James Ellis
Head of Legal and Democratic Services

MEETING	:	PERFORMANCE, AUDIT AND GOVERNANCE OVERSIGHT COMMITTEE
VENUE	:	COUNCIL CHAMBER, WALLFIELDS, HERTFORD
DATE	:	TUESDAY 17 MARCH 2020
TIME	:	7.00 PM

PLEASE NOTE TIME AND VENUE

MEMBERS OF THE COMMITTEE

Councillor Mark Pope (Chairman)
Councillors A Alder, S Bull, J Burmicz, L Corpe, A Curtis and T Stowe (Vice-Chairman)

Substitutes

Conservative Group: Councillors C Rowley and A Ward-Booth

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

CONTACT OFFICER: ANDRE FERREIRA
01279 502173
andre.ferreira@eastherts.gov.uk

This agenda has been printed using 100% recycled paper

www.eastherts.gov.uk

DISCLOSABLE PECUNIARY INTERESTS

1. A Member, present at a meeting of the Authority, or any committee, sub-committee, joint committee or joint sub-committee of the Authority, with a Disclosable Pecuniary Interest (DPI) in any matter to be considered or being considered at a meeting:

   - must not participate in any discussion of the matter at the meeting;

   - must not participate in any vote taken on the matter at the meeting;

   - must disclose the interest to the meeting, whether registered or not, subject to the provisions of section 32 of the Localism Act 2011;

   - if the interest is not registered and is not the subject of a pending notification, must notify the Monitoring Officer of the interest within 28 days;

   - must leave the room while any discussion or voting takes place.

2. A DPI is an interest of a Member or their partner (which means spouse or civil partner, a person with whom they are living as husband or wife, or a person with whom they are living as if they were civil partners) within the descriptions as defined in the Localism Act 2011.

3. The Authority may grant a Member dispensation, but only in limited circumstances, to enable him/her to participate and vote on a matter in which they have a DPI.

4.   It is a criminal offence to:

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

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

Public Attendance

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

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

Audio/Visual Recording of meetings

Everyone is welcome to record meetings of the Council and its Committees using whatever, non-disruptive, methods you think are suitable, which may include social media of any kind, such as tweeting, blogging or Facebook. However, oral reporting or commentary is prohibited. If you have any questions about this please contact Democratic Services (members of the press should contact the Press Office). Please note that the Chairman of the meeting has the discretion to halt any recording for a number of reasons, including disruption caused by the filming or the nature of the business being conducted. Anyone filming a meeting should focus only on those actively participating and be sensitive to the rights of minors, vulnerable adults and those members of the public who have not consented to being filmed.

Implementing paperless meetings will save East Herts Council approximately £50,000 each year in printing and distribution costs of agenda packs for councillors and officers.

You can use the mod.gov app to access, annotate and keep all committee paperwork on your mobile device.
Visit **https://www.eastherts.gov.uk/article/35542/Political-Structure** for details.

The Council is moving to a paperless policy in respect of Agendas at Committee meetings. From 1 September 2019, the Council will no longer be providing spare copies of Agendas for the Public at Committee Meetings. The mod.gov app is available to download for free from app stores for electronic devices.

AGENDA

1. Apologies

2. Chairman's Announcements

3. Declarations of Interest

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

4. Minutes - 14 January 2020 (Pages 7 - 32)

    To approve as a correct record the Minutes of the meeting held on 14 January 2020.

5. External Auditor 2019-20 Audit Plan (Pages 33 - 74)

6. Shared Anti-Fraud Service (SAFS) Report with draft plan for 2020-21 (Pages 75 - 116)

7. Shared Internal Audit Service (SIAS) Audit Plan 2020-21 (Pages 117 - 140)

8. Shared Internal Audit Service - Progress Report (Pages 141 - 160)

9. Risk Management Strategy Annual Review (Pages 161 - 198)

10. Strategic Risk Register Annual Review (Pages 199 - 208)

11. Annual Governance Statement (Pages 209 - 216)

12. Quarterly Corporate Budget Monitor - Quarter 3 December 2019 (Pages 217 - 252)

13. Work Programme 2019-20 (Pages 253 - 262)

14. Urgent Items

   To consider such other business as, in the opinion of the Chairman of the meeting, is of sufficient urgency to warrant consideration and is not likely to involve the disclosure of exempt information.

MINUTES OF A MEETING OF THE PERFORMANCE, AUDIT AND GOVERNANCE OVERSIGHT COMMITTEE HELD IN THE COUNCIL CHAMBER, WALLFIELDS, HERTFORD ON TUESDAY 14 JANUARY 2020, AT 7.00 PM

PRESENT: Councillor M Pope (Chairman)
Councillors A Alder, J Burmicz, L Corpe, A Curtis and T Stowe

ALSO PRESENT:

Councillors M Goldspink and G Williamson

OFFICERS IN ATTENDANCE:

Lorraine Blackburn	-	Scrutiny Officer
Andre Ferreira	-	Democratic Services Officer
Bob Palmer	-	Head of Strategic Finance and Property
Ben Wood	-	Head of Communications, Strategy and Policy

ALSO IN ATTENDANCE:

Nick Jennings	-	Shared Anti-Fraud Service (SAFS)
Simon Martin	-	Shared Internal Audit Service
Suresh Patel	-	EY

293   APOLOGY

An apology for absence was submitted on behalf of
Councillor S Bull.

294   CHAIRMAN'S ANNOUNCEMENTS

The Chairman welcomed all those present, specifically
Bob Palmer, the Interim Head of Strategic Finance and
Property and Section 151 Officer; Isabel Brittain, the
former Head of Strategic Finance and Property and
Section 151 Officer; and Andre Ferreira, the new
Democratic Services Officer.

The Chairman said that the Interim Head of Strategic
Finance and Property and Section 151 Officer, Bob
Palmer, had been appointed for a six-month period
while a permanent appointee was being recruited and
he thanked the former Head of Strategic Finance and
Property and Section 151 Officer, Isabel Brittain, for
her work at the Council, specifically her support to the
Committee.

295   MINUTES – 19 NOVEMBER 2019

It was moved by Councillor T Stowe and seconded by
Councillor A Curtis that the minutes of the meeting
held on 19 November 2019 be confirmed as a correct
record and signed by the Chairman. After being put to
the meeting and a vote taken, the motion was declared
CARRIED.

The Chairman referred to page 12 of the minutes of 19

November 2019, and said he had emailed the Head of Housing and Health in respect of the number of households living in temporary accommodation earlier that day. He would email Members as soon as the response was received.

With reference to other outstanding items from previous minutes, the Chairman noted the following:
1. Meeting of 24 September 2019: Internal audit carried out at the Herts Home Improvement Agency – A response from the Head of Housing and Health was still awaited.

2. Meeting of 19 November 2019: Employment opportunities in East Herts – this had been answered by the email to PAGO Members from the Head of Communications, Strategy and Policy on 26 November 2019 – action closed.

3. Meeting of 19 November 2019: A topic relating to the promotion of Standards to be included on the PAGO work programme: The Scrutiny Officer reminded Members that they had received training in relation to Standards on 18 June 2019. Further consideration of Standards matters would be discussed with the new Monitoring Officer when he commenced employment with the Council in February 2020, for potential inclusion on the PAGO work programme.

In response to Councillor A Curtis, the Scrutiny Officer said that she would discuss the monitoring of how standards were upheld with the new Monitoring Officer.

4. Meeting of 19 November 2019: Waste collections

and fly-tipping: The Head of Operations had replied as follows: The Overview and Scrutiny Committee had received a report from the Head of Operations on 5 November 2019, which addressed the issue of the missed bin collection targets being missed. The report could be found online on the Council's website. Councillor T Stowe noted that Members should read the report and if they had any further questions they should raise it at the Overview and Scrutiny Committee.

Councillor A Curtis said that the work programmes of PAGO and Overview and Scrutiny should be aligned so as to identify issues of concern. The Scrutiny Officer replied that PAGO essentially monitored performance and was not a scrutiny committee as such. The Overview and Scrutiny Committee set its own programme, but she would discuss any possible alignment with the Chairmen of the two committees.

> RESOLVED – that the Minutes of the meeting held on 19 November 2019 be confirmed as a correct record and signed by the Chairman.

296   PROGRESS WITH THE DELIVERY OF THE 2019/20 ANTI-FRAUD PLAN

The Head of the Shared Anti-Fraud Service (SAFS) provided a summary of the work undertaken by the SAFS to protect the Council against fraud and the Council's 2019/20 Anti-Fraud Plan. Recent reports had been provided by Council Officers and were being used by SAFS to ensure that the Council was aware of its fraud risks and finding ways to mitigate or manage these effectively where possible.

The Head of the Shared Anti-Fraud Service referenced specific issues such as the overall scale of fraud across England; the number of reported incidents of fraud in East Herts; penalties to deter fraud; and pro-active prevention activities. He also noted that while EHC had fraud policies in place, they were in need of review and would be updated by Q4 to bring them in line with current practice; specific details were included in Appendix B to the report.

In response to Councillor T Stowe on why progress against the goal of creating a fraud risk culture was shown as Red 'due to lack of policies', the Head of the Shared Anti-Fraud Service said this related to some policies being outdated, and was shown as red as a reminder to him to work with officers to update all policies.

With reference to possible delays in joining the Hertfordshire FraudHub in 2020, the Head of the Shared Anti-Fraud Service said there had been some delays because of a number of Council staff changes. He wanted to ensure that the process was followed correctly and was working with the Interim Head of Strategic Finance and Property to get EHC fully on board by Q3.

In response to Councillor A Curtis on how PAGO monitored the details of the delivery of the Fraud Plan, the Head of the Shared Anti-Fraud Service said it was not within PAGO's remit to monitor the finer details of the plan's delivery. SAFS worked with officers to ensure that sufficient policies were in place, which should be shared with staff. A new "Fighting Fraud Strategy" was

due to be published, but care would be taken that this was relevant and adequate for EHC.

The Head of the Shared Anti-Fraud Service communication to staff on fraud was vital and training would be provided to managers to ensure that staff were aware of relevant policies. This could be monitored through the e-learning module and linking the e-learning to relevant policies was also very important.

The Head of the Shared Anti-Fraud Service said the benefits of being part of the Collective Local Authority Bid to join the Counter-Fraud Profession were firstly that a national standard would be set which would have to be maintained, which would in turn lead to a much improved service to EHC and secondly, all local authorities would be part of the Bid. The cost of being part of this would be borne by Central Government for the first three years, after which there would be individual memberships.

The Scrutiny Officer said any changes to Human Resource policies would initially be submitted to the Local Joint Panel and then to the HR committee for decision. She encouraged Members to review reports on the Human Resources agenda.
The Chairman drew Members' attention to the fact that the fees for EHC to be part of SAFS would increase to £81,600 + VAT in 2019/2020.

The Chairman said all the progress items referred to under the Anti-Fraud Culture in the Council were shown as either red or amber, which raised the question if there was enough awareness of the

importance of a fraud culture and if it needed a higher profile in the Council. The Head of the Shared Anti-Fraud Service said that officers in the Council did not tolerate any fraud, but there needed to be more transparency in the Council's policies to better evidence this. A consistent response to fraud was needed; officers had to be confident and able to report fraud and this had to evidenced by way of policies. Although there had been a number of changes at senior management level, there was enough confidence that the Anti-Fraud Culture would be addressed by way of implementing adequate policies. There was a general article on fraud prevention on the Council's website, which was a positive development.

It was moved by Councillor A Curtis and seconded by Councillor L Corpe that the committee notes the report. After being put to the meeting and a vote taken, the motion was declared CARRIED.

> RESOLVED – that the Committee notes the report, which detailed the work of the Council and the Shared Anti-Fraud Service in delivering the 2019/20 Anti-Fraud Plan.

297   SHARED INTERNAL AUDIT SERVICE PROGRESS REPORT

The Client Audit Manager of the Shared Internal Audit Service (SIAS) provided a summary of the SIAS Progress Report, specifically the delivery of the Audit Plan and key findings; Audit Plan amendments; critical and high priority recommendations and performance management. He said that 68% of the 2019/20 Audit Plan days had been delivered and 19 of the 30 projects had been completed to a draft stage.

The proposed amendment to the Audit Plan related to the audit of Homeless Reduction Act/Temporary Accommodation, which was due to start in January 2020. The proposal was that this audit be cancelled and deferred to the next plan, the reason being that an audit had been done in March 2019.

With reference to the critical and high priority recommendations detailed in the report, the Client Audit Manager said the recommendations on the CCTV and the IT Shared Services audits had all been implemented.

The Chairman said that cyber security was a very topical issue and asked whether the committee should be concerned about the delays in implementing the recommendations from the cyber security audit. The Client Audit Manager replied that whilst the recommendations on cyber security had been partially implemented, there had been delays; these would be monitored regularly and reported to the committee. An industry survey had recently shown that Cyber security was one of the top three audit priorities; the IT industry was continually evolving and the committee should take the appropriate response by monitoring outstanding recommendations, as with other risks.

In response to the Chairman on whether Internal Audit was satisfied with the current state of cyber security at EHC, the Client Audit Manager said this was a high priority for officers and there was a pathway to fully implementing the audit recommendations, and this should continue to be monitored by Members.

Councillor A Curtis enquired if and how SIAS was keeping pace with developments in the IT industry and if there was enough confidence that cyber security was being adequately addressed, given that EHC did not fully control this environment. The Client Audit Manager advised that SIAS worked in partnership with BDO and SIAS used BDO to focus exclusively on relevant issues. There was also a history of local authorities working together on such matters and this was increasing. SIAS was acutely aware that the risk profile for local authorities was changing and where authorities worked in partnership, the focus was somewhat different, which was reflected in the audits which had been incorporated into the Audit Plan and reported to the Committee.

Councillor T Stowe asked why the assurance levels of the "Follow-up - S106 Spend Arrangements" and the "Follow-up – CCTV joint audit" were both noted as "Not Assessed". The Client Audit Manager replied that these were both routine follow-up audits and assurance opinions were not given on follow up audits, where the emphasis was placed on the status of recommendations made at the original audit.

Councillor L Corpe referred to the updating of the Disaster Recovery Plan and enquired when this would be completed. The Client Audit Manager said the comments contained in the report were provided directly by service managers and indicated the current status of the plan. This was a high priority issue which would continue to be monitored and reported to the Committee.

Councillor A Curtis commented that there were a number of issues in the report which referred to

updates on outstanding issues from officers and said these issues needed completion dates. The Scrutiny Officer said it must be very clear on what was needed and asked from officers. The Chairman said some issues had been outstanding for some time, e.g. cyber security, and these must be addressed.

Councillor A Curtis moved and Councillor A Alder seconded a motion that the recommendations in the report be approved.

After being put to the meeting and a vote taken, the motion was declared CARRIED.

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

(B)   the amendments to the Internal Audit Plan as at 27 December 2019 be approved;

(C)   the status of Critical and High Priority recommendations be noted; and

(D)   Members be provided with a cyber security update by officers as required.

298   ANNUAL AUDIT LETTER FOR THE YEAR ENDED 31 MARCH 2019

The External Auditor provided a summary of the Annual Audit Letter for the year ended 31 March 2019 and noted that an unqualified audit report on the Council's financial statements had been issued on 29 November 2019.

The External Auditor drew the Committee's attention to the following error on page 9 of the report: the date under no issues identified with the balances brought over should be 1 April 2018 and not 1 April 2019.

The External Auditor said that the Council had updated its accounts to reflect the impact of national issues impacting all local authority pension schemes as well as to reflect changes in the value of investments.

With reference to the additional Audit Fees which would be charged to EHC, the External Auditor said that the proposal was with the PSAA for discussion and approval. The main reason for the increased fee reflected the additional testing which had been agreed with the Council; an additional 40 items had been tested.

In response to a question by the Chairman on future legislative issues to be aware of, the External Auditor referenced IFRS 16 leases; financial resilience arrangements introduced by the IASB Conceptual Framework for Financial Reporting; possible pensions actuarial issues; and future contributions to the tri-annual review.

With reference to the completion of the 2019/2020 audit, the External Auditor thanked Members for their understanding and patience on the possible delay in the completion. In a national context, a review commissioned by the government has meant that more complex accounts had to be submitted by local government authorities, which meant that the completion date of the end of July for the EHC audit was not viable. Furthermore, audit institutions across

the UK were struggling with staff attrition and some 40% of audits were not completed on time. The end of September would be a more viable date for the completion of the EHC audit. Ultimately, giving the right assurance was the most important and the end of July was not a statutory deadline. Audits should not be driven by dates, and it was preferable not to reschedule at short notice. A planned and informed timeline should therefore be agreed between the Council and EY.

The Interim Head of Strategic Finance and Property said that it was a requirement that a statement be made on why the audit cannot be completed by the end of July. The Government expectation was that accounts should be audited and published by the end of July and that was still the preferred option. He would discuss the options with the External Auditor.

Councillor A Alder welcomed the explanation for the possible delay and stressed that a final date must be agreed and adhered to.

Councillor A Curtis said that the national context must be taken into account and the Council should not lapse into a culture of things not getting done.

The Chairman requested the External Auditor and the Interim Head of Strategic Finance and Property to discuss the completion date of the audit and keep committee members updated of progress via email between meetings.

Councillor A Alder moved and Councillor T Stowe seconded a motion that the External Auditor's Annual

Audit Letter for the year ended 31 March 2019 be noted.

After being put to the meeting and a vote taken, the motion was declared CARRIED.

> RESOLVED - that (A) the External Auditor's Annual Audit Letter for the year ended 31 March 2019 be noted.

The Chairman thanked the External Auditor and the former Head of Strategic Finance and Property, Isabel Brittain, for their assistance in helping the Council to obtain an unqualified audit.

299   DEVELOPING A NEW CORPORATE PLAN

The Head of Communications, Strategy and Policy made a presentation on the Council's Draft Corporate Plan for 2020-2023 and briefly explained the purpose of having a corporate plan. The present plan had been signed-off in 2016 and came to an end on 31 March 2020, hence the need for Council to approve a new plan.

The draft plan had been drafted after several workshops and Council partners had also been involved. The four themes in the plan were Sustainability; Enabling our Communities; Encouraging Economic Growth and Digital by Design. The themes made up the acronym "SEED", which went with the message: 'East Herts, a Place to Grow'.

Councillors A Alder and A Curtis stressed that the plan should not only contain references to or focus on

Hertford and Bishops Stortford. There were a number of other towns in the district which played an important role. They often felt 'left-out' and should be mentioned in the plan. Care should also be taken that all communities signed-up to the plan.

The Chairman referred to cost and asked whether money had been committed to improving the digital and IT environment. The Head of Communications, Strategy and Policy said that while there was a link between the objectives in the plan and the budget, no specific amounts were mentioned in the plan. The objectives in the plan were linked to some of the priorities in the budget.

Councillor L Corpe commented that while the objectives in the plan were very worthy, the Council should not just pay lip service to these; processes should be in place to ensure that these would actually be achieved.

Councillor A Curtis said that the objectives should not be considered in silos; there should be cross-cutting to ensure that the objectives are at the basis of all the Council does. As an example, sustainability was much broader than just green issues, it also involved heritage, the built environment and other issues. He asked whether the word "technology" could not be included in the Digital by Design title.

The Head of Communications, Strategy and Policy said he had taken note of all the comments by members and where possible these would be incorporated in the draft Corporate Plan which would be submitted to the Executive for discussion and Council for final approval.

Councillor L Corpe moved and Councillor A Alder seconded, a motion that the Draft Corporate Plan for 2020-2024 be noted.

After being put to the meeting and a vote taken, the motion was declared CARRIED.

> RESOLVED – that (A) the Draft Corporate Plan for 2020-2024 be noted.

300   BUDGET AND MEDIUM TERM FINANCIAL PLAN 2020/21 - 2023/24

The Interim Head of Strategic Finance and Property and Section 151 Officer presented the report and acknowledged all the work that relevant officers had put into the plan. Because of this work and well-debated proposals, it was possible to recommend a well-balanced Medium Term Financial Plan for 2020/21 – 2023/24.

The Interim Head of Strategic Finance and Property and Section 151 Officer referred to certain specific recommendations in the report and noted the following: the Government had lifted the freeze on Council Tax as they wanted local government to be more self-reliant and not depend too much on central grants; the Fair Funding review by the Government had not yet been concluded, and certain assumptions therefore had to be made, which were done with the help of an external consultancy; and the proposed Capital Programme was affordable for EHC.

The Interim Head of Strategic Finance and Property

and Section 151 Officer noted that the Council's revenue budget consisted of five major "building blocks", which were detailed in the report.

With reference to the New Homes Bonus, the Interim Head of Strategic Finance and Property and Section 151 Officer stated that while the Council had benefitted from this, there was concern about the demise of the bonus. The Government followed a path of gradual reductions and the amount payable was only guaranteed for one more year with no legacy payments and would probably disappear after the Fair Funding review had been concluded. It should also be borne in mind that the bonus would no longer be available to be shared with town and parish councils.

The Interim Head of Strategic Finance and Property and Section 151 Officer specifically thanked the former Head of Strategic Finance and Property (Isabel Brittain) for her work in preparing the budget and engaging the various stakeholders.

Councillor L Corpe referred to the proposed funding cuts to the Citizens' Advice Services and Community Voluntary Services and said that while this might look like a saving up front, the Council would be "shooting itself in the foot" as this may lead to problems in the future. These organisations could not change their funding streams and while the proposed funding cut seemed very small, it would have a big impact on their services. He requested that the proposed cuts should rather be scrapped or phased-in more gradually; an increase in parking fees could possibly be considered to make up for this. The proposed cuts also did not correspond with the objective in the draft Corporate

Plan to support vulnerable residents.

Councillor A Curtis noted that while he agreed that these were valuable services, these organisations have known about the proposed cuts for some time.

Councillor J Burmicz said it was also a false economy to reduce the funding of PCSOs as they provided a vital service in all communities. The Chairman noted that the funding for PCSO's came from the Police budget and Councillor A Curtis advised that the Hertford Constabulary were not bound by the EHC budget; they could increase their own budget and appoint more PCSOs.

The Chairman referred to the Net Cost of Services and asked if this had been capped for the first time. The former Head of Strategic Finance and Property said that this was the second year that this approach had been followed; it provided more flexibility when the budget was set.

With reference to the high and subsequently falling costs detailed under Operations, the Interim Head of Strategic Finance and Property and Section 151 Officer said that when the Leisure Centres were completed, the service provider would be paying the Council and this amount should reduce.

The Interim Head of Strategic Finance and Property and Section 151 Officer stated that the costs for salary increases would only be finally determined once negotiations with the unions had been completed.

The Chairman referred to the Budget Gap, specifically

the numbers for Revised Service and Funding Pressures, and asked how these were determined. The Interim Head of Strategic Finance and Property and Section 151 Officer said that where there were changes to services, the figures would be adjusted.

Councillor A Curtis referred to Income and enquired if income sources were being diversified. He also enquired if there was confidence in the income to be obtained from Financial Sustainability and the Millstream company and if these income targets would be met within the proposed timescales. The Interim Head of Strategic Finance and Property and Section 151 Officer replied that Millstream would generate an additional £100k p.a. An updated business plan would be submitted to Council on how this income would be met. With regard to Financial Sustainability, one building had already been acquired and the Financial Sustainability Committee would be looking at acquiring more income-generating buildings. The Interim Head of Strategic Finance and Property and Section 151 Officer said there were no obstacles to generating income from these two sources, and he was therefore confident that the targets would be met.

The Chairman noted that a £40k saving was being proposed from improved recycling and asked if the price trajectory for recycling was known. The Interim Head of Strategic Finance and Property and Section 151 Officer said the paper recycling contract would again be procured in conjunction with North Herts Council and the new figures should be available by the end of February 2020. The paper recycling rate could reduce as part of the new procurement contract. If there was any uncertainty on the outcome of the

procurement contract or if there was a sudden increase in the costs of recycling, this would be off-set through cross-subsidisation. The situation would however be monitored.

The Chairman enquired what the effect would be if the option to charge for green waste was not used. The Interim Head of Strategic Finance and Property and Section 151 Officer said the proposed income of £400k for green waste in 2021/22 was significant. While providing a green waste service was not a statutory obligation, most other authorities charged if they provided such a service.

The Chairman enquired about the type of projects which could be put in place to increase the total reserves. The Interim Head of Strategic Finance and Property and Section 151 Officer replied that there were a number of "Invest to Save Ideas".

With Members consent it was agreed that the recommendations in the report be taken individually.

Councillor A Curtis moved, and Councillor L Corpe seconded, a motion to support recommendation (a) in the report, as detailed below. The motion being put to the meeting, and a vote taken, it was declared CARRIED.

> RESOLVED – to endorse that the Executive considers the following for recommendation to Council: that the East Herts share of Council Tax for a band D in 2020/21 be set at £174.09.

Councillor A Curtis moved, and Councillor A Alder seconded, a motion to support recommendation (b) in

the report, as detailed below. The motion being put to the meeting, and a vote taken, it was declared CARRIED.

> RESOLVED – to endorse that the Executive considers the following for recommendation to Council: that the updated position on the Medium Term Financial Plan and Budget for 2020/21 including the budget pressures and risks be approved.

Councillor T Stowe moved, and Councillor A Alder seconded, a motion to support recommendation (c) in the report, as detailed below. After being put to the meeting a vote was taken, with Councillor Corpe voting against the motion. The motion was therefore declared CARRIED.

> RESOLVED – to endorse that the Executive considers the following for recommendation to Council: The new savings and income generating proposals for 2020/21 onwards as shown in Appendix 'A' be approved.

Councillor A Curtis moved, and Councillor T Stowe seconded, a motion to support recommendation (d) in the report, as detailed below. The motion being put to the meeting, and a vote taken, it was declared CARRIED.

> RESOLVED – to endorse that the Executive considers the following for recommendation to Council: that the Capital Programme as set out in Appendix 'C' be implemented.

Councillor T Stowe moved, and Councillor A Curtis seconded, a motion to support recommendation (e) in the report, as detailed below. The motion being put to the meeting, and a vote taken, it was declared CARRIED.

RESOLVED – to endorse that the Executive considers the following for recommendation to Council: that the schedule of charges set out in Appendix 'D', each with an average increase of 2.5% for 2020/21, be approved.

301   CAPITAL STRATEGY 2020 ONWARDS

The Interim Head of Strategic Finance and Property and Section 151 Officer presented a summary of the report and noted that the Capital Strategy had not been developed in isolation. There was a clear relationship between the Capital Strategy and other key corporate strategies and plans. Capital schemes referred to in the plan were both prudent and proportionate and the relationship between each scheme and the relevant objective(s) in the Corporate Plan were detailed in the plan.

The Chairman referred to the Core Influences Action Plan and asked why the Leisure Facilities Strategy was mentioned upfront. The Interim Head of Strategic Finance and Property and Section 151 Officer said that it merely reflected the value of the leisure centre projects.

In response to the Chairman if sustainability was reflected in the figures shown for capital projects, specifically the Old River Lane project, the Interim

Head of Strategic Finance and Property and Section 151 Officer said that while sustainability was very topical, some projects would not meet the high sustainability requirements and some of the figures shown were outdated. The plan highlighted how the processes would be taken forward and in the case of Old River Lane, there were four options further down the line when the costing would be reviewed. The correct balance between commercial return and sustainability had to be found.

Councillor L Corpe said that if sustainability was built into projects at an early stage, they became cheaper and if adopted as a matter of principle, it influenced entire projects.

The Interim Head of Strategic Finance and Property and Section 151 Officer drew the committee's attention to the fact that the Government's announcement on the provisional settlement for local government for 2019/20 included a statement on the potential for government intervention, which meant that the Government had the power to intervene to limit borrowing. Where the Capital Strategy had to be updated, it would be shared with Members.

The Scrutiny Officer commented that in terms of scrutiny, it was important that Members relay to their residents changes which would involve and impact on them.

Councillor A Curtis moved and Councillor T Stowe seconded, a motion that the Committee endorsed that the Executive considers the recommendations in the report for recommendation to Council.

After being put to the meeting and a vote taken, the motion was declared CARRIED.

> RESOLVED - to endorse that the Executive considers the following for recommendation to Council: the Capital Strategy 2020 onwards as shown in Appendix 'A'.

302   TREASURY MANAGEMENT STRATEGY 2020/21

The Interim Head of Strategic Finance and Property and Section 151 Officer presented a summary of the report and submitted an amended table under the item Core Funds and Expected Investment Balances. Whilst the Financial Sustainability Committee considered the acquisition of additional buildings, building investments were relatively small and there was no over-reliance on commercial income. External advisers were also used and the Capital Strategy was similar to that of previous years.

In response to a question by the Chairman on details of "other long term liabilities", the Interim Head of Strategic Finance and Property and Section 151 Officer BP said that he thought these were leases, but that he would check and email the information to Members.

The Interim Head of Strategic Finance and Property and Section 151 Officer said there would only be borrowing as and when funds were needed, although there was a realistic possibility that no borrowing would be needed in the 2020/21 financial year. The cost of borrowing was included in the MTFP and but business cases on capital schemes allowed for interest.

The Interim Head of Strategic Finance and Property and Section 151 Officer that the Council had appointed Link Asset Services as its treasury advisor and part of their service was to assist the Council in formulating a view on interest rates. There were numerous variables which could influence interest rates and forecasts were largely based on assumptions.

With reference to counterparties, the Chairman enquired if banks should not be named. The Interim Head of Strategic Finance and Property and Section 151 Officer said that this was not necessary; the options were based on credit ratings and by not naming banks specifically, it avoided having to make amendments to the strategy at a later stage. The strategy as presented therefore gives that flexibility.

Councillor A Curtis moved and Councillor A Alder seconded, a motion that the Committee endorses that the Executive considers the recommendations in the report for recommendation to Council.

After being put to the meeting and a vote taken, the motion was declared CARRIED.

> RESOLVED - to endorse that the Executive considers the following for recommendation to Council: that the (a) Treasury Management Strategy and Annual Investment Strategy in Appendix 'A', including the prudential indicators discussed in paragraphs 3.6 be approved and (b) credit and counterparty risk management and approved countries list discussed in paragraph 3.7 be approved.

303   DRAFT WORK PROGRAMME 2019/20

A revised Work Programme was submitted to members in a paper format.

The draft agenda for the Committee's next meeting on 17 March 2020 was amended by deleting the item on a Performance Review for Communications.

Councillor A Curtis moved and Councillor A Alder seconded, a motion that the Committee's draft work programme, as amended, be approved, and be published as part of the agenda.

After being put to the meeting and a vote taken, the motion was declared CARRIED.

RESOLVED - that the Committee's draft work programme, as amended, be approved.

The meeting closed at 9.52 pm

Chairman ....

Date   ....

This page is intentionally left blank

East Hertfordshire District Council

Outline Audit Plan

Year ended 31 March 2020

4 March 2020

Agenda Item 5

EY

Building a better
working world

Performance, Audit and Governance Oversight Committee
East Hertfordshire District Council
Wallfields, Pegs Lane
Hertford, SG13 8EQ

4 March 2020

Dear Performance, Audit and Governance Oversight Committee Members

Outline Audit Plan – 2019/20

We are pleased to attach our Outline Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Performance, Audit and Governance Oversight Committee with a basis to review our proposed audit approach and scope for the 2019/20 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 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 Outline 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 Performance, Audit and Governance Oversight 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 Performance, Audit and Governance Oversight 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 17 March 2020 as well as understand whether there are other matters which you consider may influence.

