

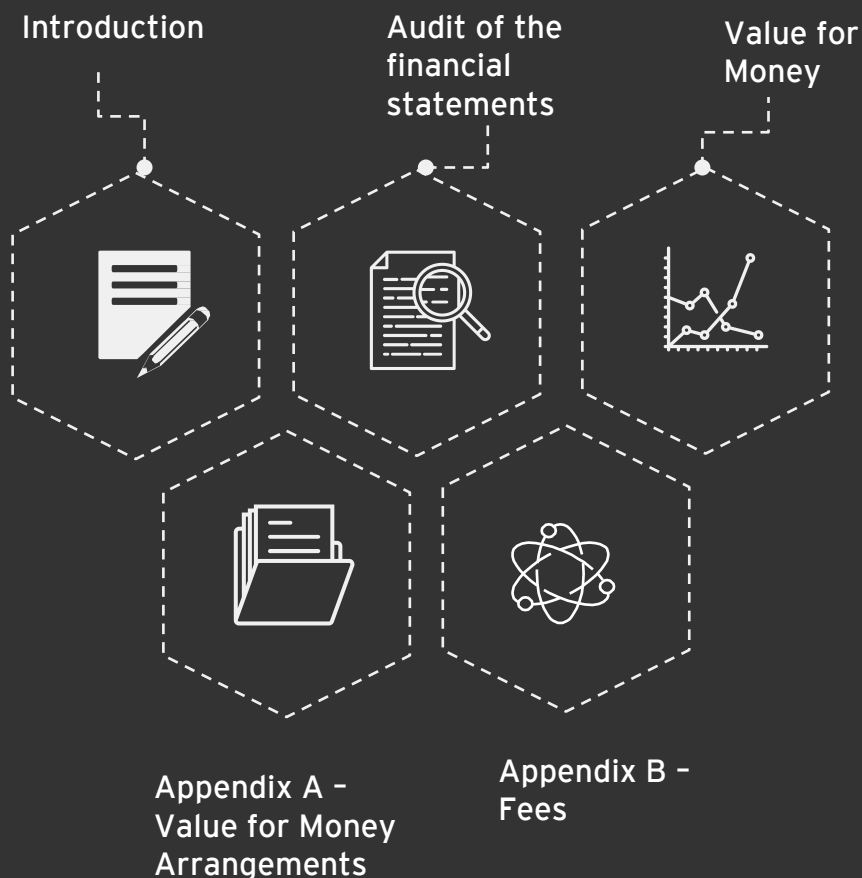
A photograph of a modern building's interior, featuring a large glass-walled atrium with a polished wooden floor and a white ceiling with recessed lighting. The glass reflects the surrounding environment, including trees and other buildings.

# **North Hertfordshire District Council**

## **Auditor's Annual Report**

Year ended 31 March 2022

# 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.psaa.co.uk/audit-quality/statement-of-responsibilities/>). 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 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 Finance, Audit and Risk Committee and management of North Hertfordshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Finance, Audit and Risk Committee and management of North 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 Finance, Audit and Risk Committee and management of North 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.



# Introduction

## **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 value for money (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 2021/22 audit work in accordance with the Audit Plan that we issued on 7 December 2022. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- The 2021/22 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the narrative statement.

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, narrative statement and annual governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



## Introduction (continued)

### 2012/22 Conclusions

<b>Financial statements</b>	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2022 and of its expenditure and income for the year then ended. We issued our auditor's report on 13 September 2023.
<b>Going concern</b>	We have concluded that the Service Director – Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
<b>Consistency of the other information published with the financial statement</b>	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
<b>Value for money (VFM)</b>	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 03.
<b>Consistency of the annual governance statement</b>	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
<b>Public interest report and other auditor powers</b>	We had no reason to use our auditor powers.
<b>Whole of government accounts</b>	We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 2021/22 has been issued and the Council is below the threshold set by the NAO for the completion of detailed procedures. However, the NAO has not yet confirmed which Councils it plans to identify as additional sampled components.
<b>Certificate</b>	We have not yet issued our certificate for 2021/22 as the NAO is yet to confirm which Councils it plans to identify as additional sampled components. Until we can confirm whether we will be required to undertake any additional procedures on behalf of the NAO we are not able to certify the completion of the audit.



