



MEETING : AUDIT AND GOVERNANCE COMMITTEE
VENUE : ONLINE MEETING - LIVESTREAMED
DATE : WEDNESDAY 10 FEBRUARY 2021
TIME : 8.00 PM

PLEASE NOTE TIME

MEMBERS OF THE COMMITTEE

Councillor Mark Pope (Chairman)

Councillors A Alder, L Corpe, R Fernando, A Huggins, T Stowe (Vice-Chairman) and A Ward-Booth

Substitutes

Conservative Group: Councillors J Burmicz and A Curtis

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

CONTACT OFFICER: WILLIAM TROOP

01279 502173

William.Troop@eastherts.gov.uk

DISCLOSABLE PECUNIARY INTERESTS

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

4. It is a criminal offence to:

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

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

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AGENDA

1. Apologies
To receive apologies for absence.
2. Minutes - 17 November 2020 (Pages 7 - 28)
To confirm the Minutes of the meeting held on Tuesday 17 November 2020.
3. Chairman's Announcements
4. Declarations of Interest
To receive any Members' declarations of interest.
5. SIAS Internal Audit Plan Progress Report (Pages 29 - 42)
6. Receipt of the External Auditor's Annual Audit Letter 2019/20
(Pages 43 - 62)
7. Investment Strategy 2021/22
To follow.
8. Capital Strategy and Minimum Revenue Provision Policy 2021/22
To follow.
9. Work Programme Proposals 2020-21 (Pages 63 - 82)
10. 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.

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MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD AS ON ONLINE MEETING ON
TUESDAY 17 NOVEMBER 2020, AT 7.00 PM

PRESENT: Councillor M Pope (Chairman)
Councillors A Alder, L Corpe, R Fernando,
A Huggins, T Stowe and A Ward-Booth

ALSO PRESENT:

Councillor M Goldspink

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	- Scrutiny Officer
Jackie Bruce	- Infrastructure Contributions and Spend Manager
James Ellis	- Head of Legal and Democratic Services and Monitoring Officer
Steven Linnett	- Head of Strategic Finance and Property
Peter Mannings	- Democratic Services Officer
Graham Mully	- Insurance and Risk Business Advisor
William Troop	- Democratic Services Officer

Ben Wood

- Head of
Communications,
Strategy and
Policy

231 APOLOGIES

No apologies for absence were received.

232 MINUTES - 22 SEPTEMBER 2020

The Chairman asked if an update on the amount of EU residents that had applied for settled status had been sent to Members. The Democratic Services Officer said this had been emailed to Members following the previous meeting but could be re-circulated.

It was moved by Councillor Ward-Booth and seconded by Councillor Fernando, that the Minutes of the meeting of the Committee held on 22 September 2020 be confirmed as a correct record and signed by the Chairman. After being put to the meeting and a vote taken, this motion was declared CARRIED.

RESOLVED – that the Minutes of the Committee meeting held on 22 September 2020 be confirmed as a correct record and signed by the Chairman.

233 CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed Members, Officers and the public to the meeting. He said the Local Authorities and Police and Crime Panels (Coronavirus) (Flexibility of Local Authority and Police and Crime Panel

Meetings) (England and Wales) Regulations 2020 came into force on Saturday 4 April 2020 to enable councils to hold remote committee meetings during the COVID-19 pandemic period. This was to ensure local authorities could conduct business during this current public health emergency. This meeting was being held remotely under these regulations, via the Zoom application and was being recorded and live streamed on YouTube.

234 DECLARATIONS OF INTEREST

There were no declarations of interest.

235 SECTION 106 POLICY AND FINANCIAL CONTRIBUTIONS UPDATE REPORT

The Infrastructure Contributions and Spend Manager presented the report to the Committee and briefly explained the main points. She said that the Annual Infrastructure Funding Statement Report 2019-20 would be published on the Council's external website in an accessible format.

Councillors Pope, Huggins and Ward-Booth asked whether the Infrastructure Contributions and Spend Manager was satisfied that enough work had been done to ensure that all Members were aware of unassigned Section 106 contributions in their wards and when these must be utilised by.

The Manager said she worked through historic Section 106 payments, focussing initially on the contributions which were closest to reaching the deadline by which the funds needed to be spent. Members had been

contacted where there were unallocated contributions in their ward. There was further work to be done, but the only scenario in which Members may not have been contacted would be if the agreement's wording meant there was a tightly defined use for the funds which had not yet been triggered.

Members should be aware of available contributions in their ward with looser definitions, such as outdoor sport facilities, which was a common defined purpose as there was a general need for more of these facilities within East Herts. Developers generally did not have the local knowledge of smaller community groups which could utilise the funds. Therefore, Members were asked for potential project recommendations.

Councillor Stowe asked about a particular unallocated contribution which was to be used for outdoor sports facilities. This was offered in Aston, but was not available for a project in Datchworth, which had been a disappointment to some residents.

The Manager said that in this particular case there was an existing facility in Datchworth, which meant it hadn't been considered as an appropriate area to spend the funds. There was no defined distance which must exist between two similar projects funded by Section 106 contributions, but Officers had to consider whether there was a similar facility within the 'vicinity' and there was in this particular case.

The Chairman asked whether funds allocated for outdoor sports facilities could be used for improving cycling infrastructure.

The Manager said that in some cases cycling infrastructure could be considered outdoor sporting facilities. She had discussed this with the Executive Member for Environmental Sustainability as he had been keen to encourage cycling across the district. There had also been quarterly meetings with Hertfordshire County Council, who managed Section 106 contributions for sustainable transport and highways across the county, to explore possible collaboration to increase the scope of suitable projects.

The Chairman asked for reassurance that the Council was doing all it could to ensure contributions were received from developers before the time period in which they were to be utilised ended, which had previously been a potential danger.

The Manager said lots of work had been done to chase developers from which contributions were outstanding, and compound interest was charged on late payment fees. She said that since coming into post, she had undertaken a review on all outstanding contributions. The Council had recently received a long outstanding contribution from the parent company of a dissolved company after taking legal advice and working with an insolvency practitioner.

The Chairman asked whether the number of affordable homes given in the Annual Infrastructure Funding Statement Report was the total number of affordable homes built in 2019-20, or only those that stemmed from Section 106 contributions. He also asked how financial contributions made in lieu of affordable housing were spent.

The Manager said that the figure represented the total number of affordable homes specified in the Section 106 agreements signed in 2019-20, which may include homes not yet built. Financial contributions in lieu of the construction of affordable homes were made often when the developer did not have space to construct the affordable homes on the same site. The money was then allocated to a capital budget to use on affordable housing across the district. It was then the responsibility of the Property Service to identify appropriate projects. The Manager said she did not have to hand information on how these funds were spent exactly, but it was agreed this could be investigated and shared with Members.