Yours faithfully

Suresh Patel
Associate Partner
For and on behalf of Ernst & Young LLP

Contents

01 Overview of our 2019/20 audit strategy

Overview of our 2019/20 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Performance, Audit and Governance Oversight 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	Significant Risk/Fraud	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.
Misstatements due to fraud or error – the incorrect capitalisation of revenue expenditure	Significant Risk/Fraud	No change in risk or focus	The Council is under pressure to achieve its budget and maintain reserve balances above the minimum approved levels. One area management may override controls to help meet these challenges is how and what it accounts for expenditure. We consider this risk applies to capitalisation of revenue expenditure. Management may understate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.
Property, Plant and Equipment Valuations	Inherent risk	No change in risk or focus	Property, plant and equipment (PPE) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end PPE balances held in the balance sheet. As the Council's asset base is significant, and the outputs from the internal valuer are subject to estimation, there is a higher inherent risk PPE 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.

Overview of our 2019/20 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Business Rates Appeals Provision	Inherent risk	No change in risk or focus	The business rates appeals provision includes, not only claims up to 31 March 2020, but claims that relate to earlier periods and is subject to estimation. 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. Due to the level of estimation, size of the balance and the complexity of this provision we consider this to be a higher inherent risk.
Pension Valuation and Disclosures	Inherent risk	No change in risk or focus	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 Council's balance sheet. 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 and due to the nature, volume and size of the transactions we consider this to be a higher inherent risk.
Group Accounting	Inherent risk	New area of focus	The Council will be preparing group accounts for the first time in 2019/20 due to the consolidation of the Millstream Property Investments Limited financial statements with the single entity Council financial statements. We identify this as an inherent risk as the Council has not prepared group accounts in the past and this can be a complex area of accounting.

In addition to the risks outlined above we have identified an area of audit focus.

Area of focus	Change from PY	Details
Implementation of new auditing and accounting standards	New area of focus	**IFRS 16 Leases:** Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to published, but in October 2019 CIPFA/LASAAC issued 'IFRS 16 leases and early guide for practitioners'. It is likely there will be some disclosure requirements for the 2019/20 statement of accounts. **Going Concern Compliance with ISA 570:** This auditing standard 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. The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements.

Overview of our 2019/20 audit strategy

We have identified a significant value for money conclusion risk in relation to the Council's capital programme. We include in section 3 further details of this risk and an outline of the planned procedure we will perform to enable us to form a value for money conclusion.

Materiality

Planning materiality
£1.590m

We have set materiality at £1.590 million, which represents 2% of the prior years gross expenditure on provision of services plus financing and investment expenditure.

Performance materiality
£1.192m

We have set performance materiality at £1.192 million, which represents 75% of materiality and is the top end of our available range.

Audit differences
£79,000

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement, and collection fund) greater than £79,000. We will communicate other misstatements identified to the extent that they merit the attention of the Performance, Audit and Governance Oversight Committee.

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 including councillor allowances: we will agree all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

Overview of our 2019/20 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 2020 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 (Value for Money).

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, 15 and 16 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 shortly discuss these with management as to the impact on the scale fee. In addition, in Section 8 we have included an indicative range for the additional work we will be conducting in response to the significant risks we have identified and included in this Plan. We will confirm these fees with management as the audit progresses.

02 Audit risks

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?**
	The financial statements as a whole are not free of material misstatements whether caused by fraud or error. 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. As part of our work to identify fraud risks during the planning stages, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation. These are set out on the following page.	▸ Identifying fraud risks during the planning stages. ▸ Inquiry 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. ▸ Consideration of 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 testing of journal entries and other adjustments in the preparation of the financial statements. To address the residual risk of management override we perform specific procedures which include: ▸ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, for example using our journal tool to focus our testing on specific journals such as those created at unusual times or by staff members not usually involved in journal processing; ▸ Assessing key accounting estimates for evidence of management bias; and ▸ Evaluating the business rationale for significant unusual transactions

Our response to significant risks (continued)

Misstatements due to fraud or error – the incorrect capitalisation of revenue expenditure*

Financial statement impact

We have identified a risk of expenditure misstatements due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to capitalisation of revenue expenditure and could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement.

What is the risk?

The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We consider the risk applies to capitalisation of revenue expenditure. Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charge to the comprehensive income and expenditure account.

In 2018/19 the Council incurred £6.2 million capital expenditure and plans to incur £13.4 million in 2019/20.

What will we do?

Our approach will focus on:

- Sample testing additions to property, plant and equipment to ensure that 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; and

- Using our data analytics tool to identify and test journal entries that move expenditure into capital codes.

Audit risks

Other areas of audit focus

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.

What is the risk/area of focus?	What will we do?
Valuation of Land and Buildings and Investment Properties 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.	We will: ▸ Consider the work performed by the Council's internal valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▸ Sample test key asset information used by the internal valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ▸ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE and annually for IP. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ▸ Review assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated; ▸ Consider changes to useful economic lives as a result of the most recent valuation; and ▸ Test accounting entries have been correctly processed in the financial statements.
What is the risk/area of focus?	**What will we do?**
Business Rates Appeals Provision The business rates appeals provision includes, not only claims up to 31 March 2020, but claims that relate to earlier periods and is subject to estimation. 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. 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.	We will: ▸ Reviewing 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; ▸ Ensuring the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed; and ▸ Reviewing the completeness of the provision.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
Pension Liability Valuation & Pensions Assets The Council makes extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Hertfordshire County 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 2019 this totalled £34.568 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. We undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	We will: ▸ Liaise with the auditors of Hertfordshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to East Hertfordshire District 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 by considering any relevant reviews by the EY actuarial team; and ▸ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19 considering fund assets and the Council's liability.
Group Accounting In February 2018 the Council incorporated Millstream Property Investment Limited, a company, with the Council as the sole owner. Activity has increased in the company in 2019/20 to a level that the Council now considers to be material. This will require the Council to prepare group accounts. We identify this as an inherent risk as the Council has not prepared group accounts in the past and this can be a complex area of accounting.	We will: ▸ Review the group assessment prepared by the Council, ensuring that the accounting framework and accounting policies are aligned to the East Hertfordshire District Council group; ▸ Scope the audit requirements for Millstream Property Investment Limited based on their significance to the group accounts. Liaising with the external auditor of Millstream Property Investment Limited and potentially issuing group instructions that detail the required audit procedures they are to undertaken order to provide us with assurance for the opinion we will issue on the group accounts; ▸ Ensure the appropriate consolidation procedures and the Code of Practice are applied when preparing the Council group accounts.

Page 45

Audit risks

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
IFRS16 – leases	

IFRS16 – leases

IFRS 16 Leases was issued by the IASB in 2016. Its main impact is to remove (for lessees) the traditional distinction between finance leases and operating leases. Finance leases have effectively been accounted for as acquisitions (with the asset on the balance sheet, together with a liability to pay for the asset acquired). In contrast, operating leases have been treated as "pay as you go" arrangements, with rentals expensed in the year they are paid. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

Implementation of IFRS 16 will be included in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) for 2020/21. This Code has yet to published, but in October 2019 CIPFA/LASAAC issued 'IFRS 16 leases and early guide for practitioners'.

This early guidance provides comprehensive coverage of the requirements of the forthcoming provisions, including:
- „the identification of leases
- „the recognition of right-of-use assets and liabilities and their subsequent measurement
- „treatment of gains and losses
- „derecognition and presentation and disclosure in the financial statements,
- „the management of leases within the Prudential Framework.

The guidance also covers the transitional arrangements for moving to these new requirements, such as:
- „the recognition of right-of-use assets and liabilities for leases previously accounted for as operating leases by lessees
- „the mechanics of making the transition in the 2020/21 financial statements (including the application of transitional provisions and the preparation of relevant disclosure notes).

IFRS 16 – leases introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases.

The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet.

Although the new standard will not be included in the CIPFA Code of Practice until 2020/21, work will be necessary to secure information required to enable authorities to fully assess their leasing position and ensure compliance with the standard from 1 April 2020 and some narrative disclosures are likely to be required for 2019/20.

In particular, full compliance with the revised standard for 2020/21 is likely to require a detailed review of existing lease and other contract documentation prior to 1 April 2020 in order to identify:
- all leases which need to be accounted for
- the costs and lease term which apply to the lease
- the value of the asset and liability to be recognised as at 1 April 2020 where a lease has previously been accounted for as an operating lease.

We will discuss progress made in preparing for the implementation of IFRS 16 – leases with the finance team over the course of our 2019/20 audit.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
Going Concern Compliance with ISA 570 This auditing standard 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. The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee. The CIPFA Guidance Notes for Practitioners 2019/20 accounts states 'The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that, as authorities cannot be created or dissolved without statutory prescription, they must prepare their financial statements on a going concern basis of accounting.' 'If an authority were in financial difficulty, the prospects are thus that alternative arrangements might be made by central government either for the continuation of the services it provides or for assistance with the recovery of a deficit over more than one financial year. As a result of this, it would not therefore be appropriate for local authority financial statements to be provided on anything other than a going concern basis.'	The revised standard requires: ▸ 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 work for us to challenge management's assessment of going concern, thoroughly test the adequacy of the supporting evidence we obtained and evaluate the risk of management bias. Our challenge will be made based on our knowledge of the Authority obtained through our audit, which will include additional specific risk assessment considerations which go beyond the current requirements; ▸ improved transparency with a new reporting requirement for public interest entities, listed and large private companies to provide a clear, positive conclusion on whether management's assessment is appropriate, and to set out the work we have done in this respect. While the Council are not one of the three entity types listed, we will ensure 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. The revised standard extends requirements to report to regulators where we have concerns about going concern. We will discuss the detailed implications of the new standard with finance staff during 2019/20 ahead of its application for 2020/21.

03 Value for Money Risks

Value for Money

Background

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. This is known as our value for money conclusion.

For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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

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

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the identification of the significant risk noted on the following page which we view as relevant to our value for money conclusion.

Informed decision making

Proper arrangements for securing value for money

Sustainable resource deployment

Working with partners and third parties

Value for Money Risk
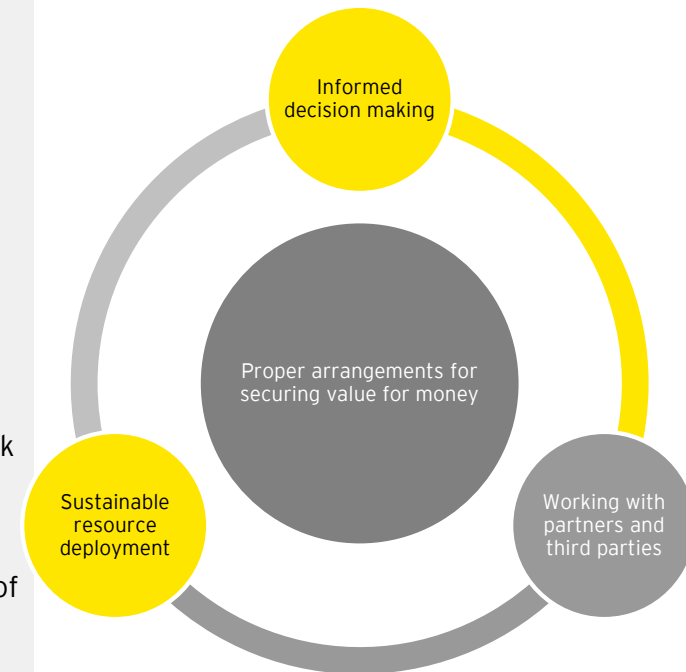
What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
Delivery of Ambitious Capital Programme The Council set a capital programme for 2019/20 at £41.4 million in December 2018. At quarter 3 the Council anticipates delivering £13.4 million which represents only 32% of the initial plan. In 2018/19 the capital programme outturn was £6.2 million against a 2018/19 budget of £12.2 million. The Council has several large capital projects planned, including Old River Lane, Grange Paddocks Leisure Centre, Hartham Leisure Centre and the Hertford Theatre. There is a risk that, given the relative size of the Council and the number of projects in operation, the Council does not have the capacity or expertise to successfully deliver these projects within budget and in a timely manner to deliver the benefits identified and needed. The projects present challenges for the Council in terms of governance, financial and risk management as well as partnership working. Given the significance and importance of these decisions to the Council's strategic, operational and financial priorities, the effectiveness of the governance and risk management arrangements related to this project are crucial.	• Take informed decisions • Sustainable resource deployment • Working with partners and third parties	Our approach will focus on the effectiveness of the Council's arrangements to exercise oversight of the capital programme. This will include reviewing: • The information provided to Members and Officers when taking decisions in relation to the programme; • The consideration of any advice taken by the Council, including legal and financial advice; • The extent to which the Council has identified, considered, and mitigated the risks around the programme; • The extent to which the Council has considered the funding of the programme; • The governance arrangements and judgement made during any tender processes; and • The adequacy of the processes established by the Council to review and monitor delivery of any agreed outputs.

04 Audit materiality

Audit materiality

Materiality

Materiality

For planning purposes, materiality for 2019/20 has been set at £1.590 million. This represents 2% of the Council's prior year gross expenditure on net cost of services plus financing and investment expenditure and other operating expenditure. It will be reassessed throughout the audit process. We have provided supplemental information about audit materiality in Appendix C.

Expenditure for Materiality purpose
£79.483m

Planning materiality
£1.590m

Performance materiality
£1.192m

Audit differences
£79,000
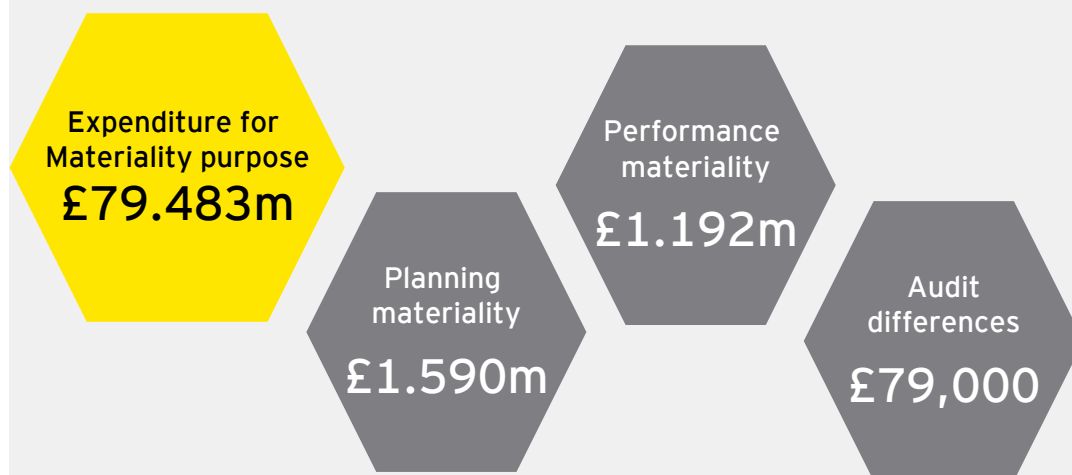
We request that the Performance, Audit and Governance Oversight Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

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 £1.192 million which represents 75% of planning materiality. We have considered a number of factors such as the number of errors in the prior year and any significant changes when determining the percentage of performance materiality. We have used the higher end of the range.

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 Performance, Audit and Governance Oversight Committee, or are important from a qualitative perspective.

Specific materiality – We have set a lower materiality for Senior Officer's Remuneration, Members' Allowances and Exit Packages disclosures which reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

Group materiality – We will update the Committee in our Audit Result Report about the materiality level we have used in the audit of the group accounts. Given the size of Millstream this is unlikely to be significantly different from the values presented here.

05 Scope of our audit

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.

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.

Our intention is to carry out a fully substantive audit in 2019/20 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2019/20, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

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 Performance, Audit and Governance Oversight Committee.

Internal audit:

We will regularly meet with the Head of Internal Audit, and 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.

Page 55

06 Audit team

Audit team

Audit team

The engagement team is led by Suresh Patel for his second year as Associate Partner on the audit. Suresh has significant public sector audit experience, with a portfolio of Local Authorities and Local Government Pension Funds and is a member of the Chartered Institute of Public Finance and Accountancy (CIPFA).

Suresh is supported by Dan Cooke, Manager, who is responsible for the day-to-day direction of audit work and is the key point of contact for the finance manager. Dan was the manager during the 2018/19 audit.

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

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
Valuation of Land and Buildings	Council's valuer (internal valuer) EY Real Estates Team (if required)
Pensions Disclosure	Council's Actuary (Hymans Robertson) EY Pensions Advisory Team
Business Rates Appeals Provision	Council's specialist (Analyse Local)

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.

07 Audit timeline

Proposed audit timeline

Proposed timetable of communication and deliverables

Following the prior year where we rescheduled the year end audit at a late stage, we have tried to give the Council early notice of the planned scheduling for 2019/20. Below is a proposed timetable we have shared with officers showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2019/20. We are currently working through precise dates. If anything changes we will update officers and the Committee as soon as we can.

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

Reporting our independence, risk assessment, planned audit approach and the scope of our audit

Audit Plan

Reporting our conclusions on key judgements and estimates and confirmation of our independence

Audit Results Report

The Annual Audit Letter will be provided following completion of our audit procedures

Annual Audit Letter

| Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov |

Planning

Substantive testing

Planning

Risk assessment and setting of scopes

Walkthroughs

Walkthrough of key systems and processes

Year End Audit

Work begins on our year end audit. This is when we will complete any substantive testing not completed at interim

08 Independence

Independence

Introduction

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 June 2016, 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**
▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the 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. ▶ Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard.	▶ 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 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; ▶ Written confirmation that all covered persons are independent; ▶ 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 any contingent fee arrangements for non-audit services provided by us or our network firms; 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 also provide information on any contingent fee arrangements , the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted. 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.

Independence

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 Suresh Patel, 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 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 we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's Ethical Standards or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, there are no non-audit services and therefore we do not need any additional safeguards.

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 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.

⬡ Independence

Relationships, services and related threats and safeguards (continued)

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.

Description of service	Related independence threat	Period provided/duration	Safeguards adopted and reasons considered to be effective
We have been engaged to undertake the audit of the Housing Benefits Subsidy Claim 2019/20. The agreed upon procedures on the certification arrangements are due to start in April. Our current fee level is £14,340 however we will update you should this amount change.	Self review threat – figures included in the return are also included in the 2019/20 financial statements.	Relates to 2019/20 return for the period to 31 March 2020.	We have assessed the related threats to independence and note that although certain figures in the return are included in the financial statements the agreed upon procedures are being performed after the signing of the financial statements for 2019/20. The agreed upon procedures focus on the specific requirements of the certification arrangements and we place limited reliance on this work for the purposes of the financial statements audit. No other threats to independence have been identified.

Independence

Other communications

EY Transparency Report 2019
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 2019: https://www.ey.com/Publication/vwLUAssets/ey-uk-2019-transparency-report/$FILE/ey-uk-2019-transparency-report.pdf

09 Appendices

Appendix A

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.

	Planned fee 2019/20 (£)	Final Fee 2018/19 (£)
Scale Fee – Code work (note 1)	40,295	40,295
Additional fees (note 2)		
- VFMC significant risk	2,000-5,000	
- Group accounts	4,000-5,000	
- Old River Lane significant risk	-	1,750
- New General ledger	-	1,950
- Updated pension disclosures	-	950
Total audit	46,295-50,295	44,945
Non-audit services:		
Housing Benefits (note 3)	14,340	14,340
Total other non-audit services	14,340	14,340
Total fees	60,635-64,635	58.835

The agreed 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 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.

All fees exclude VAT

Notes:
1. We will shortly be discussing with the Section 151 officer our proposed increase to the scale fee.
2. We provide a range for the additional fees associated with new risks.
3. You engage us to act as reporting accountant for the housing benefits certification work. This is the base fee.

All additional fees are subject to approval by PSAA.

Required communications with the Performance, Audit and Governance Oversight Committee

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

Required communications	📱 What is reported?	📅 When and where
		Our Reporting to you
Terms of engagement	Confirmation by the Performance, Audit and Governance Oversight 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 2020
Significant findings from the audit	▸ 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 – September 2020

Page 67

Appendix B

Required communications with the Performance, Audit and Governance Oversight Committee (continued)

| | Our Reporting to you |

Required communications	What is reported?	When and where
Misstatements	▸ 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 ▸ Corrected misstatements that are significant ▸ Material misstatements corrected by management	Audit Results Report – September 2020
Fraud	▸ Enquiries of the Performance, Audit and Governance Oversight 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 ▸ A discussion of any other matters related to fraud	Audit Results Report – September 2020
Related parties	▸ 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 – September 2020
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ 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.	Audit Plan – March 2020; and Audit Results Report – September 2020

Required communications with the Performance, Audit and Governance Oversight Committee (continued)

Our Reporting to you		

Required communications	📇 **What is reported?**	📅📍 **When and where**
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report – September 2020
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▸ Enquiry of the Performance, Audit and Governance Oversight Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Performance, Audit and Governance Oversight Committee may be aware of	Audit Results Report – September 2020
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit Results Report – September 2020
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report – September 2020
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – September 2020
Auditors report	▸ Key audit matters that we will include in our auditor's report ▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – September 2020

Appendix B

Required communications with the Performance, Audit and Governance Oversight Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Group audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Audit plan – March 2020 Audit Results Report – September 2020
Fee Reporting	▸ 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 2020 Audit Results Report – September 2020
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ 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 – September 2020

Additional audit information

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, including the board's statement that the annual report is fair, balanced and understandable, the Performance, Audit and Governance Oversight Committee reporting appropriately addresses matters communicated by us to the Performance, Audit and Governance Oversight Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and
	▸ Maintaining auditor independence.

Appendix C

Additional audit information (continued)

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 locations at which we conduct audit procedures to support the opinion given on the financial statements; and

▸ 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.

EY | Assurance | Tax | Transactions | Advisory

ey.com

This page is intentionally left blank

East Herts Council
Anti-Fraud Plan 2020/2021

Recommendation

Members are recommended to:

1. Review and approve the SAFS/EHC Anti-Fraud Plan 2020/2021.

Contents

Appendix

1   PURPOSE

1.1   This report provides details of the Council's anti-fraud and corruption arrangements for 2020/21. The Anti-Fraud Plan ensures that the Council considers and acknowledges the risk of fraud, has in place appropriate policies and processes to deter/prevent/investigate fraud, and that senior officers understand their role in protecting the Council against fraud.

2   BACKGROUND

2.1   Reports published by Government and private/public sector organisations highlight fraud as a significant risk for local government. Reviewing the findings from these reports has assisted in the design of the Councils anti-fraud arrangements and ensures that the Council is aware of its fraud risks and finds ways to mitigate or manage these effectively wherever possible.

These reports include:

- *Fighting Fraud and Corruption Locally 2016–2019 Strategy* produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) in March 2016 and supported by CLG. The new strategy estimates annual fraud losses in local government at around £2.1bn (this report is based on 2013 data).

- *UK Annual Fraud Indicator 2018* published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian which estimates the risk of fraud losses for local government in excess of £8bn per annum.

- CIPFAs *Fraud and Corruption Tracker 2019* indicates that identified fraud had increased since 2016 but that the capacity within the sectors counter fraud response had reduced, and would continue to do so, potentially placing local government at even greater risk of fraud.

2.2   The Cabinet Office, Ministry for Housing Communities and Local Government (MHCLG), National Audit Office (NAO), and CIPFA have all issued guidance, advice, and best practice to support local councils in the fight to reduce fraud and prevent loss to the public purse. This advice includes the need for Councils to be vigilant in recognising their fraud risks and investing appropriate resources in counter fraud activities to prevent/reduce losses.

2.3   It is essential to support this work that the Council has in place a robust framework to prevent and deter fraud, including effective strategies and policies, and plans to deal with the investigation and prosecution of fraud.

2.4   In 2017 the Local Government Association published its *Councillors Workbook on Bribery and Fraud Prevention*. A copy of the Workbook can be found at **Appendix A** and Members are invited to read and review this document.

3.   Plans and Reports 2019/2020

Anti-Fraud and Corruption Strategy

3.1   The Council has in place an Anti-Fraud and Corruption Strategy. This document lays out the Council's position and is under review at present so that it complies with the latest practice guidance from CIPFA including areas such as money laundering, bribery and tax evasion.

Anti-Fraud Action Plan 2019/20

3.2   The Councils Anti-Fraud Action Plan for 2019/20, approved by Members in March 2019, covered all areas recommended by CIPFA to ensure that the Council acknowledges the risk of fraud, its responsibility to combat these risks, and takes appropriate action to prevent/deter/pursue fraud.

3.3   Progress with delivery of this plan was provided to Members in January 2020 and a final report will be provided to this Committee in early summer of 2020.

Anti-Fraud Plan 2020/21

3.4   The plan for the next financial year follows a similar format to that used in previous years taking into account changes in guidance from CIPFA and/or changes in fraud risks for the Council. See **Appendix B** for a copy of the plan.

3.5   Adherence to the proposed plan for will ensure compliance with the Council's own Strategy, and the best practice guidance issued by the MHCLG, NAO, LGA, and CIPFA.

Transparency Code Data 2019/20

3.6   SAFS will also provide data to meet the requirements of Transparency Code for publication by the Council in May 2020 on all counter fraud activity at the Council during 2019/20.

Page 78

Page 79

Appendices

PDF
Cllrs WB

A. LGA Councillors Workbook.

PDF
EHC AF PLAN 2020
2021

B. SAFS/EHC Anti-Fraud Plan 2020/21

This page is intentionally left blank

A councillor's workbook on bribery and fraud prevention

Contents

CIPFA \ The Chartered Institute of
Public Finance & Accountancy

This councillor workbook includes references to materials published by the Local Government Association (LGA) and Chartered Institute of Public Finance and Accountancy CIPFA) Further information can be found on www.lga.gov.uk and www.cipfa.org

Page 82

Foreword

This workbook has been designed as a learning aid for elected members. It makes no judgement about whether you have been a member for some time, or whether you have been elected more recently. If you fall into the former category the workbook should serve as a useful reminder of some of the key skills, approaches and tactics involved in neighbourhood and community engagement – it may even challenge you to reconsider how you have approached aspects of the role to date.

Those members who are new to local government will recognise that they have much to learn. The workbook will help you to get up to speed on the main areas of the neighbourhood and community engagement role that require focus and attention. In effect, it should provide you with some pointers on how to develop a style and approach that you are comfortable with, and that enables you to be most effective in your day to day duties.

The workbook offers few firm rules for ward members as it is recognised that each individual must decide how best to approach the role. This will be influenced by the other commitments in your life, the type of ward you represent and the methods and approaches that suit you best. There is no presumption about 'typical wards' or 'typical members' and the workbook should serve more as a direction marker rather than a road map.

In practical terms, the document will take between two to three hours to work through. You do not need to complete it all in one session and may prefer to work through the material at your own pace. The key requirement is to think about your own approach to neighbourhood and community engagement – how the material relates to your local situation, the people you serve and the council you represent.

In working through the material contained in this workbook you will encounter a number of features designed to help you think about the issues surrounding the development of neighbourhood and community engagement. These features are represented by the symbols shown below:

Guidance – this is used to indicate guidance, research, quotations, explanations and definitions that you may find helpful.

Challenges – these are questions or queries raised in the text which ask you to reflect on your role or approach – in essence, they are designed to be thought-provokers.

Case studies – these are 'pen pictures' of approaches used by councils elsewhere.

Hints and tips– a selection of good practices that you may find useful.

Useful links – these are signposts to sources of further information that may help with principles, processes, methods and approaches.

Bribery and fraud prevention

Every organisation whether large or small is at risk from fraud and councils are no exception to this.

All councils have a duty to protect the public purse and a major part of this is by limiting exposure to fraud and corruption and reducing risk through effective prevention and detection. Authorities, even the smallest, are constantly under threat from fraudsters whether that be single person discount fraud, reducing council revenue or a cyber-attack causing a major data loss, reputational damage and fines from the information commissioner.

Fraud is estimated to cost UK councils around £2.1 billion per year which is money that cannot be used to support local communities.

As an elected member you have a range of statutory and moral obligations to protect the assets of your authority and you also need to equip yourself with the knowledge to deal with enquiries and questions from residents.

Section 1 Fraud from a local authority perspective

The scale of fraud

The challenge presented by fraud to councils is significant. As stated in 'The Local Government Counter Fraud and Corruption Strategy 2016-2019' (usually known as Fighting Fraud and Corruption Locally), it is estimated that fraud costs councils around £2.1 billion each year and some reports produced by other organisations suggest that this figure could actually be higher.

The CIPFA (Chartered Institute of Public Finance and Accountancy) counter fraud and corruption tracker, known as CFaCT is an annual survey of fraud activity in councils (and some other public bodies) and measures detection rates across local government and across different types of fraud. Based on returns in 2016 CIPFA estimates that over £325 million worth of fraud was detected in the UK public sector in 2015/16, with the biggest fraud areas being council tax and housing tenancy fraud. In previous years housing benefit fraud will have figured highly on this list.

Whatever the stats and reports say, is clear is that every pound lost by councils to fraud is a pound that cannot be spent on supporting the community.

Useful links
The full CFaCT report for the UK can be found here:
www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker

If your authority took part in the survey they will have received a free comparison report showing their counter fraud activity compared to other authorities in the same tier. See if you can obtain a copy from your fraud manager or head of internal audit.

If your council didn't take part in the survey perhaps you can encourage them to do so next year?

The Fighting Fraud and Corruption Locally strategy and companion documents can be found at:
www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally

The impact of fraud

The impact of fraud should never be underestimated. Fraud leaves the council with less to spend on services for residents and costs taxpayer's money. Fraud against a local council is not a victimless crime.

There's not only the lost/stolen money to consider but also the:

- loss of working time, with officers putting things right and liaising with police and lawyers
- cost of the investigation and any subsequent court costs
- increased insurance premiums.

There are also non-financial implications that are often forgotten. These will also, indirectly, have a financial impact, which is often difficult to qualify, such as:

- reduced or poor service for residents
- political impacts, eg government interventions, by-elections
- reputational damage for individuals or the council as a whole
- poor staff morale leading to poor performance and/or more fraud.

What is fraud?

'Fraud is any intentional act or omission designed to deceive others, resulting in the victim suffering a loss and/or the perpetrator achieving a gain.'

'Managing the business risk of fraud' published by the Institute of Internal Auditors, et al

There are a number of definitions of fraud that are commonly used, however the majority of crimes committed that are considered to be fraud will be prosecuted under the Fraud Act 2006. Many activities that are carried out by councils are covered by specific legislation, for example, offences such as making false statements in order to obtain a council house or unlawful sub-letting of a council tenancy.

Fraud Act 2006

This legislation was introduced to make the law of fraud simpler and more readily understandable providing a clear understanding of the ways in which fraud can be committed. The Act gives us the provision for the general offence of fraud which is made up of three key sections:

- S2. Fraud by false representation
- S3. Fraud by failing to disclose information
- S4. Fraud by abuse of position.

Challenges

Think about the services that your council provides and identify some fraudulent activity that might occur within each of the categories.

Answers:

S2. Fraud by false representation

S3. Fraud by failing to disclose information

S4. Fraud by abuse of position

If you would like to know more about the Fraud Act 2006 the key provisions of the Act can be found here www.legislation.gov.uk/ukpga/2006/35/contents

There are many other 'activities' that may fall under the overarching definition of fraud and are indeed types of fraud, the most common of these include:

- corruption
- bribery
- theft
- money laundering.

