



James Ellis
Head of Legal and Democratic
Services

MEETING : AUDIT AND GOVERNANCE COMMITTEE
VENUE : COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE : WEDNESDAY 31 MAY 2023
TIME : 7.00 PM

PLEASE NOTE TIME AND VENUE

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<https://www.youtube.com/user/EastHertsDistrict>

MEMBERS OF THE COMMITTEE

Councillor Martin Adams (Chairman)
Councillors B Deering, C Hart, D Jacobs, S Nicholls, G Williamson and
D Woollcombe

CONTACT OFFICER:

MICHELE AVES

01279 502177

michele.aves@eastherts.gov.uk

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- 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;
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AGENDA

1. Appointment of Vice-Chairman
2. Apologies

To receive any apologies for absence
3. Minutes - Audit and Governance Sub-Committee, 16 March 2023 (Pages 6 - 15)
4. Minutes - 12 April 2023 (Pages 16 - 30)

To approve as a correct record the minutes of the meeting held on 12 April 2023.
5. Chairman's Announcements
6. Declarations of Interest

To receive any declarations of interest.
7. Training - The Role of the Audit and Governance Committee
8. Annual Leisure Contract Performance Report 2023 (Pages 31 - 57)
9. Hertford Theatre Pricing Strategy Report (Pages 58 - 77)
10. Receipt of the External Auditor's Auditor's Annual Report 2020/21 (Pages 78 - 128)
11. Receipt of the External Auditor's Provisional Audit Planning Report 2021/22 (Pages 129 - 179)
12. Annual Assurance Statement and Internal Audit Annual Report 2022/23 (Pages 180 - 207)

13. Monitoring of 2022/23 Quarter Four Corporate Risk Register (Pages 208 - 238)
14. Audit and Governance Work Programme (Pages 239 - 253)
15. 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.

16. 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 Appendix C, Item 9 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.

Agenda Item 3

MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE SUB-
COMMITTEE HELD IN THE COUNCIL
CHAMBER, WALLFIELDS, HERTFORD ON
THURSDAY 16 MARCH 2023, AT 10.00 AM

PRESENT: Councillor M Pope (Chairman)
Councillors A Alder, K Crofton, R Fernando
and M Goldspink

OFFICERS IN ATTENDANCE:

Michele Aves	- Democratic Services Officer
Steven Linnett	- Head of Strategic Finance and Property
Alison Street	- Financial Planning Manager

ALSO IN ATTENDANCE:

Debbie Hanson	- Ernst Young LLP
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1 APOLOGIES

It was noted that Councillor Goldspink was substituting for Councillor Bell.

2 DECLARATIONS OF INTEREST

There were no declarations of interest.

3 CHAIRMAN'S ANNOUNCEMENTS

The Chairman asked that all participants used their microphones when speaking as the meeting was being

webcast.

4 TRAINING - STATEMENT OF ACCOUNTS

The Finance Business Partner introduced a training presentation to the Committee on the Statement of Accounts.

The Finance Business Partner said that the Statement of Accounts were produced annually in accordance with CIPFA's Code of Practice on Local Authority Accounting, which were the Committee's responsibility to approve.

The Finance Business Partner said that the accounts were made up of six key areas and comprehensively explained the contents of each area. She drew Members' attention to the new section within the Narrative Statement which related to the impact of Covid.

The Chairman and Councillor Goldspink asked for clarification of 'unusable reserves'. The Head of Strategic Finance and Property said that the balance sheet was required to show either liabilities or assets to comply with international reporting standards. He said that such items could not be used and they were merely shown as accounting adjustments to be regulation compliant.

The Chairman thanked the Finance Business Partner for her easily understandable explanation of the accounts. He asked if more references relating to climate change and the environment could feature in the future. The Finance Business Partner said that going forward the narrative would contain more

commentary in this area.

Councillor Crofton asked how the council was treating its debtors. The Chairman said that Note 15 covered debtors within the Statement of Accounts. The Finance Business Partner said that all debts were reviewed at the end of the financial year, and an assessment made to the provision required to determine the collectability. She said that the council had quite a large amount of aged debt, which officers were working on, but that provision had been made for write off should these debts not be collectable.

Councillor Crofton said that he was sure that the future Committee would want to concentrate on debtors. The Chairman said that debtors would be covered in future reports to the Committee, and that he understood that the Finance Department had a project which was concentrating on aged debtors.

The Head of Strategic Finance and Property said that as per Note 15, £2.5 million had been allocated to write off the council's uncollectable debt. He said that he had produced a report, shortly to go to the Chief Executive, which requested that the Finance Department be allocated extra staff to enable debts to be taken back in house from other service areas. He said that other methods, such as the changing of the wording on reminder letters, a 'pay before service' regime (where billing is made in advance), and the use of external credit recovery agencies where appropriate were also wanted.

The Head of Strategic Finance and Property said he had seen no write off of debt in the past two years. He

said should a debt be uncollectable the details were kept in the system and if the opportunity to pursue the debtor again arose this would be undertaken.

The Chairman asked who had the authority to write off debts. The Head of Strategic Finance and Property said that he had the delegated authority to write off up to £50,000 per individual debt, but this would also have to go to the Executive.

The Chairman asked if there would be an update on debtors at the meeting of the Audit and Governance Committee on 28 March 2023. The Head of Strategic Finance and Property said that this was not on the agenda on 28 March 2023.

Councillor Crofton said that debtors were discussed at a previous meeting of the Audit and Governance Committee, and that he had spoken about the possibility of the council using a recovery agency. He said that action was required with regards to the £2.5 million of debtors now. Councillor Alder agreed and said that debtors should be pursued with all vigour. She asked what was being done with the large Bishop's Stortford debt.

The Head of Strategic Finance and Property said that currently each Head of Service had devolved responsibility for each different debt portfolio and that he was unsure which debt Councillor Alder was referring to.

The Chairman asked Members for their thoughts on him contacting the Chief Executive to raise the Committee's call for immediate action regarding the

council's debtors. Members supported this approach.

Councillor Alder said that she understood from a previous meeting of the Committee that the Finance Department were going to take control of all debtors two months ago. She therefore asked that this did now happen. The Chairman said he did not recall the timeframe but that as discussed, there were plans for the Finance Department to have such function. He reiterated that he would make representation to the Chief Executive, regarding the Committee's concerns that this function was implemented in a timely manner.

RESOLVED – that the Statement of Accounts training be received.

5 RECEIPT OF THE EXTERNAL AUDITOR'S AUDIT RESULTS REPORT 2020/21

Debbie Hanson from Ernst Young LLP introduced the report, reminding the Committee that the provisional report was produced and presented in April 2022. She referred back on several errors which had been identified, which the auditors and the Finance Department had constructively worked on to resolve.

Debbie Hanson said that she recognised the pressures which the Finance Department had been under. She said that she hoped that the Committee would approve the accounts, for which she would then undertake final checks and be in a position to issue an unqualified opinion and conclusion.

The Chairman asked how the pandemic had affected audits in terms of the time spent by auditors on site in

offices and with regards to audit fees.

Debbie Hanson said that pre pandemic all audits were completed on site, but that for 2020 these were wholly undertaken remotely using remote technology. She said that although this had worked well, there was no substitute for people being in the same room. She said that extra observational work had been required with remote working to ensure competency and accuracy which was reflected in the fees relating to covid.

The Chairman said that he understood the difficulties which the Finance Team had been working under and extended his thanks to them.

Debbie Hanson drew Members' attention to the Executive Summary which started at page 14 of the report. She said that changes to the plan had been identified relating to Covid, that the risk around the Minimum Income Provision had been removed and that no risks had been identified around value for money.

Debbie Hanson referred to page 17 of the report which highlighted key risks, findings and conclusions and gave Members an overview of these.

Debbie Hanson referred to page 18 of the report and said that the Business Rates error which was identified was a specialist's calculation error had been corrected in the council's financial statements. She said that the error which was identified in the group cash flow statement had also been corrected by management. She said that no issues had been identified in relation to grant income associated with Covid-19.

Debbie Hanson referred to page 34 of the report which detailed audit differences and gave Members an overview of these. She said that a number of these differences were outside of the council's control, but some were classification errors, with the biggest error relating to PPE.

The Business Finance Partner said that the procedure relating to PPE was correct, it was the presentation which was incorrect. Debbie Hanson confirmed that this had no effect on the council's balance sheet.

Debbie Hanson drew Members' attention to page 35 of the report, which detailed a national issue which was identified in early 2022 in relation to accounting for infrastructure assets. She said that this issue effected all local authorities and a statutory override had been applied to enable the reporting of such assets on a net book basis until 2024/25.

The Chairman asked why the override was in place until 2024/25. Debbie Hanson said this was a temporary solution which had been put in place whilst the sector looked for an alternative for the accounting infrastructure assets. The Business Finance Partner said that the council had infrastructure assets such as bridges and footpaths.

Debbie Hanson referred to page 43 of the report which gave an assessment of financial controls. She said that the lease point was highlighted within this section, and a recommendation made that the council should robustly monitor all active leases through the capital asset register. She reiterated again that this was a

disclosure and presentation issue.

The Chairman thanked Debbie Hanson for her report. He referred to page 49 of the report and asked if the Public Sector Audit Appointments (PSAA) would look at the fees charged. Debbie Hanson said that all fees would be submitted to PSAA. She said that compared to ten years ago the complexity and expectations of the work carried out by auditors was incomparable.

The Chairman said that it was fair to say that audit fees were increasing. The Head of Strategic Finance and Property said that such fees had tripled. He confirmed that the audit was procured by the PSAA competitively, with the fees being those which were bid.

Councillor Alder asked if the Head of Strategic Finance and Property was confident that he had enough staff to carry out a review of procedures in a timely manner. The Head of Strategic Finance and Property said that the aforementioned report to the Chief Executive included a bid for extra staff to both deal with the issue of debtors and to assist with the production of the accounts (the latter of which was a considerable piece of work, which became more complicated every year).

Councillor Alder said that she thought that Members were in agreement that the council should concentrate on the recouping of its losses to bring in revenue. She said that although it was important for the council to record the value of any property this should not be so much of a priority.

It was moved by Councillor Alder and seconded by

Councillor Fernando 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 External Auditor’s Audit Results Report 2020/2021, be received.

6 APPROVAL OF THE 2020/21 STATEMENT OF ACCOUNTS

The Head of Strategic Finance and Property introduced the report and asked that the Committee approve the Statement of Accounts.

The Chairman asked if Members had any questions, which they did not.

The Chairman sought confirmation of and gave suggestions relating to possible changes in some of the presentation of the display information contained within the report. The Head of Strategic Finance and Property clarified these points.

It was moved by Councillor Crofton 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 the 2020/2021 Statement of Accounts be approved.

7 URGENT ITEMS

There were no urgent items.

The meeting closed at 11.05 am

Chairman
Date

Agenda Item 4

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MINUTES OF A MEETING OF THE
AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER,
WALLFIELDS, HERTFORD ON WEDNESDAY
12 APRIL 2023, AT 9.30 AM

PRESENT: Councillor M Pope (Chairman)
Councillors A Alder, R Fernando and
A Curtis (substitute for A Ward-Booth)

ALSO PRESENT:

Councillors P Ruffles

OFFICERS IN ATTENDANCE:

Michele Aves	- Democratic Services Officer
Steven Linnett	- Head of Strategic Finance and Property

ALSO IN ATTENDANCE:

Darren Bowler	- Shared Anti-Fraud Service (SAFS)
Simon Martin	- Shared Internal Audit Service

426 APOLOGIES

There were apologies for absence from Councillors Bell, Crofton, Huggins and Ward-Booth. It was noted that Councillor Curtis was substituting for Councillor Ward-Booth.

427 MINUTES - 24 JANUARY 2023

It was moved by Councillor Fernando and seconded by the Chairman that the Minutes of the meeting of the Committee held on 24 January 2023, 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. It was noted that Councillor Curtis abstained from the vote.

RESOLVED – that the Minutes of the Committee meeting held on 24 January 2023, be confirmed as a correct record and signed by the Chairman.

428 MINUTES - 28 MARCH 2023

It was moved by Councillor Fernando and seconded by the Chairman that the Minutes of the meeting of the Committee held on 28 March 2023, 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. It was noted that Councillor Curtis abstained from the vote.

RESOLVED – that the Minutes of the Committee meeting held on 28 March 2023, be confirmed as a correct record and signed by the Chairman.

429 CHAIRMAN'S ANNOUNCEMENTS

The Chairman reminded all participants to use their microphones when speaking as the meeting was being webcast.

The Chairman said that the meeting was the last of the Civic Year and extended his thanks to all Members and

Officers for their hard work over the past four years.

430 DECLARATIONS OF INTEREST

There were no declarations of interest.

431 SHARED INTERNAL AUDIT SERVICE - INTERNAL AUDIT PLAN 2023/24

The Shared Internal Audit Service Manager introduced the report which set out the Council's internal audit work programme for 2023/24.

The Shared Internal Audit Service Manager said that the audit approach could be seen from page 26 of the report. He drew Members' attention to page 31 of the report which showed a summary of the work programme with allocation of the 250 purchased audit days. The Shared Internal Audit Service Manager said that the work programme included coverage of key financial systems, as agreed by Leadership Team in February 2023.

The Shared Internal Audit Service Manager said that Appendix A of the report detailed the proposed audits outline scope, with Appendix B giving the proposed audit start dates. He said that flexibility may be required but that it was expected that this work would be delivered by the end of March 2024.

The Shared Internal Audit Service Manager said that the Committee would continue to receive update reports, which would detail the work of completed audits, and any important recommendations.

Councillor Curtis referred to page 31 of the report and asked how the estimates contained within the draft audit

plan had been compiled, and if changes to the estimated allocation of audit days could be made should circumstances transpire.

The Shared Internal Audit Service Manager said that the number of audit days purchased was commissioned by the Council. He said that a professional judgement was made as to if this number was sufficient, of which he was confident. He said that it was possible to flex the audit plan, and that any changes would be reported back to the Committee.

The Shared Internal Audit Service Manager said that the amount of time which was allocated to each audit was again a professional judgement, based upon experience. He said that there was a contingency of days within the plan, which could be drawn upon. He added that should less time be used than expected this surplus would be moved to into the contingency to be utilised on something else.

Councillor Curtis said that this was encouraging to hear.

Councillor Fernando referred to page 33 of the report and asked for further detail on how customer client feedback was being reviewed.

The Shared Internal Audit Service Manager said that a standard customer service questionnaire was sent to lead officers at the conclusion of any audit, but the rate of return was gradually declining. He said that alternative ways of gathering such intelligence were being explored, but that technology was in its infancy.

The Chairman referred to paragraph 1.2 of the

introduction to the report and asked if the strategy document mentioned could be circulated to the Members of the Committee. The Shared Internal Audit Service Manager said that he would arrange for this.

The Chairman referred to page 29 of the report and asked if the approach to work had changed post covid and if the impact of Covid was reducing.

The Shared Internal Audit Service Manager said that that pre Covid work was carried out almost exclusively on site. He said that the impact of Covid meant that the Shared Internal Audit Service (SIAS) continued to deliver most of its work remotely, but that the methodology remained the same. He said that SIAS utilised technology, such as Microsoft Teams for communication, and data analytics for auditing purposes. He said that the impact of Covid was less than it was one/two years ago and continued to diminish.

The Chairman referred to paragraph 2.16 of the report and asked why full completion of every aspect of the work plan was not always possible.

The Shared Internal Audit Service Manager said that this tended to happen in February/March with year-end closure pressures. He said that this may mean that aspects would not be completed until May but would not be cancelled without both the agreement of the audit sponsor and Members being advised.

The Chairman referred to Appendix A of the report and asked why some of the audits were short.

The Shared Internal Audit Service Manager said that

certain audits were carried out annually and therefore required less time than a conventional audit.

The Chairman referred to page 37 of the report and asked who the 'Audit Champion' was.

The Shared Internal Audit Service Manager said that the Audit Champion was the Head of Strategic Finance and Property, who monitored the audit programme. He said that SIAS had quarterly catch ups with the Audit Champion, and that these meetings were also attended by the Shared Anti-Fraud Service.

The Head of Strategic Finance and Property said that he had oversight of the audit programme, which ensured that SIAS were kept on track and up to date with any arising issues. He said that this also ensured that SIAS were not being obstructed internally. The Head of Strategic Finance and Property reiterated that the audit programme was flexible to the Council's needs.

Councillor Curtis asked for confirmation that the Committee's oversight included being informed of any changes to the audit programme.

The Shared Internal Audit Service Manager said that the Committee's update reports would include any such changes to the audit programme.

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

RESOLVED - that the proposed East Herts

Council Internal Audit Plan for 2023/24 be approved.

432 SHARED ANTI-FRAUD SERVICE - ANTI-FRAUD PLAN
2023/2024

The Shared Anti-Fraud Service Manager introduced the report which set out the Council's Anti-Fraud Plan for 2023/24. He reminded Members that the Council was one of the founding Members of the shared service which now comprised of seven other Local Authorities across Hertfordshire and Bedfordshire, as well as several social housing providers across the region.

The Shared Anti-Fraud Service Manager said that the Shared Anti-Fraud Service (SAFS) provided a variety of functions for the Council, which included the development of policies and process to prevent fraud, fraud awareness training and using data and data analytics to identify fraud.

The Shared Anti-Fraud Service Manager said that the Council had a history of effective fraud awareness, prevention and investigation. He said that the Anti-Fraud Plan for 2023/24 was very similar to plans in previous years but highlighted some key areas for particular focus. He said that the key message for 2023/24 was 'prevention', with Fraud Awareness Training open to all Members, particularly to those newly elected in May.

The Shared Anti-Fraud Service Manager said that Key Performance Indicators had been agreed with senior officers to deliver value for money. He detailed a new way of SAFS working for all partners, and the creation of specialist teams to build upon expertise and allow for

resilience and capacity. He also detailed a new bespoke project between SAFS and the Shared Procurement Service.

The Chairman referred to page 47 of the report and asked if the financial modelling which showed that the service would be sustainable for at least the next three years was a typical amount of time. He asked if this was reviewed annually.

The Shared Anti-Fraud Service Manager said that this was a short to mid-term review and appropriate for a shared service.

The Head of Strategic Finance and Property said that finances were discussed at each SAFS board meeting, with reserves monitored to cover the unexpected.

Councillor Curtis asked what impact Welwyn Hatfield Council joining SAFS would have on staff.

The Shared Anti-Fraud Service Manager said that SAFS staff numbers had increased from the teens to twenty-two officers, with two officers allocated to Welwyn Hatfield Council. He said that a further post would be filled in June 2023, with all staff able to flex across all partners.

Councillor Curtis said that this was very reassuring and asked how many Housing Associations were in the partnership, and how much of SAFS time did they take up.

The Shared Anti-Fraud Service Manager said that there were four local Housing Associations in the partnership, each of which had a contract of approximately 10 days. He said that they took up little resources compared to Local Authorities, added to the experience of the SAFS team, and

that investigations freed up housing stock for bidding by Local Authority housing applicants.

The Chairman referred to page 48 of the report and asked if the 285 days of counter fraud work which the Council had access to was adequate with SAFS revised structure.

The Shared Anti-Fraud Service Manager said that the global view, minus annual leave, holidays and training left approximately 250/260 working days. He said that this not based on one SAFS officer but the whole of the service. He said that partners would not see a reduction in service.

The Chairman asked if Fraud Awareness training was mandatory at the Council.

The Shared Anti-Fraud Service Manager said such training was mandatory at East Herts, which was delivered online. He said that there was enhanced training for officers in areas which required an uplift. The Shared Anti-Fraud Service Manager said that as much as possible training was delivered face to face, and that SAFS were in discussion with Democratic Services regarding training for all Members after the election.

The Chairman asked for further detail on the use of SAFS using data analytics with the Councils Benefit Service.

The Shared Anti-Fraud Service Manager said that data analytics highlighted irregularities, with East Herts a member of the Herts Fraud Hub which gave localised and targeted data. He said that the National Fraud Initiative (NFI) delivered data matching to identify and prevent fraud against the public sector.

The Chairman asked for confirmation of the costs for the Fraud Hub.

The Head of Strategic Finance and Property said that the fee for the NFI (as required by the Cabinet Office) was £4,080 and included the Herts Fraud Hub.

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

RESOLVED - that the Anti-Fraud Plan for 2023/24 be reviewed and approved.

433 MONITORING OF 2022/23 QUARTER THREE CORPORATE RISK REGISTER

The Head of Strategic Finance and Property introduced the report and drew Members' attention to the change in the scoring to risks three, four and seven.

The Head of Strategic Finance and Property said that the increase in risk three (performance, resilience and security of IT systems) from A2 to A1 was due to a Cabinet Office review of the shared ICT services. He said that the increase in the risk four (staff capacity and skills to deliver services) from B3 to B2 was due to a national shortage in lawyers, Planning and Environmental Health officers. He said that the increase in risk seven (Judicial Review and/or a major legal challenge) from C3 to B3 was in response to the progress of the Council's key capital projects.

Councillor Curtis referred to risk four (staff capacity and

skills to deliver services) and risk 5 (poor performance or failure of key partner or contractor) and questioned if the scores for these risks should be higher.

The Head of Strategic Finance and Property said that temporary agency staff were being used to fill vacant posts. He said that new recruitment methods were being utilised to attract staff, and opportunities such as carer graded posts and sponsored apprenticeships were being offered. He said that the Council was also exploring the possibility of sharing a Planning lawyer with North Herts District Council.

The Head of Strategic Finance and Property said that with regards to risk 5, the Council pre checked the credit ratings of all suppliers. He said that contracts included bonds and guarantees and that the Council had contingency plans in place should a contract fail.

The Head of Strategic Finance and Property said that contracts were monitored monthly and that poor performance by a contractor could trigger penalties, and a performance management regime before the termination of contract.

The Chairman reminded Members that the risk matrix scored each risk post mitigations.

Councillor Curtis referred to risk 6 (Judicial Review and/or major legal challenge) and asked if officers were confident that the score for this risk should not be higher.

The Head of Strategic Finance and Property said that the costs arising from Judicial Review and/or major legal challenge would not be in compensation. He said that the

costs would be legal and the delay to effected projects. He said that the score for this risk was agreed by the Head of Legal and Democratic Services and was again post mitigations.

Councillor Fernando said that he could see the points raised by Councillor Curtis, but that he agreed with the score for risk 6 post mitigations. The Chairman concurred with Councillor Fernando.

Councillor Fernando said that the change in the score to risk 3 (following a review by the Cabinet Officer of the Council's IT systems) was concerning as it was an area which the Committee had looked at before and suggested that the Council was therefore behind the curve.

The Head of Strategic Finance and Property said that it was unfortunate that the Cyber Awareness training which had been organised for the Committee had not gone ahead as planned due to the adjournment of the previous meeting. He said that this training was to be delivered by the Interim Strategic IT and Partnerships Manager, and therefore the new incoming post holder would be invited to the Committee.

The Head of Strategic Finance and Property said that the Council was not aware of the Cabinet Office's review, but that the increase in the score for risk 3 would have also been increased due to the Committee's concerns.

Councillor Curtis referred to risk 7 (District Plan) and asked if the non-delivery of the District Plan should be scored higher than A2. He said that new Members (post the May 2023 Elections) attitudes to Planning were unknown.

The Head of Strategic Finance and Property said that Head of Planning scored risk 7, which was based on experience. He suggested that the Head of Planning could write to the Chairman to explain her reasoning for the risk score of A2. This approach was agreed by the Chairman.

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

RESOLVED – that (A) the 2022/23 quarter three corporate risk register be reviewed, and officers advised of any further action that could be taken to manage risk; and

B) that the risks monitored at present are retained for the remainder of 2022/23 and that no new risks have currently been identified; and

C) that there are no changes to the methodology of risk management proposed for the 2023/24 period.

434 INDEPENDENT MEMBERS OF THE AUDIT AND GOVERNANCE COMMITTEE

The Head of Strategic Finance and Property introduced the report. He said that following the 2020 Redmond Review and subsequent Chartered Institute of Public Finance and Accountancy (CIPFA) guidance it was now mandated that at least one independent member should sit on Audit Committees.

The Head of Strategic Finance and Property said that the Council wished to move to recruit up to two independent members to its Audit and Governance Committee before this became a statutory requirement.

Councillor Curtis said that this was a sensible suggestion and agreed that the independent members should be non-voting.

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

RESOLVED – that (A) the appointment of two independent people (known as independent members) to sit on the Audit and Governance Committee for a period of four years, with a possible extension of a further six months to align to the municipal year be recommended to Council for approval; and

B) that the job advert and job pack as at Appendix A and Appendix B be recommended to Council for approval.

435 AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME

The Head of Strategic Finance and Property introduced the report. He said that the External Auditor's Report would need to be added to the agenda for the May 2023 meeting of the Committee, and that the Chairman may therefore wish to consider an earlier start time for this meeting.

The Head of Strategic Finance and Property said that due to the adjournment of the Committee Meeting on 28 March 2023 the Cyber Security training would also need to be rescheduled into the work programme.

The Chairman agreed that an earlier start time of 4pm for the May 2023 meeting of the Committee was a good idea due to its heavy agenda and asked that arrangements be made regarding this matter post-election when the Chairman of the Committee was decided.

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

- RESOLVED** – that (A) the work programme as set out in the report be approved; and
- B) that any training requirements be specified.

436 URGENT ITEMS

There were no urgent items.

The meeting closed at 10.58 am

Chairman
Date

East Herts Council Report

Audit & Governance Committee

Date of meeting: 31st May 2023

Report by: Cllr Sarah Hopewell, Executive Member, Wellbeing

Report title: Annual Leisure Contract Performance Report

Ward(s) affected: All

Summary – To present the annual review of East Herts Council’s fifteen-year leisure contract with Sport and Leisure Management Ltd (SLM) - trading as Everyone Active (EA).

RECOMMENDATIONS FOR Audit & Governance Committee:

- a) The views of the Audit and Governance Committee be received and noted.

1.0 Background

- 1.1 The fifteen-year contract with our leisure provider Sport and Leisure Management Ltd. (SLM), began on 1 January 2020. Now in year four of the fifteen-year contract, this report details the performance of Everyone Active (EA) throughout 2022 in delivering under the terms of the contract.
- 1.2 2022 has been a ground-breaking year for our leisure provision. It has been the first full operational year for the new Grange Paddocks leisure centre and operations post-Covid, and the new 3g pitch at Grange Paddocks leisure centre was completed in November 2022. In addition, the

newly refurbished pool at Hartham leisure centre was opened in May 2022. All are key factors that contributed to the highest visitor attendance of 1,134,239 in a calendar year.

1.3 There are four leisure centres which provide pool and gym facilities, and one facility with just a pool.

1.4 This annual report covers two main elements:

- Performance in relation to specifications within the contract
- Qualitative successes and improvements

Report

1.5 The following information provides a summary of the contract performance, including customer throughput, customer satisfaction, financial performance, public satisfaction, health, and safety management, added social value, and investments.

Customer throughput

1.6 The Council provides sector-leading leisure facilities and offers individuals the opportunity to participate in a range of sports and physical activities, regardless of age, ethnicity, gender, or level of physical activity. The benefits of an active lifestyle support the Council's commitment to health and wellbeing. Customer throughput refers to the number of attendances at the leisure centres.

Attendance

1.7 A key figure in assessing the performance of EA is the number of customers who used the facilities in 2022.

A total of 1,134,239 visits were made to our centres in 2022. The comparative figure for 2019 (the last full operational year due to Covid) was 1,043,152 visits. That makes the 2022 figure 91,087 visits higher than the previous record attendance, an increase of 8.7%. Within the 2022 figures, from July to November there were more than 100,000 visits per month, which is a fantastic achievement compared to previous years.

Sum of Total Site Attendance	TOTAL	YR on YR	YR on YR %
2019	1043152	18361	1.8%
2020	483389	-559763	-53.7%
2021	538365	54976	11.4%
2022	1134239	595874	110.7%

Activities included in the data are:

- Gym
- Casual swim
- Group exercise classes
- Swimming lessons (including 1:1 and school)
- Tennis
- Football

Swimming attendance

1.8 Swimming performance exceeded the contracts attendance target of 1% increase from the previous year. In 2022, there were 220,118 visits, which is over 43,000 more visits than the previous high in 2012. This figure is boosted by the new Grange Paddocks swimming pool which has greater water capacity compared to the old site. In 2022, Grange Paddocks saw a 150% increase in swim visits compared to any other period of the contract. The opening of Hartham pool also boosted figures for swimming attendance. To compare the

positive benefits of the new pool at Hartham across the same period, in June 2019 to December 2019 there were 30,702 swim visits, whilst in June 2022 to December 2022 there were 31,580.

Under-16 swim performance

- 1.9 Under 16s swimming attendance increased from 55,407 visits in 2022 from the historical average pre-2020 of 47,217. To ensure this level of participation continued to increase, EA focused on making swimming sessions fun and interactive. This has been achieved by investment from EA who have added lighting and interactive equipment to the splash lagoon, along with floats and toys to encourage play for families. Both Hartham and Grange Paddocks have window art to bring the pools to life.

Hartham and Grange Paddocks piloted aquatic inflatable weekend sessions, which were fully booked. The aim is to introduce regular sessions with the aquatic inflatables throughout 2023.

Family fun events also created opportunity and interest from new users and to ensure there are always inclusive activities within the swimming timetable.

