



*Alison Stuart
Head of Legal and
Democratic Services*

MEETING : PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY
COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : TUESDAY 24 JULY 2018
TIME : 7.00 PM

MEMBERS OF THE COMMITTEE

Councillor M Pope (Chairman)

Councillors A Alder, P Ballam, P Boylan, S Cousins, K Crofton,
D Oldridge, T Page, L Radford, S Reed, P Ruffles, S Stainsby, T Stowe and
J Wyllie (Vice-Chairman)

Substitutes

Conservative Group: Councillors R Brunton, R Henson,
W Mortimer and C Woodwrđ

*(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.)

Public Attendance

East Herts Council welcomes public attendance at its meetings and will provide a reasonable number of agendas for viewing at the meeting. Please note that there is seating for 27 members of the public and space for a further 30 standing in the Council Chamber on a “first come first served” basis. When the Council anticipates a large attendance, an additional 30 members of the public can be accommodated in Room 27 (standing room only), again on a “first come, first served” basis, to view the meeting via webcast.

If you think a meeting you plan to attend could be very busy, you can check if the extra space will be available by emailing democraticservices@eastherts.gov.uk or calling the Council on 01279 655261 and asking to speak to Democratic Services.

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AGENDA

1. Chairman's Announcements

2. Apologies

3. Minutes (Pages 7 - 18)

To approve as a correct record the Minutes of the meeting held on 22 May 2018

4. Declarations of Interest

To receive any Members' Declarations of Interest and Party Whip arrangements

5. General Fund Revenue and Capital Outturn 2017/18 and Medium Term Financial Plan 2019/20: Update (Pages 19 - 42)

6. Annual Statement of Accounts

Because to reporting timetable arrangements, the report has been marked "to follow".

7. Auditor's Results Report EY (Ernst Young)

Because of reporting timetable arrangements the report has been marked "To Follow".

8. Shared Internal Audit Service (SIAS) - Assurance Statement and Annual report 2017 - 18 (Pages 43 - 68)

9. Shared Internal Audit Services (SIAS) - Progress Report on Audit Plan 2018 - 19 (Pages 69 - 84)
10. Annual Governance Statement 2017/18 : Update (Pages 85 - 104)
11. Risk Management Annual Report (Pages 105 - 116)
12. Work Programme 2018/19 (Pages 117 - 136)
13. Insurance Options for 2019 (Pages 137 - 148)

Note - Essential Reference Paper B is enclosed for Members only as it contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. In considering these matters, if necessary, the meeting may exclude the press and public as detailed at item 15.

14. Urgent Items

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.

15. Exclusion of the press and public

To move that under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting during the discussion of item 13 on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the said Act of the following description:

Information relating to the financial or business affairs of any particular person (including the authority holding that information).

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MINUTES OF A MEETING OF THE
PERFORMANCE, AUDIT AND GOVERNANCE
SCRUTINY COMMITTEE HELD IN THE
COUNCIL CHAMBER, WALLFIELDS,
HERTFORD ON TUESDAY 22 MAY 2018, AT
7.00 PM

PRESENT: Councillor M Pope (Chairman)
Councillors A Alder, S Cousins, K Crofton,
D Oldridge, T Page, L Radford, S Reed,
P Ruffles and T Stowe

ALSO PRESENT:

Councillors D Andrews, L Haysey,
J Goodeve, W Mortimer and P Phillips

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Democratic Services Officer
Nathan Bookbinder	- Policy Officer
Isabel Brittain	- Head of Strategic Finance and Property
Fiona Corcoran	- Scrutiny Officer
Jonathan Geall	- Head of Housing and Health
Louise Harris	- Housing Strategy and Development-Manager
David Thorogood	- Environmental Co-Ordinator

Liz Watts
Ben Wood

- Chief Executive
- Head of
Communication
s, Strategy and
Policy

28 APPOINTMENT OF VICE CHAIRMAN

It was moved by Councillor M Pope and seconded by Councillor D Oldridge that, although absent, Councillor J Wyllie be appointed Vice Chairman of Performance, Audit and Governance Scrutiny Committee for the civic year 2018/19. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that Councillor J Wyllie be appointed Vice Chairman for the civic year 2018/19.

29 APOLOGIES

Apologies for absence were submitted on behalf of Councillors P Ballam, P Boylan and J Wyllie.

30 MINUTES

It was moved by the Councillor M Pope and seconded by Councillor D Oldridge that the Minutes of the meeting held on 13 March 2018 be confirmed as a correct record and signed by the Chairman. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that the Minutes of the meeting held on 13 March 2018 be confirmed as a correct record and signed by the Chairman.

31 CHAIRMAN'S ANNOUNCEMENTS

The Chairman reminded Members that in the interests of greater visibility and transparency of decision making, recommendations needed to be formally moved and seconded, before voting by a show of hands in relation to items such as the Minutes, the Work Programme and any changes to report recommendations other than those for information (such as presentations and updates).

The Chairman asked Members to note a change to the substitute membership arrangements which had been agreed at Annual Council (and therefore after the dispatch of the agenda). It was noted that Councillor D Andrews had been replaced by Councillor R Brunton.

The Chairman, on behalf of Members thanked the Scrutiny Officer, Fiona Corcoran for all her help in supporting the work of the Committee and wished her well in her new role.

The Chairman stated that, at the last meeting Members had referred to the issue of IT resilience and that this would be covered by a report to Overview and Scrutiny Committee on 19 June 2018.

32 HOUSING AND HEALTH STRATEGY UPDATE

The Head of Housing and Health submitted a report providing Members with an update on the Housing and Health Strategy 2017/18, in delivering the objectives stemming from the Action Plan 2016-21. Going forward, he asked Members to consider ways of achieving other objectives. The Housing Strategy and Development

Manager provided a summary of the strategic objectives and achievements delivered in 2017/18 and priorities for 2018/19.

Councillor A Alder referred to the issue of houses in multiple occupation and queried how many individuals had benefited from “warmer home” schemes. The Head of Housing and Health explained how the Council was made aware of houses in multiple occupation and undertook to write to Members on those who had benefited from “warmer homes” schemes. The Committee Chairman referred to the difficulties of insulating rural homes adding that many were of single wall construction. The Environmental Sustainability Co-ordinator commented that there was some funding available for energy efficiency works through the Energy Company Obligation Scheme offered by some utility companies.

Members debated the report at length. They sought and were provided with clarification on a number of issues including:

- The Council’s proactivity in securing good, affordable housing in the context of the District Plan and partnership working.
- Dementia friendly homes and a recent decision by the Home Improvement Agency (HIA), to now move this forward.
- Encouraging occupiers to downsize their under-occupied homes including the need to build more bungalows with better amenities, such as access to outside space, improved space standards and to a better specification which might act as an

inducement to downsize.

- An update on the success of Government Grants for the delivery of new affordable housing and whether there was a need to scrutinise housing partners. It was noted that regular meetings were held with key housing providers. Members supported a suggestion that social housing approaches to maintenance and repairs be reviewed and included within the Work Programme. The Committee Chairman undertook to submit a scrutiny proposal form to the Scrutiny Officer.
- Empty homes and the impact this might have on those receiving benefit and steps officers were exploring to bring empty properties back into use. In response to a query, the Head of Housing and Health explained options available to the Council, to assist those faced with the possibility of homelessness. He explained that there was increased emphasis on preventing homelessness.

It was moved by Councillor M Pope and seconded by Councillor A Alder that the recommendations, as detailed be supported. After being put to the meeting and a vote taken, the recommendations were declared CARRIED.

RESOLVED – that (A) the progress made in 2017/18 in delivering the objectives stemming from the Housing and Health Strategy Action Plan 2016-21 be noted;

(B) Members' suggestions on how to achieve the objectives detailed in the Action Plan be forwarded to the Head of Housing and Health for

consideration;

(C) the Head of Housing and Health write to Members on those who had so far applied for assistance from the new "Hertfordshire Warmer Homes" scheme; and

(D) the Committee Chairman be requested to submit a Scrutiny proposal form in order for the Committee to scrutinise the issue of repairs and maintenance undertaken by social housing providers and to include this issue on the Work Programme.

33 DRAFT ANNUAL REPORT 2017/18

The Executive Member for Finance and Support Services submitted a report updating Members on the progress made against corporate strategic plan priorities for the previous year and to seek Members' views on a draft plan for approval by the Executive. The Policy Officer provided a summary of the report and highlighted some of the actions achieved.

Councillor D Oldridge, queried KA23 (support Ward Councillors to facilitate super-fast broadband in rural areas) and asked whether the scope could be widened to include local MPs. The Policy Officer explained the positive work already undertaken by the Executive Member for Environment and the Public Realm and Oliver Heald MP. The Head of Communications, Strategy and Policy explained a revised approach by some broadband providers who had decided to concentrate on more lucrative contracts but that things were now moving in the right direction.

Officers provided an update in relation to KA58 (Review of Business start-up provision) and specifically Launch Pad in Bishop's Stortford which had had 50 start ups in the last six months.

Officers advised that a new website had been designed (KA25 implementation of a new website) and that this was now down to 500 pages and should take three clicks at most to access information being searched. This had increased user satisfaction levels to 42%. Councillor D Oldridge said that it had taken four clicks to access this evening's meeting information. He asked if there was a way to simplify this. Councillor D Oldridge also asked what progress was being made toward more e-newsletter type communications delivery referencing Ware Town Council's success in this matter. The Head of Communications, Strategy and Policy explained that this was under continual review and that Officers were exploring an "e-news" letter provider.

Councillor L Radford queried KA42 (increase domestic recycling) and queried whether there had been a drop in recycling with more going to landfill or whether people were being more careful at the point of purchase. The Policy Officer explained that the total amount of waste had reduced and that there was the possibility that people were being more careful at the point of purchase.

The Committee Chairman congratulated officers on their efforts to process housing benefit new claims and changed circumstances (KA15) which was now down to 7.6 days.

The Committee Chairman expressed his concern at the lack of progress in relation to the procure replacement

kiosks for payment in the customer service centres (KA27). The Head of Communications, Strategy and Policy provided an update and explained that some machines needed updating but that this was still under review.

Councillor A Alder queried working arrangements with partners to assist customers through the Universal Credit transition (KA18) and queried what liaison was carried out with officers in other authorities in relation to licensing issues. The Policy Officer explained that generally, there was a view by officers that there would be a low take-up of Universal Credit assistance initially, but that this may pick up as more users were transitioned over to Universal Credit.

The Head of Housing and Health explained the issues of cross boundary working and that it was good to get processes aligned and referred to a number of joint working initiatives. He advised that officers at East Herts had been asked to help Uttlesford DC with a piece of work in relation to taxi licensing.

The Committee Chairman referred to the issue of increased income generation (KA37). The Policy Officer explained that working groups had been established to look at ways of generating income from various services. Community lottery and crowd funding had also been investigated.

Councillor L Radford referred to the Council's figures in relation to the prevention of homelessness. The Head of Housing and Health explained that this had been achieved by applying the Council's powers and duties to secure accommodation and by directing those in need, with helpful advice.

In response to a query regarding Launchpad Users and a review of business start-up provision (KA58), the Head of Communications, Strategy and Policy explained 14 of the 50 users had stayed on beyond the three month introductory period and that feedback had been very positive. He said that it should be noted that some people did not want to work from home and preferred an office environment. The Head provided an update in relation to the Ware incubator which was in receipt of EU funding until the end of the financial year and that other Launchpad venues were being explored. Councillor A Alder suggested that such facilities should be considered for smaller communities in Sawbridgeworth and Buntingford. The Head of Communications, Strategy and Policy stated that all data received and feedback would be provided in a further report to Members in September 2018.

It was moved by Councillor D Oldridge and seconded by Councillor P Ruffles that the recommendations, as detailed be supported. After being put to the meeting and a vote taken, the recommendations were declared CARRIED.

RESOLVED – that the Executive be advised that Members (A) noted the progress made against the corporate strategic plan priorities over 2017/18; and

(B) the Draft Annual Plan be recommended for approval by the Executive.

34 CASTLE WEIR MICRO HYDRO SCHEME

The Executive Member for Environment and Public Space submitted a report detailing the need to revisit the proposal to construct a micro hydro power scheme at

Castle Weir, Hertford and to reconfirm the business case and costings and updates. The Environmental Sustainability Co-ordinator provided a summary of the report.

Councillor P Ruffles referred to the historical and educational value of the mill site and acknowledged the time officers had spent in moving the initiative forward. Councillors K Crofton, S Cousins and L Radford echoed the sentiment adding that it set a great example to the community and the positive impact this would have on the carbon footprint. They thanked officers for the excellent report and in moving the initiative forward.

Councillor D Oldridge sought and was provided with clarification regarding the impact of the micro hydro power scheme on the river scene and the export of the electricity to the national grid. The Environmental Sustainability Co-ordinator explained why the Council was likely to make an application to lodge a tariff in advance of the works taking place.

It was moved by Councillor P Ruffles and seconded by Councillor S Cousins that the recommendations, as detailed be supported. After being put to the meeting and a vote taken, the recommendations were declared CARRIED.

RESOLVED – that (A) the revised business case and the revised indicative timetable be noted and that any comments be forwarded to the Head of Housing and Health; and

(B) the impact on the Council's carbon reduction and sustainability targets be noted.

35 PERFORMANCE, AUDIT AND GOVERNANCE - WORK PROGRAMME 2018/19

The Chairman of Performance, Audit and Governance submitted a report setting out the Committee’s future work programme. The Scrutiny Office provided a summary of the report and explained that a planning workshop was being arranged for 21 June 2018.

The Scrutiny Officer reminded Members that she would add the proposal on social housing in relation to repairs and maintenance as soon as the Committee Chairman submitted a Scrutiny proposal form.

It was moved by Councillor S Cousins and seconded by Councillor A Alder that the draft work programme, as amended and as detailed, be approved. After being put to the meeting and a vote taken, the recommendation was declared CARRIED.

RESOLVED – that the draft work programme as amended, for Performance, Audit and Governance Scrutiny committee, as now detailed, be approved.

The meeting closed at 8.40 pm

Chairman
Date

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EAST HERTS COUNCIL

PERFORMANCE, AUDIT & GOVERNANCE – 24 JULY 2018

REPORT BY THE EXECUTIVE MEMBER FOR FINANCE & SUPPORT SERVICES

GENERAL FUND REVENUE & CAPITAL OUTTURN 2017/18 AND MEDIUM TERM FINANCIAL PLAN 2019/20 UPDATE

WARD(S) AFFECTED: All

Purpose/Summary of Report

- To advise Members on the General Fund Revenue Outturn for 2017/18 and provide explanations for significant variances against the approved Budget.
- To advise Members of the financing arrangements for the 2017/18 Capital Outturn and the updated 2018/19 capital budget allowing for the approved slippage from 2017/18.

RECOMMENDATIONS FOR PERFORMANCE, AUDIT & GOVERNANCE

COMMITTEE:

That Members recommend to the Executive

(A)	that the General Fund revenue outturn of £8k under-spend be transferred to the General Reserve ; and
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(B)	that Capital budgets of £1.496m be re-profiled from the 2017/18 capital programme to 2018/19 programme to fund ongoing capital schemes;
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1 Background

- 1.1 The 2017/18 Budget was approved by Council on 1st March 2017.
- 1.2 In year budget monitoring and management actions have sought to deliver the spending plans approved by Council. Members have been kept updated throughout the year through the Healthcheck reports where significant variances have been reported.
- 1.3 This report contains the following sections and Essential Reference Papers:

REPORT SECTIONS	
2	General Fund Revenue Outturn
3	Reserves
4	Funding
5	Capital Outturn
6	MTFP update
7	Implications

ESSENTIAL REFERENCE PAPERS	
A	Implications
B	Capital Outturn
C	MTFP update

2 General Fund Revenue Outturn

- 2.1 The final outturn for the year, detailed in this report, is still subject to external audit. The final audited accounts will be presented to the Performance, Audit and Governance Committee in at the same Committee meeting as this report.
- 2.2 An under spend of £8k is reported against the 2017/18 revenue budget. This is summarised in table 1. It is recommended that this under spend is transferred to the council's General Reserve

Table 1: Summarised 2017/18 Outturn Position

	Original Budget 2017/18	2017/18 outturn	Variance
	£'000	£'000	£'000
Total Net Cost of Services	13,945	13,950	5
Corporate Budgets Total:	2,230	2,893	663
Net Use of Reserves:	(647)	(998)	(351)
Funding	(6,193)	(6,518)	(325)
Council Tax	(9,335)	(9,335)	-
Overspend	-	(8)	(8)

NET COST OF SERVICES

2.3 An overspend against the 2017/18 net cost of services budget of £5k is reported, as shown by service in Table 2 overleaf with explanations for significant variances in the following paragraphs.