To give a clearer understanding of these terms, they can be defined as:

- **Corruption**: The misuse of a person's position to commit offences, which can include theft, extortion and a number of other crimes, including the soliciting of bribes. The defining characteristic of corruption is that it involves collusion between two or more individuals and is often associated with those holding public office.

- **Bribery**: The offering, giving, receiving, or soliciting of any item of value, or an advantage to another person, to induce that person to improperly perform a relevant function or activity, or to reward them for improper performance.

- **Theft**: Dishonestly appropriating property belonging to another with the intention of permanently depriving that person of it.

- **Money laundering**: The process by which criminals attempt to disguise the original ownership and control of the proceeds of criminal activity by making such proceeds appear to have derived from a legitimate source.

> **Useful links**
> You can find out more about bribery and corruption by completing the CIPFA's Bribery and Corruption e-learning module, in partnership with the LGA. To access the site for the first time, please email: elearning@local.gov.uk
>
> http://lms.learningnexus.co.uk/LGA

Areas of fraud risk for councils

The estimated annual loss to fraud in councils is £2.1 billion. According to the CIPFA Fraud and Corruption Tracker 2016, the areas posing the highest fraud risk were:

1. **Council tax fraud**
   Fraud can occur when an individual intentionally gives incorrect or misleading information in order to pay less or no council tax. Examples include someone stating that they live alone when another adult also lives there or someone claiming to be a student when they aren't.

2. **Social housing/tenancy fraud**
   The unlawful misuse of social housing. This can be broken down into two main areas; social housing fraud and Right to Buy fraud. The former includes offences such as unlawful subletting, false applications, non-residency and unauthorised tenancy succession and the latter includes fraudulent applications under the right to buy/acquire schemes.

3. **Procurement fraud**
   This occurs in connection within the local authority supply chain. It can happen at any point throughout the procurement cycle but is particularly prevalent in the contract letting phase. It can also include tendering issues, split contracts and double invoicing.

4. **Adult social care and direct payments**
   Includes overstatement of needs through false declarations, multiple claims across authorities, collusion with care agencies and posthumous continuation of claims.

Other high risk fraud areas for councils

Housing benefit fraud
Councils are no longer responsible for the investigation of this fraud but as administrators of this benefit there is a responsibility to actively prevent attempts of fraud and to notify the Department of Work and Pensions (DWP) of any suspected fraudulent activity including false applications and failing to declare changes in circumstances.

Business rates (NNDR) fraud
Offences include providing false details to obtain exemptions and reliefs and unlisted properties.

Blue Badge misuse
There are 2.39 million Blue Badges in issue in the UK and it is estimated that 20 per cent of these are subject to fraudulent misuse such as use of the badge when the holder is not present and the alteration of a badge.

Recruitment fraud
Includes false CVs, job histories, qualifications, references or referees.

Insurance fraud
False claims made against a council or their insurers such as 'trips and slips'.

Grant fraud
There are many different types of local authority grants paid out to individuals, businesses and charities. Fraud types include work not carried out, funds diverted, ineligibility not declared.

Cyber fraud
Such as phishing, allows a range of fraud types resulting in diversion of funds and the creation of false applications for services and payments.

Pension fraud
Occurs when the pension provider is not notified of changes in circumstances and payments continue to be cashed fraudulently. Examples include failure to notify the pension provider about the death of the recipient and failure to declare returning to work after retirement.

No recourse to public funds
Fraudulent claim of eligibility, usually by the provision of false papers or by overstaying.

Case study
Dudley Metropolitan Borough Council's Code of Practice

Dudley Metropolitan Borough Council has codes of conduct for employees and councillors which set out the high standards expected of them. These are also intended to relay certain messages to all suppliers as there is a growing expectation that all service providers in local government should adhere to the same principles of being open and transparent when dealing with colleagues, residents and partners.

In developing its 'Suppliers' Code of Practice' Dudley aimed to reinforce good working practices and to stamp out fraud, bribery, corruption and unacceptable business practices.

Staff who buy in goods and services on behalf of the authority and all suppliers are required to work to the guidelines in this code of practice.

All active suppliers have received an email announcing the launch of the code and shown where the code is available on the council's website. The code includes useful contacts if people want to report problems to the council and reinforces the availability of a fraud hotline operated by Audit Services.

Audit Services also intends to approach key suppliers to obtain feedback and ask for written assurance that they comply with the code.

Dudley's leaflet 'Beating fraud is everyone's business', which sets out guidelines for employees, managers and councillors, is available on the CIPFA website.

www.cipfa.org/services/counter-fraud-centre

Reproduced from Fighting Fraud and Corruption Locally 2016-19

Section 2 Council and councillor responsibilities in relation to fraud prevention and detection

Well governed organisations have a range of policies, procedures and frameworks to support effective risk management, transparency, accountability, financial control and effective decision making, many of which relate directly or indirectly to fraud prevention. Applying these is not only the responsibility of the audit committee or cabinet.

As an elected member, you have an essential role to play in protecting the public purse, in particular within your council. You are responsible for ensuring that your authority adequately manages its risks and that local residents receive value for money. -You have a duty of trust to residents called the 'fiduciary duty' and a major part of this is ensuring that your council adequately controls its finances to reduce losses to fraud and corruption.

In addition to your fiduciary duty, as a councillor you are a public servant and are expected to uphold certain standards of conduct and behaviour in your public life. The Committee on Standards in Public Life calls these standards the 'Seven Principles of Public Life' (also known as the Nolan Principles).

Useful links
If you would like to read more the full report on the Seven Principles of Public Life can be found here:
www.gov.uk/government/uploads/system/uploads/attachment_data/file/543819/CSPL_Annual_Report_2015-2015.pdf

The seven principles of public life

The Seven Principles of Public Life apply to anyone who works as a public office-holder. This includes all those who are elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, local government, the police, courts and probation services, non-departmental public bodies (NDPBs), and in the health, education, social and care services. All public office-holders are both servants of the public and stewards of public resources. The principles also have application to all those in other sectors delivering public services.

1. Selflessness

Holders of public office should act solely in terms of the public interest.

2. Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

3. Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

4. Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

5. Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

6. Honesty

Holders of public office should be truthful.

7. Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

As a councillor you are expected to adhere to a code of conduct. A similar code of conduct will also apply to officers of your council. However, the biggest threat is from external sources, whether that is residents who may lie or exaggerate their circumstances to defraud or steal from the council or large scale, organised fraudsters, attacking public sector organisations as they perceive them to be a 'soft target'.

As a councillor your role in protecting the public purse may take a number of guises depending on your role and the responsibilities of your council but they may include:

1. reporting suspicious activity in your locality to your audit or fraud team eg subletting or council tax evasion

2. scrutinising risk registers and challenging if the fraud risks appear to not be well managed

3. oversight and scrutiny of budgets, especially in high risk areas

4. ensuring you declare any interests if you sit on committees such as planning

5. monitoring performance of your audit or fraud team with regard to detection and prevention of fraud

6. supporting the principles of good governance, and supporting an anti-fraud culture across the council, including whistleblowing

7. supporting the publicising of successful prosecutions by your council to act as a deterrent and perhaps providing quotes to the press if appropriate.

Something to think about…

'Most public officials have probably never been offered a bribe and would feel pretty confident that they could spot the offer. If they don't necessarily think of themselves as totally incorruptible, they often think they can avoid getting entangled in situations where their conduct may be called into question. However, thinking you don't need help or guidance in knowing what is legal or illegal, or even what is right or wrong, in every circumstance is a risk – a risk that could and should be avoided by getting the most of what help and guidance is available.'

Prof Alan Doig

Visiting Professor, Newcastle Business School, Northumbria University
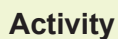
1. A resident comes to speak with you at your surgery and tells you that their neighbour is subletting their council property.

2. There has been a lot of publicity on TV about cyber fraud. You ask a question of your council's chief information officer (or equivalent) about what the council is doing to protect itself. The answer is "it's not a problem for us, so we don't really need to worry too much about it". You are not really comfortable that your chief information officer is taking the risk seriously.

3. You hear a rumour that a member of the planning committee has failed to declare that he has shares in a supermarket that want to develop in your area.

4. Your council is criticised by the external auditors for not doing enough to promote an anti-fraud and corruption culture. You are given the responsibility of leading the campaign. What might you do?

Section 3 The fraud response

Councillors are not responsible for investigating fraud. If you become aware of fraud, or suspect it, you should immediately report it to the responsible officer in accordance with your authority's local procedures and policies. Do not be tempted to begin an investigation yourself, even if this appears to be helpful.

However, you should be aware of the arrangements your council has in place for responding to fraud and this is particularly important if you are given special responsibilities in this area, such as being a member of the audit and/or governance committee.

Activity
What are your council's procedures for councillors to report fraud or suspicions of fraud? If you do not know, check with your member support officer or your authority's monitoring officer.

A robust and strategic approach is required to effectively tackle fraud perpetrated against local government organisations.

In order to tackle fraud risk, councils should have in place a strategic response based upon three basic principles as detailed below:

Acknowledge	Prevent and Detect	Pursue
Acknowledging and understanding fraud risks	Preventing and detecting more fraud	Being stronger in punishing fraud/ recovering losses
↓	↓	↓
• Assessing and understanding fraud risks • Committing support and resource to tackling fraud • Maintaining a robust anti-fraud response	• Making better use of information and technology • Enhancing fraud controls and processes • Developing a more effective anti-fraud culture	• Prioritising fraud recovery and the use of civil sanctions • Developing capability and capacity to punish fraudsters • Collaborating with law enforcement

Fighting Fraud and Corruption Locally 2016-19

Acknowledge

This is key and will underpin any anti-fraud strategy. If an organisation does not accept that they are at risk from fraud, then they will never be able to develop an effective anti-fraud response and ironically will leave themselves open to a higher likelihood of attack from fraudsters.

As a starting point a council should:

- make a proper and thorough assessment of its fraud and corruption risks that are specifically considered as part of the overall risk management process

- develop and implement an action plan in place to deal with the identified risks

- report regularly to its senior board eg audit committee, and its members

Prevent and detect

The old adage that 'prevention is better than cure' is never more appropriate than in dealing with fraud. The reason for many processes that appear annoying and bureaucratic is to introduce steps that make it harder for people to carry out fraud.

Active prevention and fraud risk management is the most cost-effective way to fight fraud, make savings and reduce risk.

Effective prevention should include:

- A robust programme of anti-fraud and corruption awareness training for councillors, senior managers and all staff.

- Standards of conduct and policies, that are well communicated, including:

  ◦ officer and councillor codes of conduct

  ◦ risk management policy

  ◦ financial regulations and procurement policy

  ◦ anti-fraud, corruption, money laundering and bribery policies

  ◦ whistleblowing policy

  ◦ register of interests

  ◦ gifts and hospitality policy.

Use of technology and data sharing to enable thorough due diligence with regards to recruitment, applications for services, the Right to Buy scheme and procurement processes.

A well-publicised anti-fraud and corruption strategy and policy, and the publicising of successful investigations into cases of fraud and corruption, to build and develop a strong anti-fraud culture. Such a culture, when promoted from 'the top down', will encourage staff and service users to actively participate in fraud prevention through awareness and encouraging them to report any suspicions.

Effective and well operated controls within systems that are regularly audited to provide assurance that they are working.

Good networking by officers and sharing intelligence between authorities so that new types of fraud are picked up early.

Unfortunately, no matter how good prevention measures and controls are, there will still be occasions when your council suffers fraud losses. In these circumstances it is vital that there is the ability to call upon competent, professionally accredited counter fraud specialists trained to a professional standard to investigate the suspected fraud.

Councils need to ensure that evidence is lawfully gathered and professionally presented, irrespective of whether the anticipated outcome is a disciplinary hearing, civil action or criminal proceeding.

Pursue

Successful investigations will result in the identification of the fraudster and usually a financial figure representing the loss to the council. The authority will then have a number of options open to them regarding any course of action they may wish to take. This is a crucial part of the enforcement response and is needed to punish the fraudsters and act as a deterrent to others. Options available to councils include prosecution, cautions, fines and disciplinary action.

The recovery of any financial loss is also one of the most effective ways to deter offenders. It demonstrates that that if caught, they will have to repay their 'ill-gotten gains'. It is important, therefore that there is a culture of rigorous pursuit of losses and that this is publicised.

Investigative approaches

Councils need to regularly review their approach to fraud investigation and adapt when necessary.

Some councils have dedicated corporate anti-fraud teams to deal with all types of fraud and corruption. Others rely on audit staff to conduct investigations and some bring in outside experts when the need arises. Some councils have merged their internal audit and fraud teams to reduce costs. None of these is necessarily better or worse; it depends upon the circumstances of the authority. However, fraud investigation is a specialist job so it is important that councils have access to such trained and experienced staff.

Case study
Recovery of fraud losses

A council employee was illegally paid to provide confidential contract information.

The employees' responsibilities included awarding council contracts for ICT equipment. The employee introduced two new suppliers to the tender list, subsequently advising them of tender submissions by competing companies.

This enabled the two companies concerned to underbid competitive rivals to secure the contracts.

The fraud was identified as a result of information from an anonymous informant.

The employee was dismissed and subsequently found guilty under the Fraud Act and sentenced to two years' imprisonment.

The council successfully obtained a confiscation order under the Proceeds of Crime Act for £75,000 which was the amount the employee had illegally been paid.

Source: Audit Commission (2014)

Activity
What kind of anti-fraud and corruption approach does your council have? Ask your monitoring officer or head of audit/risk management. Do you think it is the right approach?

Irrespective of how any council decides to tackle its fraud and corruption risk, there are always two types of investigation that councils may be involved in; proactive and reactive.

Proactive investigations

These are intelligence led, making use of information from profiling or data-matching exercises.

A common example of this type of investigation would be where the authority was looking to identify people defrauding the council tax single person discount (SPD) scheme.

A household with only one adult is entitled to a 25 per cent discount on their council tax. Checking council tax records against the electoral role can identify cases where a person claims to be living alone is actually living with another adult. This type of data matching is legal and very effective in finding errors or frauds.

National Fraud Initiative (NFI)

The National Fraud Initiative (NFI), coordinated by the Cabinet Office matches electronic data within and between public and private sector bodies to help prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies.

Participation in the NFI is mandatory for councils who are required to submit data to the National Fraud Initiative on a regular basis.

Reactive investigations
These involve the search for and the gathering of evidence following an allegation or fraud referral, or the discovery of a set of circumstances which amount to an offence. In these cases, the offence is usually already being committed.

An example would be where a member of the public contacts a council to inform them that one of their council tenants is unlawfully sub-letting their council property.

Case study
London Borough of Harrow and Luton Borough Council (NFI 2012/13 exercise)

A payroll-to-payroll match identified an employee who was working full-time in a middle management position, in addition to a part-time night care worker role dealing with vulnerable adults. During the investigation it was established that some weeks she worked in excess of 70 hours, potentially placing vulnerable adults at risk.

There was a suspicion that she had been able to work both shifts on a weekly basis by sleeping whilst at work and the information shared between councils showed that she regularly breached the Working Time Regulations.

After investigation, she was found guilty and dismissed for gross misconduct by one authority and subsequently disciplined by the other for breaching the Working Time Regulations, but later resigned from the role.

This case study comes the official Cabinet Office NFI pages and is one of many cases studies to be found there. They make interesting reading. You may very well find one from your council there. Take a look.

www.gov.uk/government/publications/national-fraud-initiative-case-studies/nfi-public-sector-case-studies

In these cases a professionally qualified investigator, will carry out an investigation that could have some or all of the following components:

- evidence gathering
- interviewing witnesses and taking statements
- interviewing the alleged perpetrator
- preparing the case for court
- giving evidence at court.

The challenges faced by councils in dealing with fraud and corruption

There are a number of challenges facing councils and their ability to effectively tackle fraud and corruption and to manage the risk it poses.

Public sector budget reductions
The impact of budget reductions has a three-fold effect:

- less resources to maintain administrative procedures that prevent fraud
- potentially reduced resources for investigating fraud
- the risk of greater fraud activity by professional criminals or opportunists who identify local authorities as more vulnerable.

These challenges have led to innovative thinking on ways of approaching the fraud and corruption risks such as joint working with other authorities or other public bodies and data sharing (such as the London Counter Fraud Hub). The best and most forward thinking councils use budget constraints as the impetus to drive forward the robust recovery of losses and other criminal assets which can and do lead to significant financial rewards.

Some councils who employ successful financial investigators generate income by charging other organisations such as housing associations for investigative services.

Case study
Example of joint working

The Metropolitan Police's Serious and Organised Crime Command has successfully collaborated with financial investigators from several London borough councils There are currently nine Metropolitan Police Criminal Finance Teams set up as hubs – four in the north, four in the south and one central team – that are instrumental in training and mentoring several council investigators working together to tackle serious and organised acquisitive crime. The focus of this relationship is to recover assets and ensure that criminals do not benefit from criminal activities.

How innovative has your council been?
Is there scope for more?

Maintaining an anti-fraud culture

Councils need to develop and embed a culture with clear values and standards in which beating fraud and corruption is part of the daily business. The 'tone from the top' is crucial in this respect and councilors and senior leaders should be seen to 'walk the walk' in terms of their ethics, values and behaviours. The CIPFA Counter Fraud Centre has developed its 'top 10 tips' (see activity below) to support organisations in developing and maintaining an effective anti-fraud culture.

Activity

Review the Top 10 Tips, on the following page, and consider (find out if you don't already know) how good or bad your council is at each of these. Give a score from 1 – 5.

1. Set the tone at the top

Creating an anti-fraud culture is part of good governance and, led by a council's councillors and corporate directors, should start with a clear commitment to tackling fraud, corruption and other similarly delinquent behaviours. Ideally, zero tolerance to fraudsters (as opposed to fraud per se) should form the centre-piece of your organisation's anti-fraud strategy reinforcing expected standards in public service as set out in the 'Seven Nolan Principles of Public Life'. Having professionally qualified counter fraud staff in place can help to achieve this, as they have the credibility, standing and expertise to raise the profile of the anti-fraud agenda internally. **Score: 1…2…3…4…5**

2. Know and prioritise your fraud risks

Knowing what the fraud and corruption risks are in an authority determines the type of framework you need to put in place and how your staff work within it. For example, if your risks include procurement fraud, those responsible for procuring contracts and services need to recognise fraud, bribery and corruption indicators when they see them. Professionally qualified counter fraud staff can assist with this process as they can assess risk and train operational staff in appropriate action. **Score: 1…2…3…4…5**

3. Scan the horizon

Fraud is constantly changing and fraudulent schemes often target frontline staff who are an organisation's first line of defence. What might seem a low fraud risk today might turn into a high one in the future. It is therefore vital that your organisation is up-to-date on the latest threats and risks and how to tackle them. Professionally qualified counter fraud staff can ensure that staff know who to come to if they suspect something amiss. As part of their continued professional development, counter fraud staff will also be 'plugged into' various anti-fraud networks which are vital sources of new information and threat alerts. **Score: 1…2…3…4…5**

4. Build fraud awareness

Creating an anti-fraud culture and beating fraud should be everyone's business within a council, from the dedicated counter fraud specialists through to the procurement team, HR, facilities staff and beyond. A qualified counter fraud practitioner will be fully trained in how to help mobilise the entire organisation in the fight against fraud. Whether using e-learning, staff briefings, training, posters or internal alerts – or a combination of all these – they will be best placed to define and execute awareness programmes. **Score: 1…2…3…4…5**

5. Ensure policies and procedures are in order

Professionally qualified counter fraud staff should be adept at finding the fraud gaps in existing organisational policies and procedures and determining what is required to plug those gaps in a cost-effective manner. For example, a general anti-fraud policy should include: guidelines on what to do when suspicions of fraud arise; a fraud response plan; processes for creating and implementing gifts and hospitality registers, declarations of interest registers and so on. An accessible and well-articulated whistleblowing policy should also be part of any effective anti-fraud culture. **Score: 1…2…3…4…5**

6. Create a dedicated anti-fraud team

Build capacity by creating a counter fraud team comprising of professionally qualified who are operationally independent from other teams. This will ensure their objectivity and impartiality. The team should be provided with the necessary resources required for their function, which would include an element of contingency or 'flex' to cater for unforeseen surges in work, such as large and complex investigations. With the necessary safeguards in place, the team should also have access to the information, data systems and senior personnel they need to effectively perform its function. **Score: 1…2…3…4…5**

7. Take action

Recovering money lost to fraud so it can be spent on key services is obviously vital. Professionally qualified counter fraud staff will be fully trained in conducting effective investigations and pursuing cases through the legal system, including the preparation of cases for prosecution. They will have the ability to give evidence in a court of law and take steps to recover lost funds. **Score: 1…2…3…4…5**

8. Measure success

Today's counter fraud specialists not only understand how to detect, prevent and recover fraud losses; they are also trained to measure and report on the effectiveness of the preventive measures they put in place. This forms a key part of an organisation's anti-fraud culture as it highlights to senior management the successes of counter fraud work. **Score: 1…2…3…4…5**

9. Publicise your success

Sharing the outcome of a successful investigation or how an anti-fraud measure has worked is a positive way to advertise the message that fraud doesn't pay. Professionally qualified counter fraud practitioners understand this and will want to publicise their successes both internally and externally, which should be encouraged. As well as being a deterrent, this can also lead to an increase in fraud referrals which is a good indicator that your anti-fraud culture is working. **Score: 1…2…3…4…5**

10. Never take your eye off the ball

Fraud is an ever-evolving threat and as the risk doesn't stand still, nor should your organisation's strategy to combat it. Professionally qualified counter fraud staff are trained to implement and manage prevention programmes to monitor the measurement and control strategies in place and make any necessary adjustments. They will also be able to recognise new threats and risks and the need for refresher training whenever this may arise. **Score: 1…2…3…4…5**

Total Score: ……. Do you think this is good enough?

Abiding by the rules

In dealing with fraud, councils need to abide by the rules in order to ensure that frauds they detect and investigate can be pursued to the most appropriate conclusion. The rules protect the rights of individuals to privacy and the right to a fair trial. Although there are frequent stories in the press about councils 'snooping' on people, the rules are in fact very strict.

For example:

Regulation of Investigatory Powers Act (RIPA) 2000
This was brought in to regulate the powers of public bodies who carry out surveillance and investigation and also to cover the interception of communications. Councils have access to some of these powers for the purpose of prevention and detection of a crime.

Requesting information
Council investigators have certain 'authorised officers' powers to request information about individuals For any other investigations, they are restricted to powers under Section 29 (3) of the Data Protection Act (DPA) 1998 which allow organisations to give such information to council investigators, assuming it is for the prevention and/or detection of a crime, but it does not compel them to do so. Consequently, some organisations choose not to give the requested information to a council.

The data matching approach described earlier is also regulated under the Data Protection Act.

More sophisticated frauds

The landscape of fraud and corruption is ever-changing, especially with the use of technology and the internet. Fraudsters never rest on their laurels and are always looking for new ways to defraud. This means council are constantly exposed to different threats and managing this risk can be extremely difficult so it's extremely important that the investigators keep abreast of emerging risks and trends and share this across the council, but in particular with key teams such as payments.

The advent of 'cyber crime', whether or not it involves fraud, is probably one of the biggest challenges facing public bodies today.

Publicising success

While it may be embarrassing for any organisation, especially a local council, to admit that it has been the victim of fraud, experts would say that publicising successful investigations, where possible, is much the best policy. When a case ends up in court it will in any case become public. Proactive publicity shows residents and taxpayers that you are taking active steps to protect their interests and it may deter future fraudsters. Press and media teams can help to make sure the message is seen in a positive light.

Section 4 Fraud risk management

Note: You should complete this section if you have special responsibility for audit, risk or governance. If not, you can move on to section 6.

Risk management is essential for good governance within any organisation and effective fraud risk management is a vital part of that.

If you have a special responsibility as a councillor for audit, risk or governance, you will need to ensure that your council has appropriate arrangements in place to manage the risk of fraud.

All councils have faced and are still dealing with increased pressure on their budgets meaning that the requirement to identify fraud and reduce risk is perhaps higher now than it's ever been.

The CIPFA code of practice on the management of fraud risk sets out the expected standard for public bodies in the management of fraud risk.

Implementing an effective fraud risk management framework, such as the CIPFA code of practice, will enable authorities to employ controls that help to prevent fraud from occurring in the first place, identify and detect fraud as soon as it occurs and enable a practical and efficient response to those fraud incidents. Fraud risks need to continually reviewed and managed, in the same way that other risks are managed within a council. The identification, assessment, mitigation and monitoring of risk (including fraud risks) is called the risk management lifecycle. The process works as such:

- KRI's
- loss data
- Issue management
- Risk appetite

- external events
- new products
- acquisitions
- changes to business processes

- avoid
- transfer
- mitigate by controls
- accept residual risk

- Likelyhood
- Impact
- Inherent
- Residual

Identify

Assess

Mitigate

Monitor and report
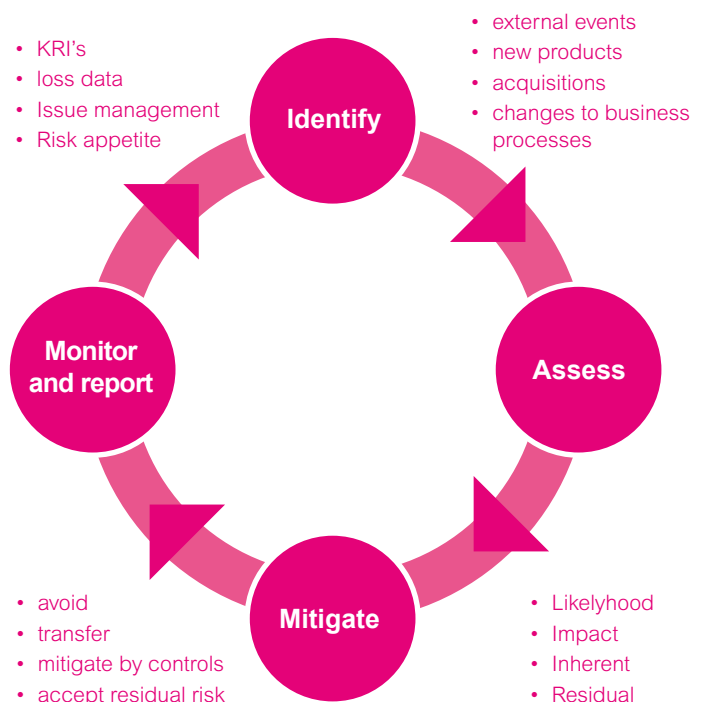
To help ensure that the fraud risk management is effective, it's important that the roles and responsibilities of all employees, members and those who act on behalf of the council are understood by all. The list below is not exhaustive but the main roles can be summarised as follows:

Councillors
✓ Have and maintain an understanding of fraud risks

✓ Understand the key principles of risk management

✓ Consider fraud risk in relation to the decision making process

Directors
✓ Support the council's fraud risk management strategy

✓ Set the appropriate tone with regards to the council's anti-fraud and corruption approach

✓ Ensure that there is a coordinated and consistent approach to the identification and management of fraud risk

Senior managers/service heads
• Ensure that fraud risks are appropriately managed and implement effective review and monitoring arrangements

• Manage risk in their service areas in accordance with the fraud risk management strategy

Internal audit/corporate fraud team
✓ Consider the council's fraud risk assessment when developing the annual audit plan

✓ Audit the internal fraud control processes across the authority

✓ Coordinate and/or conduct fraud and corruption investigations

✓ Assess the effectiveness of fraud prevention and detection processes

✓ Provide assurance to councillors and senior management of the effectiveness of fraud risk management and controls

All staff
✓ Have a basic understanding of fraud risks and be aware of indicators

✓ Manage fraud risk in the course of their daily duties

✓ Read, understand and have access to fraud related policies and procedures

✓ Contribute towards the development of fraud control processes

✓ Report suspicions of fraud and corruption

✓ Cooperate with investigations

The development and implementation of a robust fraud risk management program will reduce the opportunities for fraudsters to exploit. This, coupled with encouraging employees to actively participate in the fight against fraud will contribute significantly to the creation of a strong anti-fraud culture; helping to change the attitude towards fraud so that it is not tolerated and therefore reducing the risk of fraud happening in the first place.

Fraud risk assessment

The basis of an effective fraud risk management program begins with a Fraud Risk Assessment (FRA).

Councils are likely to face a wide variety of fraud and corruption risks and so a FRA will help the council to understand and identify the risks that are specific to the organisation as a whole as well as those that relate to individual service areas. It will also highlight gaps or weaknesses in fraud controls allowing the council to implement a plan to ensure the best use of resources in order to tackle those risks.

When conducting a FRA the questions that should be considered are:

• How could a fraudster exploit weaknesses in the current system controls?

• How might those controls be over-ridden or by-passed?

• How could the fraudster conceal their activities?

Bearing the above in mind, an effective FRA should generally consist of three main elements:

- **Identification of the fraud risk**
  This will involve the gathering of information to highlight the fraud risks that could affect the council.

- **Assess the likelihood and impact of the fraud risk**
  This assessment is based on historical information, and discussions/interviews with heads of services and other relevant staff.

- **Develop a response to those that present the highest risk**
  Decide how best to respond to the fraud risks.

Section 5 Assurance that fraud arrangements are effective

Note: You should complete this section if you have special responsibility for audit, risk or governance. If not, you can move on to section 6.

If you have special responsibility for audit, risk or governance you will wish to assure yourself that your council's fraud arrangements are effective.

Assurance is:

'Data or information provided to management/boards/committees to give comfort that risks are being properly managed and controls are adequate and working effectively'

Institute of Internal Auditors

Best practice dictates that governance, risk management and strong financial controls (called the system of internal control) are part of the daily and regular business of an organisation. The system of internal control is a key component in the prevention and detection of fraud and corruption.

What is internal control?

Any action taken by management, the board and other parties to manage risk. In other words, an action taken to ensure that risks do not materialise or get worse. Some examples might be:

- Expenses claims must be authorised by management before payment. This processes of checking the claim for accuracy prevents fraud or error and so controls the risk of overpayment.

- The housing department carry out regular tenancy audits of their properties. This process of checking acts a deterrent to subletting and a detection if it does happen and so controls the risk of subletting.

- The health and safety team carry out regular inspections of public buildings. These inspections highlight any existing problems for repair or any potential problems for signposting. In this way, the risk of slips, trips and other accidents are controlled.

Councils must have a means of obtaining independent assurance that the system of internal control is adequate and working effectively. In local authorities there is usually an audit committee (sometimes called audit and risk committee) to carry out this role.

Usually there is also an overview and scrutiny committee to oversee the decision-making process, ensure that it is clear and that the people taking decisions are held accountable for those decisions.

The existence of an audit committee or scrutiny committee does not remove responsibility from individual members and senior managers, but provides the resource to focus on these issues. There is no 'one–size-fits-all' approach that must be applied to assurance and scrutiny in local government but council leaders and executives must ensure that the model they adopt is independent from the executive and other political influences.

Fraud prevention is heavily reliant on the system of internal control being adequate and working effectively.

Most councils rely on their internal and external auditors to provide these assurances but audit resources are limited and expensive and can never be relied upon to provide assurance across every activity that the local authority is responsible for.