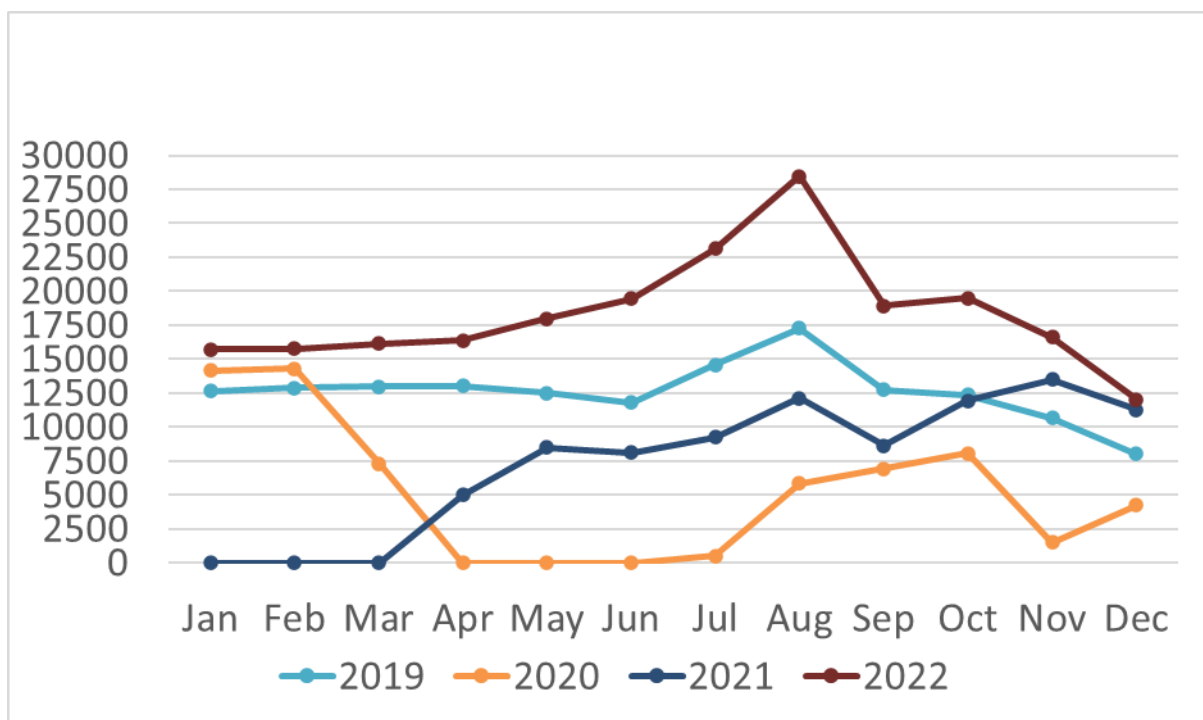
Adult swim performance

- 1.10 There were 132,623 adult swim visits in 2022, compared to the average between 2010 to 2019 of 91,379 across all sites. 2022 was the highest year for adult swimming attendance since 2012 109,546 adult swimming visits. From a site-by-site perspective, Fanshawe, Grange Paddocks, and Leventhorpe all achieved their highest annual adult swim attendance since EA first recorded attendance in 2010.

Senior swim performance (60 years plus)

1.11 Senior swimming is an area that historically has not seen the growth like other areas of swimming. There was also a knock-on effect from Covid, where senior members were unsure of being in an enclosed space. However, the opening of Hartham pool in May provided a boost for senior swimmers and a positive increase in overall attendance. In 2022 there were 32,212 visits, which is an increase of 36.1% from 2019.

Overall swim attendance for 2022 is highlighted in the graph below:



This highlights the upward trend of attendance from the opening of the Hartham swimming pool in May. The opening of Grange Paddocks in late 2021 also improved swimming attendance, firstly due to the sheer size of the new pool, which allows more people to use the facilities and it has now become a destination pool for users outside of Bishop's

Stortford. For the dual use sites, usage increases during term time, due to schools not using the facilities and therefore more swim time for the public. The graph also follows the leisure industry trend of swimming attendance reducing during winter months.

Gym attendance

1.12 There were 322,759 gym visits in 2022, which is 144,561 more than in 2021. This was an overall increase of 81%, however the leisure centres were shut until April 2021 due to lockdowns and not a true reflection. However, to compare to a pre-covid period the average annual gym attendance between 2010 to 2019 was 202,655. In 2022 Grange Paddocks recorded 217,205 gym visits, which is a significant increase from the pre-2020 annual average of 86,689.

EA have invested in new strength equipment, redecoration of the gyms, and LED lighting to boost new sales and retain existing members. New cardiovascular equipment was also installed in 2022 to grow attendance. The result was peak monthly gym attendance at Hartham increasing from 13,380 in 2021 to a peak of 27,138 in 2022.

The graph below shows gym attendance, including gender, age and

Section - Attendance	Sub Section	Target	2019	2020	2021	2022	YR on YR Variance	%
25-49 throughput by gender	Total	1%	259789	133512	169469	344577	175108	103.33%
	Male	1%	103343	58504	79742	156854	77112	96.70%
	Female	1%	155896	74834	89041	184457	95416	107.16%
	Other	1%	550	174	686	3266	2580	376.09%
50-59 throughput by gender	Total	1%	114994	62318	65574	110607	45033	68.68%
	Male	1%	47949	27742	29486	48813	19327	65.55%
	Female	1%	67003	34561	36014	61331	25317	70.30%
	Other	1%	42	15	74	463	389	525.68%
60-69 throughput by gender	Total	1%	68262	35155	35493	60834	25341	71.40%
	Male	1%	30488	16957	16370	24997	8627	52.70%
	Female	1%	37714	18162	19123	35636	16513	86.35%
	Other	1%	60	36	0	201	201	#DIV/0!
70+ throughput by gender	Total	1%	46742	18398	17268	29987	12719	73.66%
	Male	1%	21024	8091	7765	13203	5438	70.03%
	Female	1%	25709	10201	9449	16602	7153	75.70%
	Other	1%	9	106	54	182	128	237.04%
Older people 60+	Total	1%	115004	53553	52761	90821	38060	72.14%
	Male	1%	51512	25048	24135	38200	14065	58.28%
	Female	1%	63423	28363	28572	52238	23666	82.83%
	Other	1%	69	142	54	383	329	609.26%

target increases year on year of 1%.

Group participation

1.13 Group exercise is an area that EA developed throughout 2022 due to a drop in participation from pre-covid. There were multiple reasons for this, including people being wary of being in an enclosed space after covid, people's habits changing since lockdown and the capacity in the temporary studio at Hartham being 12 less than the new studio's maximum capacity. EA continued to enhance and regularly change their group exercise classes, which was met positively.

Most group exercise sessions were held at Grange Paddocks and Hartham, with a steady increase in total group exercise participation levels in 2022. There were 9,000 visits in October and November, which was on par with pre-covid levels. The annual number of group exercise visits was

105,626 in 2022, which is a growth of 123.4% since 2021. However, work is still required to exceed 2019's highest group exercise attendance of 127,149.

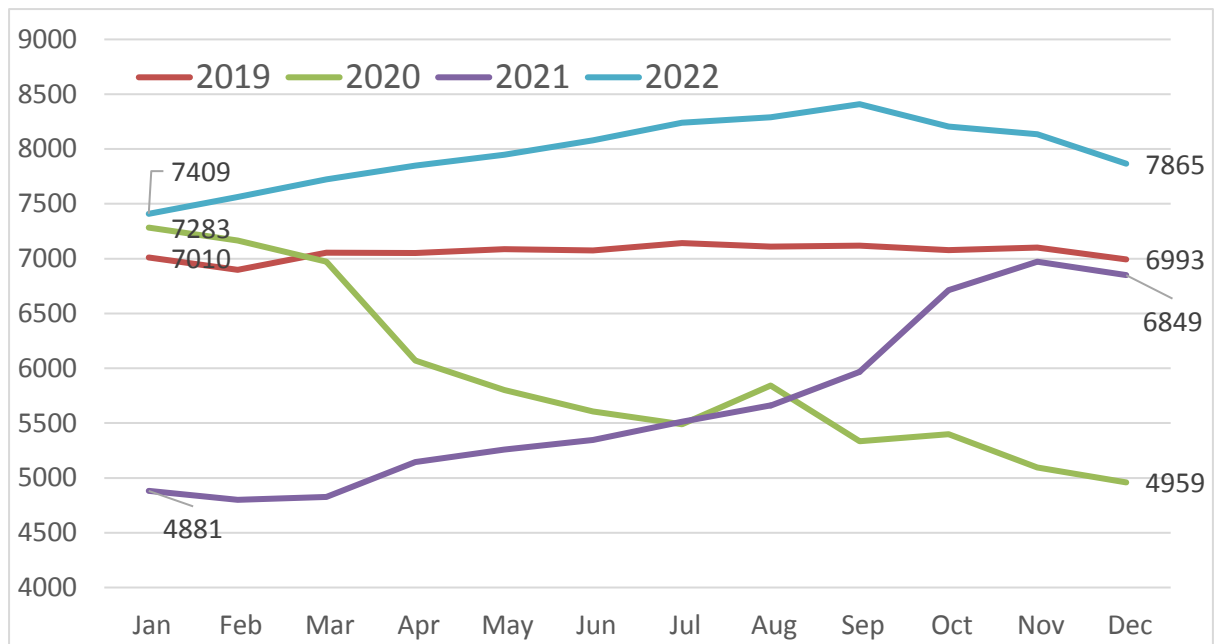
Membership

1.14 Membership increased month-on-month from January to September, EA saw a decrease in membership in Q4. Factors for this included the cost-of-living crisis, which has seen the annual renewal levels drop from 51% to 38% in the latter four months of the year, which accounts for around 240 members and a high level of cancellations.

Total membership

1.15 Membership has increased by 5% in 2022 across all sites, with Grange Paddocks membership peaking at 4,776 members in September. This dropped to 4,293 by December due to the one-year promotional membership price ending and an opening of a new gym in Bishop's Stortford which affected membership in the latter part of the year. Across the rest of the contract, EA has seen consistency with membership numbers at Fanshawe, retaining between 680-690 members.

The opening of the pool at Hartham boosted membership from 2,116 in January to 2,566 in December 2022. Similarly, EA saw an increase in total membership levels for Leventhorpe, which has grown by approximately 10% across the year.



Health and wellbeing initiatives

1.16 EA continued to serve the community with successful and vital engagement activities, ensuring everyone had access to take part in physical activity across the district. The ongoing work across the leisure centres continued to develop and deliver strategic community health and wellbeing programmes. Multiple community engagement activities were supported by EA throughout 2022, from local fundraisers to supporting the East Herts Council’s Love Parks Week events.

An area which has not been reinstated since 2019 is the work with Active East Herts, who organised regular Go-tri events at Grange Paddocks. However, EA continued to work closely with local swimming clubs across all sites and are partnering with Bishop’s Stortford Triathlon Club in 2023 for their first club event.

When the Hartham leisure project is completed, this will give EA greater ability to increase community engagement and activities in 2023.

Ukrainian refugee initiative

1.17 EA corporately provided free membership to Ukrainian refugees to support their integration into community life and to boost wellbeing and health. Across leisure centres in East Herts there were 213 users participating in the scheme during 2022.

Parkinson's programme

1.18 Parkinson's UK were the official charity of EA in 2022 and the partnership offered free membership to individuals with Parkinson's and their carers. Being physically active when living with Parkinson's can offer as much benefit as medication. Currently, in East Herts, a solid working group based at Grange Paddocks has been developed, which has grown into a supportive social group for those with Parkinson's and their families.

The project sees a neuro group, including Parkinson's, dementia, and other neurological conditions, holding regular Nordic walking, boxing, boccia, gym sessions and swimming teaching trials, plus their own Christmas party. This project is aspiring to further development in 2023, with a view to the community room at Grange Paddocks becoming a hub for the group.

Sporting champions

1.19 The Sporting Champions entered its seventh year in 2022. The scheme allows talented athletes to utilise training

support and mentoring sessions to further their budding careers. The scheme is three-tiered with gold, silver, and bronze levels.

In the April 2022, 20 local athletes were selected to join the Sporting Champions scheme in East Herts. These athletes received free access to the centres and online programmes from EA, along with a mentoring session with elite athletes and support days led by professional athlete Colin Jackson.

Partnership working

1.20 The value EA brings to the community through engagement activities provided at Council owned leisure centres is invaluable to customers and residents. Other partnerships include:

- EA working in partnership with Alzheimer's UK to promote the opportunities within East Herts leisure centres to be active and promote the facilities available for visitors to use.
- Weight Watchers are part of EA's corporate partnership. EA are working on providing space at Grange Paddocks for the community to have free access to space to hold weekly meetings.
- Herts Sports Partnership funded HAPPY activity camps which were held in the holidays between the festive period and New Year.
- EA also partnered with Stevenage Football Community Trust, providing coaching for walking football sessions at Hartham.
- EA linked up with Table Tennis England with junior table tennis to promote table tennis.
- The new 3g pitch launched at Grange Paddocks leisure centre in Q4 has provided multiple community engagement

partnerships, including Ipswich Town Football Foundation and Soccer Sixes for regular hirers.

- Herts Learning Enterprise group, Chartered Institute of Management of Sport and Physical Activity and Herts Sport Partnership along with Dan Humphries (Contract Manager) and EA worked on a skill and recruitment programme aimed at improving the attraction to young people for careers in the leisure and sports industry.
- Generation Broxbourne partnered with Herts Learning Enterprise group and attended careers fairs to promote careers and skills training in Broxbourne and East Herts.
- Dementia Awareness Week ran between 16th and 20th May, with several new activities and introduction sessions held at Grange Paddocks.
- EA worked to support and hold the annual Mencap (Grove Cottage) Santa Dash at Grange Paddocks.

Social Value

1.21 Social Value measures the positive value that an organisation creates for society, communities, and the economy, including the NHS. The Social Value indicators table below is part of the Social Value Calculator (SVC) dashboard, which is based on several factors.

Physical and Mental Health is calculated on the health care cost savings for eight health outcomes. These relate to reduced risk and prevent cases of illness, combined with the reduced GP visits and psychotherapy usage for physically active people.

The Subjective Wellbeing outcome refers to an increase in life satisfaction. It is calculated by multiplying the value of

increased wellbeing (derived from a participant's engagement in sport) by the number of unique people taking part.

Individual Development refers to the improvement in educational attainment and higher starting salaries gained through participating in sport at university.

The Social and Community Development (SVC) outcome represents the reduction in crime rates for young males and the social capital based on improved networks, trust and reciprocity.

From a Social Value perspective, the SVC concluded that EA generated a total Social Value across all centres of £4,762,034 for 2022. This figure was £2,211,966 2021, an increase of 115%.

The table below included figures from each of the sites' SVC. The dual-use sites provide less Social Value because EA are unable to access data during school time.

	Total Social Value	Total SV participation	Social value per person	2021	2022	% difference
ALL	£ 4,762,033	£ 29,891	£ 159	£2,211,966	£ 4,762,174	115%
FAN	£ 359,343	£ 3,288	£ 109	£ 271,089	£ 359,343	33%
GPP	£ 3,003,466	£ 16,436	£ 183	£1,174,055	£ 3,003,607	156%
HAR	£ 1,180,749	£ 7,577	£ 156	£ 614,744	£ 1,180,749	92%
LEV	£ 167,839	£ 1,690	£ 99	£ 117,504	£ 167,839	43%
WFR	£ 50,636	£ 900	£ 56	£ 34,574	£ 50,636	46%

East Herts leisure centres' SV figures are in the top quartile for values, both per person and per site in comparison to industry benchmarks.

Customer satisfaction

1.22 EA send out six-monthly customer satisfaction feedback surveys to all customers. The overall customer satisfaction score for 2022 was down 4.4% - the lowest score in six years. Please note no data was reported in 2020 due to covid.

	2022	2021	2019	2018	2017
How satisfied are you with the customer service you experienced during your visit?	Very Good to Good	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied
All Sites	82.4%	86.9%	86.7%	87.3%	87.7%
FAN	62.9%	83.3%	81.0%	78.7%	87.0%
GPP	88.6%	87.9%	87.1%	77.7%	83.0%
HAR	77.0%	86.1%	86.4%	87.4%	84.2%
LEV	86.4%	88.2%	91.6%	94.1%	93.0%
WFR	54.5%	90.2%	87.9%	98.4%	91.0%

EA set in motion an improvement plan, including updating the changing rooms and cleanliness during swimming lessons. In addition to facility-related negative feedback, issues were raised over the process around checking ID to ensure that those claiming concessionary pricing were entitled to it. The increase in membership cost following the end of the promotional period at Grange Paddocks was highlighted by customers as a negative, as was the availability of swimming lessons for middle-stage swimmers.

To counter the latter, EA have added more lessons for these stages to meet demand.

7.1 Swimming experience

1.23 From the overall survey summary in 2022, the combined site results for satisfaction for swimming experience increased from 78.2% in 2021 to 84.1% in 2022. The 2022 scoring was boosted by a full 12 months of swimming in the new Grange Paddocks centre and by Hartham reopening, where scores increase to 83.7% from the previous year.

	2022	2021	2019	2018	2017
0.5.How would you rate the overall swimming experience in the leisure centre?	Very Good to Good	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied
All Sites	84.1%	78.2%	80.2%	81.8%	80.8%
FAN	68.0%	81.7%	81.3%	58.4%	71.6%
GPP	88.7%	85.0%	73.8%	58.1%	72.1%
HAR	83.7%	81.7%	80.4%	84.1%	82.9%
LEV	84.1%	81.8%	81.3%	83.2%	88.3%
WFR	61.1%	84.1%	83.6%	93.7%	89.1%

At Fanshawe, the scoring decreased to 68%. There were several themes that were highlighted, including pool capacity. There were some negative responses about the lack of pool space for public swimming in the period before Hartham pool reopened and investment in changing areas (while Hartham pool was closed for refurbishment, customers were directed to Fanshawe pool). In response to the feedback, EA invested in new tiling and showers for the wet side changing as part of their site improvement plan.

From a Ward Freman perspective, there are ongoing issues with the pool floor that EA are working on smaller-scale improvements at this facility.

Fitness experience

1.24 Disappointingly the fitness experience scoring dropped from previous years in 2022. Several site-specific improvements are due from the review and improvement plans from EA. The table below reveals the customer survey results for 2022.

How would you rate the overall gym and group exercise experience in the leisure centre?	Very Good to Good	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied	% very satisfied or fairly satisfied
All Sites	78.3%	83.9%	81.8%	82.8%	87.2%
FAN	41.3%	80.7%	75.6%	62.9%	75.1%
GPP	89.1%	91.9%	77.3%	71.8%	85.3%
HAR	72.9%	82.3%	84.2%	92.6%	92.4%
LEV	37.5%	82.8%	75.5%	65.5%	96.0%
WFR	NA	N/A	N/A	N/A	N/A

Fanshawe and Leventhorpe results highlighted that gym equipment was in the latter stages of its lifecycle. Due to a change in EA's corporate fitness equipment provider, they will be looking to improve the gym equipment at Fanshawe and Leventhorpe using the equipment from Hartham when they finish the refurbishment, with new gym equipment throughout.

EA have now introduced several gym support sessions, which gym users can use to become more confident in different aspects of gym activity.

Impact on customer wellbeing

1.25 The customer survey question on impact to customer wellbeing continues to achieve 85% and above. For 2022, this level increased to 89.54%, which is a positive result and a consistent level of customer agreement.

	2022	2021	2019	2018	2017
Do you think coming to our centre's activities have improved your health and wellbeing?	Yes	Agree	Agree	Agree	Agree
All Sites	89.54%	88.4%	86.5%	84.6%	89.5%
FAN	89.34%	87.0%	81.5%	82.0%	98.0%
GPP	89.86%	90.2%	88.7%	74.3%	90.0%
HAR	89.23%	87.8%	87.7%	87.9%	88.0%
LEV	88.64%	83.5%	82.1%	84.2%	80.0%
WFR	86.36%	92.7%	87.4%	96.8%	91.0%

Value for money

1.26 Value for money remains important due to the cost-of-living crisis; this question was introduced in 2022 to reflect the current climate. The average score across 2022 for all sites was 78.37%.

How would you rate the activities at the centre in terms of Value of Money	Very Good to Good	Poor to Very Poor
All Sites	78.37%	5.08%
FAN	68.75%	7.81%
GPP	82.40%	3.81%
HAR	76.39%	6.01%
LEV	74.42%	2.33%
WFR	62.50%	25.00%

FanshaFanshawe scored 68.7 % which was less than the overall average, however EA have planned a refresh of the gym and wet side changing room in 2023.

It's worth noting the scoring for Ward Freman is based on less than eight responses.

Health and safety

- 1.27 EA have worked closely with the Council's Health and Safety Officer to streamline health and safety audits. As of 2022, documents have been prepared in advanced of inspections and using Sharepoint to view documents with more ease. Details include risk assessments and accident analysis.

EA carry out an overall audit of internal health and safety reviews, which is an annual process comprised of 12 months of monitoring, including compliance to the statutory and corporate standards, training and administration, and two review audits for each site.

Across the contract, EA scored 96.7% at Fanshawe, 92.7% at Grange Paddocks, 100% at Hartham, 92.7% at Leventhorpe and Ward Freman achieved 85.7% on compliance. These are carried out by EA regional and group health and safety teams.

Major incidents

- 1.28 No major incidents occurred during this period.

Accident summary

- 1.29 EA use benchmarking for accident performance analysis, by comparing the level against accidents per 10,000 visits. This provides a comparison where sites can be cross-referenced against benchmarked levels.

2022 Accident Analysis											
Contract	Site	Total Site Attendance	Total Accidents	Natural Causes	Sporting Injury	Other type of Injury	No of Customer Accidents	No of SLIPS (Non-Sporting)	No of Contractor Accidents	No of Colleague Accidents	Monthly Accident Rate per 10,000 Visits
East Herts 2022 only	Fanshaw Pool and Gym	87232	15	3	0	8	13	5	0	0	1.4903
	Grange Paddocks	691968	72	14	12	40	64	4	0	8	0.9249
	Hartham Leisure Centre	231911	17	2	3	8	13	3	0	4	0.5606
	Leventhorpe Pool and Gym	67425	7	2	0	3	6	2	0	1	0.8899
	Ward Freeman Pool	55703	10	3	1	5	9	0	0	1	1.6157
	TOTAL	1134239	121	24	16	64	105	14	0	14	0.9257

Overall, EA has a group threshold of four accidents per 10,000 visits. In 2022, there were 0.9257 accidents per 10,000 visits, compared to the previous year of 0.92 per 10,000 visits. This highlights a consistent approach to safety in the centres, especially as more people visited the centre in 2022.

Microbiology testing

- 1.30 All swimming pools are microbiologically tested by East Herts Council on a quarterly basis as well as independently tested by Kingfisher Environmental Services Ltd on behalf of EA monthly. All Kingfisher reports have come back with satisfactory and highly satisfactory grading.

Inspections

- 1.31 In addition to formal set monitoring arrangements, East Herts Council officers undertake a mixture of monthly unannounced and announced inspections, reviewing and recording service delivery, marketing, health & safety and monitoring procedure standards.

The inspections have shown an acceptable level of performance in the quality of the leisure service delivered across the areas inspected. A joint focus has highlighted some needs for improvement in terms of cleaning and redecoration schedules.

Utilities

1.32 The increased price of utilities nationally and locally in the latter end of 2022 has been a focal point for EA.

Across the contract, EA reduced pool temperatures between 0.5 and one degree, depending on the pool's usage. These lower temperatures aligned within the Pool Water Treatment Advisory Group standard guidance and provided 8-10% energy savings.

EA conducted regular environmental and energy reduction reviews from October to December 2022 to proactively drive marginal gains around lighting and changes to daylight hours and external temperatures.

EA worked on using their Customer Relationship Management system to highlight when there are programmed empty spaces in their activities studios to ensure, lighting and heating were reduced or switched off until the subsequent sessions.

EA also focused on timers, with the air handling unit (AHU) for the poolside at Fanshawe being upgraded to a 24/7-day timer, rather than just a 24-hour time giving them greater control of usage.

In addition, staff attended training for each with the Carbon and Energy Reduction Officer, who attends monthly online meetings to share best practices, new ideas, and plans to reduce energy and carbon emissions.

Utility reductions

1.33 EA held monthly reviews for the following aspects of operations to ensure that they were driving marginal reductions from energy:

- Building Management System timer reviews - ensuring start and end points for all sites mirrored the opening and closing plan. Where sites were closed over the festive periods, EA applied closed parameters to minimise energy consumption when sites were closed.
- Office/colleague air handling system/AC only operated during office hours when staff were in situ. AC has also been set at 20 degrees in winter and summer months.
- Changing room lighting – duty managers started turning lights off when the centre was not in use. This was more the case in the dual sites when schools were only using the pool for a certain number of hours per day.
- 3g pitch lighting has an external light timer, EA programmed the pitches at Hartham and Grange Paddocks leisure centre to have minimum overlap between booking starting and finishing.

Each site continues to improve ways of utility reductions, including LED lights throughout, air conditioning control and the replacement of inefficient doors.

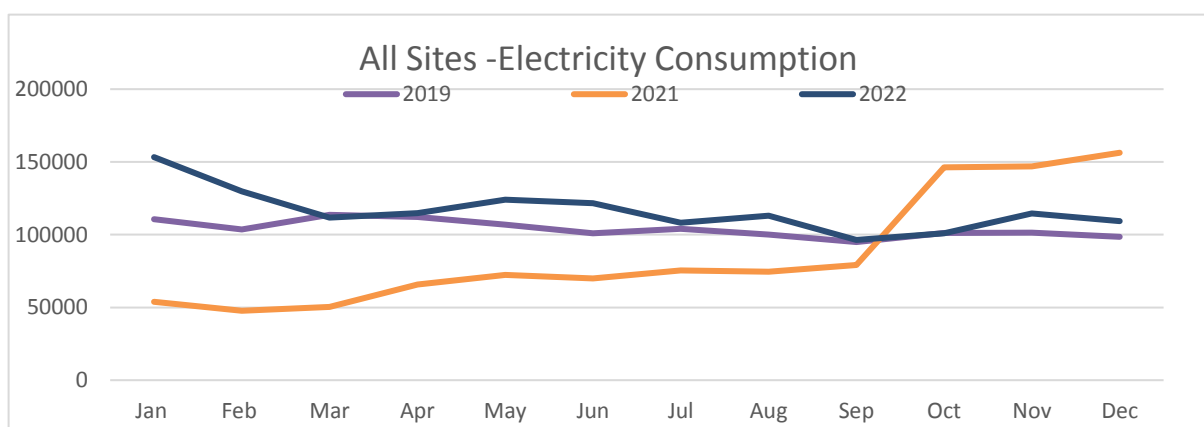
Environmental campaigns

1.34 EA introduced an awareness campaign for colleagues and customers to promote ways to help the environment with easy and simple actions.

From October to January, EA conducted a campaign to raise the profile of energy and water reduction savings. There was a new theme each month over four months, based on the following: colleague awareness, water reduction, energy reduction, and recycling.

Electricity consumption

1.35 The table below shows the combined sites' electricity consumption by month from 2019 to 2022.



EA saw an increase of 34.61% in electricity consumption compared to 2021, which is to be expected as leisure centres reopened April 2021 following the lockdowns. The new Grange Paddocks electricity consumption was also different from the old sites, due to sheer size of the footprint, for example the pool has 154% more water space than the old site.

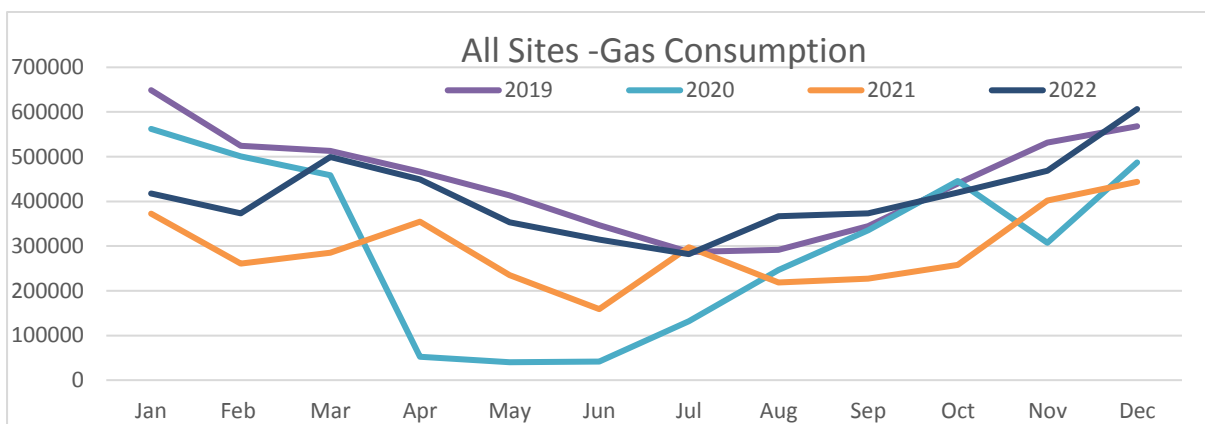
The graph above highlights that electricity consumption in Q1 and Q2 in 2022 were higher than in previous years. After refinement of consumption levels at Grange Paddocks and reduction plans at other sites working, Q3 and Q4 reduced to consumption trends in previous years. EA efforts to

decrease consumption can be found in appendix paragraph 1.37.

Gas

1.36 Gas consumption increased due to the combined heat power unit in the new Grange Paddocks, which uses more gas instead of electricity (as historically gas was cheaper than electricity).

The graph below indicates that in 2022, EA consumed 40.12% more gas than 2021, this was partially due to the centres being closed during lockdown, coupled with more pool space at Grange Paddocks and the Hartham pool project completion in May 2022, which increased attendance levels.



Whilst the consumption was higher in 2022 than the two years previous, the total consumption level of 4,923,123 kWh was around the pre-covid range.

1.37 Investments in East Herts Leisure centres:

Each month EA summarises their customer feedback by providing a section in the monthly report titled 'You Said We Did', in a bid to demonstrate what they are doing about

feedback or issues raised. Below is a summary of improvements made from customer comments in 2022:

Hartham

- Customer requests for toilets to be added to the temporary studio area; unfortunately, this is not possible. Instead, EA improved the pathway routes into the centre, so users can access the centre quicker.
- Temporary studio floor often slippery; this has been resolved through the air handling for the temporary studio being on all day and night to prevent dew from forming on the floor and becoming a hazard.
- More family swimming time in the learner pool, which was been added.
- Changing village cubicles were broken and bowing; this is an ongoing issue and being dealt with by Cadman.
- More space need in swimming lessons, these were added.
- More seating for parents when their children are swimming – a new area was added and welcomed by parents.

