



## Public Document Pack

**Jeff Hughes**  
*Head of Democratic and Legal  
Support Services*

**MEETING** : AUDIT COMMITTEE  
**VENUE** : COUNCIL CHAMBER, WALLFIELDS, HERTFORD  
**DATE** : WEDNESDAY 19 MARCH 2014  
**TIME** : 7.00 PM

**PLEASE NOTE TIME AND VENUE**

### **MEMBERS OF THE COMMITTEE**

Councillor J Ranger (Chairman)  
Councillors W Mortimer (Vice-Chairman), M Pope, R Sharma, N Wilson,  
J Wing and J Wyllie

### **Substitutes**

Conservative Group: Councillor D Andrews

*(Note: Substitution arrangements must be notified by the absent Member to Democratic Services 24 hours before the meeting)*

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## DISCLOSABLE PECUNIARY INTERESTS

1. A Member, present at a meeting of the Authority, or any committee, sub-committee, joint committee or joint sub-committee of the Authority, with a Disclosable Pecuniary Interest (DPI) in any matter to be considered or being considered at a meeting:
  - must not participate in any discussion of the matter at the meeting;
  - must not participate in any vote taken on the matter at the meeting;
  - must disclose the interest to the meeting, whether registered or not, subject to the provisions of section 32 of the Localism Act 2011;
  - if the interest is not registered and is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days;
  - must leave the room while any discussion or voting takes place.
  
2. A DPI is an interest of a Member or their partner (which means spouse or civil partner, a person with whom they are living as husband or wife, or a person with whom they are living as if they were civil partners) within the descriptions as defined in the Localism Act 2011.
  
3. The Authority may grant a Member dispensation, but only in limited circumstances, to enable him/her to participate and vote on a matter in which they have a DPI.

4. It is a criminal offence to:

- fail to disclose a disclosable pecuniary interest at a meeting if it is not on the register;
- fail to notify the Monitoring Officer, within 28 days, of a DPI that is not on the register that a Member disclosed to a meeting;
- participate in any discussion or vote on a matter in which a Member has a DPI;
- knowingly or recklessly provide information that is false or misleading in notifying the Monitoring Officer of a DPI or in disclosing such interest to a meeting.

(Note: The criminal penalties available to a court are to impose a fine not exceeding level 5 on the standard scale and disqualification from being a councillor for up to 5 years.)

## AGENDA

1. Apologies

To receive apologies for absence.

2. Minutes (Pages 5 - 12)

To confirm the Minutes of the meeting held on 22 January 2014.

3. Chairman's Announcements

4. Declarations of Interest

To receive any Member's Declarations of Interest and Party Whip arrangements.

5. External Audit Update Report (Pages 13 - 28)

6. Shared Internal Audit Service (SIAS) - progress report (Pages 29 - 52)

7. Shared Internal Audit Service (SIAS) Audit Plan 2014/15 (Pages 53 - 74)

8. Update on Implementation of Annual Governance Statement Action Plan (Pages 75 - 86)

9. Annual Review of Data Quality Strategy (Pages 87 - 108)

10. Risk Management Monitoring Report: 1 October 2013 to 31 December 2013 (Pages 109 - 120)

11. Audit Committee Work Programme 2014/15 (Pages 121 - 126)

12. Urgent Business

To consider such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration and is not likely to involve the disclosure of exempt information.

MINUTES OF A MEETING OF THE  
AUDIT COMMITTEE HELD IN THE  
COUNCIL CHAMBER, WALLFIELDS,  
HERTFORD ON WEDNESDAY 22  
JANUARY 2014, AT 7.00 PM

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PRESENT: Councillor W Mortimer (Chairman).  
Councillors M Pope, R Sharma, N Wilson  
and J Wyllie.

ALSO PRESENT:  
  
Councillors P Moore, P Ruffles, N Symonds  
and M Wood.

OFFICERS IN ATTENDANCE:

- |                |  |
|----------------|--|
| Chris Gibson   | - Manager of<br>Corporate Risk                   |
| Peter Mannings | - Democratic<br>Services Officer                 |
| Adele Taylor   | - Director of Finance<br>and Support<br>Services |

ALSO IN ATTENDANCE:

- |                  |                                    |
|------------------|------------------------------------|
| Terry Barnett    | - Shared Internal Audit<br>Service |
| Alan Cooper      | - Shared Internal Audit<br>Service |
| Paul Grady       | - Grant Thornton                   |
| Sarah Ironmonger | - Grant Thornton                   |

482 MEMBER TRAINING: GRANT THORNTON'S NATIONAL  
FINANCIAL RESILIENCE REPORT

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Representatives from Grant Thornton provided Members  
with a training presentation on Grant Thornton's National

Financial Resilience Report. Members were advised that Local Authorities had worked hard to ensure robust financial health. Members were reminded of the wider picture of continued savings that Local Government would have to make into 2014/15.

Local Authorities would very likely have to absorb a further 10% reduction in 2015/16 with further cuts in 2017 and beyond. At the same time, demand for costly services such as housing options and housing benefit would increase and income based services such as planning and parking would decline.

The Committee was advised of the detailed approach taken by Grant Thornton in researching the resilience report on the financial health of Local Authorities. There had been a particular focus on strategic financial planning, financial governance and financial controls.

The Committee was advised that 2016 could prove to be a tipping point where some Local Authorities would be assessing whether they could continue to meet statutory duties in the face of a 35% reduction in spending across Local Government.

Representatives from Grant Thornton concluded that, following the results of interviews with many Local Authorities in respect of strategic financial planning, it was clear that many Councils needed to increase service planning activity in order to satisfy key financial performance indicators.

Members were advised of a number of areas of improvement for Local Government, especially as some Local Authorities were struggling to maintain sound financial planning activity. There were however, a number of good practice examples that Councils should focus on going forward.

In response to a query from Councillor R Sharma, Members were advised that East Herts Council had a healthy level of reserves and Grant Thornton were not

aware of any Authority that had gone further in terms of forward financial planning. East Herts Council was assisted in this by the demographic of the District as well as wider Member engagement.

The Chairman, on behalf of Members, thanked Grant Thornton for their informative presentation.

RESOLVED – that the presentation be received.

483 APOLOGIES

Apologies for absence were submitted on behalf of Councillors J Ranger and J Wing.

484 MINUTES – 20 NOVEMBER 2013

RESOLVED – that the Minutes of the meeting held on 20 November 2013 be approved as a correct record and signed by the Chairman.

485 EXTERNAL AUDIT – GRANT CLAIM CERTIFICATION WORK 2012/13

The External Auditor submitted a letter confirming that no issues had arisen from the certification of two claims and returns for the financial year 2012/13 relating to expenditure of £82.8million. The External Auditor confirmed that they were satisfied that the Council had appropriate arrangements in place to compile and complete accurate and timely claims/returns for audit certification.

It was noted that the indicative scale fee for grant certification for 2012/13 was £11,250. Members received the report.

RESOLVED – that the report be received.

486 TREASURY MANAGEMENT STRATEGY STATEMENT 2014/15

The Executive Member for Finance submitted a report which set out the 2014/15 Treasury Strategy Statement and Annual Investment Strategy together with the setting of Prudential Indicators.

Members were advised that this report was one of the final stages of the budget setting process and was linked to the consolidated budget report recently considered by the joint meeting of Scrutiny Committees.

The Director of Finance and Support Services advised that CIPFA defined treasury management as the management of a local authority's investments and cash flows, its banking, money market and capital market transactions as well as the effective control of the risks associated with those activities and the pursuit of optimum performance consistent with those risks.

Members were advised that the suggested treasury management strategy for 2014/15 was based upon the views of Officers relating to interest rates, as well as leading market forecasts provided by the Council's treasury advisor. Members were referred to paragraph 2.1 of the report for the areas that were covered by the strategy.

The Director advised that the Authority was currently looking at the use of both the Property Fund and also investments in property on a direct basis. Members were advised that this approach continued to be explored but the aim was to have a balanced investment portfolio across all asset types.

The Executive would consider the Treasury Management Strategy on 4 February 2014 alongside a report that outlined the progress to date in relation to the investment strategy.

In response to a number of comments from Members in respect of investments and treasury management, the Director stressed the importance of a balanced approach of long and short term investments and Members were



reminded of the need for flexibility.

Members received the report.

RESOLVED – that the 2014/15 Treasury Management Strategy Statement and Annual Investment Strategy and the prudential indicators be received.

487 SHARED INTERNAL AUDIT SERVICES PROGRESS REPORT

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The Shared Internal Audit Services (SIAS) submitted a report setting out the progress that had been made in delivering the Council's Annual Audit Plan for 2013/14 as at 3 January 2014. The report also proposed a number of amendments to the approved audit plan and sought approval for the removal of implemented high priority recommendations, the detail of which was set out in the report now submitted.

Members were advised that, as at 3 January 2014, 55% of the 2013/14 Audit Plan days had been delivered and the proposed amendments to the 2013/14 Audit Plan were detailed at page 43 of the report now submitted.

Members noted the report and approved the recommendations detailed in the report now submitted.

RESOLVED – that (A) the report be received;

(B) the amendments to the 2013/14 Audit Plan as at 3 January 2014 be approved; and

(C) the removal of the implemented high priority recommendations be approved.

488 UPDATE ON IMPLEMENTATION OF 2013/14 ANNUAL GOVERNANCE STATEMENT ACTION PLAN

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The Director of Finance and Support Services submitted a report in relation to the 2012/13 Annual Governance

Statement and the 7 measures that were recommended to enhance East Herts Council's internal control framework during 2013/14, the detail of which was set out in Essential Reference Paper 'B'. The report also provided details of proposed actions that needed to take place prior to confirmation being given that adequate and effective controls were fully in place.

Members were advised that Officers, whilst cautious in retaining Amber status for the 7 issues in Essential Reference Paper 'B', were confident and satisfied that actions were in place to ensure that progress was being made in the right direction.

In response to a query from Councillor M Pope in respect of Hertford Theatre, the Director advised that a review of governance arrangements was due to consider the future of Hertford Theatre. The review would consider whether the Authority was satisfied with the way the venue was run and whether Hertford Theatre should continue to be run by East Herts Council or through alternative means.

In response to comments regarding IT from Councillor J Wyllie, the Director stated that the new shared service for IT should ensure improved business continuity in respect of IT, as prior to the new shared service there had been consistent underinvestment in IT.

Members were also advised that the planned new IT infrastructure had been fully tested and the Authority would soon be in a much better position to resolve future IT problems.

Councillor P Ruffles commented on the ongoing issue of ensuring that Section 106 funds passed to the Highways and Education teams at Hertfordshire County Council were spent in a timely manner.

Members noted the progress made against implementing the action plan detailed in the 2012/13 Annual Governance Statement.

RESOLVED – that the progress made against implementing the action plan detailed in the 2012/13 Annual Governance statement be noted.

489 WORK PROGRAMME

The Director of Finance and Support Services submitted a report detailing the proposed work programme for Audit Committee.

In relation to possible future training initiatives, Councillor W Mortimer commented on whether Officers could advise the Audit Committee of how the Authority chose which investments were appropriate for East Herts Council.

Councillor N Wilson agreed that more clarity was needed in terms of the investments utilised by the Authority.

The Director stated that some training for the Audit Committee had previously been provided by Sector (now known as Capita Asset Services) and she would look into the possibility of further training being provided.

The Director advised that the Council’s investments were reviewed on an annual basis and Members would be provided with feedback. This was supported.

Members approved the work programme as now detailed.

RESOLVED – that the work programme, as now detailed, be approved.

The meeting closed at 8.11 pm

|                |
|----------------|
| Chairman ..... |
| Date .....     |

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# Audit Committee Update for East Herts District Council

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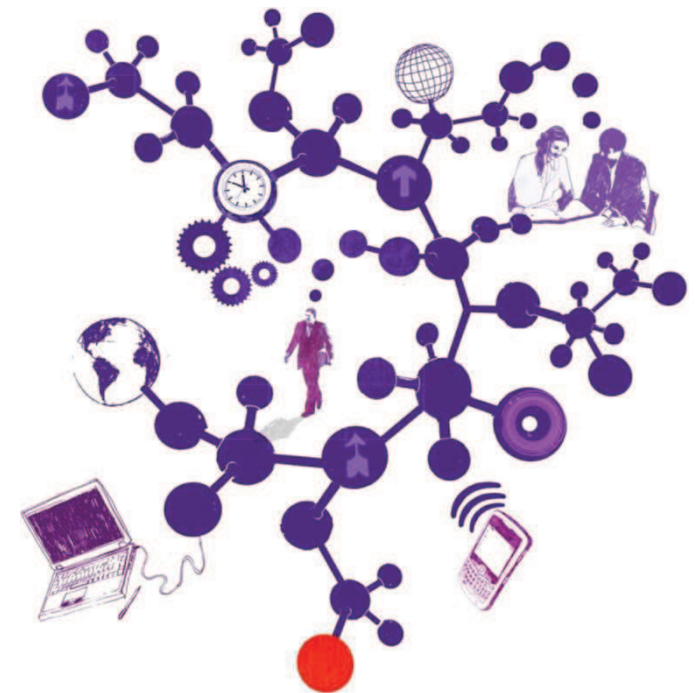
**Year ended 31 March 2014**

March 2014

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## Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a District Council
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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## Progress at March 2014

| Work   | Planned date   | Complete?   | Comments                                |
|--|----------------|-------------|---|
| <p><b>2013-14 Accounts Audit Plan</b><br/>We are required to issue a detailed accounts audit plan to you setting out our proposed approach in order to give an opinion on your 2013-14 financial statements.</p>   | April 2014     | In progress | Initial fieldwork completed.            |
| <p><b>Interim accounts audit</b><br/>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of your control environment</li> <li>• updating our understanding of your financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• proposed Value for Money conclusion.</li> </ul> | April 2014     | In progress | Initial fieldwork completed             |
| <p><b>2013-14 final accounts audit</b><br/>Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2013-14 financial statements</li> <li>• proposed opinion on your accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>   | September 2014 | Not due     | Fieldwork planned to commence July 2014 |
| <p><b>Value for Money (VfM) conclusion</b><br/>The scope of our work to inform our 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> <li>• review of your arrangements</li> </ul>   | September 2014 | Not due     | Initial risk assessment in progress     |

## Councils choosing their auditors one step closer

### Local government guidance

#### Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

#### Key points

Amongst other things:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

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# Helping the High Street

## Local government guidance

### Support for UK high streets

On December 6, 2013 the Communities Secretary set out a £1 billion package of support for UK high streets, the stated objectives being to:

- support business and the private sector to have a greater stake in their high streets;
- make it easier to diversify town centres;
- ensure town centres remain accessible to visitors;
- promote the use of technology to modernise town centres.