Governing body / Audit comittee				
Senior management			External Audit	Regulator
First line of defence	Second line of defence	Third line of defence		
Management controls / Internal control measures	Financial controller / Security / Risk management / Quality / Inspection / Compliance	Internal Audit		
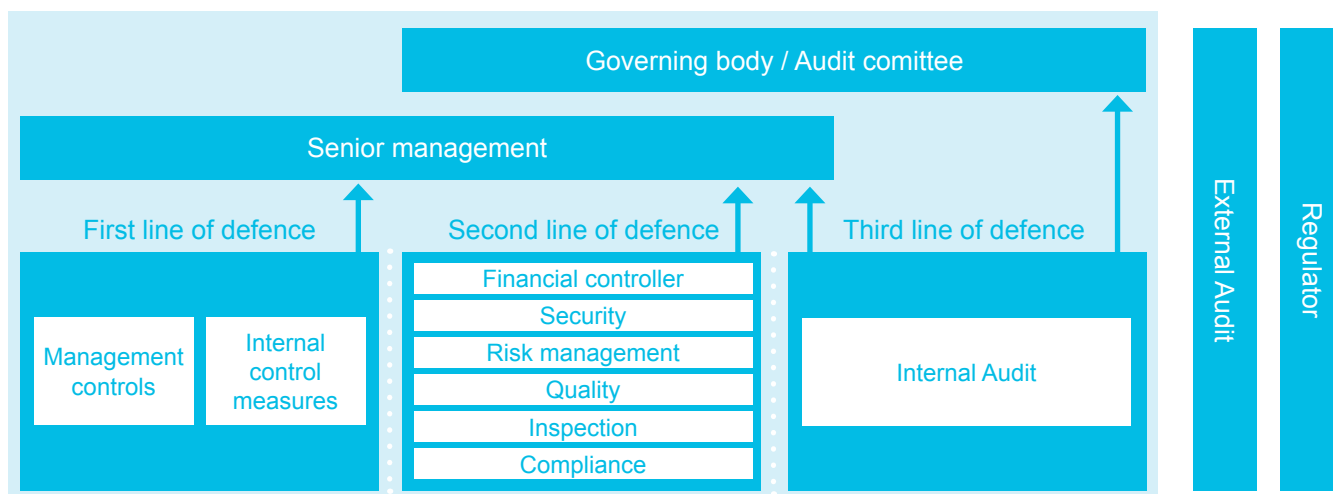
Therefore all councillors and council officers have a role to play in seeking assurance that the controls are working. After the banking crisis a model was devised to try to capture and utilise the various levels of assurance that exist within organisations. This is called the three lines of defence

The majority of members will have little interaction with auditors other than when reading their report at the year-end but as the model shows, in reality the majority of assurance should come from within the organisation itself.

As a councillor you will receive and review a range of information and reports from within your authority or from external sources such as regulators or inspectors. These will often be related to your areas of expertise or committees that you sit on. It will be your responsibility to inspect and challenge the information you receive to assure yourself that it is accurate, credible and evidence based and that it tells you what you need to know.

When considering the fraud risks that your authority might be facing you need to consider whether the controls that you know exist are doing the job they are meant to be doing. If you have concerns that they are not then you need to raise that through the appropriate channels eg with the head of fraud, head of internal audit or through the chair of the audit committee.

Role of audit committees in anti-fraud and corruption activity

The purpose of an audit committee is to provide to those charged with governance independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance processes. If you sit on an audit committee you may wish to read more on the role of audit committees in relation to fraud prevention.

Useful links
If you sit on an audit committee the following publication is recommended.

CIPFA audit committees: Practical guidance for local authorities and police www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-2013-edition-book

In relation to anti-fraud and corruption activities the audit committee will receive regular reports from officers and auditors on the following:

- fraud cases that have occurred within the authority and financial losses

- whistleblowing

- current and emerging fraud risks and how they are being managed

- KPIs relating to fraud prevention and detection performance

- sanctions (including prosecutions and disciplinaries) and recovery actions

- benchmarking data

- resources spent on these activities within the authority.

Activity
Find and obtain the latest fraud update provided to your audit committee and consider the following?

1. Is the reported fraud in line with what you would have expected for your council?

2. Are there any areas where you would have expected fraud that have not been reported on? If so why do you think that might be?

3. In your view is the reporting adequate? If not why not?

4. Has whistleblowing been reported on? Do you have a clear understanding of the whistleblowing arrangements in your authority? If you are unclear you should obtain a copy of your council's policy.

What good looks like – the Fighting Fraud and Corruption Locally Strategy

Turning strategy into action

The themes – Six Cs

Councils should consider their performance against each of the six themes that emerged from the research conducted.

Culture – creating a culture in which beating fraud and corruption is part of daily business.

Capability – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks.

Capacity – deploying the right level of resources to deal with the level of fraud risk.

Competence – having the right skills and standards.

Communication – raising awareness, deterring fraudsters, sharing information, celebrating successes.

Collaboration – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

In addition to the above, the CIPFA code of practice on managing the risk of fraud (see section 4) is there to support organisations putting in place counter fraud arrangements for the first time but will also be of benefit to those seeking to assess whether existing arrangements are adequate. Councillors may wish to ascertain whether the arrangements in their own council compare favourably with the recommended best practice approach.

Useful links
Managing the risk of fraud and corruption

www.cipfa.org/policy-and-guidance/
publications/c/code-of-practice-on-
managing-the-risk-of-fraud-and-corruption-
guidance-notes-hard-copy

In addition to the Code of Practice the Fighting Fraud and Corruption section of the CIPFA website provides a range of free resources to support councils in their fight against fraud, such as leaflets and posters and a good practice bank: www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally

Section 6 What you have learned and further reading

Now you have completed this workbook you have a good understanding of the fraud risks that affect councils and some of the methods that are used by authorities to prevent and detect fraud. You should now understand the scale of the problem and the impact that fraud can have on council finances. If you completed some of the activities, you will also have found out more about the arrangements that are in place in your own authority and assessed whether you think they are adequate.

If you completed sections 5 and 6 you will now hopefully feel better equipped to support your authority in the fight against fraud and also be clear on what assurances you should be receiving as committee members.

If you would like to explore this subject further there are a range of materials available for free to read on the CIPFA website: www.cipfa.org/services/counter-fraud-centre

Other websites that you may find interesting and useful:

www.actionfraud.police.uk – a really useful site where fraud can be reported and also information on fraud scams found.

www.met.police.uk/docs/little_book_scam.pdf – an excellent and really useful publication to help individuals from being scammed; helpful to keep in GP's surgeries.

www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/Pages/default.aspx – the City of London Police Economic Crime Directorate is recognised as the national policing lead for fraud and is dedicated to preventing and investigating fraud at all levels.

Suggested answers for page 14 activity

1. Make a detailed note of everything the resident can tell you about the situation, names, addresses, etc. Take the contact details for the resident and pass everything to the fraud manager (if you have one) or the head of audit if not.

2. You should escalate your question to the appropriate corporate director, noting your concerns with regards to the current risk levels.

3. You should notify the councils monitoring officer

4. You should agree a project plan with the fraud manager or head of audit, with yourself as a figure head or spokesperson. You may wish to include a publicity campaign including posters and leaflets. If so, talk to your council's communications team. As a councillor, you will be in a good position to conduct radio and TV interviews, newspaper quotes and articles. You may wish to concentrate on a particular area of fraud that is particularly prevalent in your area.

Local Government Association
Local Government House
Smith Square
London SW1P 3HZ

Telephone 020 7664 3000
Fax 020 7664 3030
Email info@local.gov.uk
www.local.gov.uk

For a copy in Braille, larger print or audio,
please contact us on 020 7664 3000.
We consider requests on an individual basis.

REF 11.42

East Herts Council
Anti-Fraud Plan 2020/2021

in partnership with

The Shared Anti-Fraud Service

Contents   Page No.

Introduction

This plan supports the Councils Anti-Fraud and Corruption Strategy by ensuring that the Council, working in partnership with the Hertfordshire Shared Anti-Fraud Service and others, has in place effective resources and controls to prevent and deter fraud as well as investigate those matters that do arise.

The Councils states that the key elements of the Strategy are;

Culture- the prevailing set of assumptions and values within the organisation- and the reporting of suspicions of fraud and corruption,

Actions to prevent and deter fraud and corruption,

Controls to detect and ensure investigation of fraud and corruption,

Alertness and vigilance reinforced by training.

This plan includes objectives and key performance indicators that support the Strategy and meet the best practice guidance/directives from central government department such as Ministry for Housing Communities and Local Government and other bodies such as National Audit Office and the Chartered Institute for Public Finance and Accountancy.

National Context.

In 2013 the National Fraud Authority stated that the scale of fraud against local government "is large, but difficult to quantify with precision". Since 2013 a number of reports have been published by various organisations including CIPFA, NAO and MHCLG stating that the threat of fraud against local government is both real, causes substantial loss and that fraud should be prevented where possible and pursued where it occurs.

The Annual Fraud Indicator (AFI) 2017 (published in partnership by Crowe Clark Whitehill, Portsmouth University and Experian) attempts to identify the cost of fraud to the UK economy. The AFI estimated fraud losses for local government exceeded £7bn in 2016/2017 excluding housing benefit fraud & council tax fraud.

In 2019 the National Crime Agency's *Public Private Threat Update- (Economic Crime)* for 2018 identified that reported nationally fraud loss had increased by 38% on the previous year and incidents of fraud crime had increased by 9%. The report highlights insider fraud, cyber enabled fraud and identity fraud as key areas of risk.

In CIPFA's *Counter Fraud and Corruption Tracker 2019 – Summary Report* reported fraud in local government had a downward trend in 2018/19 compared to previous years, in particular in relation to tenancy and social housing fraud. The report mentions that this trend may be indicative of action taken by local government to prevent this type of fraud. But that report goes on to suggest that the three biggest areas of fraud risk for local government remain procurement, council tax and adult care services.

The Council has always accepted and acknowledged that it is at risk of significant fraud and it is clear that the increasing upward trend of reported fraud nationally requires the Council to ensure that it has in place robust processes and strategies to reduce the opportunity for fraudsters to attack the Councils finances.

The CIPFA *Local Government Counter Fraud and Corruption Strategy (2016-2019)* provides a strategic response for local government to deal with the threat of fraud and provides three key principles **'Acknowledge/Prevent/Pursue'**. The strategy was supported by Department for Communities and Local Government, the Local Government Association and Fighting Fraud Locally Board. A new strategy will be announced in March 2020 and this expected to follow the same six themes or 6C's:

- Culture - creating a culture in which beating fraud and corruption is part of daily business,
- Capability - ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks,
- Capacity - deploying the right level of resources to deal with the level of fraud risk,
- Competence - having the right skills and standards,
- Communication - raising awareness, deterring fraudsters, sharing information, celebrating successes
- Collaboration - working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information

What is clear is that every pound lost from the public purse, due to fraud, is a pound lost from front line services. The Councils Anti-Fraud Plan 2020/2021 is based on the principles of 'Acknowledge/ Prevent/ Pursue' and the 6 C's to ensure the Council is adequately protected against the risk of fraud and that, where fraud does occur, there are plans to manage, mitigate and recover losses.

SAFS Resources 2020/21

Anti-Fraud Arrangements

East Herts Council is a founding Partner in the Hertfordshire Shared Anti-Fraud Service (SAFS) and this service has provided the majority of the anti-fraud arrangements for the Council since April 2015. In 2019 the SAFS Partnership won awards for *'Significant Contribution'* at the Fighting Fraud and Corruption Locally Awards and the *'Outstanding Partnership'* award at the Tackling Economic Crime Awards.

SAFS is a Partnership with each organisation paying an annual fee for Hertfordshire County Council to provide a contracted service across the whole Partnership. SAFS, as a service, has a number of key objectives developed by its Management Board (the Board) and every Partner has a seat on that Board. For East Herts Council the Interim Head of Strategic Finance and Property is the Board representative.

Although SAFS provides much of the Councils proactive, reactive and operational counter fraud work Council officers are responsible for ensuring the policies, procedures, training and appropriate resources are in place to protect the Council from fraud, corruption and bribery.

Budget

In January 2020 the SAFS Board accepted a report from the Head of SAFS to increase the fees for all Partners in line with a cost of living increase to meet increased staff costs. The Board also received assurance from financial modelling that the service would be sustainable, in its current form, for the next three years.

The Board agreed that the annual fee for all Partners would increase by 2% per annum to 2021 and would be reviewed further at that time.

Fees for East Herts Council in will increase from £81,600+ VAT (2019/20) to £83,232+ VAT (2020/21).

Staffing

The full complement of SAFS in 2020/2021 will be 17.6 FTE's; 1 Manager, 2 Assistant Managers, 10 Investigators, 3 Intelligence Officers. The Team is also supported by 1 FTE Data-Analyst and 0.6 FTE Accredited Financial Investigator, both posts are funded from SAFS Budgets.

East Herts Council will have exclusive access to 1 FTE Investigator, access to intelligence functions of the service, all data-matching services being offered through the SAFS Data-Hub and Herts *FraudHub* hosted by the Cabinet Officer and can call on SAFS management for liaison meetings, management meetings and three Audit Committees reports per annum. The Accredited Financial Investigator is also available to assist in money laundering or proceeds of crime investigations.

SAFS also has access to specialist IT forensics, covert surveillance and national counter fraud intelligence services provided via third parties and criminal litigation services to support the in-house legal team.

SAFS - Standards of Service.

SAFS will provide the Council with the following fraud prevention and investigation services as part of the contracted anti-fraud function.

1. Access to a managed fraud hotline and webpage for public reporting.
2. Process and document for SAFS Partner staff to report suspected fraud to SAFS.
3. Training in: Fraud Awareness (management/staff/members), Fraud Prevention, Identity Fraud and Prevention.
4. Assistance in the design/review of Council policies, processes and documents to deter/prevent fraud.
5. SAFS will design shared/common anti-fraud strategies and policies or templates which can be adopted by the Council.
6. SAFS will provide a proactive data-matching solution (NFI- Herts *FruadHub*) to assist in the early identification of fraud and fraud prevention
   - The FraudHub will be funded by the Council
   - The FraudHub will be secure and accessible only by nominated SAFS and Council Staff.
   - Data will be collected and loaded in a secure manner.
   - SAFS will design and maintain a data-sharing protocol for all SAFS Partners to review and agree annually. The protocol will clearly outline security provisions and include a Privacy Impact Assessment.
   - SAFS will work with nominated officers in the Council to access data-sets to load into the data-warehouse and determine the frequency of these.
   - SAFS will work with Council officers to determine the most appropriate data-matching for each of them and the frequency of such data-matching.
7. All SAFS Staff will be qualified, trained and/or accredited to undertake their duties lawfully.
8. All SAFS investigations will comply with legislation including DPA, GDPR, PACE, CPIA, HRA, RIPA* and all relevant policies of the Council.
9. Reactive fraud investigations.
   - All reported fraud will be actioned by SAFS within 5 days, on average.
   - Any high profile, high value, high risk cases or matters reported by senior managers will receive a response within 2 working days of receipt
   - All cases reported to SAFS will be reviewed within 5 days of receipt and decision made on immediate action including selection of cases for further review, no action, investigation or referral to 3rd parties including police, DWP, Action Fraud.
   - The Council will be informed of all reported fraud affecting its services.
   - SAFS will allocate an officer to each cases selected investigation.
   - SAFS officers will liaise with nominated officers at the Council to access data/systems/office accommodation required to undertake their investigations.
   - SAFS officers will provide updates on cases and a report with summary of facts and supporting evidence on conclusion of the investigation for the Council to review and make any decisions.
   - Where a decision indicates an offence SAFS will draft a report for the nominated officers of the Council to make a decision on any further sanctions/prosecutions.
10. Where sanctions, penalties or prosecutions are sought SAFS will work with the Council to determine the appropriate disposal based on the Code for Crown Prosecutors and the Council's published policies.
11. SAFS will provide Alerts to the Council, of suspected fraud trends or reports/guidance from government and public organisations that are relevant to fraud.
12. SAFS will provide reports to senior management on the progress with delivery of this Plan and any other relevant activity planned or otherwise.
13. SAFS will provide reports through the SAFS Board and to the Council's Audit Committee as agreed in the SAFS Partnership Contract.

Data Protection Act , General Data Protection Regulation, Police and Criminal Evidence Act, Criminal Procedures and Investigations Act, Human Rights Act, Regulation of Investigatory Powers Act, Investigatory Powers Act.

Page 113

EHC / SAFS Action Plan 2020/2021

CIPFA Principles	Goals & 6Cs	Activities	Responsible Officer
ACKNOWLEDGE	Fraud is acknowledged as a Risk for the Council **CULTURE**	The Council has in place Anti-Fraud and Corruption Strategy & Fraud Response Plan	Chief Executive / Monitoring Officer
		Inclusion of Fraud Risks and the Councils actions to manage/mitigate/reduce this in its Annual Governance Statement. Review the Councils Money Laundering/ Bribery/ Whistleblowing/ Cyber-Crime Policies	S. 151 Officer/ Monitoring Officer
		Performance, Audit and Governance Committee and Senior Managers ensure compliance with CIPFA best practice in the Councils counter fraud arrangements	S. 151 Officer
		The Council will make it clear through its policies and codes of conduct for staff and Members that fraud and corruption will not be tolerated.	Head of Legal/ Head of Human Resources
	The Council has a robust communication policy demonstrating its commitment to prevent fraud **COMMUNICATION**	The Councils Communication Team will publicise prosecutions, anti-fraud campaigns and provide internal communications to staff on fraud awareness	Senior Communications Officer
		Access to SAFS fraud reporting tools (web/phone/email) for staff, public and elected Members.	SAFS Manager / Senior Communications Officer
		The Council and SAFS will provide fraud awareness & specific anti-fraud training across all Council services and review the E-Learning training available for staff	SAFS Manager & Head of Human Resources
		SAFS will provide fraud alerts to appropriate officers/staff/services from Action Fraud/ NAFN/ Police .	SAFS Manager
PREVENT	Co-ordination of effort, sharing of best practice, data, fraud alerts and new threats. **COLLABORATION**	Develop the Councils use of the Herts *FraudHub* and report the benefits of this initiative to the Council.	SAFS Manager/ s.151 Officer
		SAFS will work with all Council services to make best use of 3rd party providers such as NAFN, PNLD, CIPFA, CIFAS, SAS and Hooyu	Monitoring Officer / SAFS Manager
		Deliver the NFI 2020/2021 Exercise	SAFS Manager/ s.151 Officer
		Continue to work with DWP to deliver CTRS/HB joint working	SAFS Manager/ Head of Shared R&B Service
		Work with other organisations, including private sector, to improve access to data	SAFS Manager
	Have the highest levels of professional standards **COMPETENCE**	All SAFS staff will be fully trained and accredited	SAFS Manager
		Review data sharing agreements/protocols to ensure compliance with DEA & GDPR/DEA	Monitoring Officer / SAFS Manager
		All investigations will comply with relevant legisaltion and Council Policies	SAFS Manager
		SAFS will work with the LGA and Cabinet Office to support the roll out of a Counter-Fraud Profession that all SAFS Staff will join.	s.151 Officer/ SAFS Manager
PURSUE	Ensuring the Counter-Fraud Measures are appropriate to the range of fraud risk. **CAPABILITY**	SAFS will provide reports to Board and SAFS Champions quarterly on anti-fraud activity at the Council	SAFS Manager/ s.151 Officer
		SAFS will record and report on all fraud referred, investigated and identified	SAFS Manager
		SAFS will review fraud trends and new threats and report on these to Council officers	SAFS Manager
		Legal Service a HR and debt recovery teams will seek to 'prosecute' offenders, apply sanctions and recover financial losses	SAFS Manager /Monitoring Officer/ s.151 Officer/ Head of Shared R&B Service
	Develop the right level of resources to deal with the level of fraud risk **CAPACITY**	The Council will review its ROI from SAFS Membership	s.151 Officer
		SAFS will assist the Council in providing its Transparency Code (Fraud) Data for 2019/2020	SAFS Manager
		Reports for Audit Committee on all Counter Fraud activity at the Council	SAFS Manager / s.151 Officer
		SAFS will work with bodies including MHCLG/LGA/CIPFA/FFLB to develop anti-fraud strategies at a national level that support fraud prevention in local government	SAFS Manager

SAFS

KPIs 2020/21

KPI	Measure	Target 2020/21	Reason for KPI
1	Return on investment from SAFS Partnership.	Demonstrate, via SAFS Board, that the Council is receiving a financial return on investment from membership of SAFS and that this equates to its financial contribution.	Transparent evidence to Senior Management that the Council is receiving a service matching its contribution.
2	Provide an investigation service.	A. 1 FTE on call at the Council. (Supported by SAFS Intel/ AFI/Management). B. 3 Reports to Audit Committee. C. SAFS Attendance at Mgt Meetings/ R&B Liaison Meetings.	Ensure ongoing effectiveness and resilience of the Councils anti-fraud arrangements.
3	Action on reported fraud.	A. All urgent/ high risk cases 2 Days. B. All other cases 5 Days on Average.	Ensure that all cases of reported fraud are triaged within agreed timescales.
4	Added value of SAFS membership.	A. Membership of NAFN & PNLD B. Membership of CIPFA Counter Fraud Centre C. NAFN Access/Training for relevant Council Staff D. 5 Fraud training events for staff/Members in year.	Deliver additional services that will assist in the Council in preventing fraud across all services and in the recovery of fraud losses.
5	Allegations of fraud received. & Success rates for cases investigated.	A. All reported fraud (referrals) will be logged and reported to the Council by type & source. B. 60% of cases investigated and closed in year with a positive outcome. C. All cases investigated will be recorded and the financial value, including loss/recovery/ savings of each, Reported.	This target will measure the effectiveness of the service in promoting the reporting of fraud & measure the effectiveness in identifying cases worthy of investigation.
6	Making better use of data to prevent/identify fraud.	A. Develop the Hertfordshire FraudHub for the Council. B. Support the NFI 2020/21 data upload for the Council. C. Consider other areas where the better use of data will benefit the Council financially.	Build a Hub that will allow the Council to access and share data to assist in the prevention/detection of fraud.

THIS PAGE LEFT BLANK.

East Herts Council
Performance, Audit & Governance Oversight Committee

2020/21 Internal Audit Plan Report

17 March 2020

Recommendation

Members are recommended to approve the proposed East Herts Council Internal Audit Plan for 2020/21

1

Contents

1. Introduction and Background

<u>Purpose of Report</u>

1.1   To provide Members with the proposed East Herts Council 2020/21 Internal Audit Plan.

<u>Background</u>

1.2   The East Herts Council Internal Audit Plan sets out the programme of internal audit work for the year ahead, and forms part of the Council's wider assurance framework. It supports the requirement to produce an audit opinion on the overall internal control environment of the Council, as well as a judgement on the robustness of risk management and governance arrangements, contained in the Head of Internal Audit annual report.

1.3   The Shared Internal Audit Service (SIAS) Audit Charter which was presented to the July 2019 meeting of this Committee shows how the Council and SIAS work together to provide a modern and effective internal audit service. This approach complies with the requirements of the United Kingdom Public Sector Internal Audit Standards (PSIAS) which came into effect on 1 April 2013 and revised on 1 April 2017. An updated version of the SIAS Audit Charter will be brought to the first meeting of this Committee in the 2020/21 civic year.

1.4   The PSIAS require that the audit plan must incorporate or be linked to a strategic or high-level statement which:

        a)   Outlines how the service will be developed in accordance with the internal audit charter.

        b)   Details how the internal audit plan will be delivered.

        c)   Evidences how the service links to organisational objectives and priorities.

1.5   Section 2 of this report details how the SIAS complies with this requirement.

2. Audit Planning Process

<u>Planning Principles</u>

2.1   SIAS audit planning is underpinned by the following principles:

        a)   Focus of assurance effort on the Council's key issues, obligations, outcomes and objectives, critical business processes and projects

and principal risks. This approach ensures coverage of both strategic and key operational issues.

b) Maintenance of an up-to-date awareness of the impact of the external and internal environment on the Council's control arrangements.

c) Use of a risk assessment methodology to determine priorities for audit coverage based, as far as possible, on management's view of risk.

d) Dialogue and consultation with key stakeholders to ensure an appropriate balance of assurance needs, including recognition that in a resource constrained environment, all needs cannot be met.

e) Identification of responsibilities where services are delivered in partnership.

f) In-built flexibility to ensure that new risks and issues are accommodated as they emerge.

g) Capacity to deliver key commitments including work undertaken on behalf of External Audit, governance work and whistle blowing activity.

h) Capacity to respond to management requests for assistance with special investigations, consultancy and other forms of advice.

Approach to Planning

2.2 In order to comply with the requirements of the PSIAS, SIAS has continued with a methodology for all SIAS partners which contains the following elements:

Local and National Horizon Scanning

SIAS reviews, on an ongoing basis:

a) Key committee reports at each client and identifies emerging risks and issues.

b) The professional and national press, as well as thought leadership for risks and issues emerging at national level.

Consideration of risk management arrangements

SIAS assesses the risk maturity of the Council and based on this assessment, determines the extent to which information contained within the Council's risk register informs the identification of potential audit areas.

4

Confirmation of the Council's objectives and priorities

SIAS confirms the current objectives and priorities of the Council. This information is used to confirm that identified auditable areas will provide assurance on areas directly linked to the achievement of the Council's objectives and priorities.

2.3   The approach to audit planning for 2020/21 has been characterised by:

a)   Detailed discussions with senior managers and other key officers within the Council to confirm auditable areas and elicit high level detail of the scope of audits. This process incorporates the following four steps to assist in the later prioritisation of projects:

Risk Assessment
Managers and SIAS agree the level of risk associated with an identified auditable area.

Other Sources of Assurance
Managers are asked whether assurance in the auditable area is obtained from other assurance providers e.g. External Audit or the Health and Safety Executive. This approach helps ensure that provision of assurance is not duplicated.

Significance
Managers assess how significant the auditable area is in terms of the achievement of corporate or service objectives and priorities.

Timings
Managers identify when an audit should be undertaken to add most value.

b)   Proposed plans are based on the information obtained from the planning meetings. Details of audits that have not been included in the proposed draft plan as a result of resource limitations are reported to senior management and the audit committee.

c)   The proposed 2020/21 plans for all SIAS partner councils are then scrutinised and cross-partner audits highlighted.

d)   Proposed draft plans are presented to Leadership Team for discussion and agreement.

e)   The plan is shared with the External Auditor.

This approach ensures that our work gives assurance on what is important and those areas of highest risk and thus assists the Council in achieving its objectives.

2.4 The context within which local authorities provide their services remains challenging. Many services continue to manage increasing demand and constrained finances.

2.5 The resultant efficiency and transformation programme that councils are developing and implementing continue to profoundly alter each organisation's nature. Such developments are accompanied by potentially significant governance, risk management and internal control change.

2.6 The challenge of giving value in this context means that Internal Audit needs to:

a) Meet its core responsibilities, which are to provide appropriate assurance to Members and senior management on the effectiveness of governance, risk management and control arrangements in delivering the achievement of Council objectives.

b) Identify and focus its effort on areas of significance and risk, assisting the organisation in managing change effectively, and ensuring that core controls remain effective.

c) Give assurance which covers the control environment in relation to new developments, using leading edge audit approaches such as use of technology to achieve 'whole population testing' and new insights over sampling or 'continuous assurance' where appropriate.

d) Retain flexibility in the audit plan and ensure the plan remains current and relevant as the financial year progresses.

Internal Audit Plan 2020/21

2.7 The draft 2020/21 internal audit plan is included at Appendix A and contains a high-level proposed outline scope for each audit. Appendix B details the planned start months. The number of days purchased has been reduced from 400 days in 2017/18, to 360 days in 2018/19, to 340 days in 2019/20 and 320 days in 2020/21. A similar reduction has been applied across some other SIAS partner Councils and was agreed by the SIAS Board. The table below shows the allocation of the total annual number of purchased audit days for the year:

	Days	%
Key Financial Systems	64	20
Operational Audits	139	43
Procurement / Contracts	20	6
Shared Learning/Joint Reviews	5	2

6

Counter Fraud	3	1
Risk & Governance	10	3
IT Audits	12	4
Contingency	10	3
Strategic Support*	47	15
2019/20 Projects Requiring Completion	10	3
Total audit days 2020/21	**320**	**100**

* This includes supporting the Performance, Audit and Governance Oversight Committee, monitoring, client liaison and planning for 2021/22.

2.8   Members will note the inclusion of a provision for the completion of projects that relate to 2019/20. The structure of Internal Audit's programme of work is such that full completion of every aspect of the work in an annual plan is not always possible, especially given the high dependence on client officers during a period where there are competing draws on their time e.g. year end closure procedures.

2.9   The nature of assurance work is such that enough activity must have been completed in the financial year, for the Head of Assurance to give an overall opinion on the Authority's internal control environment. In general, the tasks associated with the total completion of the plan, which includes the finalisation of all reports and negotiation of the appropriate level of agreed mitigations, is not something that adversely affects delivery of the overall opinion. The impact of any outstanding work is monitored closely during the final quarter by SIAS in conjunction with the Section 151 Officer.

3.   Performance Management

Update Reporting

3.1   The work of Internal Audit is required to be reported to a Member Body so that East Herts Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit provision is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed annual audit plan. Progress against the agreed plan for 2020/21 and any proposed changes will be reported to this Committee four times in the 2020/21 civic year.

3.2   The implementation of agreed audit recommendations will be reported to this Committee as part of the update reporting process.

7

<u>Performance Indicators</u>

3.3 Annual performance indicators were approved at the SIAS Board in September 2011 and are reviewed annually. Details of the targets set for 2020/21 are shown in the table below. Actual performance against target will be included in the update reports to this Committee.

Performance Indicator	Performance Target
1. **Planned Days.** Percentage of actual billable days against planned chargeable days completed.	95%
2. **Planned Projects.** Percentage of actual completed projects to draft report stage against planned completed projects. Note: to be based on the judgement of the SIAS management team and representing the best estimate as to a reasonable expectation of progress on the audit plan.	95%
3. **Client Satisfaction.** Percentage of client satisfaction questionnaires returned at 'satisfactory' level.	100%
4. **Number of Critical and High Priority Audit Recommendations agreed.**	95%
5. **Annual Audit Plan.**	Presented to the March meeting of each Committee. Or if there is no March meeting then presented to the first meeting of the new financial year.
6. **Head of Assurance's Annual Report.**	Presented to the first meeting of each Committee in the new financial year.

