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Jeff Hughes
*Head of Democratic and Legal
Support Services*

MEETING : AUDIT COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : WEDNESDAY 26 NOVEMBER 2014
TIME : 7.00 PM

PLEASE NOTE TIME AND VENUE

MEMBERS OF THE COMMITTEE

Councillor J Ranger (Chairman)
Councillors D Andrews, W Mortimer, M Pope, R Sharma, N Wilson and
J Wing

Substitutes

Conservative Group: Councillors J Wyllie

*(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.)

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AGENDA

1. Training Item - "De-Cluttering" the Accounts: Presentation by the External Auditors, Grant Thornton
2. Apologies

To receive apologies for absence.
3. Minutes (Pages 7 - 16)

To confirm the Minutes of the meeting held on – 24 September 2014
4. Declarations of Interest

To receive any Member's Declarations of Interest.
5. Chairman's Announcements
6. External Audit Report - Annual Audit Letter 2013/14 (Pages 17 - 24)
7. Council's response to Annual Audit Letter 2013/14 (Pages 25 - 38)
8. External Audit Report - Audit Fees for 2014/15 (Pages 39 - 42)
9. Treasury Management Strategy - 2014/15 Mid Year Review (Pages 43 - 56)
10. Update on Implementation of Annual Governance Statement Action Plan (Pages 57 - 68)
11. Risk Management Monitoring report 1 July 2014 to 30 September 2014 (Pages 69 - 78)
12. Audit Committee Work Programme (Pages 79 - 84)
13. 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.

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MINUTES OF A MEETING OF THE
AUDIT COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON WEDNESDAY 24
SEPTEMBER 2014, AT 7.00 PM

PRESENT: Councillor J Ranger (Chairman).
Councillors D Andrews, M Pope, N Wilson
and J Wing.

OFFICERS IN ATTENDANCE:

| | |
|--------------------|--|
| Mandy Barton | - Accountancy Manager |
| Lorraine Blackburn | - Democratic Services Officer |
| Chris Gibson | - Manager of Corporate Risk |
| Adele Taylor | - Director of Finance and Support Services |

ALSO IN ATTENDANCE:

| | |
|------------------|------------------------------------|
| Alan Cooper | - Shared Internal Audit Service |
| Sarah Ironmonger | - Grant Thornton |

252 APOLOGIES

Apologies for absence were received from Councillors W
Mortimer and R Sharma.

253 MINUTES – 16 JULY 2014

RESOLVED – that the Minutes of the meeting held
on 16 July 2014 be confirmed as a correct record
and signed by the Chairman.

254 CHAIRMAN'S ANNOUNCEMENTS

The Chairman stated that the report on the Treasury Management Strategy for 2014/15 Mid Year Review had been deferred and would be considered at Audit Committee on 26 November 2014.

The Chairman stated that Member training was being offered in Stevenage on "Maximising the Value of Audit Meetings" on 3 October 2014. The attendance fee was £50. Further information was available via the Scrutiny Officer or Mr Alan Cooper, Principal Auditor (Shared Internal Audit Service). Members were advised to contact the Scrutiny Officer if they wished to attend.

255 EXTERNAL AUDIT REPORT – AUDIT FINDINGS

The External Auditor submitted a report setting out key matters which had arisen following the audit for the year ended 31 March 2014. The External Auditor explained which areas were still being progressed, the detail of which was set out in the report. Subject to the completion of these areas, the External Auditor anticipated providing an unqualified opinion on the financial statements. Apart from a small number of presentational changes and typographical errors, key messages arising from the financial audit were:

- that the financial statements had been provided on time;
- of the need to consider "de-cluttering" of the accounts in future years; and
- of the need to consider updating asset revaluation procedures in the light of changes to the CIPFA Code.

The External Auditor provided Members with a summary of the report. It was noted that the External Auditor had received a question about the accounts which needed to be evidenced before the accounts could be closed. The External Auditor confirmed that questions on the accounts could be raised as long as the accounts remained open.

In response to a query from Councillor M Pope regarding revaluations, the Director of Finance and Support Services advised that the Council would use their network of different authorities to gain advice and would seek as much guidance as possible from CIPFA. The External Auditor explained that clarification was needed from CIPFA on the definition of a “short period of time”.

The External Auditor referred to the question of the Council’s levels of reserves. The Director of Finance and Support Services explained that this question had been raised at a recent meeting of Corporate Business Scrutiny. The Director stated that this matter would be considered further by Members, before the Council set its budget in January 2015. The Director of Finance and Support Services advised Members that, had the Council not stated within its policy a maximum level of reserves, then the performance indicator would be showing in the report as “green” and not “amber”.

In response to a query from Councillor D Andrews regarding the question raised by a member of the public and the publication of the accounts, the External Auditor explained that it was not usual to publish questions raised in the accounts.

The Chairman suggested that “de-cluttering” the accounts might be included on the work programme as a future training item. This was supported. Councillor M Pope was concerned that taking out too much information might be detrimental to understanding the accounts.

The Chairman thanked the External Auditor for their unqualified opinion, adding that it was comforting to know that the authority was so well run.

The Director of Finance and Support Services also thanked the External Auditor and the accountancy team for their efforts in producing the accounts.

The Committee received the report.

RESOLVED – that (A) the report be received; and

(B) Officers be thanked for their help in co-ordinating the audit process.

256 TREASURY MANAGEMENT STRATEGY 2013/14 OUTTURN

The Executive Member for Finance submitted a report on the Council's Treasury Management activities for 2013/14 and identified the impact on the 2014/15 treasury management strategy. The latter would be considered by Members at the November meeting of Audit Committee.

The Director of Finance and Support Services provided Members with a summary of the Council's operation and the rates of interest achieved in terms of income. It was noted that in terms of dedicated officer support in the process, the role of managing the treasury had been vacant for some time and the Director was pleased to announce that an appointment had been made on a permanent basis.

The Director of Finance and Support Services provided clarification regarding issues around cash flows which, on one occasion was attributable to a substantial deposit, without notice, relating to a business rate relief payment which required the Council to take remedial action as detailed in the report now submitted. The Chairman commented on the need to consider cash flows more carefully with the help of the new officer.

In response to a query from Councillor M Pope, the Director of Finance and Support Service explained how the Council placed money with Goldman Sachs and the timescales involved.

In response to a query from Councillor J Wing regarding the cost effectiveness of the new officer, the Director of Finance and Support Services explained that the individual had considerable experience with investing in money markets and anticipated that the appointee would

make many times more money than their salary.

The Committee received the report.

RESOLVED – that (A) the treasury management activity for 2013/14 and prudential indicators be approved; and

(B) remedial action, as now detailed in the report to ensure that the group limit of £20 million for NatWest is consistently maintained, be noted.

257 STATEMENT OF ACCOUNTS 2013/14

The Executive Member for Finance submitted a report setting out the process in approving the Council's 2013/14 Statement of Accounts. The report as now submitted, set out changes in reporting requirements for 2012/13 together with comments on the key financial statements.

The Accountancy Manager explained that the accounts were substantially the same as those presented to Members in July 2014.

Councillor D Andrews drew Members' attention to an omission within the Explanatory Forward (4. Capital Expenditure and Financing) in that the word "bridge" had been omitted from the last line. Two further typographical errors were amended.

In response to a query from the Chairman, the External Auditor clarified the position regarding an outstanding question on the accounts which had been received and stated that unless there were any significant variations identified in the last tests being completed, the accounts could be signed off by the Chairman.

The Committee received the report.

RESOLVED – that (A) unless there were any significant variations identified in the last tests being completed, the Council's Statement of

Accounts for the financial year 2013/14 be approved and signed by the Chairman; and

(B) the Letter of Representation be approved for signature by the Chairman and Director of Finance and Support Services.

258 ANNUAL GOVERNANCE STATEMENT 2013/14

The Leader of the Council submitted a report presenting the 2013/14 Annual Governance Statement and the 2014/15 Annual Governance Statement Action Plan as set out in the Essential Reference Papers. The Manager of Corporate Risk provided a summary of the report.

Councillor M Pope drew Members' attention to the fact that the FSA had been replaced by the FCA and an amendment was accepted.

The Committee agreed the Annual Governance Statement 2013/14 and the Action Plan for 2014/15.

RESOLVED – that the Annual Governance Statement 2013/14 and Action Plan 2014/15 be approved.

259 SHARED INTERNAL AUDIT SERVICE ANNUAL REPORT 2013/14

The Shared Internal Audit Services (SIAS) submitted a report highlighting the work of the partnership during its third year of activity. The Principal Auditor (SIAS), provided a summary of the key successes through the year and the performance of the partnership during 2013/14.

The Chairman referred to the “excellent” SIAS partnership initiative and thanked the SIAS for their easy to read reports.

The Committee noted the Shared Internal Audit Service Annual Report 2013/14.