Key elements of the strategy include:

- a £1,000 discount in 2014/15 and 2015/16 for retail premises with a rateable value of up to £50,000 – including shops, pubs, café and restaurants;
- capping the Retail Price Index (RPI) increase in bills to 2% in 2014/15;
- extending the doubling of Small Business Rates relief to April 2015;
- a reoccupation relief for 18 months with a 50% discount for new occupants of retail premises empty for a year or more;
- assisting business cash flow by allowing businesses to pay their bills over 12 months (rather than 10)

## Councils keep New Homes Bonus

### Local government guidance

#### Help for housing building

In the Autumn statement (5 December 2013) the government announced plans to secure a £1 billion 6 year investment in house building, to simplify the local authority planning process and help to achieve the stated objective of delivering 250,000 new homes.

Key objectives:

- nationally to increase the housing supply in England through a £1 billion 6 year investment programme;
- at a local level helping councils to increase the supply of affordable social housing supply in their area by allowing them to bid for up to £300 million of additional borrowing against their housing revenue account;
- improving labour market mobility by introducing a Right to Move for those needing to move to take up a job or training ;
- Allowing councils outside London to keep all of their **New Homes Bonus** and have full control over how they use it to support new homes in their area – the New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use, is paid each year for 6 years and is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use

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# Alternative Delivery Models – are you making the most of them?

## Grant Thornton

### Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

## Welfare reforms – what you think of it so far?

### Grant Thornton

#### Reaping the benefits: first impressions of the impact of welfare reform.

The potential scope of this topic is broad, so our report [http://www.grant-thornton.co.uk/Global/Publication\\_pdf/Reaping-the-benefits-LG-Welfare-Reform.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/Reaping-the-benefits-LG-Welfare-Reform.pdf) focuses on the financial and managerial aspects of welfare reform. This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

# Revaluing your assets – clarification of accounting guidance

## Accounting and audit issues

### Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

# Estimating the impact of business rate appeals

## Accounting and audit issues

### Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
  - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
  - to recognise a provision where a reliable estimate can be made
  - to disclose a contingent liability where a reliable estimate cannot be made
  - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.



# Accounting for pensions

## Accounting and audit issues

### Accounting for and financing the local government pension scheme costs

#### Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

#### Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year. Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

# Changes to the public services pension scheme

## Accounting and audit issues

### Changes to the Local Government Pension Scheme

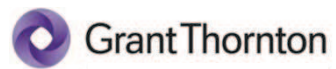
The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.



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## East Herts Council Audit Committee Progress Report 19 March 2014

### Recommendation

Members are recommended to:

- Note the Internal Audit Progress Report
- Approve the amendments to the Audit Plan as at 28 February 2014

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- 1 Introduction and Background
  - 1.1 Purpose
  - 1.2 Background
  
- 2 Audit Plan Update
  - 2.1 Delivery of Audit Plan and Key Findings
  - 2.3 High Priority Recommendations
  - 2.4 Proposed Amendments to Audit Plan
  - 2.5 Performance Management

## Appendices

- A Progress against the 2013/14 Audit Plan
  
- B Implementation Status of High Priority Recommendations

# 1. Introduction and Background

## Purpose of Report

- 1.1 This report details:
- a) Progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's Annual Audit Plan for 2013/14 as at 28 February 2014.
  - b) Proposed amendments to the approved 2013/14 Audit Plan.
  - c) Implementation status of previously agreed high priority audit recommendations.
  - d) An update on performance management information as at 28 February 2014.

## Background

- 1.2 The 2013/14 Audit Plan was approved by Audit Committee on 13 March 2013.
- 1.3 The Audit Committee receives periodic updates against the Annual Internal Audit Plan, the most recent of which was brought to this Committee on 22 January 2014.
- 1.4 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan.

# 2. Audit Plan Update

## Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 28 February 2014, 83% of the 2013/14 Audit Plan days had been delivered. Appendix A provides a status update on each individual project within the audit plan.

2.2 The following 2013/14 reports have been finalised since 3 January 2014 (cut-off date for 22 January 2014 Audit Committee):

| <b>Audit Title</b>                                   | <b>Date of Issue</b> | <b>Assurance Level</b> | <b>Number and Priority of Recommendations</b>    |
|--|----------------------|------------------------|--|
| Leisure Contract – contractor accounts & inspections | Jan '14              | Moderate               | Five medium<br>Two merits attention              |
| Benefits   | Feb '14              | Substantial            | Two medium                                       |
| Parking Services Enforcement                         | Feb '14              | Substantial            | Two medium<br>One merits attention               |
| Emergency Planning                                   | Feb '14              | Substantial            | One merits attention                             |
| Council Tax  | Feb '14              | Substantial            | On medium  |
| NDR  | Feb '14              | Substantial            | Two medium<br>One merits attention               |
| Hertford Theatre Payments                            | Feb '14              | Moderate               | One high<br>Three medium<br>One merits attention |

### High Priority Recommendations

2.3 Members will be aware that a Final Audit Report is issued when it has been agreed by management; this includes an agreement to implement the recommendations that have been made. It is SIAS's responsibility to bring to Members' attention the implementation status of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.

### Proposed Audit Plan Amendments

2.4 Since January 2014 Audit Committee, the following amendments to the 2013/14 Audit Plan have been agreed with Officers of the Council and are detailed below for Audit Committee approval:

- Building Control Mutual – this audit is cancelled as current proposals for developing an alternative business model for building control are not sufficiently advanced for audit involvement. Eight days have been returned to



contingency in 2013/14. Although this audit has not been carried over into the draft 2014/15 Audit Plan, the contingency budget can be used if audit involvement is requested.

- Home-working project – consultancy advice provided rather than a full audit as the project was not as defined as anticipated by previous management. Eleven days returned to contingency.

### Performance Management

- 2.5 Annual performance indicators and associated targets were approved by the SIAS Board in 2011.
- 2.6 As at 28 February 2014 actual performance for East Herts against the targets that can be monitored in year was as shown in the table below.

| <b>Performance Indicator</b>   | <b>Annual Target</b> | <b>Profiled Target to 28 February 2014</b> | <b>Actual to 28 February 2014</b> |
|--|----------------------|--|-----------------------------------|
| <b>1. Planned Days</b> – percentage of actual billable days against planned chargeable days completed (excluding unused contingency) | 95%                  | 90%  | 83%                               |
| <b>2. Planned Projects</b> – percentage of actual completed projects to draft report stage against planned completed projects        | 95%                  | 65%  | 45%                               |
| <b>3. Client Satisfaction</b> – percentage of client satisfaction questionnaires returned at 'satisfactory' level                    | 100%                 | 100%                                       | 100%                              |
| <b>4. Number of High Priority Audit</b>  | 95%                  | 95%  | 100%                              |

|                                   |  |  |  |
|-----------------------------------|--|--|--|
| <b>Recommendations<br/>agreed</b> |  |  |  |
|-----------------------------------|--|--|--|

2.7 In addition, the performance targets listed below are annual in nature. Performance against these targets will be reported on in the 2013/14 Head of Assurance's Annual Report:

- **5. External Auditors' Satisfaction** – the Annual Audit Letter should formally record whether or not the External Auditors are able to rely upon the range and the quality of SIAS' work.
- **6. Annual Plan** – prepared in time to present to the March meeting of each Audit Committee. If there is no March meeting then the plan should be prepared for the first meeting of the civic year.
- **7. Head of Assurance's Annual Report** – presented at the Audit Committee's first meeting of the civic year.

**APPENDIX A PROGRESS AGAINST THE 2013/14 AUDIT PLAN AS AT 28 FEBRUARY 2014**

**2013/14 SIAS Audit Plan**

| AUDITABLE AREA                                  | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT               |
|---|--------------------|------|---|----|-----------------|-----------------------|-------------------------|------------------------------|
|   |                    | H    | M | MA |                 |                       |                         |                              |
| <b>Key Financial Systems</b>                    |                    |      |   |    |                 |                       |                         |                              |
| Asset Management                                |                    |      |   |    | 12              | Yes – PwC             | 2                       | In fieldwork                 |
| Benefits  | Substantial        | 0    | 2 | 0  | 15              | Yes                   | 15                      | Final report issued          |
| Council Tax                                     | Substantial        | 0    | 1 | 0  | 12              | Yes                   | 12                      | Final report issued          |
| Creditors (Control Risk Self Assessment – CRSA) |                    |      |   |    | 10              | Yes                   | 3                       | In fieldwork                 |
| Debtors (CRSA)                                  |                    |      |   |    | 10              | Yes                   | 2                       | In planning                  |
| Main Accounting                                 |                    |      |   |    | 12              | Yes                   | 11                      | In quality review            |
| NNDR  | Substantial        | 0    | 2 | 1  | 12              | Yes                   | 12                      | Final report issued          |
| Payroll   |                    |      |   |    | 12              | Yes                   | 11                      | Draft report issued          |
| Treasury (CRSA)                                 |                    |      |   |    | 7               | Yes                   | 6.5                     | Draft report issued          |
| <b>Operational Audits</b>                       |                    |      |   |    |                 |                       |                         |                              |
| Building Control Mutual                         |                    |      |   |    | 4               | Yes                   | 4                       | Audit cancelled from 2013/14 |
| Community Infrastructure Levy                   |                    |      |   |    | 0               | No                    | 0                       | Audit cancelled              |
| Development Control                             | Full               | 0    | 0 | 0  | 15              | Yes                   | 15                      | Final report issued          |
| Emergency Planning                              | Substantial        | 0    | 0 | 1  | 10              | Yes                   | 10                      | Final report issued          |
| Environmental Protection                        |                    |      |   |    | 8               | Yes                   | 6                       | In fieldwork                 |
| Facilities Management                           |                    |      |   |    | 15              | Yes                   | 14                      | In quality review            |

**APPENDIX A PROGRESS AGAINST THE 2013/14 AUDIT PLAN AS AT 28 FEBRUARY 2014**

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| AUDITABLE AREA                                   | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT                         |
|--|--------------------|------|---|----|-----------------|-----------------------|-------------------------|--|
|  |                    | H    | M | MA |                 |                       |                         |  |
| Hertford Theatre                                 | Substantial        | 0    | 2 | 2  | 15              | Yes                   | 15                      | Final report issued                    |
| Hertford Theatre – payments                      | Moderate           | 1    | 3 | 1  | 11              | Yes                   | 11                      | Final report issued                    |
| Home-working Project                             |                    |      |   |    | 4               | Yes                   | 4                       | Draft assurance statement to be issued |
| Land Charges                                     |                    |      |   |    | 12              | Yes                   | 11                      | Draft report issued                    |
| Licensing  |                    |      |   |    | 12              | Yes                   | 9                       | In fieldwork                           |
| Local Development Planning                       |                    |      |   |    | 0               | No                    | 0                       | Audit cancelled                        |
| Parking Services Enforcement                     | Substantial        | 0    | 2 | 1  | 15              | Yes                   | 15                      | Final report issued                    |
| Pest Control                                     |                    |      |   |    | 4               | Yes                   | 3.5                     | In fieldwork                           |
| Processes for Complaints, Compliments & Comments | Full               | 0    | 0 | 0  | 8               | Yes                   | 8                       | Final report issued                    |
| S106 Follow Up                                   | N/A                |      |   |    | 5               | Yes                   | 5                       | Final report issued                    |
| Safe Staffing                                    |                    |      |   |    | 8               | Yes - PwC             | 7                       | In fieldwork                           |
| Shared Services                                  |                    |      |   |    | 0               | No                    | 0                       | Audit cancelled                        |
| Social Media                                     |                    |      |   |    | 12              | Yes - PwC             | 11                      | In quality review                      |
| VAT  |                    |      |   |    | 0               | No                    | 0                       | Audit cancelled                        |
|  |                    |      |   |    |                 |                       |                         |  |
| <b>Procurement</b>                               |                    |      |   |    |                 |                       |                         |  |
| Land Drainage – continuous assurance             |                    |      |   |    | 5               | Yes                   | 1                       | In planning                            |
| Leisure Contract – contractor                    | Moderate           | 0    | 5 | 2  | 12              | Yes                   | 12                      | Final report issued                    |