# Audit of the financial statements

## Key findings

The Narrative Statement and 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 13 September 2023, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the 13 September 2023 Financial, Risk and Audit Committee meeting. 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. We reported two internal control recommendations and no areas for improvement in the control environment in the Audit Results Report.

Significant risk	Conclusion
<b>Misstatements due to fraud or error - management override of controls</b>	<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>Our audit work did not identified 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.</p>
<b>Inappropriate capitalisation of revenue expenditure</b>	<p>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.</p> <p>We have not identified any revenue items that have been inappropriately capitalised from our detailed testing</p>
<b>Valuation of investment properties</b>	<p>Investment properties represent a significant balance in the Council's accounts and are subject to valuation changes, market volatility and impairment reviews. Material judgmental inputs and estimation techniques are required to calculate the year-end investment property valuations held in the balance sheet.</p> <p>We have not identified material differences in the investment property valuations work.</p>





# Audit of the financial statements

## Key findings (continued)

Significant risk	Conclusion
<b>Valuation of property, plant and equipment (other land and buildings and surplus assets) and assets held for sale</b>	<p>The fair value of property, plant and equipment and assets held for sale 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>We have completed our audit work on the valuation of property, plant and equipment and assets held for sale. We have noted the following issues:</p> <ul style="list-style-type: none"><li>▪ Overstatement of property, plant and equipment (PPE) due to duplicate recording of Hitchin Town Centre and a small number of other assets. Since this and the other assets have been in the register for a few years, the error has an impact on the balance of PPE and reserves for 2021/22, 2020/21 and 2019/20.<ul style="list-style-type: none"><li>• The impact on the PPE balance was a £6.9 million overstatement for 2021/22, £6.7 million overstatement for 2020/21 and £6.0 million overstatement for 2019/20.</li><li>• There is also an impact on depreciation (£0.2 million overstatement for 2021/22 and 2020/21) and revaluation gain (£0.440 million overstatement for 2021/22 and £0.918 million overstatement for 2020/21).</li></ul></li><li>▪ Understatement of operating expenditure and the revaluation reserve by £1.1 million due to an error in recording the downward movement in value of assets held for sale in the revaluation reserve instead of operating expenditure.</li><li>▪ Overstatement of revaluation reserve by £0.178 million due to incorrect recording of upward movement in property, plant and equipment in revaluation reserves instead of a reversal of impairment loss previously charged to surplus/deficit on provision of services.</li><li>▪ £1.5 million assets were incorrectly classified as other land and buildings instead of community assets, infrastructure assets and plant and equipment.</li></ul> <p>These were all corrected by Management.</p>



# Audit of the financial statements

## Key findings (continued)

Significant risk	Conclusion
<b>Pension liability valuation</b>	<p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by North Hertfordshire Council. 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 2022 this totalled £30.210 million.</p> <p>We completed the required procedures in this area and noted the following differences communicated by the Hertfordshire Pension Fund auditor:</p> <ul style="list-style-type: none"><li>▪ A difference of £0.6 million was noted between benefits paid per the ledger and the IAS 19 report. This only impacts the pension assets and liability tables in Note 39 and has no impact in the balance sheet or income statement.</li><li>▪ Pension assets is overstated by £0.1 million. This impacts pension liability and actuarial gain or loss.</li><li>▪ Return on assets used by the actuary was 4.4% when it should be 4.5%. The impact is £0.1 million understatement of investment income and overstatement of actuarial gain.</li></ul> <p>Due to the amounts involved in above, Management opted not to correct these differences. No other issues noted.</p> <p>After the publication of the 2022 Triennial Valuation Report in March 2023, we had to revisit the impact of this updated information in the valuation of pension liability for North Hertfordshire District Council. We also had to obtain further assurance from the pension fund auditor that the membership data used in the 2022 Triennial Valuation Report for Hertfordshire Pension Fund, and revised IAS 19 report for the Council were accurate.</p> <p>At the date of writing this report, we have received the updated assurance letter from the pension fund auditor which reports the results of membership data testing used by the actuary in calculating the revised net pension liability as of 31 March 2022. However, we have raised a query regarding the split of pension assets among the members of the scheme to the pension fund auditor. The pension fund auditor have raised the query to the actuary and is still outstanding.</p>