8

East Herts Council 2020/21 Draft Internal Audit Plan

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
KEY FINANCIAL SYSTEMS		
Main Accounting System (General Ledger)	Main Accounting will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Policies and procedures. b) Creation, deletion and monitoring of general ledger accounts. c) Processing of journals and virements. d) Reconciliation of bank and control accounts. e) Suspense accounts. f) Access controls for the general ledger and associated modules.	8
Debtors	Debtors will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Policies and procedures. b) Raising of debtor accounts. c) Payments. d) Credit notes and refunds. e) Recovery and write offs. f) Debtors control account reconciliations.	8
Creditors	Creditors will have reduced coverage this year to confirm implementation of previous	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Policies and procedures. b) Raising of supplier accounts. b) Ordering, goods receipting and invoicing processes. c) New suppliers and amendments to existing supplier accounts. d) Creditor payment runs. e) Credit notes and refunds. f) Creditors control account reconciliations.	
Treasury Management	Treasury Management will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Cash flow management. b) Counter-party risk. c) Transactions. d) On-line banking and investments. e) Capital and interest payments. f) Treasury management practices, policies and procedures. g) Reporting arrangements.	6
Payroll	Payroll will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include:	8

11

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	a) Systems access. b) Policies and procedures. c) Statutory parameters. d) Starters, leavers and amendments. e) Contract variations. f) Additional payments, overtime and expenses. g) Payroll runs. h) Third party payments.	
Council Tax	Council Tax will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Policies, procedures and legislation. b) Amendment to council tax records. c) Discounts and exemptions, e.g. single person discount. d) In-year billing. e) Collection and refunds. f) Recovery, enforcement and write offs. g) Performance monitoring. h) System access.	6
Business Rates (NDR)	Business Rates will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Policies, procedures and regulatory compliance.	6

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	b) Reconciliation between NDR system and valuation lists. c) Multiplier setting. d) Voids and reliefs. e) In-year billing. f) Collection and refunds. g) Recovery, enforcement and write offs. h) Reconciliation between NDR system and general ledger. i) Performance monitoring. j) System access.	
Housing Benefits	Housing Benefits will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Policies, procedures and set-up of standing data. b) Assessments, including reductions and backdating. c) Payments. d) Recovery of overpayments. e) Reconciliations. f) Performance monitoring. g) System access, security and retention of data.	6
Asset Management	Asset Management will have reduced coverage this year to confirm implementation of previous audit recommendations and that existing controls are operating effectively. Areas of coverage may include: a) Asset management plans.	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	b) Asset management system and associated records. c) Acquisitions and disposals. d) Lease transactions. e) Rent reviews. f) Condition surveys.	
OPERATIONAL AUDITS		
Customer Services	The audit will provide assurance on the arrangements for handling customer contact. Areas of coverage may include: a) Customer service standards and behaviours, and accreditation. b) Performance / quality metrics and reporting. c) Supporting systems, technology and processes.	10
My View (payroll self-service)	The audit will provide assurance on Members transition to the My View payroll self-service platform, which provides electronic access to payslips and expense claims. Areas of coverage will include: a) Post implementation review. b) User experience and benefits realisation.	10
Grounds Maintenance	The audit will provide assurance on the procurement process for works and services associated with the Council's grounds maintenance contract. The audit will also include a review of contract management arrangements.	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Car Parking	The audit will provide assurance on processes relating to the Council's car parking operations. This may include: a) Contract management arrangements. b) Receipt of expected income from on and off-street parking. c) Enforcement arrangements and PCNs.	10
Emergency Planning	The audit will provide assurance on the Council's emergency preparedness, not only reviewing compliance with the requirements of the Civil Contingencies Act 2004, but it may also include: a) Records and documents maintained for an actual incident, or Council response, in terms of the Emergency Plan. b) Managing spontaneous volunteers and accounting for donations, and c) Memorandum of Understanding relating to mutual aid from other local organisations.	10
Development Control	The audit will provide assurance that the Council operates in accordance with key legislation, it monitors and progresses issues to an appropriate conclusion and demonstrates transparency in terms of processes, communication with the public and decisions reached. It will also include the receipt of expected income.	10
Facilities Management	The audit will provide assurance on the management and maintenance of the Council's operational buildings. This may include:	10

15

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	a) The management of third-party contracts. b) Surveying and delivery of planned and routine maintenance to Council buildings. c) Compliance with safety requirements e.g. gas and electrical certification.	
Waste Management (follow up)	This follow up review will provide a status update on the recommendations made in the Waste Management audit carried out in 2018/19. Any new or emerging risk may also be covered.	2
Fly Tipping	The audit will provide assurance on the processes and procedures relating to the removal and investigation of dumped rubbish on verges, pavements next to roads and Council owned land.	10
Food Safety	The audit will provide assurance on the processes and procedures for supporting the Food Standards Agency's Rating Scheme, including businesses food safety management systems and people fitness to work arrangements.	10
Climate Change and Sustainability (including joint audit)	The audit will provide assurance on the Council's climate change credentials. This may include: a) Compliance with climate change strategy and policy. b) The accuracy of reporting data against targets, stated aims and objectives. c) Energy management. An audit will also be carried out at several other SIAS partners. The number of proposed days includes provision for consolidating the audit reports, thereby providing	7

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
	a wider level of assurance and sharing any learning across partners.	
Tree Management	The audit will provide assurance that there are effective systems and procedures in place to identify, record and inspect Council trees, and that a remedial maintenance programme is in place.	10
Performance Management	The audit will provide assurance on the accuracy of data reported through the Council's performance management framework. This may include completeness checking and data quality spot checks.	10
Business Improvement District	The audit will provide assurance that the additional levy on businesses within a defined area of the district is collected and the improvements programmed for delivery. This may include: a) Identifying liability and billing relevant businesses. b) Receiving payments and accounting arrangements. c) Business Plan delivery and benefit realisation.	10
Millstream Property Investment	The audit will provide assurance that appropriate governance arrangements are in place in relation to the property investment company wholly owned by the Council. This may include reporting arrangements, risk management and performance metrics.	10

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
PROCUREMENT, CONTRACT MANAGEMENT AND PROJECT MANAGEMENT		
Grange Paddocks and Hartham Leisure Centres	The audit will provide assurance on the procurement arrangements for the design and build of the new leisure centre on the existing site in Bishop's Stortford, and the extension and refurbishment of existing facilities in Hertford.	10
Old River Lane	The audit will provide a governance review of the Council's regeneration programme for Old River Lane. Coverage may include: a) Appropriateness of governance framework in place, b) Effectiveness of programme and project management/oversight of milestones and benefits realisation.	10
SHARED LEARNING		
Joint Reviews	The SIAS Board traditionally agree a topic (or topics) for consideration as joint reviews across the SIAS partners in-year. This has yet to be determined. Where no further topic is specified, the audit days will be returned to contingency for use on emerging audits / risks or applied to other audits in the plan.	2
Shared Learning	Shared Learning Newsletters and Summary Themed Reports – 2 days Audit Committee and Joint Review Workshops – 1 days	3

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
COUNTER FRAUD		
N/A	The Shared Anti-Fraud Service (SAFS) provides pro-active and reactive counter fraud services. This planned time has also been allocated to provide ad hoc advice to management on matters, issues or queries relating to risk, control and governance.	3
RISK AND GOVERNANCE		
Risk Management	The audit will involve a review of strategic and operational risk management arrangements, and whether risk management has been embedded in operational decision making and activity. This audit traditionally informs the Annual Governance Statement.	10
IT AUDITS (shared with Stevenage Borough Council)		
Payment Card Industry Compliance	The audit will provide assurance on compliance with the set of security standards designed to ensure that organisations accepting, processing, storing or transmitting credit card information maintain a secure environment. This will include completion and submission of a self-assessment questionnaire, evidence of a passing scan (if applicable), and the attestation of compliance, along with any other requested documentation.	6

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Hardware Acquisition, Movement and Disposal	The audit will provide assurance on hardware inventory arrangements. Areas of coverage will include the procedures for: a) Receiving and storing new hardware, b) Issuing hardware to new and existing users, c) Redeployment of hardware across the Council's estate, d) Decommissioning and safely disposing of redundant or surplus hardware.	6
CONTINGENCY		
Contingency	To provide for adequate response to risks emerging during the financial year.	10
STRATEGIC SUPPORT		
Head of Internal Audit Opinion 2019/20	To prepare and agree the Head of Internal Audit Opinion and Annual Report for 2019/20.	3
Audit Committee	To provide services linked to the preparation and agreement of Audit Committee reports, meeting with the Audit Committee Chair prior to each Audit Committee (as required) and presentation of reports / participation at Audit Committee.	8

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
Follow up of Audit Recommendations	Follow up of critical and high priority audit recommendations	4
Client Liaison	This involves meetings and updates with the Council's Audit Champion and other key officers.	6
Liaison with External Audit	To meet with the external auditors and provide information as they require.	1
Plan Monitoring	To produce and monitor performance and billing information, work allocation and scheduling.	12
SIAS Development	Included to reflect the Council's contribution to developing and maintaining the shared service / partnership through its service plans and corporate activities.	5
Adhoc Advice	This planned time has been allocated to provide for ad hoc advice to management on matters, issues or queries relating to risk, control, governance and anti-fraud. Ad hoc advice is relevant to activities that typically take less than one day to complete.	2
2021/22 Audit Planning	To provide services in relation to preparation and agreement of the 2021/22 Audit Plan.	6

Audit	Proposed Outline Scope / Reason for Inclusion	Proposed Days
2019/20 projects requiring completion	Additional time, if required, for the completion of 2019/20 audit work carried forward into the 2020/21 year. Any unused days will be returned to contingency for use on emerging risks and audits or allocated to audits in the reserve list.	10
RESERVE LIST		
Street Cleansing	To be agreed with management if the audit is brought forward.	

Apr	May	Jun	July	Aug	Sept
2019/20 Projects Requiring Completion	Payment Card Industry Compliance	Customer Services	Car Parking	Climate Change and Sustainability	Grounds Maintenance
Grange Paddocks and Hartham Leisure Centres	Food Safety	Risk Management	Waste Contract (follow up)	Fly Tipping	Emergency Planning
Facilities Management	Performance Management	Tree Management			

Oct	Nov	Dec	Jan	Feb	Mar
Old River Lane	Council Tax	Main Accounting	Treasury Management	Asset Management	
	Non-Domestic Rating	Debtors	Hardware Acquisition, Movement & Disposal	Millstream Property Investment	
	Housing Benefits	Creditors	Business Improvement Districts		
	My View (payroll self-service)	Payroll	Development Control		

At this stage, the above is an indicative spread of audits as not all services have specified a preferred start date.

This page is intentionally left blank

East Herts Council
Performance, Audit and Governance
Oversight Committee

17 March 2020
Shared Internal Audit Service –
Progress Report

Recommendation

Members are recommended to:
a) Note the Internal Audit Progress Report
b) Note the Status of Critical and High Priority
    Recommendations

Contents

1 Introduction and Background

<u>Purpose of Report</u>

1.1   To provide Members with:

    a) The progress made by the Shared Internal Audit Service (SIAS) in delivering the Council's 2019/20 Internal Audit Plan as at 28 February 2020.
    b) The findings for the period 1 April 2019 to 28 February 2020.
    c) The proposed amendments required to the approved Internal Audit Plan.
    d) The implementation status of previously agreed audit recommendations.
    e) An update on performance management information as at 28 February 2020.

<u>Background</u>

1.2   Internal Audit's Annual Plan for 2019/20 was approved by the Audit Committee at its meeting on 12 March 2019. The Audit Committee receive periodic updates against the Annual Internal Audit Plan.

1.3   The work of Internal Audit is required to be reported to a Member Body so that the Council has an opportunity to review and monitor an essential component of corporate governance and gain assurance that its internal audit function is fulfilling its statutory obligations. It is considered good practice that progress reports also include proposed amendments to the agreed Annual Internal Audit Plan.

2 Audit Plan Update

<u>Delivery of Audit Plan and Key Audit Findings</u>

2.1   As at 28 February 2020, 88% of the 2019/20 Audit Plan days have been delivered (the calculation excludes contingency days that have not yet been allocated).

2.2   The following final reports have been issued since the last Performance, Audit and Governance Oversight Committee in January 2020:

Audit Title	Date of Issue	Assurance Level	Number of Recommendations
Contact Management	Dec 2019	Satisfactory	Two Medium priority
Council Tax	Jan 2020	Good	Four Low/Advisory priority
Non-Domestic Rating	Jan 2020	Good	None
Payroll	Jan 2020	Good	None
Recruitment	Jan 2020	Satisfactory	Eight Medium, One Low/Advisory priority
Community Grants/Lottery	Jan 2020	Satisfactory	Four Medium, Four Low/Advisory priority

| IT Shared Service Agreement | Jan 2020 | Not Assessed | Two Medium, One Low/Advisory priority |
| Housing Benefits | Feb 2020 | Good | One Medium, One Low/Advisory priority |

2.3 The table below summarises the position regarding 2019/20 projects as at 28 February 2020. Appendix A provides a status update on each individual project within the 2019/20 Internal Audit Plan. Details of start dates for the individual projects are shown in Appendix C.

Status	No. of Audits at this Stage	% of Total Audits
Final Report Issued	19	60%
Draft Report Issued	6	19%
In Fieldwork/Quality Review	4	12%
In Planning/Terms of Reference Issued	1	3%
Allocated	0	0%
Not Yet Allocated	0	0%
Deferred/Cancelled	2	6%
Total	32	100%

Proposed Audit Plan Amendments

2.4 There have been no proposed amendments to the Internal Audit Plan since the last committee meeting.

Critical and High Priority Recommendations

2.5 Members will be aware that a Final Audit Report is issued when it has been agreed ("signed off") by management; this includes an agreement to implement the recommendations that have been made.

2.6 The schedule attached at Appendix B details any outstanding Critical and High priority audit recommendations.

Performance Management

2.7 The 2019/20 annual performance indicators were approved at the SIAS Board meeting in March 2019.

2.8 The actual performance for East Herts Council against the targets that can be monitored in year is set out in the table below:

Performance Indicator	Annual Target	Profiled Target	Actual to 28 Feb 2020
1. Planned Days – percentage of actual billable days against planned chargeable days completed	95%	85% (278/326 days)	88% (286/326 days)
2. Planned Projects – percentage of actual completed projects to draft report stage against planned completed projects	95%	80% (24/30 projects)	83% (25/30 projects)
3. Client Satisfaction – percentage of client satisfaction questionnaires returned at 'satisfactory' level	100%	100%	100% (8 received) Note (1)
4. Number of Critical and High Priority Audit Recommendations agreed	95%	95%	100% (7 High agreed) Note (2)

Note (1) – 2 received in 2019/20 relate to 2018/19 audits.
Note (2) – the 7 recommendations are from the Hertfordshire County Council led internal audit of the Hertfordshire Home Improvement Agency. The audit report has been distributed to the Council as a contributing partner of the Agency.

APPENDIX A - PROGRESS AGAINST THE 2019/20 AUDIT PLAN

2019/20 SIAS Audit Plan

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Key Financial Systems – 74 days									
Main Accounting System (General Ledger)						10	Yes	9.5	Draft report issued
Debtors						10	Yes	9.5	Draft report issued
Creditors						10	Yes	9.5	Draft report issued
Treasury Management						6	Yes	4	In fieldwork
Payroll	Good	0	0	0	0	10	Yes	10	Final report issued
Council Tax	Good	0	0	0	4	6	Yes	6	Final report issued
NDR	Good	0	0	0	0	6	Yes	6	Final report issued
Housing Benefits	Good	0	0	1	1	6	Yes	6	Final report issued
Asset Management						10	Yes	1	In planning
Payroll Pension Certificate						0	No	0	Cancelled
Operational Audits – 98 days									
Health and Safety	Satisfactory	0	0	3	1	10	Yes	10	Final report issued
Recruitment Process	Satisfactory	0	0	8	1	10	Yes	10	Final report issued
Land Charges	Satisfactory	0	0	1	0	10	Yes	10	Final report issued
Members Allowances and Expenses	Satisfactory	0	0	3	1	8	Yes	8	Final report issued
Recycling						10	Yes	4	In fieldwork
Homeless Reduction Act / Temp Accom.						0	Yes	0	Cancelled
Community Grants Programme / Lottery	Satisfactory	0	0	4	4	8	Yes	8	Final report issued
HHIA – Follow-up						2	Yes	1	In fieldwork
Consultation and Engagement	Satisfactory	0	0	1	1	10	Yes	10	Final report issued
Business Continuity Planning	Satisfactory	0	0	4	3	10	Yes	10	Final report issued
Budgetary Control						10	Yes	9.5	Draft report issued
Complaints Policy and Procedure	Satisfactory	0	0	0	3	10	Yes	10	Final report issued

APPENDIX A - PROGRESS AGAINST THE 2019/20 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Procurement, Contract Management and Project Management – 20 days									
Procurement	Satisfactory	0	0	1	1	10	Yes	10	Final report issued
Contract Management	Satisfactory	0	0	2	0	10	Yes	10	Final report issued
Risk Management and Governance – 16 days									
Insurance	Satisfactory	0	0	1	1	8	Yes	8	Final report issued
Risk Management	Satisfactory	0	0	1	4	8	Yes	8	Final report issued
IT Audits – 24 days									
IT Service Shared Service Agreement	Not Assessed	0	0	2	1	6	Yes	6	Final report issued
Cyber Security Follow-up						6	Yes	3	In fieldwork
Information Management						6	Yes	5.5	Draft report issued
Project Management						6	Yes	5.5	Draft report issued
Shared Learning and Joint Reviews – 10 days									
Shared Learning						4	Yes	2.5	Through year
Joint Reviews						6	Yes	5.0	Quality review
Counter Fraud – 3 days									
Counter Fraud – matters arising						3	No	0	Through year
Ad Hoc Advice – 11 days									
Ad Hoc Advice						11	Yes	3	Through year
Follow-up Audits – 8 days									
S106 Spend Arrangements	Not Assessed	0	0	0	0	7	Yes	7	Final report issued
CCTV – joint review	Not Assessed	0	0	0	0	1	Yes	1	Final report issued
Completion of 18/19 Projects – 6 days									
Various						6	Yes	6	Complete
Contingency – 14 days									
Contingency						14	No	0	Not yet allocated

APPENDIX A - PROGRESS AGAINST THE 2019/20 AUDIT PLAN

AUDITABLE AREA	LEVEL OF ASSURANCE	RECS				AUDIT PLAN DAYS	LEAD AUDITOR ASSIGNED	BILLABLE DAYS COMPLETED	STATUS/COMMENT
		C	H	M	LA				
Strategic Support – 56 days									
Annual Report and Head of Internal Audit Opinion 2018/19						5	Yes	5.0	Complete
Audit Committee						12	Yes	11.5	Through year
Follow Up of Audit Recommendations						4	Yes	3.5	Through year
Client Liaison						10	Yes	9.5	Through year
Liaison with External Audit						1	Yes	1.0	Through year
Plan Monitoring						9	Yes	8.0	Through year
SIAS Development						5	Yes	5.0	Through year
2020/21 Audit Planning						10	Yes	10	Complete
SBC TOTAL		**0**	**0**	**32**	**26**	**340**		**286**	

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 Feb 2020)
1.	Cyber Security follow up (2018/19).	Network access control. Management should establish a network access control to block unknown or unauthorised devices from connecting to the Council's IT network. This should include restricting the ability to physically connect to the IT network. Where there is a demonstrable need for a device to connect to the IT network, the Service should require: The purpose for the connection has been recorded Appropriate security controls have been enabled on the device connecting to the IT network The period of time that the device will require the connection All connections are approved before being allowed to proceed. Devices connected to the IT network should be reviewed on a routine basis.	The Council has created a Security & Network Team who has been tasked to look at security / network tools. There is also a planned upgraded Office 365 and in particular Intune to manage all mobile (non-network connected) devices. The plan is to ensure that only known devices are allowed to access Council systems.	ICT Strategic Partnership Manager.	Network Tools July 2019. Intune October 2019. Procurement of network tools revised to 2020/21.	July 2019. This is a new addition and the management response opposite is therefore the latest comment. September 2019. Intune MDM has been installed and will be rolled out to manage all mobile devices and Windows 10 laptops. Plan in place to upgrade all Laptops to windows 10 is in place to ensure control via Intune encryption using Bitlocker. Financial and resource restrictions have forced the procurement of network tools to financial year 2020/21. December 2019. Revised date as	Partially implemented – continue to monitor. A follow up audit is being carried out. The final report will be distributed to Committee Members during April 2020.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 Feb 2020)
						above. It is very rare (if ever) that someone connects an external device to the IT network. The Zero Clients do not allow the transfer of data to anything plugged into it. February 2020. Revised implementation date as above.	
2.	Cyber Security follow up (2018/19).	Firewall configuration. There should be a record of the configuration of the Council's firewalls, which includes but is not limited to: The purpose of all of the rules The expected configuration and activity for each rule The member of staff that requested and approved the rule The configuration of the firewall should be reviewed on a routine basis. The Service should develop a Firewall rule	The Council has created a Security & Network Team who have been tasked to look at replacing the entire Firewall (and switch) estate. As part of this work all firewall configurations will need to be reviewed and recorded.	ICT Strategic Partnership Manager.	November 2019. Revised to April 2020.	July 2019. This is a new addition and the management response opposite is therefore the latest comment. September 2019. Replacement of all firewalls scheduled for April 2020. Configurations and creation of new network environment is being worked on as part of that plan.	Not yet implemented – continue to monitor. A follow up audit is being carried out. The final report will be distributed to Committee Members during April 2020.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 Feb 2020)
		policy to provide the list of controls that are required to secure firewall implementations to an approved level of security.				December 2019. As above. February 2020. Revised implementation date as above.	
3.	Incident Management follow up (2018/19).	Updating the disaster recovery plan. Management should update the Council's IT disaster recovery plan to include the procedure for establishing all IT services at a single data centre. A complete IT Disaster Recovery scenario test on all applications and systems should take place to provide assurance that recovery could happen within the expected time frame. The Service should document the results of the test to determine the further actions required to improve the efficacy of the plan.	With our upgrade to horizon VDI, we are installing hardware which will allow either site to run 100% of capacity allowing the complete downing of one site for upgrade work but will of course allow for full capacity in the event on one data centre being of offline.	ICT Strategic Partnership Manager.	August 2019 – DR review. April 2020 - VDI upgrade.	July 2019. This is a new addition and the management response opposite is therefore the latest comment. September 2019. VDI upgrade out to tender with award scheduled for October 2019. December 2019. Expected completion for this work is now April 2020. February 2020. As above.	Not yet implemented – continue to monitor.

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 Feb 2020)
4.	Herts Home Improvement Agency 2018/19. *These recommendations and their implementation status are overseen and monitored by Hertfordshire County Council as the lead authority but are included here for Member information.*	The HHIA should review the current business continuity and succession planning arrangements in place to ensure that the service can continue to function in the absence of key officers. Given the existing recruitment difficulties, the Board should critically review whether the existing pay grading structure is sufficient, or indeed whether recruitment difficulties relate to underlying issues in respect of the structure, job roles and responsibilities within the Agency. The above recommendation is critical as whilst the HHIA may be able to secure sufficient staff capacity through the use of temporary staff, this is not financially sustainable within the business model, nor does it provide the required workforce stability that the HHIA requires to provide a consistent level of service and drive through key business change	New Senior Management structure in place: Head of Service reporting to Head of Hertfordshire Equipment Service. Longer term continuity to be reviewed as part of the review project. Put in place staffing to support the service whilst review is undertaken: - MA overseeing Operations team but not undertaking operations tasks - Operations Manager replaced by Senior Technical Officer (Agency) with sole focus on progressing projects - SE acts as cover/support for MA - Business Development Manager resigned – to be replaced by Business Analyst (fixed term 1 year) Work with HR colleagues to review current structure,	Head of HHIA and Head of Hertfordshire Equipment Service (HES).	In place. In place / in progress. Oct/Nov 2019.	September 2019. New Senior Management team in place and recruitment for Business Analyst will be complete August 2019. Senior Technical Officer role re-graded and out to advert August 2019. In discussion with HR to create a career grade for Technical roles to improve ability to attract staff. Quality Improvement plan under discussion but may be a long-term project. Quality Improvement Plan target subject to review. December 2019. Standard Operating Procedures are being developed and are nearing completion. The new Business Analyst is now in post and will provide both strategic and	Partially implemented – continue to monitor. Revised implementation date: 1 May 2020. A follow up audit is being carried out. The final report will be distributed to Committee Members during April 2020.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 Feb 2020)
		activities.	with particular focus on technical roles, although there needs to be an acceptance that there will be short-term reliance on agency staff in technical roles until these can be reviewed. Undertake Financial Analysis to understand potential to grow staffing with revenue Review of processes to improve productivity and stop blockages. To be incorporated in recovery plan.		Oct/Nov 2019. In progress.	operational statistics alongside case monitoring infrastructure . A new caseworker started in November and technical officer have been recruited and due to start on 9 Dec 19. Senior Technical Officer role was re-graded and interviews are taking place this month for the second time. A review of the HIA team structure is due to take place in early 2020. As the HIA moves towards a client centred approach. February 2020. As above. Revised implementation date May 2020.	
5.	Herts Home Improvement Agency 2018/19. *As above.*	Further training should be provided to HHIA staff to ensure that the case management system is completed and updated in	Undertaking review of CMS system Process mapping exercise completed to understand how	Head of HHIA and Business Improvement Manager.	In progress completion by August 2019. Mapping complete.	September 2019. Review and process mapping complete. Some training completed July 2019	Partially implemented – continue to monitor. Revised

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 Feb 2020)
		line with expectations. Regular data quality checks should be performed on the case management system to obtain assurance that records are updated in an accurate and timely manner (including a review of data exceptions – e.g. blank fields). A mapping exercise should be performed to identify the key fields within the case management system that support key monitoring and KPI routines, with data quality checks focusing in particular on these areas. We also recommend that HCC Finance is provided with access to a reporting suite within the case management system, sufficient to support the production of financial monitoring / Board reports.	staff currently use the system and where changes need to be made Identification of training needs for staff and resource to undertake these. Training to include inputting and quality of data. Super-user / system manager to be identified to oversee data checks, develop the system e.g. for mobile working, and work with Finance to develop reporting suite. Review access to CMS/ other reporting suites for Finance to allow for improved financial reporting or define how this will be achieved e.g. Business Analyst to report on non-SAP data.		Further recommendation by Aug 2019. By August 2019 Training by Oct 2019. Autumn 2019 (funding and resource dependent). Autumn 2019.	and Business Analyst (when in post) to oversee superusers and work with Finance to develop reporting protocols. Due to issues raised in review, a meeting is to be held with Foundations and systems developer in August 2019 to raise issues around outstanding development of the system. Report will be made to HHIA Board regarding potential options which could include replacing the system when the current contract ends (Sept 2020). December 2019. A full review of the CMS system has now been completed. Report is available - with recommendations now being incorporated into the audit tracker for monitoring.	implementation date: 1 March 2020. A follow up audit is being carried out. The final report will be distributed to Committee Members during April 2020.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 Feb 2020)
						All current HIA staff will undertake " Ferret Training" in January 2019 to ensure all staff are "up skilled" and we are resilient as a team. The new Business Analyst will be the Super user of the team, followed by Senior Business Support after training. The Business Analyst has begun working with finance to align CMS and SAP reporting. The Business analyst starting from November to undertake random monthly "spot check" audits. February 2020. As above.	
6.	Herts Home Improvement	We recommend that the HHIA seeks further clarification (in writing)	Meet with Foundations to seek relevant advice and	Head of HHIA and Head of HES.	July 2019.	September 2019. Advice sought from	Not yet implemented –

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 Feb 2020)
	Agency 2018/19. *As above.*	from the relevant government department in relation to the restrictions on recovering overheads from the DFG. This should include the position on whether: - It is permissible to recover general staff costs that are relevant to delivering the service, but which cannot be attributed to a specific project; - The current design and project management fee charges, which by their nature are set at a level to recover overheads, are permissible within the grant conditions; and - The cost of extended warranties can be funded through the DFG, given the wider value for money implications if this not permissible. Given the above comment on staff overhead costs,	understand where written assurances can be sought in relation to staff costs and fees. Use information obtained to inform project plan e.g. develop policy concerning warranties. Project support to work with SE/MA and Business Intelligence to develop timesheet tracker system for staff activities, similar to those in use by SIAS and HCC HR. These will more accurately track how resources are utilised. Review charges for works that are aborted – currently no costs are recovered so charging scheme to be put in place (if deemed permissible) Review viability of		Oct/Nov 2019. October 2019. October 2019.	Foundations was contradictory but further investigation around warranties is in progress. Fees and charges and abortive works are being reviewed with a view to implementation and a time tracker for staff is in preparation (finance looking at costings to be input prior to development of tracker). Revenue model to be reviewed at end of financial year once changes made to discretionary policy, charges etc. December 2019. The director of ACS wrote to MHCLG in June. There has been on-going conversation with finance regarding capitalisation of staff overheads. The head of service has completed analysis of capitalised staff	continue to monitor. Revised implementation date 31 March 2020. A follow up audit is being carried out. The final report will be distributed to Committee Members during April 2020.

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 Feb 2020)
		we also recommend that the HHIA introduce more formal systems to evidence and monitor the chargeable activities performed by staff. We highlight that the implementation of a timesheet system would also ensure that appropriate evidence is available to support claims made against the DFG and will allow an increased level of management information to be produced on staff productivity. Should the HHIA not be financially viable without 100% recovery of all staff costs or overheads through the DFG, consideration should be given as to whether this issue could be resolved through DFG funding being retained by the individual partners, allowing the HHIA to invoice as a third party, although further legal and finance advice would be required. Alternatively, the HHIA	revenue model after the above actions have been taken and analysis made. Also consider potential revenue in light of review of discretionary policy/ resources needed.		End 2019/20 financial year.	activity. This has been agreed with finance. We are currently investigation the possibilities of incorporating maintenance agreements into applications of specific adaptations We are currently looking at a supervision system to evidence/support the head of service analyse staffing time against capitalisation. February 2020. As above. Revised implementation date 31 March 2020.	

APPENDIX B – IMPLEMENTATION STATUS OF CRITICAL AND HIGH PRIORITY RECOMMENDATIONS

No.	Report Title	Recommendation	Management Response	Responsible Officer	Implementation Date	History of Management Comments	SIAS Comment (28 Feb 2020)
		would need to investigate whether it is viable to increase the volume of non-DFG funded adaptations, thereby providing a separate income route to address any shortfalls in costs that are recoverable from the DFG.					

APPENDIX C – AUDIT PLAN ITEMS (APRIL 2019 TO MARCH 2020) – INDICATIVE START DATES AGREED WITH MANAGEMENT

Apr	May	Jun	July	Aug	Sept
2018/19 Projects Completed	Complaints Policy and Procedures **(Final Report Issued)**	Risk Management **(Final Report Issued)**	Land Charges **(Final Report Issued)**	CCTV (follow up) **(Final Report Issued)**	IT Shared Service Agreement **(Final Report Issued)**
Payroll Annual Pension Certificate (Cancelled)	Insurance **(Final Report Issued)**	S106 (follow up) **(Final Report Issued)**	Business Continuity Planning **(Final Report Issued)**	Community Grants / Lottery **(Final Report Issued)**	Contract Management **(Final Report Issued)**
Health and Safety **(Final Report Issued)**		Consultation and Engagement **(Final Report Issued)**	Members Allowances and Expenses **(Final Report Issued)**	Procurement **(Final Report Issued)**	

Oct	Nov	Dec	Jan	Feb	Mar
Recruitment Process **(Final Report Issued)**	Council Tax **(Final Report Issued)**	Payroll **(Final Report Issued)**	Main Accounting **(Draft Report Issued)**	IT Cyber Security (follow up) (In Fieldwork)	Herts Home Improvement Agency (In Fieldwork)
	Business Rates **(Final Report Issued)**	IT Information Mgmt **(Draft Report Issued)** (c/f from Nov)	Homelessness/Temporary Accommodation (Cancelled)	IT Project Management **(Draft Report Issued)** (c/f from June)	
	Housing Benefits **(Final Report)**	Budgetary Control **(Draft Report Issued)** (c/f from Sept)	Recycling (In Fieldwork)	Asset Management (In Planning)	
			Debtors **(Draft Report Issued)** (c/f from Dec)	Treasury Management (In Fieldwork) (c/f from Dec)	
			Creditors **(Draft Report Issued)** (c/f from Dec)		

APPENDIX D – ASSURANCE / PRIORITY LEVELS

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

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

East Herts Council Report

Performance, Audit and Governance Oversight Committee

Date of Meeting:	**17 March 2020**
Report by:	**Bob Palmer, Head of Strategic Finance and Property**
Report title:	**Annual review of Risk Management Strategy**

Ward(s) affected: All

Summary

RECOMMENDATIONS FOR PERFORMANCE, AUDIT AND GOVERNANCE OVERSIGHT COMMITTEE:

(a)   The Risk Management Strategy be reviewed and officers advised of recommendations that could enhance or streamline risk management and the associated monitoring processes.