**APPENDIX A PROGRESS AGAINST THE 2013/14 AUDIT PLAN AS AT 28 FEBRUARY 2014**

| AUDITABLE AREA   | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT      |
|--|--------------------|------|---|----|-----------------|-----------------------|-------------------------|---------------------|
|  |                    | H    | M | MA |                 |                       |                         |                     |
| accounts and inspections   |                    |      |   |    |                 |                       |                         |                     |
| Recycling  |                    |      |   |    | 0               | No                    | 0                       | Audit cancelled     |
|  |                    |      |   |    |                 |                       |                         |                     |
| <b>Risk Management and Governance</b>                            |                    |      |   |    |                 |                       |                         |                     |
| Corporate Governance   | Substantial        | 0    | 0 | 2  | 12              | Yes                   | 12                      | Final report issued |
|  |                    |      |   |    |                 |                       |                         |                     |
| <b>IT Audits</b>   |                    |      |   |    |                 |                       |                         |                     |
| IT Business Continuity   |                    |      |   |    | 12              | Yes – PwC             | 3                       | In planning         |
| IT Data Management   |                    |      |   |    | 12              | Yes – PwC             | 10                      | In quality review   |
| IT Strategy – controls assurance                                 |                    |      |   |    | 10              | Yes – PwC             | 1                       | In fieldwork        |
| Transition to new financial system                               |                    |      |   |    | 1               | Yes                   | 1                       | Completed           |
| Payroll System – Post implementation review                      |                    |      |   |    | 8               | Yes                   | 5                       | In fieldwork        |
|  |                    |      |   |    |                 |                       |                         |                     |
| <b>Joint Reviews</b>   |                    |      |   |    |                 |                       |                         |                     |
| Comparative review of budget setting and monitoring arrangements |                    |      |   |    | 2               | Yes                   | 1                       | In progress         |

**APPENDIX A PROGRESS AGAINST THE 2013/14 AUDIT PLAN AS AT 28 FEBRUARY 2014**

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| AUDITABLE AREA                                    | LEVEL OF ASSURANCE | RECS |   |    | AUDIT PLAN DAYS | LEAD AUDITOR ASSIGNED | BILLABLE DAYS COMPLETED | STATUS/COMMENT  |
|---|--------------------|------|---|----|-----------------|-----------------------|-------------------------|-----------------|
|   |                    | H    | M | MA |                 |                       |                         |                 |
| New ways of working – seminar                     |                    |      |   |    | 0               | No                    | 0                       | Audit cancelled |
| Herts Waste Partnership – consortium arrangements |                    |      |   |    | 3               | Yes                   | 2                       | In progress     |
|   |                    |      |   |    |                 |                       |                         |                 |
| <b>Strategic Support</b>                          |                    |      |   |    |                 |                       |                         |                 |
| Strategic Support                                 |                    |      |   |    | 50              | N/A                   | 48                      | On-going        |
| SIAS Development                                  |                    |      |   |    | 5               | N/A                   | 5                       | On-going        |
|   |                    |      |   |    |                 |                       |                         |                 |
| <b>Contingency</b>                                |                    |      |   |    |                 |                       |                         |                 |
| Unused Contingency                                |                    |      |   |    | 18              |                       | 0                       |                 |
|   |                    |      |   |    |                 |                       |                         |                 |
| <b>Follow Ups</b>                                 |                    |      |   |    |                 |                       |                         |                 |
| Follow up of high priority recommendations        |                    |      |   |    | 8               | N/A                   | 6                       | On-going        |
|   |                    |      |   |    |                 |                       |                         |                 |
| <b>2012/13 Projects requiring completion</b>      |                    |      |   |    |                 |                       |                         |                 |
| Various   |                    |      |   |    | 17              | N/A                   | 17                      | Completed       |
|   |                    |      |   |    |                 |                       |                         |                 |
| <b>EHC TOTAL</b>                                  |                    |      |   |    | <b>435</b>      |                       | <b>345.5</b>            |                 |

## APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

| No. | Report Title / Date of Issue                         | Recommendation   | Management Response  | Responsible Officer    | Implementation Date  | History of Management Comments   | SIAS Comment (Feb 14)                       |
|-----|--|--|--|------------------------|--|--|---|
| 1.  | Follow-up of Various ICT reviews (IA Report 22/6/09) | It is recommended that options for ICT business continuity are reviewed before expensive solutions are commissioned. These should take into account the possible mid-term accommodation changes under consideration. | Progress has been made in producing a draft ICT Business Continuity Plan. It was confirmed by the Strategic ICT Manager that the ICT Business Continuity Plan has been considered by the Business Continuity Group. Draft plan | Head of Shared Service | Revised to December 2011 (no date set at final report stage) | <p><u>Dec 13</u><br/>The ability to deliver core infrastructure services from the new data centre is now in place and the process of moving staff across to the new infrastructure is underway to a timetable agreed with Heads of Service which will be completed by March 2014.</p> <p><u>Feb 14</u><br/>Due March 2014.</p> | Partially implemented – continue to monitor |

## APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

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| No | Report Title / Date of Issue                         | Recommendation   | Management Response   | Responsible Officer    | Implementation Date            | History of Management Comments   | SIAS Comment (Feb 14)                 |
|----|--|--|---|------------------------|--------------------------------|--|---------------------------------------|
|    |  |  | presented 09/02/09. Progress report is to be presented to Business Continuity Group in June.                          |                        |                                |  |                                       |
|    | Follow-up of Various ICT reviews (IA Report 22/6/09) | A detailed timetable be prepared and issued to ensure that the Council's Business Continuity and Disaster Recovery Plan is completed and tested. | There was no evidence to confirm that a timetable has been prepared. It was, however, confirmed that a draft Business | Head of Shared Service | Mar 2012 (originally 31/03/10) | <p><u>Dec 13</u><br/>IT BCP audit now scheduled for March 2014 in view of shared service developments.</p> <p><u>Feb 14</u><br/>No change.</p> | Not implemented – continue to monitor |



## APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

| No. | Report Title / Date of Issue                         | Recommendation   | Management Response   | Responsible Officer    | Implementation Date            | History of Management Comments   | SIAS Comment (Feb 14)                 |
|-----|--|--|---|------------------------|--------------------------------|--|---------------------------------------|
|     |  |  | Continuity Plan had been produced but as this was still a work in progress, it had not yet been tested.               |                        |                                |  |                                       |
|     | Follow-up of Various ICT reviews (IA Report 22/6/09) | The Information Technology Team should approve and oversee the implementation of the Council's Information Systems Strategy. | Draft IT Strategy in programme to go to ITSG, CMT/ICT – C3W Board, Executive and full Council for approval on 3/9/09. | Head of Shared Service | Mar 2012 (originally 30/09/09) | <u>Dec 13</u><br>Plans for delivering a new IT Strategy have been deferred with the agreement of the Portfolio Holder. A new timetable is being discussed which will ensure that the strategy is | Not implemented – continue to monitor |

**APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS**

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| No | Report Title / Date of Issue           | Recommendation   | Management Response   | Responsible Officer                | Implementation Date | History of Management Comments   | SIAS Comment (Feb 14)                       |
|----|--|--|---|------------------------------------|---------------------|--|---|
|    |  |  |   |                                    |                     | delivered no later than March 2014.<br><br><u>Feb 14</u><br>Due March 2014.  |   |
| 2. | Business Continuity (IA Report 7/6/11) | It is recommended that the Business Continuity Plan is reviewed annually. It is further recommended that the Business Continuity Plan is communicated to staff and made available on the intranet. | The current East Herts Council Business Continuity Plan was sufficient, but it did not take into account C3W. Recognising this, we have engaged Zurich Ins Co. to conduct a | Director of Neighbourhood Services | Sep 2011            | <u>Dec 13</u><br>Business continuity for infrastructure services will be delivered as staff transfer across as noted above. Business continuity for applications will be delivered to the original timetable of March 2014. Documents will be updated and published once the | Partially implemented – continue to monitor |

## APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

| No. | Report Title / Date of Issue           | Recommendation   | Management Response   | Responsible Officer                | Implementation Date | History of Management Comments  | SIAS Comment (Feb 14)                 |
|-----|--|--|---|------------------------------------|---------------------|---|---------------------------------------|
|     |  |  | <p>scoping workshop 14<sup>th</sup> July.</p> <p>Zurich has already reviewed the Council's strategic risks. This work is being finalised before being put to CMT.</p> |                                    |                     | <p>full business continuity solution is in place.</p> <p><u>Feb 14</u><br/>Due March 2014.</p>  |                                       |
|     | Business Continuity (IA Report 7/6/11) | It is recommended that the Business Continuity Corporate Group (BCG) meet on a regular basis until | The outcome from the Zurich workshop will trigger this group.   | Director of Neighbourhood Services | Sep 2011            | <u>Dec 13</u> IT BCP audit now scheduled for March 2014 in view of shared service developments. | Not implemented – continue to monitor |

**APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS**

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| No | Report Title / Date of Issue           | Recommendation  | Management Response  | Responsible Officer    | Implementation Date | History of Management Comments   | SIAS Comment (Feb 14)                 |
|----|--|---|--|------------------------|---------------------|--|---------------------------------------|
|    |  | the Business Continuity Plan is approved, and thereafter on a six monthly basis to review the plan.   |  |                        |                     | <u>Feb 14</u><br>No change.  |                                       |
|    | Business Continuity (IA Report 7/6/11) | As per the 2011-12 Business Support ICT Service Plan it is recommended that the Disaster Recovery Plan is finalised and approved and includes a section on the ability to recovery data and a section on IT back-up. It is further recommended that | The 2011/12 ICT Service Plan contains the required actions of developing an ICT Business Continuity Plan by the end of Sep 11 and testing the plan by the end of Dec 11. The | Head of Shared Service | Not specified       | <u>Dec 13</u><br>A separate audit of IT BCP is due to be completed by PWC in March 2014. This work will consider the status and relevance of this recommendation.<br><br><u>Feb 14</u><br>No change. | Not implemented – continue to monitor |

**APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS**

| No. | Report Title / Date of Issue | Recommendation  | Management Response   | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Feb 14) |
|-----|------------------------------|---|---|---------------------|---------------------|--------------------------------|-----------------------|
|     |                              | the Disaster Recovery Plan is tested after it has been finalised. | arrangements for data back up and recovery will be contained within the ICT BCP. The preparation of the ICT BCP was deferred to Sep 11 due to the demands of 3W and changes and improved resilience that have been incorporated into the ICT infrastructure |                     |                     |                                |                       |

**APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS**

| No | Report Title / Date of Issue            | Recommendation  | Management Response  | Responsible Officer                | Implementation Date | History of Management Comments | SIAS Comment (Feb 14) |
|----|---|---|--|------------------------------------|---------------------|--------------------------------|-----------------------|
|    |   |   | as part of C3W. Testing of the ICM business continuity contract is planned to take place in line with new business solutions by the end of March 2012. |                                    |                     |                                |                       |
| 3. | Business Continuity Planning (01/10/13) | All departmental business continuity plans and resource recovery questionnaires should be reviewed to ensure they are | Now that the Shared ICT service is in place and IT business continuity arrangements  | Director of Neighbourhood Services | 30 June 2014        | N/A                            | Not yet due           |

## APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

| No. | Report Title / Date of Issue | Recommendation   | Management Response   | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Feb 14) |
|-----|------------------------------|--|---|---------------------|---------------------|--------------------------------|-----------------------|
|     |                              | <p>complete, contain a sufficient level of detail, and have been reviewed and approved by appropriate members of staff.</p> <p>In addition to this, a periodic rolling programme of disaster recovery testing (at minimum requiring some downtime and recovery of IT services) should be performed and then reviewed to make relevant updates to the BCPs.</p> | <p>are being taken forward then this action will also move forward at the same time.</p> <p>Information captured by services in their Business Recovery Plans will be reviewed in line with the new ICT solution referred to in Recommendation 2. A</p> |                     |                     |                                |                       |

**APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS**

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| No | Report Title / Date of Issue            | Recommendation  | Management Response   | Responsible Officer  | Implementation Date | History of Management Comments | SIAS Comment (Feb 14) |
|----|---|---|---|--|---------------------|--------------------------------|-----------------------|
|    |   |   | provisional schedule for testing recovery plans will be established and reviewed annually. Testing will take place in line with the established schedule. |  |                     |                                |                       |
|    | Business Continuity Planning (01/10/13) | Key business stakeholders should discuss their requirements with the business continuity group and the IT team to | A new IT business continuity solution is to be implemented now that a   | Head of Shared ICT, Business Improvement and Print and Graphic Design Services | 31 March 2014       | N/A                            | Not yet due           |



## APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

| No. | Report Title / Date of Issue | Recommendation   | Management Response  | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Feb 14) |
|-----|------------------------------|--|--|---------------------|---------------------|--------------------------------|-----------------------|
|     |                              | <p>ensure that their requirements are documented in a sufficient level of detail, and that the business recovery time objectives can be met (or sufficient downtime procedures are defined).</p> <p>The requirements should be periodically reviewed to ensure they remain up to date and appropriate.</p> | <p>Shared Service with Stevenage B.C. is in place.</p> <p>The new solution will provide for all services to be recoverable within four hours of a major incident being declared.</p> <p>Head of Shared Service to discuss future opportunities for</p> |                     |                     |                                |                       |

## APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

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| No | Report Title / Date of Issue            | Recommendation  | Management Response   | Responsible Officer                | Implementation Date | History of Management Comments | SIAS Comment (Feb 14) |
|----|---|---|---|------------------------------------|---------------------|--------------------------------|-----------------------|
|    |   |   | streamlining business continuity plans with the Business Continuity Group.  |                                    |                     |                                |                       |
|    | Business Continuity Planning (01/10/13) | Once the actions related to findings 1 and 2 have been completed, the Council needs to get the Business Continuity Plan formally approved and signed off, so that it can be distributed to the relevant members of staff. | Now that the Shared ICT service is in place and IT business continuity arrangements are being taken forward then this action will also move forward at the same time. | Director of Neighbourhood Services | 31 March 2014       | N/A                            | Not yet due           |

**APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS**

| No. | Report Title / Date of Issue | Recommendation   | Management Response | Responsible Officer                  | Implementation Date | History of Management Comments | SIAS Comment (Feb 14) |
|-----|------------------------------|--|---------------------|--------------------------------------|---------------------|--------------------------------|-----------------------|
|     |                              | In addition to this, key stakeholders need to meet and agree on comprehensive roles and responsibilities with regard to business continuity planning, and these responsibilities should be documented within the plan. |                     |                                      |                     |                                |                       |
|     | Hertford Theatre Payments    | Training around the application of Financial Regulations and Contract Procurement Rules  | Agreed              | Tracey Sargent (Procurement Officer) | 31 August 2014      |                                |                       |

**APPENDIX B IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS**

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| No. | Report Title / Date of Issue | Recommendation  | Management Response | Responsible Officer | Implementation Date | History of Management Comments | SIAS Comment (Feb 14) |
|-----|------------------------------|---|---------------------|---------------------|---------------------|--------------------------------|-----------------------|
|     |                              | should be delivered to all relevant staff to ensure that minimum records are maintained following procurement activities. |                     |                     |                     |                                |                       |



East Herts Council  
Audit Committee

2014/15 Internal Audit Plan Report

19 March 2014

Recommendation

Members are recommended to approve the  
proposed East Herts Council  
Internal Audit Plan for 2014/15

## Contents

### 1. Introduction and Background

- 1.1 Purpose
- 1.2 Background

### 2. Audit Planning Process

- 2.1 Planning Principles
- 2.2 Approach to Planning
- 2.5 Planning Context
- 2.8 Internal Audit Plan 2014/15

### 3. Performance Management

- 3.1 Update Reporting
- 3.3 Performance Indicators

## Appendix

A Proposed East Herts Council 2014/15  
Internal Audit Plan

B Auditable Areas for 2015/16 & 2016/17

# 1. Introduction and Background

## Purpose of Report

- 1.1 To provide Members with the proposed East Herts Council 2014/15 Internal Audit Plan.

## Background

- 1.2 The Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Internal Audit annual report.
- 1.3 The Shared Internal Audit Service (SIAS) Audit Charter which was presented to the June 2013 meeting of this Committee shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013. An updated version of the SIAS Audit Charter will be brought to the July 2014 committee meeting for Member approval.
- 1.4 The PSIAS require that the audit plan must incorporate or be linked to a strategic or high-level statement which:
  - Outlines how the service will be developed in accordance with the internal audit charter
  - Details how the internal audit plan will be delivered
  - Evidences how the service links to organisational objectives and priorities
- 1.5 Section 2 of this report details how the SIAS complies with this requirement.

## 2. Audit Planning Process

### Planning Principles

- 2.1 SIAS audit planning is underpinned by the following principles:
- a) Focus of assurance effort on the council's key issues, obligations, outcomes and objectives, critical business processes and projects and principal risks. This approach ensures coverage of both strategic and key operational issues.
  - b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the council's control arrangements.
  - c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk;
  - d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs. This approach includes recognition that in a resource constrained environment, all needs cannot be met.
  - e) Identification of responsibilities where services are delivered in partnership.
  - f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge;
  - g) Capacity to deliver key commitments including work undertaken on behalf of External Audit, governance work and counter fraud activity;
  - h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.



Approach to Planning

- 2.2 In order to comply with the requirements of the PSIAS, SIAS has revised its approach to planning and for 2014/15 has introduced a standard methodology for all SIAS partners. This revised methodology contains the following elements:

*Local and National Horizon Scanning*

Where SIAS reviews:

- key committee reports at each client and identifies emerging risks and issues;
- the professional and national press for risks and issues emerging at national level

It is anticipated that in future years, local and national horizon scanning will be undertaken in-year on a continuous basis. This will support the achievement of principle f) above, 'Accommodation of new risks and issues as they emerge.'

*Consideration of risk management arrangements*

Where SIAS assesses the risk maturity of the council and based on this assessment, determines the extent to which information contained within the council's risk register informs the identification of potential audit areas.

*Confirmation of the council's objectives and priorities*

Where SIAS confirms the current objectives and priorities of the Council, this information is used to confirm that identified auditable areas will provide assurance on areas directly linked to the achievement of the council's objectives and priorities.

- 2.3 The approach to audit planning for 2014/15 has been characterised by:

- a) Detailed discussions with Heads of Service and other key officers within the council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

*Risk Assessment*

Where managers and SIAS agree the level of risk associated with an identified auditable area.

*Other sources of Assurance*

Where managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach ensures that provision of assurance is not duplicated.

*Significance*

Where the manager is asked to assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

*Timings*

Where the manager is asked to identify when an audit should be undertaken to add most value.

- b) Proposed plans are based on the information obtained from the planning meetings. A contingency allocation is determined to allow flexibility to respond to in-year changes in organisational risk and priorities. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.
- c) The proposed 2014/15 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted;
- d) Proposed draft plans were presented to the Directors for discussion and agreement;
- e) The views of the council's external auditor are sought to confirm that their requirements are adequately addressed.

- 2.4 This approach ensures that our work gives assurance on what is important and those areas of highest risk and thus assists the Council in achieving its objectives.

### The Planning Context

- 2.5 The context within which local authorities and housing associations provide their services remains challenging:
- Austere public finances will last well into the next parliament, meaning that previous expenditure levels are not sustainable and public leaders expect serious financial difficulty ahead
  - Demand continues to rise, driven by complex needs, an ageing population and higher service expectations from citizens
  - Technology ranging from use of mobile devices and applications, to Big Data and predictive analytics, is developing rapidly and offers opportunities along with significant risks
  - Major, national programmes in areas like welfare reform and business rate reform, and structural changes such as the introduction of Police and Crime Commissioners, Clinical Commissioning Groups and Local Enterprise Partnerships mean the environment has been relatively unstable.
- 2.6 The resultant efficiency and transformation programmes that councils are in the process of implementing and developing are profoundly altering each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.
- 2.7 The challenge of giving value in this context, means that Internal Audit needs to:
- Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk

## East Herts Council 2014/15 Draft Internal Audit Plan

management and control arrangements in delivering the achievement of Council objectives;

- Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective;
- Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as 'control risk self assessments' or 'continuous assurance' where appropriate;
- Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

### Internal Audit Plan 2014/15

- 2.8 The draft plan for 2014/15 is included at Appendix A and contains a high level proposed outline scope for each audit and a suggested quarter for delivery.
- 2.9 The table below shows the estimated allocation of the total annual number of purchased audit days for the year.

|                                       | <b>Total</b> |
|---------------------------------------|--------------|
| Key Financial Systems                 | 103          |
| Operational audits                    | 161          |
| Procurement                           | 26           |
| Joint Reviews                         | 10           |
| IT Audits                             | 39           |
| Contingency                           | 20           |
| Follow Ups                            | 5            |
| Strategic Support*                    | 56           |
| 2013/14 Projects Requiring Completion | 15           |
|                                       | <hr/>        |
| <b>Total audit days 2014/15</b>       | <b>435</b>   |

\* This covers, for example, supporting the Audit Committee, Monitoring and Liaison and Planning for 2015/16.

- 2.10 Members will note the inclusion of a provision for the completion of projects that relate to 2013/14. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible; especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year end closure procedures.
- 2.11 The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.
- 2.12 On behalf of the Authority SIAS is developing a three year rolling Internal Audit plan and during planning discussions with senior managers, a number of potential audits were identified (in addition to the annual key financial systems audits) that will likely feature in the plans for subsequent years. Appendix B lists those areas of activity we currently anticipate will be included in 2015/16 and 2016/17 and these will be formally risk assessed as those plans are compiled. In a scenario where an audit within the 2014/15 plan is cancelled consideration will be given to bringing forward one of the 2015/16 items.

### 3. Performance Management

#### Update Reporting

- 3.1 The work of Internal Audit is required to be reported to a Member Body so that East Herts Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered

good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2014/15 and any proposed changes will be reported to this Committee four times in the 2014/15 civic year.

- 3.2 The implementation of agreed high priority recommendations will be monitored by Internal Audit and progress will be reported as part of the update reporting process.

Performance Indicators

- 3.3 Annual performance indicators were approved at the SIAS Board meeting on the 7 September 2011. Details of the targets set for 2014/15 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

| <b>Performance Indicator</b>   | <b>Performance Target</b> |
|--|---------------------------|
| <b>1. Planned Days</b><br>percentage of actual billable days against planned chargeable days completed                         | 95%                       |
| <b>2. Planned Projects</b><br>percentage of actual completed projects to draft report stage against planned completed projects | 95%                       |
| <b>3. Client Satisfaction</b><br>percentage of client satisfaction questionnaires returned at 'satisfactory' level             | 100%                      |
| <b>4. Number of High Priority</b>  | 95%                       |

|  |  |
|--|--|
| <p><b>Audit Recommendations agreed</b></p>         |  |
| <p><b>5. External Auditor Satisfaction</b></p>     | <p>Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work</p>                             |
| <p><b>6. Annual Plan</b></p>                       | <p>Presented to the March meeting of each Audit Committee. Or if there is no March meeting then presented to the first meeting of the new financial year</p> |
| <p><b>7. Head of Assurance's Annual Report</b></p> | <p>Presented to the first meeting of each Audit Committee in the new financial year.</p>   |

| Audit                        | Proposed Outline Scope / Reason for Inclusion          | Proposed Days | Target Quarter |
|------------------------------|--|---------------|----------------|
| <b>KEY FINANCIAL SYSTEMS</b> |  |               |                |
| Asset Management             | Key financial system – CRSA year 1 & Strategy Coverage | 18            | Q4             |
| Benefits                     | Key financial system                                   | 15            | Q3             |
| Council Tax                  | Key financial system                                   | 12            | Q3             |
| Creditors                    | Key financial system – CRSA year 2                     | 8             | Q4             |
| Debtors                      | Key financial system – CRSA year 2                     | 8             | Q4             |
| Main Accounting System       | Key financial system – CRSA year 1                     | 10            | Q4             |



| Audit                     | Proposed Outline Scope / Reason for Inclusion  | Proposed Days | Target Quarter |
|---------------------------|--|---------------|----------------|
| NDR                       | Key financial system   | 12            | Q3             |
| Payroll                   | Key financial system – CRSA year 1   | 10            | Q4             |
| Treasury Management       | Key financial system   | 10            | Q3             |
| <b>OPERATIONAL AUDITS</b> |  |               |                |
| Enforcement               | Review of enforcement activities across the Council. Specific areas of coverage to be determined when the audit assignment is planned. Typical areas to include planning, building control, licensing. | 15            | Q3             |
| Parking Permits           | With the Authority moving to electronic issue of permits during 2014/15 this review would look at how the new process is operating.  | 10            | Q3             |

| Audit                  | Proposed Outline Scope / Reason for Inclusion   | Proposed Days | Target Quarter |
|------------------------|---|---------------|----------------|
| Local Development Plan | Giving assurance around the robustness of the processes used to consult residents, including resolving queries and reporting on outcomes.   | 12            | Q2             |
| S106 Agreements        | Review of how the Council monitors the calculation, justification and spend of new contributions received to ensure there is sufficient clarity over the use of funds received and minimise the risk of repayment.    | 12            | Q1             |
| Cash and Banking       | Review the secure, complete and accurate receipting, recording, banking and reconciliation of cash, cheque and card payments through all channels. Including consideration of alternative mechanisms / channel shift. | 12            | Q2             |
| Fees and Charges       | Review the setting and application of fees and charges across the Council including assurances regarding minimising the level of subsidy (or hidden costs) across appropriate services.                               | 15            | Q2             |
| Recruitment            | Following recent changes in external service providers review the Council's current approach to both permanent and temporary  | 15            | Q1             |

| Audit                                | Proposed Outline Scope / Reason for Inclusion   | Proposed Days | Target Quarter |
|--------------------------------------|---|---------------|----------------|
|                                      | recruitment.  |               |                |
| Community Grants                     | Review whether opportunities for grants are appropriately publicised; the criteria for making decisions are being correctly applied; and that the use of grant monies is evidenced and monitored. In addition we will look at how the Authority publicises the grant outcomes post-award. | 15            | Q2             |
| Healthcheck / Performance Framework  | A review of the Healthcheck process to ascertain the Authority's approach the production and use of performance information; to include comparison with other the approaches utilised by other SIAS clients.  | 10            | Q4             |
| Shared Services Benefits Realisation | A review of the mechanisms to measure the achievement of the planned benefits derived from the Revs & Bens and IT shared service.   | 10            | Q3             |
| Hertford Theatre                     | Business / Commercial Approach (* to be delivered by PwC @ specialist rate)   | 25*           | Q2             |