RESOLVED – that the SIAS Annual Report 2013/14 be noted.

260 SHARED INTERNAL AUDIT SERVICES – AUDIT PLAN UPDATE REPORT

The Shared Internal Audit Service (SIAS) submitted a progress report in delivering the Council's Annual Audit Plan for 2014/15; proposed amendments to the approved 2014/15 Audit Plan; the implementation status of previously agreed high priority audit recommendations and an update on performance management information as at 5 September 2014.

The Principal Auditor (SIAS), provided a summary of the key issues for Members' consideration. It was noted that the performance indicator for "Planned Days" was 4% below target but that SIAS had discussed the timings of audits with appropriate staff and was confident that the target would be achieved. The Principal Auditor (SIAS) referred to older (ICT) recommendations and advised that Price Waterhouse Cooper (PwC) would be undertaking a business continuity audit to evaluate whether some of the recommendations were still relevant and of the appropriateness of the recommendations.

The Committee approved the report.

RESOLVED – that (A) the Internal Audit Progress Report be noted;

(B) the proposed amendments to the Audit Plan as at 5 September 2014 be approved; and

(C) already implemented high priority recommendations be removed from the outstanding recommendations template.

261 RISK MANAGEMENT MONITORING REPORT 1 APRIL 2014 TO 30 JUNE 2014

The Leader of the Council submitted a report on the action taken to mitigate and control strategic risks in the period April to June 2014.

The Manager of Corporate Risk referred to the difficulties in reporting this information in a more timely manner. He stated that the risk management monitoring report to Members on 26 November 2014 would cover the period up to 30 September 2014.

The Chairman raised the issue of "Universal Credit" and sought clarification on what progress was being made. The Director of Finance and Support Services explained that there was still very little information available and that pilot initiatives were ongoing in some areas. The Director stated that Universal Credit would be a very difficult system to administer because of the various caveats which had to be taken into account. The External Auditor confirmed that as yet, there was a lack of clarity around the system.

In response to a query from Councillor D Andrews regarding Universal Credit, its "mobility" and "transferring in", the Director of Finance and Support Services explained that Hertfordshire, as an area, was a very expensive place to live and it was unlikely that people moving into the area would already be in receipt of Universal Credit.

In response to a query from the Chairman and the suggestion of having to factor this into the 2015/2016, Medium Term Financial Plan (MTFP), the Director of Finance and Support Services explained that a prudent approach would be taken but that there was still insufficient information about the system. The Director assured Members that information was reported and shared via the Joint Revenues and Benefits meetings. At those meetings the complexity of Universal Credit and its application was discussed and of the impact this might have in terms of data changes. The Chairman referred to the ongoing lobbying regarding the need only to record significant changes. The Director of Finance and Support

Services confirmed that officers were also lobbying about this.

In response to a query from Councillor D Andrews regarding increased workload and its effect on the Council's "Front Desk", the Director of Finance and Support Services confirmed that additional funds had been allocated to customer services support for the last two years.

The Committee approved the report, as now detailed.

RESOLVED – that the actions taken to mitigate and control strategic risks, as now detailed, be approved.

262 WORK PROGRAMME

The Director of Finance and Support Services submitted a report detailing the proposed work programme for the civic year 2014/15.

The Manager for Corporate Risk sought Members' views on the inclusion of "de-cluttering" the Council's accounts as a training item at the November meeting. This was supported. It was also noted that the work programme be amended by the inclusion of the Treasury Management Strategy 2014/15 Mid Year Review which had been deferred for consideration at this meeting.

Members approved the work programme, as now amended.

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

The meeting closed at 8.20 pm

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

Annual Audit letter for East Hertfordshire District Council

Year ended 31 March 2014

October 2014

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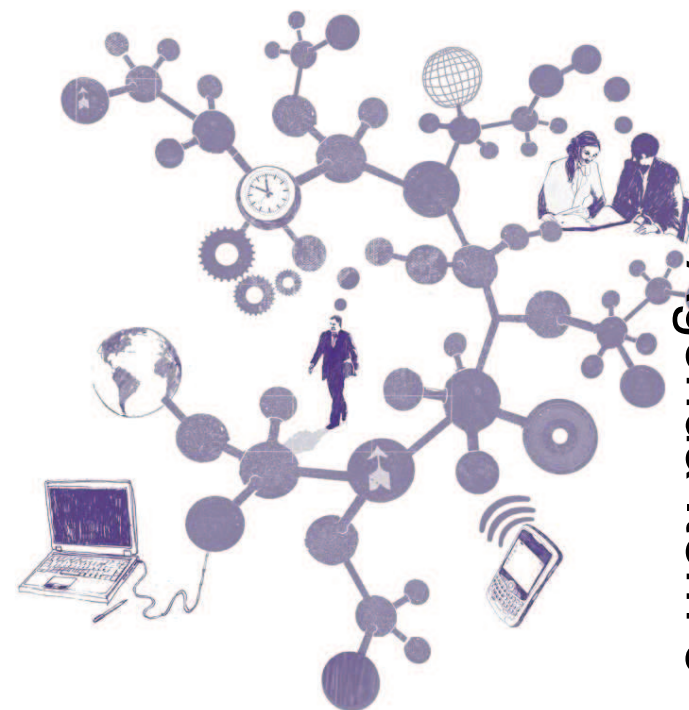
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Agenda Item 6

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1. Key messages

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Appendices

A Key issues and recommendations

B Summary of reports and audit fees

Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at East Hertfordshire District Council for the year ended 31 March 2014.

The Letter is intended to communicate key messages to you and your external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we presented to the Audit Committee on 8 April 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 24 September 2014 to your Audit Committee. The key messages reported were:

- the financial statements and supporting working papers were provided on time and were of a consistently high standard;
- you may wish to consider de-cluttering your accounts in future years;
- you may wish to consider updating asset revaluation procedures in light of changes to the CIPFA Code in this area.

We issued an unqualified opinion on your 2013/14 financial statements on 29 September 2014, ahead of the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of your financial position and of the income and expenditure recorded by you.

| | |
|---|---|
| <p>Value for Money (VfM) conclusion</p> | <p>We reported our findings arising from our value for money conclusion audit in our Audit Findings Report on 24 September 2014. The key messages reported were:</p> <ul style="list-style-type: none"> • Your medium-term financial strategy (MTFS) remains robust and supports decision-making by quantifying the potential budget gap from 2016/17. You have identified areas for further development to enhance your MTFS. • You should continue to use your budget challenge process to: <ul style="list-style-type: none"> • Deliver a robust savings plan which addresses future budget gaps • Ensure that reserves remain within the range set in your policy. <p>We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.</p> <p>Our opinion confirms that, on the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects you put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p> |
| <p>Whole of Government Accounts</p> | <p>We reviewed the consolidation pack which you prepared to support the production of Whole of Government Accounts. We reported that your pack was consistent with the audited financial statements.</p> |
| <p>Certification of grant claims and returns</p> | <p>Our audit of the housing benefits grant claim is in progress. We will report to your Audit Committee the final fee for this work.</p> |
| <p>Audit fee</p> | <p>Our audit fee for 2013/14 was £69,775, excluding VAT. This fee was £900 higher than the previous year and reflected additional work required in respect of material business rates balances. However, this increase is likely to be smaller than the reduction in the grant certification fee, which we are able to reduce as auditors are no longer required to certify the NDR3 claim. Overall, the net position is likely to be a reduction in your total audit fees.</p> <p>Further detail is included within appendix B.</p> |

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

| No. | Issue and recommendation | Priority | Management response / due date |
|-----|--|----------|--|
| 1. | <p>Review of your financial statements identified disclosures that are no longer mandatory requirements under CIPFA's Code.</p> <p>Recommendation: Consider undertaking a de-cluttering exercise to ensure that the financial statements disclosures remain appropriate.</p> | Medium | <p>Officers will review the required disclosures and agree a way forward with the Audit Committee in line with current best practice and meeting the needs of the business.</p> <p>Due date: 31 March 2015</p> |
| 2. | <p>You have a rolling four year programme of revaluation of property, plant and equipment. In our view, this rolling programme does not meet CIPFA's Code requirements to value items within a class of property, plant and equipment simultaneously. In the absence of further guidance from CIPFA, we would normally expect 'simultaneously' to be interpreted as within a single financial year. Your approach is similar to that adopted by many other local authorities. Furthermore, your valuer has undertaken additional work to ensure that the carrying amount of PPE does not differ materially from the fair value at 31 March 2014.</p> <p>Recommendation: Review your approach to revaluing property assets to ensure compliance with the clarified requirements of the CIPFA Code.</p> | Medium | <p>Officers will review current processes with the property team to evaluate the resource implications of changing processes.</p> <p>Due date: 31 March 2015</p> |