1.0 Proposal(s)

1.1   This report explains the key changes to the Risk Management Strategy proposed for 2020/21.

2.0 Background

2.1   The Risk Management Strategy is reviewed annually by Leadership Team and Performance, Audit and Governance Oversight Committee. (Leadership Team considered in February 2020.)

3.0 Reason(s)

3.1   Public services are facing unprecedented challenges and the effective management of risk is needed more than

ever. Our risk-managed approach to decision making will help the Council achieve objectives and deliver services more efficiently, using innovative and cost-effective means.

4.0 Options

4.1   The Council is not obliged to have a Risk Management Strategy but failure to do so would not meet best practice and would leave a hole in the council's governance structure.

4.2   No major changes have been proposed. The Strategy is generally fit for purpose, follows trade body guidance as detailed in 6.1, and was subject to an audit rating of 'good' in 2019. (Overall rating of 'satisfactory assurance'.) The primary changes are described in the next few paragraphs.

4.3   Risk monitoring processes have been scaled back over recent years but there is now an appetite to increase monitoring and participation. It is proposed that the Strategic Risk register be submitted to this committee quarterly and Members advised of the controls introduced or planned.

4.4   Operational / service risks are not monitored formally at present. It is proposed that the highest level corporate, service and project risks are monitored by Leadership Team quarterly with effect from April 2020. Members will be able to view these risks on Pentana Performance.

4.5   It has been necessary to change the risk scoring classifications to align with the new committee report template. Scoring thresholds have been refreshed.

4.6   Due to changes to the constitution the Risk Management Strategy is no longer to be submitted to the Executive. (Until 2019 the Strategy went to Executive and Council). A copy of the final document will be circulated to all Members given their responsibility to

consider risk in the decision making process.

5.0 Risks

    5.1   Implementation of risk management produces many benefits for the Council which are documented within the Strategy.

6.0 Implications/Consultations

    6.1   The Risk Management Strategy is based on guidance from the Association of Local Authority Risk Managers. The processes proposed are considered proportionate to the size and needs of the Council and changes hopefully reflect feedback received from members of Leadership Team, the Executive and Performance, Audit and Governance Oversight Committee.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

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

No

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Appendix 1 is a clean version of the Risk Management Strategy proposed for 2020/21. Appendix 2 tracks the changes proposed, as requested by Members in the past.

Contact Member	Councillor George Cutting, Executive Member for Corporate Services
	george.cutting@eastherts.gov.uk
Contact Officer	Bob Palmer, Head of Strategic Finance and Property
	bob.palmer@eastherts.gov.uk
Report Author	Graham Mully, Insurance and Risk Business Advisor
	graham.mully@eastherts.gov.uk

Risk Management Strategy

2020/21 Review

Leadership Team	3 February 2020
Performance, Audit and Governance Scrutiny Committee	17 March 2020

Contents

Section 1 - Context

Policy statement

Risk is present in everything that we do, so it is our policy to identify, assess and manage the key areas of risk.

East Herts Council recognises that risk management is an essential element of good governance and must be embedded in the culture of the Authority, particularly projects and strategic decisions, including procurement and contracting. It supports informed decision making thereby enabling opportunities to be exploited, or action to be taken to mitigate or manage risk to an acceptable level.

In order to obtain a clear picture of the risks that threaten the council's ability to achieve its objectives, it is important that the council determines its 'risk appetite' – the level of risk that is considered acceptable for the organisation to be exposed to. The Risk Management Strategy reflects our 'risk appetite', the size of the Authority and the nature of our operations.

The objectives of this strategy are:

- Define what risk management is about and what drives risk management within the council.
- Set out the benefits of risk management and the strategic approach to risk management.
- Outline how the strategy will be implemented.
- Identify the relevant roles and responsibilities for risk management within the council.
- Formalise the risk management process across the Council.

Approval, communication, implementation and review

The Risk Management Strategy is on the intranet and is specifically issued to all Members, Leadership Team and Senior Managers.

The strategy is reviewed each year, and following key changes in central or local policies. Risk management is also subject to frequent audit by the Shared Internal Audit Service (SIAS) and feeds in to the risk-based audit planning process.

Section 2 - What is risk management and why do we do it?

Risk Management can be defined as:

The process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of their success and reducing the likelihood of their failure. (Source: The Institute of Risk Management).

The council maintains two tiers of risk register:

- Strategic risks – the highest level 'business' risks.
- Operational risks – the day to day issues faced by services and Project Managers.

Once identified, the next stage is to prioritise risks to identify which are key to the Council moving forward. It is essential that steps are then taken to manage these effectively.

There should also be a consideration of the positive or 'opportunity' risk aspect. (For more information see Section 3, 'risk identification').

National drivers behind strategic risk management

- The CIPFA/SOLACE framework on Corporate Governance requires the Council to manage risks and performance through robust internal control and strong public financial management. Risk management and internal control are integral parts of a performance management system and are crucial to the achievement of outcomes. Robust and integrated risk management arrangements are required, and risk should be addressed as part of all decision making activities.

- Risk management is best practice in both the public and private sectors.

Benefits of risk management

Public services are facing unprecedented challenges and the effective management of risk is needed more than ever. A risk-managed approach to decision making will help the council to achieve objectives and deliver services more efficiently, using innovative and cost-effective means.

Implementation of risk management produces many benefits for the Council including:

- Improved efficiency of operations.
- Protection of budgets from unexpected financial losses.

- Protection of reputation.
- Increased chance of achieving strategic / project objectives as key risks are minimised.
- The possibility of becoming less risk averse because risks are understood.
- Improved performance (accountability and prioritisation) - feeds into performance management framework.
- Better governance can be demonstrated to stakeholders.

Section 3 - Implementation of risk management

Implementing the strategy involves a 5-stage process:

| 1 – Identify risk. (Or opportunity). |
| 2 - Analyse and evaluate risks - assess likelihood and impact. |
| 3 – Response to risk |
| 4 - Develop controls. Record, monitor and report. |
| 5 - Integrate with strategic and audit planning and decision making. |

Stage 1 – Risk identification

An inventory of risks is prepared of those events which might create, prevent, accelerate or delay the achievement of objectives. (A list of prompts is included at Appendix 1.)

It is important that those involved with the process clearly understand what the Council wants to achieve in order to be able to identify the barriers. A variety of people from across the organisation should input to ensure that all risks are identified.

Strategic risks are generally considered at an annual review with Leadership Team. Service or operational risks are identified through the service planning process, with

service managers, at project meetings and / or through the committee reporting process.

The process for the identification of risk should be undertaken for projects (at the start of each project stage), partnerships, service planning and at a strategic / corporate level. Details of who contributes to these stages are explained further in the roles and responsibilities section.

It is important to remember that risk management is also about making the most of opportunities. For example:

- Making bids for funding.
- Taking a national or regional lead on policy development.
- Savings that may be achievable or income that may be generated.
- A 'spend to save' initiative.
- Tendering a large contract also provides an opportunity to reshape service delivery.

The risk should be given a clear and concise title and captured on the template in appendix 2. A fuller description to include the root cause and the possible consequences of the risk if it occurs should also be provided separately.

Stage 2 – Analysing and evaluating the risks

The likelihood of a risk occurring and its potential impact are scored using the criteria below. Thresholds have been set to ensure that scoring remains consistent across the authority including committee reports and project documentation. These thresholds will be reviewed annually.

	Description	Likelihood of occurrence	Probability of occurrence	
Likelihood 3	Probable	Annually	The event will probably occur	
2	Possible	1 in 5 years	The event may occur	
1	Unlikely	Less frequently than 1 in 5 years	The event may occur in exceptional circumstances	

	Description	Financial	Reputation	Service / operation
Impact 3	Significant	> £400,000 p.a.	Adverse national media	Major fall in service quality
2	Moderate	£100,000 to £400,000 p.a.	Adverse local media	Significant fall in service quality
1	Minor	< £100,000	Public concerns restricted to local complaints	Little impact to service quality

The following matrix is used to plot risks to illustrate priority.

Impact				
Significant 3	Yellow	Red	Red (High)	
Moderate 2	Green	Orange (Medium)	Red	
Minor 1	Green (Low)	Green	Yellow	
	Unlikely 1	Possible 2	Probable 3	
	Likelihood			

Risk appetite

A material risk is deemed to be any risk scored 3:2, 2:3 or 3:3. These exceed the Council's 'risk appetite' i.e. the level of risk that it is prepared to tolerate without need for ongoing monitoring or reporting. Where a risk rating exceeds this area of tolerance, demonstrable evidence of how risks are being mitigated will be required, together with proposals for future controls.

Increasing pressure on public finances means that Local Authorities are obliged to have more appetite for risk. The Council cannot deliver everything it would ideally like to deliver and tough choices are necessary. The Council is therefore open to considering all delivery options, accepting increased levels of risk in order to secure the successful outcomes or rewards.

Risk management is essential in supporting innovation and moving from a 'risk averse' to a more 'risk aware' approach. An example is the acquisition of Old River Lane, Bishop's Stortford. The financial commitment is significant but the acquisition provides an opportunity to shape the town centre, and an additional income stream.

Stage 3 – Respond to risks

Risks may be able to be:

Controlled - It may be possible to mitigate the risk by 'managing down' the likelihood, the impact or both. The control measures should, however, be commensurate with the potential frequency, severity and financial consequences of the risk event.

Accepted - Certain risks may have to be accepted as they form part of, or are inherent in, the activity. The important point is that these risks have been identified and are clearly understood.

Transferred - to another body or organisation i.e. insurance, contractual arrangements, outsourcing, partnerships etc. (Liabilities cannot be contracted out in their entirety. The Council will often retain overall accountability; and certainly for health and safety risks.)

Terminated - By ending all or part of a particular service or project.

It is important to recognise that, in many cases, controls will already be in place. It is therefore necessary to look at these controls before considering further action. They may be out of date or not complied with.

Most risks are capable of being managed, either by managing down the likelihood or impact or both. Relatively few risks have to be transferred or terminated.

Stage 4 – Recording, monitoring and reporting

Only risks that are considered to be at an unacceptably high level require monitoring, using the template at appendix 2. (All risk registers will be compiled in the corporate format to ensure consistency, of scoring in particular.)

Existing controls of strategic risks, their adequacy, new mitigation measures and associated action planning information are to be recorded on the Strategic Risk Register.

A target risk score will also be agreed at the beginning of each financial year to focus minds on risk mitigation and recording of actions planned and achieved.

The target risk score, planned and implemented controls and the associated cost will all be recorded on the risk register and updated quarterly.

Leadership Team is responsible for ensuring that strategic risks are managed and will receive a quarterly monitoring report. The report will subsequently be submitted to Performance, Audit and Governance Oversight Committee.

Project Managers will be required to maintain risk registers and key entries will feature on or contribute to the broader Strategic Risk Register.

The Operational Risk Register will comprise the highest level service and project risks and corporate issues that affect all services such as data management, health and safety and fraud. This register shall be reported quarterly to Leadership Team.

Strategic, project and high level operational risks are recorded on Pentana Performance (formerly called Covalent) for Members' benefit.

Stage 5 - Integrate with strategic and audit planning and decision making

In order to formalise and structure risk management at the Council, it is recognised that there are obvious and clear links between risk management and strategic planning; financial and audit planning; policy making and review and performance management. The linkages are as follows:

- Risk management is part of the business planning process. Guidance is issued annually to Leadership Team.
- Financial Procedure Rules apply to every Member and officer of the Council and anyone acting on its behalf. The council encourages innovation, providing this is within the framework laid down by the Financial Procedure Rules, and the necessary risk assessment and approval safeguards are in place.
- Risk registers will be shared with the Shared Internal Audit Service for the purposes of audit planning.
- Risk management process can lead to the development of corporate policies and monitoring of compliance. E.g. health and safety, data protection and land management.

Section 4 - Risk management in projects and partnerships

Risk management needs to be a key part of the ongoing management of projects and partnerships, including shared services.

Project / Programme management

There is a need for consistent and robust approach to risk management in significant projects, both at the initiation stage and throughout the entire project. Guidance is available on the intranet.

Risk management should feature regularly on meeting agendas.

Partnerships

Reduced funding is leading to more public services and community projects being delivered through partnerships between the public, private and third sectors. Partnerships are essential to deliver benefits to residents, businesses and visitors, but they bring risks as well as opportunities.

Assurance should be gained and evidenced on risks associated with delivering services through third parties, and accountability should be clear and recognised.

Section 5 - Roles and responsibilities

The following describes the roles and responsibilities that Members and officers have in introducing, embedding and owning the risk management process:

Members

Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces.

All Members will have the responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the reports that are submitted to them. They cannot seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.

Additional responsibilities are:

Executive

- Allocate sufficient resources to address top risks.

Performance, Audit and Governance Oversight Committee

- To provide assurance of the effectiveness of the corporate risk assessment process and monitor the effective development and operation of risk management policies in the council, specifically including monitoring of the Risk Management Strategy and the Strategic Risk Register.

Chief Executive and Leadership Team

- To ensure that effective systems of risk management and internal control are in place to support the Corporate Governance of the Council.
- Take a leading role in identifying and managing the risks and opportunities to the council and to set the example and standards for all staff.
- Advise on the management of strategic and other significant risks.
- Ensure that the Policy and Strategy are communicated, understood and implemented by all Members, senior managers and staff.
- To ensure that the risk management process is part of all major projects, partnerships and change management initiatives.
- Create a culture where risk management is promoted, facilitated and appropriately undertaken by the council.

Heads of Service

- To be individually responsible for their service risks.
- Ensure that all reports written for Members include risk commentary.
- To implement the detail of the Risk Management Strategy and risk related corporate policies, e.g. Health and Safety, Data Protection.

Senior Managers and Project Managers

- Manage and monitor key risks effectively in each area of their responsibility.
- Support production and monitoring of the operational risk register.

Strategic Finance and Property

- Advise on corporate risk profiling and management, including safeguarding assets, risk avoidance and insurance.
- Co-ordinate risk management activities, update Pentana Performance and prepare related reports for Leadership Team and Members.
- Review, develop and promote the Risk Management Strategy and processes.
- Facilitate / arrange risk management training for staff and Members.
- Co-ordinate the Business Continuity Plan.
- Support the risk based audit planning process.

Shared Internal Audit Service

- To provide assurance to the Council through an independent and objective opinion on the control environment comprising risk management, control procedures and governance.
- To provide an annual Audit Plan that is based on a reasonable evaluation of risk, and to provide an annual assurance statement to the Council based on work undertaken in the previous year.
- Review and challenge the effectiveness of the risk management framework.

Appendix 1 – Categories of risk

Risk	Definition	Examples
Political	Associated with the local or central government policy or the local administration's manifesto commitment.	New political arrangements.
Finance	Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, external macro level economic changes or consequences of proposed investment decisions.	Financial climate. Financial sustainability and income streams. Budget overspends. Level of Council tax. Level of reserves. Changes in interest rates. Inflation.
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to meet its objectives.	Ageing population. Health statistics. Crime rates. Housing development. Employment sites and ability to influence growth. Cost of living. Deprivation indicators.
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives.	E-Gov. IT infrastructure. Staff/client needs. IT Security.
Legislative / Legal	Associated with current or potential changes in national or European law Or possible breaches of legislation.	GDPR. Human rights. TUPE regulations. Challenge to procurement exercise.
Continuity / service delivery	Ability to deliver services.	Loss of key staff, contractor, building, documents or IT.
Environmental	Relating to the environmental consequences of progressing the Council's strategic objectives.	Land use. Recycling. Pollution. Extreme weather events.

Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.	Fail to win quality accreditation. Alternative service providers.
Customer / citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens.	Managing expectations. Extent of consultation.
Managerial / profession	Associated with the particular nature of each profession, internal protocols and managerial abilities.	Resources and ability to deliver services and key projects. Staff restructure.
Partnership / contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.	Contractor fails to deliver. Partnership agencies do not have common goals. Shared services.
Physical	Related to fire, security, accident prevention and health and safety.	Land / facility management. Health and safety risks. Development sites.

Appendix 2 - Template

Code	Risk Title	Description	Current Likelihood	Current Impact	Target Likelihood	Target Impact	Managed By	Controls introduced and those planned for future. To include financial impact.
	Concise title	Explanation of the risk, consequences, benefits etc. E.g. Failure to… Loss of… Inability to… Reduction of… Disruption to… etc	Score each heading using the table on page 7				Risk owner. (Strategic risks will be managed by a member of Leadership Team)	Describe the controls introduced and those considered / planned for the future. These are to be costed with the sum listed here.
1								
2								
3								
4								
5								

Risk Management Strategy

2020/21 Review

Leadership Team	3 February 2020
Performance, Audit and Governance Scrutiny Committee	17 March 2020

Contents

Section 1 - Context

Policy statement

Risk is present in everything that we do, so it is our policy to identify, assess and manage the key areas of risk.

East Herts Council recognises that risk management is an essential element of good governance and must be embedded in the culture of the Authority, particularly projects and strategic decisions, including procurement and contracting. It supports informed decision making thereby enabling opportunities to be exploited, or action to be taken to mitigate or manage risk to an acceptable level.

In order to obtain a clear picture of the risks that threaten the council's ability to achieve its objectives, it is important that the council determines its 'risk appetite' – the level of risk that is considered acceptable for the organisation to be exposed to. The Risk Management Strategy reflects our 'risk appetite', the size of the Authority and, the nature of our operations and the drive to reduce bureaucracy.

The objectives of this strategy are:

- Define what risk management is about and what drives risk management within the council.
- Set out the benefits of risk management and the strategic approach to risk management.
- Outline how the strategy will be implemented.
- Identify the relevant roles and responsibilities for risk management within the council.
- Formalise the risk management process across the Council.

Approval, communication, implementation and review

The Risk Management Strategy is on the intranet and is specifically issued to all :

- The Executive Members,
- Performance, Audit and Governance Scrutiny Committee
  Leadership Team and Senior Managers

The strategy is reviewed each year, and following key changes in central or local policies. Risk management is also subject to frequent audit by the Shared Internal Audit Service (SIAS) and feeds in to the risk-based audit planning process.

Section 2 - What is risk management and why do we do it?

Risk Management can be defined as:

The process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of their success and reducing the likelihood of their failure. (Source: The Institute of Risk Management).

Risk management at East Herts Council is essentially about identifying risks that exist at a strategic level, or pose the greatest threat to services.
The council maintains two tiers of risk register:

- Strategic risks – the highest level 'business' risks.
- Operational risks – the day to day issues faced by services and Project Managers.

Once identified, the next stage is to prioritise risks to identify which are key to the Council moving forward. It is essential that steps are then taken to manage these effectively.

There should also be a consideration of the positive or 'opportunity' risk aspect. (For more information see Section 3, 'risk identification').

National drivers behind strategic risk management

- The CIPFA/SOLACE framework on Corporate Governance requires the Council to manage risks and performance through robust internal control and strong public financial management. Risk management and internal control are integral parts of a performance management system and are crucial to the achievement of outcomes. Robust and integrated risk management arrangements are required, and risk should be addressed as part of all decision making activities.

- Risk management is best practice in both the public and private sectors.

Benefits of risk management

Public services are facing unprecedented challenges and the effective management of risk is needed more than ever. A risk-managed approach to decision making will help

the council to achieve objectives and deliver services more efficiently, using innovative and cost-effective means.

Implementation of risk management produces many benefits for the Council including:

- Improved efficiency of operations.
- Protection of budgets from unexpected financial losses.
- Protection of reputation.
- Increased chance of achieving strategic / project objectives as key risks are minimised.
- The possibility of becoming less risk averse because risks are understood.
- Improved performance (accountability and prioritisation) - feeds into performance management framework.
- Better governance can be demonstrated to stakeholders.

Section 3 - Implementation of risk management

Implementing the strategy involves a 5-stage process:

Stage 1 – Risk identification

An inventory of risks is prepared of those events which might create, prevent, accelerate or delay the achievement of objectives. (A list of prompts is included at Appendix 1.)

~~What could prevent the Council, your service, project or partnership from meeting objectives or outcomes?~~ It is important that those involved with the process clearly understand what the Council wants to achieve in order to be able to identify the barriers. A variety of people from across the organisation should input to ensure that all risks are identified.

Strategic risks are generally considered at an annual review with Leadership Team. Service or operational risks are identified through the service planning process, with service managers, at project meetings and / or through the committee reporting process.

The process for the identification of risk should be undertaken for projects (at the start of each project stage), partnerships, service planning and at a strategic / corporate level. Details of who contributes to these stages are explained further in the roles and responsibilities section.

~~When identifying risks i~~It is important to remember that risk management is also about making the most of opportunities. For example:

- Making bids for funding.
- Taking a national or regional lead on policy development.
- Savings that may be achievable ~~if a project goes to plan~~or income that may be generated.
- A 'spend to save' initiative.
- Tendering a large contract also provides an opportunity to reshape service delivery.

~~The process for the identification of risk should be undertaken for projects (at the start of each project stage), partnerships, service planning and at a strategic / corporate level. Details of who contributes to these stages are explained further in the roles and responsibilities section.~~

~~Stage 2 – Analysing and evaluating the risks~~

The risk should be given a clear and concise title and captured on the template in appendix 2. A fuller description to include the root cause and the possible consequences of the risk if it occurs should also be provided separately. ~~, e.g.~~

~~Title~~	~~Description~~
~~Encouragement of economic vitality cross the~~	~~Risks that opportunities to maximise inward investment, employment and economic growth are not maximised in the district.~~ ~~Also ensure regular dialogue with business and organisations~~

District.	representative of business. Interventions to be proposed where appropriate e.g. business improvement district opportunities.

Identification, analysis and scoring of strategic risk are agreed at Leadership Team. Participants review risk scenarios, rate the potential likelihood of occurrence and the impact if it were to occur.

Stage 2 – Analysing and evaluating the risks

The likelihood of a risk occurring and its potential impact are scored using the criteria below. Thresholds have been set to ensure that scoring remains consistent across the authority including committee reports and project documentation. These thresholds will be reviewed annually. A matrix is used to plot risks to illustrate priority. Impact and likelihood scoring criteria are detailed in the matrix below.

	Description	Likelihood of occurrence	Probability of occurrence
Likelihood	3 Probable	Annually	The event will probably occur
	2 Possible	1 in 5 years	The event may occur
	1 Unlikely	Less frequently than 1 in 5 years	The event may occur in exceptional circumstances

	Description	Financial	Reputation	Service / operation
Impact	3 Significant	> £400,000 p.a.	Adverse national media	Major fall in service quality
	2 Moderate	£100,000 to £400,000 p.a.	Adverse local media	Significant fall in service quality
	1 Minor	< £100,000	Public concerns restricted to local complaints	Little impact to service quality

The following A matrix is used to plot risks to illustrate priority. Impact and likelihood scoring criteria are detailed in the matrix below.

Impact		Likelihood		
	Significant 3	Yellow	Red	Red — High
	Moderate 2	Green	Orange — Medium	Red
	Minor 1	Green	Green — Low	Yellow
		Unlikely 1	Possible 2	Probable 3

Likelihood

IMPACT	1 - RARE	2 - UNLIKELY	3 - POSSIBLE	4 - PROBABLE
4 - HIGH >£300,000 and / or national criticism and / or catastrophic fall in service quality	Orange	Orange	Red	Red
3 – MEDIUM £150,000 to £300,000 and / or regional criticism and / or major long term fall in service quality	Orange	CONTINGENCY	CRITICAL	Red
2 – LOW £50,000 to £150,000 and / or long term local media criticism and / or minor long term or major short term fall in service quality	Green	CONTROL	CAUTION	Orange
1 - NEGLIGIBLE <£50,000 and / or short term local media criticism and / or short term fall in service quality	Green	Green	Orange	Orange
LIKELIHOOD	1 - RARE The event could occur in exceptional circumstances	2 - UNLIKELY The event could occur less frequently than every three years	3 - POSSIBLE The event is likely to occur within, or more than one in three years	4 - PROBABLE The event is likely to occur within a year

Risk appetite

A material risk is deemed to be any risk ~~rated higher than 2:2~~scored 3:2, 2:3 or 3:3. ~~This is~~These exceed the Council's 'risk appetite' i.e. the level of risk that it is prepared to tolerate without need for ongoing monitoring or reporting. Where a risk rating exceeds this ~~'control'~~ area of tolerance, demonstrable evidence of how risks are being mitigated will be required, together with proposals for future controls.

Increasing pressure on public finances means that Local Authorities are obliged to have more appetite for risk. The Council cannot deliver everything it would ideally like to deliver and tough choices are necessary. The Council is therefore open to considering all delivery options, accepting increased levels of risk in order to secure the successful outcomes or rewards.

Risk management is essential in supporting innovation and moving from a 'risk averse' to a more 'risk aware' approach. An example is the acquisition of Old River Lane, Bishop's Stortford. The financial commitment is significant but the acquisition provides an opportunity to shape the town centre, and an additional income stream.

Stage 3 – Respond to risks

Risks may be able to be:

Controlled - It may be possible to mitigate the risk by 'managing down' the likelihood, the impact or both. The control measures should, however, be commensurate with the potential frequency, severity and financial consequences of the risk event.

Accepted - Certain risks may have to be accepted as they form part of, or are inherent in, the activity. The important point is that these risks have been identified and are clearly understood.

Transferred - to another body or organisation i.e. insurance, contractual arrangements, outsourcing, partnerships etc. (Liabilities cannot be contracted out in their entirety. The Council will often retain overall accountability; and certainly for health and safety risks).

Terminated - By ending all or part of a particular service or project.

It is important to recognise that, in many cases, controls will already be in place. It is therefore necessary to look at these controls before considering further action. They may be out of date or not complied with.

Most risks are capable of being managed, either by managing down the likelihood or impact or both. Relatively few risks have to be transferred or terminated.

Stage 4 – Recording, monitoring and reporting

Only risks that are considered to be at an unacceptably high level require monitoring, using the template at appendix 2. (All risk registers will be compiled in the corporate format to ensure consistency, of scoring in particular.)

Existing controls of strategic risks, their adequacy, new mitigation measures and associated action planning information are to be recorded on the Strategic Risk Register.

A ~~residual (or~~ target~~)~~ risk score will also be agreed at the beginning of each financial year to focus minds on risk mitigation and recording of actions planned and achieved.

The ~~residual~~ target risk score, planned and implemented controls and the associated cost will all be recorded on the risk register and updated quarterly.

Leadership Team is responsible for ensuring that strategic risks are managed and will receive a quarterly monitoring report. The report will subsequently be submitted to ~~the Executive and~~ Performance, Audit and Governance ~~Scrutiny~~ Oversight Committee. ~~Both will receive an annual report detailing the content of the Strategic Risk Register, then three exception reports each year detailing any change in risk scoring and the reasons why.~~

Project Managers will be required to maintain risk registers and key entries will feature on or contribute to the broader Strategic Risk Register.

The Operational Risk Register will comprise the highest level service and project risks and corporate issues that affect all services such as data management, health and safety and fraud. This register shall be reported quarterly to Leadership Team.

Code	Risk Title	Description	Current Impact	Current Likelihood	Target Impact	Target Likelihood	Managed By	Controls introduced and those planned for future. To include financial impact.

Strategic, project and high level operational risks are recorded on Pentana Performance (formerly called Covalent) for Members' benefit.

Stage 5 - Integrate with strategic and audit planning and decision making

10

In order to formalise and structure risk management at the Council, it is recognised that there are obvious and clear links between risk management and strategic planning; financial and audit planning; policy making and review and performance management. The linkages are as follows:

- Risk management is part of the business planning process. Guidance ~~on the framework~~ is issued annually to Leadership Team.
- Financial Procedure Rules apply to every Member and officer of the Council and anyone acting on its behalf. ~~East Herts~~The council encourages innovation, providing this is within the framework laid down by the Financial Procedure Rules, and the necessary risk assessment and approval safeguards are in place.
- Risk registers will be shared with the Shared Internal Audit Service for the purposes of audit planning.
- Risk management process can lead to the development of corporate policies and monitoring of compliance. E.g. health and safety, data protection and land management.

Section 4 - Risk management in projects and partnerships

Risk management needs to be a key part of the ongoing management of projects and partnerships, including shared services.

Project / Programme management

There is a need for consistent and robust approach to risk management in significant projects, both at the initiation stage and throughout the entire project. Guidance is available on the intranet.

Risk management should feature regularly on meeting agendas.

Partnerships

Reduced funding is leading to more public services and community projects being delivered through partnerships between the public, private and third sectors. Partnerships are essential to deliver benefits to residents, businesses and visitors, but they bring risks as well as opportunities.

Assurance should be gained and evidenced on risks associated with delivering services through third parties, and accountability should be clear and recognised.

Section 5 - Roles and responsibilities

The following describes the roles and responsibilities that Members and officers have in introducing, embedding and owning the risk management process:

Members

Elected Members are responsible for governing the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces ~~and can monitor how these risks are being managed on Pentana Performance~~.

All Members will have the responsibility to consider the risks associated with the decisions they undertake and will be informed of these risks in the reports that are submitted to them. They cannot seek to avoid or delegate this overall responsibility, as it is key to their stewardship responsibilities.

Additional responsibilities are:

Executive

- ~~To receive an annual report regarding the content of the Strategic Risk Register, then three exception reports each year detailing any change in risk or scoring and the reasons why.~~
- ~~Agree the Risk Management Strategy on an annual basis, or if significant changes require a revision.~~
- ~~Agree / set the Council's risk appetite.~~
- Allocate sufficient resources to address top risks.

Performance, Audit and Governance ~~Scrutiny~~ Oversight Committee

- To provide assurance of the effectiveness of the corporate risk assessment process and monitor the effective development and operation of risk management policies in the council, specifically including monitoring of the Risk Management Strategy and the Strategic Risk Register.
- ~~To develop policy options and to review and scrutinise the policies of the Council including Risk Management.~~
- ~~To monitor the effective development and operation of risk management and corporate governance in the Council.~~
- ~~Receive an annual report regarding the content of the Strategic Risk Register, then three exception reports each year detailing any change in risk or scoring and the reasons why.~~

Chief Executive and Leadership Team

- To ensure that effective systems of risk management and internal control are in place to support the Corporate Governance of the Council.
- Take a leading role in identifying and managing the risks and opportunities to the council and to set the example and standards for all staff. ~~Advise the Executive on the risk management framework, policy, strategy and processes.~~
- Advise on the management of strategic and other significant risks.
- Ensure that the Policy and Strategy are communicated, understood and implemented by all Members, <u>senior</u> managers and staff.
- To ensure that the risk management process is part of all major projects, partnerships and change management initiatives.
- <u>Create a culture where risk management is promoted, facilitated and appropriately undertaken by the council.</u>

Heads of Service

- To be individually responsible for their service risks.
- Ensure that all reports ~~of a strategic nature~~ written for Members include risk commentary.
- To implement the detail of the Risk Management Strategy and risk related corporate policies, e.g. Health and Safety, Data Protection.