| Audit                                      | Proposed Outline Scope / Reason for Inclusion  | Proposed Days | Target Quarter |
|--|--|---------------|----------------|
| Compliance Project Plan                    | Assurance on the implementation of the actions arising out of the project  | 10            | Q4             |
| <b>PROCUREMENT</b>                         |  |               |                |
| New Planning / Building Control system     | Review procurement exercise for the purchase of the new system within the Planning and Building Control services.  | 8             | Q4             |
| Leisure Services – third party inspections | Review of inspection procedures i.e. contractor records. New processes introduced – audit to review contract monitoring with particular focus on maintenance of Council buildings. | 10            | Q2             |
| Acquisition of the LOCATA Housing system   | Review of the procurement exercise for the purchase of the new system within the Housing service.  | 8             | Q2             |

| Audit                | Proposed Outline Scope / Reason for Inclusion  | Proposed Days | Target Quarter |
|----------------------|--|---------------|----------------|
| <b>JOINT REVIEWS</b> |  |               |                |
| NDR Avoidance        | Following the HCFO conference it is considered that there could be value in reviewing NDR anti-avoidance arrangements across all authorities in 14/15 and comparing approaches. This would be in addition to the standard NDR control review undertaken as part of main financial system audits. | 10            | Q1             |
| <b>IT AUDITS</b>     |  |               |                |
| Help Desk Operations | Looking at the arrangements with regard to the new help desk function and to include incident recording and production of management information and the development of a service catalogue for clients.   | 15            | Q2             |
| Change Control       | To provide assurance that EHDC has a process in place to ensure that the scheduling of any task or action that can alter the organization's IT production environment is carried out in a controlled   | 12            | Q2             |

| Audit  | Proposed Outline Scope / Reason for Inclusion  | Proposed Days | Target Quarter |
|--|--|---------------|----------------|
|  | manner; to include approach to emergency changes, reporting and tracking.  |               |                |
| IT Asset Management                            | Looking at the controls in place to ensure the completeness and accuracy of information in the ICT asset inventory regarding all servers, laptops and desktop PCs in the EHDC estate. We will also look at how this impacts other control areas e.g. virus protection. | 12            | Q2             |
| <b>FOLLOW-UP AUDITS</b>                        |  |               |                |
| Follow-up of outstanding audit recommendations | Obtaining updates on the status of internal audit recommendations from action owners and reporting these each quarter to Audit Committee   | 5             | Qtly           |
| <b>STRATEGIC SUPPORT</b>                       |  |               |                |
| Head of Internal Audit Opinion                 | To prepare and agree the Head of Internal Audit Opinion for 2013/14  | 5             | Q1             |

| Audit                       | Proposed Outline Scope / Reason for Inclusion   | Proposed Days | Target Quarter |
|-----------------------------|---|---------------|----------------|
| 2013/14                     |   |               |                |
| Audit Committee             | To provide services linked to the preparation and agreement of Audit Committee reports and presentation of reports / participation at Audit Committee. Provide Committee Member training prior to the meetings. | 15            | Qtly           |
| Client Liaison Meetings     | To produce and monitor performance and billing information, work allocation and scheduling, and to meet with the Council's Audit Champion and other key officers.   | 10            | Ongoing        |
| Liaison with External Audit | As required   | 1             | Ongoing        |
| Progress Monitoring         | Audit plan progress monitoring and related actions  | 10            | Ongoing        |
| SIAS Development            | Included to reflect the Council's contribution to developing the partnership  | 5             | Q1             |

| Audit                             | Proposed Outline Scope / Reason for Inclusion  | Proposed Days | Target Quarter |
|-----------------------------------|--|---------------|----------------|
| 2015/16 Audit Planning            | To provide services in relation to preparation and agreement of the 2015/16 Audit Plan | 10            | Q3/4           |
| <b>CONTINGENCY</b>                |  |               |                |
| Contingency                       | Allocated as discussed and agreed with Management.                                     | 20            | As required    |
| <b>COMPLETION OF 2013/14 Work</b> |  |               |                |
| Completion of 13/14 Work          | Coverage TBC   | 15            | Q1             |
| <b>TOTAL AUDIT PLAN DAYS</b>      |  | <b>435</b>    |                |



|   |
|---|
| <b>PROPOSED AREAS OF COVERAGE 2015/16</b> |
| Community Infrastructure Levy             |
| Website                                   |
| Freedom of Information                    |
| Data Protection                           |
| Leisure - Swimming Pools                  |
| Waste Services                            |
| Parking Collection                        |
| Parking Enforcement - IT systems          |

|   |
|---|
| <b>PROPOSED AREAS OF COVERAGE 2016/17</b> |
| Members Expenses & Allowances             |
| Conflicts of interest                     |
| Gifts & Hospitality                       |
| Grounds Maintenance                       |
| Operational Risk Mgt                      |
| Parking Contractor - changes to contract  |

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## EAST HERTS COUNCIL

AUDIT COMMITTEE - 19 MARCH 2014

REPORT BY DIRECTOR OF FINANCE AND SUPPORT SERVICES

UPDATE ON IMPLEMENTATION OF 2013/2014 ANNUAL  
GOVERNANCE STATEMENT ACTION PLAN

WARD(S) AFFECTED: ALL

---

### **Purpose/Summary of Report**

- The 2012/13 Annual Governance Statement includes seven measures to enhance East Herts Council's internal control framework during 2013/14. The Audit Committee is requested to consider the content of **Essential Reference Paper 'B'** that provides details of proposed actions that need to take place prior to confirmation being given that adequate and effective controls are fully in place.

|   |  |
|---|--|
| <b><u>RECOMMENDATION FOR AUDIT COMMITTEE:</u></b> |  |
| <b>That:</b>                                      |  |
| <b>(A)</b>  | <b>the report now submitted, detailing progress made to implement the action plan contained in the 2012/13 Annual Governance Statement, be received.</b> |

#### 1.0 Background

1.1 The Annual Governance Statement Action Plan has identified key responsible officers and timescales and is monitored through reports to this Committee. Actions needed to address issues have been identified and are monitored on a R(ed), A(mber) and G(reen) basis.

#### 2.0 Report

2.1 For the purposes of the Annual Governance Statement, internal control is being interpreted in its broadest sense covering both financial and managerial controls that ensure that the implementation of East Herts Council's vision and priorities is

being managed effectively.

- 2.2 Position statements are reflected in **Essential Reference Paper 'B'** following consultation with key responsible officers. The position statement contains a traffic light system whereby:
- “Green” indicates that the planned action has been achieved,
  - “Amber” indicates that satisfactory progress is being made towards achieving the planned action, and
  - “Red” is where a planned action has not been achieved or that progress is unsatisfactory.
- 2.3 Since the previous Audit Committee the current positions have been updated but there have been insufficient movements to change the RAG status of any actions which all remain at Amber. The updated ERP 'B' template was also considered by Corporate Management Team on 25 February 2014.
- 2.4 There are two items of slippage to report:
- The development of an IT Strategy has been put back by two months due to priority work being carried out to ensure compliance with the Public Services Network.
  - The review of the operation of all shared service partnership arrangements has been put back by six months in order to allow for the shared IT Service to become further embedded.
- 3.0 Implications/Consultations
- 3.1 Information on any corporate issues and consultation associated with this report can be found within Essential Reference Paper 'A'.

### Background Papers

Update on Implementation of 2013/ 2014 Annual Governance Statement  
Action Plan – Audit Committee 22 January 2014.

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## ESSENTIAL REFERENCE PAPER 'A'

### IMPLICATIONS/CONSULTATIONS

|  |  |
|--|--|
| Contribution to the Council's Corporate Priorities/ Objectives | <p><b>People</b><br/>This priority focuses on enhancing the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.</p> <p><b>Place</b><br/>This priority focuses on the standard of the built environment and our neighbourhoods and ensuring our towns and villages are safe and clean.</p> <p><b>Prosperity</b><br/>This priority focuses on safeguarding and enhancing our unique mix of rural and urban communities, promoting sustainable, economic and social opportunities.</p> |
| Consultation:  | No public or partner consultations were required during the preparation of this report.  |
| Legal:   | There are no additional legal implications to those already contained in this report.  |
| Financial:   | There are no additional financial implications to those already contained in this report.  |
| Human Resource:  | There are no additional human resource implications to those already contained in this report.   |
| Risk Management:   | There are no additional risk management implications to those already contained in this report.  |

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**ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2013/14**

| <b>Issue</b>   | <b>Resp. Off.</b>  | <b>Initial Target Date</b> | <b>Actions needed to achieve milestone</b>   | <b>Current position</b>   | <b>RAG status</b> |
|--|--|----------------------------|--|---|-------------------|
| <p>Risk of failure to deliver an effective, efficient and economic IT service.</p> <p>(From 2010/11 Action Plan)</p> | <p>Director of Finance and Support Services/<br/><br/>Head of Shared ICT, Business Impr'ment and Print and Graphic Design Services</p> | <p>March 2014</p>          | <ul style="list-style-type: none"> <li>• All outstanding high risk IT audit recommendations implemented.</li> <br/> <li>• Resilient IT business continuity arrangements in place.</li> </ul> | <ul style="list-style-type: none"> <li>• The Shared Internal Audit Service (SIAS) continue to monitor outstanding high risk recommendations and will report to Audit Committee in March 2014.</li> <br/> <li>• The intended solution provided by the Shared IT Service is for all technology to be recoverable within four hours. The timeline to deploy all key applications via the new data centre remains on target.</li> </ul> | <p>AMBER</p>      |

|   |            |  |   |   |              |
|---|------------|--|---|---|--------------|
| <p>IT Risk Diagnostic</p> <p>(Highlighted by SIAS during 2012/13)</p> | <p>CMT</p> | <p>May 2014</p> <p>(revised from March 2014)</p> | <ul style="list-style-type: none"> <li>• Develop an IT strategy which is aligned with the business objectives of the Council and sets out the vision and core priorities for ICT over the next 3 years.</li> <li>• Implement a governance committee to focus on strategic decision making and prioritisation within IT and assign the monitoring of ICT delivery to more operational committees.</li> <li>• Define performance indicators for ICT which are aligned with the business need and with ICT capacity to deliver. On a periodic</li> </ul> | <ul style="list-style-type: none"> <li>• The timeframe has slipped due to priority work to ensure compliance with the Public Services Network. A revised approach and outline strategy is to be discussed with the portfolio holder and the Director of Finance and Support Services.</li> <li>• Governance arrangements are in place for the shared ICT service.</li> <li>• Performance measures are reported at each ITSG meeting.</li> </ul> | <p>AMBER</p> |
|---|------------|--|---|---|--------------|

|   |     |            |  |   |       |
|---|-----|------------|--|---|-------|
|   |     |            | basis, monitor and report them to business stakeholders.   |   |       |
| Hertford Theatre future governance arrangements<br><br>(From 2011/12 Action Plan) | CMT | March 2014 | <ul style="list-style-type: none"> <li>Options to be developed to consider financial and other risks during a period of transition.</li> </ul> | <ul style="list-style-type: none"> <li>CMT has determined that an independent review of future governance arrangements is required and will be commissioned by the Chief Executive.</li> <li>Community Scrutiny Committee in September 2013 received the end of Financial Year Report.</li> </ul> | AMBER |

|  |     |            |  |   |       |
|--|-----|------------|--|---|-------|
| <p>Asset Management Plan</p> <p>(From 2012/13 Action Plan)</p> | CMT | March 2014 | <ul style="list-style-type: none"> <li>Review assets held by the Council.</li> </ul> | <ul style="list-style-type: none"> <li>Asset Management Plan 2013-17 approved by CMT but has been put on hold.</li> <li>Additional resources have been approved on a temporary basis to support the development of the Investment Strategy, one strand of which is to consider the return on investment currently made through our own asset.</li> <li>As part of the paper that went to Executive on 4<sup>th</sup> February 2014, information about the current return on investment of our assets was included.</li> </ul> | AMBER |
|--|-----|------------|--|---|-------|

|   |            |  |   |  |              |
|---|------------|--|---|--|--------------|
| <p>Impact of Welfare Reform changes</p> <p>(Identified as a new strategic risk)</p>             | <p>CMT</p> | <p>March 2014</p>                                    | <ul style="list-style-type: none"> <li>• New Legislation will have an adverse financial impact on a significant number of residents. Provide residents more support for services across the Council to staffing levels, manage the budget and the public expectations. Implement Council policies effectively.</li> </ul> | <ul style="list-style-type: none"> <li>• The workload in the Revenues and Benefits service continues to increase. Services across the Council, including Housing and Customer Services continue to experience an increase in demand. Services are working together to work efficiently and effectively to manage workloads.</li> </ul> | <p>AMBER</p> |
| <p>Operating effectively in Shared Services</p> <p>(Taken forward from 2012/13 Action Plan)</p> | <p>CMT</p> | <p>October 2014</p> <p>(revised from March 2014)</p> | <ul style="list-style-type: none"> <li>• Complete a review of the operation of all shared service partnership arrangements</li> </ul>   | <ul style="list-style-type: none"> <li>• A review is planned within the target timeframe.</li> </ul>   | <p>AMBER</p> |

|   |  |                   |   |   |              |
|---|--|-------------------|---|---|--------------|
| <p>Risk that S106 Monies remain unspent</p> <p>(Highlighted by SIAS during 2012/13)</p> | <p><b>Head of Comms, Engagement and Cultural Services/<br/>Head of Planning and Building Control</b></p> | <p>March 2014</p> | <ul style="list-style-type: none"> <li>• Ensure that funds are spent on appropriate schemes in accordance with the terms of the Section 106 agreement which provide value for money for the community.</li> </ul> | <ul style="list-style-type: none"> <li>• Regular reports are made to CMT identifying projects and tracking outstanding payments. Last reported to CMT 26 November 2013.</li> <li>• Update on Section 106 Agreements reported to Audit Committee in November 2013.</li> <li>• Director of Finance &amp; Support Services has convened a workshop to consider Section 106 spend and future options, including ways of drawing on other funding to support initiatives.</li> </ul> | <p>AMBER</p> |
|---|--|-------------------|---|---|--------------|