Councillor Alder asked whether Thorley Parish Council would be eligible to apply for some of the Section 106 contribution from the development on the Land off Whittington Way, Bishop's Stortford, or if this would be allocated to Bishop's Stortford Town Council.

The Manager said she would investigate and revert to Councillor Alder. The Chairman asked how contributions for open space and ground maintenance had been used.

The Manager said that the Council often asked for contributions towards maintenance for a number of years, for example, when developers had paid for a playground. This was standard practise to avoid the maintenance costs becoming a burden on the Council. She added that she had now received the Council's proposed response to Central Government's planning white paper consultation and it was agreed that this

would be circulated to Members.

RESOLVED – that the report, the Planning for the Future White Paper of August 2020 and the Annual Infrastructure Funding Statement Report be received.

236 STRATEGIC RISK MONITORING – 2020/21 - QUARTER TWO

The Insurance and Risk Business Advisor presented a report to the Committee on Strategic Risk Monitoring, covering the period July – September 2020.

The Chairman asked why the likelihood and impact scores had been reduced for the performance, resilience and security of IT systems, which seemed to be anomaly compared to other organisation which saw this as an area of increased risk.

The Deputy Chief Executive said this reduction had been the culmination of a sustained effort to improve cyber security. The Council had replaced its network, improved security and increased its ability to recover from cyber-attacks, which reduced the potential impact of an attack.

The Insurance and Risk Business Advisor said the Council was currently tendering insurance contracts and planned to obtain cover for cyber-attacks. Many of these insurance products also included some testing and monitoring of systems. The progress of this tendering process and potential insurance-based solutions would also be reflected in this report to the Committee going forward.

Councillor Corpe asked what the perceived risk of using third party video conferencing technology, such as Zoom, was. He said that the Council had been using this software for many months now and it seemed rather secure. Arguably, remote meetings posed less of a risk than physical meetings, so would this be considered as a long-term option.

The Deputy Chief Executive said there were some concerns shortly after the Council began using this technology, including about unauthorised persons accessing video conferences. However, Zoom had quickly implemented new security features that reduced this risk and made the technology secure. The Council would soon roll out a full version of Microsoft Teams, but it was likely to maintain some licenses to use Zoom for larger meetings. Discussions were continuing on how remote meetings and other remote services utilised during the COVID-19 pandemic could be continued to the Council's benefit, particularly in view of the savings that must to be made.

Councillors Stowe and Alder said there were some drawbacks to remote working, such as reduced human contact and potential difficulties with technological solutions.

The Chairman asked about the practise of monitoring credit scores of contractors to mitigate their potential poor performance.

The Head of Strategic Finance and Property said that this practise, as well as monitoring the trade press, was useful to detect any possible early indicators that a contractor was in financial difficulty.

The Chairman asked whether the fall in the value of recycled materials would create a hole in the Council's budget. He also asked whether alternative waste solutions in partnership with other Councils had been considered.

The Head of Strategic Finance and Property said that the value of materials had fallen significantly. Under the Alternative Finance Model, an agreement with Hertfordshire County Council (HCC), recycling credits had been granted to the districts when recycling increased in relation to residual waste. However, the proportion of residual waste had increased significantly during the COVID-19 lockdown, which mean the Council had not received any credits, which increased the financial pressure. It was likely that HCC would not renew this agreement next year, but discussions continued with HCC to find a mutually beneficial arrangement. The permutations of the fall in values of materials would be reflected in future reports to the Committee.

RESOLVED – that the report be received.

237 QUARTERLY CORPORATE BUDGET MONITOR –
QUARTER 2 - SEPTEMBER 2020

The Head of Strategic Finance and Property presented a report to the Committee on the corporate budget, covering the period July – September 2020. He briefly explained the main points and said going forward, he planned to present the capital programme to show in which year expenditure would occur, which was a departure from the Council's previous practise.

The Chairman asked about the increased forecasted overspend and reduced rental income.

The Head of Strategic Finance and Property said at least two tenants had asked the Council for rent reviews, which were granted when it was established this was genuinely necessary. The Council had used the opportunity to add more favourable, flexible terms, such as implementing break clauses.

Councillor Ward-Booth asked why Legal and Democratic Services had overspent its budget on agency workers.

The Head of Legal and Democratic Services said there had been a need to pay for agency workers in the legal department due to a lack of solicitors. However, the Council was now advertising for four solicitor roles. Their recruitment should create a self-sufficient in-house team which would minimise the need for agency workers and result in an overall budget saving.

Councillor Ward-Booth asked whether these solicitors would be able to work on planning and building control legalities and reduce spending in this regard.

The Head of Legal and Democratic Services said that this was the aspiration, and the person specification for each role had been tailored to a particular need of the Council. Spending on specialist advice would not be totally eradicated, as expert counsel was sometimes necessary, but it was hoped spending on agency workers would be vastly reduced.

Councillor Corpe asked how the pandemic had prevented Millstream from purchasing properties in line with the business plan.

The Head of Strategic Finance and Property said the closure of estate agents in the early stages of lockdown had affected property purchases. However, Millstream had bought several properties in the previous two months and was recovering from the earlier slow down. The overall underachievement was also driven in part by the Council's inability to find tenants for some properties in view of the pandemic, particularly retail spaces.

Councillor Ward-Booth said there was a shortage of suitable investment opportunities due to the pandemic.

Councillor Huggins said this highlighted the importance of the work of the Financial Sustainability Committee, the need for reserves, and a diverse investment portfolio.

Councillor Alder asked what the total savings would be from the Council's use of LED lights.

The Head of Strategic Finance and Property said he would investigate and reply to Councillor Alder.

The Chairman asked about the projected use of reserves for 2020/21 and which reserve these funds would be taken from.

The Head of Strategic Finance and Property said he did not have details to hand of which reserves the funds

would be taken from. However, in regard to spending on leisure centres, once the regeneration of the facilities was complete, the contractor would begin to pay the Council to operate the services rather than vice versa.

The Chairman asked whether the relatively high number of aged debtors was a concern.

The Head of Strategic Finance and Property said it was important to write off any debt which was going to be uncollectable, which was likely necessary in this instance. He also said he was planning to introduce behavioural economics practises, such as changing wording on reminder letters and calling debtors at unusual times.

The Chairman said the Committee had not been informed some of the debt had been considered uncollectable before. He and Councillor Huggins asked if the Committee would be given an indication of which debt(s) would be written off.

The Head of Strategic Finance and Property said it would take a number of months to work through the debts and consider which debts were recoverable, but Members would be updated when possible. He said that there was little value in chasing debt that was uncollectable, but the Council would resume chasing a debt if the debtor reappeared. Work was being done to automate the manual process of inputting information on debtors, which would result in efficiency savings and free up Officers to pursue the debtors.