# Audit of the financial statements

## Key findings (continued)

Significant risk	Conclusion
Going concern disclosures	<p>Covid-19, together with the political and economic turmoil in the external environment creates a number of financial pressures and risks across 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. There is a presumption that the Council will continue as a going concern for the foreseeable future.</p> <p>The Council is required to carry out a going concern assessment that is proportionate to the risks it faces. To address the requirement of the ISA, the auditor must review management's assessment of the going concern basis. The auditor's report in respect of going concern covers at least a 12-month period from the date of the report, therefore the Council's assessment also needs to cover this period</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>



We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2021/22.

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

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

## Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). In our Audit Plan which was presented to the 7 December 2022 Finance, Audit and Risk Committee meeting, we noted that we had yet to complete our detailed VFM planning, but that one area of focus would be on the arrangements that the Council has in place in relation to financial sustainability. This assessment was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports, and evaluation of associated documentation through our regular engagement with Council management and the finance team.

## Reporting

We completed our risk assessment procedures in May 2023 and did not identify any significant weaknesses in the Council's VFM arrangements. We have also not identified any significant risks during the course of our audit. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our commentary for 2021/22 is set out in the following pages. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2021/22. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria. These were reported in our 2020/21 Annual Auditors Report and have been updated for 2021/22.

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

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	No significant risks identified	No significant weaknesses identified
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risks identified	No significant weaknesses identified



## Value for Money (continued)

### Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2022. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

The Council has a robust process of estimating the recurring and non-recurring expenditure for at least five years and the funding sources for the same period. This process starts with the preparation of the Council Plan which sets out on a high level the projects that the Council will focus on for a rolling five-year period. The Medium-Term Financial Strategy (MTFS) then identifies the factors that may impact the cost of pursuing the projects. Finally, a revenue budget report is prepared. It begins with the total expenditure incurred in the previous year and incorporates potential increases and decreases due to factors identified in the MTFS, and the total funding from council tax, business rates and other grants. This is analysed alongside the reserves level for each period and shows how much the general fund balance will be at the end of each year.

Changes from the initial budget set above are identified, explained and reported to Council on a quarterly basis. A 'working budget' is prepared which is the budget rebased for any factors considered during the year that has an impact on the funding and expenditure levels.

For at least five years, the final outturn of the Council has been less than the working budget. In 2021/22, the final outturn of £16.9 million was £1.5 million less than the original revenue budget approved by the Council. The comparison of the budgeted savings and actual savings is also incorporated in the quarterly outturn reports.

The MTFS for 2022-2027 shows that the savings needed to achieve a balanced budget by 2026/27 is £1.8 million, and utilisation of other reserves in 2022/23 of £1.2 million. The forecasted general fund of the Council remains at above 4 million which more than the minimum balance of £2.5 million recommended by the S151 Officer.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**



## Value for Money (continued)

### Governance: How the Council ensures that it makes informed decisions and properly manages its risks

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the year ended 31 March 2022. In 2021/22 we did not identify a risk of significant weakness in arrangements in place to ensure sound governance.

The Council continuously identifies risks to the Council, including the likelihood of the risks happening, and the impact. These risks are reported to the Finance, Audit and Risk Committee on a quarterly basis.

A common theme in the risks identified for 21/22 relates to increasing costs of providing services and funding reductions. To address this, the Council revisited their funding projections and closely monitored the budget, Covid recovery and inflation. Considering that the Council's arrangements in terms of financial sustainability has been found to be sufficient, we are satisfied that the risk assessment procedures in place in the Council are working and the risks properly managed.

Another risk is the delay in the approval of the local plan, however, this has been finalised as of the date of writing this report.

In terms of internal controls in place, the Council received an overall rating of 'reasonable assurance' which is the second highest level of assurance that the internal auditor may provide.