## EAST HERTS COUNCIL

### AUDIT COMMITTEE – 19 MARCH 2014

#### REPORT BY DIRECTOR OF FINANCE AND SUPPORT SERVICES

#### ANNUAL REVIEW OF DATA QUALITY STRATEGY

WARD(S) AFFECTED:     *None specific*

#### Purpose/Summary of Report:

This report introduces the 2013/14 revisions to the Data Quality Strategy.

| <b><u>RECOMMENDATION FOR AUDIT COMMITTEE</u></b> |   |
|--|---|
| <b>That:</b>                                     |   |
| <b>(A)</b>                                       | <b>the revisions to the attached strategy be noted; and</b>   |
|  |   |
| <b>(B)</b>                                       | <b>the tracked changes updated in the strategy be agreed.</b> |

---

#### 1.0     Background

1.1     East Herts is committed to delivering good data quality. The aim of the Data Quality Strategy is to continue to drive improvement in the quality of local government performance information, leading to greater confidence in the supporting data on which performance assessments and Council decisions are based.

#### 2.0     Report

2.1     Audit Committee at its meeting on 13 March 2013 agreed to continue to receive an annual review of the Data Quality Strategy.

2.2     The Data Quality Strategy (version 12) with the tracked amendments can be found in **Essential Reference Paper B**. In summary, non material changes have been made, for example the table which lists the core systems the Council uses to manage data has been updated and the section regarding Data Quality champions has been removed. This is because data quality requirements have reduced since the abolition of the National

Indicator framework. Work required for data quality purposes will now be undertaken with responsible officers either through face to face or e-mail requests.

### 3.0 Implications/Consultation

3.1 None

#### Background Papers

None

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## ESSENTIAL REFERENCE PAPER 'A'

### IMPLICATIONS/CONSULTATIONS

|  |   |
|--|---|
| Contribution to the Council's Corporate Priorities/ Objectives<br>(delete as appropriate): | <p><b>People</b><br/>This priority focuses on enhancing the quality of life, health and wellbeing, particularly those who are vulnerable and delivering strong services.</p> <p><b>Place</b><br/>This priority focuses on sustainability, the built environment and ensuring our towns and villages are safe and clean.</p> <p><b>Prosperity</b><br/>This priority focuses on safeguarding and enhancing our unique mix of rural and urban communities, promoting sustainable, economic opportunities and delivering cost effective services.</p> |
| Consultation:  | There are no specific consultation implications arising directly from this report. All senior managers were consulted on the revised draft strategy during November/December 2013.  |
| Legal:   | There are no specific legal implications arising directly from this report.   |
| Financial:   | There are no specific financial implications arising directly from this report.   |
| Human Resource:  | There are no specific human resource implications arising directly from this report.  |
| Risk Management:   | Robust data quality underpins not just performance management but effective decision making. It is essential therefore that where data is used and shared it is accurate and clear. The strategy sets out how the Council intends to manage data quality and mitigate the risk of unreliable inaccurate data.   |

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# Data Quality Strategy

## Data Quality Strategy Contents

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## Data Quality Strategy

### 1. Document Control

#### *Document*

|                       |                                |
|-----------------------|--------------------------------|
| <b>Client</b>         | East Herts Council             |
| <b>Project</b>        | Performance Management         |
| <b>Document</b>       | Data Quality Strategy          |
| <b>Author</b>         | Performance Monitoring Officer |
| <b>Published Date</b> | 26 February 2009               |
| <b>Version</b>        | <u>12</u> .0                   |

#### *Change History*

| Issue       | Date Of Issue        | Comments / Reason For Change |
|-------------|----------------------|------------------------------|
| 1.0 – 5.0   | N/A                  | Initial Draft                |
| 6.0         | 23 October 2007      | Final Draft                  |
| 7.0         | 3 February 2009      | Annual amendments            |
| 8.0         | 26 January 2010      | Annual amendments            |
| 9.0         | 8 March 2011         | Annual amendments            |
| 10.0        | 13 December 2011     | Annual amendments            |
| 11.0        | 12 February 2013     | Annual amendments            |
| <u>12.0</u> | <u>19 March 2014</u> | <u>Annual amendments</u>     |

#### *Distribution*

| Name | Position                      | Organisation       |
|------|-------------------------------|--------------------|
| N/A  | Chief Executive               | East Herts Council |
| N/A  | Directors                     | East Herts Council |
| N/A  | Heads of Service              | East Herts Council |
| N/A  | Officers responsible for PI's | East Herts Council |

#### *Abbreviations Used*

|             |                                   |
|-------------|-----------------------------------|
| <u>NIs</u>  | <u>National Indicators</u>        |
| <b>EHPI</b> | East Herts Performance Indicators |
| <b>SPI</b>  | Service Performance Indicators    |
| <b>PI</b>   | Performance Indicators            |
| <b>OU</b>   | Organisational Units              |
| <b>CMT</b>  | Corporate Management Team         |

## Data Quality Strategy

### 2. Introduction

The purpose of this strategy is to outline the Council's approach to data quality.

The Council is committed to producing accurate, timely and relevant information. This strategy will ensure a consistent, corporate approach to data quality across the Authority by:

- Articulating a set of core principles of Data Quality and
- Standardising the Council's approach to the calculating and collating of data on a diverse range of processes.

## Data Quality Strategy

### 3. Background

~~In 2010 the Coalition Government announced a number of changes that has greatly affected how data was previously being managed. These included the deletion of the Comprehensive Area Assessment (CAA), Use of Resources (UoR) assessment and the abolition of the Audit Commission.~~ The Council ~~remains is~~ committed ~~at to~~ having a robust approach to data quality, because it underpins not just performance management but effective decision making.

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In addition, data is used in a variety of processes between Councils and their partners and that data can potentially be passed on to other party organisations. Councils are accountable for any information they supply and it is important that good data quality is applied when handling any data when any data is shared.

The principles of good quality data are outlined below:

- Awareness
- Definitions
- Input
- Verification
- Systems
- Output
- Presentation

## Data Quality Strategy

### 4. Awareness

Data quality plays an important part towards contributing to the delivery of the Council's corporate priorities, "People, Place and Prosperity".

Data quality is the responsibility of every member of staff, whether they are inputting, extracting or analysing data from any of the Council's information systems. Each member of staff should be aware of their responsibility in relation to data quality, however some officers will play a greater role in data quality than others.

Responsibility for data quality should be reflected in job descriptions and the appraisal process. Line managers are encouraged to ensure where relevant, that suitable appraisal targets and paragraphs in job descriptions reflecting the Council's policy are included. This should be proportionate to the level of involvement staff have.

Also staff that are responsible for data quality should be made aware that should any unauthorised tampering with data or any breaches to data quality be found, a line manager will look to remedy the case initially through the Council's [Disciplinary HR Policy](#).

**Essential Reference Paper A** details the roles and responsibilities for data quality in respect to the overall performance management framework.

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## Data Quality Strategy

### 5. Definitions

In respect to performance indicators it is the responsibility of all officers to have a clear understanding of the measures assigned to them, in terms of definition and calculation, and how lapses can either lead to errors or delayed reporting, both of which limit the Council's ability to manage performance effectively.

A clear understanding might be defined, for example, as the knowledge of what the numerator and denominator are, and whether there are any important technical guidelines (for example, the exclusion of certain cases).

Where indicators have originated from national measures, set definitions may therefore already exist. However it is important that the service is clear on the exact definition that is being applied. This ensures that data is recorded consistently, allowing for comparison over time.

The latest guidance for all performance indicators e.g. (EHPIs and SPIs) can be found by logging on to Covalent where the definition and calculation is stored.

Performance indicators are either monitored on a monthly, quarterly or annual basis using the Council's performance management system Covalent. All targets and outturns in relation to monthly and quarterly monitoring refer to a snapshot period (with the exception of a few indicators which are cumulative), whereas the annual reporting relates to the end of year position.

Targets for indicators are set in the following way:

- **Annual Targets** – are determined as part of the Estimate and Future Target setting process e.g. annual targets for 201~~34~~/~~145~~ are determined based on the 201~~23~~/~~134~~ estimates. This process takes place between November – March each year, so the following year's targets are set before 1 April.
- **Monthly and Quarterly Targets** – are determined in March/April each year, once the annual target has been set. The basket of indicators to be monitored is determined by the analysis the Performance Team undertakes in relation to:
  - Indicators that are off target
  - Indicators where performance is declining
  - Indicators that are in bottom quartile
  - Indicators that are key to the organisation

Every performance indicator has a named officer who is responsible for collecting and reporting the information. This ensures that there is consistency in the application of definitions and use of systems for providing the data. In some larger services this is split between two officers (see **Essential Reference Paper A**).

Each named officer is kept up to date with any changes in definition that may occur from time to time, through Covalent and directly from the Performance Team.

#### **Data Quality Champions:**

~~Every service will have a nominated Data Quality Champion. The champion is required to take an active lead in promoting data quality within the organisation. The Data Quality Champion group will be led by the Performance Monitoring Officer responsible for producing the monthly Healthcheck reports. The Data Quality Champions will ensure that the Council is adhering to the principles of data quality. They will assist with creating an annual data quality training scheme for Officers and Members. They will support the Performance team with spot checking the data supplied by and to their service. They will also work alongside the Performance team with regards to reporting data to auditors.~~

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[Essential Reference Paper B](#) details the roles of responsibility for data quality in respect to performance indicators on Covalent.

Although this section focuses on the importance of 'definition' in relationship to performance indicators, the good principles of 'definition' should apply to all measures of data.

## Data Quality Strategy

### 6. Input

There must be adequate controls in relation to the input of data into service-based systems and Covalent. Data inputting is the responsibility of the relevant service department and named officer for the performance indicator/measure.

System produced figures are only as good as the data entered into that system in the first place. The aim should be 100% accuracy 100% of the time. It is important that officers have clear guidelines and procedures for using systems and are adequately trained to ensure that information is being entered consistently and correctly.

A key requirement is that data be entered on an ongoing basis, not saved up to be entered in a block at the end of a period. This reduces the error rate and the need for complex verification procedures.

Controls should also be in place to avoid double-counting. These should be designed according to the nature of the system, in particular where more than one person inputs data. A likely control will be a clear division of responsibility setting out who is responsible for what data entry.

Where a service does not have a bespoke/dedicated system to record data, data may be entered into a number of Excel workbooks. If this is the case then the service should ensure that the workbooks are linked and that the formulas to calculate performance are pre set. This not only saves officer time but decreases the chance of errors.

As Covalent is unable to integrate with service systems, the monthly, quarterly and annual data is inputted manually. Here the service, in line with the Performance team, needs to ensure that data from service systems is correct

and consistent with Covalent. Please refer to **Essential Reference Paper C** for information on the relevant service systems.

## Data Quality Strategy

### 7. Verification

Data verification is the responsibility of the:

- Service in terms of undertaking verification checks of their own systems and the;
- Performance Team in terms of performance indicator data and Covalent

#### **Service responsibility:**

The Council has a number of robust information systems, nevertheless even these have possibilities for errors in data entry. The frequency of verification checks for these systems needs to be aligned with the frequency for data reporting.

A simple verification process may be to review a sample of recent data against expectations, or a reconciliation of system-produced data with manual records if appropriate. Some systems may require more checks such as:

- Data cleansing, e.g. to remove duplicate records or to complete missing information
- Sample checks to eliminate reoccurrence of a specific error, e.g. checking one field of data that is pivotal for a PI against documentation, for a sample of cases
- Test run of report output, to check the integrity of the query being used to extract the data
- Spot checks, e.g. on external contractor information

#### **Partnership responsibility:**

The Council expects partners to demonstrate responsibility for the quality of data they provide. Where data is provided directly the service concerned will ensure partners (shared services/third parties) have an adequate data assurance process or sign up to an assurance process with East Herts Council. Where possible a record of source data should be kept.

Data that is provided from external sources also needs to be checked. The Council will work alongside contractors to ensure the data is correct.

A requirement to provide timely and accurate data should be made clear when entering into new contracts. Likewise, the contractor must be clear of their responsibility for data quality and how we will check their data.