RESOLVED – that the report be noted.

238 ANNUAL TREASURY MANAGEMENT REVIEW 2019/20

The Head of Strategic Finance and Property presented the Annual Treasury Management Review to the Committee and invited any comments before the report went on to the Executive and Council.

The Chairman asked for the Head of Strategic Finance and Property's experience of using Link Asset Services.

The Head of Service said he had previously worked with Link and also with Arlingclose, which was Link's main competitor. His personal preference was for Arlingclose but there had been no problems with the service provided by Link.

Councillor Ward-Booth asked whether loans to other local authorities had been granted on medium or long terms. He also queried which authorities the Council had provided loans to.

The Head of Strategic Finance and Property said the terms of the loans varied. He did not have to hand a list of the local authorities which the Council had provided loans to, but would be happy to provide this to Members. Members also asked that the treasury reports list the individual investments and counter parties going forward, so that Members could see this information as a matter of routine.

RESOLVED – that the report be received.

239 TREASURY MANAGEMENT MID-YEAR REVIEW 2020/21

The Head of Strategic Finance and Property presented the report to the Committee. He said there had been a technical breach of the counter party limit for a period of two days, which had previously been reported on. This had been caused by a large payment from Central Government for business support grants. Therefore, the increased limit had been proposed.

The Chairman said that most of the structural borrowing had matured and asked if there was only around £1.5 million remaining to pay. He also asked about the need within the capital budget to borrow funds and commented that this was a good time to borrow due to low and stagnating interest rates.

The Head of Service said the Chairman's understanding of outstanding borrowing was correct and it had not made financial sense to reschedule any of this remaining debt due to the punitive repayment terms set by the Public Works Loans Board (PWLB) which made early repayment more expensive than carrying the debt through to maturity. It would be difficult to foresee that borrowing would be as cheap again as it was currently. When borrowing, the Council would secure fixed interest rates, and the term of the loan would be tailored to the specific use of the funds. The Council would need to ensure it could service all debts and stay within its borrowing limits. Whether this would hamper the Council's spending plans depended on the Old River Lane project and what kind of debt profile resulted from this, as well as a number of other factors. The various permutations would become clearer once the format of the capital programme

reporting was changed.

RESOLVED – that the report be received.

240 BUDGET 2021/22 AND MEDIUM TERM FINANCIAL PLAN
2021 – 2024 PROPOSALS

The Democratic Services Officer said that Appendices A and B had inadvertently been omitted from the Agenda pack. However, they had been circulated to Members via email shortly before the meeting and the Agenda would be re-published for the benefit of the public.

The Chairman said that the Head of Strategic Finance and Property had previously suggested that the Committee take part in a joint meeting with the Overview and Scrutiny Committee to review the finer details of the budget and medium term financial plan in January 2021. This was agreed.

The Head of Service presented the report and explained the main proposals to make savings, as well as the transformation programme to move towards more agile working solutions.

Councillor Ward-Booth said some services within the Council were to be commended for their proposals to make significant savings from their budgets. Others, such as Human Resources, had proposed relatively small changes. He said he was surprised payroll had not been outsourced, which was common practise in other similar-sized organisations. He asked if each service's spending would be subject to further scrutiny and added that the cost of training apprentices should

be attributed to the service for which they would ultimately work.

The Head of Service said outsourcing payroll was not always beneficial for local authorities as their pay structures and processes differed from limited companies, and this could often result in difficulties with third party contractors. It was anticipated that training costs would eventually fall, but currently external trainers were still charging the same rate for remote training as previous in-person events. He assured Members that all services within the Council would be scrutinised. A benchmarking exercise with similar Councils in the region and a five year review of budgets were to be carried out and would help establish in which areas the Council could potentially make savings.

Councillor Ward-Booth said that measures such as sharing payroll services with another Council could be considered. There was still greater scope for internal cuts which should be considered.

The Head of Service said these kinds of measures would be considered as part of the agile working proposals. The aspiration was to make savings without reducing the service offered to residents.

The Chairman said there were some difficult decisions to be taken due to the scale of savings needed. He thanked the Head of Strategic Finance and Property and his team for their work. He also asked whether the allowance for the pay award was realistic.

The Head of Service thanked his colleagues on the

Leadership Team, including the Head of Communications, Strategy and Policy, for their assistance with this matter. He said he believed the allowance for pay award was realistic.

It was moved by Councillor Fernando and seconded by Councillor Alder that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that (A) the report be received;

(B) the budget proposals be endorsed;

(C) the production of a phased capital programme be endorsed;

(D) the additional programme of work be endorsed; and

(E) a joint meeting of Audit and Governance and Overview and Scrutiny Committee be held in January 2021.

241 STANDARDS UPDATE

The Head of Legal and Democratic Services presented the Standards Update to the Committee and briefly explained the main points.

The Chairman asked when it was expected that Central Government would respond to the Committee on Standards in Public Life's (CSPL) 26 recommendations on ethical standards in local government. He also

asked if it was most prudent to await the decision on whether the LGA model code of conduct was to be adopted nationwide before the Council committed to an independent exercise to review its own code of conduct.

The Head of Service said there was no clear timescale, although CSPL had chased a response. To avoid potential duplication of work, it would be prudent to await the government response on whether the LGA model code of conduct should be adopted. He said it was his intention to report to the Committee on standards more regularly going forward and that updates on the current position could be provided in this way.

It was agreed by the Committee that if a decision on the model code of conduct was not forthcoming in the next six months, the current approach would be reviewed.

RESOLVED – that the report be noted.

242 CONSTITUTION REVIEW GROUP

The Head of Legal and Democratic Services presented the report to the Committee and briefly explained the main points.

The Chairman asked how Members should go about expressing an interest in participating in the group.

The Head of Service said Members should contact their political group's leader who could nominate Members for positions within the group.

It was moved by Councillor Huggins and seconded by Councillor Ward-Booth that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED – that (A) an informal Constitution Review Group be established; and

(B) the terms of reference be agreed.

243 GDPR AND DATA RETENTION UPDATE

The Head of Legal and Democratic Services presented the GDPR and Data Retention Update to the Committee and briefly explained the main points.

Councillor Ward-Booth thanked the Head of Legal and Democratic Services for the comprehensive report which addressed all of the questions previously posed by the Committee.

The Chairman asked if the employment of an Information Governance and Data Protection Manager would be a catalyst for the Council to remain more vigilant of matters relating to GDPR and data retention. He also asked if the Committee would now receive regular updates on this subject.

The Head of Service said it was foreseen that the creation of the Information Governance and Data Protection Manager role would prevent the Council losing focus on the importance of these matters. He said that the Annual Governance Statement would generally include statistics on data security and

retention, however a report could be produced for the Committee if Members so wished.