The Council also has a rolling five-year climate change strategy which supports the UK Net Zero Strategy pursued by the government.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to make informed decisions and properly manage its risks.**



## Value for Money (continued)

### **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 Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the audited body is expected to have in place during the year ended 31 March 2022. In 2021/22 we did not identify a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

No issues on the procurement procedures identified in 2021/22. All procurements are governed by the Council's Contract and Procurement Rules (part of the Council's Constitution). Compliance with these is monitored by Procurement/ Legal and the Contract Procurement Group. Section 20 of Constitution explains about the Contract Procurement Rules. Each contract has a contract manager who is responsible for ensuring that the contracted service is delivered.

For more efficient delivery of services, the Council are in partnership with other councils in delivering key services across the Hertfordshire County such as waste contract, grounds maintenance and CCTV. The Council works to support local, county-wide and wider partnerships that seek to improve the well-being of its local community

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2021/22 to enable it to use information about its costs and performance to improve the way it manages and delivers services.**

# Appendices



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## Appendix A – Summary of arrangements

### Financial Sustainability

Reporting Sub-Criteria	Findings
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	<p>The Council has a robust set of 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, including:</p> <ul style="list-style-type: none"><li>• quarterly budget monitoring, which includes reviewing the impact of current conditions</li><li>• meetings between Service Managers and the Accounts team (as part of a Business Partnering role)</li><li>• discussions at Leadership Team (Service Directors and Managing Director) and Political Liaison Board (Service Directors, Managing Director and Cabinet members) which highlight strategic issues</li></ul> <p>The Medium Term Financial Strategy (MTFS) is reviewed by Leadership Team whilst it is being prepared, to allow for feedback.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>The MTFS for 2022-2027 shows that the savings needed to achieve a balanced budget by 2026/27 is £1.8 million to achieve a balanced budget by 2026/27. The most significant sources of savings/efficiencies per the 2022-27 MTFS are:</p> <ul style="list-style-type: none"><li>• Economies of scale generated from the recent expansion of the Careline service (£0.5 million). This has been implemented in 2022/23 and started generated savings in the same year.</li><li>• Green space maintenance contract expenditure (£0.7 million)m - in the 2022/23 outturn report, the Council achieved income higher than the budget by £28k.</li><li>• Recycling income (£0.9 million) - in the 2022/23 outturn report, the Council achieved income higher than the budget by £29k.</li></ul>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council produces the MTFS and the Council Plan at the same time and treats them as sister documents. The approach in preparing these documents is that most of the money that the Council spends is on delivering statutory services. The Council will always look to deliver these services in line with its priorities. As the central Government funding level 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 suggest 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 in line with the Council's priorities. The Council also has an established budget challenge process that has reviewed the various services the Council delivers and how much they cost. This has included a review of which services are statutory, and for those services that are non-statutory, the extent to which they deliver the priorities of the Council Plan.</p>



## Appendix A – Summary of arrangements

### Financial Sustainability

Reporting Sub-Criteria	Findings
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	<p>As noted above, the MTFS and Council Plans are treated as sister documents. The capital programme is included in the Investment Strategy with a 10 year time horizon. The forecast revenue impacts of capital investment are incorporated in to budget planning.</p> <p>The Council's HR plan is currently focused on Covid-19 response and recovery. It does not make any specific proposals around changes in remuneration or head-count. Any proposals for growth in headcount must be considered through the budget process.</p> <p>All other significant service/ corporate plans will have a contribution from finance to ensure that financial implications are considered. Sometimes (e.g. where plans include aspirations rather than detailed actions) it may be necessary to set out that the plans will be subject to prioritisation and consideration as part of the financial/ business planning process. We understand from management that this would apply to some aspects of the Council's Climate Change Strategy.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>Financial risk is primarily managed through the setting of the minimum General Fund balance. This makes an allowance for known financial risks (through discussions between the finance team and Service Managers), as well as a general allowance for unknown risks. The specific risks are monitored throughout the year in the quarterly budget monitoring report. That same report also considers overall variance forecasts and therefore also monitors those risk outcomes that were not foreseen at the start of the year. Earmarked reserves are also set aside to be used for specific purposes in response to financial risk.</p> <p>The MTFS also considers the variation in assumptions made, although for the current period this is focused on the impacts of Covid-19.</p>