Some information/data are provided directly by external agencies e.g. [crime waste collection](#) statistics. The Council will work with these agencies

constructively wherever possible to provide assurance on data quality and resolve any problems identified.

**Performance Team responsibility:**

Once performance indicator data has been entered on to Covalent the Performance Team is required to undertake periodic spot checks to ensure that the data has been calculated as per the performance indicator definition. In particular the spot check will look to see if the correct:

- Numerator and denominator have been used
- Calculation has been applied
- Data has been reported to the correct decimal place

The spot check and performance indicators involved are first identified in the annual estimates and future targets report which is presented to Corporate Management Team (CMT), Joint Scrutiny committee and then to Executive. The findings of the spot check are then reported as part of the annual outturn report and will again go through CMT, [Joint/Corporate Business Scrutinythe three scrutiny committees](#) and Executive.

## **Data Quality Strategy**

### **8. Systems**

Each system will have a named systems administrator and they will be responsible for data quality issues relating to that system. These officers will have the following responsibilities (although this is dependent on the type of system in place, so some or all will apply, it is down to the service to determine this)

- Ensure users are adequately trained, if appropriate this should include a formal training programme, which is periodically evaluated and adapted to respond to changing needs.
- Ensure there is security for accessing and amending the data if periodic tests of the integrity of the data are undertaken.
- Provide information management support to users.
- Undertake system upgrades where necessary (accommodate amendments to performance indicator definitions)
- Ensure the system meets the manager's information needs
- Ensure the system can produce adequate audit trails
- Produce a set of written procedures, i.e. a user guide (also available on download from intranet)
- Produce a business continuity plan for the system exists to protect vital records and data
- A named substitute officer is nominated to deputise for the systems administrator in his/her absence.

Please refer to **Essential Reference Paper C** for information on the relevant service systems.

## **Data Quality Strategy**

### **9. Output**

Data should be timely and accurate. In order for performance indicator data to be acted upon quickly by both Directors and Members, a timetable for reporting monthly and quarterly performance indicator data is produced by the Performance Team, at the start of each financial year, and communicated via E-mail.

Performance data is compiled into the Corporate Healthcheck report which is produced on a monthly basis for CMT and Executive. The Corporate Healthcheck details performance and financial data. The Healthcheck is also reported to Scrutiny on a regular basis.

In summary the process entails Service Heads meeting at the beginning of each month with their Service Accountant to discuss budget issues in terms of revenue and capital overspends and underspends, delivery of efficiency targets etc. Any significant variances or concerns are then flagged up on a form, along with the latest performance management data, which is discussed at the DMT meeting later that month. It is at this meeting the Director then identifies the key budget and performance issues for the Division and the necessary action that is required to rectify the situation. This is then fed into the production of the Corporate Monthly Healthcheck Report that is reported to the Corporate Management Team and then the appropriate scrutiny committee and the Executive respectively.

This process allows CMT to focus on addressing issues relating to achieving the Council's objectives and not on the data quality. This is because DMTs approve the quality of data before it is presented to CMT by querying various information at an early stage, such as:

- Performance data note/comments interpretation
- Any missing performance data
- Process of improvement if performance data is indicating off target
- Patterns of recurring discrepancies to performance data

It is important that Heads of Service are satisfied that the data being presented to CMT and Members is accurate, as decision making is based in part on the data provided.

## **Data Quality Strategy**

### **10. Presentation**

During external audits, there should be at least one other officer who is able to provide advice and information on the performance indicator in the absence of the lead officer. This is an important control to ensure that audit work proceeds smoothly.

When information is presented for external audit, a member of the Performance Team must review working papers (calculations/evidence) to confirm that the definition has been followed, also the calculations are correct and the indicator is supported by a full audit trail.

## **Data Quality Strategy**

### **11. Data Sharing**

Protocols for data sharing and data sharing agreements within partnerships should be defined at the start of any partnership work.

The Council's Data Sharing Protocol can be obtained from the council intranet or further information can be obtained from the link below:

<http://www.eastherts.gov.uk/intranet/media.jsp?mediaid=11370&filetype=PDF>

**Data Quality Strategy**  
**Essential Reference Paper A**

The roles and responsibilities for data quality in respect to overall performance management framework.

|                       | <b>All officers responsible for inputting/extracting data from systems</b>  | <b>Head of Service</b>   | <b>Directors</b>   | <b>Performance Monitoring Officer</b>   | <b>Corporate Planning &amp; Performance Manager.</b>  |
|-----------------------|---|--|--|---|---|
| <b>Covalent Role</b>  | ‘Assignee’ and/or ‘Managed by’  |  | Managed by   | Administrator   |   |
| <b>Responsibility</b> | <ul style="list-style-type: none"> <li>• Knowledge of relevant performance indicator definitions and guidance</li> <li>• Inputting accurate information on to Covalent and internal system</li> <li>• Ensuring up to date record keeping.</li> <li>• Support/assist in any external audit requirements</li> </ul> | <ul style="list-style-type: none"> <li>• Ensuring a robust control environment exists for data inputting and extracting within service area/systems</li> <li>• Ensuring the data contained on Covalent and internal systems is accurate and reliable</li> <li>• Sufficient explanations are provided explaining performance data</li> <li>• Relevant evidence provided to support data</li> <li>• Support/assist in any external audit requirements</li> </ul> | <ul style="list-style-type: none"> <li>• Robustly scrutinising data and responding to performance information reports E.g. Corporate Healthcheck, Estimates, Outturns and Targets</li> </ul> | <ul style="list-style-type: none"> <li>• Maintain Covalent so that roles and permissions are current</li> <li>• Ensure services have access to the latest performance indicator definitions and guidance</li> <li>• Undertake training on Performance Management Framework processes e.g. monthly and quarterly monitoring, estimate and target setting, outturn collation</li> <li>• Undertake training on Covalent</li> <li>• Undertake data quality spot checks</li> </ul> | <ul style="list-style-type: none"> <li>• Manage the Performance Management Framework</li> <li>• Support/assist in any external audit requirements.</li> <li>• Advice and support to officers to meet requirements of data quality.</li> </ul> |

**Data Quality Strategy  
Essential Reference Paper B**

Performance indicators are monitored on a monthly, quarterly or annual basis using the Council’s performance management system Covalent. The system enables different roles to be assigned to help support the collation of data. The Ownership pane provides details on who is accountable and responsible for the performance indicator, at six different levels:

- **Responsible OUs** – the service responsible for the performance indicator.
- **Administered By** – the system administrators who have full control over the performance indicator in terms of setup, data and targets.
- **Managed By** – the most senior officer with responsibility for this performance indicator, usually a Head of Service or a Director.
- **Assigned To** – the lead officer or person with responsibility for the performance indicator, if a second officer is needed in addition to the ‘Managed By’ role.
- **Portfolio Owners** – the member who has responsibility for this performance indicator.
- **Also Visible To** – All the users who can see the performance indicator, though not necessarily edit it.

**Data Quality Strategy  
Essential Reference Paper C**

Detailed below is a list of the core systems the Council uses to manage data, in relation to its Performance Management Framework. As part of the consultation process services will be contacted about the systems they are currently using to input data and who is the registered system administrator.

| Service Area                               | System Name                                 | System Administrator           |
|--|---|--------------------------------|
| Financial Support Services and Performance | <a href="#">Radius PowersolveFinancials</a> | Principal Accountant           |
|  | Covalent                                    | Performance Monitoring Officer |
| Benefits &Revenues                         | <a href="#">AcademyCapita</a>               | Head of Benefits and Revenues  |
| Planning & Building Control                | Excel – for planned response                | Building Control Manager       |
|  | FastCONTROL Building Control - site visits  | Building Control Manager       |



| Service Area  | System Name   | System Administrator  |
|---|---|---|
| Planning & Building Control (continued)   | APAS in reference to Planning – back office system for Development <a href="#">Management</a> .   | Systems Administrator   |
|   | <a href="#">Opentext</a> – for Development Control report generation  | Administration Assistant  |
| Community Safety and Health Services  | LALPAC – Licensing applications<br>Mayrise – Anti Social Behaviour data<br>Access – Enforcement data data provided by the Police  | <a href="#">Head of Community Safety and Health Services</a>  |
| Environmental Services  | Mayrise<br><a href="#">Appeals – Reports and calculations run from ICPS</a><br><a href="#">Occupancy rate – P&amp;D database</a><br><a href="#">Votes are manually counted</a><br><a href="#">Saffron</a><br><a href="#">M3 Public Protection</a><br><a href="#">Groundview</a> | <a href="#">Administration Manager</a><br>Waste Services Manager  |
|   | <a href="#">Information, parking and Customer Services and New Media</a>  | Delphi<br><a href="#">LPI 4.1 Sustainable products- Excel</a><br>Covalent<br><a href="#">Mitel Contact Center Management – Telephones</a><br><a href="#">Lagan (CRM) - Complaints</a> |
| Housing Services  | Excel – Housing register  | Housing Manager   |
| People, <del>ICT</del> and Property Services                                    | Delphi<br>Business Objects<br>Excel – PDR, sickness monitoring and establishment list   | Human Resource Officer<br>Administration Assistant  |
| <a href="#">Shared ICT, Business Improvement and Print and Design Services.</a> | <a href="#">Track it – Service desk system</a>  | <a href="#">Network and Systems Support Manager</a>   |

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**Data Quality Strategy  
Essential Reference Paper D**

This appendix details the continuing actions the Council needs to undertake to ensure good data quality is embedded.

| Action  | Responsibility  | Timescale   |
|---|---|---|
| <b>Theme 1 – Governance</b>   |   |   |
| Periodic member training on Data Quality and Covalent.  | <u>Corporate Planning and Performance Manager and Performance Monitoring Officer, in partnership with Democratic Services</u> | To be determined as part of the member training plan. (annually)  |
| Data Quality Strategy reviewed annually.  | <u>Corporate Planning and Performance Manager and Performance Monitoring Officer</u>  | March each year   |
| <b>Theme 2 – Policies and procedures</b>  |   |   |
| Continue to <u>consult with SMG and officers responsible for inputting performance indicator data on Covalent updates and enhancements, revisions to the data quality strategy and training, utilise the Data Quality Champion working group to help develop the performance management framework for the</u> | <u>Corporate Planning and Performance Manager and Performance Monitoring Officer</u>  | <u>Ongoing – aim to meet once a year, with periodic e-mail communications when meetings aren't necessary. As and when required – Consultation to be undertaken either face to face or through e-mail.</u> |

|  |  |  |
|--|--|--|
| <a href="#">Council. This will include looking at Covalent, Data Quality Strategy, training etc.</a> |  |  |
|--|--|--|

| Action  | Responsibility   | Timescale  |
|---|--|--|
| <b>Theme 3 – Systems and processes</b>  |  |  |
| Evaluate and maintain Covalent to ensure it remains relevant and fit for purpose to support the council’s performance management framework.   | <u>Corporate Planning &amp; Performance Manager and Performance Monitoring Officer</u> | Ongoing through <a href="#">attendance at Covalent User group meetings and an annual review of system reported to either the Head of Finance Support Service and Performance or CMT.</a> |
| Undertake an annual review of <a href="#">Covalent and the</a> controls in place <a href="#">on Covalent</a> , reporting to Head of Financial Support Services and Performance on the outcomes of review. | <u>Corporate Planning and Performance Manager and Performance Monitoring Officer</u>   | March each year  |
| <b>Theme 4 – People and Skills</b>  |  |  |
| <u>Periodic officer training on Data Quality and Covalent to take place</u>   | <u>Corporate Planning and Performance Manager and Performance Monitoring Officer</u>   | As <a href="#">and when</a> requested.   |

EAST HERTS COUNCIL

AUDIT COMMITTEE – 19 MARCH 2014

REPORT BY THE LEADER OF THE COUNCIL

RISK MANAGEMENT MONITORING REPORT (OCTOBER TO DECEMBER 2013)

WARD(S) AFFECTED: ALL

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**Purpose/Summary of Report**

- This report relates to action taken to mitigate and control strategic risks in the period October to December 2013.

**RECOMMENDATION FOR AUDIT COMMITTEE:**

**That:**

|            |  |
|------------|--|
| <b>(A)</b> | <b>The action taken to mitigate and control strategic risks be approved.</b> |
|------------|--|

1.0 Background

The Strategic Risk Register was last considered by Audit Committee on 20 November 2013. The register has been updated to reflect controls implemented between October to December 2013 and is attached at **Essential Reference Paper 'B'**.

2.0 Report

2.1 Risk management can be defined as:

The process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of their success and reducing the likelihood of their failure. (Source: The Institute of Risk Management).

2.2 Managing threats and opportunities helps to create an environment of “no surprises” and the Authority is in a stronger position to deliver services in accordance with corporate priorities. By managing opportunities, it is better positioned to provide continuous improvement in its services and better value for money.

2.3 The following system of rating has been adopted:

Rating the potential impact if the risk was to occur using the following scores

- 4 **High** - Greater than £280,000 and / or national criticism and / or catastrophic fall in service quality
- 3 **Medium** - £140,000 to £280,000 and / or regional criticism and / or major long term fall in service quality
- 2 **Low** - £50,000 to £140,000 and / or long term local media criticism and / or minor long term or major short term fall in service quality
- 1 **Negligible** - Below £50,000 and / or short term local media criticism and / or short term fall in service quality

Rating the likelihood of occurrence using the following scores

- 4 **Probable** - The event is likely to occur within a year
- 3 **Possible** - The event is likely to occur within, or more than one in three years
- 2 **Unlikely** - The event could occur less frequently than every three years
- 1 **Rare** – The event could occur in exceptional circumstances

These scores are further assessed to classify whether risks are considered to be critical, caution, contingency or control.