Fanshawe

- Pool temperature too warm – fitted with a new heating control valves and new activator that stabilised the pool temperature.
- Shower pressure in the changing rooms was poor due to the showers being fed from a gravity-led water tank; the water pressure struggled with a high number of users at any given time. EA installed boost pumps in these areas to improve the shower pressures and water flow.
- Air conditioning in the gym – installed in March 2022.
- More swimming times for public – EA added more lane swimming and reached full capacity, but due to the nature of

the dual-use agreement it's not possible to add the amount customers would like.

- Can EA have more Aqua sessions at Fanshawe – EA increased the capacities in existing sessions.

Ward Freman

- Pool floor is not in great condition – EA made the area safe to use and are awaiting further developments.
- Showers very dated – EA working to improve the cosmetics of the shower area.
- Hair dryers were dated – new ones have been added.

Leventhorpe

- The centre is looking old and tired – this is planned to be refreshed in summer 2023.
- Pool looking tired - EA spent £5,000 on redecoration around the site to improve small elements, new LED lights are due to be installed in 2023.

Grange Paddocks

- Price increase Grange Paddocks – EA received several negative feedback comments and cancellations from members who signed up on the £29.99 offer, which increased to £39.99, 12 months after the centre opened.
- Teen gym at Grange Paddocks – the 12 to 16-year-old sessions grew significantly. EA received feedback requesting more programmed sessions. However, some gym members were not happy with the volume of young people during adult sessions. Working with staff on site, EA worked proactively to resolve the issues.

- Toilets refilling in the ladies – this was a latent defect issue, and EA have weekly checks from our maintenance manager to ensure the issue doesn't resurface.
- Non-inclusive prices for the 3g pitch - pay and play was introduced, this includes off-peak prices for users to come and pay during school holidays.

6.0 Implications/Consultations

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

No

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

N/A

Contact Member

Councillor Sarah Hopewell – Executive Member, Wellbeing

sarah.hopewell@eastherts.gov.uk

Contact Officer

Jess Khanom-Metaman, Head of Operations
Contact Tel. No. 1693

jess.khanom-metaman@eastherts.gov.uk

Report Author

Emily Tickridge – Leisure & Parks Development Officer

emily.tickridge@eastherts.gov.uk

Agenda Item 9

East Herts Council Report

Audit and Governance Committee

Date of meeting: 31 May 2023

Report by: Councillor Sarah Hopewell, Executive member for Wellbeing

Report title: Hertford Theatre Pricing Strategy

Ward(s) affected: ALL

Summary

The purpose of this report is to outline the pricing strategy for the new Hertford Theatre building.

RECOMMENDATIONS FOR Audit and Governance Committee:

- a) To endorse the principle of, and approach to, charging for all aspects of the new Hertford Theatre building, as outlined in this report, in order to inform the Executive's consideration for adoption.

1.0 Proposal(s)

- 1.0 To introduce a new pricing strategy for the new Hertford Theatre building as described in this report.

2.0 Background

- 2.1 In 2018 Council approved a capital development scheme for the Hertford Theatre referred to as the Growth and legacy project. The project has seen a number of financial

challenges with inflationary pressures resulting from Covid, Brexit and the war on Ukraine.

- 2.2 The project is however now on track to complete in Spring 2024 and in readiness for this a pricing strategy including proposed fees and charges have been compiled to allow bookings to commence prior to opening.
- 2.4 The approach considers the Council's fees and charges policy including full cost recovery.
- 2.5 The strategy for determining costs used the following inputs:
 - Up to date capital investment figure for return on investment of £22.7m
 - Consideration of detailed VAT advice on hires and purchases to ensure charges have correct VAT treatment.
 - Consumer Price Index (CPI) uplift to reflect current prices
 - Up to date borrowing rate
 - Occupancy rates guided by 19/20 levels

Spaces for hire

- 2.6 A full pricing list for hire spaces can be found in Appendix A. A commercial rate and community rate have been included for the main auditorium and studio-theatre to ensure all sectors of the population are able hire the facilities. Commercial hirers include private organisations including limited companies and businesses, self-employed individuals. Examples include dance companies. Community hirers include schools, charities, social enterprises, children's parties, other local authorities and not-for-profit groups. For other spaces in the building there is a single rate only.

- 2.7 In line with the 2019, business plan which has been adopted for the current revised business plan the community room hire rate is £30 per hour for the first year of operation.
- 2.8 The percentage increase of the main theatre and studio reflects both inflation and the increase in capacity from 400 to 550 in the main theatre and from 60 to 150 in the studio. This percentage increase is in line with the business plan. It is worth noting that this uplift in capacity affords any hirer(s) the opportunity to increase their overall revenue return by an equivalent percentage. For example, a sold-out main theatre show for a hirer on a £15 ticket potentially returns £8250 per performance against £6000 previously. Or in the studio; £2250 against £900 previously.

Ticketing

- 2.9 In terms of cinema ticketing, the price will include VAT. At opening it is expected that the price of a cinema ticket on average for an adult will be £7 plus VAT. It is important to note that depending on the film screened, where it is screened in the new building and the date and time of the screening this cost will fluctuate.
- 2.10 A booking fee of £2.00 will be added to all ticketing transactions, this is in line with the business plan approval in 2019, this figure has been retained for the current business plan update. This fee will be reviewed annually.

Food and Beverage

- 2.11 At this stage of the opening plans it is too early to determine the detailed pricing of the food and beverage (F&B) offer however high-level pricing has been carried to determine

that for the first year of opening F&B pricing will be between £3.50 - £10 plus VAT.

- 2.12 It is proposed that the Head of Operations approves the detailed pricing for the food and beverage offer in consultation with the Theatre Director and requirements of the business plan.

Events, Productions and Merchandise

- 2.13 Each production that is curated to form part of the commercially focussed, culturally balanced, programme is made available to the theatre on a variety of terms: a guaranteed fee, a percentage box office split, or a combination thereof. This impacts on the potential price of the ticket which is negotiated with the producers or promoters to ensure parity with other venues and viability in relation to the business case. There are many moving parts to these deals, including terms on additional necessary technical staff, marketing, press, royalties, licenses, merchandise and other fees. Each event or production is negotiated individually to ensure best value for the theatre. There is no negotiation on cinema deals as these are delivered on set fees against percentage splits set by the film distributor. However, the face value of the ticket and any associated booking fees are set by the theatre itself.

Annual uplifts

- 2.14 All costs will be adjusted annually in line with September CPI in the previous year. The business plan and pricing from April 2024 onwards will be based on September 2022 pricing in order to progress bookings in advance of opening.

Reporting

- 2.15 As agreed at full Council in March 2022, a report on finances and performance of the Theatre will be provided to the Audit and Governance committee annually.

3.0 Reason(s)

- 3.1 Given the level of investment into the expanded offer and invest to save principles this was based on, the new pricing offer needs to recover the capital investment and contribute to the council's Medium Term Financial Plan (MTFP). Prices lower than those stated will impact the council's financial position and ability to re-pay the loan. This approach achieves what was set out in 2018, an investment that provides for the local community, contributes financially, and is protected as a non-statutory service by reducing its financial burden to the Council.

4.0 Options

- 4.1 Do nothing – NOT RECOMMENDED. Not charging to reflect the expanded offer means the council would operate the Theatre at a cost which will significantly impact the Medium Term Financial Plan. This goes against the original drivers for the project.

5.0 Risks

- 5.1 There is reputational risk associated with the introduction of any new charge which could possibly be amplified should users compare prices to the old building. It is important to note that the offer is different and larger and therefore providing hirers the opportunity to expand their return also.

6.0 Implications/Consultations

- 6.1 A number of implications have been considered as part of this report.

Community Safety

N/A

Data Protection

N/A

Equalities

Yes – Appendix B

Environmental Sustainability

N/A

Financial

Yes – the approach fulfils the requirements of the fees and charges policy and contributions to the medium term financial plan.

Health and Safety

N/A

Human Resources

N/A

Human Rights

N/A

Legal

Yes – contracts for hirers have been reviewed and updated as part of this process.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Appendix A – Spaces for hire charges HT

7.2 Appendix B – Equalities Impact Assessment

7.3 Appendix C – Summary of business plan

Contact Member Cllr Sarah Hopewell

Sarah.Hopewell@eastherts.gov.uk

Contact Officers Jess Khanom-Metaman, Head of Operations

Contact Tel. No. ext 1693

jess.khanom-metaman@eastherts.gov.uk

Rhys Thomas, Theatre Director

Contact Tel. No. 01992 531614

Rhys.Thomas@hertfordtheatre.com

	A	B	C	D	E	F	G	H	I
1	HIRE CHARGES BP TARGETS								
2									
3		2018-20					2024-26		
4			BoE Inflation	2018+CPI	Capacity Inc	CPI+Capacity Inc	Exc 20% VAT		Exc 20% VAT
5			15.00%		12.50%				
6	AUDITORIUM								
7	<i>Capacity increase 400 to 550</i>								
8	<i>Capacity increase 37%</i>								
9	<i>1/3 chargeable capacity increase 12.5%</i>								
10									
11	Mon-Fri per hour (4 hrs min)								
12	9-1pm	£69.00	£10.35	£79.35	£9.92	£89.27	£90.00	per hour	£360.00
13	1-6pm	£85.00	£12.75	£97.75	£12.22	£109.97	£110.00	per hour	£550.00
14	6-11pm (Midnight 2018-20)	£95.50	£14.33	£109.83	£13.73	£123.55	£124.00	per hour	£620.00
15									£1,530.00
16	Sat, Sun and BH (4 hrs min)								
17	9-1pm	£85.00	£12.75	£97.75	£12.22	£109.97	£110.00	per hour	£440.00
18	1-6pm	£95.50	£14.33	£109.83	£13.73	£123.55	£124.00	per hour	£620.00
19	6-11pm (Midnight 2018-20)	£136.50	£20.48	£156.98	£19.62	£176.60	£177.00	per hour	£885.00
20									£1,945.00
21	Full week (Monday-Sunday 9-11pm)								
22	Community Rate	£5,722.50	£858.38	£6,580.88	£822.61	£7,403.48	£7,400.00	per week	
23	Commercial Rate	£7,507.50	£1,126.13	£8,633.63	£1,079.20	£9,712.83	£9,700.00	per week	
24									
25	BUSINESS PLAN	Month 1	Month 2	Average					
26	weekends	£7,650	£7,650						
27	weekdays	£3,890	£3,890						
28	Average Daily Price	£1,649	£1,649						
29	Full week non prof assuming once per mon	£1,057	£0						
30	Full Week Prof assuming once per month h	£0	£1,386						
31	Final Average Daily Price	£1,501	£1,583	£1,542					
32									
33									
34	NEW STUDIO THEATRE								
35	<i>Capacity increase 50 to 150</i>								
36	<i>Capacity increase 200%</i>								
37	<i>1/3 chargeable capacity increase 66%</i>				66.00%				
38									
39	Mon-Fri per hour (4 hrs min)								
40	9-1pm	n/a					£45.00	per hour	£180.00
41	1-6pm	n/a					£55.00	per hour	£275.00
42	6-11pm	n/a					£62.00	per hour	£310.00
43									£765.00
44	Sat, Sun and BH (4 hrs min)								
45	9-1pm	n/a					£55.00	per hour	£220.00
46	1-6pm	n/a					£62.00	per hour	£310.00
47	6-11pm	n/a					£89.00	per hour	£445.00
48									£975.00
49	Full week (Monday-Sunday 9-11pm)								
50	Community Rate	£1,837.50	£275.63	£2,113.13	£1,394.66	£3,507.79	£3,500.00	per week	
51	Commercial Rate	£2,474.00	£371.10	£2,845.10	£1,877.77	£4,722.87	£4,700.00	per week	
52									
53	BUSINESS PLAN	Month 1	Month 2	Average					
54	weekends	£3,825	£3,825						
55	weekdays	£1,950	£1,950						
56	Average Daily Price	£825	£825						
57	Full week non prof assuming once per mon	£500	£0						
58	Full Week Prof assuming once per month h	£0	£671						
59	Final Average Daily Price	£744	£787	£765					
60									
61									
62	COMMUNITY ROOM								
63	<i>No capacity change</i>								
64	Mon-Sun per hour (1hr min)								
65	River Room (per hour)	£26.00	£3.90	£29.90			£30.00	per hour	
66									
67	NEW DANCE STUDIO								
68	<i>Larger than Community Room</i>								
69	Mon-Sun per hour (1hr min)								
70	River Room (per hour)	£26.00	£3.90	£29.90			£35.00	per hour	
71									
72	NEW CINEMAS								
73	<i>Hired at £5 per seat full capacity</i>								
74	<i>Covers BP 40% capacity</i>								
75									
76	Mon-Sun (At programmed times)								
77	Screen 1 (capacity 81)						£405.00	per screening	
78	Screen 2 (capacity 65)						£325.00	per screening	
79	Screen 3 (capacity 54)						£270.00	per screening	

	J
1	
2	
3	
4	Inc 20% VAT
5	
6	
7	
8	
9	
10	
11	
12	£432.00
13	£660.00
14	£744.00
15	£1,836.00
16	
17	£528.00
18	£744.00
19	£1,062.00
20	£2,334.00
21	
22	£8,880.00
23	£11,640.00
24	
25	
26	
27	
28	
29	
30	
31	
32	
33	
34	
35	
36	
37	
38	
39	
40	£216.00
41	£330.00
42	£372.00
43	£918.00
44	
45	£264.00
46	£372.00
47	£534.00
48	£1,170.00
49	
50	£4,200.00
51	£5,640.00
52	
53	
54	
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56	
57	
58	
59	
60	
61	
62	
63	
64	
65	Non-vatable
66	
67	
68	
69	
70	Non-vatable
71	
72	
73	
74	
75	
76	
77	£486.00
78	£390.00
79	£324.00

Equality Impact Analysis Form

1. Equality Impact Analysis (EqIA) Form

Title of EqIA (policy/change it relates to)	Ticketing and Pricing Strategy	Date	May 2023
Team/Department	Hertford Theatre/Operations		
<p>Focus of EqIA</p> <p>What are the aims of the new initiative? Who implements it? Define the user group impacted? How will they be impacted?</p>	<p>In 2018 Council approved a capital development scheme for the Hertford Theatre referred to as the Growth and legacy project. The project has seen a number of financial challenges with inflationary pressures resulting from Covid, Brexit and the war on Ukraine.</p> <p>The project is on track to complete in Spring 2024 and in readiness for this a pricing strategy including proposed fees and charges have been compiled to allow bookings to commence prior to opening.</p> <p>The approach considers the Council’s fees and charges policy including full cost recovery.</p> <p>The equalities impact assessment reviews the impact of these proposals upon key users and offers mitigations to ensure parity of access. The key users include but are not limited to: professional and non-professional hirers, promoters, producers, schools, associations and individuals.</p> <p>Users will be impacted in relation to increased fees and charges.</p>		

Page 68 **2. Review of information, equality analysis and potential actions**

Please fill in when appropriate to the change. If it does not, please put N/A

Protected characteristics groups from the Equality Act 2010	What do you know? Summary of data about your service-users and/or staff	What do people tell you? Summary of service-user and/or staff feedback	What does this mean? Impacts (actual and potential, positive and negative. Clearly state each)	What can you do? All potential actions to: <ul style="list-style-type: none"> • advance equality of opportunity, • eliminate discrimination, and • foster good relations
Age	We do not gather data relating to these characteristics locally for the Theatre. General East Herts population data has been included in the EIA. Under 20 20-24 25-29 30-44 45-59 60-64 65-74 75-84 85-89 90	Over 65's represent a high proportion of our ticket holders. Young people under 16's participate in a number of hires (classes and workshops). This age group is a target area of growth for the business.	Increased costs can potentially prohibit participation and ticket purchase.	Keep ticket pricing as low as possible in line with Business Plan. Contractual clause enables a reduction in ticket price for Over 65's and Under 16's where agreed with the promoter. Ticket pricing for cinema will reflect strategic demand eg weekday twilight shows targeting under 16's or Monday Matinee

Protected characteristics groups from the Equality Act 2010	What do you know? Summary of data about your service-users and/or staff	What do people tell you? Summary of service-user and/or staff feedback	What does this mean? Impacts (actual and potential, positive and negative. Clearly state each)	What can you do? All potential actions to: <ul style="list-style-type: none"> • advance equality of opportunity, • eliminate discrimination, and • foster good relations
				targeting Over 65's will be at a reduced rate. Maintain competitive hire prices for community spaces.
Disability	We do not gather data relating to these characteristics locally. Census 2021 - 11,663 households in East Herts have one person in household with a long-term health problem or disability.	A limited number of our users have visible and invisible disabilities.	Increased costs can potentially prohibit participation and ticket purchase	Keep ticket pricing as low as possible in line with Business Plan. Contractual clause enables a reduction in ticket price for wheelchair users and companions where agreed with the promoter. Maintain competitive hire prices for

Protected characteristics groups from the Equality Act 2010	What do you know? Summary of data about your service-users and/or staff	What do people tell you? Summary of service-user and/or staff feedback	What does this mean? Impacts (actual and potential, positive and negative. Clearly state each)	What can you do? All potential actions to: <ul style="list-style-type: none"> • advance equality of opportunity, • eliminate discrimination, and • foster good relations
				community spaces.
Gender reassignment	We do not gather data relating to these characteristics locally. A summary of data has not been identified	n/a	n/a	n/a
Pregnancy and maternity	We do not gather data relating to these characteristics locally. A summary of data has not been identified	A number of classes, films and shows are focussed on families.	Increased costs can potentially prohibit participation and ticket purchase	Keep ticket pricing as low as possible in line with Business Plan. Targeted shows and events for parents with babes in arms (eg Bring Your Own Baby) ensure baby goes free and targeted film screenings for

Protected characteristics groups from the Equality Act 2010	What do you know? Summary of data about your service-users and/or staff	What do people tell you? Summary of service-user and/or staff feedback	What does this mean? Impacts (actual and potential, positive and negative. Clearly state each)	What can you do? All potential actions to: <ul style="list-style-type: none"> • advance equality of opportunity, • eliminate discrimination, and • foster good relations 																
				parents with babes in arms (eg Screaming Screenings) ensure baby goes free alongside a reduced ticket price. Maintain competitive hire prices for community spaces.																
Race Page 71	<table border="0" style="width: 100%;"> <tr> <td style="width: 80%;">White</td> <td style="width: 20%; text-align: right;">95.47%</td> </tr> <tr> <td>English/Welsh/Scottish/Northern Irish/British</td> <td style="text-align: right;">90.25%</td> </tr> <tr> <td>Irish</td> <td style="text-align: right;">1.14%</td> </tr> <tr> <td>Gypsy or Irish Traveller</td> <td style="text-align: right;">0.04%</td> </tr> <tr> <td>Other White</td> <td style="text-align: right;">4.04%</td> </tr> <tr> <td>Mixed/multiple ethnic groups</td> <td style="text-align: right;">1.61%</td> </tr> <tr> <td>White and Black Caribbean</td> <td style="text-align: right;">0.45%</td> </tr> <tr> <td>White and Black African</td> <td style="text-align: right;">0.15%</td> </tr> </table>	White	95.47%	English/Welsh/Scottish/Northern Irish/British	90.25%	Irish	1.14%	Gypsy or Irish Traveller	0.04%	Other White	4.04%	Mixed/multiple ethnic groups	1.61%	White and Black Caribbean	0.45%	White and Black African	0.15%	n/a	n/a	n/a
White	95.47%																			
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Protected characteristics groups from the Equality Act 2010	What do you know? Summary of data about your service-users and/or staff	What do people tell you? Summary of service-user and/or staff feedback	What does this mean? Impacts (actual and potential, positive and negative. Clearly state each)	What can you do? All potential actions to: • advance equality of opportunity, • eliminate discrimination, and • foster good relations																														
	<table border="0"> <tr> <td>White and Asian</td> <td>0.62%</td> </tr> <tr> <td>Other Mixed</td> <td>0.38%</td> </tr> <tr> <td>Asian/Asian British</td> <td>1.95%</td> </tr> <tr> <td> Indian</td> <td>0.73%</td> </tr> <tr> <td> Pakistani</td> <td>0.15%</td> </tr> <tr> <td> Bangladeshi</td> <td>0.20%</td> </tr> <tr> <td> Chinese</td> <td>0.37%</td> </tr> <tr> <td> Other Asian</td> <td>0.49%</td> </tr> <tr> <td>Black/African/Caribbean/Black British</td> <td>0.71%</td> </tr> <tr> <td> African</td> <td>0.43%</td> </tr> <tr> <td> Caribbean</td> <td>0.22%</td> </tr> <tr> <td> Other Black</td> <td>0.07%</td> </tr> <tr> <td>Other ethnic group</td> <td>0.26%</td> </tr> <tr> <td> Arab</td> <td>0.10%</td> </tr> <tr> <td>Any other ethnic group</td> <td>0.16%</td> </tr> </table>	White and Asian	0.62%	Other Mixed	0.38%	Asian/Asian British	1.95%	Indian	0.73%	Pakistani	0.15%	Bangladeshi	0.20%	Chinese	0.37%	Other Asian	0.49%	Black/African/Caribbean/Black British	0.71%	African	0.43%	Caribbean	0.22%	Other Black	0.07%	Other ethnic group	0.26%	Arab	0.10%	Any other ethnic group	0.16%			
White and Asian	0.62%																																	
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Other Black	0.07%																																	
Other ethnic group	0.26%																																	
Arab	0.10%																																	
Any other ethnic group	0.16%																																	
Religion or belief	<table border="0"> <tr> <td>Christian</td> <td>62.75%</td> </tr> <tr> <td>Buddhist</td> <td>0.32%</td> </tr> <tr> <td>Hindu</td> <td>0.45%</td> </tr> <tr> <td>Jewish</td> <td>0.33%</td> </tr> </table>	Christian	62.75%	Buddhist	0.32%	Hindu	0.45%	Jewish	0.33%	n/a	n/a	n/a																						
Christian	62.75%																																	
Buddhist	0.32%																																	
Hindu	0.45%																																	
Jewish	0.33%																																	

Protected characteristics groups from the Equality Act 2010	What do you know? Summary of data about your service-users and/or staff	What do people tell you? Summary of service-user and/or staff feedback	What does this mean? Impacts (actual and potential, positive and negative. Clearly state each)	What can you do? All potential actions to: • advance equality of opportunity, • eliminate discrimination, and • foster good relations												
	<table border="1"> <tr> <td>Muslim</td> <td>0.72%</td> </tr> <tr> <td>Sikh</td> <td>0.12%</td> </tr> <tr> <td>Other religion</td> <td>0.32%</td> </tr> <tr> <td>No religion</td> <td>27.75%</td> </tr> <tr> <td>Religion not stated</td> <td>7.26%</td> </tr> </table>	Muslim	0.72%	Sikh	0.12%	Other religion	0.32%	No religion	27.75%	Religion not stated	7.26%					
Muslim	0.72%															
Sikh	0.12%															
Other religion	0.32%															
No religion	27.75%															
Religion not stated	7.26%															
Sex/Gender	We do not gather data relating to these characteristics locally. The district is 51% female and 49% male	n/a	n/a	n/a												
Sexual orientation	We do not gather data relating to these characteristics locally. An estimated 3.1% of the UK population aged 16 years and over identified as lesbian, gay or bisexual (LGB) in 2020	n/a	n/a	n/a												
Marriage and civil partnership	<table border="1"> <tr> <td>Single</td> <td>30.5%</td> </tr> <tr> <td>Married</td> <td>52.3%</td> </tr> <tr> <td>Civil partnership</td> <td>0.2%</td> </tr> <tr> <td>Separated</td> <td>2.3%</td> </tr> <tr> <td>Divorced</td> <td></td> </tr> <tr> <td>Widowed</td> <td>8.6%</td> </tr> </table>	Single	30.5%	Married	52.3%	Civil partnership	0.2%	Separated	2.3%	Divorced		Widowed	8.6%	n/a	n/a	n/a
Single	30.5%															
Married	52.3%															
Civil partnership	0.2%															
Separated	2.3%															
Divorced																
Widowed	8.6%															

<p>Protected characteristics groups from the Equality Act 2010</p>	<p>What do you know? Summary of data about your service-users and/or staff</p>	<p>What do people tell you? Summary of service-user and/or staff feedback</p>	<p>What does this mean? Impacts (actual and potential, positive and negative. Clearly state each)</p>	<p>What can you do? All potential actions to:</p> <ul style="list-style-type: none"> • advance equality of opportunity, • eliminate discrimination, and • foster good relations
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Assessment of overall impacts and any further recommendations

Whilst the proposed pricing increases for hires do not generally impact on specific groups with protected characteristics, a pricing model for hires will be implemented that acknowledges the difference between professional/business and community/charity offering a preferential rate for those in the latter group.

The ticket pricing for live events will be devolved, where agreed with promoter, to facilitate a range of seating price options for each show which reflects the new seating structure and layout in both the main auditorium and the studio theatre. (eg £10, £15, £20 to give an average seat price of £15 rather than all seats £15)

3. List detailed data and/or community feedback which informed your EqIA (If applicable)

<p>Title (of data, research or engagement)</p>	<p>Date</p>	<p>Gaps in data</p>	<p>Actions to fill these gaps: who else do you need to engage with? (add these to the Action Plan below, with a timeframe)</p>
<p>Business Plan and project consultation</p>	<p>Business Plan updated April 2023.</p>	<p>For the theatre and cinema it is not normal practice to gather demographic data of customers</p>	<p>Community outreach work however will take place to understand how we can engage with marginalised groups.</p>

	On-going project consultation with key stakeholders and project team from Sept 2019 onwards		
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4. Prioritised Action Plan (If applicable)

Impact identified and group(s) affected	Action planned	Expected outcome	Measure of success	Timeframe
NB: These actions must now be transferred to service or business plans and monitored to ensure they achieve the outcomes identified.				
Schools, teachers, pupils and their families	Hertford Theatre are delivering The Listening Project in partnership with local schools, HRC, HLEP and currently funded by ROH Bridge, Arts Council England and Shared Prosperity Fund.	A greater level of engagement with, and support for, our key local schools and education providers and the development of a long-term Learning and Well-being offer delivered out of the new building. An exemplar model of future engagement, applicable to other identified under-represented audience groups.	The delivery of a funded programme of pilot projects in Spring/Summer 2024 and the establishment of a charitable trust to deliver this part of the theatre's output, securing longer-term funding (3 years from September 2025) for a programme of sustained Learning and Well-being activity.	On-going.

EqIA sign-off: (for the EQIA to be final an email must sent from the relevant people agreeing it or this section must be signed)

Directorate Management Team rep or Head of Service: Jess Khanom-Metaman

Date: 15 May 2023

Author of Equality Impact Analysis:

Rhys Thomas

Date: 15 May 2023

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

Document is Restricted

Agenda Item 10

East Herts Council Report

Audit and Governance Committee

Date of meeting: 31 May 2023

**Report by: Steven Linnett, Head of Strategic Finance & Property
(s.151 Officer)**

**Report title: Receipt of the External Auditor's Auditor's Annual
Report 2020/21**

Ward(s) affected: All

Summary - The external auditor will present their Auditor's Annual Report 2020/21 to the Committee setting out the final results of their delayed audit of the 2020/21 statement of accounts. The Committee received an Interim Audit Results Report 2020/21 at its meeting on 5th April 2022 ([Web Link to Interim Audit Results Report](#)) and a final audit results report at the meeting of the Audit and Governance Accounts Approval Sub Committee at its meeting on 16 March 2023 ([Web link to Final Audit Results Report](#)).

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

a) Receive the external auditor's Audit Results Report 2020/21

1.0 Proposal(s)

1.1 The delayed 2020/21 statement of accounts audit was completed on 16 March 2023 and this report is the external auditor's summary of the work undertaken to support the issuing of an opinion on the 2020/21 statement of accounts.

- 1.2 The issues concerning the accounts were reported to Members on 5th April 2022 and 16th March 2023 and links have been provided in the summary paragraph to the reports and minutes of those meetings. As a result, this report does not consider those issues again.
- 1.3 The report and proposals are the external auditors and whilst officers are consulted on factual accuracy, they have no ability to change anything in the report.
- 1.4 The external auditor's Audit Annual Report for 2020/21 is attached at Appendix A and their justification for requesting a fee increase from Public Sector Audit Appointments (PSAA) Limited is attached at Appendix B
- 1.5 Officers will make representations to PSAA about the fee increase and the increased costs that such a protracted audit process has required the council to meet and the requirement to repeatedly submit working papers already submitted but which the ever-changing audit team seem not to have filed. Also, as time has progressed, we have had to pay for three actuarial valuations of the pensions assets and liabilities whereas if the audit had been completed in line with the statutory timetable we would not have incurred that expense.

2.0 Background

- 2.1 The Accounts and Audit Regulations 2015 (as amended) require local authorities to publish their audited statement of accounts by 30 September 2021. The external auditor was unable to resource the audit and it did not begin until January 2022. The council was required to publish (which must include publication on the website) a notice stating that it has not been able to publish the statement of accounts and the reasons for this.

2.2 Only 9% of local authorities received an audit opinion by 30 September and Members will be aware of the virtual collapse of the local audit system. Since the Provisional Audit Results Reports was considered in April 2022 almost a year then passed before the audit work was completed on 16 March 2023.

3.0 Reason(s)

3.1 The external auditor is required by auditing standards to present the Committee with their Annual Report.

4.0 Options

4.1 Members can ask questions and make observations to the external auditor but they cannot reject the Auditor's Annual Report 2020/21.

5.0 Risks

5.1 The delay to the completion of this audit by 1 and a half years has placed strains on the finance team and we now face the audit of the 2021/22 accounts, which started in January but stopped at the end of March whilst the auditor carries out their NHS audit work and will resume in June. The external auditor estimates the work will be completed in November 2023, but this impinges on the budget process and officers have no confidence that this timetable will be met. There is a risk that the 2023/24 audit will be undertaken before the 2022/23 accounts are audited at the current glacial pace this work progresses.

6.0 Implications/Consultations

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

These are contained in the main body of the report

Health and Safety

No

Human Resources

These are contained in the main body of the report

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

Appendices:

Appendix A –Auditor’s Annual Report 2020/21

Appendix B – Additional Fees Analysis

Background Papers:

None

Contact Officer

Steven Linnett, Head of Strategic Finance and
Property

Contact Tel No 01279 50 2050

steven.linnett@eastherts.gov.uk

Report Author

Steven Linnett, Head of Strategic Finance and
Property

Contact Tel No 01279 50 2050

steven.linnett@eastherts.gov.uk



**East Hertfordshire District
Council**

**Auditor's Annual Report
Year ended 31 March 2021**

April 2023



EY

Building a better
working world

A close-up, high-angle portrait of a woman's face, focusing on her eyes and nose. She has light brown hair and green eyes. The image is partially obscured by a yellow rectangular overlay on the left side.