It was agreed the Committee would receive updates every six months, beginning May 2021, on GDPR and Data Retention. This would include, for example, the number of data breaches which had occurred at the Council.

RESOLVED - that the report be noted.

244 WORK PROGRAMME PROPOSALS 2020-21

The Scrutiny Officer presented the report to the Committee and reminded Members of an upcoming workshop hosted by the newly entitled Centre for Governance and Scrutiny to which Members of this Committee and Overview and Scrutiny Committee would be invited.

Councillor Ward-Booth asked if their report on the review of scrutiny (including audit and scrutiny functions) had been had been finalised and circulated.

The Head of Legal and Democratic Services said this would be circulated and that he would chase the Centre for Governance and Scrutiny as the report had not yet been received. The Scrutiny Officer explained that a workshop had been arranged to consider the Centre for Governance and Scrutiny's recommendations and that this would take place on 3 December 2020 at 7pm.

The Scrutiny Officer confirmed the Committee's requests to take part in a joint meeting with Overview

and Scrutiny Committee, as well as receive an annual report on Section 106 and financial contributions had been noted.

It was moved by Councillor Alder and seconded by Councillor Ward-Booth that the recommendations, as detailed, be approved. After being put to the meeting and a vote taken, the motion was declared CARRIED.

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

The meeting closed at 9.18 pm

Chairman
Date

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East Herts Council
Audit and Governance Committee

10 February 2021
Shared Internal Audit Service –
Progress Report

Recommendation

Members are recommended to:

- a) Note the Internal Audit Progress Report
- b) Approve Changes to the Internal Audit Plan as at 18 December 2020
- c) Note the Status of Critical and High Priority Recommendations

Contents

- 1 Introduction and Background
 - 1.1 Purpose
 - 1.2 Background

- 2 Audit Plan Update
 - 2.1 Delivery of Audit Plan and Key Findings
 - 2.4 Proposed Audit Plan Changes
 - 2.5 Critical and High Priority Recommendations
 - 2.7 Performance Management

Appendices:

- A Progress against the 2020/21 Audit Plan
- B Implementation Status of Critical and High Priority Recommendations
- C Audit Plan Items (April 2020 to March 2021) - Indicative start dates agreed with management
- D Assurance Definitions / Priority Levels

1 Introduction and Background

Purpose of Report

1.1 To provide Members with:

- a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2020/21 Internal Audit Plan as at 18 December 2020.
- b) The findings for the period 1 April 2020 to 18 December 2020.
- c) Details of changes required to the approved Internal Audit Plan.
- d) The implementation status of previously agreed audit recommendations.
- e) An update on performance management information as at 18 December 2020.

Background

- 1.2 Internal Audit's Annual Plan for 2020/21 was approved by the Audit and Governance Committee at its meeting on 19 May 2020. The Audit and Governance Committee receive periodic updates against 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 function is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed changes to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

Delivery of Audit Plan and Key Audit Findings

- 2.1 As at 18 December 2020, 63% of the 2020/21 Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).
- 2.2 The following final reports have been issued so far during 2020/21:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Information Management 2019/20	July 2020	Limited	One High, Three Medium priority
Recycling 2019/20	Aug 2020	Satisfactory	Five Medium, Three Low/Advisory priority
Tree Management	Sept 2020	Satisfactory	One Medium priority
Performance Management	Sept 2020	Satisfactory	Two Medium, One Low/Advisory priority
Waste Contract (follow up)	Sept 2020	Not Assessed	N/A
Risk Management	Oct 2020	Satisfactory	One Medium priority

Facilities Management	Oct 2020	Satisfactory	Three Medium, One Low/Advisory priority
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- 2.3 The table below summarises the position regarding 2020/21 projects as at 18 December 2020. Appendix A provides a status update on each individual project within the 2020/21 Internal Audit Plan.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	5	18
Draft Report Issued	7	24
In Fieldwork/Quality Review	2	7
In Planning/Terms of Reference Issued	5	17
Allocated	3	10
Not Yet Allocated	0	0
Cancelled/Deferred	7	24
Total	29	100

Proposed Audit Plan Changes

- 2.4 The following Audit Plan changes were agreed with management and are proposed to the Committee:
- My View, Payroll Self Service (10 days) – audit intended for quarter 3 but deferred to 2021/22 as the system is not yet sufficiently mature and ready for audit.
 - Business Improvement Districts (10 days) – audit intended for quarter 4 but deferred to 2021/22 as above.
 - Old River Lane (10 days) – as above.

Critical and High Priority Recommendations

- 2.5 Members will be aware that a Final Audit Report is issued when it has been agreed (“signed off”) by management; this includes an agreement to implement the recommendations that have been made.
- 2.6 The schedule attached at Appendix B details any outstanding Critical and High priority audit recommendations.

Performance Management

- 2.7 The 2020/21 annual performance indicators were approved at the SIAS Board meeting in March 2020.

- 2.8 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 18 Dec 2020
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	58% (138/238 days) Note (1)	63% (149/238 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	50% (11/22 projects)	55% (12/22 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (5 received) Note (2)
4. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	No High priority recommendations have been made

Note (1) - this reflects the delay in starting to deliver the 2020/21 Internal Audit Plan (see previous Progress Report to this Committee).

Note (2) – 4 received in 2020/21 relate to 2019/20 audits.

APPENDIX A - PROGRESS AGAINST THE 2020/21 AUDIT PLAN

2020/21 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Key Financial Systems – 68 days									
Main Accounting System						8	Yes	7.5	In Fieldwork
Debtors						8	Yes	0	Allocated
Creditors						8	Yes	7.5	In Fieldwork
Treasury Management						10	Yes	2	TOR Issued
Payroll						8	Yes	7.5	Draft Report Issued
Council Tax						6	Yes	5.5	Draft Report Issued
Business Rates						6	Yes	3	TOR Issued
Housing Benefits						6	Yes	5.5	Draft Report Issued
Asset Management						8	Yes	0	Allocated
Operational Audits – 93 days									
Customer Services						0	N/A	0	Cancelled
My View (Payroll self service)						0	N/A	0	Deferred
Grounds Maintenance						10	Yes	0.5	In Planning
Car Parking						10	Yes	9.5	Draft Report Issued
Emergency Planning						0	N/A	0	Cancelled
Development Control						10	Yes	0	In Planning
Facilities Management	Satisfactory	0	0	3	1	10	Yes	10	Final Report Issued
Waste Management (follow-up)	Not Assessed	-	-	-	-	2	Yes	2	Final Report Issued
Fly Tipping						12	Yes	9.5	Draft Report Issued
Food Safety						0	N/A	0	Cancelled
Climate Change & Sustainability						7	Yes	6.5	Draft Report issued
Tree Management	Satisfactory	0	0	1	0	10	Yes	10	Final Report issued
Performance Management	Satisfactory	0	0	2	1	12	Yes	12	Final Report Issued