## Appendix A – Summary of arrangements (continued)

### Governance

Reporting Sub-Criteria	Findings
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	<p>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.</p> <p>The Council also has a Risk Management Group which is made up of key Officers (including service representative, Risk Officer Champion, Risk Officers, Internal Audit and Insurance), the Executive Member for Risk and the Audit Committee Chair. At this group, the outcomes of key risk reviews are considered in detail, including being able to ask questions and offer support to the risk manager. The relevant outputs from the group (including recommendations on changes to corporate risks) are considered by Finance, Audit and Risk Committee, prior to discussion and agreement by Cabinet.</p> <p>The Council is part of a shared Fraud service (known as the Shared Anti Fraud Service or SAFS). There are regular reports to the Audit Committee on SAFS, including plans for the forthcoming year and monitoring of performance.</p>
How the body approaches and carries out its annual budget setting process	<p>The Council has integrated budget setting structure, plan and timetable in place. Although this process stays largely unchanged from year to year, the underlying strategic goals and challenges can change between years dependent on pressures and strains being faced by each department.</p> <p>Over the Summer, the responsible officers &amp; executive members start work on the Council Plan and the MTFS for the forthcoming year. This sets the objectives of the Council (Council Plan) and the financial context to deliver them in (MTFS). The MTFS will usually set a net savings target.</p> <p>Officers and Executive Members then commence work on detailed proposals for the following year. This is collated by the finance team with a review against the MTFS targets. These proposals are then discussed at the Political Liaison Board (including the Managing Director, Service Directors and Cabinet) to determine any prioritisation. Proposals are then discussed with Political Groups in early November. Feedback from these discussions is presented to Cabinet in December as part of a draft budget report. This report also includes any relevant updates (e.g. inflation, the Local Government finance settlement). This report is also reviewed by the Finance, Audit and Risk Committee. The outcome of this Cabinet meeting helps to determine the content of the final budget report, which goes to Finance, Audit and Risk Committee and Cabinet in January, and is referred on to Council in February each year.</p>
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	<p>The Council generally carry out quarterly budget monitoring, which is reported through to Leadership Team, Finance, Audit and Risk Committee and Cabinet. This is generally proportionate to the level of risk in the Council's budgets. There are set revenue performance indicators which are monitored and reported on a monthly basis. These cover the Council's key income streams and provide an indication of any areas of concern.</p> <p>If required, the budget monitoring reports would require that action was taken to manage the overall Council budget. Before reporting variances (to Cabinet etc.), Budget Managers are asked to consider ways to manage within their budget. Finance would support with ideas and options. This will not include significant changes in level of service, as that would be a Cabinet decision.</p>

## Appendix A – Summary of arrangements (continued)

### Governance

Reporting Sub-Criteria	Findings
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	<p>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.</p> <p>All reports require professional input including legal, financial, risk and HR implications. Decisions are taken in accordance with the constitution. Cabinet decisions are subject to call-in by the Overview and Scrutiny Committee. All financial monitoring, budget and risk (among others) are reviewed by the Finance, Audit and Risk Committee prior to going to Cabinet. The Finance, Audit and Risk Committee has responsibility for overseeing risk management and financial control, receiving reports from, and providing challenge to, the Section 151 Officer, Internal Audit and External Audit. The Finance, Audit and Risk Committee provides specific challenge on effectiveness of the internal control environment.</p>
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)	<p>Compliance with legislative and regulatory requirements are monitored through various mechanisms. The Monitoring Officer 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. Another control is the Monitoring Officer's oversight on standards.</p>