Appendix A: Key issues and recommendations (continued)

| No. | Issue and recommendation | Priority | Management response / due date |
|-----|---|----------|--|
| 3. | <p>Your medium-term financial strategy (MTFS) remains robust and supports decision-making by quantifying the potential budget gap from 2016/17. You have identified areas for further development to enhance your MTFS. It is important that you deliver the planned developments to ensure that your MTFS remains robust.</p> <p>Recommendation: Enhance your MTFS by delivering your planned developments to ensure that your MTFS remains robust.</p> | Medium | <p>Senior Management will continue to develop the Medium Term Financial Plan and Strategy to ensure a robust budget is set for 2015/16 onwards.</p> <p>Due date: 31 March 2015</p> |
| 4. | <p>Your MTFS identifies budget gaps in future years including from 2016/17. As part of your budget challenge process you are reviewing the 2013/14 savings plan. Any lessons learnt from the budget challenge should be used to enhance your MTFS as you continue to develop a robust savings plan to address the budget gaps.</p> <p>You have exceeded the maximum level of reserves, as set out in your Reserves Policy. The 'Amber' rating reflects that you have exceeded your own policy. To preserve good practice within your financial governance, you should either consider the appropriateness of your reserves policy or, if you consider the reserves threshold to remain appropriate, put in place governance arrangements to ensure you remain within said policy. We note that you have identified the issue yourself and commenced a review.</p> <p>Recommendation: Continue to use your budget challenge process to:</p> <ul style="list-style-type: none"> - Deliver a robust savings plan which addresses future budget gaps - Ensure that reserves remain within the range set in your policy. | Medium | <p>Senior management will continue to:</p> <ul style="list-style-type: none"> - Consider the impact of prior years' underspends on future budgets and challenge savings plans - Review the reserves policy, current level of reserves for the MTFS. <p>Due date: 31 March 2015</p> |

Appendix B: Reports issued and fees

We confirm below our final fees charged for the audit and confirm that there were no fees for the provision of non audit services.

Fees

| | Per Audit plan £ | Actual fees £ |
|-------------------------|---------------------|------------------|
| Audit Fee | 68,875 | 68,875 |
| Additional fee – NDR | 0 | 900 |
| Grant certification fee | 12,600 | Tbc |
| Total fees | 81,475 | tbc |

There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for District Councils. It is anticipated that this increase will be smaller than the reduction in the grant certification fee, which we are able to reduce as auditors are no longer required to certify the NDR3 claim. Overall, the net position is likely to be a reduction in your total audit fees.

Fees for other services

| Service | Fees £ |
|---------|--------|
| None | Nil |

Reports issued

| Report | Date issued |
|-----------------------|-------------------|
| Audit Plan | 16 July 2014 |
| Audit Findings Report | 24 September 2014 |
| Certification report | Work in progress |
| Annual Audit Letter | |



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EAST HERTS COUNCIL

AUDIT COMMITTEE – 26 NOVEMBER 2014

REPORT BY EXECUTIVE MEMBER FOR FINANCE

THE COUNCIL'S RESPONSE TO THE ANNUAL AUDIT LETTER

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- This report sets out the proposed response from the Council to the issues and recommendations raised in the Annual Audit Letter 2013/14.

| | |
|--|---|
| <u>RECOMMENDATIONS FOR AUDIT COMMITTEE: That:</u> | |
| (A) | the Committee agrees the response to the Annual Audit Letter |
| | |

1.0 Background

1.1 All Councils are subject to independent external review by an external auditor with the final conclusions and recommendations being presented to the Council in the Annual Audit Letter (AAL).

1.2 The latest AAL, found in **Essential Reference Paper 'B'** to this report, summarises the key recommendations for the Council arising from the 2013/14 audit along with proposed response from the Council to these.

1.3 The AAL will be published on the Council's website, as it has been in previous years, in order to comply with the publication requirements contained within the Local Government Accounts and Audit Regulations.

2.0 Report

2.1 The AAL summarises the key issues and recommendations arising from the work undertaken by Grant Thornton UK LLP for

the year ended 31 March 2014.

- 2.2 The letter follows on from the Audit Findings report submitted to the Audit Committee on 24 September 2014.
- 2.3 It is worth noting that since the Audit Committee last met, the Council has received an unqualified opinion on its 2013/14 financial statements from the External Auditor.
- 2.4 No issues have been identified in the AAL that were not also raised in the Audit Findings report. The five key recommendations made by the External Auditor are for the Council to:
- take out disclosures and notes to the Accounts that are no longer required under CIPFA's Code of Practice,
 - review the Council's approach to revaluing assets,
 - enhance and further develop the MTFP to ensure that it is robust,
 - deliver a robust savings plan which addresses future budget gaps, and
 - ensure that reserves remain within the range set by Council policy.
- 2.5 The suggested response from the Council to these recommendations is shown in the AAL and a brief commentary on each is given in the following paragraphs.

3.0 'De-clutter' the Statement of Accounts

- 3.1 Grant Thornton will be leading a training session for Audit Committee members (as the first Agenda item at the meeting on 26 November) to discuss this issue. The Director of Finance & Support Services will subsequently bring back proposals on the way forward to the March 2015 Audit Committee. These proposals will take into account any views from Members, any advice gained from other local authorities and from CIPFA, and any business need for continuing to publish particular information in the Statement of Accounts.

4.0 Asset revaluation

- 4.1 The Council currently revalues its 'other land and property' class of assets, for inclusion in the Balance Sheet, over a two year period. The External Auditor's view is that this revaluation policy does not meet CIPFA's Code of Practice which requires that revaluation of a single category of assets is completed 'within a

short period of time'. Grant Thornton interpret this as meaning that the 'other land and property' category of assets should be valued simultaneously within a single year.

- 4.2 As the External Auditor points out within the AAL, East Herts Council's approach is similar to that adopted by many other local authorities and therefore the issue is a national one. The Director of Finance & Support Services will seek CIPFA's views on this as well as have further discussions with the External Auditors.
- 4.3 Meanwhile Strategic Finance and Asset Management are identifying the potential costs of valuing the 'other land and property' class of assets in a single year rather than over a two year period. There is the possibility that these additional costs could be partially offset by the Council agreeing a change in its overall revaluation policy as the Code of Practice requires all the different asset categories to be revalued every five years and the Council currently exceeds this requirement by doing this within a four year period.
- 4.4 A suggested way forward on this issue for use in the 2014/15 Statement of Accounts will be brought to the March 2015 Audit Committee.
- 5.0 Enhance the Medium Term Financial Plan (MTFP)
- 5.1 A robust medium term financial plan is needed to support decision making and to ensure the future sustainability of the Council's finances. A key enhancement being made to the MTFP for this year's budget cycle is the development of a financial income model which will allow Strategic Finance to better forecast key income streams such as Council Tax, NNDR, Section 31 grants and New Homes Bonus and to model best, worst and likely income scenarios. This work is currently being undertaken by Strategic Finance with significant input from the Revenues and Benefits Service.
- 6.0 Identify and deliver future savings
- 6.1 The MTFP position reported to Executive on 2 September 2014 shows that savings will need to be found from 2016/17 onwards to balance the revenue budget (£244k in 2016/17, £787k in 2017/18, and £821k in 2018/19).
- 6.2 Senior Management Group has already started to discuss and

identify possible savings options (for example a special SMG meeting was held on 6 November 2014 to generate preliminary ideas). These ideas and proposals will be developed so that they can be shared with Members early on in the next integrated service and financial planning process (i.e. the process to agree the 2016/17 budget and MTFP). A new process is currently being developed for next year by the Finance Review Project and the changes being proposed include an earlier start to service and budget planning as well as more up-front Member discussion of key budget/MTFP options including budget savings.

7.0 Review the Council's Reserves Policy

7.1 The Director of Finance & Support Services is currently undertaking a review of the Reserves Policy and her proposals will be considered by Council on 4th March 2015 alongside proposals on the 2015/16 budget.