Section 1

Executive Summary

Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Council:	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our auditor's report on 16 March 2023.
Going concern	We have concluded that the Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the Statement of Accounts 2020/21 and other information published with the financial statements	We concluded that financial information in the Statement of Accounts 2020/21 and published with the financial statements was consistent with the audited accounts.

Area of work	Conclusion
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued a Provisional Audit Results Report to the Council on 29 March 2022. Before we issued our audit report on 16 March 2023, we concluded that, due to changes since the date of our Provisional Audit Results Report, there was a need to issue an update on our Provisional Audit Results Report. Accordingly, we issued an update in the form of Audit Results Report on 2 February 2023.
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 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 has been significantly delayed and although this has now been issued we are still not able to issue our certificate until the NAO has clarified the additional work they may require for a sample of bodies.

Fees

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated July 2021)". As outlined in our Provisional Audit Results Report and final Audit Results Report, we were required to carry out additional audit procedures to address audit risks in relation to the significant and fraud risks and other areas of audit focus identified in our Audit Plan and Audit Results Reports. As a result, we have proposed an associated additional fee which we will discuss with the Section 151 Officer and which will be subject to determination by PSAA. We include details of the final audit fees in Appendix 1.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.

Debbie Hanson

Partner
For and on behalf of Ernst & Young LLP

Section 2

Purpose and responsibilities



Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Planning Report dated 30 June 2021, and update in audit scope through the Provisional Audit Results Report dated 29 March 2022. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, and governance statement. It 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

We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

Key issues

The 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.

On 16 March 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Audit Committee in our Provisional Audit Results Report dated 29 March 2022, and a further update dated 2 February 2023. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk

Conclusion

Misstatements due to fraud or error - management override of controls

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

Our audit work did not identify any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden controls. We are satisfied that journal entries had been posted properly and for genuine business reasons. There were no unusual transactions identified.

Inappropriate capitalisation of revenue expenditure

Linking to our risk of misstatements due to fraud and error above, we have considered the capitalisation of revenue expenditure on property, plant and equipment as a specific area of risk given the extent of the Council's capital programme.

We have not identified any revenue items that have been inappropriately capitalised from our detailed testing

Continued over.

Financial Statement Audit (continued)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
<p>Valuation of property, plant and equipment (PPE) and investment property</p> <p>As the Council's asset base is significant (£44 million PPE and £9 million investment property), and the outputs from the internal valuer are subject to estimation, there is a higher inherent risk that asset values may be under/overstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.</p>	<p>We completed the following procedures to address this risk:</p> <ul style="list-style-type: none">▶ Disaggregated the Council's property, plant and equipment and investment property and adopted different testing strategies for different types of assets.▶ For specialist assets, such as leisure facilities which typically are valued on the basis of depreciated replacement cost we tested a sample of two asset valuations, challenging the Council on key assumptions and base data. As part of this, we undertook procedures such as agreeing floor areas back to original documentation, confirming BCIS rates used were appropriate, and confirming land areas, land values and obsolescence rates.▶ For non-specialist assets, such as offices and car parks, which are typically valued on an existing use valuation basis, and investment properties which are based on fair value, we tested a sample of 12 PPE assets and four investment properties. We also engaged our own valuation expert (EY Real Estates) who tested two assets. We challenged the key inputs and assumptions by agreeing the income used to invoices and market rent, traced the number of years in the calculation to lease agreements, and inspected floor plans to confirm the site area used.

Financial Statement Audit (continued)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Issues	Conclusion
Plant and Investment	<p>We engaged our valuations specialist (EY Real Estates) to review a sample of two assets: Hillcrest Hostel (PPE) and Charringtons House (split between PPE and investment property). We verified the reasonableness of the valuation methodology applied and key assumptions used.</p> <p>We noted that the overall value of Charringtons House determined by Council (combined PPE and investment property elements) was within the range determined by EY Real Estates.</p> <p>We also compared the Council's split of the asset value between PPE and investment property to the value ranges determined by our specialist for these two elements. The Council's investment property element value of £1.5 million falls within the range of £1.5 million to £2.3 million estimated by EY Real Estates. However, the PPE element, valued by the Council at £0.9 million is outside the range determined by our valuer by £0.4 million (overstatement).</p> <p>We discussed this with management who concluded that since this is a difference of opinion between the two valuers and the amount is not material, no adjustment will be made.</p> <p>We also identified a classification error within PPE. Northgate End car park, which is valued at £0.5 million, was classified in the fixed asset register as 'other land and buildings'. However, we were informed by management that as of 31 March 2021, the site was being developed into a new multi-storey car park. Hence, at year-end, this asset was under construction. Management agreed to move this asset to assets under construction.</p> <p>We also identified that the Council had not been complying with some aspects the CIPFA Code in terms of capital accounting. The Code requires that if the change in value of an asset is supported by a formal valuation by a professional, then the gross value is recognised and any previously accumulated depreciation and impairment balances should be written out. The Council has not been doing this. This has resulted in balances for gross cost and accumulated depreciation being overstated by £30.899 million at 31 March 2020 and £29.273 million at 1 April 2019. The net balance is not materially misstated. This has also resulted in the understatement of the Capital Adjustment Account and Revaluation Reserve of £0.972 million. Management has corrected these differences.</p>

Continued over.

Financial Statement Audit (continued)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
<p>Pension liability valuation and disclosures</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021, this totalled £35 million (31 March 2020 £21.6 million).</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.</p>	<p>We completed the following procedures to address this risk:</p> <ul style="list-style-type: none"> ▶ Liaising with the auditors of Hertfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to East Hertfordshire District Council. ▶ Assessing the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by The National Audit Office for all Local Government sector auditors, and considering the reviews of this undertaken by the EY actuarial team; ▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.
<p>Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>	<p>ISA540 (revised) requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook alternate procedures to create an auditor's estimate. We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by the Council's actuary.</p>
	<p>We reviewed the EY Pensions specialist's report and concluded that there are no material differences in the balances calculated by the actuary and the balance calculated by the EY Pensions specialist.</p>
	<p>We also reviewed the response communicated by the Hertfordshire Pension Fund auditor and noted that there is an unadjusted increase in valuation of pension fund assets. The Council's share of this difference was £0.238 million. We discussed this with management and they concluded that due to the amount involved not being material, they will not adjust for this.</p>

Continued over.

Financial Statement Audit (continued)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
<p>Pension liability valuation and disclosures</p> <p>(continued)</p>	<p>In addition to the completion of the procedures in the previous page, the Council made us aware that there was an error in the actuary's IAS19 report and the net pension liabilities reported in this. This was due to the incorrect treatment of assets related to Hertfordshire Building Control (HBC) at outset of HBC's participation in the Hertfordshire Pension Fund (HPF). Below is a brief summary of this issue and impact on East Hertfordshire District Council's accounts.</p> <p>Background:</p> <p>In 2017, when HBC began participation in the HPF, assets were allocated to HBC from Hertfordshire County Council (HCC) rather than from each of the seven originating councils. As a result, since this date, asset shares for HCC have been understated, with asset shares for the seven originating councils correspondingly overstated.</p> <p>In addition to this, another adjustment was communicated by the actuary which occurred when one of the admitted bodies to the Hertfordshire Pension Scheme (NSL Limited) was erroneously pooled with the Council when allocating the assets and liabilities of the pension fund to the members of the scheme.</p> <p>Impact for the Council</p> <p>Whilst the transfer of HBC took place in 2017, the first IAS19 accounting reports to be affected were those at 31 March 2020. This is because the accounting reports are based on a rollforward of the most recent formal valuation for the Fund, so those up to and including the 31 March 2019 reports were based on a rollforward from the 31 March 2016 formal valuation.</p>

Continued over.

Financial Statement Audit (continued)

In addition to the significant risks above, we also concluded on the following areas of audit focus.

Other area of audit focus	Conclusion
Pension liability valuation and disclosures (continued)	<p>We obtained updated IAS 19 reports from the actuary Hyman's Robertson who have corrected both these errors and the impact is as follows:</p> <ul style="list-style-type: none">➤ 31st March 2020: £2.516 million understatement of net pension liability➤ 31st March 2021: £2.450 million understatement of net pension liability <p>The errors arose from the work of the Council's actuary and were not identified by management or the audit team in the prior year, as reliance was placed on the work of the actuary as a management specialist.</p> <p>The Council has been assured by the actuary that these were one-off errors. Hymans Robertson have strengthened their systems as part of their continual improvements to client services, to remove the chance of error impacting the process again.</p> <p>We have engaged EY Pensions who have liaised with Hyman's Robertson to provide a review of the liabilities and asset transfers for the Council relating to the HBC issue.</p> <p>The other adjustment relating to NSL Ltd was also confirmed with the actuary to relate to the fund assets and liabilities which had been incorrectly pooled with the Council. This is included in the £2.450 million adjustment above (although the vast majority of this relates to the HBC issue)</p> <p>Considering the impact of the misstatement on the balances of net pension liability as at 31 March 2021 and 2020, management have corrected the current year balances as well as the prior period comparatives.</p> <p>No other issues were identified.</p>

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Going concern disclosures</p> <p>Covid-19 has created a number of financial pressures throughout Local Government. It is creating financial stress through a combination of increasing service demand leading to increased expenditure in specific services, and reductions in income sources.</p> <p>In addition, the auditing standard, International Auditing Standard 570 Going Concern, has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.</p> <p>The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council is the audit of the 2020/21 financial statements.</p> <p>CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 states that an Council's financial statements shall be prepared on a going concern basis; the accounts should be prepared on the assumption that the functions of the Council will continue in operational existence for the foreseeable future and can only be discontinued under statutory prescription.</p> <p>However, ISA 570, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty in relation to going concern that requires reporting by management within the financial statements, and within the auditor's report.</p> <p>To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements.</p>	<p>The revised standard requires:</p> <ul style="list-style-type: none">➤ auditor's challenge of management's identification of events or conditions impacting going concern, more specific requirements to test management's resulting assessment of going concern, an evaluation of the supporting evidence obtained which includes consideration of the risk of management bias;➤ greater audit work challenging management's assessment of going concern, thoroughly testing the adequacy of the supporting evidence we obtained and evaluating the risk of management bias. Our challenge is made based on our knowledge of the Council obtained through our audit, which includes additional specific risk assessment considerations;➤ ensuring compliance with any updated reporting requirements;➤ a stand back requirement to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; and➤ necessary consideration regarding the appropriateness of financial statement disclosures around going concern. <p>Management provided their updated going concern assessment and the related cash flow forecast up to March 2024 on 30 November 2022.</p> <p>We completed our review of the cashflow forecast and, based on the work undertaken, are satisfied that management's assessment on going concern is adequate and supportable. We also reviewed the Council's disclosures within the updated financial statements and have concluded that they are adequate.</p> <p>We have no matters to report.</p>

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p data-bbox="67 481 782 526">Business rates appeals provision</p> <p data-bbox="67 560 782 705">The business rates appeals provision of £4.5 million (31 March 2020 £2.5 million) includes not only claims up to 31 March 2021, but claims that relate to earlier periods and is subject to estimation.</p> <p data-bbox="67 750 782 896">As appeals are made to the Valuation Office, the Council may not be aware of the level of claims lodged. The Council may also find it difficult to obtain sufficient information to establish a reliable estimate.</p> <p data-bbox="67 940 782 1041">Due to the level of estimation, size of the balance and the complexity of this provision we have included it as an area of risk for this year.</p>	<p data-bbox="782 481 1503 526">We have:</p> <ul data-bbox="782 526 1503 817" style="list-style-type: none"><li data-bbox="782 526 1503 660">➤ Reviewed the Council's methodology underpinning the provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37;<li data-bbox="782 660 1503 772">➤ Ensured the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed; and<li data-bbox="782 772 1503 817">➤ Reviewed the completeness of the provision. <p data-bbox="782 862 1503 1323">We identified an error in the business rate appeals provision performed by the specialist Analyse Local. This was due to a national issue identified concerning the Analyse Local threats report used in the calculation of the 2020/21 appeals provision. The reports show total yield loss for the 2017 list but incorrectly includes yield losses until 2022/23. As a result, the provision in the Collection Fund at an all preceptors level was overstated by £2.4 million, with the Council's share calculated at £0.966 million. Management have corrected for the error in the Collection Fund and the Comprehensive Income and Expenditure Statement (CIES) and Balance Sheet.</p>

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p data-bbox="67 481 790 526">Group accounting</p> <p data-bbox="67 560 790 784">The Council prepares group accounts due to the consolidation of the Millstream Property Investments Limited financial statements within the Council's Group financial statements. We identified this as an inherent risk as this can be a complex area of accounting.</p>	<p data-bbox="790 481 1503 526">We have:</p> <ul data-bbox="790 526 1503 1299" style="list-style-type: none"><li data-bbox="790 526 1503 672">➤ Reviewed the group assessment prepared by the Council, ensuring that the accounting framework and accounting policies are aligned to the East Hertfordshire District Council Group;<li data-bbox="790 672 1503 851">➤ Scoped the audit requirements for Millstream Property Investment Limited based on their significance to the Group Accounts. The in-scope accounts identified were investment property and non-current liabilities.<li data-bbox="790 851 1503 963">➤ Liaised with the external auditor of Millstream Property Investment Limited to confirm their independence from the component.<li data-bbox="790 963 1503 1075">➤ Ensured the appropriate consolidation procedures and the Code of Practice are applied when preparing the Group Accounts; and<li data-bbox="790 1075 1503 1187">➤ Tested a sample of investment properties owned by Millstream Property Investments Limited by comparing the values to market data.<li data-bbox="790 1187 1503 1299">➤ Tested a sample of non-current loans and recalculated the balances as of 31 March 2021 based on loan agreements. <p data-bbox="790 1332 1503 1590">As a result of our work, we identified an error in the group cash flow statement due to the impact of additional loan granted by the Council to Millstream not being eliminated. This resulted in overstatement of cash outflow in investing activities, and overstatement of cash inflow in financing activities by £2.7 million.</p> <p data-bbox="790 1624 1503 1874">We also identified minor disclosure errors. The investment property note in the notes to group accounts did not show the balances for Millstream although the balance is £5.1 million. The notes to group accounts also did not include an external audit fee note which is a required disclosure. These have been corrected by Management.</p>

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Recognition of grant income associated with Covid-19 (includes sales fees and charges and other Covid-19 funding streams)</p> <p>Central Government has provided a number of new and different Covid-19 related grants to local authorities during the year. There are also funds that have been provided for the Council to distribute to other bodies. Total grants received related to Covid were £60.8 million.</p> <p>The Council needs to review each of these grants to establish how they should be accounted for. The Council needs to assess whether it is acting as a principal or agent, with the accounting to follow that decision. Where the decision is that the Council is a principal, it must also assess whether there are any conditions that may also affect the recognition of the grants as revenue during 2020/21.</p>	<p>We have:</p> <ul style="list-style-type: none">➤ Considered the revenue and capital grants received by the Council;➤ Carried out testing to ensure the accounting treatment and recognition applied to grant income is appropriate.➤ For a sample of the grant population we have:<ul style="list-style-type: none">➤ Reviewed the Council's assessment of whether it is acting as principal or agent;➤ Reviewed whether any initial conditions are attached to grants impacting their recognition;➤ Assessed whether the accounting appropriately follows those judgements. <p>We have also checked that the Council has adequately disclosed grant income received in the year, under both principal and agent arrangements.</p> <p>Our work did not identify any issues.</p>

Financial Statement Audit (continued)

Corrected audit differences

We identified the following misstatements which management has corrected in the financial statements:

- A prior year error which resulted in understatement of pension liability by £2.516 million as of 31 March 2020 due to the incorrect allocation of pension fund assets by the actuary to the members of the scheme. The error also impacts on figures for 31 March 2021, with an understatement of £2.450 million.
- Overstatement of business rate appeals provision by £2.4 million at an all preceptors level, with the Council share calculated as £0.966 million. Taxation and non-specific grant income and creditors are also overstated by £0.592 million which equates to the impact of the decrease in provision to collection fund deficit, income tax guarantee and levy.
- Overstatement of debtors balance and understatement of cash balance by £1.3 million due to a reclassification error between the two balances.
- Misclassification between other land and buildings and assets under construction of £0.5 million
- Understatement of Capital Adjustment Account and Revaluation Reserve by £0.972 million due to failure to reverse previous impairment losses charged on assets where there are in-year increases in value of other land and buildings.
- An error in the group cash flow statement due to the impact of an additional loan granted by the Council to Millstream was not eliminated. This resulted in overstatement of cash outflow in investing activities, and overstatement of cash inflow in financing activities by £2.7 million.

We also identified the following error which does not impact the primary statements but does impact on disclosure notes:

- On leases, there was an understatement in the future minimum lease payments receivable under non-cancellable leases amounting to £22 million due to the incorrect lease period in the operating leases schedule. The schedule noted the lease to have a remaining lease period of 118 years when the actual remainder of the lease is 236 years.
- On PPE, the opening balances of both gross cost and accumulated depreciation were restated to correct the overstatement of £30.899 million as at 31 March 2020 and £29.273 million as at 1 April 2019. Since the gross costs and accumulated depreciation net off, the net balance of other land and buildings is not materially misstated.

We also identified a small number of minor disclosure differences in notes to the financial statements (casting, referencing, classification etc) which management have amended.

Financial Statement Audit (continued)

The Council was also impacted by a national issue which was identified in early 2022 in relation to accounting for infrastructure assets. The issue is that many local authorities were not writing out the gross cost and accumulated depreciation on infrastructure assets in line with the CIPFA Code requirements when a major part/component had been replaced or decommissioned. The issue arises principally because detailed information is not always available for these assets to meet the needs of accounting standards. Since this issue was identified, there has been a national focus on this and as a result a Statutory Override and CIPFA Code update were issued in late December 2022. These make provision for local authorities to amend the reporting for these assets to a net book value basis if they wish.

The Council holds material infrastructure assets with a gross book value of £8.560 million at 31 March 2021 and a net book value of £1.764 million. Following discussions with the finance team it was agreed that the Council would apply the statutory override and report these assets on a net basis.

The presentation of these balances in the accounts was therefore amended to reflect these changes and appropriate disclosures included in the financial statements. The statutory override instrument allows councils to continue with this presentation until 2024/25.

Uncorrected audit differences

We also identified the following misstatements which have not been corrected by management:

- £238k overstatement of the pension liability as a result of errors identified by the pension fund auditor impacting the Council's pension fund assets;
- £111k understatement of revaluation loss charged to CIES;
- £354k overstatement in value of PPE – other land and buildings; and
- £120k overstatement in depreciation charged for infrastructure assets.

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.

As communicated in our Audit Planning Report and Provisional and Final Audit Results Reports, our audit procedures were performed using a planning materiality of £1.48 million, with performance materiality, at 75% of overall materiality, of £1.11 million and a threshold for reporting uncorrected misstatements, at 5% of overall materiality, of £0.074 million. Our materiality threshold was set at 2% of the Council's gross expenditure on provision of services. We have reassessed these thresholds during the course of our audit and are satisfied they remain appropriate.

Section 4

Value for Money

Value for Money (VFM)

We did not identify any risks of significant weaknesses in the Council VFM arrangements for 2020/21.

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the Audit and Governance Committee via our Audit Plan and Audit Results Report which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, and evaluation of associated documentation through our regular engagement with management and the finance team.

We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

We had no matters to report by exception in the audit report.

Reporting

We completed our planned VFM arrangements work and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our VFM commentary highlights relevant issues for the Council and the wider public.

VFM commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified reporting criteria:

- **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; and
 - **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.
-

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

Financial sustainability

How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council has a robust procedures in place to identify all significant financial pressures relevant to its short and medium term plans. These are gathered from a variety of sources:

- The Council undertakes an annual exercise to set its annual budget for the following financial year and to update its Medium Term Financial Strategy (MTFS), which covers the following four years. Key inputs to this exercise include forecasts for pay and non-pay inflation, changes in the level of demand for the Council's services and changes in funding received from central government.
- The Council's finance team work with the heads of individual services to identify cost pressures, including changes in demand for services, and model the impacts of different scenarios on the Council's finances. Significant changes are discussed by the Leadership Management Team and Council Executive prior to being implemented in the MTFS.
- Performance against the current year's budget is monitored on a quarterly basis during the year and used to identify cost pressures which require reflecting in the next MTFS.

Financial sustainability (continued)

How the body plans to bridge its funding gaps and identifies achievable savings

As part of the annual budget setting exercise, the Council identifies the level of savings required to match the anticipated net cost of services to the levels of available funding.

Individual directorates are required to identify potential savings within their service area, which may be based on reductions to expenditure or increases to income. Savings may also be identified through the Council's finance team, as they are not always directly related to service delivery.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

The Council produces the MTFS and the Corporate Plan at the same time and treats them as sister documents. Most of the money the Council spends is on delivering statutory services. The Council will always look to deliver these services in line with its priorities. As the overall level of Government funding has continued to reduce, the Council has tried to maintain its ability to offer discretionary services that are linked to its priorities. The current forecasts indicate that the Council will need to continue further reducing its costs in the future. This will mean that difficult decisions may need to be taken. We expect that the Council will make those decisions in line with its priorities.

The Council also has an established budget challenge process that reviews the various services the Council delivers and how much they cost. This has included a review of which services are statutory and for those non-statutory services the extent to which they deliver the priorities of the Council's Corporate Plan.

Financial sustainability (continued)

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Council's Corporate Plan is structured to combine and capture all of the Council's strategic plans. These are discussed as part of Leadership Teams Workshops which are then fed in through the budget setting process. Strategic context is discussed with Members at regular briefings at key points in the year.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

The financial plan and budget that are presented to Council each March for the following year reflect revenue, investments and capital planning. Treasury management and capital proposals are also presented to Audit and Governance Committee on a regular basis. Financial plans include areas that are also reported on individually to ensure a robust financial position.

The budget is broken down across Council services to ensure all areas are recognised and consistent with the wider strategy and budget.

The Council facilitates regular communication between finance staff and the Council's directorates to ensure that other plans being prepared are consistent with the Council's financial planning.

Financial Sustainability (continued)

How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

The Council maintains a number of earmarked reserves, which represent amounts set aside from the Council's General Fund to be used for specified purposes in the future. Management use earmarked reserves to allow for known or potential future cost pressures. During 2020-21, the Council transferred amounts from general fund to earmarked reserves for business rates retention deficit and New Homes Bonus.

In addition, the Council sets a minimum level for its General Fund in order to ensure that the Council does not fully deplete its reserves through normal activities. The minimum reserves level for general fund for 20/21 is at 2 million; the general fund balance as of yearend was £3.854 million.

Governance

How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

Internal audit undertake an annual programme of work to provide assurance over the operation of the Council's internal controls. Risks identified and recorded on the Council's risk registers are used to inform the annual internal audit plan.

The Council also has an established risk management process, including a Risk Management Strategy that is reviewed quarterly by the Audit and Governance Committee. In their annual report for 2020/21, the Council's internal auditor provided a satisfactory rating for the Council's internal control and governance processes.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

How the body approaches and carries out its annual budget setting process

The Council continues to review how it can improve the budget setting process. The key being it shouldn't be an annual process, but a living document that is developed over the medium term and the work embedded through business as usual.

In line with Financial Regulations, the Head of Strategic Finance & Property is responsible for the budget setting processes and a planning cycle is put in place to ensure the Council meets its statutory duty of setting a balanced budget annually. The MTFs is monitored and reported to the Audit and Governance Committee on a quarterly basis.

All planning assumptions are considered by the Leadership Team and are informed through modelling, planning assumptions and intel from wider networks which other Heads of Services are part of.

Governance (continued)

How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

The Council undertakes quarterly budget monitoring, which is reported through to Audit and Governance Committee. Reporting includes comparison of performance to date (outturn) and budget (including any revisions to budget). The main reasons for over- or under-spend are explained in the outturn report.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

There are set performance indicators which are monitored and reported on a quarterly basis. These cover the Council's key income streams and provide an indication of any areas of concern.

How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

The Council has a long-established Constitution which, together with a range of codes of conduct, policies and procedures, support informed decision making. The Council's Constitution includes guidelines on how decisions need to be made and by whom.

The corporate plan, risk registers, budgets, outturn, among other reports, are presented to the Audit and Governance Committee for review and approve. The head of internal audit also reports to the Audit and Governance Committee and provides regular progress reports on the internal audit plan. The papers are circulated at least 2 weeks before each meeting to give the Audit and Governance Committee opportunity to review the papers and ask questions during the meeting. The minutes of the meetings are also published in the Council's website for the public's reference.

Governance (continued)

How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The Council arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Compliance with legislative and regulatory requirements are monitored through various mechanisms, including the Monitoring Officer, who maintains a register of interests for Members which is published on the Council's website.

For Officers, the Council has a policy in relation to gifts and hospitality. There is also a separate Declaration of Interests/Conflicts of Interest policy. The Monitoring Officer's oversight on standards also provides a control.

Improving economy, efficiency and effectiveness

How financial and performance information has been used to assess performance to identify areas for improvement.

The Council's performance reporting includes monitoring of key performance indicators (KPIs) as well as financial monitoring reports which are taken to the Audit and Governance Committee quarterly.

Reporting includes comparison of performance to date (outturn) and budget (including any revisions to budget). The main reasons for over- or under-spend are explained in the outturn report along with mitigating actions.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

The Council also has a Corporate Plan, agreed in January 2020, which sets out a range of actions and objectives against four overall priorities: sustainability, enabling communities, encouraging economic growth and digital by default. The Corporate Plan is refreshed every year.

How the body evaluates the services it provides to assess performance and identify areas for improvement

Data is collected across a range of locally developed indicators which are collected on a monthly, quarterly or annual basis. These form the basis of the Council's performance monitoring process.

The Council monitors and reports on performance every quarter. Members also receive information on all the measures through the Annual Report Indicators. This shows a monthly and quarterly trend of several indicators.

Improving economy, efficiency and effectiveness (continued)

How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council appreciates the fact that services will not always be delivered by them alone, but in a partnership or through alternative delivery models. The Council formed a partnership with Stevenage Borough Council and North Hertfordshire District Council to create economies of scale in providing finance, IT, procurement, HR and other services to partner councils.

Performance is monitored and evaluated through various Partnership Boards to maintain a 'system' where the Council has direct or indirect control and influence to support better service delivery.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

As part of the delivery of its services, the Council needs to manage a proactive programme of communications activity across a range of channels. This ensures the work of the Council is promoted and aims to improve resident satisfaction by ensuring they feel well informed about the Council's work. The Council adopted the Information and Communications Technology Partnership Strategy from 2019/20 to 2021/22 in December 2019.

How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits

Contract procedures rules are in place to ensure that the procuring of all goods, works and services in accordance with the relevant legislation, standards and internal policy. Services have access to the Procurement Team for advice and support in undertaking procurement activities appropriately. Performance is then monitored by the procuring service and as part of the regular budget monitoring.

The Council has clear procurement policies and procedures and provides training for all officers. Compliance is regularly reported at the Leadership Team quarterly Business Reporting meetings.



Section 5

Other Reporting Issues

Other Reporting Issues

Governance Statement

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

We completed this work and did not identify any areas of concern.

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 2020/21 has been significantly delayed and although this has now been issued we are still not able to issue our certificate until the NAO has clarified the additional work they may require for a sample of bodies.

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.

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.

Other Reporting Issues (continued)

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 approach and have therefore not tested the operation of controls.

The matters shown below and are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported.

Description	Impact
Operating leases	<p>Our audit of the operating leases note in the draft 2020/21 identified differences between the remaining lease period per the operating leases listing and the lease agreement. This resulted in a £22.8 million understatement of future minimum lease payments receivable under non-cancellable leases in future years. A prior year adjustment was also made to the comparatives in the 2020/21 financial statements.</p> <p>To ensure such errors do not recur in future years, the Council should implement a robust monitoring of all active leases through their capital assets register.</p>
Consistency checks before publication of the accounts	<p>Our consistency checks between the 2019/20 comparatives in the draft 2020/21 statement of accounts to the signed 2019/20 final accounts identified differences in the expenditure and funding analysis (EFA) and related note. Further checks of the prior year statement of accounts then identified differences between the Comprehensive Income and Expenditure Statement (CIES), EFA and notes to EFA. A prior year adjustment was therefore made to the comparatives in the 2020/21 financial statements.</p> <p>The EFA provides a reconciliation of the adjustments between the authority's financial performance under the funding position and the surplus or deficit on the provision of services in the Comprehensive Income and Expenditure Statement (CIES). The EFA should therefore provide a clear picture of how the figures flow through each statement.</p> <p>To ensure such errors do not recur in future years, the Council should implement a robust review process to check the internal consistency of the statement of accounts before approval and publication.</p>

Other Reporting Issues (continued)

Control themes and observations (continued)

Description	Impact
Property, plant and equipment	<p>Our review of the Council's disclosure on property, plant and equipment identified that the current presentation of the note was not compliant with the CIPFA code. Both the gross cost of other land and buildings and accumulated depreciation and impairment were overstated by £30.899 million as of 31 March 2021 and £29.273 million as of 1 April 2020. Since these two components net out, the overall balance of property, plant and equipment is not misstated.</p> <p>The misstatement occurred due to an oversight when the Council changed the accounting policy in 2016 (since this date all other land and buildings and surplus assets are revalued annually in contrast with the previous four-year rolling basis). To ensure such errors do not recur in future years, the Council should perform a review of its accounting policies to confirm they are in line with the Code.</p>
Infrastructure assets	<p>Our review of the Council's infrastructure asset records showed that the fixed assets register does not have details of gross cost and accumulated depreciation that agrees with the disclosure on property, plant and equipment in the financial statements. It is important that the Council maintains records of gross cost and accumulated depreciation for capital expenditure on infrastructure assets, as well as any components derecognised as a result of in-year spend, as the current statutory override is only confirmed as in place until 2024/25. After this date, the Council may need to have more detailed records to report these balances on a basis other than net book value.</p>

Appendix A

Audit Fees

East Hertfordshire District Council's Audit Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work. We confirm we have not provided any non-audit services.