2.4 The Strategic Risk Register, **Essential Reference Paper ‘B’**, has been updated to reflect controls implemented between October and December 2013. Scoring remains unchanged, with the exception of SR1. The impact rating has been lowered from 4 to 3 following the announcement of the finance settlement.

2.5 This information was presented to the Executive on 4 February 2014. There are no comments to relay.

2.6 All strategic and operational risks can be viewed on the Council's performance management system, Covalent ([www.covalentcpm.com/eastherts](http://www.covalentcpm.com/eastherts)).

### 3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

### Background Papers

Risk Monitoring Report July to September 2013 – Audit Committee 20 November 2013.

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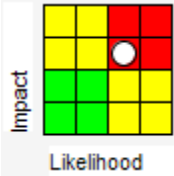
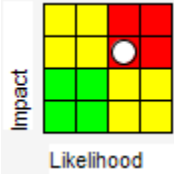
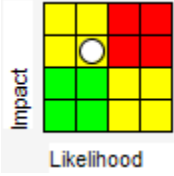
## ESSENTIAL REFERENCE PAPER 'A'

### IMPLICATIONS/CONSULTATIONS

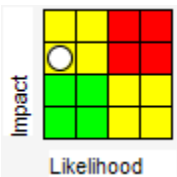
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| Contribution to the Council's Corporate Priorities/ Objectives | <p><b>People</b><br/>This priority focuses on enhancing the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.</p> <p><b>Place</b><br/>This priority focuses on the standard of the built environment and our neighbourhoods and ensuring our towns and villages are safe and clean.</p> <p><b>Prosperity</b><br/>This priority focuses on safeguarding and enhancing our unique mix of rural and urban communities, promoting sustainable, economic and social opportunities.</p> |
| Consultation:  | There are no specific consultation implications arising directly from this report.   |
| Legal:   | There are no specific legal implications arising directly from this report.  |
| Financial:   | There are no specific financial implications arising directly from this report.  |
| Human Resource:  | There are no specific human resource implications arising directly from this report.   |
| Risk Management:   | There are no additional risk management implications to those already contained in this report. However, it should be noted that if East Herts did not have a risk management monitoring process, the Authority would be seen to be not managing risks appropriately, which would have a significant negative impact on recommendations made by the External Auditors through the Annual Audit Letter.   |

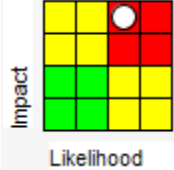
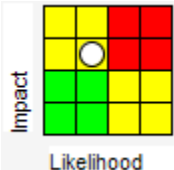
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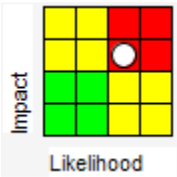
# Strategic Risk Register October to December 2013

| Code   | Title  | Description  | Current Risk Matrix   | Impact | Likelihood | Managed By         | Latest Note   |
|--------|--|--|---|--------|------------|--------------------|---|
| 13-SR1 | Risk of significant reduction in funding above that planned for, in particular localisation of Council Tax Support and localisation of business rates. | There is uncertainty around future funding, both from Government and other areas such as income from commodities markets for recycled materials. There are cost pressures combined with an increased awareness and scrutiny of financial position. |    | 3      | 3          | Adele Taylor       | October to December 2013: Finance settlement announced 18th December 2013 and the financial model has been updated.   |
| 13-SR2 | Risk of a loss of capacity / capability and flexibility to deliver service levels we would like.   | There are challenges around workforce planning to ensure the Council is fit for the future, in terms of workforce skills, capacity and flexibility.  |  | 3      | 3          | Adele Taylor       | October to December 2013: The refreshed Medium Term Financial Plan still requires savings to be delivered within the next four years. Workforce implications need to be considered alongside annual budget proposals. |
| 13-SR3 | Risk that supplier / contractor or key third sector partner fails or fails to deliver.   | A number of key external and internal services are delivered through major contracts, both directly and in consortia. This is both through private   |  | 3      | 2          | George A Robertson | October to December 2013: The council has robust contract management processes and procedures in place to ensure any concerns are flagged up early.   |

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|        |  | sector supply chains and in conjunction with the voluntary and third sector.   |  |   |   |                  |  |
| 13-SR4 | Risk that investment and effort does not deliver benefits and returns in Shared Services                                 | Moving more towards shared services with other public sector partners. Potential for lack of consistent political buy-in by all partners resulting in considerable effort without benefit. There is also a challenging skill set for managers due to the complexity. |  | 3 | 3 | Adele Taylor     | <p>October to December 2013: All shared service budgets are monitored as part of the standard healthcheck process and non-financial benefits through performance monitoring. At this stage no issues have arisen but we continue to work with partners to ensure joint outcomes are met.</p>   |
| 13-SR5 | There is uncertainty on overall future government policy and a number of changes required without accompanying resource. | Risk of being unable to long term strategically plan.  |  | 3 | 3 | Simon Drinkwater | <p>October to December 2013: Risk on target. Risks arising from changes in government policy are identified and reported to Corporate Management Team. The Council is continuing to respond to changes in the benefit system. The situation is being monitored. Resources have been identified to address the increased demands for relevant services. The Council has responded to the changes in planning resulting from</p> |

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| 13-SR6 | Risk that SMG does not implement Council policies in a coherent and consistent way. | There could be a lack of consistency and cohesion at senior management levels of implementing decisions. |  | 3 | 1 | <p>the introduction of the new framework and other changes arising from the Localism Act. The District Plan is progressing with a report to Council in January 2014. The delay in the provision of the District Plan has increased the risks of housing development being allowed on appeal. The budget challenge process has created opportunities for additional financial savings.</p> <p>October to December 2013: Corporate Management Team meets fortnightly. Part of the role of CMT is to ensure consistency in implementing decisions. Directors discuss the implementation of decisions with Heads of Service and other managers to ensure consistency of approach. Departmental Management Team meetings convey details of decisions to relevant staff. Directors are responsible for ensuring that decisions are implemented</p> |
|--------|---|--|---|---|---|--|

|        |  |   |   |   |   |                    |   |
|--------|--|---|---|---|---|--------------------|---|
|        |  |   |   |   |   |                    | correctly. The Here to Help initiative should lead to more dynamic decision making. Regular meetings of SMG which includes the Corporate Management Team deal with current topics and outstanding issues.   |
| 13-SR7 | Availability and performance of IT systems and resources impacting on service delivery.  | Reduced levels of service across the Authority. Targets may not be achieved. Staff morale and reputation of Council may suffer. Influence of ITSG should reduce risks |    | 4 | 3 | Adele Taylor       | October to December 2013: ITSG is now monitoring system availability and performance which has been improving but a greater step change will come once the new ICT infrastructure is rolled out within the next few months.   |
| 13-SR8 | Data Protection: Failure to comply with the data protection principles. The potential disclosure of personal data inappropriately. | Action may be taken by the ICO. Individuals may suffer if their personal data, particularly sensitive personal data is disclosed.                                     |  | 3 | 2 | George A Robertson | October to December 2013: The council is undertaking a programme of policy and process review which will further strengthen this area and mitigate potential risks. Data protection risk assessments undertaken. (Part of the 2014 service planning process). Corporate issues to be considered at Operational Risk Management Group in |

|        |                                   |  |   |   |   |              |  |
|--------|-----------------------------------|--|---|---|---|--------------|--|
| 13-SR9 | Impact of welfare reform changes. | <p>New legislation will have an adverse financial impact on a significant number of residents. Residents will require more support from services across the Council affecting staffing levels, finances, and a risk of increased aggression. There may also be difficulties in implementing Government policy.</p> |  | 3 | 3 | Adele Taylor | <p>January 2014.</p> <p>October to December 2013: The workload in the Revenues and Benefits service continues to increase. Services across the Council including Housing and Customer Service continue to also experience an increase in demand. Services are working together to work efficiently and effectively to manage the increased workload.</p> |
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EAST HERTS COUNCIL

AUDIT COMMITTEE - 19 MARCH 2014

REPORT BY DIRECTOR OF FINANCE & SUPPORT SERVICES

AUDIT COMMITTEE WORK PROGRAMME 2014/15

WARD(S) AFFECTED: ALL

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**Purpose/Summary of Report**

- This report provides a proposed Audit Committee work programme for the 2014/15 civic year for consideration.

**RECOMMENDATION FOR AUDIT COMMITTEE :**

**That:**

|            |   |
|------------|---|
| <b>(A)</b> | <b>the proposed 2014/15 Audit Committee work programme be approved.</b> |
|------------|---|

1.0 Background

1.1 The Audit Committee was formed on 17 May 2006 and as part of the governance arrangements its work programme is approved each civic year. The work of the Committee during this civic year has been analysed. In the light of this work and discussions with the Council's External and Internal Auditors, the programme for the next civic year has been prepared.

2.0 Report

2.1 A proposed Audit Committee work programme for the 2014/15 civic year is given at **Essential Reference Paper 'B'**.

3.0 Implications/Consultations

3.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper 'A'**.

Background Papers

Audit Committee Work Programme 2013/14- Audit Committee 22  
January 2014.

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## ESSENTIAL REFERENCE PAPER 'A'

### IMPLICATIONS/CONSULTATIONS

|   |  |
|---|--|
| Contribution to the Council's Corporate Priorities/ Objectives: | <b>People</b><br>This priority focuses on enhancing the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable. |
| Consultation:   | The requirements of our External Auditor Grant Thornton UK LLP and the Shared Internal Audit Service have been sought and fully accommodated.                                  |
| Legal:  | There are no additional legal implications to those already contained in this report.  |
| Financial:  | There are no additional financial implications to those already contained in this report.  |
| Human Resource:   | There are no additional human resource implications to those already contained in this report.   |
| Risk Management:  | There are no additional risk management implications to those already contained in this report.  |

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## ESSENTIAL REFERENCE PAPER 'B'

### Audit Committee Work Programme 2014/15 Civic Year

| Committee Date | Agenda Items   |
|----------------|--|
| 16 July 2014   | <ul style="list-style-type: none"> <li>• Training item - TBA.</li> <li>• External Audit- Interim and Audit Approach Report</li> <li>• Draft Statement of Accounts 2013-2014.</li> <li>• Shared Internal Audit Service Annual Assurance Statement 2013/14.</li> <li>• Shared Internal Audit Service Audit Charter.</li> <li>• Shared Internal Audit Service- Progress Report.</li> <li>• Update on Implementation of Annual Governance Statement Action Plan.</li> <li>• Draft 2013/14 Annual Governance Statement.</li> <li>• Risk Management monitoring report 1 January 2014 to 31 March 2014.</li> <li>• Audit Committee Work Programme.</li> </ul> |
| 24 Sept 2014   | <ul style="list-style-type: none"> <li>• Training item- TBA.</li> <li>• External Audit report- Audit Findings Report.</li> <li>• Treasury Management Strategy Statement – 2013/14 outturn and 2014/15 mid-year review.</li> <li>• Statement of Accounts 2013/14.</li> <li>• 2013/14 Annual Governance Statement.</li> <li>• Annual Shared Internal Audit Service Board Report 2013/14.</li> <li>• Shared Internal Audit Service- Progress Report.</li> <li>• Risk Management Strategy.</li> <li>• Risk Management monitoring report 1 April 2014 to 30 June 2014.</li> <li>• Audit Committee Work Programme.</li> </ul>                                |
| 26 Nov 2014    | <ul style="list-style-type: none"> <li>• Training item- TBA.</li> <li>• External Audit report- 2013/14 Annual Audit Letter.</li> <li>• Council response to 2013/14 Annual Audit Letter.</li> <li>• External Audit report- Planned Audit Fees for 2014/15.</li> <li>• Update on Implementation of Annual Governance Statement Action Plan.</li> <li>• Risk Management monitoring report 1 July 2014 to 30 September 2014.</li> <li>• Audit Committee Work Programme.</li> </ul>   |

ESSENTIAL REFERENCE PAPER 'B'

Audit Committee Work Programme 2014/15 Civic Year

|                          |   |
|--------------------------|---|
| <p>21 Jan<br/>2015</p>   | <ul style="list-style-type: none"> <li>• Training item- TBA.</li> <li>• External Audit- Grants Claim Certification Work 2013/14.</li> <li>• Treasury Management Strategy Statement 2015/16.</li> <li>• Shared Internal Audit Service- Progress Report.</li> <li>• Update on Implementation of Annual Governance Statement Action Plan.</li> <li>• Audit Committee Work Programme.</li> </ul>  |
| <p>18 March<br/>2015</p> | <ul style="list-style-type: none"> <li>• Training item- TBA.</li> <li>• External Audit Update report.</li> <li>• Shared Internal Audit Service- Progress Report.</li> <li>• Internal Audit Plan 2015/16.</li> <li>• Update on Implementation of Annual Governance Statement Action Plan.</li> <li>• Annual Review of Data Quality Strategy.</li> <li>• Risk Management monitoring report 1 October 2014 to 31 December 2014.</li> <li>• Audit Committee Work Programme 2015/16 Civic Year.</li> </ul> |