Table 2: Net Cost of Services Outturn

	2017/18 Budget	2017/18 Outturn	Variance
	£'000	£'000	£'000
Chief Executive & Directors	490	492	2
Communications, Strategy & Policy	1,000	984	(16)
HR & Organisational Development	505	480	(25)

Strategic Finance & Property	1,402	1,615	213
Housing & Health	2,444	2,221	(223)
Democratic and Legal	1,206	1,286	80
Planning & Building Control	855	946	91
Operations	4,312	4,014	(298)
Shared Revenues & Benefits Service	1,694	1,683	(11)
Revenues and Benefits retained costs	(371)	(491)	(120)
Housing Benefit Subsidy	(866)	(851)	15
Shared Business & Technology Services	1,274	1,571	297
Total Net Cost of Services	13,945	13,950	5

2.4 The budget and outturn figures in table 2 include funding from reserves. Further information about the use of reserves during 2017/18 can be found in section 3 of this report.

Strategic Finance and Property

- 2.5.1 The majority of this over-spend relates to the depressed rental income of Charringtons House and the fixed costs from units that were vacant.
- 2.5.2 Whilst the 2017/18 Outturn resulted in a £213k overspend against the budget, units in the building have subsequently been let and will reduce any future income shortfalls.

Democratic and Legal Services

- 2.5.3 The over spend in Democratic and Legal Services relates to one off additional staffing costs to cover maternity absence and recruitment issues. Plans have been put in place to mitigate this additional cost so that it will not continue into 2018/19.

Planning and Building Control

- 2.5.4 The Planning department has undertaken additional responsibilities in 2017/18 that have led to an increased resource requirement. This has resulted in an over spend of £33k. The other contributing area of concern for Planning and Building Control is a £25k under-achievement of income targets for discharge of conditions.

Operations

- 2.5.5. PCN income (street enforcement) is 15% above the 2017/18 budget, resulting in an additional £110k of income. This is due to greater collection achievements than were assumed when the budget was set. This increase in income has been fully considered in the setting of the 2018/19 Medium Term Financial Plan.
- 2.5.6 Higher than budgeted income levels of £45k have been generated by Hertford Theatre, from ticket sales and sales through the café.
- 2.5.7 The balance of the surplus achieved in the Operations department was made up of various over achievement of Income streams from external partners including Stevenage, Welwyn Hatfield and Legal & General.

Revenues and Benefits Service

- 2.5.8 The retained costs for revenues and benefits resulted in a surplus of £120k at the end of 2017/18. This was due to additional grant funding and additional fee income from Council Tax Penalties recovered.

Shared Business and Technology Services

2.5.9 There was an overspend of £297k against the Business and Technology Service budget in 2017/18. This variance has arisen due to increased cyber security costs and increased licence costs.

Housing and Health

2.5.10 Housing and Health have delivered a £223k under-spend in 2017/18, this is a result of proactive vacancy management.

Corporate Budgets

2.6 Corporate budgets were overspent by £663k in 2017/18; table 3 below shows the items that are included in this area of the net expenditure budget.

Table 3: Corporate budgets outturn

	Budget 2017/18	2017/18 Outturn	Variance
	£'000	£'000	£'000
NHB Grants to Town & Parish Councils	890	904	14
New Homes Bonus Priority Spend	890	891	1
Contingency Budget	150	-	(150)
Interest Payments	662	669	7
Interest & Investment income	(1,084)	(1,033)	51
RCCO	26	766	740

Pension Fund Deficit contribution	696	696	-
Corporate Budgets Total:	2,230	2,893	663

- 2.7 The 2017/18 investment outturn was £51k below budget; this was due to reduced interest lending rates on investment income. This deficit was managed through the overall outturn.
- 2.8 There was a greater Revenue Contribution to Capital Outlay (RCCO) than budgeted; the outturn figure includes £90k of capital salary costs and £676k of reserves used to fund capital expenditure, such as £633k towards demolition of the Causeway Building in Bishop's Stortford.

3 Reserves

- 3.1 The council is generally well placed with regard to establishing appropriate Earmarked Reserves and Balances.
- 3.2 The Council meeting on 1st April 2018 7 February 2017 reviewed the council's earmarked reserves in support of the MTFP.
- 3.3 The following table show the appropriations during the year:

Table 4: Reserve movements

	2017/18 Budget	2017/18 Outturn	Variance
	£'000	£'000	£'000
Contributions to Earmarked reserves	177	162	(15)
Contributions from Earmarked reserves	(824)	(1,160)	(336)

Net Use of Reserves:	(647)	(998)	(351)
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3.4 Given that the final outturn position is an under-spend of £8k it is recommended that a contribution will be made to the council's General Fund reserves.

4 Funding

4.1 In 2017/18 the council received £325k funding above the budgeted amount, details are shown in the following table.

Table 5: 2017/18 funding

	2017/18 Budget	2017/18 Outturn	Variance
	£'000	£'000	£'000
RSG	(351)	(351)	0
NDR	(2,049)	(1,318)	731
Section 31	(522)	(1,554)	(1,032)
(Surplus)/Deficit on Collection fund	408	398	(10)
Other General Grants	(120)	(129)	(9)
New Homes Bonus	(3,559)	(3,564)	(5)
Funding:	(6,193)	(6,518)	(325)

4.2 There is increasing pressure on Local Government to find alternative sources of funding for the services delivered. With the loss of Revenue Support Grant (RSG), proposed move to 75% business rate retention and consultations around New Homes Bonus, officers are working in consultation with members to look at alternative funding streams.

- 4.3 The major contributor to funding above budget in 2017/18 is Non Domestic Rating (NDR) S31 income this is due to timing differences between when the council sets its budget and statutory returns submitted to Central Government which determine the funding for the year. Section 31 grant is grant received from central government to compensate local government for mandatory business rate reliefs granted.

5 Capital Outturn

- 5.1 The progress of the capital programme for 2017/18 has been reported to the Executive throughout the year as part of the budget monitoring process.
- 5.2 Capital expenditure in 2017/18 is £2.4m as detailed in the table below:

Table 6: Capital Outturn Summary

	2017/18 Revised budget	2017/18 Outturn	(Under)/ Over Spend	Carry forward to future years
	£'000	£'000	£'000	£'000
Business & Technology Shared Service	1,185	674	(511)	436
Communications, Strategy & Policy	22	11	(11)	-
Housing & Health	1,151	528	(623)	-
Operations	743	369	(374)	392
Planning	528	94	(434)	433
Strategic Finance & Property	426	713	287	235
Total:	4,055	2,389	(1,666)	1,496

- 5.3 It is recommended that £1.496m of budgets re-profiled from 2017/18 to the 2018/19 capital programme be approved. This relates to schemes that have either been re-timetabled to take place during 2018/19 or schemes which were started during 2017/18 but not complete as at 31st March 2018. Further details can be found in **Essential Reference Paper B**
- 5.4 The 2017/18 capital programme expenditure has been financed from the following sources:

Table 7: Capital Financing

	£'000
Capital Receipts	1,120
Government Grants	343
Third Party Contributions	160
Revenue Contribution	766
TOTAL:	2,389

- 5.5 The future capital programme as agreed at Council on 1st March 2018 is detailed in the table below:

Table 8: Capital Programme 2018/19 to 2021/22

	2018/19 Revised budget	2019/20 Budget	2020/21 Budget	2021/22 Budget
	£'000	£'000	£'000	£'000
Business & Technology Shared Service	885	450	450	450
Housing & Health	841	390	358	358
Operations	462	465	15,070	16,330

Planning	488	55	55	55
Strategic Finance & Property	755	250	250	250
Total:	3,431	1,610	16,183	17,443

6 2019/20 Medium Term Financial Plan update

- 6.1 Following the approval of the Medium Term Financial Plan for 2018/19 by Council at its meeting of 1st March 2018, a number of projects were approved for review and inclusion in the 2019/20 budget setting process. The progress of these projects has been captured in **Essential Reference Paper C**
- 6.2 Further work on the Medium Term Financial Plan for 2019/20 has commenced and officers and members will be invited to participate in budget workshops throughout August and September.

7 Implications/Conclusion

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

Background Papers

Contact Member: Cllr Geoffrey Williamson – Executive Member for Finance & Support Services
Geoffrey.Williamson@eastherts.gov.uk

Contact Officers: Isabel Brittain – Head of Strategic Finance & Property
 Ext 2050
Isabel.Brittain@eastherts.gov.uk

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IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate)</i> :	Priority 1 – Improve the health and wellbeing of our communities Priority 2 – Enhance the quality of people's lives Priority 3 – Enable a flourishing local economy
Consultation:	<i>None required</i>
Legal:	<i>None</i>
Financial:	<i>All Financial implications are included in the body of the</i>
Human Resource:	<i>None</i>
Risk Management:	All risks are included in the body of the report
Health and wellbeing – issues and impacts:	<i>None</i>
Equality Impact Assessment required:	<i>no</i>

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CAPITAL EXPENDITURE OUTTURN 2017/18

	2017/18 Revised Budget	2017/18 Outturn	2017/18 Variance	2017/18 Proposed Slippage	COMMENTS
	£	£	£	£	
Strategic Finance & Property					
Hartham Swimming Pool - Refurbishment of Pool Filters	25,000	20,018	(4,982)	0	Completed
Fanshawe Swimming Pool - Replace Pool Circulating Pumps	20,000	0	(20,000)	0	No longer required
Fabric improvements to Swimming Pools	12,000	0	(12,000)	0	No longer required
Hartham Pavilion - renew water heaters to shower area	8,000	8,000	0	0	Works completed.
Grange Paddocks Pool - to treat laminated timber beams	25,000	0	(25,000)	0	No longer required
Investment of operational assets	46,350	0	(46,350)	0	No longer required
Riverbank Retaining Wall - St Andrews Street Car Park, Hertford.	55,000	0	(55,000)	55,000	Contractors have been engaged to work on designing a structurally safe retaining wall. This project is going to be completed in 2018/19 following an options paper.
Bell Street Car Park (Zone C) Sawbridgeworth - resurfacing & drainage	30,000	0	(30,000)	30,000	Tender & design stage - works to be programmed for Summer 2018. Scheme slipped due to inclement weather.
Replacement of Chairs & Desks	10,000	8,609	(1,391)	0	Completed
Charringtons House 2nd Floor Suite Refurbishment	156,030	17,905.26	(138,125)	138,000	Continuing to redesign space to continue maximise letting potential and therefore, rent & rate income
Demolition 1 The Causeway, B/S	0	632,715.87	632,716	0	Funded from Commercial Property Fund. Works completed. Retention of £5,113 for car park works due to be paid December 2018
CCTV at Wallfields	14,000	11,970	(2,030)	0	Additional cameras needed for security measures, drawn down from operational asset budget
Accommodation update Wallfields	25,000	13,357.41	(11,643)	11,643	Ongoing project for 2018/19 completion
Total Strategic Finance & Property	426,380	712,575.39	286,195	234,643	
Shared Business & Technology Services					
Information Technology Hardware Replacement	413,000	74,308	(338,692)	338,692	SHARED SERVICE Budget relates to delivery of improved resilience as part of the agreed IT Improvement plan.
New HR & Payroll System	62,930	27,623	(35,307)	35,307	SHARED SERVICE Core HR and Payroll went live in Apr-17. Additional modules and reporting services are now being implemented with 3rd party support.

CAPITAL EXPENDITURE OUTTURN 2017/18

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	2017/18 Revised Budget	2017/18 Outturn	2017/18 Variance	2017/18 Proposed Slippage	COMMENTS
New Finance System	247,940	214,400	(33,540)	33,540	Advanced System went live 1st April 2018
New Finance System Capital Salaries	78,000	78,202	202	0	Completed
New Asset Management System	13,880	11,600	(2,280)	0	Completed
Client Equipment	20,000	2,000	(18,000)	0	Budget used to service new and replacement equipment needs identified within year.
Audio & Visual Equipment Council Chamber Wallfields	10,000	9,169	(831)	0	Alternative solution identified
Audio & Visual Equipment Hertford Theatre	300	297	(3)	0	Completed
Exchange 2013	75,000	91,291	16,291	0	Migration to an updated email platform that is shared with SBC. Additional consultancy and staff time has been required and resulted in a budgetary pressure.
ICON: Migration to be Hosted	10,730	25,392	14,662	0	Drawn down from rolling programme
Telephony Enhancements	75,000	46,707	(28,293)	28,293	SHARED SERVICE Project to relocate and upgrade the telephone system. Some spend is likely in 2018/19.
Cyber Security	83,000	44,703	(38,297)	0	A number of our existing security solutions need to be revisited to ensure our Cyber Risks are being effectively mitigated and forms part of the agreed IT improvement plan.
Revenues and Benefits Mobile Working	15,400	7,700	(7,700)	0	Implementation of mobile working solution included in the Capita contract.
Land Charges Textual Data	20,000	11,565	(8,435)	0	Improved data quality to enable efficiencies through search automation.
Land Charges Textual Data - Capital Salaries	3,300	1,406	(1,894)	0	Capitalised salary costs for Land Charges
Integration from Mayrise to Whitespace	20,000	0	(20,000)	0	Mayrise integration with whitespace and possible web functions such as paying online for services such as bulky waste collections
Purchase of new Intranet	12,000	18,885	6,885	0	Completed

CAPITAL EXPENDITURE OUTTURN 2017/18

	2017/18 Revised Budget	2017/18 Outturn	2017/18 Variance	2017/18 Proposed Slippage	COMMENTS
Mobile working Planning & Env Health	25,000	8,750	(16,250)	0	
Total Shared Business & Technology Services	1,185,480	673,998	(511,482)	435,832	
Operations					
Car Park Management System - To implement a cost effective car park management system for the Council to manage its car parks for the next 10 years	34,080	64,539	30,459	0	Scheme complete. Variance cost to be recharged to landlord.
Refurbishment of Hertford Theatre Café/Bar to meet the needs of our customers and maximise the potential for revenue generation	18,370	22,531	4,161	0	Completed, however, due to essential developmental works involving IT, a £4k overspend has occurred.
Hertford Theatre replacement of 6 lighting hoists	0	77	77	0	Completed
Hartham Pavilion Refurbishment - Replace public toilets, redevelop existing café area, create functional changing area for footballers & incorporate meeting/training room.	0	(2,873)	(2,873)	0	Completed
Waytemore Castle, Bishops Stortford - Open space improvements and historical conservation work	168,760	192,337	23,577	0	Completed
Hertford & Beyond	30,000	19,000	(11,000)	11,000	£19k has been spent this year delivering a new footpath link to support the wider network and complete an all weather short circular walk within the park. The remaining funding will be used to support the wider delivery of the project.
Play Equipment - Rowleys Road, Hertford	20,000	7,661	(12,339)	0	Completed
Woodland restoration at Presdales Recreation Ground, Ware - Installation of a circular walk, car park improvements & woodland restoration.	85,000	53,467	(31,533)	31,530	All the major footpath, steps and entrance groundworks are complete. Remaining works to the value of £31,500 are planned and include interpretation boards, artwork design/printing, waymarking posts/discs, accessible gates and benches.
Hartham Common, Hertford - Potential projects include development of water play area, improvements to car parking & pedestrian access.	25,000	0	(25,000)	0	This project is to be reviewed in 2019/20 pending on plans for the leisure centre.

CAPITAL EXPENDITURE OUTTURN 2017/18

	2017/18 Revised Budget	2017/18 Outturn	2017/18 Variance	2017/18 Proposed Slippage	COMMENTS
Pishiobury Park, Sawbridgeworth - Wetland Habitat Project - improvements to boardwalk/paths permitting safe access to the wetland area of the park	12,180	12,180	0	0	All works completed on site.
Fire Suppression Unit at Buntingford Depot	350,000	0	(350,000)	350,000	Agreed at 6.2.18 Exec, NHDC to contribute 50%. Balance to slip as contract to begin on 16th April.
Total Operations	743,390	368,920	(374,471)	392,530	
Housing & Health					
Community Capital grants - to provide the right tools for people to get involved with projects that improve facilities such as green spaces or community buildings – inspiring ownership and pride.	124,600	49,254	(75,346)	0	No additional grant claims have been received in the final quarter.
Gladstone Road, Ware (Network Homes)	39,000	38,500	(500)	0	funded from S106 commuted sum. To build 10 affordable housing units. Scheme should be completed by early 2018. 50% paid when work commenced on site & 50% on completion.
Energy Grants	77,600	12,200	(65,400)	0	Expenditure relates to EHC contribution to Hertfordshire Warmer Homes, a new partnership established October 2017 between HCC/Public Health and all the Herts Districts.
Decent Home Grants	120,000	5,666	(114,334)	0	The money was spent on improving the conditions in three residential properties with category one hazards. Works included a replacement boiler, new heating system and repairs to an unsafe parapet.
Land Management Programme - Land Management Asset Register & Associated Works	50,000	14,017	(35,983)	0	The money was spent carrying out surveys / assessments on our assets and necessary works. Our assets include bridges and land drainage structures.
Private Sector Improvement Grants					
Disabled Facilities	566,870	343,622	(223,248)	0	All funding (except some limited grants which EHDC retained) has been transferred to the new HIA and East Herts will monitor spend hence the revised down target.
Disabled Facilities - Discretionary	60,000	0	(60,000)	0	DDFGs are retained by EHDC, but there has not been a call for spend against this budget.