Description	Proposed Fee 2020/21 £	Scale Fee 2020/21 £	Final Fee 2019/20 £
Total Scale Fee - Code work	40,295	40,295	40,295
Final approved scale fee variation for 19/20 (Note 1)			25,840
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 2)	28,354		
Additional fee to address in-year risks as noted in this report (Note 3)	34,046		
Total audit fees	102,695	40,295	66,135
Housing benefits certification work	11,000		21,140
Total audit fees	113,695	40,295	87,275

All fees exclude VAT

Notes on fees

Note 1: The final fee for 2019/20 has been discussed with management, approved by PSAA and paid.

Note 2: As reported in our Audit Plan, we are currently in discussion with PSAA nationally about an increase in the scale fee. We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise. As a result of these factors, we have proposed an increase in the scale fee of £28,354 for 2020/21.

Note 3: For 2020 /21, the scale fee represents the base fee, i.e. not including any additional audit work. However, this has been impacted by a range of factors and risks, as detailed in the Audit Plan. These include the impact of Covid, additional risks identified relating to grants, and increased ISA540 requirements, which have all resulted in additional work.

In addition to the above, PSAA published additional information for 2020/21 audit fees in August 2021, and provided guidance about the range of minimum additional fee in certain areas of audit; minimum additional fees audits for a district council audit for new VFM arrangements requirements £6,000 - £11,000 and ISA540 (accounting estimates) requirements £2,500. PSAA also revised its hourly rates for calculating the additional fee variations.

We will discuss with management the breakdown of the additional fee requested before submission to PSAA. PSAA will determine the final fee.

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Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

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East Hertfordshire District Council

Additional Fee Analysis
Year ended 31 March 2021

April 2023

Overall Summary

Description	Amount
Changes in work required to address professional and regulatory requirements and scope associated with risk (slides 3 and 4)	£28,354
Additional fee to address in-year risks as noted in ARR report (slides 5 to 8)	£34,046
Total	£62,400

Changes in work required to address professional and regulatory requirements and scope associated with risk

Description	Additional number of hours					Fee for additional number of hours				
	Partner	Manager	Senior	Other Staff	Total Hours	Partner (£165)	Manager (£91)	Senior (£59)	Other Staff (£45)	Total Fee variation
Group accounting: Additional fee relates to coordinating with component auditors, testing consolidation, testing properties owned by the subsidiary and performing group related procedures	8	40	20	0	68	1,320	3,640	1,180	0	6,140
Pension liability valuation: We have a higher inherent risk over pension valuation. This cost reflects the time taken to address this risk which includes review of PwC report, EY Pensions team review of PwC report and audit team follow up of required procedures from these reviews.	5	15	45	0	65	825	1,365	2,655	0	4,845
Valuation of PPE and investment properties: We have a higher inherent risk over PPE and IP asset valuation. This means we have completed testing at a lower testing threshold. This cost reflects the time taken to for the audit team to test a sample of assets and perform procedures over assets not revalued and the subsequent review as well as consider cluster wide findings from internal specialists.	5	20	24	0	49	825	1,820	1,416	0	4,061
PPE valuation - use of expert: We have engaged our experts in PPE valuation to address the risk in valuation of PPE and IP. They reviewed 2 assets - one of which was split between PPE and IP and identified that the IP element of the valuation was outside their expected range	5	30	0	0	35	825	2,730	0	0	3,555

Changes in work required to address professional and regulatory requirements and scope associated with risk (continued)

Description	Additional number of hours					Fee for additional number of hours				
	Partner	Manager	Senior	Other Staff	Total Hours	Partner (£165)	Manager (£91)	Senior (£59)	Other Staff (£45)	Total Fee variation
<p>Increased FRC challenge: There are a number of areas where an increase in overhead costs has led to a spread of costs across audits, this allocation is made based on the size and complexity of the audit:</p> <ul style="list-style-type: none"> - Investment in time in our professional practices department (PPD) team to consider events such as: risks of non compliance with laws and regs; consultation and approval requirements on materiality for MLAs; rotation approvals of EP portfolios; Prior year adjustments consultation; approval and application of pre-issuance policy; Audit Quality Support team annual cycle of GPS audits review (introduced from 2018 for FRC scope audits). - We have invested in data capture methods to meet the requirements of enhanced IPE (information provided by the entity) testing, which results in a direct charge to each audit code for the technology costs. - Testing thresholds have been lowered following feedback from regulators that testing more generally should have a greater response to risk of error, resulting in higher testing sample sizes for those areas not mentioned specifically above. <p>Note that not all the procedures/costs here relates to the audit team, but the hours reflect the additional time incurred by audit.</p>	13	30	60	30	133	2,145	2,730	3,528	1,350	9,753
Total	36	135	149	30	350	5,940	12,285	8,779	1,350	28,354

Additional fee to address in-year risks as noted in this report

Description	Additional number of hours					Fee for additional number of hours				
	Partner	Manager	Senior	Other Staff	Total Hours	Partner (£165)	Manager (£91)	Senior (£59)	Other Staff (£45)	Total Fee variation
<p>Prior period adjustments: We identified four material errors which required prior year adjustments in 2020/21 on the following areas:</p> <ol style="list-style-type: none"> 1. Expenditure and Funding Analysis 2. Operating leases 3. Property, plant and equipment presentation 4. Pension liability <p>These required additional work and input from the manager and partner as well as internal consultation and sign off from PPD</p>	14	68	14	0	96	2,310	6,188	826	0	9,324
<p>Technical Accounting issues: Minimum revenue provision was initially identified as a fraud risk due to the change in the Council's policy for providing MRP. The risk was subsequently reduced since the Council determined it was not planning to make any changes. We performed procedures to confirm that the method of calculation remained appropriate.</p>	1	2	0	0	3	165	182	0	0	347
<p>Quality or preparation issues: The volume of changes required to the financial statements created significant challenges in confirming that all identified misstatements had been amended and ensuring that other balances and disclosures were not being amended post-audit, and this required significant audit resources to manage. Additional review was also required to our ISA 260 reporting to ensure the completeness and accuracy of misstatements reported. The versions of the 'final accounts' reached version 6. Each version required checking if changes have been effected, and confirming that other areas with no changes required did not change.</p>	4	12	0	0	16	660	1,095	0	0	1,755

Additional fee to address in-year risks as noted in this report (continued)

Description	Additional number of hours					Fee for additional number of hours				
	Partner	Manager	Senior	Other Staff	Total Hours	Partner (£165)	Manager (£91)	Senior (£59)	Other Staff (£45)	Total Fee variation
VFM Commentary: Minimum additional fee for work performed on VFM arrangements as per new requirements in the Code of Audit Practice 2020 (amount taken as per the PSAA letter dated August 2021)	10	48	0	0	58	1,650	4,350	0	0	6,000

This amount (£6,000) is the minimum additional fee for work performed on VFM arrangements as per new requirements in the Code of Audit Practice 2020. The amount is taken as per the approved PSAA range of additional fee according to their letter dated August 2021.

The new requirements in the Code of Audit Practice 2020 in relation to an audited body's arrangements to secure value for money have a significant impact on the auditor's work and require additional fees.

The new approach to this work from 2020/21 audits onwards requires an annual commentary from the Authority's auditors on arrangements to secure VFM, which should be published as part of the auditor's annual report. The commentary should enable the auditor to explain the work they have undertaken during the year, and to highlight any significant weaknesses that they have identified and brought to the Authority's attention, along with their recommendations for improvement.

Additional fee to address in-year risks as noted in this report (continued)

Description	Additional number of hours					Fee for additional number of hours				
	Partner	Manager	Senior	Other Staff	Total Hours	Partner (£165)	Manager (£91)	Senior (£59)	Other Staff (£45)	Total Fee variation
<p>COVID-19: Going Concern assessment. This includes all meetings attended by both partner and manager to discuss going concern and work performed on cashflow forecasts and stress testing. Due to the elapsed time between the initial preparation of the accounts and the delays in responses to queries the Going Concern assessment and disclosure had to be updated more than once and we undertook a number of reviews of this</p> <p>Due to the impact of COVID-19, we raised our risk assessment on NNDR appeals provision as higher inherent risk area. This reflects the time required to address the higher inherent risk related to NNDR appeals provision. We identified an error in the business rate appeals provision performed by the specialist Analyse Local. This was due to a national issue identified concerning the Analyse Local threats report used in the calculation of the 2020/21 appeals provision. We spent additional time determining the impact of the error made by the specialist to our audit procedures, and quantifying the change required to the statement of accounts.</p> <p>Due to the impact of COVID-19, we identified a higher inherent risk relating to accounting for COVID-19 grants. This reflects the time required to address the higher inherent risk related to accounting of COVID-19 grants, which included assessment of whether the Council was acting as agent or principal and whether there were any associated conditions, and whether the accounting for the grants correctly reflected this.</p>	16	70	45	0	131	2,640	6,370	2,655	0	11,665

Additional fee to address in-year risks as noted in this report (continued)

Description	Additional number of hours					Fee for additional number of hours				
	Partner	Manager	Senior	Other Staff	Total Hours	Partner (£165)	Manager (£91)	Senior (£59)	Other Staff (£45)	Total Fee variation
<p>ISA 540*: We employed the services of an EY Pensions specialist to review the Council's IAS19 reports and run a parallel actuarial model which was compared to that produced by the Council's actuary in response ISA540 (revised) which requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model.</p> <p>This reflects the time required to address an error in the actuary's IAS19 report and hence the net pension liabilities reported in draft accounts. This was due to the incorrect treatment of assets related to Hertfordshire Building Control (HBC) at outset of HBC's participation in the Hertfordshire Pension Fund (HPF). Although we concluded the impact was not material for North Hertfordshire for either 2020/21 or 2019/20 we needed to engage EY pensions specialists to gain assurance over the approach adopted by the actuary to establish the impact of the error. We also had to issue an updated ISA260 report in relation to this issue, and present this to the Audit and Governance Committee, and include the unadjusted difference in the Letter of Representation</p>	4	10	16	0	30	660	910	930	0	2,500

* This additional fee is for work performed as required by ISA (UK) 540 (Revised) - Auditing accounting estimates and related disclosures. The amount is taken as per the PSAA guidance of additional fee according to their letter dated August 2021. The minimum approved amount of £2,500, however the additional fee depends on Authority type and individual circumstances which could result in the fee variation higher than the suggested minimum.

The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. For East Herts District Council, we considered high risk estimates in valuation of pension liability, valuation of land & buildings and NNDR appeals provision.

Additional fee to address in-year risks as noted in this report (continued)

Description	Additional number of hours					Fee for additional number of hours				
	Partner	Manager	Senior	Other Staff	Total Hours	Partner (£165)	Manager (£91)	Senior (£59)	Other Staff (£45)	Total Fee variation
<p>Other:</p> <p>This reflects the time required to address an error in the actuary's IAS19 report and hence the net pension liabilities reported in draft accounts. This was due to the incorrect treatment of assets related to Hertfordshire Building Control (HBC) at outset of HBC's participation in the Hertfordshire Pension Fund (HPF). The impact was material for East Hertfordshire and we needed to engage EY pensions specialists to gain assurance over the approach adopted by the actuary to establish the impact of the error. We also spent additional time reviewing the revised IAS 19 report and quantifying the error in the statement of accounts.</p>	4	10	15	0	29	660	910	885	0	2,455
Total	53	220	90	0	363	8,745	20,005	5,296	0	34,046

East Herts Council Report

Audit and Governance Committee

Date of meeting: 31 May 2023

**Report by: Steven Linnett, Head of Strategic Finance & Property
(s.151 Officer)**

**Report title: Receipt of the External Auditor's Provisional Audit
Planning Report 2021/22**

Ward(s) affected: All

Summary – The external auditor will present their Provisional Audit Planning Report 2021/22 to the Committee setting out the planning for their delayed audit of the 2021/22 statement of accounts.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE:

- a) Receive and make any comments on the external auditor's Provisional Audit Planning Report 2021/22.

1.0 Proposal(s)

- 1.1 The delayed 2021/22 audit of the statement of accounts audit has been started and the external auditor has issued a Provisional Audit Planning Report setting out their planned work to deliver an opinion on the 2021/22 statement of accounts, their assessment of risk and indicative fee levels.
- 1.2 The report and proposals are the external auditors and whilst officers are consulted on factual accuracy, they have no ability to change anything in the report.
- 1.3 The external auditor's Provisional Audit Planning Report for 2021/22 is attached at Appendix A.

- 1.4 The scale fee is set by Public Sector Audit Appointments Limited (PSAA) and for the 2019/20 and 2020/21 audits the external auditor has submitted fee increase requests to PSAA which have thankfully been agreed at 33% of the requested fee increase.

2.0 Background

- 2.1 The local public audit market has effectively been dysfunctional since 2020 and there have been severe delays to local authority audits. The council's 2020/21 accounts only received an audit opinion on 16 March 2023. The 2021/22 accounts were supposed to have received an audit opinion and been published by 30 November 2022 in accordance with the Accounts and Audit Regulations 2015 as amended by the Accounts and Audit (Amendment) Regulations 2022. The delay to the audit is due to the external auditor not having sufficient resources to undertake the audit. The [Redmond Review](#) of the local audit market provides useful background information for Members.
- 2.2 The 2023/24 to 2027/28 audits was subject to a competitive tendering exercise undertaken by Public Sector Audit Appointments Limited and Azets Audit Services has been appointed for this period. We are awaiting contact from Azets but we face the real possibility that the 2023/24 audit may be completed before the 2022/23 audit.
- 2.3 Only 9% of local authorities received an audit opinion by 30 September 2022 which is illustrative of the problems in the system.

3.0 Reason(s)

- 3.1 The external auditor is required by auditing standards to present the Committee with their Audit Planning Report.

4.0 Options

- 4.1 Members can ask questions and make observations to the external auditor but they cannot reject the Provisional Audit Planning Report.

5.0 Risks

- 5.1 The delay to the completion of the audit means that staff will need to deal with audit queries from 2021/22 whilst simultaneously preparing the 2024/25 budget which increases pressure on staff.
- 5.2 The production of the budget alongside the audit in the last two years has placed a huge strain on resources and required the Head of Strategic Finance & Property and senior officers in Finance to work long hours and led to the process being both stressful and less than efficient than in previous years. Senior officers had to roll up their sleeves and undertake a lot of work usually undertaken by junior staff. This situation has occurred for the last two years and it looks likely to continue for the next two.
- 5.3 A number of staff are due to reach retirement age in the next 24 months so there is a risk that it will not be possible to recruit suitable replacement staff, particularly qualified staff, due to the national shortage of local authority accountants.

6.0 Implications/Consultations

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

These are contained in the main body of the report

Health and Safety

No

Human Resources

These are contained in the main body of the report

Human Rights

No

Legal

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

Appendices:

Appendix A – Provisional Audit Planning Report

Background Papers:
None

Contact Officer

Steven Linnett, Head of Strategic Finance and
Property

Contact Tel No 01279 50 2050

steven.linnett@eastherts.gov.uk

Report Author

Steven Linnett, Head of Strategic Finance and
Property

Contact Tel No 01279 50 2050

steven.linnett@eastherts.gov.uk

East Hertfordshire District Council Provisional Audit planning report

Year ended 31 March 2022

17 March 2023



Private and Confidential
Audit and Governance Committee Members
East Hertfordshire District Council
Pegs Lane
Hertford
SG13 8EQ

17 March 2023

Dear Audit and Governance Committee Members

We are pleased to attach our Provisional Audit Planning Report which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Governance Committee with a basis to review our proposed audit approach and scope for the 2021/22 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd., auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Provisional Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing; we will inform the Audit and Governance Committee if there any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the committee.

This report is intended solely for the information and use of the Audit and Governance Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 28 March 2023 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Debbie Hanson
For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>). The 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 and further guidance (updated July 2021)" issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/terms-of-appointment/terms-of-appointment-and-further-guidance-1-july-2021/>) 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Governance Committee and management of East Hertfordshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of East Hertfordshire District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Governance Committee and management of East Hertfordshire District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Overview of our 2021/22 audit strategy



Overview of our 2021/22 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

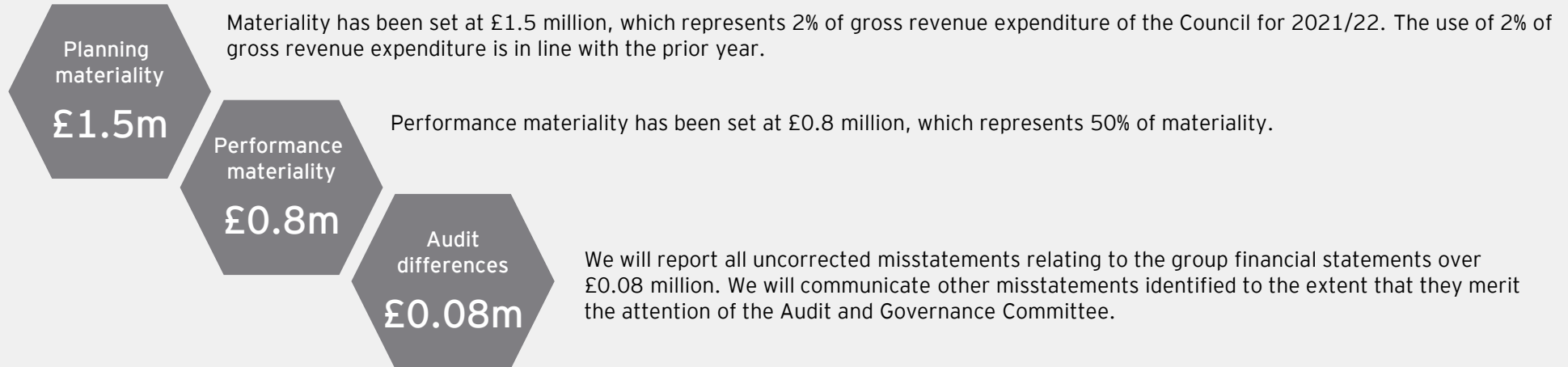
Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Incorrect capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	Linking to our fraud risk identified above, we have determined that the way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements. The Authority has a material additions of £24.9 million for 2021/22 and the increased pressure on the Authority's overall finances increases the fraud risk.
Valuation of property, plant and equipment and investment properties	Inherent risk	No change in risk or focus	<p>The value of property, plant and equipment (PPE) and investment properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>As of 31 March 2022, the Council had the following capital asset values valued at current cost (other land and buildings) and fair value (surplus assets and IP):</p> <ul style="list-style-type: none"> ▸ Land & buildings - £71.147 million ▸ Surplus assets - £2.416 million ▸ Investment properties - £9.161 million
Recognition of grant income associated with Covid-19 (includes sales fees and charges and other Covid-19 funding streams)	Inherent risk	No change in risk or focus	The Authority received a series of grants from the UK government during 2021/22 in support for the pandemic crisis management. We identified the accounting treatment of those grants as an area of focus due to factors discussed in Section 02.

Overview of our 2021/22 audit strategy

Audit risks and areas of focus (continued)			
Risk / area of focus	Risk identified	Change from PY	Details
Pension liability valuation	Inherent risk	No change in risk or focus	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement. Small changes in assumptions when valuing the assets and liabilities can have a material impact on the financial statements.</p> <p>Pension liability balance as at 31 March 2022 was £28.511 million.</p>
Minimum revenue provision	Inherent risk	New risk (Inherent risk)	<p>Linked to the risk of 'misstatements due to fraud and error', we consider specific areas where management makes significant judgements that impact charges to the General Fund balance.</p> <p>Local authorities are required to charge Minimum Revenue Provision to the General Fund in each financial year if borrowing. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP, but need to ensure the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to statutory guidance.</p> <p>In prior years, the Council is not required to provide MRP since the beginning balance of capital financing requirement (CFR) is negative. In 2021/22, the balance of CFR is positive, hence, the Council is required to make a provision.</p> <p>There is a risk that the Council may not been appropriately prudent in its calculation of MRP and/or not followed the relevant statutory guidance.</p>
Going concern disclosure	Area of focus	No change in risk or focus	<p>The Council is required to carry out a going concern assessment that is proportionate to the risks it faces. The unpredictability of the current economic environment and the volatility of the markets due to the ongoing impact of Covid as well as the Ukraine-Russia conflict also gives rise to a risk that the Council may not appropriately disclose the impact of these issues on its going concern assessment. The disclosure should be underpinned by the management's assessment based on the Council's forecast year end financial position for the going concern period of 12 months from the auditor's report date.</p>

Overview of our 2021/22 audit strategy

Materiality



We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- Remuneration disclosures - we will agree all disclosures back to source data. We will report any differences above £1k where they impact on the bandings use in the disclosure.
- Member allowances - we will agree Members allowances to the agreed and approved amounts and report any differences above £1k.
- Related party transactions - we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence. We will apply a materiality of £1k to this work.

Overview of our 2021/22 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of East Hertfordshire District Council give a true and fair view of the financial position as at 31 March 2022 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities". PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension obligations, the introduction of new accounting standards such as IFRS 9 and 15 in recent years as well as the expansion of factors impacting the value for money conclusion. Therefore to the extent any of these or any other risks are relevant in the context of East Hertfordshire District Council's audit, we will discuss these with management as to the impact on the scale fee.

Effects of climate-related matters on financial statements and Value for Money arrangements

Public interest in climate change is increasing. We are mindful that climate-related risks may have a long timeframe and therefore while risks exist, the impact on the current period financial statements may not be immediately material to an entity. It is nevertheless important to understand the relevant risks to make this evaluation. In addition, understanding climate-related risks may be relevant in the context of qualitative disclosures in the notes to the financial statements and value for money arrangements.

We make inquiries regarding climate-related risks on every audit as part of understanding the entity and its environment. As we re-evaluate our risk assessments throughout the audit, we continually consider the information that we have obtained to help us assess the level of inherent risk.

Overview of our 2021/22 audit strategy

Value for money conclusion

We include details in Section 03 but in summary:

- We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on value for money and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will provide a commentary on the Council's arrangements against three reporting criteria:
 - 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; and
 - 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.
- The commentary on VFM arrangements will be included in the Auditor's Annual Report.

Timeline

The Ministry of Housing, Communities and Local Government established regulations to extend the target date for publishing audited local authority accounts from 31 July to 30 September, for a period of two years (i.e. covering the audit of the 2020/21 and 2021/22 accounting years).

In December 2021, the Department for Levelling Up, Housing and Communities (DLUHC) announced proposals to extend the deadline for the publication of audited accounts to 30 November for 2021/22. This change was confirmed in The Accounts and Audit (Amendment) Regulations 2022 issued in June 2022.

The year end audit of 2021/22 started in January 2023 and we are aiming to complete the audit in time to report to the May 2023 Audit and Governance Committee. In Section 07 we include a provisional timeline for the audit.

Audit team changes

No changes in the partner and manager of the audit.



02

Audit risks



Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error	What is the risk?	What will we do?
	<p>The financial statements as a whole are not free of material misstatements whether caused by fraud or error.</p> <p>As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>We will undertake our standard procedures to address fraud risk, which include:</p> <ul style="list-style-type: none"> ➤ Identifying fraud risks during the planning stages. ➤ Inquiring of management about risks of fraud and the controls put in place to address those risks. ➤ Understanding the oversight given by those charged with governance of management's processes over fraud. ➤ Considering the effectiveness of management's controls designed to address the risk of fraud. ➤ Determining an appropriate strategy to address those identified risks of fraud. ➤ Performing mandatory procedures regardless of specifically identified fraud risks, including; <ul style="list-style-type: none"> ▶ testing of journal entries and other adjustments in the preparation of the financial statements; ▶ reviewing accounting estimates for evidence of management bias; and ▶ evaluating the business rationale for significant unusual transactions;

Our response to significant risks (continued)

Incorrect capitalisation of revenue expenditure

Financial statement impact

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.

Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating property, plant and equipment additions in the financial statements.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to incorrectly capitalise revenue expenditure to remove it from the general fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of the Council's annual capital programme, which is significantly higher than our materiality level. This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants or borrowing.

What will we do?

To address this risk, we will:

- Obtain a general ledger breakdown of capital additions in the year, reconcile this to the Fixed Assets Register and review the general ledger descriptions to identify whether there are any potential transactional items that could be revenue in nature;
- Sample test additions to property, plant and equipment at a lower testing threshold to ensure they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised. We review the sample selected against the definition of capital expenditure in IAS 16; and
- As part of our journals testing strategy, we will review unusual journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Valuation or property, plant and equipment and investment properties</p> <p>The fair value of property, plant and equipment (PPE) and investment properties (IP) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p> <p>As of 31 March 2022, the Council had the following capital asset values valued at current cost (other land and buildings) and fair value (surplus assets and IP):</p> <ul style="list-style-type: none"> ▸ Land & buildings - £71.147 million ▸ Surplus assets - £2.416 million ▸ Investment properties - £9.161 million 	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> ➤ Consider the work performed by the Council's external and internal valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ➤ Use our own valuation experts to review the methodology and assumptions used by the valuer; ➤ Assesses the accuracy of the classification of assets and the valuation basis that is assigned as a result; ➤ Identify and corroborate any material increases or impairments that arise during the year; ➤ Review the annual cycle of valuations to ensure that assets have been valued annually; ➤ Select a sample of PPE and IP assets and test the inputs, assumptions and methodologies employed by the Council's valuers and consider the reasonableness of the estimation techniques employed. We will send assets with higher degree of complexity in valuation for review by our valuation experts; ➤ Consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ➤ Test accounting entries, ensuring these have been correctly processed in the financial statements; and ➤ Review appropriateness of the relevant accounting policies and disclosures.

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Recognition of grant income associated with Covid-19 (includes sales fees and charges and other Covid-19 funding streams)</p> <p>The Authority received a series of grants from the UK government during 2021/22 in support for the pandemic crisis management. The amount of grant recognised as income in the current year is £5.8m. We identified the accounting treatment of those grants as an area of focus due to factors discussed in Section 02.</p>	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> ➤ Reviewing the Authority's decision for new grant or funding arrangements whether it is acting as principal or agent; ➤ Sample testing government grant income to ensure that grants have been correctly classified as specific or non-specific in nature; ➤ Sample testing government grant income to ensure that grants have been correctly classified in the financial statements based on any restrictions imposed by the funding body; ➤ Checking the Authority has adequately disclosed grant income received in the year, under both principal and agent arrangements; and ➤ Sample testing the expenditure financed by the grants to check if these are in line with the conditions of the grant, if any.
<p>Pension liability valuation</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the balance sheet.</p> <p>The information disclosed is based on the IAS 19 report issued to the Council by the Actuary. Accounting for this scheme involves significant estimation and judgement. Small changes in assumptions when valuing the assets and liabilities can have a material impact on the financial statements.</p> <p>Pension liability balance as at 31 March 2022 was £28.511 million.</p>	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> ➤ Liaise with the auditors of Hertfordshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to the Council; ➤ Assess the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and consider reviews of this by the EY actuarial team; ➤ Engage our internal EY pensions team to calculate an estimate of the Council's pension liability by running their own 'actuarial model' and comparing this to that produced by the Council's actuary; ➤ Consider the results of the latest triennial valuation (as at March 2022) and assess whether this has any impact on the net liability reported in the Council's accounts; and ➤ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<p>Minimum revenue provision</p> <p>Linked to the risk of 'misstatements due to fraud and error', we consider specific areas where management makes significant judgements that impact charges to the General Fund balance.</p> <p>Local authorities are required to charge a 'Minimum Revenue Provision' (MRP) to the General Fund in each financial year related to borrowing. The calculation of this charge is based on the Capital Financing Requirement. Local authorities have flexibility in how they calculate MRP, but need to ensure the calculation is prudent. In calculating a prudent provision, local authorities are required to have regard to statutory guidance.</p> <p>In prior years, the Council has not been required to provide a MRP, since the opening balance of capital financing requirement (CFR) is negative. In 2021/22, the balance of CFR is positive, hence, the Council is required to make a provision.</p> <p>There is a risk that the Council may not been appropriately prudent in its calculation of MRP and/or not followed the relevant statutory guidance.</p>	<p>We will perform the following:</p> <ul style="list-style-type: none"> ➤ Checking that the calculation of the Capital Financing Requirement is appropriate and consistent with other notes in the financial statements; ➤ Checking the appropriateness of the Council's MRP policy; and ➤ Checking whether MRP has been appropriately calculated in accordance with the revised statutory guidance.

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?

Going concern disclosure

There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. The unpredictability of the current economic environment and the volatility of the market due to the ongoing impact of Covid as well as the Ukraine-Russia conflict are issues we would expect this assessment to consider, particularly in terms of the impact on the Council's day to day finances, its annual budget, cashflow and medium term financial strategy,

The Council is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

The disclosure should be based on the Council's actual year end financial position for the current year as well as projections for the going concern period of 12 months from the auditor's report date.

What will we do?

We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Authority's going concern assessment and its disclosure in the accounts by:

- Challenging management's identification of events or conditions impacting going concern.
- Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias).
- Reviewing the Authority's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern.
- Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern.
- Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties.



03

Value for Money Risks





Value for Money

Council's 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.

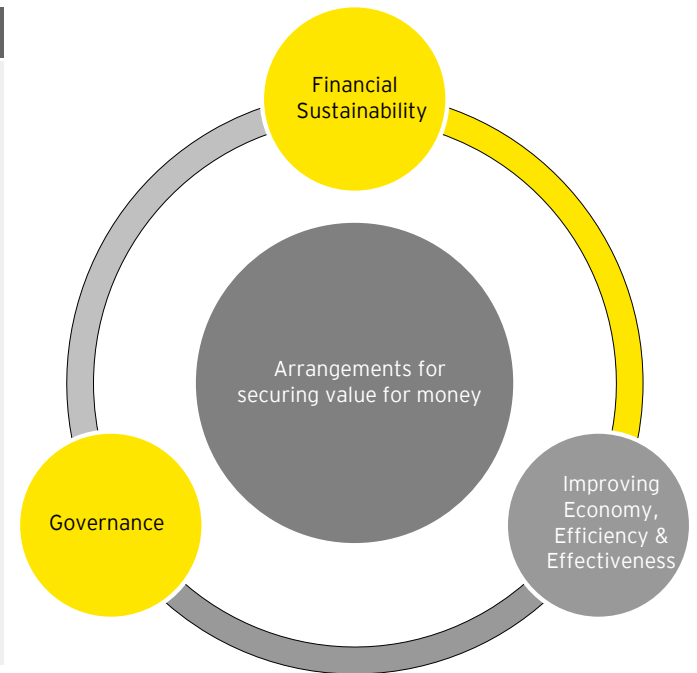
As part of the material published with the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its 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 NAO Code of Audit Practice we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 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.