8.0 Implications/Consultations

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

Background Papers

Annual Audit Letter (**Essential Reference Paper 'B'**)
Audit Findings Report (Audit Committee 24th September 2014)

Contact Member: Councillor Michael Tindale – Executive Member for Finance
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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

| | |
|---|--|
| <p>Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate):</i></p> | <p><i>People – Fair and accessible services for those that use them and opportunities for everyone to contribute</i></p> <p>This priority focuses on delivering strong services and seeking to enhance the quality of life, health and wellbeing, particularly for those who are vulnerable.</p> <p><i>Place – Safe and Clean</i></p> <p>This priority focuses on sustainability, the built environment and ensuring our towns and villages are safe and clean.</p> <p><i>Prosperity – Improving the economic and social opportunities available to our communities</i></p> <p>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> |
| <p>Consultation:</p> | <p>No consultation was required to prepare this report.</p> |
| <p>Legal:</p> | <p>The Annual Audit Letter has to be published to comply with the Local Government Accounts and Audit Regulations.</p> |
| <p>Financial:</p> | <p>A potential cost could arise from the Council reviewing its revaluation policy. Any such cost increase will be included in the report proposing the way forward on the Council's revaluation policy that will be included in the March 2015 Audit Committee agenda.</p> |
| <p>Human Resource:</p> | <p>There are no staffing implications arising from this report.</p> |
| <p>Risk Management:</p> | <p>This are no specific risks associated with approving (or not) the proposals contained within this report. The Council's proposed approach for enhancing the MTFP and the early identification of future years' savings mitigate the financial risks to the Council arising from the current environment of constrained public sector funding.</p> |

| | |
|--|--|
| Health and wellbeing – issues and impacts: | There are no health and wellbeing issues and impacts associated with the proposals contained within this report. |
|--|--|

Annual Audit letter for East Hertfordshire District Council

Year ended 31 March 2014

October 2014

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at East Hertfordshire District Council for the year ended 31 March 2014.

The Letter is intended to communicate key messages to you and your external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we presented to the Audit Committee on 8 April 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 24 September 2014 to your Audit Committee. The key messages reported were:

- the financial statements and supporting working papers were provided on time and were of a consistently high standard;
- you may wish to consider de-cluttering your accounts in future years;
- you may wish to consider updating asset revaluation procedures in light of changes to the CIPFA Code in this area.

We issued an unqualified opinion on your 2013/14 financial statements on 29 September 2014, ahead of the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of your financial position and of the income and expenditure recorded by you.

| | |
|---|---|
| <p>Value for Money (VfM) conclusion</p> | <p>We reported our findings arising from our value for money conclusion audit in our Audit Findings Report on 24 September 2014. The key messages reported were:</p> <ul style="list-style-type: none"> • Your medium-term financial strategy (MTFS) remains robust and supports decision-making by quantifying the potential budget gap from 2016/17. You have identified areas for further development to enhance your MTFS. • You should continue to use your budget challenge process to: <ul style="list-style-type: none"> • Deliver a robust savings plan which addresses future budget gaps • Ensure that reserves remain within the range set in your policy. <p>We issued an unqualified VfM conclusion for 2013/14 on 29 September 2014.</p> <p>Our opinion confirms that, on the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects you put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p> |
| <p>Whole of Government Accounts</p> | <p>We reviewed the consolidation pack which you prepared to support the production of Whole of Government Accounts. We confirmed that your return was below the threshold and confirmed that the return was consistent with the audited financial statements for property, plant and equipment and pensions.</p> |
| <p>Certification of grant claims and returns</p> | <p>Our audit of the housing benefits grant claim is in progress. We will report to your Audit Committee the final fee for this work.</p> |
| <p>Audit fee</p> | <p>Our audit fee for 2013/14 was £69,775, excluding VAT. This fee was £900 higher than the previous year and reflected additional work required in respect of material business rates balances. This additional work was required as auditors are no longer required to certify the NDR3 claim. However, this increase is likely to be smaller than the reduction in the grant certification fee, which we are able to reduce as we are no longer required to certify the NDR3 claim. Overall, the net position is likely to be a reduction in your total audit fees.</p> <p>Further detail is included within appendix B.</p> |

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

| No. | Issue and recommendation | Priority | Management response / due date |
|-----|--|----------|--|
| 1. | <p>Review of your financial statements identified disclosures that are no longer mandatory requirements under CIPFA's Code.</p> <p>Recommendation: Consider undertaking a de-cluttering exercise to ensure that the financial statements disclosures remain appropriate.</p> | Medium | <p>Officers will review the required disclosures and agree a way forward with the Audit Committee in line with current best practice and meeting the needs of the business.</p> <p>Due date: 31 March 2015</p> |
| 2. | <p>You have a rolling four year programme of revaluation of property, plant and equipment. In our view, this rolling programme does not meet CIPFA's Code requirements to value items within a class of property, plant and equipment simultaneously. In the absence of further guidance from CIPFA, we would normally expect 'simultaneously' to be interpreted as within a single financial year. Your approach is similar to that adopted by many other local authorities. Furthermore, your valuer has undertaken additional work to ensure that the carrying amount of PPE does not differ materially from the fair value at 31 March 2014.</p> <p>Recommendation: Review your approach to revaluing property assets to ensure compliance with the clarified requirements of the CIPFA Code.</p> | Medium | <p>Officers will review current processes with the property team to evaluate the resource implications of changing processes.</p> <p>Due date: 31 March 2015</p> |

Appendix A: Key issues and recommendations (continued)

| No. | Issue and recommendation | Priority | Management response / due date |
|-----|---|----------|--|
| 3. | <p>Your medium-term financial strategy (MTFS) remains robust and supports decision-making by quantifying the potential budget gap from 2016/17. You have identified areas for further development to enhance your MTFS. It is important that you deliver the planned developments to ensure that your MTFS remains robust.</p> <p>Recommendation: Enhance your MTFS by delivering your planned developments to ensure that your MTFS remains robust.</p> | Medium | <p>Senior Management will continue to develop the Medium Term Financial Plan and Strategy to ensure a robust budget is set for 2015/16 onwards.</p> <p>Due date: 31 March 2015</p> |
| 4. | <p>Your MTFS identifies budget gaps in future years including from 2016/17. As part of your budget challenge process you are reviewing the 2013/14 savings plan. Any lessons learnt from the budget challenge should be used to enhance your MTFS as you continue to develop a robust savings plan to address the budget gaps.</p> <p>You have exceeded the maximum level of reserves, as set out in your Reserves Policy. The 'Amber' rating reflects that you have exceeded your own policy. To preserve good practice within your financial governance, you should either consider the appropriateness of your reserves policy or, if you consider the reserves threshold to remain appropriate, put in place governance arrangements to ensure you remain within said policy. We note that you have identified the issue yourself and commenced a review.</p> <p>Recommendation: Continue to use your budget challenge process to:</p> <ul style="list-style-type: none"> - Deliver a robust savings plan which addresses future budget gaps - Ensure that reserves remain within the range set in your policy. | Medium | <p>Senior management will continue to:</p> <ul style="list-style-type: none"> - Consider the impact of prior years' underspends on future budgets and challenge savings plans - Review the reserves policy, current level of reserves for the MTFS. <p>Due date: 31 March 2015</p> |

Appendix B: Reports issued and fees

We confirm below our final fees charged for the audit and confirm that there were no fees for the provision of non audit services.

Fees

| | Per Audit plan £ | Actual fees £ |
|-------------------------|---------------------|------------------|
| Audit Fee | 68,875 | 68,875 |
| Additional fee – NDR | 0 | 900 |
| Grant certification fee | 12,600 | Tbc |
| Total fees | 81,475 | tbc |

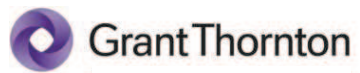
There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for District Councils. It is anticipated that this increase will be smaller than the reduction in the grant certification fee, which we are able to reduce as auditors are no longer required to certify the NDR3 claim. Overall, the net position is likely to be a reduction in your total audit fees.

Fees for other services

| Service | Fees £ |
|---------|--------|
| None | Nil |

Reports issued

| Report | Date issued |
|-----------------------|-------------------|
| Audit Plan | 16 July 2014 |
| Audit Findings Report | 24 September 2014 |
| Certification report | Work in progress |
| Annual Audit Letter | |



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8 April 2014

Dear George

Planned audit fee for 2014/15

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of your audit fee along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

Your scale fee for 2014/15 has been set by the Audit Commission at £68,875, which is unchanged from the scale fee of £68,875 for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission’s website at: www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that you have adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess your financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

Your composite indicative grant certification fee has been set by the Audit Commission at £7,940.

Billing schedule

Fees will be billed as follows:

| Main Audit fee | £ |
|----------------------------|---------------|
| September 2014 | 17,219 |
| December 2014 | 17,219 |
| March 2015 | 17,219 |
| June 2015 | 17,218 |
| | 68,875 |
| Grant Certification | |
| December 2015 | 7,940 |
| Total | 76,815 |

Outline audit timetable

We will undertake our audit planning and interim audit procedures in Winter 2014. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in September 2015 and work on the whole of government accounts return in September 2015.

| Phase of work | Timing | Outputs | Comments |
|----------------------------------|--------------------------------|--|--|
| Audit planning and interim audit | November 2014 to February 2015 | Audit plan | The plan summarises the findings of our audit planning and our approach to the audit of your accounts and VfM arrangements. |
| Final accounts audit | June to Sept 2015 | Audit Findings (Report to those charged with governance) | This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance. |
| VfM conclusion | Jan to Sept 2015 | Audit Findings (Report to those charged with governance) | As above |
| Financial resilience | Jan to Sept 2015 | Financial resilience report | Report summarising the outcome of our work. |
| Whole of government accounts | September 2015 | Opinion on the WGA return | This work will be completed alongside the accounts audit. |
| Annual audit letter | October 2015 | Annual audit letter | The letter will summarise the findings of all aspects of our work. |
| Grant certification | June to December 2015 | Grant certification report | A report summarising the findings of our grant certification work |

Our team

The key members of the audit team for 2014/15 are:

| | Name | Phone Number | E-mail |
|--------------------|------------------|---------------|--|
| Engagement Lead | Paul Grady | 020 7728 2301 | paul.d.grady@uk.gt.com |
| Engagement Manager | Sarah Ironmonger | 07880 456149 | sarah.l.ironmonger@uk.gt.com |
| Audit Executive | Will King | 020 7728 2819 | will.d.king@uk.gt.com |

Additional work

The scale fee excludes any work you may request that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with you.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett, our Public Sector Assurance regional lead partner at paul.dossett@uk.gt.com.