CAPITAL EXPENDITURE OUTTURN 2017/18

	2017/18 Revised Budget	2017/18 Outturn	2017/18 Variance	2017/18 Proposed Slippage	COMMENTS
Capital Salaries	26,000	10,304	(15,696)	0	HIA went live in October 2017 so 6 month spend on DFGs.
River & Watercourse Structures - Improve, maintain & renew structures along rivers and watercourses to alleviate possible flooding throughout the district.	86,500	54,523	(31,977)	0	Expenditure complete for 2017/18
Total Housing & Health	1,150,570	528,086	(622,484)	0	
Planning					
Historic Building Grants - Enable grants to be offered to the owners of historic buildings to encourage their maintenance and upkeep.	52,400	51,625	(775)	0	Programme complete
Improvements to The Wash, Maidenhead Street & Bull Plain, Hertford	475,900	42,862	(433,038)	433,000	Delay in final design work undertaken by consultants
Total Planning	528,300	94,486	(433,814)	433,000	
Communications, Strategy & Policy					
Device Responsive Template - Revised website templates including new navigation, enhanced accessibility and device responsiveness	11,500	0	(11,500)	0	No longer required
Scotts Grotto - replacement of fencing	10,500	10,561	61	0	Project complete
Total Communications, Strategy & Policy	22,000	10,561	(11,439)	0	
TOTAL	4,056,120	2,388,626	(1,667,494)	1,496,005	

4,056,120	2,388,626	(1,667,494)	1,496,005
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Project Items for Review and Consideration for 2019/20 Medium Term Financial Plan

Following the Councillor and staff workshops held during November a number of ideas were put forward on ways to improve service provision and generate income for East Herts Council.

Many of those ideas require further examination and possible investment in resources to provide a future direction of travel. The ideas below were agreed at Council on 1st March as items that required further investigation.

The table below provides an update on those projects.

Planning Income Review – Head of Planning

- Increase the opportunity for Pre-App Income
- Provide professional planning advice to small businesses for a small fee.
- Investigate other income opportunities

Progress to date July 2018 :

Still in scoping stages

Human Resources Review – Head of HR

- HR Shared Service
- Review of staff remuneration
- Reduced staff benefits
- Reduced Staff hours
- Promote Unpaid Leave
- Review of Leadership Team restructure

Progress to date July 2018 :

- Meetings held with Stevenage re shared HR service.
- Review of Options Report due to be presented late July to Joint Leadership Board
- Staff benefits under review in conjunction with pay scales (but unlikely to result in savings)
- LT discussion on appropriate structure scheduled

Parking Income Review – Head of Operations

- On-Street Parking
- Sunday charging
- Public access and charging to Wallfields at weekends and evenings
- Overnight parking

Progress to date July 2018 :

- Business Plan and appraisal submitted to HoS.
- Inclusion of Blue badge charging

Street Lighting Review – Head of Strategic Finance and Property

- Investigate the opportunity to upgrade to LED and possible HCC ownership

Progress to date July 2018 :

Option report presented to Leadership Team in June 2018.

Surveys currently being undertaken by HCC contractors

Outcome of surveys will determine the viability of this scheme

Legal Services Review – Head of Legal and Democratic Services

Consider:

- Selling East Herts legal team specialist knowledge to other authorities
- Buying in specialist knowledge from other authorities
- A shared service

Progress to date July 2018 :

- Discussion and planning delayed

Street Name Plates – Head of Strategic Finance and Property

- Review of costs and income
- Consider additional services to improve income levels
- Expand street name and Numbering service.
- Outsourcing service
- Increased fees to bring in line with other councils
- Ensure full cost recovery

Progress to date July 2018 :

- Initial review of costs undertaken
- Benchmarking exercise still in progress

IT Shared Services Review –Head of Strategic Finance and Property

- Review of current performance indicators
- Benchmark of similar organisations
- Consider software value for money
- Consider the hardware available and review of alternatives

Progress to date July 2018 :

- Report of 11th July Overview and Scrutiny review of service
- SBC & EHDC currently reviewing service costs for 2019/20 budget

Public Conveniences Review – Head of Operations

- Consider necessity of service
- Consider alternative provision of service

Progress to date July 2018 :

- Meeting with Sawbridgeworth Town Council set up
- Project Lead resourced

Electoral Arrangement Review – Head of Legal and Democratic Services

- Review Electoral Arrangements
- Review of member allowances
- Review of member expenses

Progress to date July 2018 :

- Discussion and planning delayed

Playground Management and Inspection – Head of Operations

- Review of inspection requirements
- Consider playground ownership

Progress to date July 2018 :

- Appraisal documents submitted to HoS

Chargeable Events – Head of Communications, Strategy and Policy

Consider the opportunities for income generation from the following items:

- Open Air Concerts
- Outdoor Cinema

- Food Events/ site rental

Progress to date July 2018 :

Following consideration of these items it would appear that the cost to deliver them in most instances outweighs any financial benefits. However the team are still keeping an open mind for other similar income generating ideas and will appraise as necessary

Investment Income - Head of Strategic Finance and Property

Consider the Financial Sustainability Investment opportunities including:

- Crowd-funding
- Property Investment
- Commercial activities

Progress to date July 2018 :

- Crowd Funding report currently drafted and due to go to Leadership Team for sign off
- Property Investment Strategy reviewed and agreed by Financial Sustainability Group
- Other commercial options currently being reviewed by Financial Sustainability Group include housing investment and investment financing

PCSO provision - Head of Housing and Health

Consider the PCSO value for money.

- SLA review
- Outcomes
- Community engagement

Progress to date July 2018 :

- Work due to commence in September, linked to CCTV review and wider consideration of police funding raised at the Community Safety Partnership. Work will be completed for consideration as part of the MTFP for 2019/20



East Herts Council
2017/18 Annual Assurance Statement
and
Internal Audit Annual Report
24 July 2018

Recommendations

Members are recommended to:

Note the Annual Assurance Statement and Internal Audit Annual Report

Note the results of the self-assessment required by the Public Sector Internal Audit Standards (PSIAS) and the Quality Assurance and Improvement Programme (QAIP)

Accept the SIAS Audit Charter

Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2017/18

Contents

1. Purpose and Background
 - 1.1 Purpose
 - 1.2 Background

2. Annual Assurance Statement for 2017/18
 - 2.1 Context
 - 2.2 Control Environment
 - 2.4 Review of Effectiveness - compliance with the PSIAS and QAIP
 - 2.10 Confirmation of independence of internal audit and assurance on limitations
 - 2.11 Assurance Opinion on Internal Control
 - 2.12 Assurance Opinion on Corporate Governance and Risk Management

3. Overview of Internal Audit Activity at the Council in 2017/18

4. Performance of the Internal Audit Service in 2017/18
 - 4.1 Performance Indicators
 - 4.2 Service Developments

5. Audit Charter 2018/19

Appendices

- A Final position against the Council's 2017/18 Audit Plan

- B Definitions of Assurance Levels and Priority of Recommendations

- C Position against Public Sector Internal Audit Standards as at June 2018

- D Internal Audit Charter 2018/19

1. Purpose and Background

Purpose of Report

- 1.1 This report:
- a) Details the Shared Internal Audit Service's (SIAS) overall opinion on the adequacy and effectiveness of East Herts Council's (the Council) control environment. Reference is made to significant matters and key themes.
 - b) Shows the outcomes of the self-assessment against the Public Sector Internal Audit Standards (PSIAS) incorporating the requirements of the Quality Assurance and Improvement Programme (QAIP).
 - c) Summarises the audit work that informs this opinion.
 - d) Shows SIAS's performance in respect of delivering the Council's audit plan.
 - e) Presents the 2018/19 Audit Charter.

Background

- 1.2 A key duty of the Head of Assurance is to provide an annual opinion on the Council's internal control environment. This opinion informs the conclusions of the Council's Annual Governance Statement.
- 1.3 The assurance opinion in this report is based on 2017/18 internal audit work which was planned and amended to give sufficient assurance on the Council's management of its key risks. Also considered is any relevant work undertaken in 2018/19 before the committee report deadline.
- 1.4 SIAS is grateful for the co-operation and support it has received during 2017/18.

2. Annual Assurance Statement 2017/18

Context

Scope of responsibility

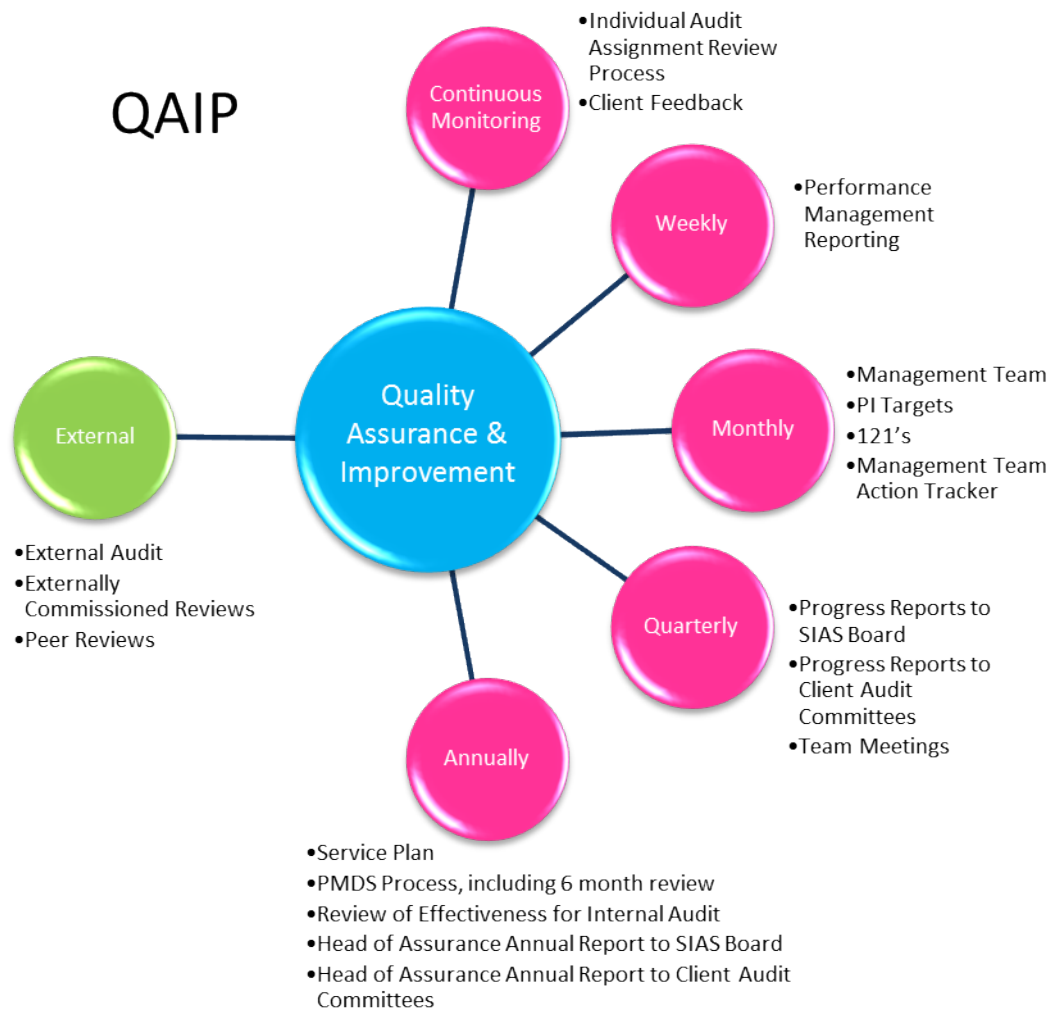
- 2.1 Council managers are responsible for ensuring Council business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. They are also responsible for ensuring internal controls are robust and risk management arrangements are appropriate.

Control environment

- 2.2 The control environment comprises three key areas: internal control, governance, and risk management. Together these aim to manage risk to an acceptable level but it is accepted that it is not possible to completely eliminate it.
- 2.3 A robust control environment helps ensure that the Council's policies, priorities and objectives are achieved.

Review of effectiveness

- 2.4 The Head of Assurance must confirm annually that the internal audit function is suitably qualified to carry out the work that informs the assurance opinion.
- 2.5 As part of a QAIP, a self-assessment was conducted against the Public Sector Internal Audit Standards (PSIAS). The PSIAS encompass the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF). They promote professionalism, quality, consistency and effectiveness of internal audit across the public sector. They highlight the importance of robust, independent and objective internal audit arrangements to provide senior management with the key assurances needed to support them in both managing the organisation and producing the Annual Governance Statement.
- 2.6 The 2017/18 self-assessment identified 2 areas of agreed non-conformance. These are detailed in Appendix C. There are no significant deviations from Standards which warrant inclusion in the Council's Annual Governance Statement.
- 2.7 The Head of Assurance has concluded, therefore, that SIAS 'generally conforms' to the PSIAS, including the Definitions of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. 'Generally conforms' is the highest rating and means that SIAS has a charter, policies and processes assessed as conformant to the Standards and is consequently effective.
- 2.8 The SIAS QAIP includes both internal and external monitoring and reporting to assess the efficiency and effectiveness of internal audit activity and identify opportunities for improvement. The diagram below details the methods used to monitor and report on these. Detailed information outlining activity in each area is contained in the SIAS Audit Manual.
- 2.9 The Head of Assurance confirms that during 2017/18 SIAS operated according to its QAIP with evidence available within the service to support the achievement of each QAIP element.



Confirmation of independence of internal audit and assurance on limitations

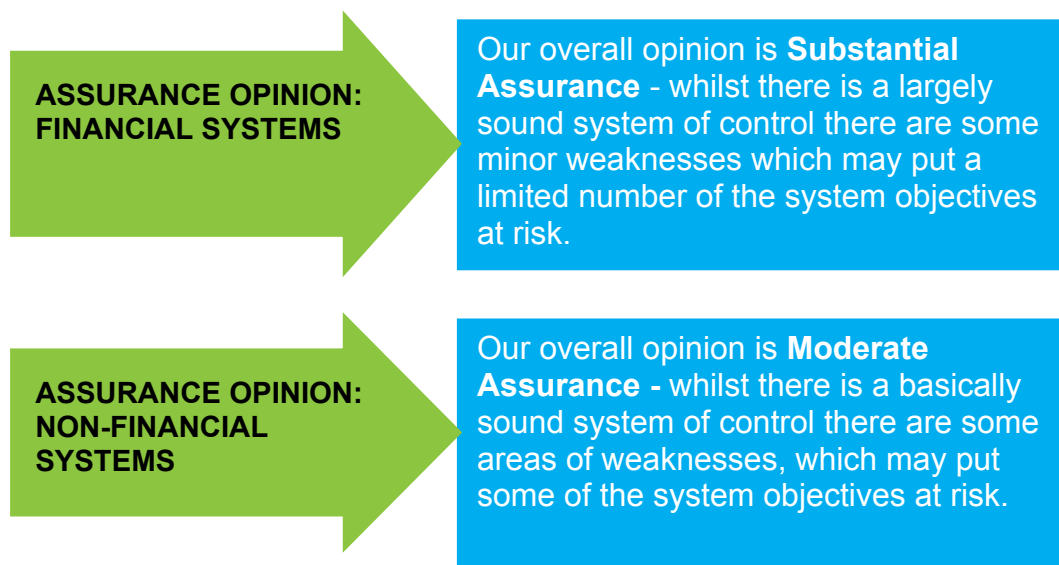
2.10 The Head of Assurance confirms that during the year:

- a) No matters threatened SIAS's independence; and
- b) SIAS was not subject to any inappropriate scope or resource limitations.

Annual Assurance Statement for 2017/18

Assurance opinion on internal control

- 2.11 Based on the internal audit work undertaken at the Council in 2017/18, SIAS can provide the following unqualified opinion on the adequacy and effectiveness of the Council's control environment, broken down between financial and non-financial systems.



Assurance opinion on Corporate Governance and Risk Management

- 2.12 SIAS has concluded that the corporate governance and risk management frameworks substantially comply with the CIPFA/SOLACE best practice guidance on corporate governance. This conclusion is based on the work undertaken by the Council and reported in its Annual Governance Statement for 2017/18. Although SIAS did not undertake specific risk management or corporate governance audits in 2017/18, these arrangements are considered during annual audit planning and the delivery of individual audit assignments.

**Head of Assurance for the Shared Internal Audit Service
June 2018**

3. Overview of Internal Audit Activity at the Council in 2017/18

- 3.1 This section summarises work undertaken at the Council by SIAS in 2017/18. It highlights internal control matters and opportunities for improvement.
- 3.2 Appendix A shows the final position against the agreed revised audit plan, assurance levels and the number of recommendations made. A summary of assurance levels and recommendations priority is shown in the tables below and compared to 2016/17.