Planning and identifying risks of significant weakness in VFM arrangements

The NAO's guidance notes requires us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement;
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates and other bodies; and
- Any other evidence source that we regards as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes - or could reasonably be expected to expose - the Council to significant financial loss or risk;
- Leads to - or could reasonably be expected to lead to - significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to - or could reasonably be expected to lead to - unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves (where applicable), or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.



Value for Money

Responding to identified risks of significant weakness

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit and Governance Committee.

Reporting on VFM

Where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources the Code requires that we should refer to this by exception in the audit report on the financial statements.

In addition, the Code requires us to include the commentary on arrangements in the Auditor's Annual Report. The 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.

Status of our 2021/22 VFM planning

We have yet to complete our detailed VFM planning. However, one area of focus will be on the arrangements that the Council has in place in relation to financial sustainability.

The medium term financial strategy for 2023/24 to 2027/28 shows a forecasted transfer from earmarked reserves of £818k in 2023/24, £3.466 million in 2024/25 and £460k in 2025/26.

We will update the next Committee meeting on the outcome of our VFM planning and our planned response to any identified risks of significant weaknesses in arrangements.



04

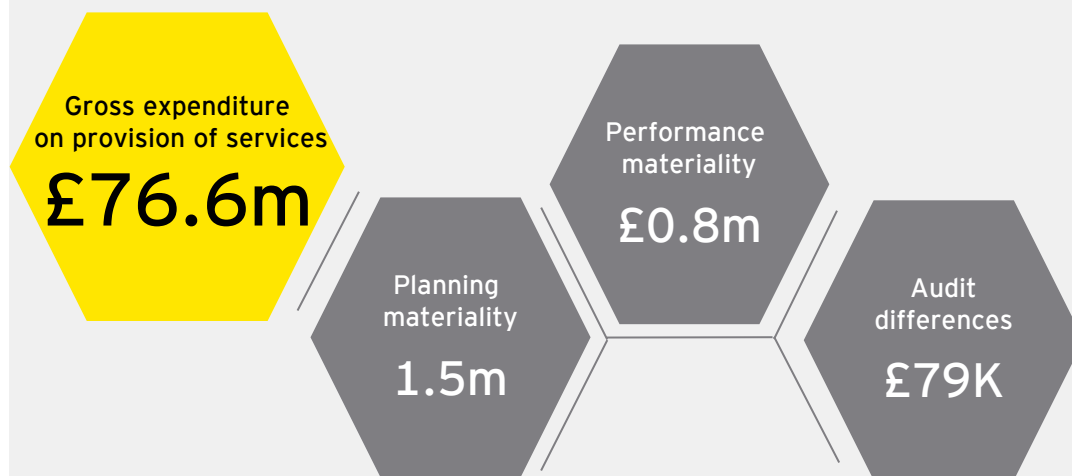
Audit materiality



Materiality

Materiality

For planning purposes, materiality for 2021/22 has been set at £1.5 million. This represents 2% of the Council's current year gross revenue expenditure on provision of services. We will reassess materiality throughout the audit process. We consider that the focus from interested parties will be on how income is spent and therefore our judgement is that gross expenditure is considered to be the most appropriate measurement basis for materiality. We have provided supplemental information about audit materiality in Appendix C.



Key definitions

Planning materiality - the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality - the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.8 million which represents 50% of planning materiality. We decreased the percentage of performance materiality due to the number of errors noted in the 2020/21 audit.

Audit difference threshold - we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Governance Committee, or are important from a qualitative perspective.

Audit materiality

Materiality

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit, we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

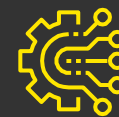
We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- ▶ Remuneration disclosures - we will agree all disclosures back to source data. We will report any differences above £1k where they impact on the bandings use in the disclosure.
- ▶ Member allowances - we will agree Members allowances to the agreed and approved amounts and report any differences above £1k.
- ▶ Related party transactions - we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence. We will apply a materiality of £1k to this work



05

Scope of our audit



Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO [delete if not applicable]

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

For 2021/22, we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit and Governance Committee.

Internal audit:

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for each component within Appendix E.

1	A	Full scope audits - the Council
1	B	Specific scope audits - Millstream

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts. Millstream Property Investments Limited which is consolidated within the group accounts is a specific scope audit.

We will our review and testing on the specific balances which are considered to have a material impact on the group accounts or have an identified risk attached to them.

Key changes in scope from last year

No changes in scope from prior year



06

Audit team



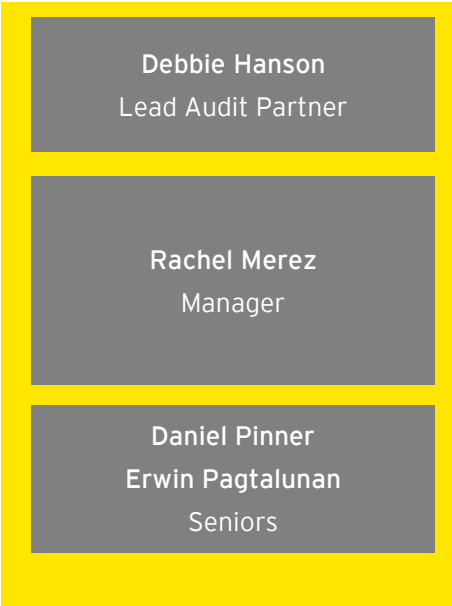
Audit team structure:

EY Team

Debbie will continue as the engagement lead for 2021/22 which will be her second year of working with the Authority.

Rachel will also continue as the manager of the audit for 2021/22. Rachel has experience managing audits of councils within the Hertfordshire and Essex area.

The engagement is led by Daniel Pinner and Erwin Pagtalunan as seniors for 2021/22.



Working together with the Authority

We are working together with officers to identify continuing improvements in communication and processes for the 2021/22 audit.

We will continue to keep our audit approach under review to streamline it where possible.



* Key Audit Partner

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Property, plant and equipment, assets held for sale and investment Properties	EY Real Estate (EY specialist) The Council's own internal valuer (Management specialist)
Pensions disclosure	EY pensions advisory, PwC (Consulting Actuary) (EY specialist) Hymans Robertson - Actuary to the Hertfordshire Pension Fund (Management specialist)
NNDR Appeals Provision	Analyse Local (Management specialist)
Financial Assets and Liabilities	Link Assets Services (Management specialist)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

Developing the right Audit Culture

In July 2021, EY established a UK Audit Board (UKAB) with a majority of independent Audit Non-Executives (ANEs). The UKAB will support our focus on delivering high-quality audits by strengthening governance and oversight over the culture of the audit business. This focus is critical given that audit quality starts with having the right culture embedded in the business.

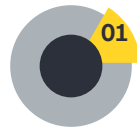


Our audit culture is the cement that binds together the building blocks and foundation of our audit strategy. We have been thoughtful in articulating a culture that is right for us: one that recognises we are part of a wider, global firm and is clear about whose interests our audits serve.

There are three elements underpinning our culture:

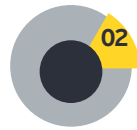
1. Our people are focused on a **common purpose**. It is vital we foster and nurture the values, attitudes and behaviours that lead our people to do the right thing.
2. The essential attributes of our audit business are:
 - ▶ **Right resources** – We team with competent people, investing in audit technology, methodology and support
 - ▶ **Right first time** – Our teams execute and review their work, consulting where required to meet the required standard
 - ▶ **Right reward** – We align our reward and recognition to reinforce the right behaviours

3. The six pillars of **Sustainable Audit Quality** are implemented.



Tone at the top

The internal and external messages sent by EY leadership, including audit partners, set a clear tone at the top - they establish and encourage a commitment to audit quality



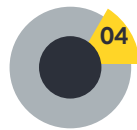
Exceptional talent

Specific initiatives support EY auditors in devoting time to perform quality work, including recruitment, retention, development and workload management



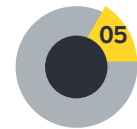
Accountability

The systems and processes in place help EY people take responsibility for carrying out high-quality work at all times, including their reward and recognition



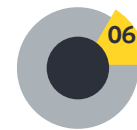
Audit technology and digital

The EY Digital Audit is evolving to set the standard for the digital-first way of approaching audit, combining leading-edge digital tools, stakeholder focus and a commitment to quality



Simplification and innovation

We are simplifying and standardising the approach used by EY auditors and embracing emerging technologies to improve the quality, consistency and efficiency of the audit



Enablement and quality support

How EY teams are internally supported to manage their responsibility to provide high audit quality

A critical part of this culture is that our people are **encouraged and empowered to challenge and exercise professional scepticism** across all our audits. However, we recognise that creating a culture requires more than just words from leaders. It has to be reflected in the lived experience of all our people each and every day enabling them to challenge themselves and the companies we audit.

Each year we complete an audit quality culture assessment to obtain feedback from our people on the values and behaviours they experience, and those they consider to be fundamental to our audit quality culture of the future. We action points that arise to ensure our culture continues to evolve appropriately.

2021 Audit Culture Survey result

A cultural health score of 78% (73%) was achieved for our UK Audit Business

We bring our culture alive by investing in three priority workstreams:

- Audit Culture with a focus on professional scepticism
- Adopting the digital audit
- Standardisation

This investment has led to a number of successful outputs covering training, tools, techniques and additional sources. Specific highlights include:

- Audit Purpose Barometer
- Active Scepticism Framework
- Increased access to external sector forecasts
- Forensic risk assessment pilots
- Refreshed PLOT training and support materials, including embedding in new hire and trainee courses
- Digital audit training for all ranks
- Increased hot file reviews and improved escalation processes
- New work programmes issued on auditing going concern, climate, impairment, expected credit losses, cashflow statements and conducting effective group oversight
- Development of bite size, available on demand, task specific tutorial videos

“A series of company collapses linked to unhealthy cultures....have demonstrated why cultivating a healthy culture, underpinned by the right tone from the top, is fundamental to business success.”

Sir John Thompson
Chief Executive of the FRC



07 **Audit timeline** 

Audit timeline

Timetable of communication and deliverables

Timeline

Below is a proposed timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2021/22.

From time to time matters may arise that require immediate communication with the Audit and Governance Committee and we will discuss them with the Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Audit and Governance Committee Meeting timetable	Deliverables
Planning: Risk assessment and setting of scopes.	January	Audit and Governance Committee	
Walkthrough of key systems and processes	February		
Year end audit	March	Audit and Governance Committee	Audit Planning Report
Year end audit	April		
Year end audit	May	Audit and Governance Committee	Audit Results Report
Audit completion procedures	June	Audit and Governance Committee	Annual Auditor's Report including commentary on VFM





08

Independence



The FRC Ethical Standard and ISA (UK) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit/additional services provided and the fees charged in relation thereto; ▶ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▶ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▶ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we have an investment in the Council; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and where we do so, we will comply with the policies that you have approved, and the Financial Reporting Council's Ethical Standards, and the National Audit Office's Auditor Guidance Note 01. The ratio of non-audit fees to audit fees is not permitted to exceed 70%.

At the time of writing, our non-audit work on behalf of the council is within this ratio. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

Transparency Report 2021

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022:

[EY UK 2022 Transparency Report | EY UK](#)



09

Appendices



The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

Description	Proposed Fee 2021/22 £	Scale Fee 2021/22 £	Final Proposed Fee 2020/21 £
Total Scale Fee - Code work (Note 1)	40,295	40,295	40,295
Changes in work required to address professional and regulatory requirements and scope associated with risk (Note 2)	33,686		26,949
Additional fee to address in-year risks as noted in this report (Note 3)	TBC		31,591
Total indicative audit fees	TBC	40,295	98,835
Housing benefits certification work	TBC		11,000
Total audit fees	TBC	40,295	109,835

All fees exclude VAT

Note 1:

The scale fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts opinion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Note 2:




We do not believe that the current scale fee reflects the changes in the audit market and increases in regulation since the most recent PSAA tender exercise. As a result, we have proposed an increase in the scale fee from of £33,686 to PSAA. This is yet to be determined by PSAA.

Note 3: In addition to the above, we propose additional fees where we identify specific risks which require additional audit work. These fees are again subject to determination by PSAA. Now we have concluded the 2020/21 audit we will submit our additional fee request to PSAA. We will determine what additional fees may be required in relation to 2021/22 once the audit is complete. We will discuss with management the breakdown of the additional fee requested before submission to PSAA. PSAA will determine the final fee.

Appendix B

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Audit and Governance Committee.





			 Our Reporting to you
Required communications	 What is reported?	 When and where	
Terms of engagement	Confirmation by the Audit and Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - March 2023	
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report - May 2023 Auditor's Annual Report - June 2023	

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Audit results report - May 2023
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit results report - May 2023
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiries of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements 	Audit results report - May 2023
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit and Governance Committee responsibility 	Audit results report - May 2023

Required communications with the Audit Committee (continued)

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Related parties	<ul style="list-style-type: none"> ▶ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	Audit results report - May 2023
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communication whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - March 2023</p> <p>Audit results report - May 2023</p>
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - May 2023
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Audit and Governance Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Governance Committee may be aware of 	Audit results report - May 2023

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	What is reported?	When and where
Internal controls	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit 	Audit results report - May 2023
Representations	Written representations we are requesting from management and/or those charged with governance	Audit results report - May 2023
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - May 2023
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit results report - May 2023 Auditor's Annual Report - June 2023
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - March 2023 Audit results report - May 2023
Value for Money	<ul style="list-style-type: none"> ▶ Risks of significant weakness identified in planning work ▶ Commentary against specified reporting criteria on the VFM arrangements, including any exception report on significant weaknesses. 	Audit Plan - March 2023 Audit results report - May 2023 Auditor's Annual Report - June 2023

Additional audit information

Objective of our audit

Our objective is to form an opinion on the Council's financial statements under International Standards on Auditing (UK) as prepared by you in accordance with with International Financial Reporting Standards as adopted by the EU, and as interpreted and adapted by the Code of Practice on Local Authority Accounting.

Our responsibilities in relation to the financial statement audit are set out in the formal terms of engagement between the PSAA's appointed auditors and audited bodies. We are responsible for forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of the Audit Committee. The audit does not relieve management or the Audit Committee of their responsibilities.

Other required procedures during the course of the audit

In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Our responsibilities required by auditing standards

- ▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting.
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, the Audit and Governance Committee reporting appropriately addresses matters communicated by us to the Audit and Governance Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
- ▶ Maintaining auditor independence.

Additional audit information (continued)

Other required procedures during the course of the audit (continued)

Procedures required by the Audit Code	<ul style="list-style-type: none"> ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement. ▶ Examining and reporting on the consistency of consolidation schedules or returns with the Council's audited financial statements for the relevant reporting period
Other procedures	<ul style="list-style-type: none"> ▶ We are required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice

We have included in Appendix B a list of matters that we are required to communicate to you under professional standards.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines the level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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ED None

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Agenda Item 12

Annual Assurance Statement and Internal Audit Annual Report -
East Herts Council



East Herts Council 2022/23 Annual Assurance Statement and Internal Audit Annual Report

31 May 2023

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 for 2023/24

Seek management assurance that the scope and resources for internal audit were not subject to inappropriate limitations in 2022/23

Contents

1. Purpose and Background
 - 1.1 Purpose
 - 1.2 Background

2. Annual Assurance Statement for 2022/23
 - 2.1 Context
 - 2.2 Control Environment
 - 2.4 Review of Effectiveness - compliance with the PSIAS and QAIP
 - 2.11 Confirmation of independence of internal audit and assurance on limitations
 - 2.12 Assurance Opinion on Internal Control
 - 2.13 Assurance Opinion on Corporate Governance and Risk Management

3. Overview of Internal Audit Activity at the Council in 2022/23

4. Performance of the Internal Audit Service in 2022/23
 - 4.1 Performance Indicators
 - 4.2 Service Developments

5. SIAS Audit Charter 2023/24

Appendices

- A Final position against the Council's 2022/23 Internal Audit Plan

- B Definitions of Assurance Recommendation Priority Levels

- C Position against Public Sector Internal Audit Standards as of April 2023

- D SIAS Audit Charter 2023/24

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 any 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 performance in respect of delivering the Council's internal audit plan.
- e) Presents the SIAS Audit Charter for 2023/24.

Background

1.2 A key duty of the Chief Audit Executive (the Council's Client Audit Manager) is to provide an annual opinion on the Council's internal control environment. This opinion helps inform the conclusions of the Council's Annual Governance Statement.

1.3 The assurance opinion in this report is based on internal audit work undertaken during 2022/23. The Audit Plan continued to give sufficient assurance on the Council's management of its key risks. Also considered is any relevant work undertaken in 2023/24 before the Audit Committee report deadline.

1.4 As reported to the Audit & Governance Committee in July 2021, SIAS changed the scale and definitions of assurance ratings used to communicate the results of audit assignments from 1st April 2021. This change was in response to the CIPFA publication in April 2020, "Internal Audit Engagement Opinions – Setting Common Definitions", where CIPFA recommended that a standard range of opinions and definitions were used by Internal Audit teams with the intention of:

- Increasing confidence amongst audit committee members and managers that the engagement opinion issued is consistently applied.
- Assist the sharing, comparability and understanding of assurances across public bodies.
- Supporting audit committee members and senior managers in their understanding of audit reports, in particular those that sit on more than one public sector audit committee, or in respect of partnerships and joint ventures.
- Supporting the training of internal audit staff, helping to drive up the quality and consistency of audit opinions, and facilitate staff moving across different internal audit teams.

- Reducing disruption when changing internal audit provider
- 1.5 The associated definitions for the opinions of Substantial, Reasonable, Limited and No assurance, can be found within Appendix B of this report.
- 1.6 SIAS is grateful for the co-operation and support it has received from Council officers during 2022/23.

2. Annual Assurance Statement 2022/23

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

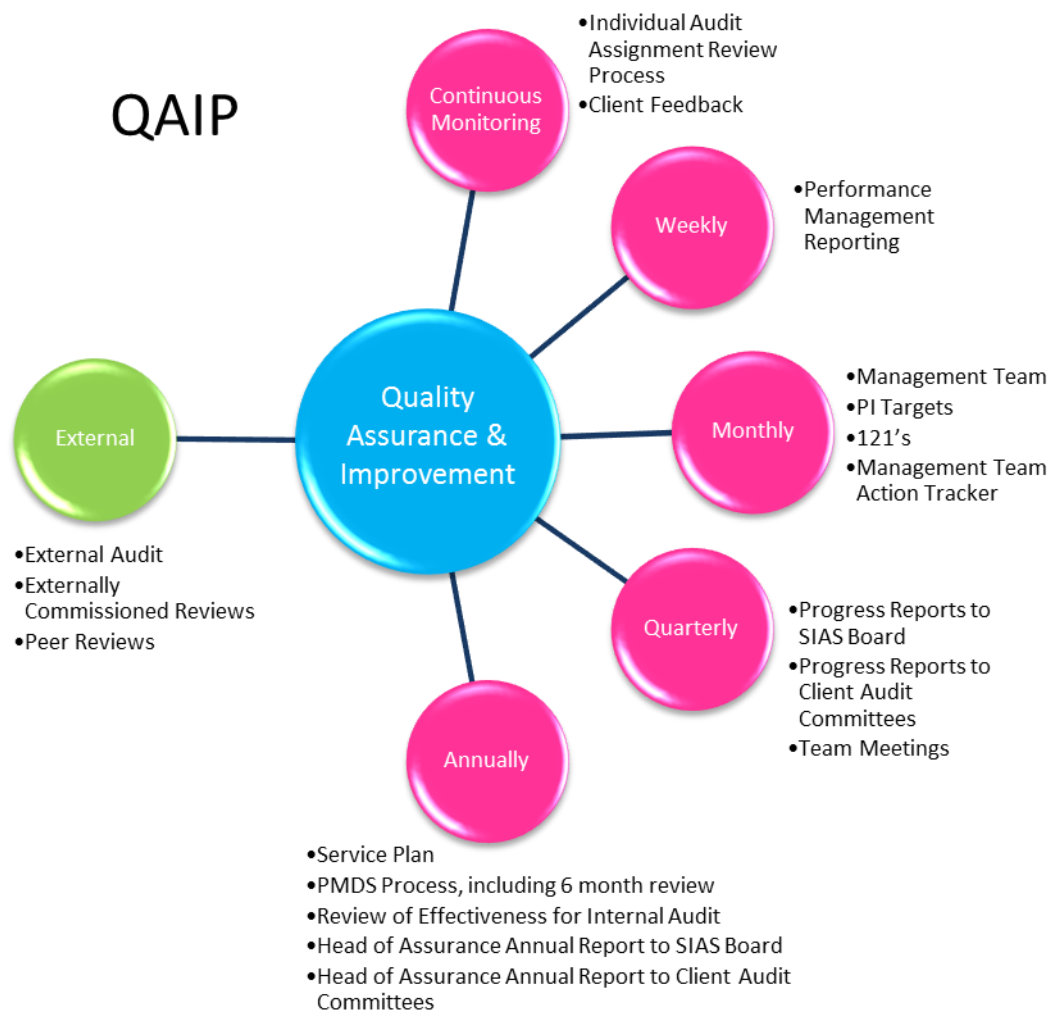
- 2.2 The control environment comprises three key areas: governance, risk management, and internal control. Together these aim to manage risk to an acceptable level, but it is accepted that it is not possible to eliminate it.
- 2.3 A robust control environment helps ensure that the Council's policies,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

Review of effectiveness

- 2.4 The Client Audit Manager 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 our Quality Assurance and Improvement Programme, 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 also 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 PSIAS also requires that the SIAS be subject to an external quality assessment (EQA) at least once every five years. This should be conducted by a qualified, independent assessor or assessment team from

outside the organisation. This review was last completed in June 2021, with the result of the assessment reported to the Audit & Governance Committee in November 2021.

- 2.7 The EQA outcomes concluded that SIAS 'partially conforms' to the PSIAS. The findings that led to this conclusion largely related to defining the role of the Chief Audit Executive, the Audit Committee, and reflecting this in the Audit Charter. Associated recommendations made in the peer review were subsequently addressed in year, permitting SIAS to 'generally conform' to the Standards. 'Generally conforms' is the highest opinion within the scale of three ratings, and the peer review also identified areas of good practice and high standards.
- 2.8 Based on the results of the 2023/24 PSIAS self-assessment, the Client Audit Manager has concluded 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.
- 2.9 The self-assessment identified 2 areas of agreed non-conformance, these reflecting the unique nature of a partnership arrangement and are not considered material. These are detailed in Appendix C. There are no significant deviations from the Standards which warrant inclusion in the Council's Annual Governance Statement.
- 2.10 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.



Confirmation of independence of internal audit and assurance on limitations

2.11 The Client Audit Manager 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 2022/23

Assurance opinion on internal control

- 2.12 Based on the internal audit work undertaken at the Council in 2022/23, SIAS can provide the following 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

- 2.13 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 2022/23 and the specific reviews of Risk Management and Corporate Governance carried out by SIAS during the year.

**Client Audit Manager
May 2023**

3. Overview of Internal Audit Activity at the Council in 2022/23

- 3.1 This section summarises work undertaken at the Council by SIAS in 2022/23. It highlights any significant internal control matters and opportunities for improvement.
- 3.2 Appendix A shows the final position against the Internal Audit Plan at 30 April 2023, including assurance levels and the number of recommendations made. A summary of assurance levels and recommendation priorities is shown in the tables below (2021/22 data in brackets).

Assurance Level	Number of reports 2022/23 (2021/22 data in brackets)	Percentage of reports 2022/23 (2021/22 data in brackets)
Substantial	11 (10)	46% (45%)
Reasonable	9 (6)	38% (27%)
Limited	0 (1)	0% (5%)
No	0 (0)	0% (0%)
Not Assessed	1 (3)	4% (14%)
Unqualified	1 (0)	4% (0%)
Qualified	0 (0)	0% (0%)
Not Complete	2 (2)	8% (9%)
Total	24 (22)	100% (100%)

Recommendation Priority Level	Number of recommendations 2022/23 (2021/22 data in brackets)	Percentage of recommendations made 2022/23 (2021/22 data in brackets)
Critical	0 (0)	0% (0%)
High	0 (2)	0% (6%)
Medium	22 (22)	46% (61%)
Low	26 (12)	54% (33%)
Total	48 (36)	100% (100%)

- 3.3 **The Reasonable assurance opinion overall on financial systems** has been concluded from eight financial systems audits. Seven received Substantial assurance and one received Reasonable assurance. No Critical or High priority recommendations were made across these audits. However, two Medium priority recommendations were made.

- 3.4 **The Reasonable assurance opinion overall on non-financial systems** has been concluded from fourteen audits. Four audits received Substantial assurance and eight received Reasonable assurance. In addition, one grant audit received an Unqualified opinion, and one other audit was classified as Not Assessed, i.e. no audit assurance opinion was given.
- 3.5 In arriving at our Reasonable assurance opinion for non-financial systems, we highlight that all opinions issued for individual audits during the year were positively assessed. This generally indicates the Council has satisfactory or good systems of internal control for a wide range of areas.
- 3.6 Two audits were at draft report stage at the time of writing this Annual Report, with a management response awaited. These audits have contributed to the assurance opinion for 2022/23.

Critical and High Priority Recommendations

- 3.7 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 the implementation of critical and high priority recommendations; it is the responsibility of Officers to implement the recommendations by the agreed date. Members will continue to receive updates on the implementation progress of any Critical and High priority recommendations through the SIAS quarterly progress reports to the Audit Committee.

4. Performance of the Internal Audit Service in 2022/23

Performance indicators

- 4.1 The table below compares SIAS's performance at the Council against the 2022/23 targets set by the SIAS Board.

Indicator	Target 2022/23	Actual to 31 March 2023
1 SIAS Planned Days – percentage of actual billable days delivered against planned billable days	95%	94% (218.5 / 232 days)
2 SIAS Planned Projects – actual completed projects to draft report stage against planned completed projects	95%	91% (21 out of 23 audits to draft)

**Annual Assurance Statement and Internal Audit Annual Report -
East Herts Council**

3 SIAS Annual Audit Plan – presented to the March Audit Committee or the first meeting of the financial year should a March committee not meet.	Deadline met	Yes
4 Client Satisfaction - client satisfaction questionnaires returned at 'satisfactory overall' level (minimum of 39/65 overall)	100%	100% (6 received)
5 Chief Audit Executive's Annual Report – presented at the first Audit Committee meeting of the financial year	Deadline met	Yes
6 Number of High Priority Audit Recommendations agreed	95%	There were no High priority recommendations made

Service Developments

4.2 During 2022/23 the main service and development activities for SIAS included:

- a) Recruitment and Retention – several staff have left the service during 2022/23, either accepting job offers elsewhere or choosing early retirement. The current market is widely recognised as extremely challenging, however SIAS successfully recruited a Trainee and an Auditor during the autumn. Since year end, existing Trainees were promoted to Auditor positions, this being consistent with the SIAS “grow your own” workforce strategy. The now vacant Trainee positions will be recruited to during June. An Assistant Client Audit Manager position was also recently advertised and an appoint made. The successful applicant is due to start in June.
- b) External Partner – during the year SIAS retendered for the supply of a call-in resource, which will be used to deliver both general and IT audit. The successful provider will continue to work across all partners during 2023/24, providing SIAS with additional resilience where there is a shortfall in capacity and access to specialist staff when required.
- c) Training & Development – needs have been identified beyond the qualifications being studied by members of SIAS staff. These fall into several broad categories such as professional practice, use of technology and local knowledge. This has been captured in a Plan that

is being delivered by members of the SIAS management team and external sources when required.

5. SIAS Audit Charter 2023/24

- 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 review in April 2023 did not result in any changes and the 2023/24 Charter is attached at Appendix D.

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2022/23 AUDIT PLAN

East Herts Council Audit Plan – 2022/23

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Key Financial Systems							
Creditors (Assurance Mapping Refresh)	Substantial	0	0	0	0	3	Final Report Issued
Treasury Management (Assurance Mapping Refresh)	Substantial	0	0	0	0	3	Final Report Issued
Payroll (Assurance Mapping Refresh)	Reasonable	0	0	2	3	3	Final Report Issued (1)
Council Tax	Substantial	0	0	1	1	7	Final Report Issued
Business Rates	Substantial	0	0	0	2	7	Final Report Issued
Housing Benefits	Substantial	0	0	0	2	7	Final Report Issued
Main Accounting System (Assurance Mapping Refresh)						0	Audit Cancelled
Debtors (Assurance Mapping Refresh)	Substantial	0	0	0	0	3	Final Report Issued
Asset Management	Substantial	0	0	1	0	10	Final Report Issued
Operational Audits							
Supply Chain Interruption	Substantial	0	0	0	2	10	Draft Report Issued (2)
Elections Payroll						10	In Fieldwork (3)

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2022/23 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Customer Services	Reasonable	0	0	2	4	10	Final Report Issued
Information Governance	Reasonable	0	0	1	1	10	Final Report Issued
Whistleblowing	Reasonable	0	0	3	1	10	Final Report Issued
Risk Management (Assurance Mapping Refresh)	Substantial	0	0	0	0	3	Final Report Issued (1)
Corporate Governance (Assurance Mapping Refresh)	Substantial	0	0	0	0	3	Final Report Issued (1)
Contract Management	Reasonable	0	0	1	1	15	Final Report Issued
Community Wellbeing & Partnerships	Reasonable	0	0	3	1	10	Final Report Issued
Housing Acquisitions & Conversions						0	Audit Cancelled
General Fund Health & Safety Property Compliance	Reasonable	0	0	1	0	10	Final Report Issued
Refuse Services (shared with NHDC)	Reasonable	0	0	3	0	9	Final Report Issued (1)
Noise & Nuisance	Substantial	0	0	0	1	6	Final Report Issued
Contain Outbreak Management Fund (COMF) Grant Audit	Unqualified	0	0	0	0	1	Final Report Issued
Environmental Enforcement Joint Review	Not Assessed	0	0	0	7	3	Final Report Issued (1)

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2022/23 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
IT Audits							
Malicious Software (shared with SBC)	Reasonable	0	0	4	0	7	Draft Report Issued
Cyber Security Framework Assurance Mapping Refresh (shared with SBC)						0	Audit Cancelled
Software Licence Management						15	In Fieldwork (4)
Other Chargeable							
2023/24 Audit Planning	-	-	-	-	-	5	Complete
Plan Delivery Monitoring	-	-	-	-	-	12	Complete
Annual Audit Opinion 2021/22	-	-	-	-	-	3	Complete
Client Liaison	-	-	-	-	-	10	Complete
Shared Learning	-	-	-	-	-	2	Complete
Audit & Governance Committee	-	-	-	-	-	12	Complete
SIAS Development	-	-	-	-	-	5	Complete
21/22 Projects Requiring Completion	-	-	-	-	-	6	Complete

APPENDIX A – FINAL POSITION AGAINST THE COUNCIL’S 2022/23 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	STATUS/COMMENT
		C	H	M	LA		
Matters Arising From SAFS	-	-	-	-	-	2	Complete
Contingency	-	-	-	-	-	18	N/A
Total		0	0	22	26	250	

- (1) At Draft Report stage on 31 March 2023, Final Report issued after year end.
- (2) At Draft Report stage on 30 April 2023.
- (3) In Fieldwork on 30 April 2023, delayed at management request due to elections.
- (4) In Fieldwork on 30 April 2023, this audit was a late allocation at management request.