APPENDIX A - PROGRESS AGAINST THE 2020/21 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Business Improvement District						0	N/A	0	Deferred
Millstream Property Investment						10	Yes	0	Allocated
Procurement, Contract Management and Project Management – 0 days									
Grange Paddocks & Hartham Leisure Centres						0	N/A	0	Cancelled
Old River Lane						0	N/A	0	Deferred
Risk Management and Governance – 10 days									
Risk Management	Satisfactory	0	0	1	0	10	Yes	10	Final Report Issued
IT Audits – 12 days									
Payment Card Industry Compliance						6	Yes	5.5	Draft Report Issued
Hardware Acquisition, Movement & Disposal						6	Yes	1	TOR Issued
Shared Learning and Joint Reviews – 0 days									
Joint Reviews						0	N/A	0	Cancelled
Shared Learning						0	N/A	0	Cancelled
Counter Fraud – 3 days									
Matters Identified By SAFS						3	Yes	0	Not Yet Allocated
Ad Hoc Advice – 2 days									
Advice						2	Yes	1	Through Year
Completion of 19/20 Projects – 5 day									
Various						5	Yes	5	Complete
Contingency – 50 days									
Contingency						50	N/A	0	Through Year
Strategic Support – 45 days									
Head of Internal Audit Opinion 2019/20						3	Yes	3	Complete
Audit Committee						8	Yes	5.5	Through Year

APPENDIX A - PROGRESS AGAINST THE 2020/21 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Follow Up of Audit Recommendations						4	Yes	2	Through Year
Client Liaison						6	Yes	3.5	Through Year
Liaison with External Audit						1	Yes	0.5	Through Year
Plan Monitoring						12	Yes	8.5	Through Year
SIAS Development						5	Yes	5	In Progress
2021/22 Audit Planning						6	Yes	0	Allocated
EHC TOTAL		0	0	7	2	288		149	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (Dec 2020)
1.	Cyber Security follow up (2018/19).	<p><u>Network access control.</u> Management should establish a network access control to block unknown or unauthorised devices from connecting to the Council’s IT network. This should include restricting the ability to physically connect to the IT network. Where there is a demonstrable need for a device to connect to the IT network, the Service should require: The purpose for the connection has been recorded Appropriate security controls have been enabled on the device connecting to the IT network The period of time that the device will require the connection All connections are approved before being allowed to proceed. Devices connected to the IT network should be reviewed on a routine basis.</p>	<p>The Council has created a Security & Network Team who has been tasked to look at security / network tools. There is also a planned upgraded Office 365 and in particular Intune to manage all mobile (non-network connected) devices. The plan is to ensure that only known devices are allowed to access Council systems.</p>	<p>ICT Strategic Partnership Manager.</p>	<p>Network Tools July 2019. Intune October 2019. Procurement of network tools revised to November 2020.</p>	<p><u>July 2019.</u> This is a new addition and the management response opposite is therefore the latest comment. <u>September 2019.</u> Intune MDM has been installed and will be rolled out to manage all mobile devices and Windows 10 laptops. Plan in place to upgrade all Laptops to windows 10 is in place to ensure control via Intune encryption using Bitlocker. Financial and resource restrictions have forced the procurement of network tools to financial year 2020/21. <u>December 2019.</u> Revised date as above. It is very rare (if ever) that someone connects</p>	<p>Partially implemented – continue to monitor.</p>

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (Dec 2020)
						<p>an external device to the IT network. The Zero Clients do not allow the transfer of data to anything plugged into it.</p> <p><u>February 2020.</u> Revised implementation date as above.</p> <p><u>July 2020.</u> Budget obtained to purchase networking tools to cover this and other security areas. The procurement will start shortly.</p> <p><u>September 2020.</u> A verbal update will be provided at the meeting.</p> <p><u>December 2020.</u> Project has a dependency on completion of the networking/Firewall upgrade. As any tools need to be able to work within those systems capabilities. The Networking project is at the end of the procurement</p>	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (Dec 2020)
						phase but has come under some procurement and technical issues which are holding up implementation.	
2.	Incident Management follow up (2018/19).	<p><u>Updating the disaster recovery plan.</u> Management should update the Council's IT disaster recovery plan to include the procedure for establishing all IT services at a single data centre.</p> <p>A complete IT Disaster Recovery scenario test on all applications and systems should take place to provide assurance that recovery could happen within the expected time frame.</p> <p>The Service should document the results of the test to determine the further actions required to improve the efficacy of the plan.</p>	With our upgrade to horizon VDI, we are installing hardware which will allow either site to run 100% of capacity allowing the complete downing of one site for upgrade work but will of course allow for full capacity in the event on one data centre being of offline.	ICT Strategic Partnership Manager.	August 2019 – DR review. April 2020 - VDI upgrade.	<p><u>July 2019.</u> This is a new addition and the management response opposite is therefore the latest comment.</p> <p><u>September 2019.</u> VDI upgrade out to tender with award scheduled for October 2019.</p> <p><u>December 2019.</u> Expected completion for this work is now April 2020.</p> <p><u>February 2020.</u> As above.</p> <p><u>July 2020.</u> A verbal update will be provided at the committee meeting.</p> <p><u>September 2020.</u> A verbal update will be provided at the meeting.</p>	Partially implemented – continue to monitor.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS





No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (Dec 2020)
						<p><u>December 2020.</u> Project dependant on upgrade of infrastructure as above.</p> <p>However limited pilot has been started and work on preparing applications is underway.</p> <p>£5,000 has been obtained from Local Government funding source by SBC to train 2 staff on DR planning.</p>	

APPENDIX C – AUDIT PLAN ITEMS (APRIL 2020 TO MARCH 2021) – INDICATIVE START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept
2019/20 Projects Requiring Completion	Food Safety (10) (Cancelled)	Customer Services (10) (Cancelled)	Performance Mgmt (10) c/f from May Final Report Issued	Fly Tipping (10) Draft Report Issued	Payment Card Industry Compliance (10) (c/f from May) Draft Report Issued
Grange Paddocks & Hartham Leisure Centres (10) (Cancelled)		Risk Management (10) Final Report Issued	Waste Contract (follow up) (2) Final Report Issued		Emergency Planning (10) (Cancelled)
		Tree Management (10) Final Report Issued			
		Facilities Management (10) c/f from April Final Report Issued			
Oct	Nov	Dec	Jan	Feb	Mar
Car Parking (10) Draft Report Issued	Council Tax (6) Draft Report Issued	Main Accounting (8) In Fieldwork	Treasury Management (10) TOR Issued	Asset Management (8) Allocated to Auditor	
Climate Change and Sustainability (7) Draft Report Issued	My View (payroll self-service) (10) (Deferred)	Payroll (8) Draft Report Issued	Hardware Acquisition, Movement & Disposal (6) TOR Issued	Millstream Property Investment (10) Allocated to Auditor	
	Housing Benefits (6) Draft Report Issued	Creditors (8) In Fieldwork	Business Improvement Districts (10) (Deferred)	Debtors (8) Allocated to Auditor	
			Development Control (10) In Planning	Old River Lane (10) (c/f from October) (Deferred)	
			Grounds Maintenance (10) (c/f from November) In Planning	Business Rates (6) (c/f from November) TOR Issued	

APPENDIX D – ASSURANCE / 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 Hertfordshire District Council

Annual Audit Letter for the year
ended 31 March 2020

January 2021



EY

Building a better
working world

Agenda Item 6

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Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk).

This Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



Section 1

Executive Summary

Executive Summary

We are required to issue an annual audit letter to East Hertfordshire District Council (the Council) following completion of our audit procedures for the year ended 31 March 2020. Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion	
▶ Financial statements	On 30 November 2020 we issued an unqualified opinion giving a true and fair view of the financial position of the Council as at 31 March 2020 and of its expenditure and income for the year then ended. We did include a paragraph emphasising the material uncertainty in relation to the valuation of the Council's property assets (including investment property) as a result of Covid-19. This was not a qualification or modification to the audit opinion.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
▶ Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception:	
▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	We had no matters to report. The Council is below the specified audit threshold of £500mn. Therefore, we did not perform any audit procedures on the consolidation pack.

Executive Summary (cont'd)

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued our Audit Results Report to the 22 September 2020 Audit and Governance Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	We issued our certificate on 30 November 2020.

Fees

In the Audit Results Report we indicated that we had carried out additional work as a result of the impact of Covid-19 that necessitated an additional audit fee. We have quantified the proposed final fee and will shortly provide the Head of Strategic Finance and Property with appropriate supporting details.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work and in particular given the challenging priorities they faced as a result of their work in responding to the Covid-19 pandemic and their collaborative approach which enabled us to complete the 2019/20 audit by working remotely.



Suresh Patel

Associate Partner

for and on behalf of Ernst & Young LLP

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Section 2

Purpose and Responsibilities



Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council. We have already reported the detailed findings from our audit work in our 2019/20 Audit Results Report which we presented to the 22 September 2020 Audit and Governance Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities of the Appointed Auditor

Our 2019/20 audit work has been undertaken in accordance with the Audit Plan that we issued in March 2020 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2019/20 financial statements of the Council; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement (AGS) is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the NAO.

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an AGS. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health. We audited the Council Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the National Audit Office and issued an unqualified audit report on 30 November 2020.

Our detailed findings were reported to the 22 September 2020 Audit and Governance Committee. The key issues identified as part of our audit were as follows.

Significant risks	Conclusion
Misstatements due to fraud or error - the incorrect capitalisation of revenue expenditure	We did not identify any matters to report to the Audit and Governance Committee.
Valuation of investment property & other land and buildings valued using market data	<p>Our work on the valuation of other land and buildings identified that the Council's valuer applied incorrect sustainable net income for Jackson Square Car Park. This resulted in overvaluation of £1,119,800 which was corrected in the accounts.</p> <p>The Council has appropriately disclosed a material valuation uncertainty paragraph included by its valuer in their valuation report. We included a paragraph in the audit opinion to emphasise this matter.</p>

Other audit risks

Valuation of Other Land and Buildings using DRC method - our audit work did not identify any material issue.

Pension Liability Valuation - the Council has appropriately accounted for its pension liabilities.

Business Rates Appeals Provision - we did not identify any matters to report to the Committee.

Group accounting - the Council's group financial statements have been prepared on an appropriate basis.

Impairment of receivables - the impairment of receivables in the accounts are fairly stated.

Going concern - the Council has assessed the impact of Covid-19 on its income, expenditure, cash and reserves position into 2020/21 and 2021/22 and made an appropriate disclosure in the statements.

Financial Statement Audit (cont'd)

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be 2% of Gross Expenditure on provision of services and performance materiality at 75% of planning materiality.
Reporting threshold	We agreed with the Audit and Governance Committee that we would report to the Committee all audit differences in excess of 5%.

Materiality	
Planning	£1.490m
Performance	£1.118m
Reporting	£0.745m

Section 4

Value for Money



Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider LG bodies' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

We identified one significant risk in relation to these arrangements in respect of delivering an Ambitious Capital Programme. Our approach has focused on arrangements of sample of capital programmes.

We reported in detail as part of the Audit Results Report and do not repeat our findings here.

We performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.





Section 5

Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

We are required to perform the procedures specified by the National Audit Office on the accuracy of the consolidation pack prepared by the Council for Whole of Government Accounts purposes. The Council is below the specified audit threshold of £500m. Therefore, we were not required to perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2019/20 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit and Governance Committee on 22 September 2020. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have adopted a fully substantive audit approach and have therefore not tested the operation of controls.

Section 6

Focused on your future



Focused on your future

The NAO has a new Code of Audit Practice for 2020/21. The impact on the Council is summarised in the table below.

Council responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance - How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Continued

Focused on your future

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

The Code of Practice on Local Authority Accounting in the United Kingdom introduces the application of new accounting standards in future years. The impact on the Council is summarised in the table below.

Standard	Issue	Impact
IFRS 16 Leases	<p>It is currently proposed that IFRS 16 will be applicable for local authority accounts from the 2021/22 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard and although the 2020/21 Accounting Code of Practice for Local Authorities has yet to be updated, CIPFA have issued some limited provisional information which begins to clarify what the impact on local authority accounting will be. Whether any accounting statutory overrides will be introduced to mitigate any impact remains an outstanding issue.</p>	<p>Until the revised 2020/21 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to identify all of its leases and capture the relevant information for them. The Council must therefore ensure that all lease arrangements are fully documented.</p>

Audit Fees

Fees

In the Audit Results Report we indicated that we had carried out additional work as a result of the impact of Covid-19 that necessitated an additional audit fee. We have now quantified the proposed fee. We will shortly discuss the proposed additional fees with the Head of Strategic Finance and Property after providing supporting details. We will then seek approval from PSAA.