Assurance Level	Number of reports 2017/18 (2016/17 data in brackets)	Percentage of reports 2017/18 (2016/17 data in brackets)
Full	5 (8)	15% (29%)
Substantial	17 (11)	50% (41%)
Moderate	4 (4)	12% (15%)
Limited	2 (1)	6% (4%)
No	0 (0)	0% (0%)
Not Assessed	6 (3)	17% (11%)
Total	34 (27)	100% (100%)

Recommendation Priority Level	Number of recommendations 2017/18 (2016/17 data in brackets)	Percentage of recommendations made 2017/18 (2016/17 data in brackets)
High	6 (3)	8% (5%)
Medium	40 (37)	52% (62%)
Merits Attention	31 (20)	40% (33%)
Total	77 (60)	100% (100%)

- 3.3 **The substantial assurance opinion overall on financial systems** (same as 2016/17) has been concluded from the nine financial systems audits where an opinion has been given. Three received full assurance, five substantial assurance and one moderate assurance. No high priority recommendations were made in these audits.
- 3.4 **The moderate assurance opinion overall on non-financial systems** (same as 2016/17) has been concluded from the nineteen audits where an opinion has been given. Two received full assurance, twelve substantial assurance, three moderate assurance and two limited assurance. Six high priority recommendations were made in these audits.

Annual Assurance Statement and Internal Audit Annual Report East Herts Council

- 3.5 Six audit projects were classified as “Not Assessed”, i.e. no audit opinion was given. These were the IT Shared Service Agreement, DFG Capital Grant Certification, Procurement, Local Authority Serious and Organised Crime Checklist, New Payroll System – self-service and Payroll Pension Certificate. These projects have not directly contributed to the assurance opinions above, although they were important pieces of consultancy and advice work carried out during the year.
- 3.6 One assurance review was not yet at final report stage at the time of writing this Annual Report. Cyber Security was however at draft report stage and detailed management responses for the recommendations proposed are awaited. This draft report has not been challenged and did therefore influence the assurance opinion.
- 3.7 Details of the moderate assurance audits issued during 2017/18 are as follows:
- a) Asset Management
 - b) Food Safety Inspections
 - c) IT Procurement
 - d) GDPR Preparedness

Management action plans have been prepared to address the matters arising in the above audits.

- 3.8 Details of the limited assurance audits issued during 2017/18 are as follows:
- a) IT Incident Management
 - b) Cyber Security (at draft report)

Management action plans have been prepared to address the matters arising in the above audits.

High Priority Recommendations

- 3.9 Members will be aware that a final audit report is issued when it has been agreed by management; this includes an agreement to implement the recommendations made. It is Internal Audit’s responsibility to advise Members of progress on implementation of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.
- 3.10 Six high priority recommendations were made across two different 2017/18 audits (see 3.8 above). In respect of these recommendations, the agreed management actions were not yet all due for completion.
- 3.11 Members will continue to receive updates on the implementation progress of high priority recommendations through SIAS progress reports.

4. Performance of the Internal Audit Service in 2017/18

Performance Indicators

4.1 The table below compares SIAS's performance at the Council against the 2017/18 targets set by the SIAS Board.

Indicator	Target 2017/18	Actual to 31 March 2018
1 SIAS Planned Days – percentage of actual billable days delivered against planned billable days	95%	96.7% (355.5 / 367.5)
2 SIAS Planned Projects – actual completed projects to draft report stage against planned completed projects	95%	97%* (33 / 34)
3 External Auditors' Satisfaction – the Annual Audit Letter formally records that the External Auditors are able to rely upon the range and quality of SIAS' work	Formal Reliance	Yes
4 SIAS Annual Plan – presented to the March Audit Committee or the first meeting of the financial year should a March committee not meet.	Deadline met	Achieved
5 Client Satisfaction - client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	100%	100%
6 Head of Assurance's Annual Report – presented at the first Audit Committee meeting of the financial year.	Deadline met	Achieved
7 Number of High Priority Audit Recommendations agreed	95%	100%

* The one audit not at draft report stage at 31 March 2018 was New Payroll System – self-service. This has since been issued.

Service Developments

- 4.2 During 2017/18 the development activities for SIAS included:
- a) Implementing the SIAS restructure in order to streamline the delivery of the Audit Service and meet future client needs.
 - b) Implementing a new time recording and audit plan management database, allowing the service to make cost savings and improve the ability to streamline business processes in the future.
 - c) Continued review of key business processes, including work allocation, to reduce administrative overheads and improve efficiency in delivering the audit plan.

5. Audit Charter 2018/19

- 5.1 The PSIAS require a local authority to formally adopt an Audit Charter which covers the authority and responsibility for an internal audit function.
- 5.2 The SIAS Audit Charter sets out the framework within which it discharges its internal audit responsibilities to those charged with governance in the partner councils. It details the permanent arrangements for internal audit and key governance roles and responsibilities to ensure the effectiveness of internal audit provision.
- 5.3 The Audit Charter is reviewed annually. The 2018/19 review did not result in any fundamental changes although a number of minor amendments were made. The 2018/19 Charter is attached at Appendix D.

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

2017/18 East Herts Council Audit Plan

Auditable Area	Level of Assurance	Recommendations			Plan Days	Audit progress /Status
		H	M	MA		
Key Financial Systems						
Asset Management	Moderate	0	7	4	10	Final report issued
Benefits	Substantial	0	0	1	10	Final report issued
Council Tax	Substantial	0	0	1	10	Final report issued
Creditors	Substantial	0	1	2	7	Final report issued
Debtors	Substantial	0	1	1	8	Final report issued
General Ledger	Full	0	0	0	6	Final report issued
NDR	Full	0	0	0	10	Final report issued
Payroll	Substantial	0	0	0	14	Final report issued
Payroll Pension Certificate	N/A	-	-	-	1	Complete
Treasury Management	Full	0	0	0	5	Final report issued
Operational Audits						
3 Cs	Substantial	0	2	0	12	Final report issued

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

Accommodation Project	-	-	-	-	0	Cancelled
Business Continuity Planning	Substantial	0	0	2	10	Final report issued
Communications	Substantial	0	1	3	10	Final report issued
Development Management – pre-apps	Substantial	0	0	1	6	Final report issued*
DFG Capital Grant Certification	N/A	-	-	-	2	Complete
Digital East Herts	Substantial	0	1	3	12	Final report issued
Elections	Full	0	0	0	5.5	Final report issued*
Food Safety Inspections	Moderate	0	6	0	10	Final report issued*
Hertford Theatre Income	Substantial	0	2	0	10	Final report issued
Licensing	Substantial	0	1	1	15	Final report issued
New Payroll System – self-service	N/A	-	-	-	8	At Draft
Off-Payroll Payments	Substantial	0	3	0	5	Final report issued
Old River Lane Development	Substantial	0	0	0	14	Final report issued
Petty Cash & Procurement Cards	Substantial	0	1	0	8	Final report issued
Play Safety Inspections	Substantial	0	0	4	10	Final report issued*
Section 106 Agreements	Substantial	0	1	3	8	Final report issued*

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

Taxi Licensing Enforcement	Full	0	0	0	8	Final report issued
Procurement						
Local Authority Serious and Organised Crime Checklist	N/A	-	-	-	10	Final report issued*
Procurement	N/A	-	-	-	15	Final report issued*
Shared Learning						
Shared Learning Newsletters and Summary Reports	-	-	-	-	5	Complete
Joint Review	-	-	-	-	2	Complete
IT Audits						
Mobile Device Management	-	-	-	-	0.5	Cancelled
IT Procurement	Moderate	0	2	1	6	Final report issued
IT Shared Service Agreement	N/A	0	2	1	6	Final report issued*
IT Incident Management	Limited	4	1	0	6	Final report issued
Cyber Security	Limited	2	4	3	6	At Draft
GDPR Preparedness	Moderate	0	4	0	6	Final report issued*
Contingency						
Unused Contingency	-	-	-	-	32.5	

APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

Anti-Fraud

Follow up fraud related themes	-	-	-	-	5	Complete
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Follow-Up Audits

Follow up of outstanding high priority audit recommendations	-	-	-	-	3	Complete
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Strategic Support

2018/19 Audit Planning	-	-	-	-	10	Complete
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Audit Committee	-	-	-	-	12	Complete
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Client Meetings	-	-	-	-	10	Complete
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Liaison with External Audit	-	-	-	-	1	Complete
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Head of Internal Audit Opinion 2016/17	-	-	-	-	5	Complete
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Plan Monitoring	-	-	-	-	10	Complete
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SIAS Development	-	-	-	-	5	Complete
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2016/17 Projects Requiring Completion

2016/17 Projects Requiring Completion	-	-	-	-	9.5	Complete
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Recommendations

	6	40	31			
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Plan Days

					400	
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APPENDIX A - FINAL POSITION FOR THE 2017/18 AUDIT PLAN

* At Draft Report stage at 31 March 2018, Final Report issued after year end

Key to Assurance Level and Recommendation Priority Levels:

N/A = Not Applicable

H = High priority recommendations; M = Medium priority recommendations; MA = Merits Attention priority recommendations

APPENDIX B - DEFINITIONS OF ASSURANCE LEVELS AND PRIORITY OF RECOMMENDATIONS

Levels of assurance	
Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives. No weaknesses have been identified.
Substantial Assurance	Whilst there is a largely sound system of control, there are some minor weaknesses, which may put a limited number of the system objectives at risk.
Moderate Assurance	Whilst there is basically a sound system of control, there are some areas of weakness, which may put some of the system objectives at risk.
Limited Assurance	There are significant weaknesses in key control areas, which put the system objectives at risk.
No Assurance	Control is weak, leaving the system open to material error or abuse.

Priority of recommendations	
High	There is a fundamental weakness, which presents material risk to the objectives and requires urgent attention by management.
Medium	There is a significant weakness, whose impact or frequency presents a risk which needs to be addressed by management.
Merits Attention	There is no significant weakness, but the finding merits attention by management.

APPENDIX C – PROGRESS AGAINST PUBLIC SECTOR INTERNAL AUDIT STANDARDS AT JUNE 2018 – ACTION PLAN

Section A: Conformance - During 2017/18 all areas apart from those identified in Section B below were conforming.

Section B: Intentional Non-Conformance

Ref	Area of Non-Conformance with the Standard	Commentary	
3.1a	<p>Purpose, Authority and Responsibility</p> <p>Does the board (defined as the Audit Committee) approve decisions relating to the appointment and removal of the Chief Audit Executive (CAE) (Head of Assurance)?</p>	<p>The Director of Resources, Hertfordshire County Council (HCC), in consultation with the Board of the Shared Internal Audit Service approves decisions relating to the appointment and removal of the CAE.</p> <p>This is as provided for in the governance of the Shared Internal Audit Service.</p>	<p>Non-conformance</p> <p>No further action proposed. The current arrangements are considered effective given the shared nature of SIAS.</p>
3.1c	<p>Purpose, Authority and Responsibility</p> <p>Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the CAE?</p>	<p>The performance appraisal is carried out by the Director of Resources (HCC).</p>	<p>Non-conformance</p> <p>No further action proposed. The appraisal process was carried out by the Director of Resources (HCC) with input from all partner chief finance officers. The current arrangements are considered effective given the shared nature of SIAS.</p>



Audit Charter 2018/19

1. Introduction and Purpose

- 1.1. Internal auditing is an independent and objective assurance and consulting activity. It is guided by a philosophy of adding value to the operations of an organisation. It assists a council in achieving its objectives and ultimately provides assurance to the public by systematically evaluating and improving the effectiveness and efficiency of risk management, control and governance processes.

2. Scope

- 2.1. This Charter applies to all clients of the Shared Internal Audit Service (SIAS).

3. Statutory Basis of Internal Audit

- 3.1. Local government is statutorily required to have an internal audit function. The Accounts and Audit Regulations 2015 require that 'a relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
- 3.2. In addition, a council's Chief Finance Officer has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs. To fulfil this requirement, the S151 officer relies, amongst other sources, upon the work of internal audit.

4. Role

- 4.1. SIAS internal audit activity is overseen by each client council's committee charged with fulfilling audit committee responsibilities herewith referred to as the Audit Committee. As part of its oversight role, the Audit Committee is responsible for defining the responsibilities of SIAS via this Charter.
- 4.2. SIAS may undertake additional consultancy activity requested by management. The Head of Assurance will determine such activity on a case by case basis assessing the skills and resources available. Significant additional consultancy

APPENDIX D – INTERNAL AUDIT CHARTER

activity not already included in the Internal Audit Plan will only be accepted and carried out following consultation with the SIAS Board.

5. Professionalism

- 5.1. SIAS governs itself by adherence to the Public Sector Internal Audit Standards (PSIAS). These standards include the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (IPPF). They set out the fundamental requirements for the professional practice of internal auditing and the evaluation of the effectiveness of an internal audit function's performance.
- 5.2. SIAS also recognise the Mission of Internal Audit as identified within the IPPF, 'To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight' and the Core Principles for the Professional Practice of Internal Auditing, which demonstrate an effective internal audit function, achieving internal audit's mission.
- 5.3. SIAS's operations are guided by its operating procedures manual as well as applicable, Chartered Institute of Internal Auditors (CIIA) Position Papers, Practice Advisories and Guides, and relevant council policies and procedures, including compliance with the Bribery Act 2010.
- 5.4. Should non-conformance with the PSIAS be identified, the Head of Assurance will investigate and disclose, in advance if possible, the exact nature of the non-conformance, the reasons for it and, if applicable, its impact on a specific engagement or engagement outcome.

6. Authority and Confidentiality

- 6.1. Internal auditors are authorised full, free, and unrestricted access to any and all of a client's records, physical properties, and personnel as required to carry out an engagement. All client employees are requested to assist SIAS in fulfilling its roles and responsibilities. Information obtained during the course of an engagement is safeguarded and confidentiality respected.
- 6.2. Internal auditors will only use information obtained to complete an engagement. It will not be used in a manner that would be contrary to the law, for personal gain, or detrimental to the legitimate and ethical objectives of the client organisation(s). Internal auditors will disclose all material facts known which if not disclosed could distort a report or conceal unlawful practice.

7. Organisation

- 7.1. The Head of Assurance and their representatives, have free and unrestricted direct access to Senior Management, the Audit Committee, the Chief Executive, the Chair of the Audit Committee and the External Auditor. The Head of

APPENDIX D – INTERNAL AUDIT CHARTER

Assurance will communicate with any and all of the above parties at both committee meetings and between meetings as appropriate.

- 7.2. The Head of Assurance is line managed by the Director of Resources at Hertfordshire County Council (HCC), who approves all decisions regarding the performance evaluation, appointment, or removal of the Head of Assurance, in consultation with the SIAS Board. Each partner's Section 151 Officer is asked to contribute to the annual appraisal of the Head of Assurance.

8. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 8.1. The Head of Assurance and the SIAS Audit Manager, both suitably experienced and qualified (CCAB and / or CMIIA), are responsible for:
- hiring, appraising and developing SIAS staff in accordance with the host authority's HR guidance
 - maintaining up-to-date job descriptions which reflect the roles, responsibilities, skills, qualifications, and attributes required of SIAS staff
 - ensuring that SIAS staff possess or obtain the skills, knowledge and competencies (including ethical practice) needed to effectively perform SIAS engagements
- 8.2. The Audit Committee is responsible for overseeing the effectiveness of SIAS and holding the Head of Assurance to account for delivery. This is achieved through the approval of the annual audit plan, approval of performance targets set by the SIAS Board and receipt of regular reports.
- 8.3. The Audit Committee is also responsible for the effectiveness of the governance, risk and control environment within the Council, holding operational managers to account for its delivery.
- 8.4. The Audit Committee, as set out in its formal Terms of Reference, also ensures that there is appropriate communication of, and involvement in, internal audit matters as required from the wider publicly elected Member body.
- 8.5. The SIAS Audit Manager is responsible for ensuring that the final version of all Internal Audit reports is circulated to all members of the Audit Committee and to the Executive Member for Finance and Support Services.
- 8.6. Senior Management, defined as the Head of Paid Service, Chief Officers and their direct reports, are responsible for helping shape the programme of assurance work. This is achieved through analysis and review of key risks to achieving the Council's objectives and priorities.
- 8.7. The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS and reporting to the Audit Committee its findings, including:

APPENDIX D – INTERNAL AUDIT CHARTER

- resourcing and financial performance
- operational effectiveness through the monitoring performance indicators
- the overall strategic direction of the shared service.

9. Independence and Objectivity

- 9.1 No element in the organisation should interfere with audit selection, scope, procedures, frequency, timing, or report content. This is necessary to ensure that internal audit maintains the necessary level of independence and objectivity.
- 9.2 As well as being impartial and unbiased, internal auditors will have no direct operational responsibility or authority over any activity audited. They will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that might impair their judgment.
- 9.3 When asked to undertake any additional roles/responsibilities outside internal auditing, the Head of Assurance will highlight to the Audit Committee any potential or perceived impairment to independence and objectivity having regard to the principles contained within the PSIAS Code of Ethics as well as any relevant requirements set out in other professional bodies to which the CAE may belong. The Audit Committee will approve and periodically review any safeguards put in place to limit any impairments to independence and objectivity.
- 9.4 The Head of Assurance will confirm to the Audit Committee, at least annually, the organisational independence of SIAS.