Yours sincerely

A handwritten signature in black ink, appearing to be 'Paul Grady', with a circular flourish at the end.

Paul Grady
For Grant Thornton UK LLP

cc Adele Taylor, Director of Finance and Support Services

EAST HERTS COUNCIL

COMMITTEE - AUDIT COMMITTEE – 26 NOVEMBER 2014

REPORT BY EXECUTIVE MEMBER OF FINANCE

TREASURY MANAGEMENT STRATEGY – 2014/15 MID- YEAR REVIEW

WARD(S) AFFECTED: NONE SPECIFIC

Purpose/Summary of Report

- This report reviews the Council's treasury management activities for the 6 months to 30 September 2014.

RECOMMENDATION FOR AUDIT COMMITTEE

That:

- | | |
|------------|---|
| (A) | the loan and investment position as at 30 September 2014 be noted; and |
| (B) | the Prudential Indicator position as at 30 September 2014 be noted and that no changes to Prudential Indicators be proposed. |

1.0 Background

- 1.1 Treasury management is defined as: "The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 1.2 The Council has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (the Code).

- 1.3 This mid-year report has been prepared in compliance with the Code, and covers the following:
- A brief economic update;
 - A review of the treasury position, and the Council's loan and investment portfolio as at 30 September 2014;
 - A review of the Council's Treasury Management Strategy;
 - A review of compliance with Treasury and Prudential Limits for 2014/15.
- 1.4 The Council is supported in its treasury management activities by independent advisers – Capita Asset Services.
- 2.0 Report
- 2.1 Economic Update
- 2.2 After strong UK GDP quarterly growth of 0.7%, 0.8% and 0.7% in quarters 2, 3 and 4 respectively in 2013, (2013 annual rate 2.7%), and 0.7% in Q1, 0.9% in Q2 and a first estimate of 0.7% in Q3 2014 (annual rate 3.1% in Q3), it appears very likely that strong growth will continue through 2014 and into 2015.
- 2.3 However, for this recovery to become more balanced and sustainable in the longer term, the recovery needs to move away from dependence on consumer expenditure and the housing market to exporting, and particularly of manufactured goods, both of which need to substantially improve on their recent lacklustre performance. This overall strong growth has resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC is particularly concerned that the current squeeze on the disposable incomes of consumers should be reversed by wage inflation rising back above the level of inflation in order to ensure that the recovery will be sustainable.
- 2.4 Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years.
- 2.5 Also encouraging has been the sharp fall in inflation (CPI), reaching 1.2% in September, the lowest rate since 2009. Forward

indications are that inflation is likely to fall further in 2014 to possibly 1%. Overall, markets are expecting that the MPC will be cautious in raising Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in Bank Rate is therefore expected in Q2 2015 and they expect increases after that to be at a slow pace to lower levels than prevailed before 2008 as increases in Bank Rate will have a much bigger effect on heavily indebted consumers than they did before 2008.

- 2.6 The return to strong growth has also helped lower forecasts for the increase in Government debt by £73bn over the next five years, as announced in the 2013 Autumn Statement, and by an additional £24bn, as announced in the March 2014 Budget - which also forecast a return to a significant budget surplus, (of £5bn), in 2018-19. However, monthly public sector deficit figures have disappointed so far in 2014/15.
- 2.7 The U.S. faces similar debt problems to those of the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.
- 2.8 The Eurozone is facing an increasing threat from weak or negative growth and from deflation. Concern in financial markets for the Eurozone subsided considerably during 2013. However, sovereign debt difficulties have not gone away and major issues could return.
- 2.9 Interest rate forecasts are set out in **Essential Reference paper 'B'**. The impact on the Council of the economic forecast and interest rates predictions is discussed below.
- 2.10 Treasury position as at 30 September 2014
The Council's treasury management function manages debt and investment to ensure adequate liquidity to fund the revenue budget and the capital programme, and to maximise return on investments given an acceptable and appropriate level of risk. Procedures and controls to achieve these objectives are well established through reporting to Members and through compliance with the Council's Treasury Management Strategy and system of internal control.

- 2.11 Debt and investment balances as at 30 September 2014 are analysed in tables 1 and 2 in **Essential Reference Paper 'C'**. Approved limits within the Annual Investment Strategy were not breached during the first six months of 2014/15.
- 2.12 As implied by the economic update section above, it is a very difficult investment market in terms of earning the level of interest rates commonly seen in previous decades as rates are very low and in line with the 0.5% Bank Rate. The potential for a prolonging of the Eurozone sovereign debt crisis, and its impact on banks, prompts a low risk and short term strategy. Given this risk environment, investment returns are likely to remain low.
- 2.13 The continuing poor economic outlook means that the Council's investment portfolio is expected to underperform against initial expectations. The September Healthcheck estimates that returns will be £794,000 which is £89,000 below the budget forecast for 2014/15 of £895,000. The unfavourable variance will be met from the Interest Equalisation Reserve as agreed by Council. The balance on the reserve is £2.257 million as at 31 March 2014.
- 2.14 The investment portfolio continues to maintain a relatively high degree of liquidity with the least liquid investments (in-house term deposits) generally rolled over for periods of 1 year.
- 2.15 Review of the Treasury Management Strategy
- 2.16 A revised Treasury Management Strategy and Annual Investment Strategy for 2015/16 will be presented to Council in December 2014. An update to the 2014/15 Strategy was presented to Council on 30 July 2014. No further changes to the 2014/15 Strategy are proposed in this report.
- 2.17 The update to the 2014/15 Strategy presented to Council on 30 July 2014 included criteria for investment in non-treasury investment vehicles such as pooled property funds. It is however not expected that any pooled property fund investment opportunities will arise until summer 2015.
- 2.18 Review of Compliance with Treasury and Prudential Limits
- 2.19 The Prudential Indicators approved for 2014/15 have been included in **Essential Reference Paper 'D'**.
- 2.20 Prudential indicator 1, 2, 3, 4 – capital investment plans and financing:

Capital programme estimates and outturn form part of the monthly Healthcheck report. The Council resolved to fund the capital programme internally rather than from external borrowing. Given the current economic climate it is not proposed that this approach be changed.

2.21 The capital outturn presented in the September Healthcheck report shows that the expected capital outturn will be £165,000 less than the revised estimate. Therefore there is no risk that the 2014/15 capital programme will become unaffordable to the Council.

2.22 Prudential indicators 5, 6, 7, 8, 9 – borrowing:

There has been no change to the Council's outstanding loans. Therefore there is no risk that any of the prudential indicators relating to borrowing will be breached or require reconsideration prior to 2015/16.

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'**.