## Appendix A – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	<p>Management has carried out a budget challenge process during the last two years. These sessions have involvement from the Chief Finance Officer, Managing Director, Leader, Deputy Leader, Finance Portfolio Holder and Deputy Finance Portfolio Holder. With support from Finance, each Service Director and Executive Member have presented their budgets of responsibility, detailing what they spent, the level of service provided, split between statutory and discretionary services and opportunities for savings.</p> <p>The other attendees then have the opportunity to support or challenge the initiatives raised.</p> <p>After the budget is approved, financial performance is monitored via the quarterly outturn reports and presented to the Finance, Audit and Risk 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 along with mitigating actions.</p> <p>Finally, quarterly report of performance indicators is presented to the Overview and Scrutiny Committee. The report shows the performance of each service in relation to its respective target, and states the commentary for each KPI. This informs areas that need improvement in terms of service.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>Where available, management compares its performance indicators to performance by others through benchmarking process (e.g. waste collection data). A lot of this data has however been suspended due to Covid-19.</p> <p>The use of spend comparative indicators is not considered, as most of the differences are created by different approaches to overhead costs. However, management considers use of various networks to generate ideas and learn from others. This includes (for example) the Hertfordshire Chief Finance Officers Group, the Hertfordshire Chief Executives Group, and Herts Waste Partnership.</p> <p>In January 2020, the Council had a peer review. The action plan for this review has been published in January 2023. We will review this as part of 2022/23 VFM work.</p>

## Appendix A – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
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	<p>The Council appreciates the fact that Services are not always be delivered by them alone, but in a partnership or through alternative delivery models. Key partners include those in partner authorities and other Councils across the county, Urbaser (waste contract), John O'Connor (grounds maintenance contract), Settle (previously North Herts Homes), Stevenage Leisure, Countryside Management Service and Groundwork. The Council works to support local, county wide and wider partnerships that seek to improve the wellbeing of its local community e.g. through the North Herts Health and Wellbeing Partnership and Hertfordshire Public Health Board.</p> <p>Other key partners in the operation of the Council include District Councillors, County Councillors, Parish Councillors, local Members of Parliament, the Ministry of Housing Communities and Local Government, the Local Government Association, the East of England Local Government Association, the Local Government Ombudsman, housing associations, North Herts Centre for Voluntary Service, Citizens Advice North Hertfordshire, North Herts Minority Ethnic Forum, Youth Connexion Herts, Business Improvement Districts, Letchworth Garden City Heritage Foundation, the Police, Herts Young Homeless and the Stevenage Haven.</p> <p>As part of its service delivery, the Council needs to manage a proactive programme of communications activity across a range of channels which ensures the good work of the Council is promoted and resident satisfaction with the Council improved, by ensuring residents feel well informed about the Council's work. To help support this, Cabinet adopted the Communications Strategy for the period 2019-2023 in December 2018.</p>
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	<p>All procurements are governed by the Council's Contract and Procurement Rules (part of the Council's Constitution). Compliance with these is monitored by Procurement/ Legal and the Contract Procurement Group. Section 20 of Constitution explains about the Contract Procurement Rules.</p> <p>Each contract has a contract manager who is responsible for ensuring that the contracted service is delivered.</p>

## Appendix B – Fees

### Fees

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and North Hertfordshire District Council, and its senior management, including all services provided by us and our network to the North Hertfordshire District Council and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

We have identified one relationship to report to you in respect of additional services provided by EY LLP. The perform non-audit services as set out below. We have concluded that there is no impact on our independence and objectivity as the external auditor of the Council.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted other than those disclosed below.

	Final Fee 2021/22	Planned Fee 2021/22	Final Fee 2020/21
Description	£	£	£
Scale fee - code work	40,068	40,068	40,068
Additional fees (note 1)	TBC	52,762	35,195
<b>Total audit fees</b>	<b>TBC</b>	<b>92,829</b>	<b>75,263</b>
Other non-audit services not covered above (Housing Benefits) (note 2)	6,000 to 11,000	6,000 to 11,000	20,840
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>	<b>96,103</b>

*Note 1 - Given the number of significant risks and areas of audit focus that we highlighted as areas of additional work and in order to meet regulatory and compliance audit requirements not present in the market at the time of our most recent bid to PSAA, we undertook additional work and have proposed an additional fee of £52,762 to deliver the audit in 2021/22. This also includes the impact of amended auditing standards, and the changing requirements for our VFM responsibilities. PSAA has provided outline amounts to charge for the work required to address these latter areas. The proposed additional fee will need to be submitted to PSAA for determination. We proposed an additional fee in 2020/21 and PSAA have approved a final additional fee of £35,195 for that year.*

*Note 2 - This is an indicative fee as our work to certify the 2021/22 housing benefit subsidy claim is yet to commence.*



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