Key to Recommendation Priority Levels: C = Critical priority recommendations; H = High priority recommendations; M = Medium priority recommendations; LA = Low/Advisory priority recommendations.

APPENDIX B – DEFINITIONS OF ASSURANCE AND RECOMMENDATION PRIORITY LEVELS

Audit Opinions		
Assurance Level	Definition	
Assurance Reviews		
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.	
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.	
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.	
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.	
Not Assessed	This opinion is used in relation to consultancy or embedded assurance activities, where the nature of the work is to provide support and advice to management and is not of a sufficient depth to provide an opinion on the adequacy of governance or internal control arrangements. Recommendations will however be made where required to support system or process improvements.	
Grant / Funding Certification Reviews		
Unqualified	No material matters have been identified in relation the eligibility, accounting and expenditure associated with the funding received that would cause SIAS to believe that the related funding conditions have not been met.	
Qualified	Except for the matters identified within the audit report, the eligibility, accounting and expenditure associated with the funding received meets the requirements of the funding conditions.	
Disclaimer Opinion	Based on the limitations indicated within the report, SIAS are unable to provide an opinion in relation to the Council's compliance with the eligibility, accounting and expenditure requirements contained within the funding conditions.	
Adverse Opinion	Based on the significance of the matters included within the report, the Council have not complied with the funding conditions associated with the funding received.	
Recommendation Priority Levels		
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.
	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.
Service	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	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.

APPENDIX C – POSITION AGAINST PUBLIC SECTOR INTERNAL AUDIT STANDARDS AT APRIL 2023

Section A: Conformance - 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)</p>	<p>The Head of SIAS, Hertfordshire County Council (HCC), in consultation with the Board of the Shared Internal Audit Services 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 Head of SIAS (HCC).</p>	<p>Non-conformance</p> <p>No further action proposed. The appraisal process was carried out by the head of SIAS (HCC). The current arrangements are considered effective given the shared nature of SIAS.</p>



SIAS Audit Charter 2023/2024

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.
- 1.2. The purpose of the Shared Internal Audit Service (SIAS) is to provide independent, objective assurance and consulting services designed to add value and improve client operations. The mission of internal audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. SIAS helps clients accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

2. Statutory Basis of Internal Audit

- 2.1. 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'.
- 2.2. 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.

3. Role

- 3.1. SIAS internal audit activity is overseen by East Herts Council's committee charged with fulfilling audit committee responsibilities, herewith referred to as the Audit and Governance Committee. As part of its oversight role, the Audit

and Governance Committee is responsible for defining the responsibilities of SIAS via this Charter.

- 3.2. SIAS may undertake additional consultancy activity requested by management. The Client Audit Manager will determine such activity on a case-by-case basis, assessing the skills and resources available. Significant additional consultancy activity not already included in the Internal Audit Plan will only be accepted and carried out following consultation with the Audit and Governance Committee.

4. Professionalism

- 4.1. 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.
- 4.2. SIAS also recognises 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.
- 4.3. SIAS operations are guided by its operating procedures manual as well as applicable, Chartered Institute of Internal Auditors (CIIA) and Chartered Institute of Public Finance and Accountancy (CIPFA) Position Papers, Practice Advisories and Guides, and relevant council policies and procedures, including compliance with the Bribery Act 2010.
- 4.4. Should non-conformance with the PSIAS be identified, the Head of SIAS 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.

5. Authority and Confidentiality

- 5.1. Internal auditors are authorised full, free, and unrestricted access to any and all of a client's records, physical property, 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 an engagement is safeguarded and confidentiality respected in accordance with the Council's GDPR and information security policies.
- 5.2. 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.

6. Organisation

- 6.1. The Client Audit Manager and their representatives have free and unrestricted direct access to Senior Management, the Audit and Governance Committee, the Chief Executive, the Chair of the Audit and Governance Committee and the External Auditor. The Client Audit Manager will communicate with any and all of the above parties at both committee meetings and between meetings as appropriate.
- 6.2. The Chair of the Audit and Governance Committee has free and unrestricted direct access to the Client Audit Manager.
- 6.3. The Client Audit Manager is line managed by the Head of SIAS who approves all decisions regarding the performance evaluation, appointment, or removal of the Client Audit Manager, in consultation with the Head of Assurance and SIAS Board.

7. Stakeholders

The following groups are defined as stakeholders of SIAS:

- 7.1. The Head of SIAS, working with the Client Audit Manager, both suitably experienced and qualified (CCAB and / or CMIIA), is 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
- 7.2. The Audit and Governance Committee is responsible for overseeing the effectiveness of SIAS and holding the Client Audit Manager 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.
- 7.3. The Audit and Governance 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.
- 7.4. Where stated in its Terms of Reference, the Audit and Governance Committee provides an annual report to the Council detailing the Committee's activities through the year. In addition, and as required, the Committee ensures that there

is appropriate communication of, and involvement in, internal audit matters from the wider publicly elected Member body.

- 7.5. The Client Audit Manager is responsible for ensuring that the outcome of all final Internal Audit reports is reported to all members of the Audit and Governance Committee, and Executive Members for Financial Sustainability, in a format agreed with these relevant parties.
- 7.6. 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.
- 7.7. The SIAS Board is the governance group charged with monitoring and reviewing the overall operation of SIAS, with SIAS reporting key information to the Audit and Governance Committee within progress and annual reports, including:
 - resourcing and financial performance
 - operational effectiveness through the monitoring performance indicators
 - the overall strategic direction of the shared service.

8. Independence and Objectivity

- 8.1. 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.
- 8.2. 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.
- 8.3. When asked to undertake any additional roles/responsibilities outside internal auditing, the Client Audit Manager will highlight to the Audit and Governance 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 Client Audit Manager may belong. The Audit and Governance Committee will approve and periodically review any safeguards put in place to limit any impairments to independence and objectivity.
- 8.4. Where SIAS has been required to provide assurance to other partnership organisations, or arm's length bodies such as trading companies, the Client Audit Manager and Head of SIAS will ensure that the risks of doing so are managed effectively, having regard to the Head of SIAS's primary responsibility

to the management of the partners for which they are engaged to provide internal audit services.

- 8.5. The Client Audit Manager will confirm to the Audit and Governance Committee, at least annually, the organisational independence of SIAS.

9. Conflicts of Interest

- 9.1. 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.
- 9.2. 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.
- 9.3. 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.
- 9.4. SIAS procures an arrangement with an external delivery partner to provide service resilience, i.e., additional internal audit days on request. The external delivery partner will be used to deliver engagements as directed by the Client Audit Manager in particular providing advice and assistance where SIAS staff lack the required skills or knowledge. The external delivery partner will also be used to assist with management of potential and actual conflicts of interest in internal audit engagements, providing appropriate independence and objectivity as required.
- 9.5. In the event of a real or apparent impairment of independence or objectivity, (acceptance of gifts, hospitality, inducements, or other benefits) the Client Audit Manager will investigate and report on the matter to appropriate parties.
- 9.6. Hertfordshire County Council's Head of Assurance not only leads and has overall management responsibility for SIAS, but also the similarly constituted Shared Anti-Fraud Service (SAFS).
- 9.7. Given that SIAS will potentially undertake internal audit activity in relation to SAFS, this relationship is formally disclosed, and appropriate safeguards will be put in place against any potential impairment to independence. The Head of SIAS will manage the internal audit engagement of this service and report findings directly to the Head of Strategic Finance and Property in their capacity as S151 Officer.

10. Responsibility and Scope

- 10.1. 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.
- 10.2. 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
- 10.3. 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.
- 10.4. SIAS is responsible for reporting to the Audit and Governance 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.
- 10.5. 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.

11. Role in Anti-Fraud

- 11.1. The SIAS work programme, designed in consultation with Senior Management, the Audit and Governance Committee and seeks to provide assurance on how the council manages the fraud risks to which it is exposed.
- 11.2. SIAS must have sufficient knowledge to evaluate the risk of fraud and the way it is managed by the Council but are not expected to have the expertise of a person or team whose primary responsibility is detecting and investigating fraud.

- 11.3. SIAS will exercise due professional care by considering the probability of significant errors, fraud, or non-compliance when developing audit scopes and objectives.
- 11.4. EHC is a partner of both SIAS and SAFS and benefits from collaboration and intelligence sharing between the teams. This informs both horizon scanning as part of the internal audit planning process and individual audit engagements.
- 11.5. The Client Audit Manager should be notified of all suspected or detected fraud, corruption, or impropriety so that the impact upon control arrangements can be evaluated.

12. Internal Audit Plan

- 12.1. Following discussion with appropriate senior management, the Client Audit Manager will submit a risk-based plan to the Audit and Governance Committee for review and approval. This will occur at least annually. The plan sets out the engagements agreed by the Section 151 Officer and Senior Leadership Team 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.
- 12.2. The plan will be accompanied by details of the risk assessment approach used and other assurance considered during the planning process. 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.
- 12.3. 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.

13. Reporting and Monitoring

- 13.1. 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 engagement may occur and will be agreed following consultation with the client.
- 13.2. A report will be issued to management 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.

- 13.3. 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 Client Audit Manager to all relevant parties.
- 13.4. In consultation with senior management, the Client Audit Manager will consider, on a risk-basis, any request made by external stakeholders for sight of an internal audit report.
- 13.5. Quarterly update reports to the Audit and Governance 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. Hertfordshire County Council's Head of Assurance will also make a statement of conformance with PSIAS, using the results of the annual self-assessment and Quality Assurance and Improvement Plan (QAIP) required by the PSIAS. The statement will detail the nature and reasons for any impairments, qualifications, or restrictions in scope for which the Committee should seek reassurances from management. Any improvement plans arising will be included in the annual report.

14. Periodic Assessment

- 14.1. PSIAS require Hertfordshire County Council's Head of Assurance and the SIAS Board to arrange 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.
- 14.2. Hertfordshire County Council's 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.
- 14.3. A single review will be carried out to provide assurance to all SIAS partners with the outcomes included in the partner's Annual Report.

15. Review of the Audit Charter

- 15.1. The Client Audit Manager will review this charter annually and will present to the first audit committee meeting of each financial year, any changes for approval.
- 15.2. The Client Audit Manager reviewed this Audit Charter in April 2023. It will next be reviewed in April 2024.

Glossary of Terms

<p>Audit Committee</p>	<p>The PSIAS defines the Audit Committee as “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.”</p> <p>The Audit and Governance Committee operates in accordance with its terms of reference contained in East Herts Council’s Constitution.</p> <p>CIPFA’s <i>Audit Committees Practical Guidance for Local Authorities and Police 2018 Edition</i> indicates that for a local authority, it is best practice for the audit committee to report directly to full council rather than to another committee, as the council itself most closely matches the body of ‘those charged with governance’. This is the case at EHC.</p>
<p>Audit Plan</p>	<p>The programme of risk-based work carried out by the Shared Internal Audit Service (SIAS) on behalf of its clients.</p>
<p>Board</p>	<p>The PSIAS defines the ‘Board’ as “The highest-level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) charged with the responsibility to direct and/or oversee the organisation’s activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word “board” in the Standards refers to a group or person charged with governance of the organisation. Furthermore, “board” in the Standards may refer to a committee or another body to which the governing body has delegated</p>

	<p>certain functions (e.g., an Audit Committee).</p> <p>For the purposes of the SIAS Audit Charter, the Board as referred to in the PSIAS shall be East Herts Council’s Audit and Governance Committee. All references to the Audit and Governance Committee in the SIAS Audit Charter should be read in this context.</p>
<p>Chief Audit Executive (CAE)</p>	<p>The PSIAS describes the role of CAE as “a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the mandatory elements of the International Professional Practices Framework. The CAE or others reporting to the CAE will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the CAE may vary across organisations.”</p> <p>The CAE is fundamental to the success of the service and to the extent to which it complies with the Standards. Regular reference is made to this role throughout the PSIAS, including some specific requirements relating to whoever is designated the role.</p> <p>For the purposes of the SIAS Audit Charter, the CAE as referred to in the PSIAS shall be EHC’s Client Audit Manager. All references to the Client Audit Manager in the SIAS Audit Charter should be read in this context.</p>
<p>Management</p>	<p>Operational officers of the Council responsible for creating corporate policy and organising, planning, controlling, and directing resources to achieve the objectives of that policy. Senior management is defined as the Head of Paid Service, Chief Officers, and their direct reports.</p>
<p>Public Sector Internal Audit Standards (PSIAS)</p>	<p>These standards, which are based on the mandatory elements of the Institute of Internal Auditors (IIA) 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</p>

APPENDIX D – SIAS AUDIT CHARTER 2023/2024

	key assurances they need to support them both in managing and overseeing the organisation and in producing the annual governance statement.
Shared Internal Audit Service (SIAS)	SIAS is a local authority partnership comprising Hertfordshire County Council (HCC) and seven Hertfordshire district and borough councils. SIAS also provides internal audit services to a limited number of external clients. HCC is the host authority for the partnership and provides support services such as HR, technology, and accommodation.
SIAS Board	The Board that comprises officer representatives from the partner authorities and is responsible for the governance of the SIAS partnership.

Note:

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

Agenda Item 13

East Herts Council Report

Audit and Governance Committee

Date of meeting: 31 May 2023

Report by: Executive Member for Financial Sustainability

Report title: Monitoring of 2022/23 quarter four corporate risk register

Appendixes:

Appendix 1 – Summary of corporate risks quarter four

Ward(s) affected: All

Summary – The report provides updates on our 13 corporate risks for quarter four and details of how East Herts will manage these risks moving forward.

RECOMMENDATIONS FOR Audit and Governance Committee:

A) The 2022/23 quarter four corporate risk register be reviewed, and officers advised of any further action that could be taken to manage risk.

B) The risks monitored at present are retained for 2023/24

1.0 Background

1.1 Leadership Team reviews the content of the corporate risk register quarterly and provides updates that are relayed within this monitoring report to Audit and Governance Committee.

Towards the end of Quarter 4, a separate report is normally produced which recommends of any changes to the 13 corporate

risks set and this is set out in quarter four reports. At this stage, no new risks have been identified.

1.2 Following a change in management of administering risk updates and writing reports, it was agreed that corporate risks are managed directly on our performance management system Pentana, which is also used to manage our corporate actions, thus allowing a more holistic approach to performance and risk management.

1.3 This enables users to be able to see real time updates on each risk and contributes towards our digital by design aim by allowing members to self-serve. Members can log in at any point to [Pentana](#) to assess our risk register (please consult a member of Democratic Services for login details).

2.0 Risk register results for quarter four

2.1 Leadership Team has set a risk tolerance level. Risks above the tolerance levels are actively managed and regularly reviewed to ensure that contingency and mitigation action is being taken. Risks below the tolerance line are managed by Heads of Service but these are often delegated. (Heads of Service are responsible for keeping all risks under review and taking action to reduce the impact of the risk on the council.)

2.2 Details of our 13 corporate risks can be shown in the table below. A summary of risk scores is shown in the matrix below. Risks in the red are those actively managed.

Risk	Title	Risk Score
1	Financial resources	A4

2	Corporate governance and external political environment	B3
3	Performance, resilience, and security of IT systems	A4
4	Staff capacity and skills to deliver services	B3
5	Poor performance or failure of key partner or contractor	C4
6	Judicial review and or major legal challenge	B3
7	District Plan	A2
8	Climate change	A4
9	Child / vulnerable adult protection	A1
10	Equalities	B2
11	Internal control	B2
12	Outbreak of disease in humans	A4
13	Business Continuity Plan / Emergency Plan	A1

Table 1 (above) - corporate risks /quarter four risk scores

Matrix 1 (below) - summary of our corporate risk scores

		Likelihood			
		1	2	3	4
Impact	A	9,13	7,10		1,3,8,12
	B		11	2,4,6	
	C				5
	D				

2.3 Details of how we score the risk score can be found below.
Please see appendix 1 for a comprehensive breakdown of each risk.

Likelihood	Score	Description	Likelihood of occurrence	Probability of occurrence	
	4	High	Monthly	The event is expected to occur or occurs regularly	
	3	Medium	Annually	The event will probably occur	
	2	Low	1 in 5 years	The event may occur	
	1	Very Low	Less frequently than 1 in 5 years	The event may occur in exceptional circumstances	

Impact	Score	Description	Financial	Reputation	Service / operation
	A	Critical	> £1m p.a.	Serious negative media	Catastrophic fall in service quality or long-term disruption to services
	B	Significant	£400,000 to £1m p.a.	Adverse national media	Major fall in service quality or serious disruption to services
	C	Marginal	£100,000 to £400,000 p.a.	Adverse local media	Significant fall in service quality
	D	Minor	< £100,000	Public concerns restricted to local complaints	Little impact to service quality

Table 2: Methodology of corporate risk scoring

2.4 There are no changes to the quarter four matrix position across the 13 risks although there has been updated commentary on four corporate risks-

- **Risk three** - Performance, resilience, and security of IT systems

- **Risk four** - Staff capacity and skills to deliver services
 - **Risk six** - Judicial Review and or major legal challenge
 - **Risk seven** – District Plan
-

Community Safety

No

Data Protection

None specific but the topic features within the corporate risk register.

Equalities

None specific but the topic features within the corporate risk register.

Environmental Sustainability

None specific but climate change features within the corporate risk register.

Financial

None specific but risk management can provide protection of budgets from unexpected losses. Better governance can be demonstrated and the annual audit plan is risk based.

Health and Safety

None specific but risk management processes can provide a safer environment across the District and all services for the benefit of the public, staff and our contractors.

Human Resources

No

Human Rights

No

Legal

None specific but legal matters feature within the corporate risk register.

Specific Wards

No

Contact Member – Councillor Carl Brittain, Executive Member for Financial Sustainability

Carl.Brittain@eastherts.gov.uk

Contact Officer - Steven Linnett, Head of Strategic Finance and Property. Contact Tel. No. 01279 50 2050

steven.linnett@eastherts.gov.uk

Report Author - Noel Wallis, Senior Business Analyst. Contact Tel. No. 01279 50 2146

noel.wallis@eastherts.gov.uk

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 4	1- Financial Resources Risk Owner – Head of Strategic Finance & Property	<ul style="list-style-type: none"> • Reduction in government grant combined with higher demand for demand-led services such as homelessness, or failure to generate income. • Failure to realize capital receipts from disposals to support capital expenditure. • External auditor challenges MRP Policy and capital financing decisions • Council Tax referendum levels set too low to generate sufficient tax revenue • Sudden economic downturn results 	<ul style="list-style-type: none"> • Reductions in services required • Performance against community expectations and targets reduced • Investment in improvement not possible or severely reduced • Failure to meet statutory duties with potential for legal action or Local Government Ombudsman finds significant cases of maladministration • Corporate Manslaughter charges if maintenance works not carried out, e.g. Legionella in air handling and cooling units • Large numbers of staff redundancies • Major media engagement • Potential for MHCLG intervention 	<ul style="list-style-type: none"> • Minimum Balances held on risk assessment basis to cushion impact over short term (max 2 years) • Modelling of impact of grant settlement scenarios and function and funding changes • Three-year MTFP savings programme • Transforming East Herts savings plan due to be reported at June Executive to deliver savings and efficiencies through an emphasis on digital self-service; process automation; agile working leading to a much-reduced accommodation requirement with target of £1 million cashable savings. • Transforming East Herts Commercial Strategy will specify commercial skill sets and set out the council’s approach to risk appetite and give guidance on how income generating ideas should be taken forward. • New capital programme items must make a return for the investment in cost reductions or income on top of covering the interest and MRP costs

East Herts Council Corporate Risk Register – 2022/23 quarter four

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
		<p>in negative Tax base figures because of increased local Council Tax support claims</p> <ul style="list-style-type: none"> • Members do not agree significant savings budget setting leading to an unbalanced budget which leads to a s.114 report • Delay and/or significant cost over runs on major projects 	<ul style="list-style-type: none"> • Delay leads to cost increases beyond the ability of the council to finance the capital costs • Delays and cost overruns lead to non-delivery of savings requiring service offer reductions to compensate • Projected savings not achieved after project completion due to changes in market away from service offer • Significant local media engagement • Reputational damage. 	<ul style="list-style-type: none"> • Charges will be required to be in conformity with proposed corporate policy on charging recovering total costs and concessions will need to be justified in policy terms and funded by higher charges for others. • Business case reviews to ensure that projects make a return • Cost and income estimates commissioned from industry expert consultants to feed into business case • Project delivery by Major Projects Team with quarterly reports on progress to Leadership Team and Executive. • Capital Programme is phased and financed across years and contingency built into budgets so can be re-phased if required.

Update on current position

1- Financial Resources. No further update from Q3 position. Q3 notes as follows

In developing our medium and longer term plans we will need to have regard to the broader context in which we will be working. This includes:

- The impact of operating in the current economic situation with significant inflation driven by global supply chain issues and the impact of the Russo-Ukrainian war and the “weaponisation” of energy supplies by the Russian government causing global price increase and supply shortages.
- The shape of the government’s economic and policy agenda, the impact of “going for growth” under Liz Truss continues to negatively affect the economy with resulting increases in borrowing. Government will not reform the funding formula or local government finance system and there is no sign of additional funding for local government other than tinkering round the edges of the system to maintain councils like East Herts with funding protection. There is also now uncertainty about the Government’s Levelling Up agenda and whether future funding streams will be honoured - the Treasury has recently restricted DLUHC from incurring new capital expenditure.
- The cost-of-living crisis and the high likelihood of the UK falling into recession will cause spending pressures through potential increases in local council tax support, reductions in payments and higher levels of debt, increases in voluntary arrangements and bankruptcy increasing write offs;
- Specific uncertainty over the future of local government funding, with key reforms due to be introduced from 2023/24 as indicated in the Levelling Up White Paper. The level of Government funding that the council will receive from 2022/23 onwards is not confirmed but the Comprehensive Spending Review levels indicate local government funding overall will be flat, i.e., no growth.; These are significant areas of change will have a potentially significant financial impact and absolutely key will be any floor protection mechanism as East Herts is judged to have too much government support at present.
- The lasting impact the pandemic will have on young people in terms of education and employment opportunities.
- The growing impact of climate change, the national and local commitments to achieve carbon neutrality and the introduction of a range of new measures through the Environment Bill.

Update on current position

- The impact of Government reviews and reforms of public services and changes in policy– for example changes to infrastructure, transport and planning and potential local government structural changes.
- The ongoing need to support post-Covid recovery and adjustment, both in our services and for society and the economy, against a backdrop of residual risk of further waves of infection and the potential need for an ongoing vaccination programme; and
- Reviewing the way that we work and accelerating our planned changes to move towards a more hybrid way of working and evolving our working practices to ensure we have modern, flexible workspaces and workstyles as part of the Transforming East Herts Programme. In addition, as part of the MTFP process for 2023/24 Heads of Service have been asked to model a minimum savings target of 20% with the constraint concerning no significant change to the service offer being imposed

The latest MTFP Projections were reported to Executive on 25th October and require the Council to make savings of £2 million (total £4 million) in 2024/25 and 2025/26. Savings of this magnitude are beyond efficiencies and Members will need to make some challenging decisions which will inevitably lead to service reductions.

The Council's business and financial planning is underpinned by the Corporate Plan and its four priorities, which provide a clear focus for decisions about spending and savings and direct activity across the Council. The four priorities are:

- Sustainability at the heart of everything we do.
- Enabling our communities.
- Encouraging economic growth; and
- Digital by default

We have now vacated Charringtons as of April 2023 and given the nature of the building and its services, which are all time life expired, it is not possible to let it to tenants before it is handed over to City Heart for regeneration. We will instead be offering the building to the emergency services for training purposes.

Update on current position

Old River Lane /Arts Centre change in scope progressing and approved by Council in March 2021 alongside the business plan. Development Agreement and Development Management Agreement draft to be agreed with s.151 officer and monitoring officer input.

All major capital projects are at risk of price increases because of the combined impact of COVID / BREXIT related inflationary pressures. In addition to the increasing cost of materials, there is a significant shortage of labour supply for the construction and M&E industries, which is in turn pushing up the price of labour. This is a national issue as evidenced by the average 13% increase in the Office for National Statistics Construction Output Prices Index. The insurance market has also hardened significantly which will likely result in higher buildings insurance premiums and / or levels of excess or difficulties obtaining cover

The national shortage of HGV drivers and labour market shortages is driving up pay and this will lead to pressures on the cost of the waste contract as well as the cost and delivery of building materials. The price of labour for construction has increased due to skills shortages caused by skilled EU workers returning to the EU

East Herts Council Corporate Risk Register – 2022/23 quarter four

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
B 3	<p>2 - Corporate Governance and external political environment</p> <p>Risk Owner – Chief Executive / Head of Communications Strategy & Policy</p>	<ul style="list-style-type: none"> • Brexit trade deal risks • Planning policy changes • Local government reorganisation / Devolution • Climate change / zero Carbon / Build Back Greener • Change to local taxation • Leadership /Management change • Recession leading to increase in unemployment, business failure; low business growth and commercial property values decreasing significantly. 	<ul style="list-style-type: none"> • Potential project delays due to labour shortages or materials imports, or increased project costs due to tariffs or supply chain difficulties. • Non-Tariff barriers leading to supply chain price increases and longer replenishment times. Some UK businesses may relocate to the EU making current domestic supplies into imports. • Government policy changes to introduce development zones, ends s.106 and CIL for government infrastructure levy • Government imposes unitary authorities and reduce exchequer grants by savings made • District required to be carbon neutral from 2030 and Government targets set with fines for non-achievement 	<ul style="list-style-type: none"> • Address issues of labour shortage with contractors at progress meetings. Raise skills shortages at the LEP to ensure we train young people. • Consider forward funding stockpile of materials subject to delays as part of contract mobilisation • Consider risks to supply chain as part of procurement exercises • Both officers and Members are engaged in networking and lobbying to seek to influence change and to gain early indications of new policies • Both officers and Members are engaged in Herts Growth Board (with consideration of the devolution framework in the Levelling Up White Paper which was published in February 2022) • Work underway to progress carbon reduction and also exploring potential investments that support this aim but would also produce

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
			<ul style="list-style-type: none"> • Business Rates and or Council Tax replaced with Land Value Tax or Local Income Tax • Potential protests and non-payment campaigns • Measure may end land banking with developers commencing on multiple sites to build out permissions and avoid LVT • Uncertainty as to tax yields and redistribution mechanisms cause difficulties budgeting • Change in leadership politically sets radically different policy agenda and tone • Change in Leadership Team structure • Unemployment. • Empty properties / shops. • Lower rental income from council property portfolio. • Increased demand on council services. • Reduction in Council Tax Base due to LCTSS being a discount. 	<p>income for the council in the medium term.</p> <ul style="list-style-type: none"> • Both officers and Members are engaged in networking and lobbying to seek to influence change and to gain early indications of new policies. • LVT is in operation in Denmark, Estonia and Latvia and there are suggested routes to implementation already published. Local Income Tax would require key data from HMRC before implications could be understood. • Corporate Plan process • Member induction and training • Code of conduct • Monitoring Officer/ s.151 officer • HR policies • Estimates of workload v capacity • Corporate Plan process • European Regional Development Fund project to support businesses with advice and support on growing. Ware and Bishop's Stortford Launchpad are both seeing strong demand.

East Herts Council Corporate Risk Register – 2022/23 quarter four

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
			<ul style="list-style-type: none"> Reduction in Business Rates income to the safety net level 	<ul style="list-style-type: none"> UK Shared Prosperity Fund investment plan submitted to DLUHC, focusing partially on business support and growth.

Update on current position

2 - Corporate Governance and external political environment. No further update from Q3 position. Q3 notes as follows

- External environment is uncertain due to economic slow down, high inflation and cost of living challenges. The Councils' MTFP went to Exec on 14th Feb and Council on 1 March setting out pressures and proposed responses in terms of the impact on inflation, wage pressures and material costs to the council directly and through its contractors.
- The council is also overseeing two new schemes for residents (an energy rebate scheme for people without contracts and an additional council tax discretionary scheme. More guidance is expected in the next few weeks with the scheme launching in April (supporting vulnerable residents)
- The UK Shared Prosperity Fund has also been confirmed as going ahead by government and projects will be delivered from Q4.
- Further inflationary pressure is building with public sector pay disputes and the union pay claim for 2023/24 is for a 13% increase plus work to tackle the real terms pay reductions for local government staff. It is unlikely that pay awards of 2% can continue and there are already shortages of qualified staff which is being made worse by qualified staff being able to command salaries 32% higher in the interim and agency sectors.
- Resident satisfaction with the council increased in the residents' survey launched in November 2022 which demonstrates that hard decisions to reduce service levels or introduce new or higher charges, if properly explained, seem to be accepted by the public.