<u>Senior Managers and Project Managers</u>

- <u>Manage and monitor key risks effectively in each area of their responsibility.</u>
- <u>Support production and monitoring of the operational risk register.</u>

Strategic Finance and Property

- <u>Advise on corporate risk profiling and management, including safeguarding assets, risk avoidance and insurance.</u>
- Co-ordinate risk management activities<u>, update Pentana Performance</u> and prepare related reports for ~~management~~ <u>Leadership Team</u> and Members.
- Review ~~and~~<u>,</u> develop <u>and promote</u> the Risk Management Strategy and processes.
- Facilitate / arrange risk management training for staff and Members.
- Co-ordinate the Business Continuity Plan.
- Support the risk based audit planning process.

Shared Internal Audit Service

- To provide assurance to the Council through an independent and objective opinion on the control environment comprising risk management, control procedures and governance.
- To provide an annual Audit Plan that is based on a reasonable evaluation of risk, and to provide an annual assurance statement to the Council based on work undertaken in the previous year.
- Review and challenge the effectiveness of the risk management framework.

Appendix 1 – Categories of risk

Risk	Definition	Examples
Political	Associated with the local or central government policy or the local administration's manifesto commitment.	New political arrangements.
Finance	Affecting the ability of the Council to meet its financial commitments. These include internal budgetary pressures, external macro level economic changes or consequences of proposed investment decisions.	Financial climate. Financial sustainability and income streams. Budget overspends. Level of Council tax. Level of reserves. Changes in interest rates. Inflation.
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the Council's ability to meet its objectives.	Ageing population. Health statistics. Crime rates. Housing development. Employment sites and ability to influence growth. Cost of living. Poverty Deprivation indicators.
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the Council's ability to deliver its objectives.	E-Gov. IT infrastructure. Staff/client needs. IT Security.
Legislative / Legal	Associated with current or potential changes in national or European law Or possible breaches of legislation.	GDPR. Human rights. TUPE regulations. Challenge to procurement exercise.
Continuity / service delivery	Ability to deliver services.	Loss of key staff, contractor, building, documents or IT.
Environmental	Relating to the environmental consequences of progressing the Council's strategic objectives.	Land use. Recycling. Pollution. Extreme weather events.

Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value.	Fail to win quality accreditation. Alternative service providers.
Customer / citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens.	Managing expectations. Extent of consultation.
Managerial / profession	Associated with the particular nature of each profession, internal protocols and managerial abilities.	Resources and ability to deliver services and key projects. Staff restructure.
Partnership / contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification.	Contractor fails to deliver. Partnership agencies do not have common goals. Shared services.
Physical	Related to fire, security, accident prevention and health and safety.	Land / facility management. Health and safety risks. Development sites.

Appendix 2 - Template

Code	Risk Title	Description	Current Likelihood	Current Impact	Target Likelihood	Target Impact	Managed By	Controls introduced and those planned for future. To include financial impact.
	Concise title	Explanation of the risk, consequences, benefits etc. E.g. Failure to… Loss of… Inability to… Reduction of… Disruption to… etc	Score each heading using the table on page xx				Risk owner. (Strategic risks will be managed by a member of Leadership Team)	Describe the controls introduced and those considered / planned for the future. These are to be costed with the sum listed here.
1								
2								

This page is intentionally left blank

East Herts Council Report

Performance, Audit and Governance Oversight Committee

Date of Meeting: **17 March 2020**

Report by: **Bob Palmer, Head of Strategic Finance and Property**

Report title: **Annual review of Strategic Risk Register**

Ward(s) affected: **All**

Summary

RECOMMENDATIONS FOR PERFORMANCE, AUDIT AND GOVERNANCE OVERSIGHT COMMITTEE:

(a) The Strategic Risk Register be reviewed and officers advised of amendments and / or additions.

1.0 Proposal(s)

1.1 This report proposes the content of the Strategic Risk Register for 2020/21.

2.0 Background

2.1 The Strategic Risk Register is reviewed annually by this committee and by Leadership Team. (The review by Leadership Team took place on 3 February 2020.)

3.0 Reason(s)

3.1 Public services are facing unprecedented challenges and the effective management of risk is needed more than ever. Our risk-managed approach to decision making will help the Council achieve objectives and deliver services more efficiently.

4.0 Options

4.1 Risk monitoring has been scaled back over recent years but there is an appetite to increase monitoring and participation.

4.2 Quarterly monitoring of the Strategic Risk Register will resume in 2020/21 with the register being updated and approved by Leadership Team before submission to Performance, Audit and Governance Oversight Committee.

4.3 The highest level corporate, service and project risks will also be monitored quarterly by Leadership Team but not committees, although Members will be able to view these risks on Pentana Performance.

5.0 Risks

5.1 Embedding risk management produces many benefits for the Council which are documented within the Risk Management Strategy also presented at this meeting.

6.0 Implications/Consultations

6.1 As detailed in 2.1, Leadership Team proposed the content of the register in February 2020. Senior Managers were also consulted in advance.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

Risk management can provide protection of budgets from unexpected losses. Better governance can be demonstrated and the annual audit plan is risk based.

The 'resources' item within the Strategic Risk Register deals with financial pressures and several other entries will have financial impacts.

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.

Health and safety will be an operational risk monitored by Leadership Team.

Human Resources

The 'resources' item within the Strategic Risk Register details the risk of not having the capacity or skills to deliver services, staff recruitment and retention, succession planning etc.

Human Rights

No

Legal

One strategic risk specifically concerns change to legislation and several other risks touch on legal matters.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

    7.1   Please see the proposed Strategic Risk Register at appendix 1.

Contact Member   Councillor George Cutting, Executive Member for Corporate Services

george.cutting@eastherts.gov.uk

Contact Officer   Bob Palmer, Head of Strategic Finance and Property

bob.palmer@eastherts.gov.uk

Report Author   Graham Mully, Insurance and Risk Business Advisor

graham.mully@eastherts.gov.uk

Appendix 1- Strategic Risk Register 2020/21

Title	Description	Current likelihood score	Current impact score	Target likelihood score	Target impact score	Owner

Resources	• Funding pressures place strain on the financial sustainability of the council.
	• Risk of significant loss of income streams resulting from changes to economic conditions outside of the council's control such as:
	  • Economic downturn placing greater demand on services.
	  • Depressed commercial property market reducing income generated by our property portfolio and proposed projects.
	  • Loss of business rates (with over 4,000 businesses in District paying business rates).
		3	3	3	3	Head of Strategic Finance and Property

Political change (local or national)	• Planning policy changes.
	• Universal credit.
	• Leadership / management culture.
	• Environmental sustainability and the need for carbon reduction across the council with an ambition to become carbon neutral by 2030.
	• Brexit risks:
	  • Potential project delays due to labour shortages or materials imports, or increased project costs due to tariffs or supply chain difficulties.
	  • Settled status for EU nationals with only half of the 4,000 registered in District having applied for settled status.
	  • Risk to business growth.
		3	3	3	2	Chief Executive

Performance, resilience and security of IT systems	• Risk of data breach / loss, business continuity incident or poor performance impacting service delivery. • Changing demand on council services and the requirement to invest in and encourage online interaction with customers.	3	2	2	2	Deputy Chief Executive

Capacity and skills to deliver services	• Recruitment and retention of staff. • Capability and skills to deliver services and projects. • Succession planning.	3	2	2	2	Head of HR and Organisational Development
Poor performance or failure of key partner or contractor	• Risk that supplier, contractor or key third sector partner fails or fails to deliver. • Impact on services. • Delays to key projects and financial consequences.	2	3	1	3	Chief Executive
Infrastructure / growth	• Delivery of strategic projects and the risk that residents and key stakeholders are not supportive. • Management of housing growth to ensure that new developments are controlled, provide sustainable communities and with appropriate infrastructure in place. Threat to existing employments sites and the need to ensure that new sites are provided. • Reliance on partners and stakeholders.	2	3	2	3	Chief Executive

Legislative	• Risk of avoidable data breach caused by action of staff, contractors or partners, or resilience of systems. • Capacity to respond to changing legislation after Brexit. • Alternative service delivery models. • Effective management of major procurement exercises.	2	3	2	3	Head of Legal and Democratic Services
Business economy	• Ability to attract, sustain and nurture businesses within the District. Insufficient space for existing business to grow. • Risk of being unable to ensure employment land is provided alongside new developments, or that employment land is lost to housing development. • Economic downturn could affect employment across the District. Tariffs and exchange rates post Brexit could further increase risk to businesses.	2	3	2	3	Head of Communications, Strategy and Policy

		Description	Likelihood of occurrence	Probability of occurrence	
Likelihood	3	Probable	Annually	The event will probably occur	
	2	Possible	1 in 5 years	The event may occur	
	1	Unlikely	Less frequently than 1 in 5 years	The event may occur in exceptional circumstances	

		Description	Financial	Reputation	Service / operation
Impact	3	Significant	> £400,000 p.a.	Adverse national media	Major fall in service quality
	2	Moderate	£100,000 to £400,000 p.a.	Adverse local media	Significant fall in service quality
	1	Minor	< £100,000	Public concerns restricted to local complaints	Little impact to service quality

Impact

Significant 3	(yellow)	(red)	High (red)
Moderate 2	(green)	Medium (orange)	(red)
Minor 1	Low (green)	(green)	(yellow)
	Unlikely 1	Possible 2	Probable 3

Likelihood

This page is intentionally left blank

East Herts Council Report

Performance, Audit and Governance Oversight Committee

Date of Meeting: 17 March 2020

Report by: Bob Palmer, Head of Strategic Finance and Property

Report title: Annual Governance Statement 2018/19 – Update on Action Plan

Ward(s) affected: All

Summary

RECOMMENDATIONS FOR PERFORMANCE, AUDIT & GOVERNANCE OVERSIGHT COMMITTEE:

(a)   **The update on the AGS 2018/19 action plan be reviewed and Members confirm that the requirements of the action plan have been met.**

1.0 Proposal(s)

1.1   This report proposes that the requirements of the action plan of the Annual Governance Statement (AGS) for 2018/19 have been met.

2.0 Background

2.1   An AGS is completed annually to summarise issues of concern with governance that have arisen during the year. To address those concerns, an action plan is included.

3.0 Reason(s)

3.1   As part of a framework of good governance, it is important that management and Members can demonstrate that governance issues are acted upon and the implementation of recommendations is monitored.

3.2   The updates have largely been taken from previous information supplied to PAGO. Leadership Team have confirmed the accuracy of this information and supplemented it where necessary.

4.0 Options

4.1   Members can either acknowledge the progress made and confirm that the action plan has been implemented, or ask for additional actions or monitoring.

5.0 Risks

5.1   The timely implementation of governance recommendations will reduce the risks to the Council.

6.0 Implications/Consultations

6.1   Leadership Team were consulted on the original AGS and have provided the responses to the action plan.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

One of the actions concerned a need to better monitor savings proposals and this has been addressed during 2019/20.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

The Accounts and Audit Regulations 2015 stipulate that all authorities must conduct a review of the effectiveness of the system of internal controls and prepare an Annual Governance Statement each financial year.

Specific Wards

No

7.0 Background papers, appendices and other relevant mater

None

Contact Member	Councillor Geoff Williamson, Executive Member for Financial Sustainability
	geoff.williamson@eastherts.gov.uk
Contact Officer /	Bob Palmer, Head of Strategic Finance
Report Author	and Property
	bob.palmer@eastherts.gov.uk

This page is intentionally left blank

AGS – Action Plan 2019/20 Update

Recommendations/Actions	Current Position 17 February 2020

TSS Improvement Plan – Governance
 	
Management should complete the review of the IT policies and tailor them to the needs of both Councils. The purchased IT policy software should be deployed without any further delay and the policies should be made available to all members of staff. Management should track and monitor staff attestation and responses.
 	
Furthermore, management should review and, where necessary, revise the Service's IT procedures so that they are consistent across both Councils. The procedures should be documented and communicated to all members of staff.
 	
Representatives from both Councils should agree a shared set of expectations for how technology will be used to achieve their respective strategic objectives.
 	
These expectations should form the basis for a defined IT Strategy for the Shared IT Service, which should include as a minimum:
 	
    o The expectations for the levels of service to be provided
    o The metrics for monitoring the performance of the Shared IT Service.
    o The performance of the Service should be reviewed on a routine basis by the ICT Partnership Board and measured against the defined metrics and key performance indicators.
	The IT Strategy was approved by the Executive at Stevenage Borough Council in October 2019 and by Council at East Herts in December. This is an extensive document which far exceeds the minimum requirements contained in the recommendations. Performance of the Service is reviewed on a routine basis by the ICT Partnership Board and measured against the IT Strategy.

Cyber Security

Management should establish a network access control to block unknown or unauthorised devices from connecting to the Council's IT network. This should include restricting the ability to physically connect to the IT network.

The Council has created a Security & Network Team who have been tasked to look at security/network tools. There is also a planned upgrade to office 365.

Where there is a demonstrable need for a device to connect to the IT network, the Service should require:

o The purpose for the connection has been recorded
o Appropriate security controls have been enabled on the device connecting to the IT network
o The period of time that the device will require the connection
o All connections are approved before being allowed to proceed.
o Devices connected to the IT network should be reviewed on a routine basis.

Intune MDM has been installed and will be rolled out to manage all mobile devices and Windows 10 laptops. A plan is in place to upgrade all laptops to Windows 10 to ensure control via Intune encryption using Bitlocker.

Financial and resource restrictions have delayed the procurement of network tools to financial year 2020/21.

It is very rare (if ever) that someone connects an external device to the IT network. The Zero Clients do not allow the transfer of data to anything plugged into them.

There should be a record of the configuration of the Council's firewalls, which includes but is not limited to:

o The purpose of all of the rules
o The expected configuration and activity for each rule
o The member of staff that requested and approved the rule
o The configuration of the firewall should be reviewed on a routine basis.
o The Service should develop a Firewall rule policy to provide the list of controls that are required to secure firewall implementations to an approved level of security

The Security & Network Team have been tasked to look at replacing the entire Firewall (and switch) estate. As part of this work all firewall configurations will need to be reviewed and recorded.

Replacement of all firewalls scheduled for April 2020. Configurations and creation of new network environment is being worked on as part of that plan.

Incident Management	
Management should update the Council's IT disaster recovery plan to include the procedure for establishing all IT services at a single data centre.

A complete IT Disaster Recovery scenario test on all applications and systems should take place to provide assurance that recovery could happen within the expected time frame.

The Service should document the results of the test to determine the further actions required to improve the efficacy of the plan.

Management should define the processing capacity threshold at which it is no longer possible for a data centre to operate as the single data centre.

This should be monitored and, where exceeded, appropriate action should be taken. | We have started a project to install a secondary microwave link between our data centres. This will give us a resilient link where either can be down and connectivity remains.

Also, with our upgrade to Horizon VDI, we are installing hardware which will allow either site to run 100% of capacity. This will allow the complete downing of one site for upgrade work and for full capacity in the event of one data centre being offline.

Implementation was scheduled for January 2020 but is now expected to complete in April. Grant funding has been secured for an external review of disaster recovery post implementation. |
| S106 Spend Arrangements

Record keeping of S106 contributions, the spend arrangements and associated timeframes be reviewed to confirm fitness for purpose. An effective master record is adopted for monitoring and reporting purposes.

The Council establish a sound legal position in respect of any time expired contributions. Contributions due to expire in the near future are subject to urgent consideration and remedial action where required. | To take forward the recommendations and provide oversight of S106 contributions a role was created of Infrastructure Contributions & Spend Manager.

A review of all received financial contributions from 1996 to date was undertaken to create a Master Received Contributions Spreadsheet. This spreadsheet has information confirming the planning application, location, obligation wording, timescale for allocation and RAG rating for each unallocated contribution. Additional columns identify current and future project information and spending. The spreadsheet has been used to identify and confirm agreement wording to allow distribution of unspent contributions to internal projects and other external bodies for community use, as well as transferring funds to named recipients and identifying ongoing revenue payments. One time expired contribution has been returned to the provider. |

Digital East Herts We recommend that management should conduct a robust review of active projects at risk, or likely to become at risk, to determine if strategic intervention is needed by Leadership Team. This should include making sure the financial savings targets set are actually viable and likely to be met by the deadline of 31 March 2020. Any projects identified as highly likely not to produce the minimum financial savings expected should be escalated to Leadership Team so that remedial action to adjust or re-assign targets can be taken in a timely manner. We also recommend that management should develop a new list of potential digital projects for Leadership Team to consider, as a way to find solutions to cover the £50,000 shortfall presently being forecast.	The issue in most cases is that project delivery (in terms of outputs) is on track. However, the cashable savings linked to the project are at risk of not materialising. For example, where new systems have been implemented the work has been completed but no direct savings have been realised. In some projects also, savings are being discussed as part of a review of shared budgets between East Herts and Stevenage. As part of the year end close down process, each Head of Service discussed their 18/19 and 19/20 budgets. Savings were validated at that point. A wider piece of work also took place afterwards looking at efficiency targets for 19/20 where the remaining shortfall was identified. Savings included in the 2020/21 budget will be monitored by Leadership Team.
Joint Waste Contract The four performance indicators in place have a significant weighting within the PMR and therefore measuring these allows management to assess service delivery. We recommend that management undertake an exercise of prioritising the remaining indicators and determine which the next most important service measurement indicators are. This should be part of the project currently underway. In addition, we recommend that priority is given to formally agreeing the service failure types to be measured. A clear and defined record of all adjustments to the PMR should be maintained and appropriate approval retained. A contract variation notice should be raised to formalise any locally agreed changes to performance criteria, with the support of the Legal Commercial Team Manager.	A clear structure including timescales for the full implementation of PMR criteria was in place at the time of the audit. This has now been concluded with all 64 criteria now live and operational for the Urbaser contract.

East Herts Council Report

Council/ Executive /Committee

Performance, Audit & Governance Oversight Committee

Executive

Date of Meeting:

17th March 2020 PAGO

11th February 2020 Executive

Report by: Councillor Geoff Williamson, Deputy Leader & Executive

Member for Financial Sustainability

Report title: QUARTERLY CORPORATE BUDGET MONITOR –
QUARTER 3 DECEMBER 2019

Ward(s) affected: ALL

Summary

- To provide a report on finance and performance monitoring for East Herts Council for 2019/20 as at 31st December 2019

- The net revenue budget for 2019/20 is £10.268m as set out in table 1, this is funded by Council Tax. The forecast outturn as at 31st December predicts a year end underspend of £10k

- The revised capital budget for 2019/20 is £77.812m, of which £78k is estimated to underspend and £64.292m is to be carried forward to future years

RECOMMENDATIONS FOR EXECUTIVE:

    a. The net cost of services budget forecast underspend of £35k in 2019/20 be noted (paragraph 2.5);

    b. The capital budget for 2019/20 is £77.812m, of which £78k is estimated to underspend and £64.292m is to be carried forward to future years be noted (paragraph 5.1.1);

    c. The reported performance for the period October 2019 to December 2019 be noted (paragraph 7);

1.0 Proposal(s)

    1.1   Not applicable

2.0 Background

    2.1   On 19th December 2018 Council approved a balanced budget for 2019/20 financial year. This report sets out the financial position for the year to date and provides forecasts for the outturn position.

    2.2   The Council's revenue budget is made up of 5 areas; these are shown in table 1 below. The report that follows provides details of the forecast outturn position against these areas.

Table 1 - Net Cost of Services

	Original Budget 2019/20	Forecast outturn	Variance
	£'000	£'000	£'000
Total Net Cost of Services	14,201	14,166	(35)
Corporate Budgets Total	1,669	1,523	(146)
Net Use of Reserves	(139)	(139)	0
Funding	(5,463)	(5,292)	171
Net Revenue Spend	**10,268**	**10,258**	**(10)**
Funded by Council Tax	(10,268)	(10,268)	0
Underspend	**0**	**(10)**	**(10)**

2.3 The report contains the following sections and Appendices:

Background Report Sections	
2.4	Net Cost of Services
2.12	Corporate budgets
3.1	Reserves
4.1	Funding
5.1	Capital budgets
6.1	Debtors
7	Performance analysis

Appendices	
A	Capital
B	Debtors
C	Performance monitoring
D	Communications Report

2.4 <u>Net Cost of Services</u>

2.5 The Council's net cost of services budget for 2019/20 is £14.201m. An underspend of £35k is forecast in 2019/20. Table 2 overleaf shows this current forecast outturn position broken down by service area

Table 2 – Revenue Forecast Outturn

	Original Budget 2019/20	Forecast outturn	Variance	Variance
	£'000	£'000	£'000	%
Chief Executive & Directors	380	375	(5)	-1.3%
Communications, Strategy & Policy	1,001	987	(14)	-1.4%
HR & Organisational Development	513	538	25	4.9%
Strategic Finance & Property	1,906	1,907	1	0.1%
Housing & Health	2,394	2,390	(4)	-0.1%
Democratic and Legal	1,300	1,274	(26)	-2.0%
Planning & Building Control	582	588	6	0.9%
Operations	3,473	3,484	11	0.3%
Shared Revenues & Benefits Service	1,658	1,616	(42)	-2.5%
Revenues & benefits retained costs	(336)	(458)	(122)	36.3%
Housing Benefit Subsidy	(550)	(550)	-	0.0%
Shared Business & Technology Services	1,880	2,015	135	7.2%
Total Net Cost of Services	**14,201**	**14,166**	**(35)**	**0.2%**

Net Cost of Services

2.6   Communications, strategy and policy

2.6.1   A forecast underspend of £14k is reported against the communications, strategy and policy budget. This is due to salary underspends in vacant posts.

2.7   HR & organisation development

2.7.1   A forecast overspend of £25k is reported against the HR & organisational services. £12k of this overspend relates to the funding of professional qualification development as previously agreed by LT to support the development of hard to fill posts in planning and environmental health services. Additionally employment costs relating to the apprenticeship staffing budget has been overspent due to not sufficiently factoring in pay rises based on age for the apprenticeships alongside a delay in moving an apprentice into a permanent role.

2.8   Democratic and legal

2.8.1   A forecast underspend of £26k is reported against the democratic and legal service. This is due to salary underspends and vacant posts across legal services and land charges.

2.9   Shared revenue and benefits

2.9.1   A forecast underspend of £42k is reported against the Shared revenues and benefits service. This mostly relates to an underspend in salaries costs.

2.10   Revenues and benefits retained costs

   2.10.1 The revenues and benefits retained costs budget is forecast to overachieve by £122k. This is mostly due to government grant income received and not utilised within the year. Additionally a significant reduction in legal fees contributes to the overachievement of this budget.

2.11   Shared business & technology services

   2.11.1 The shared business & technology services budget is forecasting an overspend of £135k. Of this, £50k is due to capitalising salary costs and the remainder due to additional IT license costs.

2.12   Corporate Budgets

   2.12.1 Corporate budgets are costs and income received by the Council that are not service specific, these include income from the Council's investments, pension deficit contributions and New Homes Bonus grants to Town and Parish Councils

   2.12.2 Table 3 overleaf shows the forecast outturn position against the corporate budgets.

Table 3 – Corporate budgets 2019/20 forecast outturn

	Original Budget 2019/20	Forecast outturn	Variance
	£'000	£'000	£'000
NHB Grants to Town & Parish Council	697	654	(43)
NHB Priority Spend	697	654	(43)
Interest Payments	669	669	0
Interest & Investment Income	(1,090)	(1,150)	(60)
Pension Fund Deficit contribution	696	696	0
Corporate Budget Total	**1,669**	**1,523**	**(146)**

2.12.3 A variance of £43k is shown against the New Homes Bonus budgets. This is due to not receiving as much grant income from central government as initially expected. This also impacts the amounts awarded to town and parish councils and the contribution to reserves by the same amount.

2.12.4 The interest and investment income budget forecasts an overachievement in income by £60k. This is due to property fund investments exceeding anticipated performance.

3.1   Reserves

3.1.1   The Council holds earmarked reserves to fund unpredictable financial pressures and to smooth the effect of known spending over time. Graph 1 and 2 below reflect the forecast outturn position as at 31st December 2019

Graph 1: 2019/20 forecast contributions from reserves

2019/20 contributions from reserves
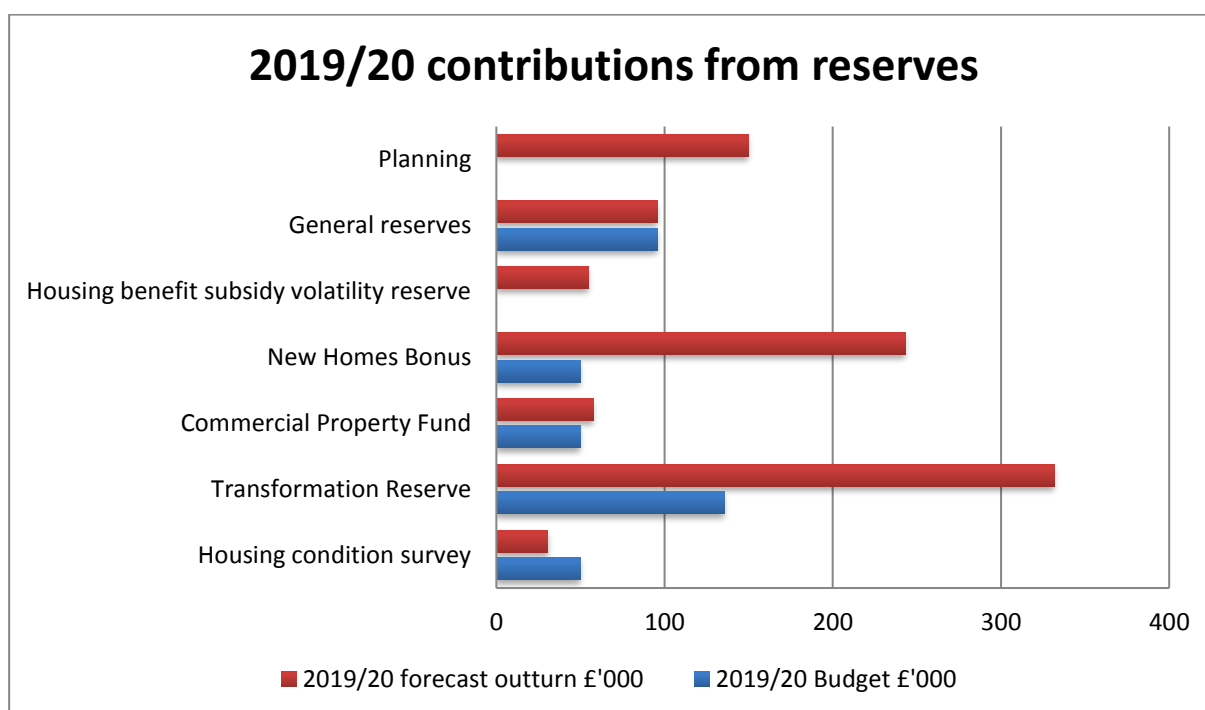
3.1.2 As at 31st December 2019 it is forecasted that there will be a total contribution from reserves of £964k in 2019/20, which is £583k more than budgeted for:

- £105k of this is to fund the Gilston Garden project, agreed after the 2019/20 budget was set
- £283k towards planning costs (shown between planning and new homes bonus reserves)
- £55k contribution from the housing benefit subsidy volatility reserve
- £57k towards the new leisure services contract
- £43k funding for S106 post
- £17k Parks and open spaces consultancy costs
- £16k funding towards discounted business rates grant

Page 225

Graph 2: 2019/20 forecast contributions to reserves

2019/20 contributions to reserves
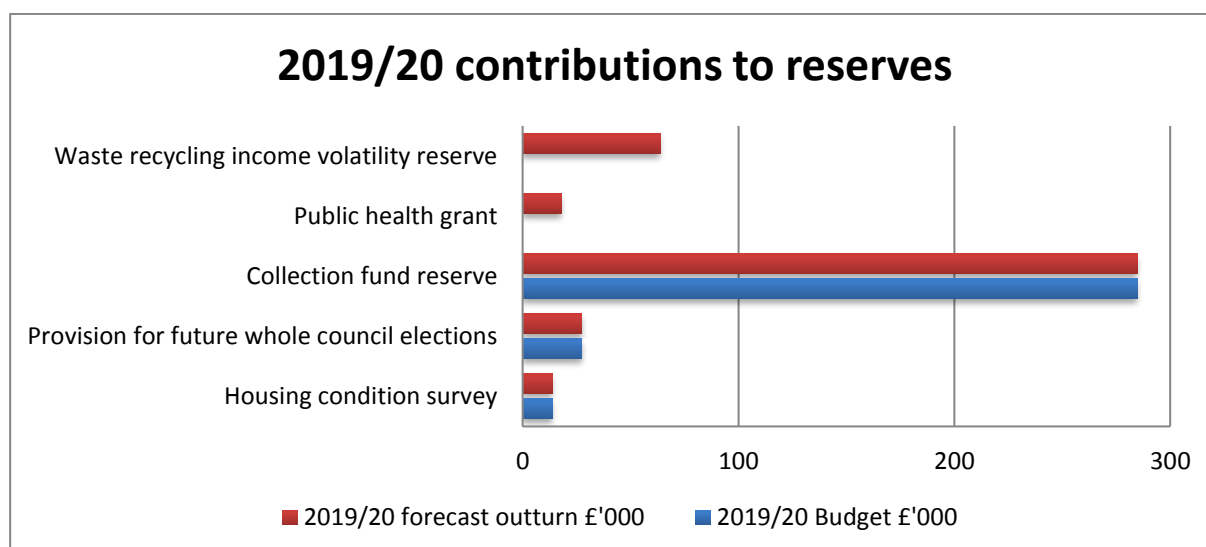
3.1.3 The forecast total contribution to reserves as at 31st December 2019 is £409k, which is £82k more than budgeted for:

- £64k relates to overachievement in recycling income.
- £18k relates to Public Health grant income received which has been earmarked for use in 2020/21.

4.1 Funding

4.1.1 These income budgets are general and non-service specific income sources. The table below shows the value and source of these funding streams as at 31st December 2019

Table 4: 2019/20 funding

	Original Budget 2019/20	Forecast Funding 2019/20	Variance
Council Tax	(10,268)	(10,268)	0
NDR	(2,675)	(2,675)	0
New Homes Bonus	(2,788)	(2,617)	171
Total Funding	**(15,731)**	**(15,560)**	**171**

4.1.2 A forecast reduction in income of £171k is predicted against the new homes bonus budget. This is due to not receiving grant income as initially budgeted for.

5.1 Capital Programme

5.1.1 The revised capital budget for 2019/20 is £77.812m, of which £64.292m is to be carried forward to future years. Appendix A provides a detailed analysis of the projects and their budgets.