	Final fee 2019/20 (£)	Planned fee 2019/20 (£)	Final Fee 2018/19 (£)
Scale Fee - Code work	40,295	40,295	40,295
Additional work:			
• New General ledger	-	-	1,950
• Updated pension disclosures	-	-	950
• VFM conclusion significant risk (Note 1)	4,900	2,000-5,000	1,750
• Going concern disclosure (Note 2)	2,800	-	-
• Asset valuations impacted by Covid-19 (Note 3)	7,000	-	-
• EY consultations on auditor report (Note 4)	2,000	-	-
• Group consolidation	5,000	4,000-5,000	-
Total audit	61,995	46,295-50,295	44,295

Notes:

1. We reported in the Outline Audit Plan that the VFMC significant risk would necessitate an additional fee.
2. We have carried out additional work to review, assess and challenge the Authority's going concern assessment and associated disclosure.
3. We have carried out additional work in response to the material uncertainty reported by the Authority's valuer on investment property valuations. This has led to an emphasis of matter paragraph in the audit report.

To ensure that we are giving the right assurance to the Authority, EY have instigated a consultation process involving the Firm's Professional Practice Directorate.

About EY


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EY-000070901-01(UK) 07/18. CSG London.

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East Herts Council Report

Audit and Governance Committee

Date of Meeting: 10 February 2021

Report by: Chairman of Audit and Governance Committee

Report title: Audit and Governance Committee - Draft Work Programme 2020/21

Ward(s) affected: All

Summary

- To invite Members to review and determine the future work programme of Audit and Governance Committee and any proposed amendments to the ongoing Work Programme.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE, that:

- (a) the main agenda items for the next meeting be agreed;**
- (b) the proposed consolidated work programme, at Appendix A, in relation to Audit and Governance matters, be agreed.**

1.0 Proposal(s)

- 1.1 Items previously required, identified or suggested for the work programme are set out in **Appendix A**. The Appendix is now presented as a consolidated report to include those issues for consideration by Overview and Scrutiny Committee. It was felt that consolidating the work of both Committees in one report would give Members of both committees a better perspective from the viewpoint of scrutiny.

2.0 Background

- 2.1 The draft agenda for the next Audit and Governance Committee is shown in **Appendix A**. Members are asked to confirm that these are the key items they wish to consider.
- 2.2 Whilst the timing of some items shown may have to change depending on availability of essential data (eg. from central government), etc members are asked to consider the future programme and add, remove or move items as they see fit.
- 2.3 As Members will be aware, meetings of the Co-Ordination of Work Programme meetings are held quarterly with the Leader, Deputy Leader and the Chairman and Vice Chairman of both Audit and Governance and Overview and Scrutiny Committees in an effort to better plan, the work of both Committees and consider Key Decisions to be taken by the Executive on the Forward Plan over a three month basis.
- 2.4 Members will be aware that there was a Scrutiny Workshop on 3 December 2020 presented by Ian Parry from the Centre for Governance and Scrutiny (CfGS) to both Members of Audit and Governance and Overview and Scrutiny Committees. This provided Members with an opportunity to consider their final report and ask questions. One particular thread running through the report, and which formed part of the recommendations, was the need to hold the Executive, and not officers, to account for the decisions it makes, focusing on strategic issues rather than having items merely for discussion. This, they said, should mean fewer, if any reports presented by Officers.
- 2.5 The CfGS emphasised that early intervention and becoming closely aligned to what the Executive was doing played an important role in ensuring a strategic approach to Scrutiny including the need to be the “voice of the public”. The importance of the Forward Plan, containing key decisions to be taken by the Executive over a three month period, was stressed, and that early intervention and

challenge was the key to good scrutiny. Mr Parry explained that it was important to understand the “journey” of the decision and that if this was started early, it placed Scrutiny Members in a better decision to question and challenge, the aim being to improve the provision of services and make savings.

- 2.6 Mr Parry (CfGS) suggested that Executive Members should be invited to attend meetings (of O&S) to answer questions about policies and strategy, not just about performance, guided by both past and future decisions.
- 2.7 The Scrutiny Officer will be discussing with key officers how best to take the CfGS’s recommendations forward.
- 2.8 With the agreement of both Chairman, Members will note that there will be a joint meeting of Overview and Scrutiny and Audit and Governance Committees on 10 February 2021 to consider one item, the Budget 2021/22 and MTFP 2021-24. At the conclusion of the Joint Meeting, there will be the usual meeting of Audit and Governance Committee to consider items on the normal work programme.

3.0 Reason(s)

- 3.1 While Audit and Governance is not a Scrutiny Committee, it has a specific role of monitoring the budget and oversees a range of information such as inspection reports and action plan monitoring. It approves the Council’s Statement of Accounts and is also the Council’s Audit Committee and carries out Treasury Management functions. As a result, the work programme helps provide structure and identifies a clear reporting timeframe for those reports.

4.0 Options

- 4.1 Members have the option to include or exclude any items on the proposed work programme, however, officers recommend

approval of the listed items as consideration will fulfil the council's audit functions and the items reflect the issues previously raised by members. It is worth noting that this is a draft work programme which is continually reviewed and will evolve as the work programme develops triggered by external and internal influences.

5.0 Risks

5.1 If the Audit and Governance Committee chose not to consider the various audit and financial reports in the proposed work programme, subject to the Legal observations made later in this report, the council could potentially be at risk of not identifying potential issues and risks to the authority and thus taking mitigating actions.

6.0 Implications/Consultations

6.1 Information on any corporate issues and consultation associated with this report can be found within the body of this report.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

None applicable to this report apart from the benefits, as discussed above, of member oversight of the council's key financial practices

and policies.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

None applicable to this report but Audit and Governance is required to receive and consider reports and agree such reports as required by statute. These include for example, the Treasury Management Statement and Statement of Accounts.

Specific Wards – All wards

7.0 Background papers, appendices and other relevant material

Appendix A

Contact Member Mark Pope, Chairman of Performance Audit and Governance Oversight Committee
mark.pope@eastherts.gov.uk

Contact Officer James Ellis
Head of Legal and Democratic Services
Tel No: 01279 502170
james.ellis@eastherts.gov.uk

Report Author Lorraine Blackburn, Scrutiny Officer
Tel No: 01279 502172
lorraine.blackburn@eastherts.gov.uk

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Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21

(this is a working document and is subject to regular amendment)

Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
15 September 2020	<p>Update on the progress in relation to the Climate Change Action Plan and progress in relation to the 2030 Carbon neutrality aspirations.</p> <p><i>With the agreement of Members at the last (June 2020) meeting, updates would be presented prior to each meeting.</i></p>	<p>Executive Member for Environmental sustainability and David Thorogood</p>	22 September 2020	<p>External Audit Update</p>	<p>Suresh Patel, Ernst Young</p>

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Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
	Social Housing – Report of the Task and Finish Group (see note below).	Head of Housing and Health		SIAS Update	Simon Martin SIAS Audit Manager
	Large Scale Projects – Project Management in terms of Expenditure Vs Budget, delivery timescales <i>Members' briefing provided on 16 July on Hertford Theatre.</i>	Respective Project Managers .		SAFs Update	Nick Jennings Head of Service (SAFs)