10. Conflicts of Interest

- 10.1. Internal auditors will exhibit clear professional objectivity when gathering, evaluating, and communicating engagement information. When forming judgments, they will make a balanced assessment of all relevant circumstances and not be influenced by their own interests or the views and interests of others.
- 10.2. Each auditor will comply with the ethical requirements of his/her professional body and proactively declare any potential conflict of interest, whether actual or apparent, prior to the start of an engagement.
- 10.3. All auditors sign an annual declaration of interest to ensure that the allocation of work avoids conflict of interest. Auditors who undertake consultancy work or are new to the team will be prohibited from auditing in those areas where they have worked in the past year. Audits are rotated within the team to avoid over-familiarity and complacency.
- 10.4. SIAS procures an arrangement with an external partner to provide additional internal audit days on request. The external partner will be used to deliver

APPENDIX D – INTERNAL AUDIT CHARTER

engagements as directed by the Head of Assurance in particular providing advice and assistance where SIAS staff lacks the required skills or knowledge.

10.5. In the event of a real or apparent impairment of independence or objectivity, (acceptance of gifts, hospitality, inducements or other benefits) the Head of Assurance will investigate and report on the matter to appropriate parties.

11. Responsibility and Scope

11.1. The scope of SIAS encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes (as they relate to the organisation's priorities and objectives) and the promotion of appropriate ethics and values.

11.2. Internal control and risk management objectives considered by internal audit extend to the organisation's entire control and risk management environment and include:

- consistency of operations or programs with established objectives and goals, and effective performance
- effectiveness and efficiency of governance, operations and employment of resources
- compliance with significant policies, plans, procedures, laws, and regulations
- design, reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information
- safeguarding of assets

11.3. SIAS is well placed to provide advice and support on emerging risks and controls and will, if requested, deliver consulting and advisory services or evaluate specific operations.

11.4. SIAS is responsible for reporting to the Audit Committee and senior management, significant risk exposures (including those to fraud addressed in conjunction with the Shared Anti-Fraud Service), control and governance issues and other matters that emerge from an engagement.

11.5. Engagements are allocated to (an) internal auditor(s) with the appropriate skills, experience and competence. The auditor is then responsible for carrying out the work in accordance with the SIAS Operating Procedures Manual, and must consider the relevant elements of internal control, the needs and expectations of clients, the extent of work required to meet the engagement's objectives, its cost effectiveness, and the probability of significant error or non-compliance.

APPENDIX D – INTERNAL AUDIT CHARTER

12. Role in Anti-Fraud

- 12.1. The SIAS work programme, designed in consultation with Senior Management, the Audit Committee and, where applicable, the Shared Anti-Fraud Service, seeks to help deter fraud and corruption.
- 12.2. In conjunction with the Shared Anti-Fraud Service SIAS shares information with relevant partners to increase the likelihood of detecting fraudulent activity and reducing the risk of fraud to all.
- 12.3. The Head of Assurance should be notified of all suspected or detected fraud, corruption or impropriety so that the impact upon control arrangements can be evaluated.

13. Internal Audit Plan

- 13.1. Following discussion with appropriate senior management, the Head of Assurance will submit a risk based plan to the Audit Committee for review and approval. This will occur at least annually. The plan sets out the engagements agreed and demonstrates the priorities of both SIAS (the need to produce an annual internal audit opinion) and those of the organisation. Also included will be any relevant declarations of interest.
- 13.2. The plan will be accompanied by details of the risk assessment approach used and will take into account the organisation's assurance framework. Also shown will be the timing of an engagement, its budget in days, details of any contingency for new or changed risks, time for planning and reporting and a contribution to the development of SIAS.
- 13.3. The plan will be subject to regular review in year, and may be modified in response to changes in the organisation's business, risks, operations, programmes, systems and controls. All significant changes to the approved internal audit plan will be communicated in the quarterly update reports.

14. Reporting and Monitoring

- 14.1. A draft written Terms of Reference will be prepared and issued to appropriate personnel at the start of an engagement. It will cover the intended objectives, scope and reporting mechanism and will be agreed with the client. Changes to the terms of reference during the course of the engagement may occur and will be agreed following consultation with the client.
- 14.2. A report will be issued on completion of an engagement. It will include a reasoned opinion, details of the time period and scope within which it was prepared, management's responses to specific risk prioritised findings and recommendations made and a timescale within which corrective action will be / has been taken. If recommended action is not to be taken, an explanation for this will also be included.

APPENDIX D – INTERNAL AUDIT CHARTER

- 14.3. SIAS will follow-up the implementation of agreed recommendations in line with the protocol at each client. As appropriate, the outcomes of this work will be reported to the audit committee and may be used to inform the risk-based planning of future audit work. Should follow-up activity identify any significant error or omission, this will be communicated by the Head of Assurance to all relevant parties. A revised internal audit opinion may be issued on the basis of follow-up activity.
- 14.4. In consultation with senior management, the Head of Assurance will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.
- 14.5. Quarterly update reports to the Audit Committee will detail the results of each engagement, including significant risk exposures and control issues. In addition, an annual report will be produced giving an opinion on the overall control, governance, and risk management environment (and any other issues judged relevant to the preparation of the Annual Governance Statement), with a summary of the work that supports the opinion. The Head of Assurance will also make a statement of conformance with PSIAS, and detail the nature and reasons for any impairments, qualifications or restrictions in scope for which the Committee should seek reassurances from management.

15. Periodic Assessment

- 15.1. PSIAS require the Head of Assurance and the SIAS Board to make arrangements for an independent review of the effectiveness of internal audit undertaken by a suitably knowledgeable, qualified and competent individual or organisation. This should occur at least every five years.
- 15.2. The Head of Assurance will ensure that continuous efforts are made to improve the efficiency, effectiveness, and quality of SIAS. These will include the Quality Assurance and Improvement Programme, client feedback, appraisals and shared learning with the external audit partner as well as coaching, supervision, and documented review.
- 15.3. A single review will be carried out to provide assurance to all SIAS partners with the outcomes included in the partner's Annual Report.

16. Review of the Audit Charter

- 16.1. The Head of Assurance will review this charter annually and will present, to the first audit committee meeting of each financial year, any changes for approval.
- 16.2. The Head of Assurance reviewed this Audit Charter in April 2018. It will next be reviewed in April 2019.

APPENDIX D – INTERNAL AUDIT CHARTER

Glossary of Terms

Audit Committee	The governance group charged with independent assurance of the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting.
Management	Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources in order to achieve the objectives of that policy. Senior management is defined as the Head of Paid Service, Chief Officers and their direct reports.
The SIAS Board	The Board that comprises officer representatives from the client authorities and that is responsible for the governance of the SIAS partnership
The Audit Plan	The programme of risk based work carried out by the Shared Internal Audit Service on behalf of its clients
The Public Sector Internal Audit Standards	These standards, which are based on the mandatory elements of the Chartered Institute of Internal Auditors (CIIA) International Professional Practices Framework (IPPF), are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. They reaffirm the importance of robust, independent and objective internal audit arrangements to provide stakeholders with the key assurances they need to support them both in managing and overseeing the organisation and in producing the annual governance statement.

Note:

For readability, the term 'internal audit activity' as used in the PSIAS guidance has been replaced with 'SIAS' in this Charter.

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East Herts Council

Performance, Audit and Governance Scrutiny Committee 24 July 2018

Shared Internal Audit Service – Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Approve amendments to the Audit Plan as at 6 July 2018
- c) Note the status of high priority recommendations
- d) Note the revised assurance definitions / priority levels

Contents

1. Introduction and Background

- 1.1 Purpose
- 1.2 Background

2. Internal Audit Plan Update

- 2.1 Delivery of Internal Audit Plan and Key Findings
- 2.5 High Priority Recommendations
- 2.7 Proposed Amendments to the Internal Audit Plan
- 2.8 Performance Management
- 2.10 Revised Assurance Definitions/Priority Levels

Appendices:

- A Progress against the 2018/19 Internal Audit Plan
- B Implementation Status of High Priority Recommendations
- C Internal Audit Plan Items - Start Dates Agreed With Management
- D Revised Assurance Definitions / Priority Levels

1. Introduction and Background

Purpose of Report

- 1.1 This report details:
- a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2018/19 Internal Audit Plan as at 6 July 2018.
 - b) The findings for the period 1 April 2018 to 6 July 2018.
 - c) The proposed amendments required to the approved 2018/19 Internal Audit Plan.
 - d) The implementation status of previously agreed Internal Audit recommendations.
 - e) An update on performance management information as at 6 July 2018.
 - f) Details of revised assurance definitions/priority levels.

Background

- 1.2 The 2018/19 Internal Audit Plan was approved by the Performance, Audit and Governance Scrutiny Committee on 13 March 2018. The Performance, Audit and Governance Scrutiny Committee receive periodic updates of progress with delivering the Internal Audit Plan.
- 1.3 The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed Internal Audit Plan.

2. Internal Audit Plan Update

Delivery of Internal Audit Plan and Key Audit Findings

- 2.1 As at 6 July 2018, 28% of the 2018/19 Internal Audit Plan days had been delivered (calculation excludes contingency days that have not yet been allocated). Appendix A provides a status update on each individual project within the 2018/19 Internal Audit Plan. Details of agreed start dates for the individual projects are also shown in Appendix C.
- 2.2 As at 6 July 2018 the following 2018/19 projects have been finalised:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Payroll Pension Certificate	April 2018	N/A	N/A

2.3 The following 2017/18 projects have also been finalised in the period since the last Performance, Audit and Governance Scrutiny Committee:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Asset Management	March 2018	Moderate	Seven medium Four merits attention
Communications	March 2018	Substantial	One medium Three merits attention
Elections	April 2018	Full	None
Section 106	April 2018	Substantial	One medium Three merits attention
Serious Organised Crime Checklist	April 2018	Not Assessed	None
Development Mgmt. (pre-apps)	May 2018	Substantial	One merits attention
IT Shared Services Agreement	May 2018	Not Assessed	Two medium One merits attention
Petty Cash and Procurement Cards	May 2018	Substantial	One medium
Play Safety Inspections	June 2018	Substantial	Four merits attention
Procurement	June 2018	Not Assessed	Five medium Three merits attention
GDPR Preparedness	June 2018	Moderate	Four medium
Food Safety Inspections	July 2018	Moderate	Six medium

2.4 Draft Internal Audit reports have also been issued for the following 2017/18 projects. A management response for each project is awaited:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Cyber Security	March 2018	Limited	Two high Four medium Three merits attention
New Payroll System –	June 2018	Not Assessed	None

Roll Out of Self Service			
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High Priority Recommendations

- 2.5 A final Internal Audit report is issued when agreed by management. This includes an agreement to implement recommendations that have been made. It is SIAS's responsibility to bring to the attention of Members the implementation status of high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date.
- 2.6 The current position in respect of existing outstanding high priority recommendations is shown at Appendix B.

Proposed Internal Audit Plan Amendments

- 2.7 The following changes to the 2017/18 Internal Audit Plan have been agreed with Officers of the Council. These are detailed below for Committee approval:
- a) Land Charges - audit cancelled and days returned to contingency.
 - b) CCTV - joint internal audit resourced from contingency.

Performance Management

- 2.8 Annual performance indicators and associated targets were approved by the SIAS Board in March 2018 and are reviewed annually.
- 2.9 The actual performance for East Herts Council against the targets that can be monitored in year is set out in the table below.

Performance Indicator	Annual Target	Profiled Target	Actual to 6 July 2018
1. Planned Days – percentage of actual billable days against planned chargeable days completed (excluding unused contingency)	95%	26% (90 / 345 days)	28% (97.5 / 345 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	20% (6 / 31 projects to draft)	17% (5 / 31 projects to draft)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	N/A (none issued)

4. Number of High Priority Audit Recommendations agreed	95%	95%	N/A (none made)
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Revised Assurance Definitions / Priority Levels

- 2.10 The existing assurance definitions have been replaced with four new assurance levels and definitions to accompany them (see Appendix D). With respect to the finding priority levels, we have added an additional priority level (Critical) to reflect findings that have an impact at a corporate or strategic level, rather than just at a service or directorate level. These changes will be reflected in all 2018/19 internal audits.
- 2.11 The changes have been made following extensive research of other public and private sector assurance definitions / finding priorities and general internal audit good practice. It was also a response to client feedback.

APPENDIX A: PROGRESS AGAINST THE 2018/19 INTERNAL AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Key Financial Systems – 77 days								
Asset Management					10	Yes	0	Allocated
Council Tax					6	Yes	0	Allocated
Creditors					10	Yes	0	Allocated
Debtors					10	Yes	0	Allocated
General Ledger					10	Yes	0	Allocated
Housing Benefits & Rent Allowances					6	Yes	0	Allocated
NDR					6	Yes	0	Allocated
Payroll					12	Yes	0	Allocated
Payroll Certificate	N/A	0	0	0	1	Yes	1	Complete
Treasury Management					6	Yes	0	Allocated
Operational Audits – 124 days								
Development Management					12	Yes	0	Allocated
S106 Agreements (spend arrangements)					10	Yes	0	Allocated
Business Grants Scheme					8	Yes	7.5	Draft Report Issued
Performance Mgmt. / Data Quality					10	Yes	8.5	In Fieldwork
Land Charges					1	N/A	1	Cancelled
Freedom of Information					8	Yes	7.5	Draft Report Issued
GDPR – PIR					10	Yes	0	Allocated
Homelessness Reduction Act / Temporary Accommodation					12	Yes	0	Allocated
Houses in Multiple Occupation (HMOs)					10	Yes	0	Allocated
Herts Home Improvement Agency					2	Yes	0	Allocated
Digital East Herts					12	Yes	0.5	In Planning

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Agency Staffing					12	Yes	7.5	In Fieldwork
Commercialisation / Income Generation					12	Yes	0	Allocated
DFG Capital Grant Certification					1	Yes	0	Allocated
CCTV					2	Yes	2	Draft Report Issued
Garden Town - Project Assurance					2	Yes	1.5	In progress
Procurement – 29 days								
Waste Contract – client services, trade waste					15	Yes	0	Allocated
Compliance Monitoring Contract					2	Yes	0	Allocated
Contract Management					12	Yes	10.5	In Fieldwork
IT Audits – 30 days								
Cyber Security					6	Yes	0	Allocated
Incident Management					6	Yes	0	Allocated
Mobile Device Management and BYOD					6	Yes	5.5	Draft Report Issued
TSS Improvement Plan - Governance					12	Yes	6	In Fieldwork
Shared Learning – 8 days								
Shared Learning Newsletters / Summary Themed Reports / Joint Reviews					8	N/A	1	In Progress
Risk Management – 0 days								
No audits								
Anti-Fraud – 3 days								
Anti-Fraud – Controls Review					3	N/A	0	Through Year
Strategic Support – 51 days								
2019/20 Audit Planning					10	N/A	0	Through Year

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS			AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		H	M	MA				
Audit Committee					12	N/A	4	Through Year
Client Meetings					10	N/A	2.5	Through Year
Liaison with External Audit					1	N/A	0	Through Year
Head of Internal Audit Opinion 2017/18					4	N/A	4	Complete
Plan Monitoring					9	N/A	2.5	Through Year
SIAS Development					5	N/A	5	Through Year
Contingency – 15 days								
Contingency					15	N/A	0	Not yet allocated
Follow Ups – 3 days								
Follow up of high priority recommendations					3	N/A	0.5	Through Year
2017/18 Projects requiring completion – 20 days								
Various					20	Yes	19	Complete
EHC TOTAL					360		97.5	

APPENDIX B: IMPLEMENTATION STATUS OF HIGH PRIORITY RECOMMENDATIONS

No	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (July 2018)
1.	Tree Surveying (May 2017)	It is recommended that the service is let in accordance with the Council's contract standing orders for future years.	To retender the tree risk inspection contract and to design and procure a new schedule of works based maintenance contract.	Parks and Open Spaces Manager	31 March 2018	<p><u>December 2017</u> The specification is drafted for the inspection contract and just needs some final modifications to ensure it will provide the necessary platform for the maintenance works. We should be able to get that out for tender this month and therefore in time to have the contract renewed and running by March 31st 2018.</p> <p><u>February 2018</u> No update provided.</p> <p><u>July 2018</u> No update provided.</p>	Not implemented – continue to monitor
2.	IT Disaster Recovery (Post-Incident) (January 2018)	Additional connectivity should be added to the IT network so that the single point of failure for Stevenage Borough Council is addressed.	Agreed. Additional connectivity options are being considered and	Interim Senior IT Manager	31 August 2018	<u>February 2018</u> This will be developed following the establishment of the Disaster Recovery Plan.	Partially implemented – continue to monitor

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (July 2018)
			will be implemented as part of the outcomes from the IT Disaster Recovery review in January 2018.			<u>July 2018</u> Options are being costed and will be presented to the IT Partnership. The generator has been installed at Daneshill House to improve resilience.	
3.	IT Disaster Recovery (Post-Incident) (January 2018)	Working with stakeholders from both Councils, Senior Management must define the recovery time and point objectives for critical IT systems and determine the order by which they should be recovered by the Service. Where the Service is unable to achieve these objectives, the relevant IT system owner must identify alternative recovery solutions.	Agreed. A review of IT Disaster Recovery arrangements will be undertaken, which will re-establish the councils' business requirements and identify the technical solutions needed.	Interim Senior IT Manager	31 March 2018	<u>February 2018</u> BDO have been commissioned to provide expertise and support to the review of Disaster Recovery Planning. This will be further supported by the expected team restructure once the new lead post has been recruited to. In the meantime, the IT team continue to progress this work, supported by experts from outside of the organisations.	Partially implemented – continue to monitor

Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (July 2018)
	The Service should put in place a defined IT disaster recovery plan, which is aligned to the Councils' continuity planning.				<p><u>July 2018</u> The lead IT recruitment was unsuccessful in Round 1 but an offer has been made to a candidate in Round 2. It is expected that the new lead will be in post by September. In the meantime, the IT service is being supported by a SOCITM interim.</p>	
4.	<p>IT Disaster Recovery (Post-Incident) (January 2018)</p> <p>Appropriate environmental controls should be installed at both data centres so that they can continue to operate in the event of a disaster. This should include:</p> <ul style="list-style-type: none"> • Appropriate UPS deployed at both data centres • Appropriate power sources to support the continued operation of air conditioning at the 	<p>Agreed.</p> <p>Increased power resilience will be implemented with larger capacity UPS deployed at both data centres, plus a generator will be installed to support the continued operation of the Daneshill data centre in the event of power</p>	Interim Senior IT Manager	31 May 2018	<p><u>February 2018</u> The first meeting with the supplier is due to take place in early March and installation is expected by the original target date. This will increase our ability to operate Business As Usual and enable more effective Disaster Recovery.</p> <p><u>July 2018</u> UPS and generator installed at Daneshill House.</p>	Implemented

No.	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (July 2018)
		<p>Daneshill site.</p> <p>Management should define the processing capacity threshold at which it is no longer possible for a data centre to operate as the single data centre.</p> <p>This should be monitored and, where exceeded, appropriate action should be taken.</p>	<p>disruption.</p> <p>Capacity requirements will be considered as part of identifying the technical solution within the planned review of IT Disaster Recovery Plans.</p> <p>More formal improved capacity management processes will be introduced as part of the IT Service's adoption of ITIL.</p>		<p>31 March 2018</p> <p>31 December 2018</p>	<p><u>February 2018</u> Additional hardware is being purchased to enable greater capacity. This initial mitigation will be in place by April 2018. This will enable the re-provisioning of a greater number of remote desktops across both councils should a data centre be lost. IT staff have undergone initial ITIL training and the learning has started to be transferred to the workplace. Further training will continue on an on-going basis.</p> <p><u>July 2018</u> Through the SOCITM interim, ITIL principles are being implemented.</p>	<p>Partially implemented – continue to monitor</p>





	Report Title / Date of Issue	Recommendation	Management Response	Responsible Officer	Original Target Date	Management Comments	SIAS Comment (July 2018)
5.	IT Disaster Recovery (Post-Incident) (January 2018)	<p>Management should assess the risk of the data centres becoming unavailable and, where necessary, revise the risk treatment plans.</p> <p>Senior management at both Councils, supported by the Service, should perform a business impact assessment with regards to the loss of IT and define their respective risk appetites so that appropriate actions are taken by the Service.</p>	<p>Agreed.</p> <p>The risk appetites of the councils will be considered and addressed as part of the planned review of IT Disaster Recovery Plans.</p>	Interim Senior IT Manager	31 March 2018	<p><u>February 2018</u> See item 3 above. This will be considered as part of the first phase of the review of Disaster Recovery Planning being supported by BDO.</p> <p><u>July 2018</u> Currently being costed prior to presentation at Partnership Board.</p>	Partially implemented – continue to monitor

APPENDIX C: INTERNAL AUDIT PLAN ITEMS – START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
Payroll Annual Pension Certificate (Complete)	Business Grants Scheme (Draft Report Issued)	Freedom of Information (Draft Report Issued)	GDPR – PIR (Allocated)	S106 (Allocated)	DFG Capital Grant Sign-Off	Council Tax	NDR	Debtors	Creditors	HRA & Temporary Accom.	
	Contract Mgmt. (In Fieldwork)	Agency Staffing (In Fieldwork)	Land Charges (Cancelled)	HMOs (Allocated)	Development Mgmt.	Housing Benefits	Payroll	Asset Mgmt.	Waste Contract	TSS Improvement Plan – Cyber Security	
	Mobile Device Mgmt. and Bring Your Own Device (Draft Report Issued)	Performance Mgmt. / Data Quality (In Fieldwork)		Digital East Herts (In Planning)	Home Improvement Agency	Commercial / Income Generation	Compliance Monitoring Contract	Main Accounting	TSS Improvement Plan - Incident Mgmt.		
	CCTV (Draft Report Issued)								Treasury Mgmt.		
	TSS Improvement Plan – Governance (In Fieldwork)										

APPENDIX D: REVISED ASSURANCE DEFINITIONS/PRIORITY LEVELS

Assurance Level	Definition
Good	The design and operation of the internal control framework is effective, thereby ensuring that the key risks in scope are being well managed and core objectives will likely be achieved. There are minor reportable audit findings.
Satisfactory	The internal control framework is largely working well in managing the key risks in scope, with some audit findings related to the current arrangements.
Limited	The system of internal control is only partially effective, with important audit findings in key areas. Improvement in the design and/or operation of the control environment is necessary to gain assurance risks are being managed to an acceptable level, and core objectives will be achieved.
No	The system of internal control has serious gaps, and controls are not effective in managing the key risks in scope. It is highly unlikely that core objectives will be met without urgent management intervention.

Priority Level			Definition
Corporate	Critical		Audit findings which, in the present state, represent a serious risk to the organisation as a whole, i.e. reputation, financial resources and / or compliance with regulations. Management action to implement the appropriate controls is required immediately.
Service	High		Audit findings indicate a serious weakness or breakdown in control environment, which, if untreated by management intervention, is highly likely to put achievement of core service objectives at risk. Remedial action is required urgently.
	Medium		Audit findings which, if not treated by appropriate management action, are likely to put achievement of some of the core service objectives at risk. Remedial action is required in a timely manner.
	Low / Advisory		Audit findings indicate opportunities to implement good or best practice, which, if adopted, will enhance the control environment. The appropriate solution should be implemented as soon as is practically possible.

EAST HERTS COUNCIL

PERFORMANCE, AUDIT & GOVERNANCE – 24 JULY 2018

REPORT BY THE LEADER OF THE COUNCIL

ANNUAL GOVERNANCE STATEMENT 2017/18

WARD(S) AFFECTED: All

Purpose/Summary of Report

- This report presents the 2017/18 Annual Governance Statement and the 2017/18 Annual Governance Statement Action Plan.

RECOMMENDATIONS FOR PERFORMANCE, AUDIT & GOVERNANCE COMMITTEE: to consider the following items:
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That

(A)	the 2017/18 Annual Governance Statement and
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(B)	the 2017/18 Annual Governance Statement's 2018/19 Action Plan be noted.
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1 Background

- 1.1 The Accounts and Audit Regulations 2015 stipulate that all authorities must conduct a review of the effectiveness of the system of internal controls and prepare an Annual Governance Statement each financial year.
- 1.2 The annual governance statement must be approved in advance of the authority approving the statement of accounts.

2 **Annual Governance Statement**

- 2.1 The Council is responsible for preparing and publishing its Annual Governance Statement **in accordance with the Chartered Institute of Public Finance Accounts (CIPFA) and the Society of Local Authority Chief Executive and Senior Managers (SoLACE) framework.**
- 2.2 **This fulfils the statutory requirement that Local authorities review their governance arrangements at least once a year.**
- 2.3 **The Delivering Good Governance in Local Government Framework requires local authorities to be responsible for ensuring that:**
- **their business is conducted in accordance with all relevant laws and regulations;**
 - public money is safeguarded, properly accounted for and used economically, efficiently and effectively;
 - there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.
- 2.4 The annual governance statement will act as a vehicle for the review of the Council's governance arrangement. The review should be reported both internally within the Council, to the Performance, Audit and Governance committee and externally within the published accounts to provide assurances that:
- Governance arrangements are adequate and operating effectively in practice or
 - Where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in the future
- 2.5 The process of preparing the governance statement should itself add value to the corporate governance and internal controls framework of the Council.

- 2.6 It is important to recognise that the governance statement covers all significant corporate systems, processes and controls for all of the Council's activities.
- 2.7 The static part of the Annual Governance Statement can be found at **Essential Reading Paper 'A'**.
- 2.8 The Annual Governance Statement Action Plan 2018/19 can be found at **Essential Reading Paper 'B'**.

3 Implications/Conclusion

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

Background Papers - none

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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate):</i>	Priority 1 – Improve the health and wellbeing of our communities Priority 2 – Enhance the quality of people's lives Priority 3 – Enable a flourishing local economy
Consultation:	<i>Consultation not required</i>
Legal:	<i>None</i>
Financial:	<i>All known financial risks have been included in the body of the report</i>
Human Resource:	<i>None</i>
Risk Management:	All risks are included in the body of the report
Health and wellbeing – issues and impacts:	<i>None</i>
Equality Impact Assessment required:	<i>No</i>

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ANNUAL GOVERNANCE STATEMENT 2017/18

Action Plan 2018/19 - Issues identified in 2017/18

During 2017/18 SIAS conducted audits across a number of services in East Herts.

The substantial assurance opinion overall on financial systems (same as 2016/17) has been concluded from the nine financial systems audits where an opinion has been given. Three received full assurance, five substantial assurances and one moderate assurance. No high priority recommendations were made in these audits.

The moderate assurance opinion overall on non-financial systems (same as 2016/17) has been concluded from the nineteen audits where an opinion has been given. Two received full assurance, twelve substantial assurances, three moderate assurances and two limited assurance. Five high priority recommendations were made in these audits, however they represent only two areas of concern, Tree Surveying and IT Disaster Recovery.

Issue	Recommendation
<p><u>Tree Surveying</u> It is recommended that the service is let in accordance with the Council’s contract standing orders for future years.</p>	<p>To retender the tree risk inspection contract and to design and procure a new schedule of works based maintenance contract.</p>
<p><u>IT Disaster Recovery</u> Management should put in place a defined procedure for establishing a single data centre in the event of a loss of synchronisation between the two data centres.</p>	<p>A technical procedure for establishing all IT services at a single data centre is to be drafted. This will be further refined following testing and use. Additional connectivity options are being considered and will be implemented as part of the outcomes from the IT Disaster Recovery</p>

<p>These procedures should be incorporated within the IT disaster recovery planning. Furthermore, additional connectivity should be added to the IT network so that the single point of failure for Stevenage Borough Council is addressed.</p>	<p>review in January 2018.</p> <p>A review of IT Disaster Recovery arrangements will be undertaken, which will re-establish the councils' business requirements and identify the technical solutions needed.</p> <p>Appropriate environmental controls should be installed at both data centres so that they can continue to operate in the event of a disaster. This should include:</p> <ul style="list-style-type: none"> • Appropriate UPS deployed at both data centres • Appropriate power sources to support the continued operation of air conditioning at the Daneshill site.
<p><u>IT Disaster Recovery - continued</u></p>	<p>Management should define the processing capacity threshold at which it is no longer possible for a data centre to operate as the single data centre.</p> <p>This should be monitored and, where exceeded, appropriate action should be taken. Management should assess the risk of the data centres becoming unavailable and, where necessary, revise the risk treatment plans.</p> <p>Senior management at both Councils, supported by the Service, should perform a business impact assessment with regards to the loss of IT and define their respective risk appetites so that appropriate actions are taken by the Service.</p>

We propose to address the previously described matters to further enhance our governance arrangements. We will monitor our performance against these recommendations as part of our next annual review.

Certified by the leader of the Council and the Head of Paid Service:

Signed.....Dated.....

**Councillor Linda Haysey
Leader of the Council**

Signed.....Dated.....

**Liz Watts
Chief Executive**

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ANNUAL GOVERNANCE STATEMENT 2017/18

Introduction

East Hertfordshire District Council is responsible for ensuring that its business is conducted in accordance with the law and relevant standards, and that public money is safeguarded and properly accounted for, used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having a regard of value for money.

The Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitation the effective exercise of its functions, including arrangements for the management of risk.

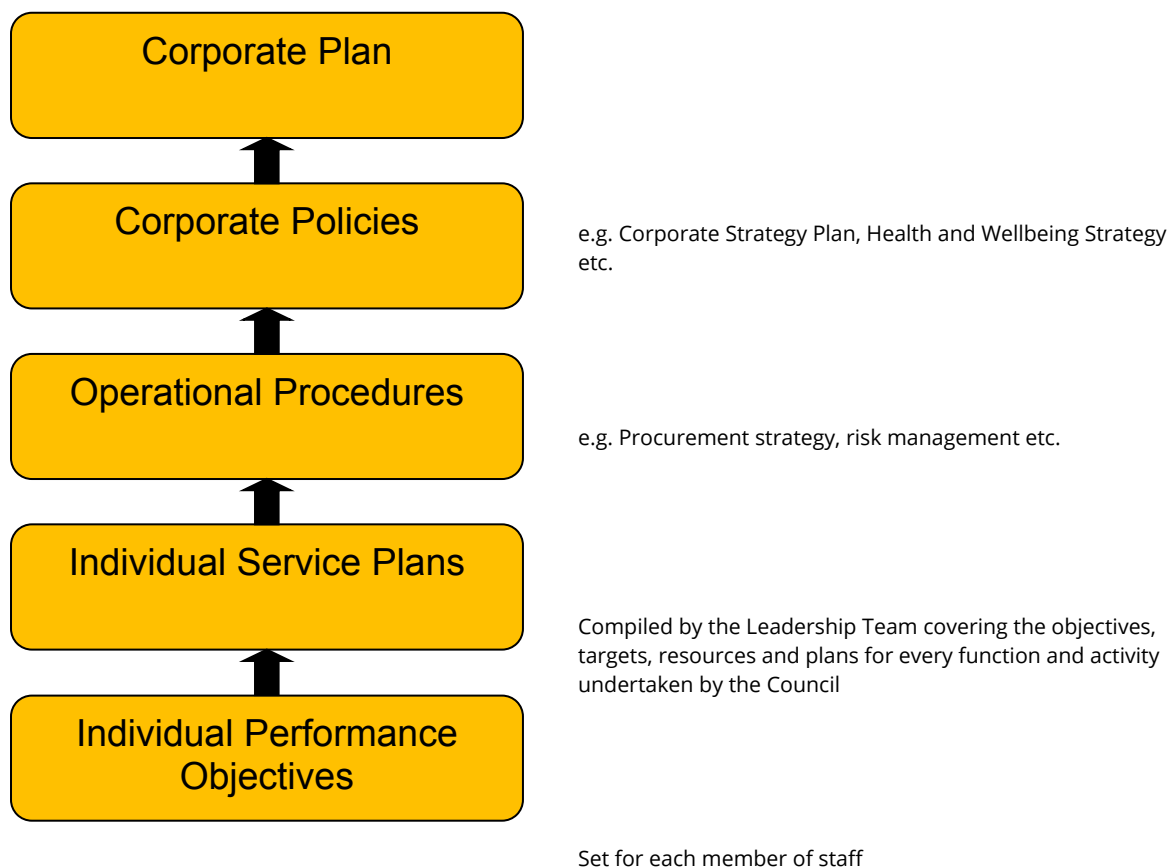
The Council’s financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government 2010.

The Annual Governance Statement has been prepared and published in accordance with the Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016) (‘the Framework’). This fulfils the statutory requirement that Local authorities review their governance arrangements at least once a year. The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations;
- public money is safeguarded and property accounted for;
- there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The Framework also expects that local authorities should implement appropriate arrangements for the governance of their affairs in a way that facilitates the effective exercise of functions and ensure that the responsibilities set out above are met.

The following diagram shows how the Council's plans and strategies link together.



Meeting the CIPFA/SoLACE Framework Requirements

The Council has approved and adopted:

- a Code of Corporate Governance;
- the requirements of the CIPFA/SoLACE Framework Delivering Good Governance in Local Government Framework 2016;

- a number of specific strategies and processes for strengthening corporate governance

The following sets out how the Council has complied with the seven principles set out in the CIPFA/SoLACE Framework during 2017/18.

Principal A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

The Council has a Code of Conduct for elected Members and a Code of Corporate Governance which provides guidance for officers and Members on expected standards of behaviours to ensure integrity. The Council has three priorities which are:

Priority	Outcomes we want to see
Improve the health and wellbeing of our communities	<ul style="list-style-type: none"> • Residents living active and healthy lives • Support for our vulnerable families and individuals • Communities engaged in local issues
Enhance the quality of people's lives	<ul style="list-style-type: none"> • Attractive places • Future development best meets the need of the district and its residents
Enable a flourishing local economy	<ul style="list-style-type: none"> • Support our businesses and the local economy • Vibrant town centres • Working with others, to have achieved the right infrastructure for our businesses and communities

To support these priorities members and officers receive training in Code of Conduct and behaviour issues. The Standards Committee and Monitoring Officer keep Codes of Conduct up to date and investigate any suspected breaches.

All officers and Members sign up to the Council's Anti-Fraud, Bribery and Corruption Policy. In addition, the Performance, Audit and

Governance Committee receive an annual report setting out the arrangements in place and how these have been applied in practice during the year. The Whistleblowing policy places emphasis on the agreed ethical values of Members and employees, providing protection for individuals to raise concerns in confidence about suspect behaviour and ensuring that any concerns raised are properly investigated.

