election training for Members and would be enforced more rigorously.

Councillor Tamsin Thomas proposed and Councillor Chris Lucas seconded and following a vote, it was:

RESOLVED: That the Committee:

- (1) Approved the Local Code of Corporate Governance 2024 (Appendix A).
- (2) Noted the current position with the Annual Governance Statement Action Plan (Appendix B).

41 THIRD QUARTER INVESTMENT STRATEGY (CAPITAL AND TREASURY) REVIEW 2023/24

Audio recording – 1 hour 8 minutes and 28 seconds

The Service Director – Resources presented the report entitled 'Third Quarter Investment Strategy (Capital and Treasury) Review 2023-24' and highlighted that:

- There were schemes that had slipped into next year 2024-25, the slippage reasons and values were highlighted in table 2 of the report.
- Table 3 of the report noted the change to the Howard Park Kiosk scheme which was approved by Full Council in February 2024.
- The funding for the capital programme was stated in table 4 of the report, and included capital receipts, Section 106 money and other grants and contributions. There was no draw down funding.
- The split of investments was highlighted in paragraph 8.11, with individual investment details in paragraph 8.12. The investments were low risk and paid good yields.

Councillor Chris Lucas proposed and Councillor Tamsin Thomas seconded and, following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee provided comments and recommended to Cabinet the Third Quarter Investment Strategy (Capital and Treasury) Review 2023-24.

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet notes the forecast expenditure of £6.521M in 2023/24 on the capital programme, paragraph 8.3 refers.
- (2) That Cabinet approves the adjustments to the capital programme for 2023/24 onwards, as a result of the revised timetable of schemes detailed in table 2 and 3, increasing the estimated spend in 2024/25 by £0.960M.
- (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 2023.

REASONS FOR RECOMMENDATIONS:

- (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.

42 THIRD QUARTER REVENUE BUDGET MONITORING 2023/24

Audio recording – 1 hour 11 minutes 43 seconds

The Service Director – Resources presented the report entitled 'Third Quarter Revenue Budget Monitoring 2023-24' and highlighted that:

- The revenue budget movement to the end of December 2023 was highlighted in table 3 of the report.
- There were various staff underspends that related to unfilled roles, part of the underspend had been used for temporary staff and for some of the remaining it had been requested to be carried over into later years.
- There had been an increase in fly tipping and this had put pressure on the budget.
- The details and savings of the carried forward budget were indicated in table 3 of the report.
- The corporate financial health indicators were detailed in table 4 of the report and this highlighted 4 red indicators and 2 green indicators. It was unlikely that these would change before year end.

The following Members asked questions:

- Councillor Tamsin Thomas
- Councillor Chris Lucas
- Councillor Tom Plater

In response to questions the Service Director – Resources stated that:

- There had been an increase of fly tipping incidents and the associated costs of clearing the area. More details would be supplied outside the meeting.
- The Parking Enforcement team generally issued more PCN's when they were fully staffed and would target hot spots for bad parking. A penalty notice could only be issued if there were incidents of bad parking.
- There would be a new Leisure contractor in April 2024, it was expected after some bedding time that the usage would then increase.

Councillor Tamsin Thomas proposed and Councillor Chris Lucas seconded and, following a vote, it was:

RESOLVED: That the Finance, Audit and Risk Committee provided comments and recommended to Cabinet the Third Quarter Revenue Budget Monitoring 2023-24.

RECOMMENDATIONS TO CABINET:

- (1) That Cabinet note this report.
- (2) That Cabinet approves the adjustments to the 2023/24 General Fund budget, as identified in table 3 and paragraph 8.2, a £415k decrease in net expenditure.

(3) That Cabinet approves the changes to the 2024/25 General Fund budget, as identified in table 3 and paragraph 8.2, a total £411k increase in net expenditure.

REASON FOR RECOMMENDATIONS: 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.

43 POSSIBLE AGENDA ITEMS FOR FUTURE MEETINGS

Audio recording – 1 hour 18 minutes

The Chair led a discussion regarding possible agenda items for future meetings.

Councillor Terry Hone queried the items previously carried forward and mentioned Churchgate and the monitoring of the new waste and leisure contracts.

The Chair stated that updates would be given on the waste and leisure contracts once the contracts were implemented and that these matters would stay on the possible agenda item list.

The Service Director – Resources stated that work was ongoing with regards to the Churchgate site, details of which had been reported to the Project Board however, at the moment there were no financial details to bring to the Committee.

The meeting closed at 8.51 pm

Chair

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