5.1.2 The forecast outturn against revised budget in 2019/20 is an underspend of £78k.

6.1 Debtors

6.1.1 The total outstanding debt as at 31st December 2019 is £1.796m.

6.1.2 The outstanding debt over 120 days totals £702k. Officers are proactively working to pursue this debt. Appendix B analyses the profile of aged debtors

7.0 Performance analysis

7.1 Please refer to performance indicator summary analysis in Appendix C for full details of all our performance indicators. Our latest results can be found at **https://eastherts.covalentcpm.com/login** and can be accessed at any point. All Members have a shared read only account. Log in details can be found via the **members section of the intranet**.

7.2 Some performance highlights include:

- MC OP 2.4 - Fly Tip - Removal time continues to sit well within target and latest values are consistent with recent quarters.
- MC OP 191 - The latest figures available for % of household waste sent for reuse, recycling and composting is 1.7% higher than this time last year and at 54.23% is one of our highest recorded figures. The council ran a further recycling campaign over Christmas which is hoped will be reflected in subsequent results.

7.3 Some areas of concern with regard to performance include:

- MC OP 2.2 - Missed bin collections continue to marginally miss set targets month on month. The target will be reviewed in line with the new corporate strategy.
- MC CSP 5.13C - Website satisfaction: The new website launched in November and additional changes were made to the govmetric widget at the

same time. This has resulted in improved satisfaction ratings however over the quarter they are still below target. We expect satisfaction scores to be above target in Q4 when the full impact of changes will be observed. Overview and Scrutiny Committee are considering a more in depth analysis of website scores on 4th February.

- QC CSP5.1 Complaints closed within 10 working days has again missed set targets during Q2 although this has been a slight improvement on the previous quarter. Complaint handling is a major focus within the new Corporate Plan (under the Digital by Design theme) and a number of improvements are being considered for Q4 onwards.

7.4   In addition to these performance results, Appendix D shows the latest communications report, highlighting our Media coverage over the past quarter. This indicates we are continuing to grow our digital footprint via the main channels (Twitter, Facebook) and more recently launched accounts in LinkedIn and Instagram.

8.0   Reason(s)

8.1   As part of its budget monitoring process, the Council is required to produce budget monitoring reports in order to provide effective financial and performance management

9.0   Options

9.1   Not applicable

10.0 Risks

10.1 The Strategic Risk Register was refreshed on 23rd September 2019 by Leadership team and senior managers. The new content has been decided and the finer detail is being prepared. The revised register will be reported to Performance, Audit, Governance and

Oversight Committee in March 2020.

11.0 Implications/Consultations

Consultation was undertaken with budget managers to assist in writing this report.

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

All financial implications are included in this report.

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

All statutory requirements have been considered in preparing this report

Specific Wards

No

12.0 Background papers, appendices and other relevant material

Appendix A: Capital

Appendix B: Debtors

Appendix C: Performance monitoring

Appendix D: Communications report

Contact Member

Councillor Geoff Williamson, Deputy Leader & Executive Member for Financial Sustainability

geoffrey.williamson@eastherts.gov.uk

Contact Officer

Bob Palmer, Interim Head of Strategic Finance and Property

Contact Tel No 2074

bob.palmer@eastherts.gov.uk

Report Author

Nasir Miah, Finance Business Advisor (Finance)

nasir.miah@eastherts.gov.uk

Noel Wallis, Insight & Improvement Anaylst (Performance)

noel.wallis@eastherts.gov.uk

Graham Mully, Insurance & Risk Business Advisor

(Risk and insurance monitoring)

graham.mully@eastherts.gov.uk

This page is intentionally left blank

Capital Forecast Outturn Quarter 3 December 2019			
	Revised Budget 2019/20	Forecast Outturn 2019/20	Variance 2019/20
	£'000	£'000	£'000
Strategic Finance & Property			
Ward Freman - Pool Circulation Pipework	25	25	0
Ware Arts Centre	60	60	0
Street Lighting LED Conversion	80	80	0
Wallfields – Accommodation Update	205	210	5
River & Watercourse Structures	52	52	0
St Andrews Street Car Park, Hertford - Riverbank Retaining Wall	69	69	0
Land Management Asset Register & Associated Works	50	0	(50)
Old River Lane (inc LEP)	1,504	1,504	0
Financial Sustainability	1,800	1,800	0
Shared Business & Technology Services			
Storage Servers	134	134	0
Microwave Link	32	32	0
Members Laptops	18	18	0
HOS Laptops	20	20	0
Council Chamber Upgrade	12	12	0
VMWare ESX and Horizon Upgrade	250	250	0
Hosted Desktop Refresh	40	40	0
Intune Implementation	20	20	0
OS/Database Upgrades (Windows 2008 and 2008 SQl)	75	75	0
Web and email filtering software	6	6	0
Microsoft Office 365 On-boarding	52	52	0
Microsoft Office 365 Productivity Governance and Compliance	63	63	0
Microsoft Office 365 Modern Work Place Security Essentials	65	65	0

	Revised Budget 2019/20 £'000	Forecast Outturn 2019/20 £'000	Variance 2019/20 £'000
Next Generation Telephony	8	25	17
Modern Devices And Devices in Intune	0	58	58
Civica Icon Upgrade	0	12	12
Operations			
Grange Paddocks Leisure Centre	2,719	2,719	0
Hartham Leisure Centre	2,041	2,041	0
Hertford Theatre	484	484	0
Hertford & Beyond – Hartham Common Footpath	11	11	0
Bell Street – Public Convenience Facilities	67	67	0
Replacement play equipment across the district (Rolling programme)	25	25	0
Parsonage Lane play area	37	37	0
Play Area and other projects, Hartham Common, Hertford	37	37	0
Castle Park – HLF	179	179	0
Phisiobury Park - HLF	25	25	0
Trinity Close - Open Space Project	75	75	0
Buntingford Depot - Fire Prevention	225	225	0
Buntingford Depot - Fire Prevention	310	310	0
Housing & Health			
Disabled Facilities Grants - Discretionary	60	0	(60)
Decent Homes Grants	120	60	(60)
Hillcrest Hostel – Disabled Access Works	34	34	0
Future Housing Schemes - 6 Water Lane, Hertford	130	130	0
Colebrook Court (Network Housing)	65	65	0
DEFRA Air Quality Scheme	14	14	0
Community Capital Grants	120	120	0
Energy Grants	20	20	0

	Revised Budget 2019/20 £'000	Forecast Outturn 2019/20 £'000	Variance 2019/20 £'000
Planning & Building Control			
Historic Building Grants -	55	55	0
Market Improvement Scheme	42	42	0
Improvements to The Wash, Maidenhead Street & Bull Plain, Hertford	96	96	0
Communications, Strategy & Policy			
Website Build / Upgrade	51	51	0
Millstream Property Company			
Capital Loans (5 x properties per annum)	1,491	1,491	0
Capital Loan (6 Water Lane, Hertford)	347	347	0
Current Capital Programme Budget Total	**13,520**	**13,442**	**(78)**

Forecast Carry Forward 2020/21	£'000
Strategic Finance & Property	
Operational asset investment (Rolling Programme)	104
Charringtons House Investment	67
River & Watercourse Structures	29
Old River Lane (inc LEP)	15,855
Solar Panels - Wallfields	45
Arts Centre - Old River Lane	30,000
Financial Sustainability	1,200
Operations	
Grange Paddocks Leisure Centre	8,391
Hartham Leisure Centre	1,988
Hertford Theatre	5,000
Hertford Theatre Roof	190
Replacement play equipment across the district (Rolling programme)	25
Play Area and other projects, Hartham Common, Hertford	288
Open Space Improvements - The Wash	50
Open Space Improvements - Folly View	15
Open Space improvements - Cannons Mill Lane	30
Castle Park – HLF	440
Phisiobury Park - HLF	80
Housing & Health	
Community Capital Grants	63
Castle Weir Micro Hydro Scheme	192
Planning & Building Control	
Improvements to The Wash, Maidenhead Street & Bull Plain, Hertford	39
Communications, Strategy & Policy	
Launch Pad 2	201
Current Capital Programme Budget Total	**64,292**

The following graph shows the age of the £1.796m of debts outstanding as at 31st December 2019

Aged debtors as at 31st December 2019

	<30 days	30-59 days	60-89 days	90-119 days	120-365 days	>365 days
■ Debtors	461,269	55,130	130,249	81,058	702,240	365,590
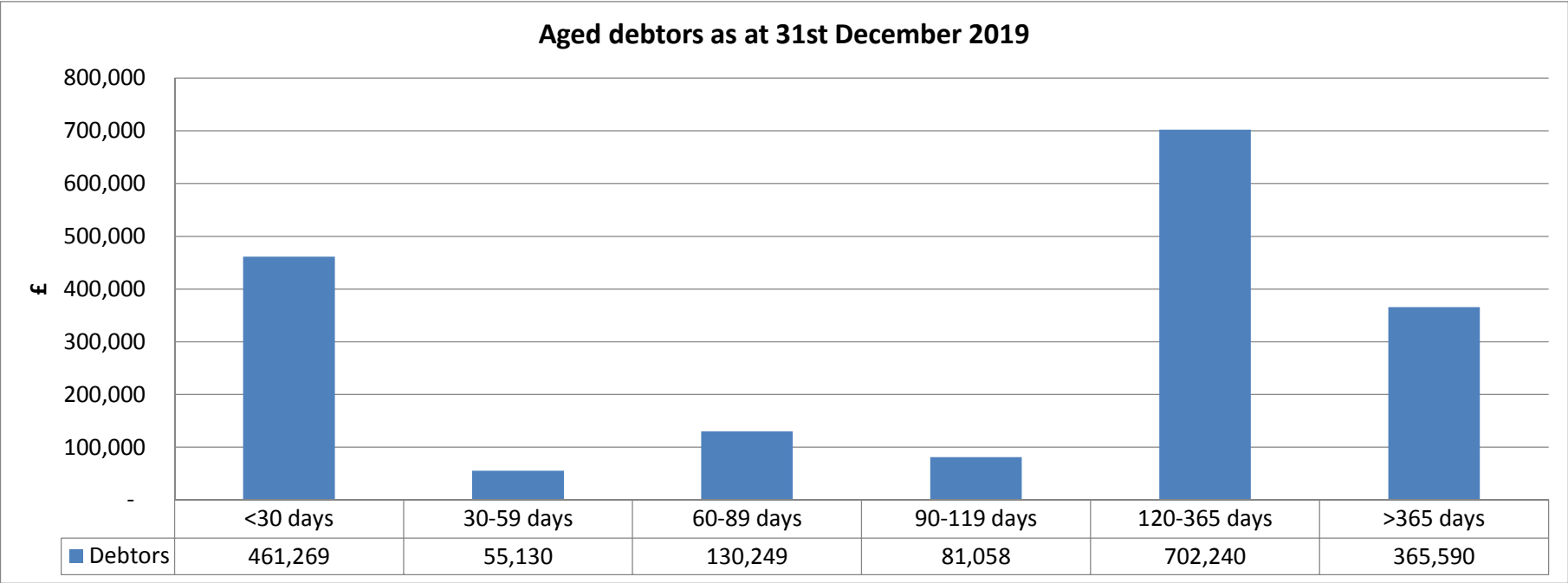
This page is intentionally left blank

					Appendix C - Performance Analysis	
PI code and Name	**Status**	**Latest Value**	**Current Target**	**Movement since last update**	**Performance Data Trend Chart**	**Notes & History Latest Note**
Priority 1: People						
Service: Health & Housing						
QC HH 151 Number of homeless households living in temporary accommodation at the end of the quarter.	trend only	25	none set			At the end of December 2019 the council had 25 households in temporary accommodation . The council's temporary accommodation hostel had 9 of 12 flats occupied with 3 rooms under going refurbishment to improve their disability accessibility. Ten households were in B&B. Five single person households were in temporary supported accommodation for people with mental health conditions and one household was in longer term private leased self contained accommodation.
Service: Revs & Bens						
MC RB 181 Time taken to process Housing Benefit new claims and change events.		7.37days	10 days			Value is 7.37 days which is slightly lower than last month.
Priority 2: Place						
Service: Health & Housing						

					Appendix C - Performance Analysis	
PI code and Name	**Status**	**Latest Value**	**Current Target**	**Movement since last update**	**Performance Data Trend Chart**	**Notes & History Latest Note**
QC HH 155 Number of affordable homes delivered (gross)		203	140	Cumulative Figure		A total of 203 new affordable homes (157 affordable rented homes and 46 shared ownership) were completed up to the end of the third quarter 2019/20.
Service: Planning & Building Control						
MC PB 157A % Processing of planning applications dealt with in timely manner - Major applications (Majors under 13 weeks).		100.00%	60.00%			2 of 2 applications were dealt with within time frames

Appendix C - Performance Analysis						
PI code and Name	Status	Latest Value	Current Target	Movement since last update	Performance Data Trend Chart	Notes & History Latest Note
MC PB 157B % Processing of planning applications dealt with in timely manner- Minor applications (Others - under 8 weeks).		82.00%	80.00%			33 of 40 applications were dealt with within time frames
MC PB 157C % Processing of planning applications dealt with in timely manner- Other applications (Others - under 8 weeks).		93.00%	90.00%			101 of 109 applications were dealt with within time frames
MC PB 205 % of site visits undertaken in relation to urgent cases within 2 workings days of 'start date'.	N/A	N/A	100%	N/A		There have been 0 cases in the latest period

					Appendix C - Performance Analysis	
PI code and Name	Status	Latest Value	Current Target	Movement since last update	Performance Data Trend Chart	Notes & History Latest Note
Service: Operations						
LATEST UPDATE September 2019 - MC OP 191 Residual household waste per household	trend only	192kg	none set	Cumulative Figure		The trend of reduce waste is continuing into September with a reduction of 27kgs compared to September 2018 which was 219kgs per household.
LATEST UPDATE September 2019 - MC OP 192 % of household waste sent for reuse, recycling and composting.		54.23%	50%			The most recent data available is 54.23% recycling which is 1.7% higher than at the same point last year although there has been a drop on the previous month, most likely due to reduced organic waste recycling

					Appendix C - Performance Analysis	
PI code and Name	Status	Latest Value	Current Target	Movement since last update	Performance Data Trend Chart	Notes & History Latest Note
MC OP 2.2 - Waste: missed collections per 100,000 collections of household.		48.07	30	⬆		An increase on the previous months missed collections. December trends suggest that this month is usually a well performing month. The contractor will be asked to investigate why performance has dropped compared to the previous month.
QC OP 2.4 Fly-tips: Time taken for removal		1.21 days	2.00 days	➖		Fly tip removal remains within in target, with most fly tips being cleared on the day they are reported.

Priority 3: Business

Service: Health & Housing

				Appendix C - Performance Analysis		
PI code and Name	**Status**	**Latest Value**	**Current Target**	**Movement since last update**	**Performance Data Trend Chart**	**Notes & History Latest Note**
QC HH 184 % of food premises in the area which are broadly compliant with food hygiene law		96.00%	85.00%			Target exceeded. 96% of registered food businesses in East Herts are broadly compliant with food law; this represents 1,041 businesses, down 1% on previous quarter
Priority: Supporting All						
Service: Revs & Bens						
LATEST UPDATE December 2019 - MC RB 10.2 Council tax collection, % of current year liability collected.		82.00%	83.00%	Cumulative Figure		Figure sits 1% below set target for the latest results in December, 0.3% down on the previous years results

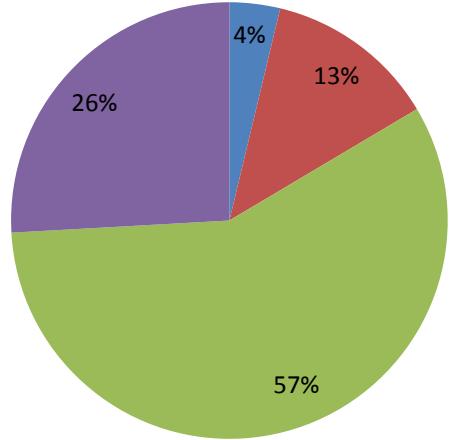|					Appendix C - Performance Analysis	
PI code and Name	Status	Latest Value	Current Target	Movement since last update	Performance Data Trend Chart	Notes & History Latest Note
LATEST UPDATE December 2019 - MC RB 10.4 NNDR (Business rates) collection, % of current year liability collected.		85.10%	83.00%	Cumulative Figure		Figures are 2.1% above set targets though are 0.5% lower than this point in the previous year.
Service: Human Resources						
MC HR 12A Number of short-term sickness absence days per FTE staff in post		0.24 days	0.33 days			S/T absence for the year so far = 2.26 (end of year target = 4)

Appendix C - Performance Analysis						
PI code and Name	Status	Latest Value	Current Target	Movement since last update	Performance Data Trend Chart	Notes & History Latest Note
MC HR 12B Number of long-term sickness absence days per FTE staff in post		0.32 days	0.17 days		MC HR 12B Number of long-term sickness absence days per FTE staff in post	L/T sickness for the year so far = 1.43 (end of year target = 2)Over target this month due to a number of new long term sickness cases which HR Officers are working on with Managers.
MC HR 12C Total number of sickness absence days per FTE staff in post		0.56 days	0.50 days		MC HR 12C Total number of sickness absence days per FTE staff in post	Total absence for the year so far = 3.69 (end of year target = 6). Over target this month due to a number of new long term sickness cases which HR Officers are working on with Managers.
Service: Democratic & Legal Services						
MC DL 5.15 % of FOI cases closed in month that were closed within 20 working days or less		97.91%	90.00%		MC DL 5.15 % of FOI cases closed in month that were closed within 20 working days or less	There were 48 cases of which one was overdue during December

PI code and Name	Status	Latest Value	Current Target	Movement since last update	Performance Data Trend Chart	Notes & History Latest Note
Appendix C - Performance Analysis						
Service: Communications, Strategy & Policy						
MC CSP 5.13A % Good Satisfaction (GovMetric) - Face to Face.	(green)	84%	80%	(red, down arrow)	MC CSP 5.13A % Good Satisfaction (GovMetric) - Face to Face.	Scores continue to fluctuate slightly above our set targets
(E)MC CSP 5.13C % Good Satisfaction (GovMetric) - Website.	(red)	42%	50%	(green, up arrow)	MC CSP 5.13C % Good Satisfaction (GovMetric) - Website.	Scores continue to rise as people understand our new website and we draw on comments from previous months. We are now closer to our 50% target with 182 positive reviews and a further 45 average. As always, we continue to review any negative comments or reviews to see if we can implement improvements

Appendix C - Performance Analysis						
PI code and Name	Status	Latest Value	Current Target	Movement since last update	Performance Data Trend Chart	Notes & History Latest Note
QC CSP 5.1 % of complaints resolved in 14 days (10 working days) or less.		55.00%	70.00%			There were 20 complaints during Q3 of which 11 were within 10 working days. This was a slight improvement on the previous quarter but has again failed to meet set targets
QC CSP 5.2A % of complaints about the Council and its services that are upheld: 1st stage		31.57%	30.00%			Of the 19 complaints during Q3, 5 were upheld and one partially upheld meaning the target was marginally missed
QC CSP 5.2B % of complaints about the Council and its services that are upheld: 2nd stage - appeal		50.00%	25.00%			One complaint was made at stage 2 and this was not upheld

Appendix C - Performance Analysis						
PI code and Name	**Status**	**Latest Value**	**Current Target**	**Movement since last update**	**Performance Data Trend Chart**	**Notes & History Latest Note**
Service: Digital East Herts						
1a Volume & Proportion of Contacts by Email	trend only	858 (4%) 3% in Q2	Trend only	⬇		
1b Volume & Proportion of Contacts by F2F	trend only	2,900 (13%)2,799 in Q2	Trend only	⬆		
1c Volume & Proportion of Contacts by Phone	trend only	13,160 (58%)14,271 in Q2	Trend only	⬇		
1d Volume & Proportion of Contacts by Web Forms	trend only	5,912 (26%) 5320 in Q2	Trend only	⬆		

Q2 Contact (CS proxy) Figures Q3

- Contacts by Email
- Contacts by F2F
- Contacts by Phone
- Contacts by Web Forms

These records are based on contact into customer services as a comparable proxy for customer contact given total contact into the Council can often include internal comms and sales/marketing and is the same methodology used in Q1 2019/20. There has been a large increase in web form traffic as we continue to build new forms and people become more aware of them online. These web form figures reflect all of the web forms coming into council, of which around 80% come directly into customer services. Phone calls are broadly similar to Q2 but the proportion reduced significantly. Face to Face interactions rose slightly during this period.

Appendix C - Performance Analysis						
PI code and Name	Status	Latest Value	Current Target	Movement since last update	Performance Data Trend Chart	Notes & History Latest Note

PI Status

Performance is 6% or more off target	
Performance is 3% or more off target	
Performance is on target or exceeding target	
No target to set performance against	Trend Only
Latest data unavailable - last data shown	
Indicators to be deleted	

Movement since last period

Value is higher than previous period & this is positive movement	
Value is higher than previous period but this is negative movement	
Value is lower than previous period but this is positive movement	
Value is lower than previous period & this is negative movement	
Value is the same as previous period	
N/A -Cumulative so will always be above previous period	n/a

Quarterly comms reporting

twitter

	October	November	December	
Tweets	60	90	67	↓ Decrease on last qtr -94
Followers	9,947	10,021	10,079	↑ Increase on last qtr +196
Impressions	108k	108k	84.1k	↓ Decrease on last qtr -98.9k
mentions	319	297	268	↓ Decrease on last qtr -500
Customer enquiries	40	26	39	↑ Increase on last qtr +8

facebook

	October	November	December	
Posts	42	56	24	↓ Decrease on last qtr -57
Followers	2,060	2,097	2,121	↑ Increase on last qtr +89
Customer enquiries	36	17	20	↓ Decrease on last qtr -36

Instagram

	October	November	December	
Followers	1,366	1,399	1,423	↑ Increase on last qtr +90
posts	3	7	5	— NO CHANGE
♥	69	180	165	↑ Increase on last qtr +43

LinkedIn

	October	November	December	
Connections	679	703	722	↑ Increase on last qtr +53
Clicks	49	23	54	↓ Decrease on last qtr -28

Internal Communications

	October	November	December	
Intranet page views	19,716	18,797	16,676	↓ Decrease on last qtr -1,449
Team Update views	479	198	N/A	— N/A
Top story	New starters (126)	Your October winner is (92)	N/A (-)	— N/A

Staff briefings attendance (December) N/A — N/A

Email marketing

	October	November	December	
Subscribers	1,691	1,737	1,748	↑ Increase on last qtr +91
Open rate	54.2%	48.0%	52.3%	↑ Increase on last qtr +1.6%

Website

	October	November	December	
Page views	172,220	177,393	120,256	↓ Decrease on last qtr -102,552

Press

Traditional

	October	November	December	
PRESS RELEASES SENT	4	3	3	↓ Decrease on last qtr -2
Press articles	28	30	15	↓ Decrease on last qtr -39
Press score	-5	+15	+5	↓ Decrease on last qtr -9

Digital Media

	October	November	December	
online articles	16	19	7	↓ Decrease on last qtr -26
Press score	+8	+5	+2	↓ Decrease on last qtr -12

Total score

	October	November	December	
Press score	+3	+20	+7	↓ Decrease on last qtr -21

This page is intentionally left blank

East Herts Council Report

Performance Audit and Governance Oversight Committee

Date of Meeting: 17 March 2020

Report by: Chairman of Performance Audit and Governance Oversight Committee

Report title: Draft Work Programme 2019/20

Ward(s) affected: All

Summary

- To invite Members to review and determine the future work programme of Performance, Audit and Governance Oversight Committee.

RECOMMENDATIONS FOR PERFORMANCE AUDIT AND GOVERNANCE OVERSIGHT COMMITTEE, that:

(a) **the main agenda items for the next meeting be agreed;**

(b) **the draft work programme, as amended, at Appendix A, for the remainder of the year be agreed.**

1.0 Proposal(s)

1.1   Items previously required, identified or suggested for the PAGO work programme are set out in **Appendix A**.

2.0 Background

2.1   The draft agenda for the next PAGO Committee is shown in **Appendix A**. Members are asked to confirm that these are

the key items they wish to consider.

2.2 **Appendix A** also sets out provisional items for future meetings of the committee. Whilst the timing of some items shown may have to change depending on availability of essential data (eg. from central government), members are asked to consider the future programme and add, remove or move items as they see fit.

2.3 Members are asked whether there is any training relevant to the function and remit of the PAG Oversight Committee that they wish to suggest and advise the Scrutiny Officer.

3.0 Reason(s)

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

4.0 Options

4.1 Members have the option to include or exclude any items on the proposed work programme, however, officers recommend approval of the listed items as consideration will fulfil the council's audit functions and the items reflect the issues previously raised by PAGO members. Members should be aware that this is a draft work programme which is continually reviewed and will evolve as the work programme develops triggered by external and internal influences.

5.0 Risks

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

6.0 Implications/Consultations

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

Community Safety

No

Data Protection

No

Equalities

No

Environmental Sustainability

No

Financial

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

Health and Safety

No

Human Resources

No

Human Rights

No

Legal

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

Specific Wards – All wards

7.0 Background papers, appendices and other relevant material

      7.1   Not applicable.

Contact Member	Mark Pope, Chairman of Performance Audit and Governance Oversight Committee mark.pope@eastherts.gov.uk
Contact Officer	James Ellis Head of Legal and Democratic Services James.ellis@eastherts.gov.uk
Report Author	Lorraine Blackburn, Scrutiny Officer. Lorraine.blackburn@eastherts.gov.uk

Performance, Audit & Governance Oversight (PAGO) Committee
Work Programme 2019/20 – DRAFT
[NB: This is a working document and is subject to amendment]

21 May 2019	
Topic	**Lead Officer**
Risk Management Annual Report	Isabel Brittain, Head of Strategic Finance Author: Graham Mully, Risk and Insurance Business Advisor
Delivery of Housing and Health Strategy – Year 2 Review	Jonathan Geall, Head of Housing and Health
Work Programme	

31 July 2019	
Topic	**Lead Officer**
Annual statement of accounts	Isabel Brittain, Head of Strategic Finance and Property Author: Rob Winterton
Annual Performance Report 2018/19	Ben Wood, Head of Communications, Policy and Strategy
Council Tax Reduction Scheme 2020/2021	Su Tarran, Head of Revenue and Benefits
Shared Internal Audit Service – update on Annual Assurance	
Shared Internal Audit Service – update on Audit Plan	

Performance, Audit & Governance Oversight (PAGO) Committee
Work Programme 2019/20 – DRAFT
[NB: This is a working document and is subject to amendment]

31 July 2019	
Topic	**Lead Officer**
Annual Governance Statement and Action Plan	Isabel Brittain, Head of Strategic Finance and Property
Work Programme	

24 September 2019	
Topic	**Lead Officer/s**
Performance on Theme/Issue: Section 106	*Jan Goodeve, Helen Standen, Jackie Bruce. Ben Wood*
Financial Health check (April – June 2019),	Isabel Brittain, Head of Strategic Finance and Property
Treasury Management Strategy Review 18/19 Outturn	Isabel Brittain, Head of Strategic Finance and Property
SAFs Annual Fraud Report 2018/19 and progress report of delivery of 2019/20 Annual Fraud Plan	Nick Jennings
SIAS Shared Internal Audit Plan and Board Report Update	Nick Jennings
Insurance options report	Graham Mully / Isabel Brittain
Work Programme	Lorraine Blackburn

Performance, Audit & Governance Oversight (PAGO) Committee
Work Programme 2019/20 – DRAFT
[NB: This is a working document and is subject to amendment]

29 October 2019	

Topic	Lead Officers
Draft Statement of Accounts	Isabel Brittain Head of Strategic Finance and Property
Treasury Management Strategy Outturn 2018/19	Nicola Munro
Treasury Management Strategy Mid Year Review	Nicola Munro
Economic Development Strategy Update	Ben Wood Head of Communications, Policy and Strategy

19 November 2019	
Topic	**Lead Officer**
Statement of Accounts	Isabel Brittain/Ernst Young
Corporate strategic plan 2020/21 development progress.	Isabel Brittain Head of Strategic Finance and Property
Corporate Budget Monitoring Report Q2	Isabel Brittain Head of Strategic Finance and Property
Budget and MTFP 20/21	Isabel Brittain Head of Strategic Finance and Property
Work Programme	Lorraine Blackburn

Performance, Audit & Governance Oversight (PAGO) Committee
Work Programme 2019/20 – DRAFT
[NB: This is a working document and is subject to amendment]

14 January 2020	
Topic	**Lead Officer**
Capital Strategy	Bob Palmer
Treasury Management Strategy 2020-21	Bob Palmer
Draft Corporate Plan 2020/21	Ben Wood
Budget and Medium Term Financial Plan 2020/21 – 2023/24	Bob Palmer
Annual Audit Letter	Suresh Patel, EY
Shared Internal Audit Service (SIAS)	Simon Martin (HCC)
Shared Anti-Fraud Service (SAFS)	Nick Jennings (HCC)
Draft Work Programme	Lorraine Blackburn

17 March 2020	
Topic	**Lead Officer**
External Auditor 2018-19 Audit Plan	Suresh Patel (EY)
Shared Anti-Fraud Service (SAFS) with draft plan for 2019/20 for approval	Nick Jennings (HCC)
Shared Internal Audit Plan (SIAS) 2019/20	Simon Martin (HCC)
Shared Internal Audit Service (SIAS) Audit Plan Update	
Quarterly Corporate Budget Monitor - Quarter 3 December 2019	Bob Palmer /Alison Street
Implementation of Annual Governance Statement	Bob Palmer
Annual Review of Risk Management Strategy	Bob Palmer /Graham Mully
Annual Risk Report	Bob Palmer /Graham Mully
Draft Work Programme	Lorraine Blackburn

Performance, Audit & Governance Oversight (PAGO) Committee
Work Programme 2019/20 – DRAFT
[NB: This is a working document and is subject to amendment]

19 May 2020	
Topic	**Lead Officer**
Insurance Options Report – Procurement of next long term contract	Interim Head of Strategic Finance and Bob Palmer / Insurance and Business Risk Advisor

Performance, Audit & Governance Oversight (PAGO) Committee
Work Programme 2019/20 – DRAFT
[NB: This is a working document and is subject to amendment]

Other items/notes:

- **Corporate Budget Monitoring Report** (formerly the Financial Health Check reports) will be provided quarterly.
  The dates for the quarterly Corporate Budget Monitoring reports to go to PAGO:
  - Quarter 3 (2019/20) – March 2020
  - Outturn (full year 2019/20) – July 2020
  - Quarter 1 (April – June 2020) – September 2020
  - Quarter 2 (July – September 2020) - November 2020
  - Quarter 3 (October – December 2020) – March 2021

- **Complaints lodged with the Monitoring Officer** (Head of Democratic and Legal Support Services). When there are updates.
- **Changes to Constitution Review Update** (Head of Democratic and Legal Support Services): When there are updates.
- **Shared Anti-Fraud Service Report (SAFS).** At every meeting.
- **Shared Internal Audit Service (SIAS).** At every meeting.

DATE OF MEETING	REPORT DEADLINE (midday)
17 March 2020	4 March 2020
19 May 2020	5 May 2020
28 July 2020	15 July 2020
22 September 2020	9 September 2020
17 November 2020	4 November 2020
12 January 2021	23 December 2020
16 March 2021	3 March 2021