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Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
	<i>Request by Councillor Goldspink for an update on Hartham Leisure</i>				
	Policy for Enforcing Standards for Private Sector Landlords	Head of Housing and Health		Strategic Risk Register Quarterly Update	Graham Mulley Risk Assurance Manager
	Council Tax Reduction Scheme 2021/22	Head of Revenues and Benefits Shared Services		Annual Governance Statement	Head of Strategic Finance and property
				Statement of Accounts 2019/20	Head of Strategic Finance and Property
	Work Programme	Lorraine Blackburn,		Financial Monitoring	Head of Strategic Finance and Property

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Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
		Scrutiny Officer		Quarter 1	
3 Nov 2020	How the Council reacted to the Corona Virus	Invitation to the Leader and CE to present an interim report	17 November 2020	Section 106 Agreements: a) review of policy and also of the receipt and b) the utilisation of funds received	Helen Standen Dep CE and Jackie Bruce Infrastructure and Contributions Spend Manager
	Work Programme	Lorraine Blackburn, Scrutiny Officer		Corporate Budget Monitoring Quarter 2	Ben Wood, Head of Communications Strategy and Policy and Steven Linett Head of Strategic Finance
				Treasury Management	Head of Strategic Finance

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Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
				Outturn 2019/20 and Treasury Management Mid-Year Review 2020/21	
	Annual Complaints Report	Head of Communications, Strategy and Policy		Budget 2021/22 and MTFP Plan 2021-2024 Proposals	Head of Strategic Finance and Property
	Performance Report Quarters 1 and 2	Head of Communications Strategy and Policy		Standards Update	James Ellis Head of Legal and Democratic Services
	Revenues and Benefits Annual Report	Head of Revenues and Benefits Shared Services		Strategic Risk Monitoring 2020/21 Quarter 2	Graham Mully, Insurance and Risk Business Advisor

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Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
	Environmental Climate Change	Head of Housing and Health			
8 Dec 2020				Work Programme	Lorraine Blackburn, Scrutiny Officer
	Presentation by the PCC Mr David Lloyd and Cl Orton			GDPR and Data Retention	James Ellis Head of Legal and Democratic Services
				Members' Constitution Review Group	James Ellis Head of Legal and Democratic Services
PLEASE NOTE THAT THERE WILL BE A JOINT MEETING OF OVERVIEW AND SCRUTINY AND AUDIT AND GOVERNANCE COMMITTEES ON 10 FEBRUARY 2021 FOLLOWED BY THE USUAL MEETING OF A&G					
2 February 2021	Cultural Strategy	Jonathan Geall Head of Housing and Health	10 February 2021	*Budget 2021/22 and Medium Term Financial Plan 2021-24-	Steven Linnett Head of Strategic Finance and property
	Planning	Sara Saunders,		SIAS Internal	Simon Martin

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Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
	Enforcement Plan`	Head of Planning		Audit Plan Progress Report	
23 March 2021	Draft Annual Scrutiny Report 2019/20	James Ellis / Head of Legal and Democratic Services and Lorraine Blackburn, Scrutiny Officer		External Auditor's Annual Audit Letter	EY
	Draft Annual Scrutiny Report 2020/21	James Ellis / Head of Legal and Democratic Services and Lorraine Blackburn, Scrutiny Officer		Investment strategy 2021/22	Steven Linnett Head of Strategic Finance and property
	Review of Scrutiny -			Capital strategy	Steven Linnett Head

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	Centre for Governance and Scrutiny (CfGS)			and Minimum Revenue Provision Strategy	of Strategic Finance and property
			16 March 2021	External Auditor - Audit Fees Letter	Suresh Patel, EY
				SIAS Internal Audit Plan Progress Report	Simon Martin, SIAS
				SIAS Draft Internal Audit Plan	Simon Martin, SIAS
				Proposed Anti-Fraud Plan 2021/2022	Nick Jennings, SAFS
				Update on Delivery of the 2020/2021 Anti-	Nick Jennings, SAFS

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Meeting Date Overview and scrutiny	Topic and Notes	Lead Member and Officer	Meeting Date Audit and Governance	Topic and Notes	Lead Member and Officer
				Fraud Plan	
				Financial Management Quarter 3 Forecast to Year End	Steven Linnett Head of Strategic Finance and Property

Executive Responses to recommendations made by O&S Committee:

Parking Recommendations – Report of the Task and Finish group (Considered by Executive on 27 November 2020) – Members updated via Chairman’s Announcements February 2021
Affordable Housing Research - Report and O&S Recommendations – (Considered by Executive on 5 January 2021) Members updated via Chairman’s Announcements February 2021

Updates

Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21
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Overview and Scrutiny Committee	Audit and Governance
	<p>Complaints lodged with the Monitoring Officer (Head of Democratic and Legal Support Services). When there are updates.</p> <p>Changes to Constitution Review Update (Head of Democratic and Legal Support Services): When there are updates.</p>

Looking Forward - End of 2020 to 2021

Overview and Scrutiny Committee	Due date	Audit and Governance	Due Date
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Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21

(this is a working document and is subject to regular amendment)

Overview and Scrutiny Committee	Due date	Audit and Governance	Due Date
RIPA and Use of Social Media - report back (Head of Legal and Democratic Services)	June 2021	Quarterly Corporate Budget Monitor – Quarter 3 December 2020	30 March 2021 (executive) Due to the timetable of meetings it is not possible to produce the report and send it to an Audit & Governance Committee meeting prior to consideration by Executive. The report will be circulated to Members of the Committee when ready and views sort and reported to Executive.
Environmental Sustainability Action Plan (Agreed to report twice a year)	May 2021 November 2021	Standards Model Code	May 2021
Carbon Reduction report	November 2021	GDPR and data retention	May 2021
Corporate Plan Regular	May 2021	Section 106 Contributions	November 2021

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Overview and Scrutiny Committee	Due date	Audit and Governance	Due Date
Updates to OS		(report annually)	

Notes:

Members will note the new format of the Consolidated Work Programme. It was felt that by combining both work programmes might provide Members with a better insight into the issues to be considered by both committees and respective timeframes and so aid the process of scrutiny. Additionally, Members should note that the Chairman and Vice Chairman of both Committees are now meeting quarterly with the Leader and Deputy Leader to consider both work programmes in the context of the Council's Forward Plan to facilitate better scrutiny and review where necessary.

Members are actively encouraged to review the Council's Forward Plan which details the decisions the Executive (and Council) will be taking over the next three months. The Centre for Governance and scrutiny has recommended that early involvement with the decision making process (and before decisions are taken) is good practice. Only decisions which are taken by the executive can be called in.

Overview and Scrutiny Committee and Audit and Governance Committee - Consolidated Work Programmes 2020/21
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[Latest Forward Plan](#)

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