Contact Member: Councillor Michael Tindale – Executive Member for Finance
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Contact Officer: Karen Watling - Interim Head of Strategic Finance
Contact Tel No: 01279 50 2057
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Report Author: Thomas Clark – Interim Principal Accountant
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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

| | |
|--|--|
| Contribution to the Council's Corporate Priorities/ Objectives (delete as appropriate): | <p>Prosperity – Improving the economic and social opportunities available to our communities</p> <p>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> <p>The effective management of the council's investments and loans and the mitigation of risks associated with Treasury Management contributes to the maximisation of resources for the provision of council services.</p> |
| Consultation: | Advice was received from the Council's independent treasury management advisers – Capita Asset Services – on economic trends and forecasts. |
| Legal: | The Council has adopted the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2011). This mid-year report has been prepared in compliance with CIPFA's Code. |
| Financial: | Within the body of the report. |
| Human Resource: | No staffing implications. |
| Risk Management: | The mitigation of risks associated with Treasury management practices is an integral part of the Council's Treasury Management Strategy and operations. |
| Health and wellbeing – issues and impacts: | No direct implications from this report. |

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Essential Reference Paper B

Interest Rate Forecasts

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

| | Dec-14 | Mar-15 | Jun-15 | Sep-15 | Dec-15 | Mar-16 | Jun-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 |
|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Bank rate | 0.50% | 0.50% | 0.75% | 0.75% | 1.00% | 1.00% | 1.25% | 1.25% | 1.50% | 1.50% | 1.75% | 2.00% | 2.25% | 2.50% |
| 5 yr PWLB rate | 2.50% | 2.70% | 2.70% | 2.80% | 2.90% | 3.00% | 3.10% | 3.20% | 3.30% | 3.40% | 3.50% | 3.50% | 3.50% | 3.50% |
| 10 yr PWLB rate | 3.20% | 3.40% | 3.50% | 3.60% | 3.70% | 3.80% | 3.90% | 4.00% | 4.10% | 4.10% | 4.20% | 4.20% | 4.30% | 4.30% |
| 25 yr PWLB rate | 3.90% | 4.00% | 4.10% | 4.30% | 4.40% | 4.50% | 4.60% | 4.70% | 4.70% | 4.80% | 4.80% | 4.90% | 4.90% | 5.00% |
| 50 yr PWLB rate | 3.90% | 4.00% | 4.10% | 4.30% | 4.40% | 4.50% | 4.60% | 4.70% | 4.70% | 4.80% | 4.80% | 4.90% | 4.90% | 5.00% |

Capita Asset Services undertook a review of its interest rate forecasts on 24 October. During September and October, a further rise in geopolitical concerns, principally over Ukraine but also over the Middle East, plus fears around Ebola and an accumulation of dismal growth news in most of the ten largest economies of the world and also on the growing risk of deflation in the Eurozone, had sparked a flight from equities into safe havens like gilts and depressed PWLB rates. However, there is much volatility in rates as news ebbs and flows in negative or positive ways. This latest forecast includes a first increase in Bank Rate in quarter 2 of 2015.

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Essential Reference Paper C

Loans and Internally and Externally Managed Investments – Activity in 2014-15 (6 months to September 30, 2014)

| Table 1 | Principal as at 31 March 2013 | Rate/ Return | Principal as at 30 September 2014 | Rate/ Return |
|----------------------------|--|-------------------------|--|-------------------------|
| Fixed rate debt: | | | | |
| PWLB | £1.5m | | £1.5m | |
| Market | £6.0m | | £6.0m | |
| | £7.5m | 8.80% | £7.5m | 8.80% |
| Variable rate debt: | | | | |
| <i>Nil</i> | | | | |
| Investments: | | | | |
| In-house | £37.76m | 1.91% | £40.66m | 1.58% |
| Investec | £21.93m | 0.67% | £22.0m | 0.66% |
| Morgan Stanley | £9.5m | 0.40% | £9.5m | 0.45% |
| Total Investments | £69.19m | 1.31% | £72.16m | 1.15% |

| Table 2 | Balance as at 31 March 2014 | Net Investments Made in Year | Balance as at 30 September |
|---------------------------------------|--|---|---|
| Investment counterparties: | | | |
| Banks & building societies | £47.54m | 6.87m | £54.41m |
| Money market funds | £9.96m | 0m | £9.96m |
| Gilts and commercial paper | £6.79m | 0.82m | £7.61m |
| Cash | £4.90m | (4.72m) | £0.18m |
| | £69.19m | | £72.16m |

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Essential Reference Paper D

Prudential Indicators 2015/16

| Prudential Indicators 1 and 2 | 2014/15 estimate £000 | 2014/15 estimate (revised) £000 | 2015/16 estimate £000 | 2016/17 estimate £000 |
|---|-----------------------------|--|-----------------------------|-----------------------------|
| Capital expenditure as approved by Council on 19/2/14 | <u>3,265</u> | <u>3,252</u> | <u>1,638</u> | <u>1,248</u> |
| Financed by: | | | | |
| Capital receipts | 2,320 | 2,320 | 500 | 500 |
| Capital grants | 200 | 200 | 175 | 175 |
| 3rd party contributions | 155 | 155 | 51 | 0 |
| Revenue | <u>25</u> | <u>25</u> | <u>25</u> | <u>25</u> |
| Net Financing Requirement in year | 565 | 552 | 887 | 547 |
| Capital financing requirement b/f | -40,611 | -40,046 | -40,046 | -39,159 |
| Capital financing requirement c/f | -40,046 | -39,494 | -39,159 | -38,612 |

| Prudential Indicators 3 and 4 | 2014/15 estimate | 2015/16 estimate | 2016/17 estimate |
|--|---------------------|---------------------|---------------------|
| Capital decisions affordability | | | |
| Ratio of finance costs to net revenue stream | 0.89% | 0.05% | 1.20% |
| Incremental impact of capital financing decisions on council tax | £0.65 | £0.32 | £0.24 |

| Prudential Indicators 5,6,7,8,9 | 2014/15 | 2015/16 | 2016/17 |
|--|--------------|--------------|---------|
| Interest rates exposure | | | |
| Limits for fixed interest rate exposure on debt | 100% | 100% | 100% |
| Limits for variable interest rate exposure on debt | 50% | 50% | 50% |
| Authorised limit | £17.0m | £17.6m | £17.0m |
| Operational boundary | £12.0m | £11.6m | £11.0m |
| Limits for maturity structure of debt portfolio: | Lower | Upper | |
| Under 12 months | 0% | 20% | |
| 12 months to 2 years | 0% | 25% | |
| 2 years to 5 years | 0% | 40% | |
| 5 years to 10 years | 0% | 50% | |
| 10 years and above | 0% | 100% | |

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EAST HERTS COUNCIL

AUDIT COMMITTEE - 26 NOVEMBER 2014

REPORT BY DIRECTOR OF FINANCE AND SUPPORT SERVICES

UPDATE ON IMPLEMENTATION OF 2014/2015 ANNUAL
GOVERNANCE STATEMENT ACTION PLAN

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- The 2013/14 Annual Governance Statement includes eleven measures to enhance East Herts Council's internal control framework during 2014/15. 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.

| | |
|--|---|
| <u>RECOMMENDATION FOR AUDIT COMMITTEE</u> | |
| <u>That:</u> | |
| (A) | the Committee reviews the progress made against implementing the action plan contained in the 2013/14 Annual Governance Statement and advises of any concerns. |

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 The Annual Governance Statement Action Plan was approved by the Audit Committee on 24 September 2014. This is therefore the first position statement. Current positions have been reflected but there have been insufficient movements to change the RAG status of any actions. The updated positions were also considered by Corporate Management Team on 28 October 2014.

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

Annual Governance Statement 2013/ 2014 – Audit Committee 24 September 2014.

Contact Member: Councillor Tony Jackson
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Contact Officer: Adele Taylor
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Report Author: Chris Gibson
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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

| | |
|--|---|
| Contribution to the Council's Corporate Priorities/ Objectives | <p>People – Fair and accessible services for those that use them and opportunities for everyone to contribute</p> <p>This priority focuses on delivering strong services and seeking to enhance the quality of life, health and wellbeing, particularly for those who are vulnerable.</p> <p>Place – Safe and Clean</p> <p>This priority focuses on sustainability, the built environment and ensuring our towns and villages are safe and clean.</p> <p>Prosperity – Improving the economic and social opportunities available to our communities</p> <p>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: | 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 resources implications to those already contained in this report. |
| Risk Management: | There are no additional risk management implications to those already contained in this report |
| Health and wellbeing – issues and impacts: | There are no additional health and wellbeing implications to those already contained in this report. |

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ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2014/15

| Issue | Resp. Off. | Target Date | Actions needed to achieve milestone | Current position | RAG status |
|--|---|---------------------|--|--|--------------|
| <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/ Head of Business & Techn’y Services</p> | <p>October 2014</p> | <ul style="list-style-type: none"> • All outstanding high risk IT audit recommendations implemented. • Resilient IT business continuity arrangements in place. | <ul style="list-style-type: none"> • The Shared Internal Audit Service (SIAS), through PwC, will review the appropriateness of outstanding recommendations in their IT review in October 2014. • The intended solution provided by the Shared IT Service is for all technology to be recoverable within four hours. SIAS, through PwC, will be reviewing these arrangements in October 2014. | <p>AMBER</p> |

Essential Reference Paper “B”

| | | | | | |
|---|-----|-------------------------------------|--|--|-------|
| IT Risk Diagnostic (Highlighted by SIAS during 2012/13) | CMT | Dec. 2014 revised from October 2014 | <ul style="list-style-type: none"> 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. | <ul style="list-style-type: none"> An outline strategy has been produced. A draft is now being completed for discussion with SMG and the portfolio holder. | AMBER |
| Hertford Theatre future governance arrangements (From 2011/12 Action Plan) | CMT | October 2014 | <ul style="list-style-type: none"> Review to identify options for alternative governance models and the financial implications of adopting any of those models. | <ul style="list-style-type: none"> SIAS, through PwC, are undertaking a review of governance arrangements as part of the 2014/15 Audit Plan. | AMBER |
| Asset Management Plan (From 2012/13 Action Plan) | CMT | Dec 2014 | <ul style="list-style-type: none"> Review assets held by the Council. | <ul style="list-style-type: none"> Asset Management Plan 2013-17 approved by CMT but has been put on hold. The Executive on 7 October 2014 approved future investment of £10m in | AMBER |