All Council decisions have to consider legal implications which are recorded on the Council's website. Senior officers and other key post holders receive support from Legal Services in this regard and if specialist legal advice is required then the Council will engage external advisors. The Section 151 and Monitoring Officers have specific responsibility for ensuring legality, for investigating any suspected instances of failure to comply with legal requirements, and for reporting any such instances to members.

Principal B Ensuring openness and comprehensive stakeholder engagement

All meetings are open to the public and all agenda papers, reports and decisions made by the Council are published on the Council's website together with details of forthcoming consultation exercises, surveys and, public meetings, except those determined as exempt from publication.

The Council's constitution sets out how it engages with stakeholders and partners through a combination of joint working arrangements, partnership boards and representation on the governing bodies of external organisations including local NHS bodies, neighbourhood forums, local business and other local authorities.

In addition to local associations, The Council also works closely with town and parish councils to ensure comprehensive involvement in all its decisions.

The Council periodically publishes a newsletter – Network eNewsletter. This is a free publication and is also available online and the Council utilises various online communication channels including Twitter, Instagram, Facebook, LinkedIn and YouTube. More specific e-bulletins are created for various communities of interest, such as Businesses and Families.

**Principal C Defining outcomes in terms of sustainable economic, social and environmental benefits
& Principal D Determining the interventions necessary to optimize the achievement of the intended outcomes**

The Council's strategic vision for East Herts is set out in Our Corporate Strategy Plan. In pursuit of this vision, the Council develops various strategies to define specific outcomes for key service areas. Each Service also plans out how it will deliver the outcomes relevant to its area of work through business plans in accordance with the agreed annual budget. To remain focused on delivering sustainable social and environmental benefits, the Council has a Sustainable Community Strategy as well as a series of more specific strategies. These include the Health and Wellbeing Strategy, The Homeless and Homeless Prevention Strategy, Customer Services Strategy and Disclosure (Whistleblowing).

All service decisions are subject to rigorous scrutiny by the Overview and Scrutiny Committee which includes lead Members. Reviews of options and risk by officers and Members and key performance indicators are in place for all services. These are reported quarterly and include reports to the Performance, Audit and Governance Committee for discussion and considered for intervention where target performance is not being achieved.

Budget proposals are developed by services, challenged and subject to scrutiny by the Leadership Team. The Council regularly engages with other authorities to learn and understand best practice as achieved in other places.

Principal E Developing the entity’s capacity, including the capability of its leadership and the individuals within it.

A key element of the Council’s service planning is to maximise the investment in staff through staff training, including the management development programme to empower and facilitate our senior managers and through them our workforce. All employees are enrolled on the Performance Development Review Scheme (PDRS) which assists employees in creating learning and development plans.

The Council works across a broad set of partnerships and collaborative arrangements, and uses commissioning and procurement processes to maximise capacity by delivering services in the most effective and efficient way.

Principal F Managing risks and performance through robust internal control and strong public financial management.

The Risk Management Strategy sets out the Council’s approach to identifying and controlling risk. Risk registers are maintained at a corporate and individual service level with significant risks reported to the Leadership Team and to the Performance, Audit and Governance Committee.

Service outputs, outcomes, and achievements are monitored and reported quarterly.

The Council has an Anti-Fraud and Anti-Corruption strategy as well as Financial Regulations which set out expected processes and internal

controls. The Shared Internal Audit Service (SIAS) team provide regular reports on the effective operation of these controls together with an annual assessment of the overall control environment.

East Herts Council is developing a reputation for strong financial management. Internal quality assurance processes will be greatly enhanced by implementing the new finance system for financial planning and reporting.

Principal G Implementing good practices in transparency, reporting, and audit, to deliver effective accountability.

All Council decisions are published online together with supporting information to outline why such decisions were taken above comparable options. The Council follows the Government Communication Service guidance on providing clear and accurate information, and has developed its website to improve transparency and accessibility.

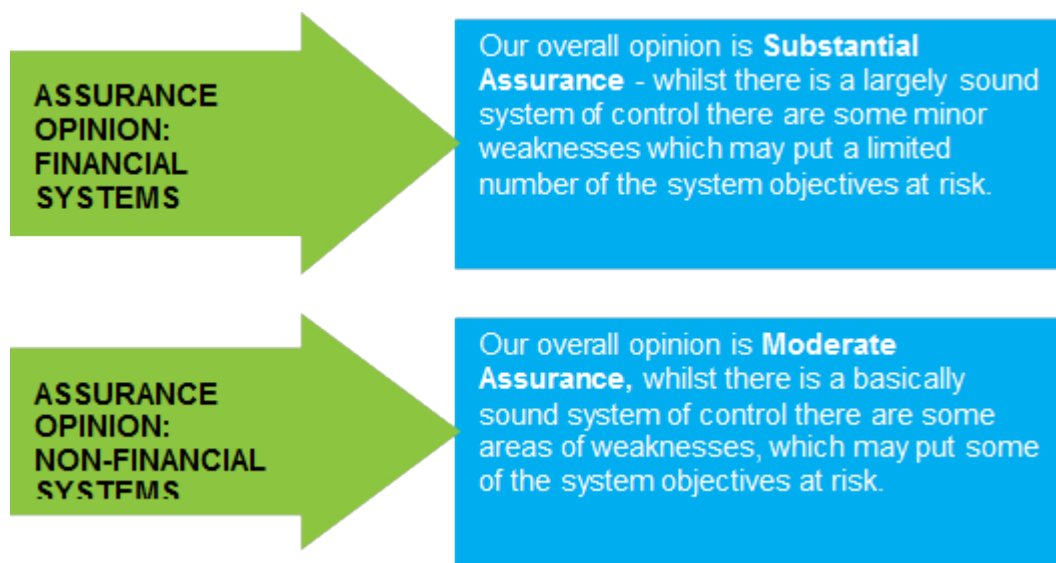
The Council reports its financial performance for scrutiny at the Performance, Audit and Governance Scrutiny Committee. This reporting incorporates services provided by all models of delivery including services shared with other authorities, partnerships and contracted out services, and reports performance and finance within the same document for ease of comparison.

Review of Effectiveness

Through reviews by external auditors, external agencies, the Shared Internal Audit Service (SIAS) and internal review teams, the Council constantly seeks ways of securing continuous improvement in the way in which its functions are exercised.

Internal Audit activity provided by SIAS is overseen by the Audit Committee and its responsibilities are defined by the Audit

Committee through the Internal Audit Charter. The Charter is applicable to all clients of Hertfordshire's SIAS and provides them with an independent and objective opinion on the organisation's governance arrangements, encompassing internal control and risk management, by completing an annual risk-based audit plan. Based on the internal audit work undertaken at the Council in 2017/18, SIAS have provided the following unqualified opinion on the adequacy and effectiveness of the Council's control environment, broken down between financial and non-financial systems.



The Council's Head of Strategic Finance and Property has a statutory duty under Section 151 of the Local Government Act 1972 to establish a clear framework for the proper administration of the authority's financial affairs, hence the S151 officer relies amongst other sources, upon the work of the internal audit in reviewing the operation of systems of internal control and financial management.

The Council's external auditor, Ernst & Young, provides assurance on the accuracy of the year-end Statement of Accounts and the overall adequacy of arrangements for securing and improving value for money. The most recent Audit Letter, issued in September 2017, identified no material errors in the accounts and gave an unqualified opinion. They also concluded that East Herts has put in place proper arrangements to secure value for money in the use of resources.

The Council's Finance Team have undertaken a review to confirm that the principles described above have been in place throughout the year. A Management Assurance Statement, signed by the Heads of Service have also been obtained to provide confirmation that Codes of Conduct, Financial Regulations, and other corporate governance processes, have been operating as intended throughout the year so far as they are aware.

Follow up of issues identified in 2016/17

During 2016/17, the following required enhancements to internal control arrangements were identified as a result of the review or arrangements and by the work of external and internal audit.

Issue	Actions delivered to achieve milestone
Digital Record Retention	<ul style="list-style-type: none"> • Through the implementation of GDPR, Senior Management have identified an appropriate file management system. • Digital records have been reviewed on a routine basis and where there is not a demonstrable need for their retention, they have been disposed of. • IT now maintain a record of IT systems that do not conform to the Council's requirement for digital records retention along with compensating controls
Security Standards for IT Systems	<ul style="list-style-type: none"> • Management have established a standard for securing the IT systems that are used to collect, process and store digital records. • Management currently maintain a record of the IT systems that do not comply with the standard and have taken appropriate action to mitigate the risk of a security breach.

Conclusion

The Council is satisfied that appropriate governance arrangements are in place however, it remains committed to maintaining and where possible improving these arrangements, in particular by:

- addressing the issues identified by Internal Audit as requiring improvement
- embedding the use of covalent to measure performance

EAST HERTS COUNCIL

PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY COMMITTEE –
24 JULY 2018

REPORT BY HEAD OF STRATEGIC FINANCE AND PROPERTY

RISK MANAGEMENT ANNUAL REPORT 2018/19

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- To advise Members of the proposed content of the Strategic Risk Register for 2018 / 19.

<u>RECOMMENDATIONS FOR PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY COMMITTEE: That:</u>	
(A)	Members review the content of the Strategic Risk Register and the Executive be advised of any amendments, additions or deletions proposed.

1.0 Background

1.1 During 2017/18 it was agreed that an annual risk report would be submitted with updates received on an exception basis only rather than reports being submitted four times per year, accompanied by the Strategic Risk register. This is the first annual report received by the committee.

2.0 Report

2.1 In the past the Strategic Risk Register has been updated quarterly and reports submitted four times a year to this committee and then to the Executive. However during 2017/18 it was agreed that only an annual risk report would be submitted with updates provided on an exception basis, i.e. a material change such as a new risk being identified or a score changing. The committee no longer receives the full Strategic Risk Register with details of controls implemented or proposed, although risks, including controls, can still be viewed on the council’s performance management system Pentana Performance. www.covalentcpm.com/eastherts (The system has been rebranded although the web link remains in the original name of Covalent). This change was reflected in the Risk Management Strategy considered at the meeting on 13 March 2018. The next exception report, which will feature within the financial health check, is due at the meeting on 4 September 2018.

2.2 The council’s Leadership Team has reviewed and updated the content of the Strategic Risk Register for 2018/19. The proposed content can be found at **Essential Reference Paper ‘B’**.

2.3 No new risks have been identified. Two risks have been deleted. No scores have changed although a few descriptions have been updated and these changes are summarised below:

2017/18 reference and summary of title		2018/19 reference and comment	
1a	Significant funding reduction	1a	Description updated
1b	Business rate income reduction	1b	No change
2	Capacity and capability to deliver services	2	Description updated
3	Supplier or contractor	3	No change

	fails to deliver		
4	Alternate service delivery models	4	No change
5a	Data breach	5a	No change
5b	Cyber risk	5b	No change
6	Impact of Housing and Planning Act	N/a	Deleted as now considered to be an operational risk (that will be monitored by Leadership Team only)
7	District Plan	6	Description updated
8	Significant development proposals at strategic sites	7	No change
9	Digital East Herts	8	Budget shortfall added to description
10	Safeguarding children	9	No change
11	Safeguarding adults	10	No change
12	Economic vitality	11	Reference to economic vision added to description
13	Emergency planning	12	No change
14	Devolution	N/a	This risk was deleted during 2017/18 due to limited interest across the County
15	Referendum vote to leave EU	13	No change
16	Old River lane	14	No change

2.4 It is likely that the leisure design, build, operate and maintain contract will be added to the Strategic Risk Register in the near future.

2.5 Leadership Team will soon develop and monitor a high-level operational risk register. Members will also be able to view these risks, including controls that have been introduced or are planned, on the performance management system.

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

None

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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives:	Priority 1 – Improve the health and wellbeing of our communities Priority 2 – Enhance the quality of people's lives Priority 3 – Enable a flourishing local economy
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.
Equality Impact Assessment required:	No.

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Code 18 SR	Title	Description	Inherent impact	Inherent likelihood	Residual impact	Residual likelihood	Managed by
1a	Risk of significant deviation from plan in terms of funding. This is predominately a risk of a significant reduction but a significant increase could also cause risks to materialise.	There is uncertainty around future funding, both from Government and other areas. The potential impact of leaving the EU and on trade relations will cause ambiguity with regard to the future financial position.	3	3	3	3	Isabel Brittain
1b	Business rate income significantly reduced from planned anticipated level (and current levels).	Appetite and ability as a Council to influence economic development. Neighbouring authorities reducing rates. Revaluation and appeals. (Maximum liability circa £10m if all appeals were granted). Inability to influence economic regeneration. Economic vitality.	4	4	4	3	Isabel Brittain
2	Risk of not having a workforce fit for purpose with the capability and experience to deliver appropriate services.	The challenges are to ensure that the council has a workforce fit for the future and resilient in terms of skills, capacity and flexibility.	3	3	3	2	Kate Leeke

Page 112	Risk that supplier / contractor or key third sector partner fails or fails to deliver.	A number of key 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	3	1	All Heads of Service
4	Risk that investment and effort in alternative service delivery models does not deliver benefits and returns.	Moving more towards other delivery models in future with public sector partners. This is part of the wider context of the changing role of Local Government moving forward. 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	2	2	2	All relevant Heads of Service
5a	Information management: Misuse or loss of key information leading to breach. The potential disclosure of personal data inappropriately.	The Council handles a large amount of information and data which if not managed properly could be compromised. This could be perhaps through carelessness or hacking and security of the information could be compromised. Failure to comply with information governance principles. Action may be taken by the ICO. Individuals may suffer if their personal data, particularly sensitive personal data is disclosed.	3	2	3	1	Alison Stuart

5b	Information management: Cyber risk. Inconsistent application of information management standards and security controls could increase the likelihood of data or data systems being compromised.	Viral attack affecting hardware or software information systems. Theft, loss or improper disclosure / use of confidential information. Service disruption or loss. Reputational damage. Regulatory fines or compensation claims.	4	2	4	1	Helen Standen
6	Production of a District Plan meeting community and regulatory needs.	Risk of the Plan being found unsound at Examination and not being adopted or subject to legal challenge resulting in: <ul style="list-style-type: none"> • Increased costs • Lack of effective development management • Cannot bid for funding for infrastructure • Lost opportunity • Open to challenge in meantime • Legal / reputational / political issues • Impact on New Homes Bonus 	3	2	3	1	Kevin Steptoe
7	Significant development proposals at strategic sites (Welwyn Garden City, Bishop's Stortford) - need to ensure good quality developments securing all necessary infrastructure.	Ambitions not achieved. Ability of building industry to deliver, including contribution for infrastructure. Poor environment. Loss of development opportunity. Reputational risk.	4	3	4	1	Kevin Steptoe

	Failure to deliver Digital East Herts and improved customer access and engagement.	Risk that services are not provided across multiple channels to improve the customer experience and realise efficiency gains. Step change to digital basis for service delivery will not be made within the window of invest opportunity in the next two years. £500,000 built in to budget but the majority of these savings will be realised in 2019/20.	3	2	2	2	All Heads of Service
9	Compliance with the Childrens Act 2004.	Whilst the Council's self-assessment obtained ratings of at least 'adequate' there is a commitment to improve and thereby ensure the safety of children.	4	2	4	1	Jonathan Geall
10	Safeguarding adults.	Maintain and develop interagency relationships, council policy and training.	3	2	3	1	Jonathan Geall
11	Encouragement of economic vitality across the District.	Risks that opportunities to maximise inward investment, employment and economic growth are not maximised in the district. Also ensure regular dialogue with business and organisations representative of business. Interventions to be proposed where appropriate e.g. business improvement district opportunities. Refresh of economic vision planned for summer 2018.	4	2	4	1	Ben Wood

12	Unable to resource or prioritise emergency planning response and other mitigation measures.	Frequency of events likely to increase. Emergency planning response could be compromised. Impact on east/west travel in District and on infrastructure, especially transportation. Lack of resource for mitigation activity e.g. land drainage function. Impact on Council properties, particularly sites on flood plains.	3	3	2	3	Jonathan Geall
13	Referendum vote to leave EU.	Further budget reductions likely. Potential impact on the economy, particularly employment and the housing market. Loss of EU funding for local schemes. Legislative changes.	3	3	3	2	Ben Wood
14	Development of Old River Lane, Bishop's Stortford.	The acquisition of the Old River Lane site presents opportunities to revitalise and shape the town centre, but there are risks around undertaking large-scale development, including land use choices, viability, impact on other areas and functions of the town centre, etc.	4	3	2	3	Liz Watts

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EAST HERTS COUNCIL

PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY
COMMITTEE: 24 JULY 2018

REPORT BY CHAIRMAN OF PERFORMANCE, AUDIT AND GOVERNANCE
SCRUTINY COMMITTEE

SCRUTINY WORK PROGRAMME 2018/19

WARD(S) AFFECTED: *none*

Purpose/Summary of Report

- To review and determine Performance, Audit & Governance (PAG) Committee's future work programme

<u>RECOMMENDATION FOR DECISION:</u>	
That:	
(A)	that the work programme shown in this report be agreed

1.0 Background

1.1 Items previously required, identified or suggested for the PAG work programme are set out in **Essential Reference Paper B**.