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 4	<p>3.Performance, resilience, and security of IT systems</p> <p>Risk owner – Deputy Chief Executive</p>	<ul style="list-style-type: none"> • Data and/or information lost causing breach of Data Protection Act • Cyber-attack results in total loss of data and systems • Investment in ICT does not result in savings 	<ul style="list-style-type: none"> • Substantial fine from Information Commissioner • Major media engagement • Reputational damage • Disruption to services potentially long-running • Inability to carry out enforcement as no records to check against • Resources devoted to recovery moved off to assist police investigation delaying recovery • Major media engagement • Reputational damage • Council becomes financially unsustainable 	<ul style="list-style-type: none"> • Network Virtual Desktop configuration prevents download of data to local storage devices • Network firewall and security systems tested and monitored • Staff training • Confidential waste shredded • Massive reductions in printing since pandemic • Intuned laptops to be rolled out underway • Projects to include estimated benefits and monitored through benefits realisation reports. The investment requirements are tried and tested systems that have resulted in savings elsewhere.

East Herts Council Corporate Risk Register – 2022/23 quarter four

Update on current position

3. Performance, resilience, and security of IT systems. Key points.

- Cyber Security and system resilience continue to be a high risk for the council.
- The new Head of IT Shared Service started on 27th March and is currently reviewing the position across all areas and will be bringing an update to Leadership Team on his initial findings in due course. As per the previous update there continues to be considerable cost demands for upgrades to services and this remains a funding issue for the council

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
B 3	4. Staff capacity and skills to deliver services Risk Owner - Head of Human Resources and Org Development	<ul style="list-style-type: none"> • Loss of key staff • Staff capacity unable to deliver projects • Unable to recruit to key posts • Industrial action 	<ul style="list-style-type: none"> • Disruption to Council services • Poor customer service • Internal control or governance failure • Reputation damaged in the media • Staff cannot undertake level or volume of work to meet all priorities • Council does not deliver performance expectations • Opportunities lost to improve outcomes • Partners lose confidence in ability to deliver • Public lose confidence in ability to deliver 	<ul style="list-style-type: none"> • Staff / manager development including the on-line learning pool and maximise the benefits of the apprenticeship levy. • Develop a future manager programme. • Succession planning for key staff within Services • Use of flexible retirement to ensure continuity of experienced staff whilst bringing on staff into roles • Prioritisation of work through the Corporate Plan and Executive Members • Major projects taken forward with corporate project management standards via the Major Projects Team • Market supplements where appropriate

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
			<ul style="list-style-type: none"> • Disruption to Council services • Poor customer service • Internal control or governance failure • Reputation damaged in the media • Disruption to Council services • Poor customer service • Non-delivery of projects 	<ul style="list-style-type: none"> • Selective use of external resources and contingent labour through neutral vendor to drive down costs. • Internal communications emphasising welfare and mental health • Review the external trading model to ensure it 'washes its face' and does not impede on our ability to support HR / OD within the council. • Contingency planning

Update on current position

4. Staff capacity and skills to deliver services

We continue to face challenges in recruiting to posts particularly in Planning (also in Legal, Housing and senior R&B posts) where there is both a local and national skills shortage (a market supplement has been introduced for Planning (and legal planning) to both recruit and retain but it has had limited success so far due to supply, in some cases we are still reliant on agency / interim staff to cover vacant posts whilst we try to recruit.

Lean Six Sigma phase 3 did review our end-to-end recruitment process to ensure it is easy to use and offers the candidate a great experience, how we advertise, our learning and career development offer etc. A follow up meeting with HR is being arranged to consider recommendations for improvement. As part of transformation, we are also challenging ourselves about the skills sets we need to deliver services moving forward and this does mean looking at all of the roles we have that are traditional in councils and seeking alternatives where appropriate.

East Herts Council Corporate Risk Register – 2022/23 quarter four

Update on current position

Turnover is at 12% which is not that high and remains in line with averages in the sector, we will see some increase in global turnover as restructuring is progressed. The Blended work policy is being created again to aid recruitment and retention.

We still have some one-off key roles that would leave us vulnerable if the postholder were to leave. We are looking at succession planning across the council to 'grow our own' across the council.

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
C 4	5. Poor performance or failure of key partner or contractor Risk owner - Head of Operations	<ul style="list-style-type: none"> Poor performance or failure of key partner or contractor Failure to mobilise major outsourced contracts properly and/or on time 	<ul style="list-style-type: none"> Disruption to all Council services Additional costs resulting from response Demand to partner organisations to provide mutual aid to support our response Cost and time involved in unplanned procurement exercises Major media engagement Reputational damage 	<ul style="list-style-type: none"> Risk of contractor failure increased due to COVID. Regular discussions are continuing with contractors and key third sector partners to ensure minimal failures in delivery. Credit risk scores are obtained for major contractors during the operation of the contract and particular attention is paid to trade news concerning contractors' financial health. Offer of open book accounting to examine any potential cost increases as a result of changing circumstances. Waste-related business continuity plans are also regularly reviewed. Brexit restrictions and the closure of Asian export markets will impact on the sale of materials and income may cease and costs may increase. Talks are ongoing with other Hertfordshire authorities to determine alternative

			<ul style="list-style-type: none"> • Damage to relations with outsourcing partner and potential damages claim 	<p>options. The council is investigating a circular economy option for the plastics waste stream in particular.</p>
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Update on current position

5. Poor performance or failure of key partner or contractor. No further update from Q3 position. Q3 notes as follows

- Risk of business failure remains the same due to inflation, risk of recession and Brexit: staff shortages and increased use of agency staff (and risks associated with service delivery of no shows, not knowing the routes etc); Business continuity plans refreshed and regular dialogue maintained with contractors who have been informed the council would look at cost increases provided the council was told in advance and the contractor undertook to use reasonable endeavours to resolve cost pressures themselves.
- Customer numbers and membership figures closely monitored at leisure centres. Continued discussions with contractor to monitor impacts of utility prices and exploring options for purchasing energy that reduces costs.
- Contingency plans to step in should contractors fail. Principal route will be to use a TEKAL company to provide the service pending retendering as the company vehicle preserves the private sector T&Cs of employment.
- Recyclate prices vary widely month by month and concern that Government collection system changes may remove valuable recycling from waste stream
- Escalated performance management discussions have taken place with waste contractor, an action plan to manage recruitment and vehicle breakdown is now in place.
- Impact of new collection system and changes to waste financial flows are being monitored and impacts assessed.
- HCC AFM system to end in 2023/24 but East Herts had removed AFM from budget in 2021/22 as income very low. 2022/23 AFM income windfall gain but no budgetary impact from AFM change on East Herts.

East Herts Council Corporate Risk Register – 2022/23 quarter four

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
B 3	<p>6. Judicial Review and or major legal challenge</p> <p>Risk owner - Head of Legal and Democratic Services</p>	<ul style="list-style-type: none"> • Council loses case • Not enough staff to deliver services internally • Inability to recruit to key posts 	<ul style="list-style-type: none"> • Council policies may no longer be fit for purpose • Unregulated activity until soundly based policy put in place • Large costs award against Council • Reputational damage • Major media engagement • Monitoring Officer and/or s.151 officer issues Report in the Public Interest • Department for Levelling Up, Housing and Communities intervention • Potential requirement to repeat procurement exercise and compensate unsuccessful bidders in first exercise • Additional and or abortive costs • Dip in quality of support being offered. • Delay in response time and consequential impact on deadlines. • Points not being picked up at an early enough stage. • Increased expenditure on obtaining external support. • Existing staff spread too thinly. 	<ul style="list-style-type: none"> • All Executive, Committee and Council reports require sign off by legal and finance to ensure compliance with budget and policy framework and current legislation. • List of policies maintained with review dates. • Information Governance function strengthened to ensure compliance with data protection. • Policies should be backed by evidence and Leadership Team consideration involves constructive challenge as well as formal Monitoring Officer and s.151 officer. • Periodically going out to recruit to test the market at a given time. • Reviewing external advice to ensure it is to the required standard.

Update on current position

6. Judicial Review and or major legal challenge

A successful legal challenge resulting in one of the Council's major capital projects being halted could potentially result in heavy financial penalties or repercussions. There are no updates on the previous quarters position

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 2	7. District Plan Risk owner - Head of Planning	<ul style="list-style-type: none"> Failure to refresh District Plan to timescales and /or refreshed District Plan found to be unsound at examination 	<ul style="list-style-type: none"> Planning becomes developer led rather than planning policy led through 5-year land supply test Additional costs to redo work Additional costs of planning appeals and possible judicial reviews Reputational damage Loss of affordable housing and S.106 / community infrastructure levy benefits Failure to meet 5-year Housing Land Supply requirements Possible intervention by the Department for Levelling, Housing & Communities 	<ul style="list-style-type: none"> Evidence based planning policy decisions Strong focus on Member, Parish, partner and community buy-in

Update on current position

7. District Plan.

- It is a legal requirement for Local Planning Authorities to review local plans at least once every five years. Reviews should consider changing circumstances affecting the area, or any relevant changes in national policy.
- The District Plan was adopted in October 2018, over 4 years ago. There has been significant uncertainty around the government's proposed reforms to the planning system and uncertainty around the standard method for assessing housing need.
- Early work has suggested that the District Plan will need to be updated to reflect various changes that have been made to national planning policy (including new policies on climate change; sustainability; biodiversity; and design) and a potential update to local housing need.
- The recently published consultation on the NPPF now provides some clarity on the government's proposed reforms and will enable the Council to progress more detailed work over forthcoming months.
- Whilst it is difficult for the Council to agree a detailed timeline at this stage, work can begin updating the plan's evidence base, so that the Council is in a strong position to commence any formal stages once the government has confirmed any changes to the planning system.

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 4	8. Climate change Risk owner - Head of Housing & Health	<ul style="list-style-type: none"> Severe weather causing major incident (includes flood, wind, snow, cold and heat) Drought Weather extremes require substantial retrofit costs for asset adaptations 	<ul style="list-style-type: none"> Disruption to Council services as staff diverted to response Additional costs of response Service changes required if long recovery phase Service change required to adapt e.g. heatwave early day starts Major media engagement Disruption to some services through water restrictions Additional costs of support to vulnerable service users Public health issues Non-availability of capital resources may cause working conditions on some days to be unbearable. Instances of abandoning assets where hold the line defences against floods no longer viable Increasing attacks by non-native species causing biodiversity loss Increased costs arising from new operating requirements, e.g. sustained +30 degree heat requires refuse freighter insides to be degreased and jetted out regularly to prevent oils and fats combusting 	<ul style="list-style-type: none"> Business Continuity Plan Severe Weather section Emergency Plan including specific response plans to flooding etc. Health and Safety Policy details severe weather response Council reducing carbon footprint for the district Emergency Plan Business continuity plan Council reducing carbon footprint for the district New modern workspace work stream of the Transformation Programme will address climate change issues in the design

Update on current position

8. Climate change. No further update from Q3 position. Q3 notes as follows. We have achieved the following;

- Diesel vans in the municipal fleet replaced by Nissan Leaf Battery Electric Vehicles saving 242 tonnes of CO2 per year
- Implement stricter emission requirements for all new vehicle application and renewals, 100% will be electric or euro 6 by April 2023
- Seeking external funding to introduce e- vehicle chargers in rural locations of district and all of EHDC land holdings
- Planting or provided over 7,700 trees in 22/23
- Survey work to assess costs with a view for government funding for decarbonisation of heating and hot water at Wallfields Multi-agency environmental and climate change forum continues
- Engagement with insurers over design / materials for new buildings. Use of sustainable materials and modern methods of construction proving problematic. Insurers want more emphasis on property protection (in addition to life saving standards)
- Major developments are also situated in or adjacent to flood zones. Construction insurance for Hertford Theatre procured after significant difficulties due to the materials and methods of construction, plus the flood risk. Premium rates substantially higher than normal. Similar difficulties anticipated with buildings insurance upon completion
- HCCSP strategic theme – adaptation.
- Climate Change Strategy 2022 – 2026 approved by Council in July 2022.

East Herts Council Corporate Risk Register - 2022/23 quarter four

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 1	9. Child / Vulnerable Adult Protection Risk owner - Head of Housing & Health	<ul style="list-style-type: none"> Child / vulnerable adult protection failure 	<ul style="list-style-type: none"> Possible legal action for damages Possible prosecution Major media engagement Reputational damage 	<ul style="list-style-type: none"> Safeguarding policy Annual training for staff and Members

Update on current position

9. Child / Vulnerable Adult Protection. No further update from Q3 position. Q3 notes as follows

The annual safeguarding training has been updated from 2023/24. The member induction training following the May 2023 election will cover safeguarding.

East Herts Council Corporate Risk Register – 2022/23 quarter four

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 2	10. Equalities Risk owner - Head of Comms, Policy & Strategy	<ul style="list-style-type: none"> • Council found to have discriminated against individuals or communities with protected characteristics OR council has made a decision without considering equalities and diversity implications. 	<ul style="list-style-type: none"> • Possible legal action for damages • Possible enquiry and report by Equalities & Human Rights Commission • Major media engagement • Reputational damage 	<ul style="list-style-type: none"> • New strategy being developed to address challenges and embed equalities and diversity in decision making.

Update on current position

10. Equalities No further update from Q3 position. Q3 notes as follows

Responsibility for equalities has transferred to the Community Wellbeing Team. Part of their approach will be to refresh the strategy and agree a new set out of actions going forward.

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
B 2	11. Internal control Risk owner - Head of Strategic Finance and Property	<ul style="list-style-type: none"> Failure of internal control or unethical behaviour 	<ul style="list-style-type: none"> Qualified accounts Possible Police involvement if fraud involved Major media engagement Reputational damage Increased costs as a result of loss or fine or compensation payments 	<ul style="list-style-type: none"> Key reconciliations carried out regularly. Internal audit work planned and undertaken on key areas. Assurance Mapping Electronic workflow where controls much harder to circumvent Separation of duties appropriate to the staffing numbers

Update on current position

11. Internal control.

Audits remain on track and there is sufficient audit scope for an assurance opinion to be given

Assurance Mapping approach for key systems introduced which shows visually where assurance is gained and also identifies duplications and unnecessary steps which will inform officers undertaking lean process reviews and help Audit & Governance Committee to see where there are risks and then internal audit resources can be directed there.

Full suite of updated anti-fraud and corruption policies approved by Audit and Governance Committee in November 2021. Intranet and website content updated. The Shared Anti-Fraud Service recommenced meetings with teams to provide training and increase awareness.

East Herts Council Corporate Risk Register – 2022/23 quarter four

The s.151 Officer is working closely with the Monitoring Officer to ensure the Constitution is up to date and reflects the modern working environment of the council, e.g. we no longer issue cheques therefore references to cheques in the constitution are no longer required.

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 4	12. Outbreak of disease in humans Risk owner - Head of Housing and Health	<ul style="list-style-type: none"> Pandemic and/or Public Health Emergency Declared 	<ul style="list-style-type: none"> Loss of staff and/or key skills due to illness and related absenteeism Requirement to enable entire workforce to work from home Requirement for Council and Committees to meet via video conference Loss of income/additional costs Loss of essential services /utilities/ suppliers Demand from partner organisations to provide staff and other resources to support their response Major media engagement Disruption to all Council services Increased risk of fraud from support programmes 	<ul style="list-style-type: none"> Business Continuity Plan Emergency Plan Dynamic risk assessments and keeping office open and COVID secure in line with government guidance. Agile working introduced and scaled up to ensure social distancing Fraud alerts on pandemic circulated by SAFS

Update on current position

12. Outbreak of disease in humans. No further update from Q3 position

The threat of new variants and new waves of infection is real and constant but our agile working policy means the Council is much better positioned to adapt. Previous quarter notes as follows;

- Updates on financial compensation are included under Risk 1
- Updates on recovery work on supporting the local economy are detailed under Risk 2
- Alternative working methods instigated as a result of Covid 19 including home working and IT communications solutions (Zoom, Teams, WhatsApp and the like)
- Blended working arrangements commenced autumn 2021 with staff working 50% at the office and 50% from home.
- Detailed, up-to-date risk assessments in place including frequent Covid self-testing
- Live Well, Work Well programme amended to incorporate greater emphasis on staff mental health
- Joined up working with key partners, notably HCC and the police, to ensure coherent and planned use of financial and staff resources, for example Covid marshals and joint visits/advice/enforcement actions re: businesses. (Covid marshal scheme extended during quarter one.) Shop safe, shop local campaign held.
- Restart grants for businesses and community covid recovery grant schemes opened.

East Herts Council Corporate Risk Register – 2022/23 quarter four

Score	Risk Title / Risk Owner	Trigger	Consequence	Mitigation / control
A 4	13. Business Continuity Plan / Emergency Plan Risk owner - Head of Housing & Health	<ul style="list-style-type: none"> Major Incident Occurs Plan fails 	<ul style="list-style-type: none"> Loss of essential services / utilities/ suppliers Demand from partner organisations to provide staff and other resources to support their response Major media engagement Disruption to all Council services Unable to support partner organisations to provide staff and other resources to support their response Possible legal action or public inquiry 	<ul style="list-style-type: none"> Emergency Plan Major Incident protocols Business Continuity Plan Keep plans under review every 6 month and keep evidence. Review of response after every incident Training for staff in EP roles Regular exercises once a quarter Emergency and Resilience work provided through Hertfordshire County Council

Update on current position

13. Business Continuity Plan / Emergency Plan. No further update from Q3 position. Q3 notes as follows

- Desk top exercise accessing plans and refresh of contact lists to be undertaken
- Communications test undertaken from County to Districts to check notification cascade.
- Review of business continuity plan by internal team underway. Cabinet Office review of cyber security has led to grant funding plus a Cyber Treatment Plan is now in place. All staff and Members have completed mandatory cyber risk online training. Proposed test of the emergency plan postponed during pandemic. The test will be the priority once the business continuity plan review is complete.

East Herts Council Corporate Risk Register – 2022/23 quarter four

Key to scoring

Likelihood	Score	Description	Likelihood of occurrence	Probability of occurrence	
	4	High	Monthly	The event is expected to occur or occurs regularly	
	3	Medium	Annually	The event will probably occur	
	2	Low	1 in 5 years	The event may occur	
	1	Very Low	Less frequently than 1 in 5 years	The event may occur in exceptional circumstances	

Impact	Score	Description	Financial	Reputation	Service / operation
	A	Critical	> £1m p.a.	Serious negative media	Catastrophic fall in service quality or long-term disruption to services
	B	Significant	£400,000 to £1m p.a.	Adverse national media	Major fall in service quality or serious disruption to services
	C	Marginal	£100,000 to £400,000 p.a.	Adverse local media	Significant fall in service quality
	D	Minor	< £100,000	Public concerns restricted to local complaints	Little impact to service quality

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East Herts Council Report

Audit & Governance Committee

Date of meeting: 31 May 2023

**Report by: Steven Linnett, Head of Strategic Finance & Property
(s.151 Officer)**

**Report title: Audit and Governance Committee Work
Programme**

Ward(s) affected: All

Summary – To present to Audit and Governance Committee the work programme for the year of finance and audit business with a brief summary of each report so that Members can see the business that will come before the Committee at each meeting.

RECOMMENDATIONS FOR AUDIT AND GOVERNANCE COMMITTEE

- a)** Approve the work programme as set out in the report; and
- b)** Specify any training requirements.

1.0 Proposal(s)

- 1.1 Audit and Governance Committee's audit functions are:
 - 1.1.1 Approving the Council's statement of accounts.
 - 1.1.2 Consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
 - 1.1.3 Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.

- 1.1.4 Be satisfied that the Council's assurance statements, including reviewing the Annual Governance Statement against the good governance framework, properly reflect the risk environment and any actions required to improve it.
 - 1.1.5 Approve internal audit's strategy, its plan and monitor its performance.
 - 1.1.6 Approve the shared anti-fraud service strategy, its plan and monitor its performance.
 - 1.1.7 Review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary.
 - 1.1.8 Receive the annual report of the head of internal audit.
 - 1.1.9 Receive and consider the reports of external audit (including the annual audit letter) and inspection agencies, and monitor management action in response to the issues raised.
 - 1.1.10 Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies and that the value of the audit process is actively promoted.
 - 1.1.11 Review the financial statements, external auditor's opinion and reports to Members, and monitor management action in response to the issues raised by external audit.
 - 1.1.12 Oversight of the Council's commercial projects.
- 1.2 Audit and Governance Committee's finance functions are:
- 1.2.1 Receive budget monitoring reports and risk management reports.

- 1.2.2 Lead the cross Member scrutiny and consideration of the Council's draft annual budget and medium term financial plan.
 - 1.2.3 Scrutinise the Council's Annual Investment Strategy, Annual Capital Strategy, Mid-Year Treasury Management Report and Annual Treasury Management Report and through review gain assurance that systems of governance and control for Treasury Management are effective.
 - 1.2.4 Where appropriate, assisting the Council and the Executive in the development of its budget and policy framework by in-depth analysis of financial, procurement and governance related policy issues.
 - 1.2.5 Where relevant to the audit or finance functions of the Committee, overseeing and scrutinising all Internal, Corporate and Corporate Governance functions of the Council.
- 1.3 In order to fulfil these functions a series of reports will be brought to Members to provide:
- 1.3.1 Assurance that the council's financial affairs are being properly managed and that the council is making the best use of resources;
 - 1.3.2 An adequate and effective system of internal audit is operating and that it's approved plan is being delivered;
 - 1.3.3 The Council's governance arrangements are adequate;
 - 1.3.4 That key business risks have been identified, evaluated and are being managed;

- 1.3.5 That key systems and controls are operating effectively giving assurance that the Statement of Accounts is materially correct and can be approved;
- 1.3.6 Receive and consider the external auditor's Audit Plan, Audit Results Report and Annual Audit Letter; and
- 1.3.7 Receive copies of Executive budget monitoring reports, for information, so that the final accounts outturn position can be compared to forecasts during the year.

2.0 Training

- 2.1 Training for Members of the Committee will be delivered for the first 30 minutes of the Committee meeting and will be related to the business before the Committee.
- 2.2 Members are recommended to review the proposed work programme and suggested training and identify any other training needs they require.

3.0 Work Programme

- 3.1 The Committee will note that the statement of accounts is shown as being approved by a sub-committee. Due to the problems in the local government external audit market, audits have been severely delayed due to the external auditor's lack of resources and therefore we cannot predict when audits will return to a firm timetable and the sub-committee is used to approve the statement of accounts as soon as practicable after the audit is completed.
- 3.2 The work programme for the Committee is proposed to be as follows:

Audit & Governance	26 September 2023	Training: The role of Internal Audit	
		External Audit Planning Report 2023/24	To present to Audit and Governance Committee the external auditor's Audit Planning Report. The Committee receives the report on behalf of the Council.
		Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.
		Anti-Fraud Report 2022/23	To present to Audit and Governance Committee the Shared Anti-Fraud Service's annual anti-fraud report detailing work completed on the Anti-Fraud Plan and detailing detected fraud and any recovery of monies
		Shared Anti-fraud Service Anti-Fraud Plan progress report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.
		Provisional Outturn 2022/23	To present to Audit and Governance Committee the provisional General Fund Revenue and Capital Outturn. The figures remain provisional until the external auditor has completed the audit
		Financial Management 2023/24 – Quarter 1 Forecast to Year End	To provide Audit and Governance Committee with a copy for information of the Executive Report with the forecast position on revenue

			spending and the capital programme as at the end of quarter 1
		Strategic Risk Register Monitoring Q1 2023/24	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 1.
		Data Protection Update	To present to Audit and Governance Committee an update on data protection
		Assets of Community Value	To present to Audit & Governance Committee the Register of Assets of Community Value annual update report.
		Draft Annual Governance Statement	To present to Audit and Governance Committee for comment the Draft Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement to accompany the statement of accounts.
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.
	29 November 2023	Training: Treasury Management	Presentation to Members on Treasury Management and the Committee's role in overseeing treasury policies

Annual Infrastructure Funding Statement Report 2022/23	To present to Audit and Governance Committee an update on Section 106 contributions and the council's Annual Infrastructure Funding Statement Report 2020/21
Budget 2024/25 and Medium Term Financial Plan 2024/25 – 2028/29	To provide Audit and Governance Committee with an update on the budget and MTFP including costs pressures, savings and efficiencies against the original proposals, and budget planning assumptions for scrutiny.
Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.
Shared Anti-fraud Service Anti-Fraud Plan progress report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.
Annual Treasury Report 2022/23	To provide Audit and Governance Committee with a copy of the Annual Treasury Report so that they can scrutinise the Report.
Treasury Management 2023/24 Mid-Year Review	To provide Audit and Governance Committee with a copy of the Treasury Management Mid-Year Review Report so that they can scrutinise the Report

		Strategic Risk Register Monitoring Q2 2023/24	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 2.
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year
30 January 2024		Budget Scrutiny - Budget 2024/25 and Medium Term Financial Plan 2023-27	To present to Audit and Governance Committee the Executive's proposed General Fund Budget and Medium Term Financial Plan for scrutiny.
		Investment Strategy 2024/25 for scrutiny	To present to Audit and Governance Committee the Executive's proposed Investment Strategy for scrutiny.
		Capital Strategy and Minimum Revenue Provision Policy 2024/25 for scrutiny	To present to Audit and Governance Committee the Executive's proposed Capital Strategy and Minimum Revenue Provision Policy for scrutiny.
		Shared Anti-Fraud Service Anti-Fraud Plan Progress Report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.
		Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.
		Financial Management 2023/24 - Quarter 2 Forecast to Year End	To provide Audit and Governance Committee with a copy for information of the Executive Report with the forecast position on revenue

			spending and the capital programme as at the end of quarter 2.
		Internal Audit Plan	To present to Audit and Governance Committee the Shared Internal Audit Service Audit Plan for the financial year.
		Anti-Fraud Plan	To present to Audit and Governance Committee the Shared Anti-Fraud Service Anti-Fraud Plan for the financial year.
		Data Protection Update	To present to Audit and Governance Committee the progress on data protection policies and practices.
		Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.
Audit & Governance Committee	May 2024	Appointment of Vice- Chairman for 2024/25	Members will vote to appoint the Vice Chairman of the Committee
		Training: Shared Anti-Fraud Service	
		Leisure Annual Report	To present to Audit & Governance Committee an annual report on leisure so that the Committee can assure Council that the investment in new leisure centres is performing as per the business case and making a return to the council after servicing debt.
		Annual Assurance Statement and Internal Audit Annual Report	To present to Audit and Governance Committee the Annual Report on Internal

	Audit Activity for the preceding financial year and the level of assurance on the financial systems. Regulation 6 of The Accounts and Audit Regulations 2015 require the Council, at least once a year, to conduct a review of the effectiveness of its internal audit.
Shared Internal Audit Service Internal Audit Plan Progress Report	To present to Audit and Governance Committee the Shared Internal Audit Service's progress against the Internal Audit Plan.
Anti-Fraud Report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's annual anti-fraud report detailing work completed on the Anti-Fraud Plan and detailing detected fraud and any recovery of monies
Shared Anti-Fraud Service Anti-Fraud Plan Progress Report	To present to Audit and Governance Committee the Shared Anti-Fraud Service's progress against the Anti-Fraud Plan.
Draft Annual Governance Statement	To present to Audit and Governance Committee for comment the Draft Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an

		annual governance statement to accompany the statement of accounts.
	Strategic Risk Register Monitoring Q4 2022/23 and Annual Review of Risk Management Strategy	To present to Audit and Governance Committee the Strategic Risk Register Monitoring at the end of quarter 4.
	Provisional Outturn 2023/24	To present to Audit and Governance Committee the provisional General Fund Revenue and Capital Outturn. The figures remain provisional until the external auditor has completed the audit
	Data Protection Update	To present to Audit and Governance Committee an update on data protection
	Audit and Governance Committee Work Programme	To present to Audit and Governance Committee an update on the work programme for the year.

Committee	Date	Report Title	Report Summary
Audit & Governance (Accounts Approval) Sub Committee	Date determined by external audit completing 2021/22 and 2022/23 accounts	Training: Statement of Accounts	Presentation to Members on the key elements of the Statement of Accounts and the inter-relationship of the core statements.
		Receipt of the Final External Auditor's Audit Results Report	In accordance with the Code of Audit Practice (the Code), this report provides a summary of the work the external auditor has carried out during their audit of accounts, the conclusions they have reached and the recommendations they have made to discharge their statutory audit responsibilities to those charged with governance (in this case the Audit and Governance Committee) at the time they are considering the financial statements. In preparing their report, the Code requires them to comply with the requirements of International Standards on Auditing (United Kingdom & Ireland) – ISA (UK&I) - 260

Committee	Date	Report Title	Report Summary
			'Communication of Audit Matters to Those Charged With Governance'.
		Approval of the Statement of Accounts	Regulation 10 (1) of the Accounts and Audit Regulations 2015 requires the Statement of Accounts to be approved by a resolution of a committee of the Council, such approval to take place before 30 September immediately following the end of a year, or as soon as practicable after the conclusion of the audit.
		Approval of the Annual Governance Statement	To present to Audit and Governance Committee for approval the Annual Governance Statement for incorporation in the Statement of Accounts. Regulation 6 of the Accounts and Audit Regulations 2015 requires the Council to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement to accompany the statement of accounts.

4.0 Reasons

4.1 To ensure that Audit and Finance Committee is aware of the work programme and ensure that Members have the opportunity to request any training or briefing around upcoming items.

5.0 Risks

5.1 Risk Management is reported to the Committee regularly.

6.0 Implications/Consultations

Community Safety

No

Data Protection

Data Protection reports and policies will be brought before the Committee as appropriate.

Equalities

No

Environmental Sustainability

No

Financial

The report details the Committee's responsibilities in relation to finance.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

Legal requirements are noted in the report summaries in the table in this report.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 None

Contact Officer

Steven Linnett, Head of Strategic Finance & Property

Contact Tel. No. 01279 502050

steven.linnett@eastherts.gov.uk

Report Author

Steven Linnett, Head of Strategic Finance & Property

Contact Tel. No. 01279 502050

steven.linnett@eastherts.gov.uk