Essential Reference Paper “B”

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|--|-----|------------|---|--|-------|
| | | | | <p>each of two selected property funds which will impact on the Asset Management Plan.</p> <ul style="list-style-type: none"> An audit of Council land is currently underway to ultimately gain assurance that all sites and assets are managed and that appropriate standards are reflected in corporate policy. | |
| <p>Impact of Welfare Reform changes</p> <p>(Identified as a strategic risk in 2013/14)</p> | CMT | March 2015 | <ul style="list-style-type: none"> 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. | <ul style="list-style-type: none"> The Council has responded well to changes in Welfare reform although this has resulted in an increased number of contacts from affected residents. The impact of this increased contact is monitored | AMBER |

Essential Reference Paper "B"

| | | | | | |
|--|-----|----------|---|--|-------|
| | | | | through appropriate management teams and partnership boards. The timetable for implementation of Universal Credit remains uncertain. | |
| Operating effectively in Shared Services (Taken forward from 2012/13 Action Plan) | CMT | Dec 2014 | <ul style="list-style-type: none"> Complete a review of the operation of all shared service partnership arrangements | <ul style="list-style-type: none"> The Shared Internal Audit Service will be undertaking a review of Shared Services Benefits Realisation as part of the 2014/15 Audit Plan. Those Shared Services already in place are delivering expected benefits. Investigations of other appropriate sharing arrangements are considered on a case by case basis. | AMBER |

Essential Reference Paper “B”

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|---|---|-------------------|---|--|--------------|
| <p>Risk that S106 Monies remain unspent</p> <p>(Highlighted by SIAS during 2012/13)</p> | <p>Head of Comms, Engagement and Cultural Services/ Head of Planning and Building Control</p> | <p>Dec 2014</p> | <ul style="list-style-type: none"> • 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. | <ul style="list-style-type: none"> • Reports are made to CMT identifying projects and tracking outstanding payments. • SIAS reviewed this area and reported Moderate assurance in October 2014. Four recommendations made of which one high priority recommendation has been actioned. • Process not considered to yet be well-embedded enough to clear this issue. | <p>AMBER</p> |
| <p>Implementat'n of the Investment Strategy with sufficient</p> | <p>CMT</p> | <p>March 2015</p> | <ul style="list-style-type: none"> • Find the optimum position of balancing risk and return and having financial strength to contribute to the local economy. | <ul style="list-style-type: none"> • Audit Committee in July 2014 agreed a refreshed Treasury Management Strategy allowing investment in | <p>AMBER</p> |

Essential Reference Paper “B”

| | | | | | |
|--|-----|------------|--|---|-------|
| levels of governance and due diligence (Identified as a new 2014/15 strategic risk) | | | | <p>to property funds.</p> <ul style="list-style-type: none"> Report on new Property fund proposals approved by the Executive on 7 October 2014. | |
| Development of a District Plan that is approved by the planning inspectorate. (Identified as a new 2014/15 strategic risk) | CMT | March 2015 | <ul style="list-style-type: none"> Plan to be agreed within required timeframe. | <ul style="list-style-type: none"> Progress continues to be made on the production of the District Plan. It is clear that detailed scrutiny of the infrastructure that can be provided to support delivery is necessary. Consultants appointed by the Council have undertaken significant work to review the evidence and identify gaps which will need to be filled before the District Plan can move | AMBER |

Essential Reference Paper “B”

| | | | | | |
|--|-----|------------|--|--|-------|
| | | | | forward to an amendments consultation version. The result of this work will have an impact on the timetable. | |
| The effectiveness of the delivery of the Here to Help programme (Identified as a new 2014/15 strategic risk) | CMT | March 2015 | <ul style="list-style-type: none"> Ensuring challenges are met, particularly staff engagement, communications and adequate resources. | <ul style="list-style-type: none"> The Here to Help quarterly update report was approved by CMT on 30 September 2014. This reported progress to-date. | AMBER |
| Increased levels of demand for our services. (Identified as | CMT | March 2015 | <ul style="list-style-type: none"> Demonstrate ability to adequately manage increased volume of contact from the public. Demonstrate improvements, | <ul style="list-style-type: none"> The Here to Help activities are providing a platform for organisational development while the | AMBER |

Essential Reference Paper "B"

| | | | | | |
|-------------------------------|--|--|---|--|--|
| a new 2014/15 strategic risk) | | | removal of barriers and increased capacity. | development of a more focused Customer Services Strategy will develop capacity in the medium term. | |
|-------------------------------|--|--|---|--|--|

EAST HERTS COUNCIL

AUDIT COMMITTEE – 26 NOVEMBER 2014

REPORT BY THE LEADER OF THE COUNCIL

RISK MANAGEMENT MONITORING REPORT (JULY TO SEPTEMBER 2014)

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- This report relates to action taken to mitigate and control strategic risks in the period July to September 2014.

| | |
|---|--|
| <u>RECOMMENDATION FOR AUDIT COMMITTEE: That:</u> | |
| (A) | The action taken to mitigate and control strategic risks be approved. |

1.0 Background

The Strategic Risk Register was last considered by Audit Committee on 24 September 2014. (Period April to June 2014). The register has been updated to reflect controls implemented between July and September 2014 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'**, details these, and the controls implemented between July and September 2014.

2.5 The impact rating of both SR12 (Increased levels of demand from residents and businesses) and SR13 (Here to Help) have been reduced from 4 to 2 due to the controls implemented. Scores therefore now fall within 'control' so will no longer feature on the Strategic Risk Register. All others remain unchanged.

2.6 The owners of SR2 and SR6 have changed, and the description of SR5b has expanded slightly, but these minor amendments have no impact as far as the content of the register is concerned.

- 2.7 This information was presented to the Executive on 4 November 2014. There are no comments to relay.
- 2.8 All strategic and operational risks can be viewed on the Council's performance management system, Covalent (www.covalentcpm.com/eastherts).
- 2.9 The Risk Management Strategy is currently being reviewed and will be presented at a future meeting.
- 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 April to July 2014 – Audit Committee 24 September 2014.

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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

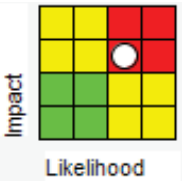
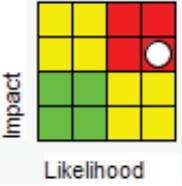
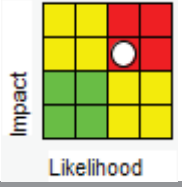
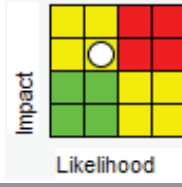
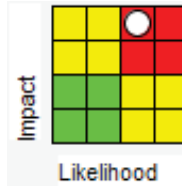
| | |
|---|--|
| Contribution to the Council's Corporate Priorities/ Objectives: | <p>People This priority focuses on enhancing the quality of life, health and wellbeing of individuals, families and communities, particularly those who are vulnerable.</p> <p>Place This priority focuses on the standard of the built environment and our neighbourhoods and ensuring our towns and villages are safe and clean.</p> <p>Prosperity 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. |
| Health and wellbeing – issues and impacts: | There are no specific health and wellbeing implications arising directly from this report. |

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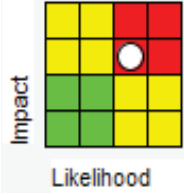
Strategic Risk Register July to September 2014