1.2 Scrutiny committees have the power of influence and are entitled to review and scrutinise the decisions and functions of the Council and the Executive. The Committee serves as a 'critical friend' and can make recommendations to the Executive.

2.0 Report

- 2.1 The draft agenda for 2018/19 meetings of the PAG Scrutiny Committee is shown in **Essential Reference Paper B**. The timing of some items shown may be subject to change depending on availability of essential data.
- 2.2 Members are asked whether there are any additional topics they wish to put forward for inclusion on any future agenda. Suggestions can be made at the meeting and by completing the form attached as **Essential Reference Paper C** and submitting to the Scrutiny Officer at any time. The Committee held a work planning workshop in June, at which Members had the opportunity to put forward suggestions and select new topics for consideration. When a topic has been proposed and selected by the Committee, the Scrutiny Officer will liaise with the lead officer (in consultation with the Scrutiny Chairman) to establish the best way to address the subject and scope the scrutiny.
- 2.3 Members are asked whether they wish to extend an invitation to one or more of the Executive members to attend a particular meeting or for a specific agenda item. It is proposed that the Executive Member for Finance and Support Services be invited to give a presentation on the portfolio and answer questions at the joint scrutiny committee meeting in January 2019, when the Council's budget is considered.
- 2.4 Members are asked whether there is any training relevant to scrutiny or to the function/remit of PAG as a committee which they wish to request. This could be completed as a separate session open to all scrutiny members or as an item on a future PAG agenda (as appropriate).

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: none

Contact Member: Cllr Mark Pope, PAG Scrutiny Committee
Chairman
mark.pope@eastherts.gov.uk

Contact Officer: Alison Stuart, Head of Legal and Democratic
Services
alison.stuart@eastherts.gov.uk

Report Author: Fiona Corcoran, Scrutiny Officer
fiona.corcoran@eastherts.gov.uk

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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives:	<p>Priority 1 – Improve the health and wellbeing of our communities</p> <p>Priority 2 – Enhance the quality of people's lives</p> <p>Priority 3 – Enable a flourishing local economy</p> <p>Effective use of the scrutiny process contributes to the Council's ability to meet one or more of its corporate objectives.</p>
Consultation:	<p>Potential topics for scrutiny are always invited from the Executive and all Members and the public are asked through an annual item in the 'council tax' edition of LINK magazine which is delivered to every household. Members of each scrutiny committee are consulted at every meeting as their work programme is a standing item on the agenda.</p>
Legal:	<p>According to the Council's constitution, the scrutiny committees are responsible for the setting of their own work programme in consultation with the Executive and in doing so they shall take into account wishes of members on that committee who are not members of the largest political group on the Council.</p>
Financial:	<p>Any additional meetings and every task and finish group has resource needs linked to officer support activity and time for officers from the services to make the required input.</p>
Equalities:	<p>None</p>
Human Resource:	<p>None</p>
Risk Management:	<p>Matters which may benefit from scrutiny may be overlooked. The selection of inappropriate topics for review would risk inefficient use of resources. Where this involved partners, it could risk damaging the reputation of the council and relations with partners.</p>
Health and wellbeing – issues and impacts:	<p>The broad remit of scrutiny is to review topics which are of concern to the public, many of which have an indirect impact on the general wellbeing of residents of East Herts.</p>

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Performance, Audit & Governance Scrutiny (PAG) Committee Work Programme 2018/19 – DRAFT

[NB: This is a working document and will regularly be subject to amendment]

Meeting Date	Topic	Lead Officer	Notes
<p>4 September 2018</p> <p>Deadline 22 Aug</p>	<p>Annual Leisure Performance Report 2017</p>	<p>Jess Khanom, Head of Operations</p>	<p>Agreed at May 2017 meeting. To go to this meeting or May/June 2018</p> <p>[NB: Last year Leisure Contract Year 8 report: Members asked that a fine breakdown of satisfaction data to show very/fairly etc. be included]</p> <p>Moved from May as new officer not yet in position.</p>

			AND invite Eric Buckmaster as portfolio holder
	Q1 Financial Health Check Report(April – June 2018), incl section on performance and risk management commentary	Isabel Brittain, Head of Strategic Finance	<i>Performance section: Ben Wood</i> <i>Risk Management: Graham Mully</i>
	Treasury Management Strategy Review 17/18 Outturn	Isabel Brittain, Head of Strategic Finance	
	Project Savings	Isabel Brittain, Head of Strategic Finance	
	Annual Audit Letter/Report and response to Audit Letter	Isabel Brittain, Head of Strategic Finance Natalie Clark, Ernst & Young	Email report deadline to Natalie Clark, EY
	SIAS Shared Internal Audit Plan Update	Alan Cooper HCC	<i>possibly combine these reports into 1 item</i>
	Annual SIAS- Board Report 2016-17	Alan Cooper HCC	
	Work Programme	Scrutiny officer	

Meeting Date	Topic	Lead Officer	Notes
20 November 2018 Deadline: 7 November 2018 (midday)	Training – Anti Fraud investigations 15 mins	Darren Bowler and Hayley Frazer, Shared Anti-Fraud Service (SAFS, HCC)	Refresher training would only be needed if there were a number of new members on the Committee.
	<i>Progress on Anti-Fraud Plan 2018/2019 & SAFS/EHC Anti-Fraud Report 2017/2018</i>	Nick Jennings, SAFS, HCC	<i>Progress - Anti-Fraud Plan 2018/2019 & SAFS/EHC Anti-Fraud Report 2017/2018.</i>
	Asset Management Update	Isabel Brittain	To be confirmed: which meeting best for this update. Update of the AMG discussions and decisions
	Q2 Financial Health Check Report(July – Sept 2018), incl	Isabel Britain, Head of Strategic Finance,	To include: <ul style="list-style-type: none"> • section on

	section on performance And to include Corporate strategic plan progress to include risk management commentary	Alison Street, Finance Business Partner Ben Wood, Head of Comms, Strategy and Policy for performance and corporate strategic plan progress	performance • Corporate strategic plan progress
	Treasury Management - Mid- year Review 2017-18	Isabel Brittain, Head of Strategic Finance	
	Update on the Implementation of the Annual Governance Statement 2018/19 – Action Plan	Isabel Brittain, Head of Strategic Finance	
	Work Programme	Scrutiny Officer	

Meeting Date	Topic	Lead Officer	Notes
22 January 2019 Deadline: 9 January 2019 NB: THIS IS A JOINT	Update from Portfolio Holder for Finance & Support Services	Cllr Geoff Williamson + Isabel Brittain, Head of Strategic Finance	<i>to link in with budget report and as joint scrutiny meeting gives opportunity for OS members to have Q&A on this portfolio</i>

SCRUTINY COMMITTEE MEETING (Both OS and PAG Members to attend to scrutinise Budget and service plans)			
	Budget report & Medium Term Financial Plan	Isabel Brittain, Head of Strategic Finance	
	2019/20 Corporate Service Plans	Ben Wood, Head of Comms, Strategy and Policy Nathan Bookbinder, Policy Officer	<u>All heads of service to be present</u>
	Annual Audit Letter and External Audit Grants Certification Summary	Natalie Clark, EY	Email Natalie Clark EY with report deadline details
	Shared Internal Audit Service (SIAS) Update on Audit Plan	Alan Cooper SIAC, HCC	
	Treasury Management Strategy 2018-19	Isabel Brittain, Head of Strategic Finance and External Auditor from Ernst & Young	
	Work Programme	Scrutiny Officer	

Meeting Date	Topic	Lead Officer	Notes
12 March 2019 Deadline 26th February 2018	Q3 Financial Health Check Report(Oct – Dec 2019), incl section on performance And risk management	Isabel Brittain, Head of Strategic Finance	Including Performance section (Ben Wood) Risk management: Graham Mully
	External Auditor 2018-19 Audit Plan	External Auditor from Ernst & Young	Email Natalie Clark EY with report deadline
	Shared Anti-Fraud Service with draft plan for 2019/20 for approval	Nick Jennings HCC	<i>SAFS/EHC Anti-Fraud Plan 2019/2020</i>
	Shared Internal Audit Plan (SIAS) 2019/20	Alan Cooper SAIC, HCC	<i>Propose to combine into 1 report</i>
	SIAS Audit Plan Update	As above	
	Annual Review of Risk Management Strategy	Isabel Brittain, Head of Strategic Finance/Graham Mully, Risk and Insurance	Annual Update

		Business Advisor	
	Annual Leisure Performance Report 2018	Jess Khanom	To go to this meeting or May/June 2019
	Scrutiny Work Programme	Scrutiny Officer	

Other items/notes:

- **Financial Healthcheck Reports** (Isabel Brittain, Head of Strategic Finance)
Finance will continue to provide quarterly finance health checks for 2018-19.
The dates for the quarterly finance healthchecks to go to PAG are as following:
Quarter 1 (April – June 2018) PAG – 4/09/2018
Quarter 2 (July – September 2017) PAG – 20/11/2018
Quarter3 (October – December 2017) PAG – 12/03/2018
Outturn (full year 2018/19) PAG – will go to PAG in July 2019
- **Complaints lodged with the monitoring officer** (Alison Stuart, Head of Democratic and Legal Support Services) - This will be as and when there are updates to report.
- **Constitution Review Update** (Alison Stuart, Head of Democratic and Legal Support Services) Item removed from work programme as it will go to full council.
- **Shared Anti-Fraud Service (SAFS):**

November reports: *Progress - Anti-Fraud Plan 2018/2019 & SAFS/EHC Anti-Fraud Report 2017/2018.*

March report: *SAFS/EHC Anti-Fraud Plan 2019/2020*

- **Shared Internal Audit Service (SIAS):**

24 July 2018: Shared Internal Audit Service – update on Annual Assurance; Shared Internal Audit Service – update on Audit Plan

4 September 2018: SIAS Shared Internal Audit Plan Update; Annual SIAS- Board Report 2017-18

22 Jan 2019: Shared Internal Audit Service (SIAS) Update on Audit Plan

12 March 2019: Shared Internal Audit Plan (SIAS) 2019/20; SIAS Audit Plan Update

- **Risk Monitoring:**

24 July 2018: Risk Management Monitoring Report (January - March 2018)

4 September 2018: Risk Management Monitoring Report (April – June 2018)

20 November 2018: Risk Management Monitoring Report (July to Sept 2018)

12 March 2019: Risk Management Monitoring Report (Oct to Dec 2019)

- **Review of the introduction of ‘pay-on-exit’ parking software:**

Officers will provide a briefing note for the Committee on this subject in May/June 2018

Items to be scoped/added:

- Staff recruitment/retention (including Planning)

- IT resilience (including Cyber security, BATs shared service and additional costs of license software)

Officers have confirmed that this will be covered by the Overview and Scrutiny Committee’s scrutiny

of Shared Services, which will be considered at a single item meeting, date TBC.

- Section 106 - review of the management of S106 payments

PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY – Deadlines for Papers

DATE OF MEETING	REPORT DEADLINE (midday)
22 May 2018	9 May 2018
24 July 2018	11 July 2018
4 September 2018	22 August 2018
20 November 2018	7 November 2018
22 January 2019	9 January 2019
12 March 2019	26 February 2019

ESSENTIAL REFERENCE PAPER C

Scrutiny Proposal form

Name of proposer:

What would you like to suggest for investigation / review by scrutiny?

Why would you like this to be reviewed? (Include the main issues / concerns to be considered)
Please continue on a separate sheet if necessary

What would be the likely benefits and outcomes of carrying out this investigation / review?

<p>Estimated resource implications on staff and councillors (e.g. research group, one-off report, dedicated meeting etc) to achieve the likely outcome. The outcome must be proportionate to the cost of carrying out the review.</p>	
<p>Suggested witnesses, documentation and consultation required</p>	
<p>Will this investigation / review contribute to one or more of the Council's Strategic Priorities? If so, which (please tick)?</p>	
Improve the health and wellbeing of our communities	
Enhance the quality of people's lives	
Enable a flourishing local economy	
<p>Will this investigation / review meet one of the criteria below? If so, which (please tick)?</p>	
<p>Public Interest: The issue has been identified as a concern by local people</p>	
<p>Impact (Value): The issue will make a significant difference to the social, economic and environmental wellbeing of residents, and has the potential for outcomes that could lead to real improvements</p>	
<p>Relevance: The issue is relevant and does not duplicate existing work</p>	

being undertaken elsewhere	
Partnership working or external scrutiny: The issue involves moving towards collective action and community leadership	

Would you like to be involved in the investigation / review?	
Yes	No
Date of request:	Signed:

Please return this form to the: Scrutiny Officer, East Herts Council, Wallfields, Pegs Lane, Hertford, SG13 8EQ Email: fiona.corcoran@eastherts.gov.uk

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EAST HERTS COUNCIL

PERFORMANCE AUDIT AND GOVERNANCE SCRUTINY COMMITTEE – 24 JULY 2018

REPORT BY EXECUTIVE MEMBER FOR FINANCE AND SUPPORT SERVICES

INSURANCE CONTRACTS OPTIONS

WARD(S) AFFECTED: ALL

Purpose/Summary of Report

- Members' views are sought regarding future insurance arrangements as the Council's Long Term Agreement ends in 2019.

<u>RECOMMENDATIONS FOR PERFORMANCE, AUDIT AND GOVERNANCE SCRUTINY COMMITTEE:</u>	
That the Executive be advised that :	
(A)	The Council's insurance contracts be extended for up to two years be supported.
(B)	Members' views on the ongoing participation as a Founding Member of the Local Government Association Mutual be considered and the Executive be advised.

1.0 Background

1.1 Insurance contracts across all classes of business, with the exception of staff life insurance, were subject to competitive tender in 2016 with a three year long term agreement expiring on 30 May 2019. (The staff life insurance scheme will cease on 30 November 2018).

1.2 The council must select one of the following options:

- Exercise options to extend contracts for a further year and then make a decision next year.
- Undertake a procurement exercise commencing September 2018.
- Join the discretionary mutual offering from the Local Government Association. The company was incorporated in May 2018 and is known as LGAM Ltd. (Hereafter referred to as LGAM).

1.3 The Committee is therefore asked to consider the various options available to the council and make a recommendation for the Executive to consider.

2.0 Report

2.1 Insurance contracts were subject of an OJEU tender exercise in 2016. Long term agreements expire on 20th May 2019 so the council must decide imminently which of the various options potentially available it wishes to pursue.

2.2 Business has been placed with conventional insurance markets since the demise of Municipal Mutual in 1992. The council's policies are underwritten by 8 different insurers with premium spend, excluding life insurance, likely to total £206,470 in 2018/19.

2.3 **Essential Reference Paper 'B'** details the options available to the council, as summarised in 1.2, and benefits and risks for each. Based on these officers recommend extension of the existing contract for a maximum of 24 months, potentially mirroring the timetables of developments of Old River lane, Hertford Theatre and the leisure centres.

3.0 Implications/Consultations

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

Background Papers

None

Contact Member: Councillor Geoffrey Williamson – Executive Member for Finance and Support Services
geoffrey.williamson@eastherts.gov.uk

Contact Officer: Isabel Brittain – Head of Strategic Finance and Property
Extension 2050
isabel.brittain@eastherts.gov.uk

Report Author: Graham Mully – Insurance and Risk Business Advisor
Extension 2166
graham.mully@eastherts.gov.uk

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ESSENTIAL REFERENCE PAPER 'A'

IMPLICATIONS/CONSULTATIONS

Contribution to the Council's Corporate Priorities/ Objectives <i>(delete as appropriate):</i>	<p>Priority 1 – Improve the health and wellbeing of our communities</p> <p>Priority 2 – Enhance the quality of people's lives</p> <p>Priority 3 – Enable a flourishing local economy</p>
Consultation:	<p>A draft of the report has been shared with Legal, Finance, Procurement, Scrutiny and Communications colleagues, and the council's insurance broker for contribution.</p> <p>The council has been a 'founding member' of the Local Government Association's Mutual (LGAM) and nominated a Councillor to support development of the proposition.</p>
Legal:	<p>Procurement risks are outlined in the report. The council has not sought legal advice regarding LGAM but the LGA has shared its legal advice. (Although that cannot be relied upon as the council did not commission).</p>
Financial:	<p>It is difficult to place a financial estimate against each option as the timing of developments such as Old River Lane, the leisure centres and the Theatre will have significant impacts on premiums payable, as will insurance market conditions.</p> <p>Essential Reference Paper B details benefits and risks for each option, some of which are financial.</p> <p>If the property portfolio and the insurance market remain stable, the premiums payable are unlikely to alter significantly under options one or two, unless option three remains a possibility. The likely contribution payable for option three is unknown.</p>

Human Resource:	None, although if selecting the mutual proposition the future role of two members of staff (1.5 FTE) may be affected if claims handling is outsourced or if additional risk management work is necessary.
Risk Management:	Detailed within Essential Reference Paper B.
Health and wellbeing – issues and impacts:	None.
Equality Impact Assessment required:	No.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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