Essential Reference Paper 'B'

| Code | Title | Description | Current Risk Matrix | Impact | Likelihood | Managed By | Latest Note |
|--------|---|--|---------------------|--------|------------|--------------------|--|
| 14-SR1 | Risk of significant reduction in funding above that planned for, in particular localisation of Council Tax Support, localisation of business rates and New Homes Bonus. | 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 | July to September 2014: The Council refreshed its Medium Term Financial Plan during August/September 2014 and considered the risks around future funding, using the latest available information and consideration of how the Council could respond to further shocks. The Council underspent in 2013/14 and used some of the resources to mitigate against risks around future expenditure either through setting aside earmarked reserves, paying off £1m against the pension deficit to reduce future contributions against past expenditure etc. |
| 14-SR2 | Risk of not having capacity / capability and flexibility to continue to deliver service levels over time. | There are challenges around workforce planning to ensure the Council is fit for the future, in terms of workforce skills, capacity and flexibility. Also about being fleet of foot and responsiveness | | 3 | 3 | George A Robertson | July to September 2014: Here to Help is considering all aspects of how staff work together, deploy resources and consider to build on the good practice within the authority to continue to improve how we do things. The outcomes of this work will feed into the refreshed Workforce Development and Planning work co-ordinated by the Head of People & Property. |
| 14-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 sector supply chains and in conjunction with the voluntary and third sector. | | 3 | 2 | George A Robertson | July to September 2014: The council has robust contract management processes and procedures in place to ensure any concerns are flagged up early. |

| | | | | | | | |
|---------|---|--|---|---|---|------------------|---|
| 14-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 | July to September 2014: Those Shared Services already in place are delivering expected benefits. Continued investigation of other appropriate sharing arrangements are considered on a case by case basis. |
| 14-SR5a | There is short term uncertainty around government policy and a number of changes required without accompanying resource. | Risk of policy changes by decree which we do not comply with or implement |  | 3 | 4 | Simon Drinkwater | July to September 2014: The Council's ability to respond promptly and efficiently to changes in legislation poses risks for delivery of service. Software changes are not always reliable or easy to implement. There have been particular issues with individual Electoral Registration. |
| 14-SR5b | There is long term uncertainty on overall future government policy and direction, and its impact on local government. | Risk of being unable to long term strategically plan. |  | 3 | 3 | Simon Drinkwater | July to September 2014: The Council has responded well to changes in welfare legislation. The risk remains that future changes to housing benefit and housing rules may be more difficult to manage particularly if they are accompanied by funding reductions. |
| 14-SR6 | HR and Workforce management policies are being brought up to date. These will need to be applied across the Council in a coherent and consistent way. | There could be a lack of consistency and cohesion at senior management levels of applying policies. |  | 3 | 2 | Adele Taylor | July to September 2014: The review and update of policies is continuing. for example, the revised Retirement Policy will be considered by CMT on 8 October before progressing to HR Committee. Appropriate training is being provided for new and existing policies. |
| 14-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 | July to September 2014: The core infrastructure is now more resilient. One service not supported through the new infrastructure is scheduled for roll out in October 2014. All key systems with the exception of Finance are now operating from the new data centres and are protected by the new business continuity arrangements. |

| | | | | | | | |
|---------|--|---|--|---|---|--------------------|---|
| 14-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 | July to September 2014: Following incidents surrounding work processes and emails, additional training requirement established to further assist staff in application of Data Protection principles to working environment. Risk mitigated by investment in training for information management including Data Protection which is being set up in October for all staff in conjunction with Human Resources. The Operational Risk Management Group will take oversight of corporate actions. |
| 14-SR9 | Impact of welfare reform changes, specifically Universal Credit. | 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, with uncertainty on timetable. | | 3 | 3 | Adele Taylor | July to September 2014: The Council has responded well to changes in Welfare reform although this has resulted in an increased number of contacts from affected residents. The impact of this increased contact is monitored through appropriate management teams and partnership boards. The timetable for implementation of Universal Credit remains uncertain but relevant officers are actively keeping up to date on latest information released via Central Government. |
| 14-SR10 | Development of an Investment Strategy with sufficient levels of governance and due diligence. | A need to find the optimum position of balancing risk and return and having financial strength to contribute to the local economy. Risk of failing to undertake and implement effective due diligence and governance meaning potential consequences of: Incurring significant costs, Challenge, Qualification of accounts, Scrutiny Publicity, Loss of reputation | | 4 | 2 | Adele Taylor | July to September 2014: Audit Committee agreed refreshed Treasury Management Strategy in July 2014 allowing investment in to property funds. A paper will be presented in October 2014 on specific funds to be invested in, in accordance with policy. |

| | | | | | | | |
|----------------|--|--|--|----------|----------|-------------------------|---|
| <p>14-SR11</p> | <p>Development of a District Plan that is acceptable to the community and the planning inspectorate.</p> | <p>Risk of not being able to agree plan in timeframe meaning: Increased costs, Lack of effective development control, Cannot bid for funding for infrastructure, Lost opportunity, Open to challenge in meantime, Legal / Reputational / political issues.</p> |  | <p>3</p> | <p>3</p> | <p>Simon Drinkwater</p> | <p>July to September 2014: Progress continues to be made on the production of the District Plan. It is clear that detailed scrutiny of the infrastructure that can be provided to support delivery is necessary. Consultants appointed by the Council have undertaken significant work to review the evidence and identify gaps which will need to be filled before the District Plan can move forward to an amendments consultation version. The result of this work will have an impact on the timetable.</p> |
|----------------|--|--|--|----------|----------|-------------------------|---|

EAST HERTS COUNCIL

AUDIT COMMITTEE – 26 NOVEMBER 2014

REPORT BY DIRECTOR OF FINANCE & SUPPORT SERVICES

AUDIT COMMITTEE WORK PROGRAMME 2014/15

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

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

| | |
|---|--|
| <u>RECOMMENDATION FOR AUDIT COMMITTEE: That:</u> | |
| (A) | The revised work programme for the Audit Committee be approved. |

1.0 Background

1.1 The Audit Committee's work programme was approved by the Audit Committee on 19 March 2014.

2.0 Report

2.1 A revised Audit Committee work programme for the 2014/2015 civic year is given at **Essential Reference Paper 'B'**.

2.2 The following alterations have been made to the work programme:

- The training item at this Committee meeting will be delivered by Grant Thornton and will focus on de-cluttering the Accounts.
- The review of the Risk Management Strategy has not been brought to this meeting as the Strategy is currently being reviewed by officers. It will be brought to the March Committee

meeting and will therefore be in place for the 2015/16 financial year.

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 2014/15 Audit Committee
24 September 2014.

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Contact Officer: Adele Taylor
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Report Author: Chris Gibson
Head of Governance and Risk Management
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chris.gibson@eastherts.gov.uk

ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

| | |
|---|--|
| Contribution to the Council's Corporate Priorities/ Objectives: | <i>People – Fair and accessible services for those that use them and opportunities for everyone to contribute</i> This priority focuses on delivering strong services and seeking to enhance the quality of life, health and wellbeing, particularly for those who are vulnerable. |
| 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 resources implications to those already contained in this report. |
| Risk Management: | There are no additional risk management implications to those already contained in this report. |
| Health and wellbeing – issues and impacts: | There are no additional health and wellbeing 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"> • External Audit- Audit Plan • Draft Statement of Accounts 2013-2014. • Shared Internal Audit Service Annual Assurance Statement and Annual Report 2013/14. • Shared Internal Audit Service- Audit Plan Update Report. • Update on Implementation of Annual Governance Statement Action Plan. • Draft 2013/14 Annual Governance Statement. • Revision to Treasury Management arrangements • Risk Management monitoring report 1 January 2014 to 31 March 2014. • Audit Committee Work Programme. |
| 24 Sept 2014 | <ul style="list-style-type: none"> • External Audit report- Audit Findings Report. • Treasury Management Strategy – 2013/14 Outturn • Treasury Management Strategy- 2014/15 Mid-year Review. • Statement of Accounts 2013/14. • 2013/14 Annual Governance Statement. • Annual Shared Internal Audit Service Board Report 2013/14. • Shared Internal Audit Service- Audit Plan Update Report. • Risk Management monitoring report 1 April 2014 to 30 June 2014. • Audit Committee Work Programme. |
| 26 Nov 2014 | <ul style="list-style-type: none"> • Training item- Grant Thornton- "De-cluttering the Accounts". • External Audit report- 2013/14 Annual Audit Letter. • Council response to 2013/14 Annual Audit Letter. • External Audit report- Planned Audit Fees for 2014/15. • Treasury Management Strategy- 2014/15 Mid-year Review. • Update on Implementation of Annual Governance |

ESSENTIAL REFERENCE PAPER 'B'

Audit Committee Work Programme 2014/15 Civic Year

| | |
|----------------------|---|
| | <p>Statement Action Plan.</p> <ul style="list-style-type: none"> • Risk Management monitoring report 1 July 2014 to 30 September 2014. • Audit Committee Work Programme. |
| <p>21 Jan 2015</p> | <ul style="list-style-type: none"> • Training item- TBA. • External Audit- Grants Claim Certification Work 2013/14. • Treasury Management Strategy Statement 2015/16. • Shared Internal Audit Service- Audit Plan Update Report. • Update on Implementation of Annual Governance Statement Action Plan. • Audit Committee Work Programme. |
| <p>18 March 2015</p> | <ul style="list-style-type: none"> • Training item- TBA. • External Audit Update report. • Shared Internal Audit Service- Audit Plan Update Report. • Internal Audit Plan 2015/16. • Update on Implementation of Annual Governance Statement Action Plan. • Annual Review of Data Quality Strategy. • Risk Management monitoring report 1 October 2014 to 31 December 2014. • Risk Management Strategy. • Audit Committee Work Programme 2015/16 Civic Year. |